



How to manage the negotiation process with a Chinese company

- From a Swedish perspective

Kristianstad University
The Department of Business studies

FEC685 Bachelor Dissertation
December 2005

Tutors: Bengt Ferlenius
Viveca Fjelkner

Authors: Mikael Larsson
Maria Olofsson
Ulrika Severin

Foreword

Kristianstad, December 2005

During the process of writing this dissertation at Kristianstad University, the ability of using our knowledge and at the same time cooperate in a team, were challenged. We also experienced the huge amount of knowledge that may be gained from studying Chinese business negotiation from a Swedish perspective. We have discovered this as an interesting area in which we might consider working.

We would like to thank the persons that contributed with their knowledge and guidance in order to make this dissertation possible. We would especially like to thank our tutors, Bengt Ferlenius and Viveca Fjelkner, for the support, guidance and criticism they have given us.

Furthermore, we want to thank all the companies and their negotiators for taking the time to meet us, and for providing us with their valuable information and real life experience of Chinese business negotiations.

Mikael Larsson

Maria Olofsson

Ulrika Severin

Abstract

Today, China is the fastest growing economy in the world (Fang, 2005). Foreign companies are competing for the opportunity to take part of this development and reach the Chinese market, and Sweden is no exception. A crucial part in doing business with Chinese companies is the negotiation process. There exist many differences in culture between Sweden and China. To consider these differences may be the key for a successful negotiation.

In this dissertation we study Chinese business negotiation only from the perspective of Swedish negotiators. Guidelines on how to make a successful deal have been compiled based on the literature and tested in a case study. In the case study Swedish negotiators has compared the guidelines from the literature with their actual experiences to see how well they match. Based on the result a modified list of guidelines will be presented that hopefully will be applicable for Swedish companies when negotiating with Chinese companies.

The result from the case study showed that the experiences from the respondents were consistent to some extent, but it also showed different issues worth mentioning. Because of the information received from the respondents a modified list of guidelines were made with the aim to be more applicable to Swedish exporting companies.

Table of Contents

INTRODUCTION	8
1.1. Background	8
1.2. Problem	9
1.3. Purpose	10
1.4. Limitations	10
1.5. Research questions	10
1.6. Definitions	11
1.7 Outline	12
METHOD	13
2.1. Choice of Methodology.....	13
2.2. Research approach	13
2.3. Research purpose.....	15
2.4. Data collection method.....	15
2.4.1. Secondary data.....	15
2.4.2. Primary data.....	16
LITERATURE REVIEW	17
3.1. Introduction	17
3.2. Defining culture	17
3.3. Chinese Culture	18
3.4. Swedish Culture.....	21
3.5. Defining Business Culture.....	22
3.6. Differences between Swedish and Chinese business cultures	22
3.6.1. Personal trust versus trust for the system.....	23
3.6.2. Face/facade versus honesty.....	25

3.6.3. Hierarchy versus equality	26
3.6.4. Relationship versus contract	27
3.6.5. High-context versus low context	30
3.6.6. Formal versus informal	31
3.6.7. Family versus individual.....	32
3.6.8. Work versus private life.....	33
3.6.9. Time perspective.....	33
3.6.10. Changes versus stability.....	34
3.6.11. Harmony versus “lagom”.....	34
3.7. Summary	35
GUIDELINES FOUND IN LITERATURE	37
4.1. Introduction	37
4.2. A presentation of the guidelines	37
4.3. An analysis of the guidelines.....	38
4.3.1. Guideline 1	38
4.3.2. Guideline 2	39
4.3.3. Guideline 3	40
4.3.4. Guideline 4	40
4.3.5. Guideline 5	41
4.3.6. Guideline 6	41
4.3.7. Guideline 7	42
4.3.8. Guideline 8	42
4.3.9. Guideline 9	42
4.3.10. Guideline 10.....	43
4.3.11. Guideline 11.....	43
CASE STUDY	45
5.1. Research strategy.....	45
5.2. Sample selection.....	46
5.3 The interview guide	47
5.4. The result of the interviews.....	47
5.4.1. Question 4.....	48
5.4.2. Question 5.....	49
5.4.2.1. <i>Guideline 1</i>	49
5.4.2.2. <i>Guideline 2</i>	50
5.4.2.3. <i>Guideline 3</i>	51
5.4.2.4. <i>Guideline 4</i>	52
5.4.2.5. <i>Guideline 5</i>	54
5.4.2.6. <i>Guideline 6</i>	55
5.4.2.7. <i>Guideline 7</i>	56
5.4.2.8. <i>Guideline 8</i>	56
5.4.2.9. <i>Guideline 9</i>	57
5.4.2.10. <i>Guideline 10</i>	58
5.4.2.11. <i>Guideline 11</i>	59
5.4.3. Question 6.....	59

5.4.4. Question 7.....	61
THE MODIFIED LIST OF GUIDELINES.....	62
6.1. Evaluation and modification of the guidelines	62
6.2. New guidelines	69
CONCLUSIONS	70
7.1. Summary of the dissertation.....	70
7.2. The modified list of guidelines.....	72
7.3. Criticism of the Methodology	74
7.4. Validity	75
7.5. Reliability	75
7.6. Generalisability.....	76
7.7. Practical Implications	76
7.8. Future research.....	77
LIST OF REFERENCES.....	79
APPENDICES	
Appendix 1a	Covering letter translated into English
Appendix 1b	Questionnaire translated into English
Appendix 1c	List of guidelines translated into English
Appendix 2a	Original Covering letter
Appendix 2b	Original Questionnaire
Appendix 2c	Original List of guidelines
LIST OF FIGURES/TABLES	
Figure 1.1 The outline of the dissertation	4
Figure 3.1 Differences in relationships	19
Table 5.1 Respondent rate of guideline 1	37
Table 5.2 Respondent rate of guideline 2	38
Table 5.3 Respondent rate of guideline 3	39
Table 5.4 Respondent rate of guideline 4	40
Table 5.5 Respondent rate of guideline 5	41
Table 5.6 Respondent rate of guideline 6	42

Table 5.7 Respondent rate of guideline 7	42
Table 5.8 Respondent rate of guideline 8	43
Table 5.9 Respondent rate of guideline 9	44
Table 5.10 Respondent rate of guideline 10	44
Table 5.11 Respondent rate of guideline 11	45

Chapter 1

Introduction

At the beginning of this chapter the background will be described. Further the problem and purpose of the dissertation are discussed. Finally the limitations, research questions, definitions and the outline are presented.

1.1. Background

The interest in our topic was developed during a course in Intercultural business communication in our third year at the University of Kristianstad. The course focused on the communication difficulties that may arise when dealing with cultural differences. Because Chinese business culture varies a lot from other business cultures, China was the country that we discussed the most. Today, China is the fastest growing economy in the world and due to the differences in business culture and because of the possibilities China can give to Sweden, a further look into that market seemed interesting (Fang, 2005).

Today globalisation contributes to the extent of the business world. Because more companies transfer parts of their organisation to foreign markets, the business world is shrinking when companies become more alike within the organisation. While economies become global, it may provide tremendous opportunities. Other countries must adjust their expectations and adapt their business practices and negotiating tactics in order to succeed.

During the past decades the western world has developed an interest in Asia and most of all in China. Political changes, the transition from planned economy to market economy, the low salary rates and the fact

that China today is the fastest growing economy in the world makes China very attractive for foreign investors. Sweden is one of the countries that has increased the trade with China. During the time period between 1991 and 2001 the Swedish export to China increased by 910 percent (Fang, 2005). From a Swedish business perspective China is the most important partner in Asia. Although the trading between Sweden and China has increased a lot for several years, there are aspects Swedish companies must consider during this process. One of the aspects is the differences in the business culture between Sweden and China. It cannot be ignored that there are several differences in business culture that are of importance for a Swedish company when doing business with a Chinese company. If a Swedish company choose not to respect these differences it might create misunderstandings between Sweden and China and therefore it will be difficult to make a business deal.

Many researchers and businessmen have contributed to the development of several guidelines of how to be able to communicate and negotiate with foreign countries. In this context, guidelines are a list of different approaches a company may use when communicating with different business cultures, in order to reach a business agreement. The dissertation will investigate Swedish exporting companies and their approach, with the guidelines we have compiled from the differences between Chinese and Swedish business culture, and see how well they match. If there are differences, the aim is to modify a list of guidelines that can be useful for Swedish exporting companies during a negotiating process with Chinese companies.

1.2. Problem

The main reason for this research is that in the future we believe more and more Swedish companies will enter the Chinese market because of its big potential. Chinese business culture differs a lot from Swedish

business culture and it is therefore important for us to investigate what kind of guidelines may exist and if Swedish companies use them in their approach to Chinese companies.

1.3. Purpose

The purpose of this dissertation is to compile our own guidelines based on differences between Swedish and Chinese business culture found in the literature, and investigate how well they match the guidelines used by Swedish exporting companies that have been involved in a successful business negotiation with a Chinese company. The further purpose is to investigate the possible differences between the guidelines and present a modified list of the most useful guidelines for the Swedish exporting companies in the negotiation process with Chinese companies.

1.4. Limitations

Because of the lack of time this dissertation will be limited to Swedish companies located within a range of 110 kilometres from Kristianstad that are exporting products to China. We have also decided to investigate China in general and not pay attention to different parts of the country.

1.5. Research questions

- What are the main differences between Swedish and Chinese business culture?
- What guidelines may be helpful for Swedish companies when negotiating with Chinese companies?
- Do Swedish companies use the guidelines or do they use different approaches?
- Can we modify the list of guidelines from the result of our investigation to make it more applicable for Swedish companies when exporting to Chinese companies?

1.6. Definitions

Guidelines – A list of different approaches a company may use when communicating with different business cultures, in order to reach a business agreement.

Culture – Values, beliefs, knowledge that decide how a person will act towards others and society.

Businessculture – The ability for employees to interact successfully with business people of different cultures, dependent on their capacity to understand their own cultural vision as well as their counterparts.

Swedish company – A company located in Sweden with a Swedish culture, where the employees are Swedish business people negotiating with Chinese business people.

Chinese company – A company located in China with a Chinese culture, where the employees are Chinese business people negotiating with Swedish business people.

Globalisation – When companies move the organisation or parts of it to other countries.

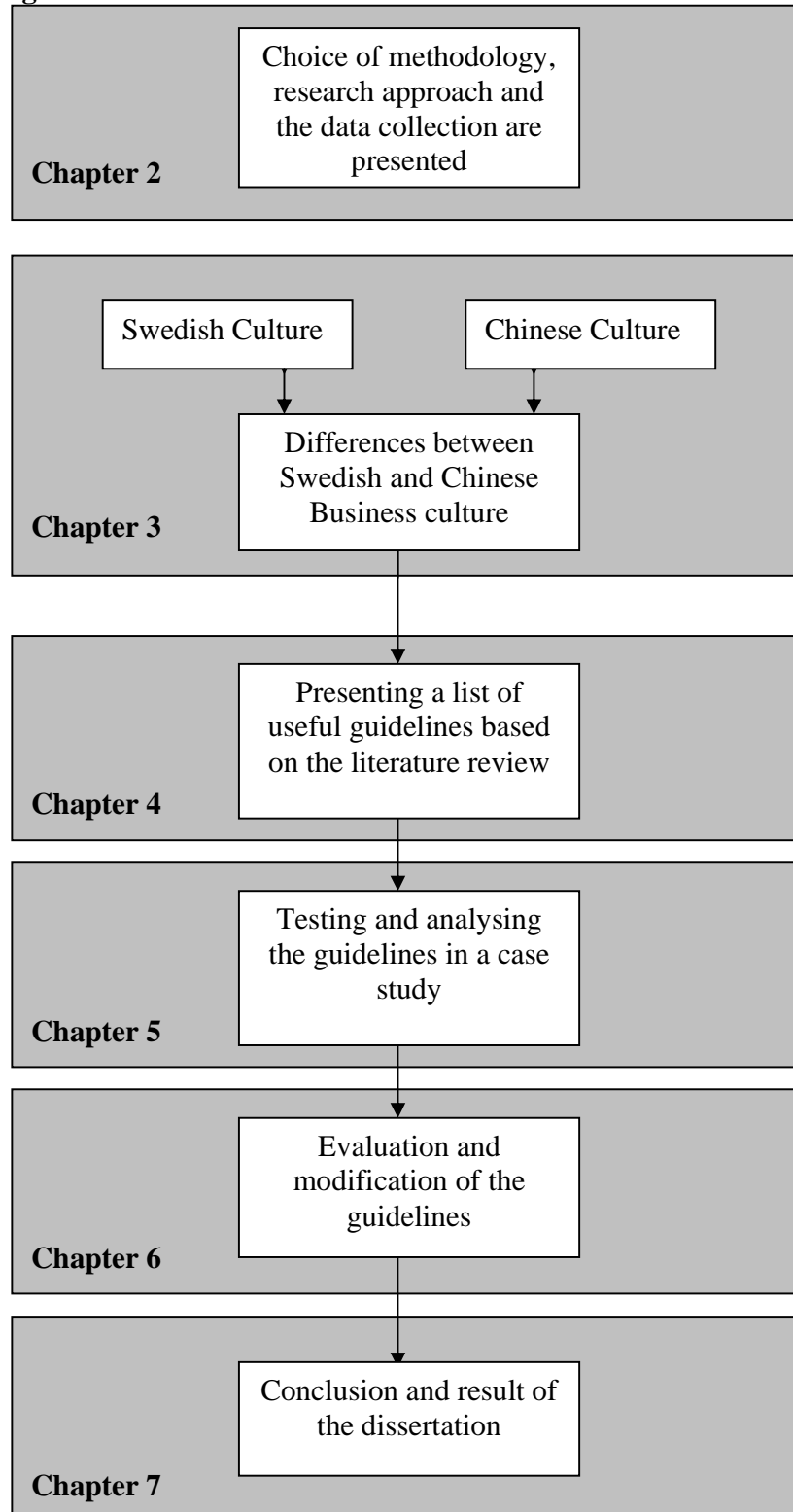
Negotiating – When two business parts cooperate and discuss different approaches and agreements in order to reach a mutual business deal.

Guanxi – A Chinese system of giving and receiving with a large amount of trust, often based on relationships and common experiences.

Mianzi – Describes a person's social status based on character and reputation within a certain social group.

1.7 Outline

Figure 1.1 The outline of the dissertation



Chapter 2

Method

In this chapter the choice of methodology and the research approach are presented. Further, the research purpose is discussed and finally the data collection is described.

2.1. Choice of Methodology

As described in the Introduction, the aim was to find the most useful guidelines for Swedish companies when negotiating with Chinese companies. Therefore we started to study the literature and the characteristics of the Swedish and the Chinese business culture, in order to determine the differences between them. Because of these differences we compiled a list of guidelines that may help Swedish companies when negotiating with Chinese companies. These guidelines were used in a case study to investigate if they were actually used by Swedish companies in real life experiences in their negotiation process with Chinese companies. Finally, the list of guidelines were modified and presented and hopefully Swedish companies will find it useful in future negotiations with Chinese companies.

2.2. Research approach

A research can be carried out in two ways, the *inductive* and *deductive* approach. In this dissertation we form list of guidelines based on the literature. The guidelines are tested in a case study, which means a deductive approach is used.

There are two types of research methods: quantitative and qualitative methods. In quantitative research the conclusions are drawn from a quantitative aspect, i.e. it measures *how much* and *how many*. With the quantitative method a statistical measurement has a central role and the

conclusions refer to the number of respondents (Saunders, Lewis and Thornhill, 2003).

A qualitative research will demonstrate that by collecting data in different ways one can partly get a deeper understanding of a studied problem. With this method we collect several variables from a few numbers of entities. Interviews are also conducted where open questions are offered so the respondents will be free to express what they want on the subject. A qualitative research can also be characterized by closeness to the source from where the researchers collecting data. Therefore, an important part of the qualitative approach is to identify patterns, processes, common characteristics and differences (Saunders *et al.*, 2003).

The chosen method of our study is of a qualitative nature, because we needed to find out detailed information about Swedish negotiators' experiences when they have done business with Chinese companies.

According to Saunders *et al.*, 2003, p.83, "your research philosophy depends on the way that you think about the development of knowledge." This area is normally not given too much attention to, but the way one looks at the collected data will affect the outcome of the way the research is done. There are three ways on how to view the research process that dominate the literature: Positivism, interpretivism and realism.

The philosophy that will dominate the research process is realism. Realism is based on the reality, what people can see with their eyes, but there are still social forces that affect people without necessarily being aware of them (Saunders *et al.*, 2003, p.84).

2.3. Research purpose

Research can be classified into exploratory, explanatory and descriptive studies. According to Saunders *et al.*, 2003, p.96, “exploratory studies are valuable means of finding out what is happening; to seek new insights; to ask questions and to assess phenomena in a new light.” This is very useful if one wants to clarify the understanding of a problem. Explanatory studies are used to investigate and explain the relationship between variables. Therefore the study establishes a relationship between the variables and looks at the outcome of it (Saunders *et al.*, 2003). A research is considered to be a descriptive study if the study area already consists of existing information. This can sometimes be a forerunner to, or an extension of, an explanatory research (Saunders *et al.*, 2003).

The research purpose and the research questions of this dissertation are mainly of a descriptive character, but there may also be found some influences of exploratory study since we have not found any other research from the Swedish perspective. Furthermore our last question is of an exploratory nature, since we have not been able to find any other research on this question.

2.4. Data collection method

2.4.1. Secondary data

At first our experience in the subject was not very wide. Because of that we had to collect a lot of data, which we read and compiled to increase our knowledge. The data consisted of textbooks, articles and the Internet which laid the ground for our literature review. The literature was not mainly chosen because of famous researchers within the subject; it was chosen because the content of the literature was of importance for our dissertation.

2.4.2. Primary data

The nature of the approach to research and the nature of the research questions require in-depth interviews, because it is necessary to understand the reason for the answers received from the participants in the interviews. The interviews were semi-structured since the opportunity to investigate the answers was more accurate. This method was chosen because the possibility to build on, or explain the responses received, was required in this type of research. An advantage with interviews is that the respondents might express themselves in a particular way, which might give an opportunity to investigate the answers more carefully and further give more information to the received data (Saunders *et al.*, 2003).

According to Saunders *et al.*, 2003 there is a big significance of establishing personal contacts. He also states that “managers are more likely to agree to be interviewed, rather than complete a questionnaire, especially where the interview topic is seen to be interesting and relevant to their current work” (Saunders *et al.*, 2003, p.250). Interviews give the respondent an opportunity to reflect on the questions without writing the answers down, which might make the respondent more enthusiastic when answering the questions.

We conducted one telephone interview and five personal meetings. An interview guide was sent in advance to the respondents to help them provide more accurate answers. A tape recorder was used when conducting the interviews to more correctly register empirical data. In addition to the tape recorder, notes were also taken during interviews.

Chapter 3

Literature Review

In this third chapter the concept of culture will be defined. Further the characteristics of Swedish and Chinese culture is described. Finally, the concept of business culture is defined and the differences between Swedish and Chinese business culture are discussed.

3.1. Introduction

The concept of culture has different characteristics in every country and has been defined in many different languages. Culture has been described in many ways by different researchers and authors, such as Hofstede, Bjerke, Sharma and Trompenaars. In the dissertation a few of these authors and their different ways of defining culture, are being used.

3.2. Defining culture

Hofstede describes culture as a term that includes thoughts, feelings and different ways of acting. It does not only include these certain intellectual activities, but also ordinary and simple things in life such as health, eating and to be able to show and hide feelings. He also describes culture as a collective phenomenon, because people live, or have lived, in the same social environment and therefore share the same culture or parts of it (Hofstede, 2005).

Bjerke considers culture to be a shared system of opinions that decide how to notice, how to act and how to value different things. The learning process is different interactions in a group of people. The common characteristics within the group may constitute a national culture. Every individual member has its own subjective culture, which changes constantly. An individual's culture develops at an early age and

is strengthened during life through different contexts. This consideration is the same for Trompenaars. According to Trompenaars, culture is a system of common values and ideas that will result in norms on how to act (Bjerke, 1998).

Sharma (1996) says that culture is about different approaches, concepts, conventions, values, attitudes and assumptions. All these aspects are more or less grown from generation to generation. Sharma defines culture as a dynamic system for common interpretations.

The definition Hill uses in his book *International business – competing in the global marketplace*, 2005, p.696, is that culture is “the complex whole that includes knowledge, belief, art, morals, custom, and other capabilities acquired by a person as a member of society”.

From these different definitions we have decided to define culture as values, beliefs, knowledge that decide how a person will act towards others and society. This is not something every person is born with; it is developed through different experiences through life. Changes in society, the environment and family values are factors that may differentiate the global culture in different contexts.

3.3. Chinese Culture

The most important cultural factor in the development of Chinese society is *Confucianism*. This Chinese philosophy is a belief system that emphasises on the concept of relationships and the characteristics of responsibility and obligation (www.communicaid.com).

Confucianism explains how to deal with human relationships and according to the literature that has been studied relationships are the most prominent concept in Chinese culture. Chinese people are collectivists, which means they believe the group is a unit of itself and

more important than the sum of the individuals. The individuals are not recognised, as they are only a tool for the group (Chen, 2001).

The relationship with family members is very important and cherished by Chinese people. Trust and loyalty are shown towards the family and very little trust exists in society as a whole. Among the family members, trust is shared with a lot of mutual help and cooperation (Fang, 2005).

According to Chinese business people, business has always been connected to the family. Essentially the family is the foundation of all organisations in China (Chen, 2001).

Because of the way Chinese society is built, the majority of Chinese businesses outside mainland China are family-owned (Selmer, 1998).

One of the reasons that may describe this phenomenon is that the Chinese may employ family members with less qualification in order to keep the family business intact, rather than a person outside the family even though that person holds better qualifications (Shirley-Li, Seminar 2004).

Another concept related to Confucianism is *Guanxi*. *Guanxi* is described as a Chinese system of giving and receiving gifts and favours with a large amount of trust, often based on relationships and common experiences. *Guanxi* is a mutual manner between people showing the traditional way of taking care of family and friends in China. *Guanxi* is created through persistence and consideration. Furthermore, trust is an important component in *Guanxi* and it takes time to achieve. It is a give-and-take situation where one has to be prepared to do a favour for someone in order to receive (Fang, 2005).

If an excellent Guanxi exists both inside and outside the company, success is guaranteed both on the personal and the professional level (Bjerke, 1998).

Further, Confucianism emphasises the meaning of *Mianzi*, which the Chinese refer to as “face”. It describes a person’s social status based on character and reputation within a certain social group. The person’s role becomes the person’s self-image, which must be maintained to keep the social status intact. *Mianzi* is based on a reciprocal relationship, which means both parts have mutual responsibility to make sure not to damage the status or reputation of themselves or others. If anyone causes another part to lose face, it may damage the reputation of both parts. According to the Chinese, to cause someone to lose face is classified as a personal assault that can seriously damage the relationship as well as the business opportunities. *Mianzi* only exists in relation to others; without a relationship there will be no opportunity of self-recognition or face (Chen, 2001).

To maintain different relationships certain things must be considered that involve the Chinese behaviour. Gift giving is one issue the Chinese consider a good approach to maintain a good relationship. Another aspect to consider in Chinese culture is the way they salute each other. They usually avoid physical contact, like hugs and kisses when they greet each other. Instead it may occur that they put their palms together and bow or nod (Chaney & Martin, 2004).

In China age, status and hierarchy are highly respected and young people are expected to obey the elderly with no contradiction. In working life the respect and status increase with age. Older business people have an advantage in this matter and will probably receive more attention than younger people (Hinkelman, 1994).

In Confucianism there are ethic rules to be followed regarding age, status and hierarchy. The rules should be reached through high respect of the traditional hierarchy relations and to understand the importance of gaining skills and education (Bjerke, 1998).

3.4. Swedish Culture

Swedish culture is characterised by equality between gender, profession and generations (Bjerke, 1998). In Sweden everyone, man-woman, strong-weak, old-young, should be treated equally (Fang, 2005).

Swedish culture is said to be relatively homogenous. The people in the Swedish culture are rather close to each other in the religious, social, moral and ethical way. These kinds of cultures usually are referred to as a low context culture. In the low-context cultures such as Swedish society, the main source of information is said and not recommended or implied by other things (Chen, 2001).

In Sweden there is a strong commitment to democratic values, which means every person ought to have the same rights, laws and rules. There are not any general social classes in Swedish culture and one have to work hard to discover differences among people (Bjerke, 1998).

Sweden is an individualistic country and it is said that the individual is the foundation in society (Fang, 2005).

Individualistic people pay more attention to their own needs and take advantage of different opportunities for their personal profit. They do not have any particular interest in the welfare of the group as long as the individual gains advantage (Chen, 2001).

In Sweden there is an informal law called “The Jante Law”. This law says one should not think one is better than anyone else. The Jante Law is connected to the Swedish word “lagom”, which is a word that few Swedish people manage to live without. The word “lagom” means that people are not supposed to talk too much or laugh too loud. The Swedish people are in general therefore quiet and calm in order to make sure they will not risk losing their face in public (Phillips-Martinsson, 1992).

The political freedom that exists in Sweden is also “lagom”. In other words, in Sweden people should be diplomatic and adopt a pending attitude. This behaviour will be understood as very careful, narrow-minded and as an attempt to avoid a conflict (Phillips-Martinsson, 1992).

When Swedish people are well organized, effective and punctual, they consider themselves to fulfil their moral duty and do the right thing (Phillips-Martinsson, 1992).

3.5. Defining Business Culture

Business culture is also a concept that has been described in many different ways depending on experiences and knowledge. The definition of business culture is based on the literature we have read and we have chosen to use a definition which we find most adequate for this dissertation. We define business culture as the ability for employees to interact successfully with business people of different cultures, dependent on their capacity to understand their own cultural vision as well as their counterparts.

3.6. Differences between Swedish and Chinese business cultures

The business culture in Sweden and China vary a lot from each other. The main differences will be presented by using Tony Fang’s

dimensions. Tony Fang is a consultant for international companies in China and for Chinese companies going international. He is a speaker and seminar leader on global cross-cultural and intercultural leadership and business behaviour. Fang has a PhD and Licentiate of Economics in Industrial Marketing and International Business from Linköping University, Sweden. He has also got a degree in Marine Architecture and Ocean Engineering from Shanghai Jiao Tong University. We developed an interest in Tony Fang when reading about his experiences with both Swedish and Chinese culture. Because of this experience and his wide range of knowledge, we decided to compare Swedish and Chinese business cultures within his dimensions.

- Human culture versus the nature's culture
- Personal trust versus trust for the system
- Face/facade versus honesty
- Hierarchy versus equality
- Relationship versus contract
- High-context versus low context
- Formal versus informal
- Family versus individual
- Work versus private life
- Time perspective
- Changes versus stability
- Harmony versus "lagom"

The first dimension is not mentioned in our comparison, since we did not find it useful when comparing the different business cultures.

3.6.1. Personal trust versus trust for the system

Chinese business culture is characterised by personal trust, unlike Swedish business culture that is built on the trust for the system. In

China trust and loyalty are shown towards the family and the group and very little trust exists in society as a whole, whereas Swedish people trust people within the whole society system (Fang, 2005).

Business with Chinese people beyond just purchases and sales, is built a lot upon trust. In the Chinese business process the activities are primarily based on business contacts. However, trust does not come naturally for the Chinese and if two partners do not have anything in common like language or place of birth, it may take a long time to establish. Trust is also connected with different commitments; a mutual business interest is not enough for the Chinese to feel confidence. When sharing a commitment, as strong as a family bond, the relationship will be much easier to establish (Bjerke, 1998).

The Chinese share much trust among the family members with a lot of mutual help and cooperation (Fang 2005).

Chinese society has been described as a set of concentric circles. In the centre is the immediate family to which the individual belongs. Further is the extended family. The extended family are those employees that have managed to become a part of the business family without any related bonds. It is important to appreciate this tradition without exaggerating the family role. The best approach is to be sensitive to the needs of your co-workers and to remember to keep their *mianzi* in mind at all times (Chen, 2001).

Outside the circles are the non-family members who provide special services to the individual. The more distant the circle, the weaker the tie is, and fewer responsibility and assignments will be assumed. Interaction with people in the inner circles is characterized by trust and

sharing. Anyone outside of these circles is seen as an outsider and is usually viewed with suspicion (Selmer, 1998).

In Sweden on the other hand, every individual has to cooperate in order to keep society intact and make it work. Therefore trust for each other and every private individual is necessary to manage to obtain this cooperation.

3.6.2. Face/facade versus honesty

An important matter that should be considered during business interactions with the Chinese is the concept of Mianzi or “face”. Face stands for personal pride and shape the base of an individual’s reputation and social status. In Chinese business culture “saving face”, “losing face” and “giving face” are very important for successful business (www.communicaid.com).

To maintain their face is something the Chinese cherish very much. Chinese business people try their best to make sure neither themselves nor other business parts “lose” their face. The Chinese are interested in cooperating with large and known companies and would not like to be seen making business with a second-rate company and in that case the maintaining of their face is very important (Fang, 2005).

To cause someone to lose face through public humiliation or inappropriate portion of respect to individuals within the organization may damage the business relationship and destroy the business opportunities. In contrast, praising someone before their colleagues is a form of “giving face” and can help the individual to gain respect, loyalty and support the negotiations (www.communicaid.com).

In China and Sweden the sincerity of keeping face has two different meanings. In China it means that one is caring and helpful towards

others, whereas in Sweden it means one is honest and direct. Swedish business people may be described as trustworthy, reliable and honest and they always do as the contract says and stick to the delivery schedule. Additionally Swedish business people do not usually promise anything they are not certain to be able to manage (Fang, 2005).

3.6.3. Hierarchy versus equality

Sweden and China have different ways to prioritise a hierarchical system. The Chinese approach comes from Confucianism, which says that every human being is born different and society is based on non equal relationships between humans. It also involves a set of practical rules for the daily life, which include hard work, obedience, patience and persistence (Bjerke, 1998).

A certain way of speaking must be followed when communicating with people with different positions in society and respect must be shown towards the elderly and those in position of some kind of authority (Blackman, 1997).

The status and rank are as mentioned very important for the Chinese. They will evaluate the organization depending on the delegation and if the manager is rather young, the organisation may seem less likely to succeed and in addition, less interesting in the eye of a Chinese. Unlike China, everybody in Sweden should be treated equally regardless rank or status (Hinkelman, 1994).

The managing director of a company should be involved in establishing relationships with the opposite number in China. This is related to trust and having a good reputation. Making one known to local officials and members of the bureaucracy may help the person build network of support (Blackman, 1997).

3.6.4. Relationship versus contract

When we studied all the literature, the prominent concept of the Chinese culture is the meaning of relationships. To be able to build a strong and lasting relationship with the Chinese requires a commitment to continuing and reliable reciprocity. The principle of reciprocity helps to guarantee that the business partners will support each other throughout the relationship. Maintaining an ongoing give-and-take situation ensures that the relationship develops and persists (Chen, 2001).

The Chinese seldom make a business deal with strangers. They first have to get to know the other part and build a relationship before making any commitment. Before starting a business process they devote a lot of time to grow and develop a personal relation with the potential business partner. During the actual business process the Chinese meet with the business partner over a dinner and a glass of wine and discuss the contract. When the deal is closed it is important for the two partners to still stay in touch with each other, in order to be able to do business deals in the future. If a relationship between the parts has not been accomplished the Chinese would be seen as a businessman only looking for money and not willing to develop a long-term relationship (Fang, 2005).

Swedish people are mainly focused on reaching a contract deal and negotiate with people they do not know. They believe the two parts will develop a relationship during the negotiation process. Since they work close together, a social relationship will develop. When the negotiation process is over, spending time with the other part is not necessary, but if the two business parts meet each other at some other occasion they may be able to start a new business project together without difficulties (Fang, 2005).

When doing business, Swedish business people are very effective and put all their effort in concentrating on the contract from the beginning until they reached their goal. This way of doing business works well in Northern Europe and the USA but may not work as well when it comes to doing business with countries like China where relationship is of huge importance (Helgesson, 1996).

To maintain a relationship a continuous contact with the Chinese associates must take place. This may be accomplished by regular communication and occasional gifts and favours (Chen, 2001).

Gift giving has always been important in China. It is a way of expressing kindness and concern towards the other part. Although this is a fact, in some parts of China, gift giving has been considered a form of bribery. In Sweden, bribery is a concept that is associated with gift giving. Due to that gift giving is seldom used to help create and maintain relationships. The Swedish business people need to learn how to use gift giving as a help to remain relationships, without making it seem as bribery (Blackman, 1997). Expensive gifts should be avoided as they are hard to reciprocate.

Differences on the importance of relationships between China and Sweden in three stages:

Figure 3.1. Differences in relationships

CHINA	SWEDEN
<p>Stage 1 The business people start by building a relationship. If it is successful there will be a deal.</p>	<p>Stage 1 The business people start with the deal and if it is successful a relation might arise.</p>
<p>Stage 2 The relation continues to grow also when the deal is closed.</p>	<p>Stage 2 If a relation is developed, it often happen after the business deal is closed.</p>
<p>Stage 3 Business is made with a business contact inside the company rather than the company itself. If the contact resigns from the company the relation with the company might collapse.</p>	<p>Stage 3 Even if the business contact resigns from the company, the business will continue as usual.</p>

Guanxi is, according to Fang (2005), the most important concept to understand if the aim is to negotiate with the Chinese people. In his book *Att göra affärer med Kina*, *Guanxi* is described as a Chinese system of giving and receiving with a large amount of trust, often based on relationships and common experiences. *Guanxi* is developed through relationships among individuals and without *Guanxi* it is almost impossible to do business in China. It gives you the best deals, the best choices and the best prices. An entertained reciprocal relationship is the key to successful business relations in China. A constant flow of people, information and other assets may be gained through the relationship. Since Chinese people prefer to do business with people

they know, they devote a lot of time and energy into establishing relationships with them they find respectable. To devote that amount of time into building important relationships is what actually defines Guanxi (Chen, 2001).

In today's society, Chinese will often develop a *Guanxiwang*, which may be explained as relationship network, to help them create business relations. Reciprocal commitments are the glue that keeps these networks together. If those relations are not met, that is if favours done are not paid back, it may be difficult to use the *Guanxiwang* for help in the future. This threat of social status is often enough to ensure that favours are repaid, that obligations are met, and that relationships are honoured (Hill, 2005).

3.6.5. High-context versus low context

When communicating in the business world, it often means having a translator present at the meeting in order to manage to have a dialogue, but it is seldom enough to guarantee a complete understanding. Every action of communications is a series of cultural codes that inflect, complement and substitute the verbal aspect of speech. How much the communication depends on its cultural context differs among countries (Fang, 2005).

In China, society has a high context culture, which means a message can be understood only in relation to its environment or context. That includes gestures, tone, social hierarchy and background information. The high-context culture is characterised by close relationships between family, friends and business associates and these relationships together form an extensive network of information that is used to understand all procedures of communications. As discussed earlier in the dissertation, in low-context cultures such as Swedish society, the main source of

information is said and not recommended or implied by other things (Chen, 2001).

A low-context culture also means, for example, that people are what they seem to be, that surprises are few and there is no need to interpret other people and their thoughts (Bjerke, 1998).

3.6.6. Formal versus informal

Chinese people are more formal than Swedish people. In China, people outside the family seldom call each other by their first name, even if they are very close. When addressing each other and other people, Chinese people use a person's title in society or Mr., Mrs. or Ms. For example, a director in a company should be called *Director Yang*, if his family name is Yang. This kind of address can also be used for teachers, managers and higher ranking officials (Hinkelman, 1994).

In Sweden on the other hand, the rules of how to address each other is not important. Swedish people do not put a lot of effort in the formalities Chinese people use. In Sweden people address each other and others by their first name, regardless of title or status.

It is in general more important for the Chinese business part than the Swedish business part to dress properly. The way a person dresses will leave the counterparts with a certain impression. In most countries one will be treated as one is dressed. If one is dressed well, one will be treated well. A person with a high status should dress in such a way that the other part recognises the importance of his or her title. The dress code between different cultures can vary. In Sweden one can be well dressed if wearing jeans, shirt and a jacket. One does not have to wear a suit to be well dressed, but in China it is rather important to dress in a suit and tie to show respect towards others (Philip-Martinsson, 1991).

Another formal matter that is of importance in the Chinese business life is the exchange of business cards. The proper procedure of exchanging business cards is to give and receive the cards with both hands to show honesty and respect towards the other part (Fang, 2005).

3.6.7. Family versus individual

As mentioned before Swedish people are individualists and emphasize on personal achievement at the expense of group goals. In Sweden the individual is the base in the society and the dividing line between how to behave towards society and the family is unclear. An individualist does not cherish the family or the group as much as the individual itself. They do not have a very strong relationship towards others. (www.importanceofphilosophy.com).

Individualistic employees primarily see themselves as engineers, managers, directors etc. They do not see themselves as a part of a group or institution (Chen, 2001).

The individualistic society has weak ties between individuals according to Hofstede. Hofstede also says that all people expect to take care of themselves and their closest family (Hofstede, 2005).

In China on the other hand, they are collectivists and emphasise on family and group goals. Collectivists give their primary attention to the needs of the group and are willing to sacrifice opportunities for their personal gain (Chen, 2001).

Their welfare and even their lives are ignored if the group has something to gain. The group of individuals have a single identity similar to a person. It is claimed to have ideas, thoughts, purpose and moral and collective rules the group should follow. Collectivism has been defined as a collection of attitudes and behaviors and is based on

the belief that the survival of the group is more important than the individual

(www.importanceofphilosophy.com).

According to Hofstede, collectivism is characterised as a society where the people from birth are integrated into groups with a strong solidarity. This group protect the individual throughout the whole life in exchange for loyalty (Hofstede, 2005).

3.6.8. Work versus private life

The two different approaches have both strengths and weaknesses. In Chinese business culture people have very little time for their private life, since they always have to work on the relationship with their business partner. The Chinese work 365 days per year, according to Fang, and the ideal worker is the one who works overtime and that is something that scares the business men from the west. In Sweden work is not the most important in life. The Swedes cherish their personal life and free time more, or at least as much, as their job. If a Swedish employee has to work overtime it might mean the employee is inefficient or has an unqualified manager (Fang, 2005).

In Sweden the boundary between work and private life is very strict. This may be seen as a handicap when it comes to contacts and work with Chinese culture, where the boundary is not as strict (Bjerke, 1998).

3.6.9. Time perspective

In the two business cultures there exist two time perspectives; monochromic and polychromic time. The monochromic time perspective emphasises schedules, speed, efficiency and planning. The Swedes are monochromic people. They do not sign up for two tasks at the same time. Meetings are planned in detail and punctuality and efficiency are fundamental concepts for Swedish people. The Chinese

are polychromic people. They give priority to the participation of the people rather sticking to certain schedules. Flexibility and spontaneity are more appreciated than planning and they appreciate *what* you do more than *how* you do it (Fang, 2005).

3.6.10. Changes versus stability

In comparison to China, Swedish society is said to be relatively homogenous and more stable. The stability is built upon the Swedish people's attitude towards changes. They are quite reserved when it comes to changes and would rather not make any extreme changes if they do not have to. Swedish businesspeople always plan what they want to do and almost never change these plans and may sometimes be described as organised. In contrast to Swedish people the Chinese are very open towards changes (Fang, 2005).

3.6.11. Harmony versus "lagom"

Balanced harmony is something the Chinese recommend to obtain success. Chinese culture places a high value on the maintenance of harmony in a relationship (Chen, 2001).

The balanced harmony is connected with Mianzi. Harmony will be achieved if the business partners understand the importance of keeping face between the two parties (www.multicultural.se).

The understanding of balance is rather dynamic, which means that even though a harmonised balance is achieved it requires constant readjustment and adaptation. Because of the continuous changes in the environment, flexibility and openness to changes are important qualities (Chen, 2001).

Generally, the Chinese believe that conflicts need to be brought out in the open in order to be able to resolve them and reach harmony. Trying

to achieve harmony before resolving conflicts is only making the conflicts worse according to the Chinese. The Chinese will first try to avoid conflicts with the aim of creating harmony (Selmer, 1998).

“Lagom” is a concept said only to exist in Sweden. However, there are similar words in some other languages, but it is still a very unusual word. The word may be described as something that is neither too much nor too little. On one hand, sometimes a very “lagom” person may be seen a bit boring in the eyes of people coming from countries where it is common to see and hear feelings. On the other hand, a “lagom” person may be seen perfect for people coming from a culture where feelings are a part of the private area (Helgesson, 1996).

On these two concepts Swedish and Chinese people are rather similar. They both try to avoid conflicts and create some sort of harmony. The Chinese talk about creating a “balance” in life, in order to maintain a positive flow. Swedish people live their lives in a “lagom” way and do not go to extremes (Fang, 2005).

3.7. Summary

As described in this chapter, there are many differences between Swedish and Chinese business culture. The most significant difference is the importance of relationships. Guanxi is a concept in Chinese society, often based on relationships and common experiences, which can be described as a system of giving and receiving gifts and favours with a large amount of trust. Chinese business people devote time to build relationships and trust, and get to know the other business part on a personal level; they seldom make a business deal with strangers. To maintain the relationship after the business deal is also important for the Chinese if they wish to negotiate with the same part in the future. In Sweden on the other hand, the Swedish business people are more

focused on reaching a contract deal and do not put any effort in building a friendship with the business part.

Collectivism versus individualism is another difference between the two business cultures. China is a collectivistic country and emphasises on the family and the group. The Chinese companies often have a visible hierarchical organisation and the Chinese business people put a lot of importance into status and rank. The concept of face is also respected in China, which stands for personal pride and shapes the base of an individual's reputation and social status. Sweden is an individualistic country and emphasises only on individual achievements and not on the group as a whole. In Sweden every individual should be treated equal, which may lead to an organisation with less hierarchical structure.

In China the business people are very formal and often use a profession title or Mr and Mrs. However, in Sweden business people are more informal and do not focus on titles and formalities when it comes to addressing other parts. Sweden is to some extent also characterised as a low-context culture. This means the information is mainly said and not recommended or implied by other things, such as gestures, tone, social hierarchy and background information. China on the other hand is a high-context culture and focuses more on the body language.

In Sweden the business people are seen as relatively organised. They often plan everything and will rather not make any extreme changes if they do not have to, while in China they are much more flexible.

Chapter 4

Guidelines found in literature

In this chapter the guidelines based on the literature review will be presented. After the presentation we will analyse and discuss the chosen guidelines.

4.1. Introduction

Based on differences between Chinese and Swedish business culture described in the previous chapter, the guidelines have been formed. We have chosen to present the guidelines we found useful for a Swedish business part when negotiating with a Chinese business part, based on the differences in business culture between Sweden and China. The guidelines may help the Swedish part to cooperate with the Chinese part and have a successful business deal, despite the cultural differences. The information given in the analysis of the guidelines has already been presented in chapter three.

4.2. A presentation of the guidelines

1. Trust is one of the most significant issues for Chinese business people and it is therefore important for Swedish business people to keep their promises and not let their Chinese business part down.
2. It is important to maintain face, i.e. the company's status and prestige, in front of the other business part in order to have a successful business deal.
3. To try to reach the business people with high status and show most interest in them.

4. To have the “correct” team during negotiations is important since the Chinese prefer to negotiate with older and more experienced businesspeople with high status within the company.
5. To build relationships before signing a contract is necessary.
6. To try and maintain the relationship also after the negotiations is of huge importance.
7. To entertain and maintain the relationship with the Chinese business part through gift giving.
8. To always have access to an interpreter at meetings.
9. To avoid misunderstandings in communication between business parts, the body language has to be considered.
10. One should use the person’s profession when addressing Chinese business people, and if a title does not exist, one should address them as Mr, Mrs or Ms.
11. To be flexible and accept changes is necessary when negotiating with the Chinese.

4.3. An analysis of the guidelines

4.3.1. Guideline 1

Trust is one of the most significant issues for Chinese business people and it is therefore important for Swedish business people to keep their promises and not let their Chinese business part down.

Trust is in general an important issue for every culture when cooperating with another business part. Although this issue is a common thing, we have found there exist differences in trust between Chinese and Swedish business culture. In China people put an effort into building long-term relationship and the key to manage that is to have trust between the two parts. Chinese people mainly focus on trust within the family and personal trust within different social groups they belong to. Because of this Chinese way of thinking it may be hard for Swedish business parts to build that kind of trust with Chinese business parts. Instead of focus on personal trust only between two parts, Swedish business people trust every private individual in order to be able to cooperate and keep society intact. Because of these differences, we found it relevant to present a guideline about the importance of keeping promises and not letting the other part down to be able to build trust.

4.3.2. Guideline 2

It is important to maintain face, i.e. the company's status and prestige, in front of the other business part in order to have a successful business deal.

After reading about the concept of face, we have discovered how important it is for Chinese people. Swedish business people are more honest and straight-forward during negotiations. They do not think about losing face in the same meaning as Chinese business people. The Chinese are afraid to damage their ego and prestige and rather lie than risk being seen as less important towards others. Since face is a mark of personal pride and shapes the status and reputation of the individual, it is very important for Swedish business people to consider the face of the Chinese business part. Causing the other part to lose face through public humiliation or lack of respect may damage the business negotiations.

4.3.3. Guideline 3

Try to reach the business people with high status and show most interest in them.

The hierarchical system is different in Sweden and China. In China the status and rank are important and to show respect to those in a position of some kind of authority, is also much cherished. Chinese society is based on non equal relationship between humans and there are rules on how to communicate with the people in higher positions. In Sweden, on the other hand people should be treated equally regardless of rank and status. Swedish business people have to consider and adjust to this difference in equality, if they wish to have successful negotiation. They have to show the Chinese business people that they respect the Chinese hierarchical system.

4.3.4. Guideline 4

To have the “correct” team during negotiations is important since the Chinese prefer to negotiate with older and more experienced businesspeople with high status within the company.

To show interest in, and respect to the elderly in China is equally cherished as the importance of status and rank. In China the older and more experienced business people are highly respected and they are often the ones making the decisions. Business people in China may evaluate the organisation of the other part depending on the team representing the organisation. If the team consists of young business people, the company may look less powerful and interesting in the eyes of a Chinese. It might therefore be important for the Swedish company to evaluate its own team before going to China.

4.3.5. Guideline 5

To build relationships before signing a contract is necessary.

As written in earlier parts of the dissertation relationships are very important for Chinese when doing business. They want to get to know the other business part and develop a personal relation before the negotiations, and do not negotiate with strangers. If there is no relationship before the negotiations, there will most likely not be any deal. In Sweden on the other hand, they are focused on signing a contract and reaching a goal rather than building relationships. That kind of approach might work when negotiating with Swedish companies, but if they wish to negotiate with Chinese business people they have to consider the ideas of the Chinese business culture and be able to adjust. Therefore it is necessary for Swedish business people to focus on devoting a lot of time and develop both a business and a personal relation with the Chinese business part before negotiating.

4.3.6. Guideline 6

To try and maintain the relationship also after the negotiations is of huge importance.

It is equally important to try to expand the networks as it is to keep in touch with former business partners in China. If the Swedish business part hesitates to do so, negotiating in the future may be difficult. To maintain a relationship, a continuing contact with the Chinese associates must take place. This may be accomplished by regular communication and occasional gifts and favours. If the relationship comes to an end when the deal is over, the Chinese may see the other business part as one only looking for money and not willing to establish a long-term relationship. In addition it may be difficult for the other business part to have further cooperation with the Chinese. It is

therefore significant for a Swedish business part to continue maintaining the relationship with the Chinese after the negotiations.

4.3.7. Guideline 7

Entertain and maintain the relationship with the Chinese business part through gift giving.

As mentioned in the dissertation, gift giving has always been important in China. It is a way of showing the other business part interest and appreciation. By handing over different gifts one shows interest and willingness to help create a business relationship for future negotiations. It has also been discussed that gift giving may seem as bribery if the gifts are not given in the correct way. Swedish business people should therefore be careful when handing over gifts to other business parts so it will not seem as a bribe. Swedish business people have to learn how to use the term gift giving in a way that strengthens the relationship towards the Chinese.

4.3.8. Guideline 8

Always have access to an interpreter at meetings.

To have an interpreter attending at meetings is necessary according to the literature we have studied. There are few Chinese business people who speak English in China and to make sure there will be few misunderstandings, an interpreter should be present.

4.3.9. Guideline 9

To avoid misunderstandings in communication between business parts, the body language has to be considered.

To make sure information is not misunderstood, most of the information should be said and not presented through gestures, tone and background. Sweden and China differ in how to communicate with

each other. In China information is partly presented through body language such as gestures and tone. It is important for Swedish business people to be aware of how they act since the Chinese read a lot into a person's body language.

4.3.10. Guideline 10

One should use the person's profession when addressing Chinese business people and if a title does not exist, one should address them as Mr, Mrs or Ms.

Swedish and Chinese culture varies when it comes to addressing each other. In China people outside the family seldom, or never, call each other by their personal names, even if they are very close. When addressing a Chinese one should use the person's title or Mr, Mrs and Ms. In Sweden on the other hand, the people are rather informal. Personal names are often used even if the persons are not very close, and addressing people with their professional title is almost never used. This difference has to be considered by the Swedish business part if one wishes to show interest in and appreciation of the Chinese business part.

4.3.11. Guideline 11

To be flexible and accept changes is necessary when negotiating with the Chinese.

Chinese business people have almost no time for their private life, in contrast to Sweden where one works eight hours a day and devote the weekend to family and friends. Since the working hours in China are more extended than in Sweden, Swedish business people have to be flexible and change their way of working when going to China. It is also important for the Swedish part to be flexible during negotiations, since the Chinese often change their plans. For a Swedish business part

this may seem difficult to adjust to, but to be more flexible may help the Swedish part to receive a better offer.

Chapter 5

Case study

In this chapter the research strategy is presented and further the sample selection and the interview guide are described. Finally, the result of the interviews will be discussed.

5.1. Research strategy

There are several strategies one can adopt when doing a research. The one used in this dissertation is the *case study*.

A case study can be defined as “a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence” (Saunders *et al.*, 2003, p.93).

A case study can be a single-case study or multiple-case study. When doing a single-case study there is no possibilities to make comparisons. A multiple-case study, on the other hand, can give the researcher an opportunity to make comparisons and generalize with the collected data (Saunders *et al.*, 2003). The case study can give an “unscientific” feel, but Saunders *et al.*, 2003, p.93, argue that a case study can be a worthwhile way of exploring existing theory, but can also provide a source of new hypotheses.

In this dissertation a strategy of a multiple-case study was adopted, since we wanted to conduct a detailed research with focus on Swedish negotiators’ experience.

5.2. Sample selection

In this section, the idea is to explain and clarify how and why we chose the respondents. First of all we needed information about Swedish companies that had export to China. The Internet was searched and a list of companies was found from the homepage of Sweden-China Trade Council. The companies located in an area of 110 kilometres from Kristianstad were chosen. Companies from specific industries were not chosen, since there was not any interest in what product they were exporting. The only interest was the negotiation process.

It was of a major point for us to get in touch with the people that possessed experiences with Chinese negotiations. Since the dissertation only focuses on the negotiation process for exporting companies we have chosen to focus on the negotiators' situation and not so much on the specific companies and their line of business.

A brief description of our work was given to those who responded our calls. In turn, we asked to be passed on to the most appropriate person, in this case someone with experiences in Chinese negotiating. After a more detailed description of the aim of the dissertation we set a time for an appointment. The first interview was with Leif Nilsson, Export Director at Malmberg Water AB in Yngsjö, who personally has been negotiating with China since 1978. The second interview was conducted with Anders Svensson, Marketing Manager at Texo AB in Älmhult, who got his experience from ten years of negotiations with Chinese companies. After that the interview was with Karina Linnér, Marketing and Sales Director at Chris-Marine AB in Malmö. She gained her experience from negotiating with over 30 Chinese companies for approximately ten years. Our fourth interview was with Kjell Kristiansen, Asia Area Manager at Allergon AB in Ängelholm. This interview was performed over the telephone, since Mr Kristiansen

was in Uppsala on a business trip at the time. His experience with Chinese companies has developed over a period of eight years. The fifth interview was with Karl-Erik Grevendahl, Managing director at Sustainable Business Hub in Malmö. He has three years of experience of Chinese negotiations. The final interview was with Pia Welander, Chinese Area Contact, at Anoxkaldnes AB in Lund. She is originally from China and has negotiated with China for approximately five years.

5.3 The interview guide

Semi-structured interviews have been used for a couple of reasons: the ability to ask resulting questions if something seemed interesting and we wanted to reach deeper into that problem. Further we wished to enable a conversation with the respondents so they could speak freely about their negotiating experiences with the Chinese. As mentioned earlier, an interview guide (Appendix 1) was sent in advance to the respondents in order to help them to be more prepared. The first three questions of the interview guide are only to make sure we interviewed the correct respondents, i.e. the employees with experience and knowledge about negotiations with Chinese business people. That will hopefully give a more reliable result of our case study. Questions 4, 6 and 7 (Appendix 1b) are *open questions*, which may give an opportunity to investigate the answer more carefully. Question 5 is a *rating question*, which is used to find out the opinion of the respondents, in this case the opinion of the guidelines. The *Likert-style rating scale* is used in this dissertation, which describes how strongly the respondents agree or disagree with the statements (Saunders, *et al.*, 2003).

5.4. The result of the interviews

In this analysis we start by presenting the answers from question number four from the questionnaire, since the first three questions are only to make sure we interviewed the correct respondents.

5.4.1. Question 4

What do you think is the main difference when doing business with a Chinese company compared to a Swedish company?

The main reason for this question is to see if the respondent has a different opinion of the main differences from what we have experienced by reading the literature.

A strong majority of the respondents mentioned the importance of taking time to develop a relationship before even trying to get in to business negotiations. The relationship is also much deeper with a Chinese business part and is seen more as a friendship than a business relation. The Chinese business people are very competent negotiators and it may take several years to reach a contract. The negotiation is protracted and involves long meetings, which demands that the Swedish business part has much patience.

It is not always the best product that is sold. Instead the Chinese may sometimes focus on the price rather than the quality. They focus on things in general, such as relationship and friendship. For example: a good relation where they can rely on the seller, give a good support and service during and after the sale.

Another difference is the importance and the power of the government in China. The political system is not as transparent as the Swedish system and decisions within the companies often involve the government. The government may, more or less, have an influence on the company one is supposed to do business with.

5.4.2. Question 5

Rank the following guidelines (Appendix 1c) from 1 - 5, depending on how important they are when doing business with a Chinese company.

This question was chosen to find out how much the respondents agree to the importance of the guidelines we put together, according to their experiences.

5.4.2.1. Guideline 1

Trust is one of the most significant issues for Chinese business people and it is therefore important for Swedish business people to keep their promises and not let their Chinese business part down.

Table 5.1 Respondent rate of guideline 1

	5 Agree	4	3	2	1 Disagree
Texo			√		
Allergon		√			
Chris-Marine	√				
Malmberg	√				
Sus. Bus. Hub	√				
AnoxKaldnes	√				

In Table 5.1 the result shows that the majority of the respondents think that trust is an important issue when negotiating with Chinese business people. Texo did not have the same opinion in trust as the other respondents. A reason to that may be that Texo's experiences differ from those of the other respondents. According to Texo, promises are only kept if they are printed down on paper and one should not expect the oral promises to be kept.

Trust between business partners is in general very important. Even for the Chinese, but although they put effort into trust it may sometimes seem like they are breaking a trust. Many of the respondents mentioned that the Chinese often never say no, because they do not want to seem

impolite. Instead of saying no to a proposal, the Chinese might say maybe or some other word that may be associated to yes. If the Swedish business part is not familiar with this Chinese behavior it may result in misunderstandings and lack of trust, which may damage the relationship. To avoid this it is important that every agreement is written down, since the verbal agreements are not always trustworthy. It is important to keep in mind that if there does not exist any trust, there might not be any business deal.

5.4.2.2. Guideline 2

It is important to maintain face, i.e. the company's status and prestige, in front of the other business part in order to have a successful business deal.

Table 5.2 Respondent rate of guideline 2

	5 Agree	4	3	2	1 Disagree
Texo			√		
Allergon	√				
Chris-Marine			√		
Malmberg		√			
Sus. Bus. Hub			√		
AnoxKaldnes	√				

As Table 5.2 shows, the majority of the respondents thought this is a rather important thing, but they believe it is more important for the Chinese than the Swedish business part. The two respondents that strongly agree with this guideline have both lived in China for several years, which we believe may have an impact on their answers. As we mentioned it is more important for the Chinese part and by living in China one will probably be influenced by the Chinese business culture.

In China it is all about prestige and to have a good reputation and they try to avoid losing face at all times. In business negotiations it is

therefore vital to show respect and never make the other part look less important. The Chinese often go around the problem without dealing with it to avoid a conflict.

To keep a good face, Chinese business people might brag about how excellent and powerful their company is and foreign business people should be prepared for this. To make a good impression, Swedish business people should present their company in a way to make it look powerful.

As we can see above some companies thought this was very important and some were rather natural, but all agreed on having this guideline in mind when doing business in China. Further, the respondents agreed that it is not that important for the Swedish part as it is for the Chinese part to maintain “face”. However, although the Swedish business part is not very eager to maintain face, this is respected by the Chinese business part.

5.4.2.3. Guideline 3

To try to reach the business people with high status and show most interest in them.

Table 5.3 Respondent’s rate of guideline 3

	5 Agree	4	3	2	1 Disagree
Texo		√			
Allergon		√			
Chris-Marine					√
Malmberg		√			
Sus. Bus. Hub		√			
AnoxKaldnes			√		

According to the respondent rate shown in table 5.3, China has a very hierarchical system and the majority thinks it is important, as a

foreigner, to understand how it works. It is important to show an interest in everyone, but especially for those with the highest status. One respondent does not agree with the other respondents. We believe that this has nothing to do with what kind of company the respondent works in or with whom. It may depend on the respondent's way of treating people in general. According to the interview the respondents show an interest in every part involved independent of rank or status.

The people with lower status are often the ones handling the deal, but in the end it will most likely be the one with a high status making the decisions.

One of the respondents told us that it might be difficult to define the persons with the highest status in the beginning. They often hide in the background until the Swedish company is trustworthy enough for them to make a statement. One reason might be that they are afraid to be exposed to corruption and that someone may make them lose face. It may also be that they do not want too much work; instead they let their employees do the job.

5.4.2.4. Guideline 4

To have the "correct" team during negotiations is important since the Chinese prefer to negotiate with older and more experienced businesspeople with high status within the company.

Table 5.4 Respondent rate of guideline 4

	5 Agree	4	3	2	1 Disagree
Texo		√			
Allergon		√			
Chris-Marine		√			
Malmberg	√				
Sus. Bus. Hub		√			
AnoxKaldnes		√			

On this guideline all the respondents agreed to the importance of sending the “correct” team to China for negotiations. As mentioned before, the hierarchical system is highly cherished by Chinese business people. Some of the respondents also mentioned that they show much respect to the older and more experienced. Because of this they usually bring older and more experienced persons to the negotiations, but the majority said that this has changed. They mentioned that it is important not to send just older and experienced people; one has to send people with the right knowledge in order to be able to answer all the possible questions. Otherwise, the Chinese will consider the Swedish company uninterested and unprepared.

Another thing worth mentioning is that two female respondents mentioned that, if you are a woman and visit a Chinese company with an older man, they will pay more attention to the man even though he may be less important. They could not give a clear answer why it is like this, but they thought it was because of the history where the man was more dominant and in the high positions.

5.4.2.5. Guideline 5

To try to build relationships before signing a contract is necessary.

Table 5.5 Respondent rate of guideline 5

	5 Agree	4	3	2	1 Disagree
Texo	√				
Allergon	√				
Chris-Marine	√				
Malmberg	√				
Sus. Bus. Hub	√				
AnoxKaldnes	√				

Since the importance of relationships is discussed repeatedly in the literature, we were not surprised when all of the respondents pointed out this guideline to be the most important. (Table 5.5) In China it is extremely important to build a good relation before trying to make some kind of business deal. A lot of time should be devoted to building a relationship, because if a relationship does not exist it may be difficult for the Swedish business part to carry out a business deal with the Chinese. All of the respondents said a relationship with the Chinese is more of a friendly relationship. To eat a meal and drink tea is a very social part in the Chinese business culture. This is how the relation starts, where one can talk more freely and not just about business.

Frequent visits to the Chinese business part are also required during negotiations. Even if the Swedish negotiators cannot visit often, a colleague or someone else on the company's behalf should visit the Chinese company to keep the business deal intact. The respondents all agreed that without a relationship there will not be a deal.

5.4.2.6. *Guideline 6*

To try and maintain the relationship also after the negotiations is of huge importance.

Table 5.6 Respondents rate of guideline 6

	5 Agree	4	3	2	1 Disagree
Texo	√				
Allergon	√				
Chris-Marine	√				
Malmberg		√			
Sus. Bus. Hub		√			
AnoxKaldnes	√				

Table 5.6 describes that this is also of an important matter according to the respondents, because maintaining a relationship may create opportunities for future business. A part of a good deal may include a couple of years of service and further it is important to stay in contact if problems arise. To maintain a relationship may help marketing the Swedish company. After a satisfying deal, the Chinese part might recommend the Swedish company to other Chinese companies. If the relationship ended in a bad way, the Chinese company might spread a rumour that the company is only interested in profit and will not give the attention required.

5.4.2.7. *Guideline 7*

To entertain and maintain the relationship with the Chinese business part through gift giving.

Table 5.7 Respondent rate of guideline 7

	5 Agree	4	3	2	1 Disagree
Texo		√			
Allergon				√	
Chris-Marine				√	
Malmberg			√		
Sus. Bus. Hub		√			
AnoxKaldnes			√		

The reason for the variety of the answers in Table 5.7 may be that the importance of gift giving has changed. This guideline was very important a few years ago, but nowadays the gift is just a symbol to show appreciation to the other business part. The gift should be handed over with both hands and it should be wrapped up in a nice way. It is very important the Swedish business part understands in what context the gift is given and that it is not too expensive. If they do not understand this the gift might be considered as a bribe.

5.4.2.8. *Guideline 8*

To always have access to an interpreter at meetings.

Table 5.8 Respondent rate of the guidelines

	5 Agree	4	3	2	1 Disagree
Texo	√				
Allergon					√
Chris-Marine			√		
Malmberg	√				
Sus. Bus. Hub		√			
AnoxKaldnes		√			

In Table 5.8 one can see that the answers vary among the respondents. Some of the respondents said that this is a very crucial part for a negotiation. It is important to have a close relationship with the interpreter. The interpreter should understand both business parts and have knowledge and experience within the business area to avoid misunderstandings and conflicts. Other respondents have answered that the interpreter is not very important and one can make it on its own in good English. It seems like those respondents have had contact with very commercial companies in China that know what is required to succeed in the western world. Many of those Chinese companies have English speaking suppliers or might just be a subsidiary from a company in the west.

5.4.2.9. Guideline 9

To avoid misunderstandings in communication between business parts, the body language has to be considered.

Table 5.9 Respondent rate of guideline 9

	5 Agree	4	3	2	1 Disagree
Texo			√		
Allergon				√	
Chris-Marine			√		
Malmberg				√	
Sus. Bus. Hub		√			
AnoxKaldnes				√	

When it comes to the body language, the majority have answered that one should use one's common sense, but it is important not to wave too much with arms and never try to hug the Chinese. The Chinese people are rather used to people from the western world and their way of acting and do not in general consider that way as an insult.

We were also told that the Chinese have, what we think, a rude behaviour when dining. The Chinese people burp and eat with their hands, so the respondents said that one should not be afraid to do the same. Burping is considered a way of showing that you are satisfied with the food.

A significant procedure is the exchange of business cards. It is important to deliver and receive the business card with both hands and when receiving it one should take time to study and be careful with it.

5.4.2.10. Guideline 10

One should use the person's profession when addressing Chinese business people, and if a title does not exist, one should address them as Mr, Mrs or Ms.

Table 5.10 Respondent rate of guideline 10

	5 Agree	4	3	2	1 Disagree
Texo			√		
Allergon					√
Chris-Marine	√				
Malmberg					√
Sus. Bus. Hub			√		
AnoxKaldnes	√				

To this guideline the respondents answered rather differently, as one can see in Table 5.10. Some of the respondents said that the title of the profession is not very important, but one should always address them as Mr., Mrs., or Ms. followed by their family name. Other respondents pointed out the importance of using a title. If a title does not exist, one should make one up or use manager or director. The Chinese never use the first name except for the family or close friends. However, the Chinese are aware that the foreigners have problems to separate the first name and the last name. Therefore, they do not pay too much attention

to this, but they might correct someone who has addressed them with their first name. To make it easier for foreign people, the Chinese often adopt a western name.

5.4.2.11. Guideline 11

To be flexible and accept changes is necessary when negotiating with the Chinese.

Table 5.11 Respondent rate of guideline 11

	5 Agree	4	3	2	1 Disagree
Texo		√			
Allergon		√			
Chris-Marine	√				
Malmberg	√				
Sus. Bus. Hub			√		
AnoxKaldnes	√				

All the respondents are rather unanimous in this matter, according to Table 5.11. They believe every business part should be flexible and prepared to possible changes in every business relation, even outside China. When doing business in China it is important to be open and show the Chinese that the product is formed after their conditions. To be flexible when negotiating with the Chinese may be vital, since the Chinese often change the contract even though the two parts have made an agreement.

5.4.3. Question 6

If you look at the guidelines we have assembled, is there anything that has been valuable to you when negotiating with a Chinese company that you would like to add?

The reason for this question was to see if the respondents possessed valuable information based on their experience in negotiation, which we had not already discussed.

This question had both similar and individual answers. The individual answers may have been helpful for that particular company and situation, but might vary under different circumstances.

The most similar answers are issues already mentioned in the dissertation, such as the importance of relationships. The respondents also pointed out the importance of flexibility and showing interest in Chinese business culture. It is important to understand Chinese culture in order to be able to cooperate in the best possible way; some of the respondents had also been to seminars and courses about Chinese culture.

The respondents also discussed that the Swedish business people have to understand the Chinese way of negotiating. Since the Chinese put much effort in getting to know their business parts before signing a contract, the negotiation process may take a long time. The Chinese are very competent negotiators and it is therefore important to be patient and try to avoid getting upset, angry or lose face. The Swedish business part has to be prepared to have longer working days compared to those in Sweden and spend a lot of time with the Chinese business part.

According to a few of the respondents the Chinese always try to bargain the price in every situation. The Chinese put price before quality and even if the Swedish company has an outstanding product they may try to bargain. Therefore, it is important to have general principles when it comes to the price and not agree on a price that is too low for the company's future profit.

One of the respondents experienced that the negotiations with the Chinese were rather tough. The respondent learned that sometimes the Chinese negotiators could be very demanding and when the working

days are long and the home country is far away it may be hard to continue the negotiations. Therefore, the respondent recommended keeping a diary during these tough circumstances to look back on, so one can see how they handled the same situation before, in order to get their mind back on track again.

5.4.4. Question 7

Do you think it is important to keep the differences between the business cultures or shall one part change its cultural background? Or should the best parts from each business culture be united?

The main reason with this question was to investigate the importance of our guidelines.

The response to this question was very interesting. According to the respondents, every part should stick to one's beliefs and not change the cultural background. However, the respondents also pointed out that even though one should keep one's cultural values, adjustments have to be made in order to succeed in business negotiations with companies with different cultural background. Although the respondents agreed on this statement, they also pointed out that they can see a trend in both Swedish and Chinese behaviour in negotiating. The two business parts seem to adjust their behaviour to the other part and especially the Chinese business culture is starting to look more and more like the Swedish culture and cultures in the west. It may mean that in the future, the two parts will find a middle way in negotiating with each other.

It is important for the Swedish business part not to try and act like a Chinese when doing business. Otherwise, the Chinese might think the Swedish part is untrustworthy.

Chapter 6

The modified list of guidelines

When analysing the answers from the case study, we found further differences that may be relevant for Swedish companies to consider during negotiations with Chinese companies. In this chapter the guidelines used in the case study will be evaluated and modified.

6.1. Evaluation and modification of the guidelines

Guideline 1

Trust is one of the most significant issues for Chinese business people and it is therefore important for Swedish business people to keep their promises and not let their Chinese business part down.

Trust is not only important in China; it is in general important between business parts all over the world. No business part would like to do business with another part that does not keep its promises. According to the respondents of our case study it is important that all the promises and agreements are written down. If an agreement is documented the Chinese will keep the promise and no misunderstandings or lack of trust will occur. It is therefore important for the Swedish business part not to make any oral agreements since oral promises are not expected to be kept.

Since trust in general is important for every business part and not only for the Chinese business people, we find it more relevant for the Swedish business part to focus more on the differences between oral and written agreements in China. Because of the knowledge we received from the interviews, we have changed the guideline about trust

and made it more specific. Guideline 1 may be more applicable for Swedish companies when negotiating with Chinese companies.

It is important for the Swedish business part to always document the agreements that are discussed during the negotiations with the Chinese.

Guideline 2

It is important to maintain face, i.e. the company's status and prestige, in front of the other business part in order to have a successful business deal.

The importance of maintaining face is not as significant for the Swedish business part as it is for the Chinese business part, according to the interviews. However, the Chinese are aware of the concept of maintaining face not being important for western people and they respect this. Nevertheless, the Swedish part should never act in a way that may damage the Chinese reputation and status, which may make them lose face.

Because of the difference between Sweden and China in the importance of maintaining face, we have decided to adjust the second guideline. The aim is to make it more suitable for a Swedish business part who wishes to negotiate with Chinese business people.

It is important for the Swedish business part never to make the Chinese business part lose face, i.e. the company's status and prestige, in order to have a successful business deal.

Guideline 3

To try to reach the business people with high status and show most interest in them.

This guideline applies all around the world when doing business. According to the respondents it is important to show respect and interest in every participant involving the business deal. Although it is important to show respect and interest in the people with high status, it might be more important to focus on finding the “right” person who has the mandate to make the business deal, rather than putting effort in finding the person with the highest status. The modified guideline is therefore also focused on the importance of finding the “right” people for the business deal.

To try to reach the “right” business people and show interest in them.

Guideline 4

To have the “correct” team during negotiations is important since the Chinese prefer to negotiate with older and more experienced businesspeople with high status within the company.

As discussed earlier in the dissertation the elderly are highly respected in China, but according to the respondents this issue is getting less important for the Swedish business people to consider when negotiating with the Chinese business people. The Chinese still cherish the elderly, but are today used to young business people representing the other company. Instead of sending people with the highest status, it is important to send a team with people that possess the correct knowledge for the certain business occasion in order to make a

successful deal. The modified guideline is based on the issues mentioned above.

To have the “correct” team during negotiations, i.e. the people that possess the correct knowledge and experience to make a successful business deal.

Guideline 5

To build relationships before signing a contract is necessary.

According to the respondents there will be no business deal without a relationship. Since everybody agreed on the importance of this guideline there is no reason to change it.

To build relationships before signing a contract is necessary.

Guideline 6

To try and maintain the relationship also after the negotiations is of huge importance.

This guideline is also very important according to the respondents. To have a successful relationship with the Chinese business part also after the business deal is over may create opportunities for the Swedish business part in the future.

To try and maintain the relationship also after the negotiations is of huge importance.

Guideline 7

To entertain and maintain the relationship with the Chinese business part through gift giving.

The importance of gift giving has changed over the past years. Today it is less important and often only used as a symbol of appreciation of the other part. One has to be careful with gift giving so it is not seen as bribery. The Swedish business part should bring a gift at its first meeting with the Chinese to show its interest and appreciation, but later in the business process the Swedish part should only give gifts related to the company.

The Swedish business people should understand the differences in gift giving. It is not as important as it has been, but the Chinese still consider a small gift or favour to be a nice gesture.

The Swedish business part should show its interest and appreciation with small gifts and favours.

Guideline 8

To always have access to an interpreter at meetings.

On this issue the majority has discussed the importance of an interpreter. The respondent who found it less important is negotiating with Chinese people that speak English. Although the Chinese business part speaks English, there may be concepts that might be hard to explain in English. To only have an interpreter may not be enough. The business part has to have a good relation with its interpreter and the interpreter has to understand the business area and the business terms, to reduce possible misunderstandings. Since there are few people in

China that speak English we consider it important to always have an interpreter available.

An interpreter who has a close relation to the Swedish company and its negotiators, and who possesses knowledge and experience within the business area should be present at meetings.

Guideline 9

To avoid misunderstandings in communication between business parts, the body language has to be considered.

After several years of negotiating with countries in the west the Chinese people are used to how the western people communicate. Since the Chinese respect their way of communicating there seldom arise any misunderstandings. However, one procedure that is considered important for the Chinese is the exchange of business cards. The Swedish business part has to give and receive the business card with both hands and not forget to study it carefully. Once again this is a procedure to show interest and appreciation to the Chinese business part.

To give and receive business cards with reverence is of importance for the Chinese business part.

Guideline 10

One should use the person's profession when addressing Chinese business people, and if a title does not exist, one should address them as Mr, Mrs or Ms.

When summarising the interviews from this guideline we have come up with the conclusion that one will manage to negotiate with the Chinese by using Mr, Mrs or Ms. Also in this matter the Chinese understand the way Swedish business people act. They are often not bothered if the Swedish part does not address them with a title, but one should use Mr, Mrs or Ms followed by their family name.

When addressing Chinese business people one should use Mr, Mrs or Ms. followed by a family name.

Guideline 11

To be flexible and accept changes is necessary when negotiating with the Chinese.

As mentioned in the previous chapter the respondents all agreed on the importance of flexibility. Since the Chinese may change the agreements several times during the negotiations it is vital for the Swedish business part to be flexible and to be prepared on possible changes.

To be flexible and accept changes is necessary when negotiating with the Chinese.

6.2. New guidelines

Based on the interviews and the new knowledge we have received, further guidelines which we found relevant will be presented.

It is important to have knowledge about the Chinese culture before the negotiations, and to understand and respect the differences.

The Swedish business part has to understand the Chinese way of acting when going to China so one does not get surprised by the way the Chinese behave when doing business. It helps the two business parts to cooperate if they understand and respect the differences in their cultures.

Swedish companies have to be patient and prepared for the fact that it takes a lot of time when dealing with Chinese companies.

As mentioned before the Chinese do not want to make business with strangers; they have to get to know its business part on a social level as well before the negotiations. Due to the fact that building a relationship with the opposite business part before the negotiation process is necessary for the Chinese business people, the procedure may be long.

Chapter 7

Conclusions

In this final chapter the conclusions will be presented. The dissertation is summarized and the modified list is illustrated. Further, the methodology is criticised and the validity and reliability are presented. Finally, practical implications and possible future research are discussed.

7.1. Summary of the dissertation

Today, China is the fastest growing economy in the world, which makes its market very attractive for foreign investors (Fang, 2005). The development in China which may create opportunities to foreign companies has increased the interest in negotiating with Chinese companies. Companies see opportunities to expand their organisation and increase their profit. When companies from different countries wish to cooperate with each other, problem may arise because of differences in the business culture. In this dissertation business culture is defined as the ability for employees to interact successfully with business people of different cultures, dependent on their capacity to understand their own cultural vision as well as their counterparts'.

Sweden is one of the countries that has increased its trade with China. To be able to expand the organisation and increase the profit, Swedish companies as well as other foreign companies have to consider the differences in business culture when negotiating with Chinese companies. It is important to understand and respect the differences to make sure no misunderstandings arise. If the communication between the two business parts is misunderstood, it may be difficult to develop a business relation in order to establish a business deal.

One of the main differences described in the dissertation is the importance of relationships. It is extremely important for the Chinese business part to develop a relationship with the Swedish business part before the negotiations. Chinese business people do not negotiate with strangers, which is a vital issue for Swedish business people to consider when trying to reach the Chinese market. The Chinese emphasise on family and friends and because of that Swedish business people should try and show interest in the family of their Chinese business part. It is also important for the Chinese to keep the relationship after the deal is over. This is necessary to have if the Chinese business part wishes to have future negotiation with the other business part. In Sweden one often does not stay in touch after a deal, but if the two business parts wish to make business in the future there will be no problem. However, if the Swedish part has plans to make further business with the Chinese one should try and keep the relationship with the Chinese, which often is developed into a close friendship. Another difference between Sweden and China is the hierarchical system. In China one has to show a lot of respect towards the people with high status and rank that possess a position within the authority. Since the hierarchical system in Sweden is more equal between the employees, it is important for the Swedish part to remember to respect to the Chinese hierarchical system.

If a Swedish company chooses not to respect these differences in business culture it might create misunderstandings between the Swedish and the Chinese business parts, therefore it will be difficult to make a business deal.

From the differences discussed in the literature we presented a list of guidelines which may be useful for Swedish companies when negotiating with Chinese companies. We tested these guidelines in a

case study where the aim was to find out how well our guidelines matched the actual experiences gained in a Swedish company. In the case study six Swedish business people with the experiences in Chinese negotiation were interviewed.

The aim of the research was to see if the compiled guidelines matched the real life experiences and if not, a modified list of useful guidelines could be presented. The result from the case study showed there exist a few more differences a Swedish business part should consider during negotiations. The respondents agreed on most of the guidelines, but because of the information received from the respondents the guidelines were modified in order to be more applicable for Swedish companies. The information also led to a few new guidelines that may be helpful for Swedish companies during negotiations with Chinese companies. One guideline describes the difference in the negotiation process. Since the Chinese business people devote a lot of time to create a close relationship to the other business part, the process will take longer than the Swedish part is used to. Another new guideline was created to describe the importance of understanding and respecting the cultural differences. It also describes that knowledge about the business parts' culture is rather significant for a successful business deal.

7.2. The modified list of guidelines

The modified list of guidelines is based on the differences presented in chapter three and the result from the case study discussed in chapter five. The list of guidelines presented based on the differences in chapter three was tested in a case study to see if the Swedish companies actually use them in real life. The information received in the case study was evaluated in chapter six and in addition the list of guidelines was modified in order to be more applicable to Swedish exporting companies.

It is important for the Swedish business part to always document the agreements that are discussed during the negotiations with the Chinese.

It is important for the Swedish business part never to make the Chinese business part lose face, i.e. the company's status and prestige, in order to have a successful business deal.

To try to reach the "right" business people and show interest in them.

To have the "correct" team during negotiations, i.e. the people that possess the correct knowledge and experience to make a successful business deal.

To build relationships before signing a contract is necessary.

To try and maintain the relationship also after the negotiations is of huge importance.

The Swedish business part should show its interest and appreciation with small gifts and favours.

An interpreter who has a close relation to the Swedish company and its negotiators, and who possesses knowledge and experience within the business area should be present at meetings.

To give and receive business cards with reverence is of importance for the Chinese business part.

When addressing Chinese business people one should use Mr, Mrs or Ms. followed by a family name.

To be flexible and accept changes is necessary when negotiating with the Chinese.

Swedish companies have to be patient and prepared for the fact that negotiations with Chinese companies take a lot of time.

It is important to have knowledge about the Chinese culture before the negotiations, and to understand and respect the differences.

7.3. Criticism of the Methodology

The research was based on interviews with a question guide sent in advance to the respondents. The question guide contained questions and guidelines regarding Chinese negotiations and was designed by us without any consultation from others. Still, we believe we reduced possible problems with the interview guide since the respondents had the opportunity to express their comments during the interviews.

Another problem that occurred was the sampling rate. We decided to have at least ten companies in the study but it turned out to be harder than we thought. We only received answers from six companies which might seem like a small group, but we tried to compensate this by doing the interviews very comprehensive with probing answers. Considering the tight schedule, it might have been difficult to conduct ten interviews since the answers from the respondents were rather extensive. If more companies had been interviewed, it would have made the research more wide and at the same time increased the reliability and the validity.

It also might have been a good idea to do a background research of the respondents before using them in our study. Some companies differed a lot in business and size, and that might have affected the outcome of this dissertation.

7.4. Validity

Validity answers the question if the relationship between two variables is what they seem to be (Saunders *et al.*, 2003). The interviews were conducted for our primary data collection. Our secondary data was used to help us form the questions we found most relevant for our case study. To improve the validity we sent the questions in advance in order to prepare the respondents. When conducting the interviews we used open questions to get more in-depth answers and to increase the validity even more we also used resulting questions. Some of the resulting questions were based on answers from previous interviews to make all the respondents discuss the same issues to see if they had the same experiences within the companies.

7.5. Reliability

Reliability is about how well the research yields the same result on different occasions and if other researchers can get the same result (Saunders *et al.*, 2003). The research of the dissertation is based on guidelines that we found important and most relevant for our study, and which we compiled on the basis of the literature we have read. Since the research is based on issues which we find most important, the result may be different if other researchers wish to investigate the same subject. A threat to the reliability of the case study might be how the interview guide that was sent in advance is designed. If a question is formulated in a wrong way a systematic error may occur, but since we interviewed the participants either on the phone or in person this was not a problem (Saunders *et al.*, 2003).

7.6. Generalisability

Generalisability can be referred to as to which extent the research can be applicable to a large population. Concerning to what extent our findings can be generalized we have performed a multiple-case study, which might give a better support than a single case study. However, the aim is not to draw general conclusions or be able to apply this to other countries, but hopefully some theoretical conclusion could be drawn. In our research we did not get the number of respondents we wished for. Because we only had the chance to interview a few Swedish companies, the generalisability of the research may not meet the standards of generalisation. However, findings from this research may perhaps provide further research with information or hopefully Swedish companies will be able to find it valuable when negotiating with Chinese companies.

7.7. Practical Implications

We have created a modified list of guidelines based on the literature and the information received from the case study. The purpose of the list is to help Swedish companies in their negotiation process with Chinese companies. The list describes different approaches based on the cultural differences between Sweden and China, which the Swedish business part may have to consider if the wish is to have a successful deal.

The list of the modified guidelines should be used as guidance for Swedish companies who wish to have export to China. By using the list, Swedish companies learn of different approaches that may be useful with the aim of having successful business in China. They learn how the Chinese business people act during the negotiation process and in addition, how they should act to cope with these different behaviours. The guidelines work as advice on how to handle the cultural differences that Swedish business people may come across when negotiating with Chinese business people.

7.8. Future research

During this research we have provided an insight in the area of Chinese negotiations. As pointed out before, the Chinese economy is growing rapidly, which has increased the interest among foreign countries. We have chosen to make the research from a Swedish perspective, which is one aspect to investigate. Because of the opportunities the Chinese market may give to foreign companies and the fact that its culture differs a lot from cultures in the west, provide many interesting topics and aspects to conduct further research in.

Our research has discussed how Swedish exporting companies, should behave in a negotiation with Chinese companies with help from the modified list of guidelines we have assembled.

Aspects that would be interesting to investigate further are presented below:

- In our research, the line of business in each company is not considered. It may be interesting to conduct a research on the same line of business in order to make the guidelines more specific and even more applicable to companies within that business. It might have been easier to make the conclusions if the investigation involved companies from the same line of business.
- It would also be interesting to do a research from a Chinese perspective, where the Chinese negotiators are interviewed about their experiences with Swedish business people. Further the result from the Chinese negotiators will be compared with the answers from our respondents, the Swedish negotiators, in order to make future negotiations easier.

- A research on how applicable the list of modified guidelines is to companies in another country, besides Sweden, in their negotiation process with Chinese companies may be interesting.
- Since our research only involved experiences from a few companies, it would have been interesting to investigate if the result would have been the same with a larger number of respondents.
- When writing the dissertation the different geographic areas have not been considered. While working with this dissertation we have received information that differences in culture and negotiation styles exist in different parts of China. To compare different areas in China may have an interesting outcome.

List of References

Books:

Bjerke, B. (1998). *Affärsledarskap i fem olika kulturer*. Lund:
Studentlitteratur

Blackman, C. (1997). *Negotiating China: case studies and strategies*.
Allen & Unwin.

Chaney, L. H., & Martin, J. S. (2004). *Intercultural Business
Communication, (3rd Ed.)*. Upper Saddle River, New Jersey:
Pearson Education Inc.

Chen, M. (2001). *Insides Chinese Business: A Guide for Managers
Worldwide*. Boston: Harvard Business School Press.

Fang, T. (2005). *Att göra affärer i dagens Kina, (1st Ed.)*. Stockholm:
SNS Förlag.

Helgesson, T. (1996). *Culture in International Business: an
introduction, (1st Ed.)*. Lund: Academia Adacta.

Hill, C. W. L., (2005). *International Business: Competing in the Global
Marketplace, (5th Ed.)*. New York: The McGraw-Hill Companies,
Inc.

Hinkelman, E.D. (1994). *China Business: the portable encyclopedia for
doing business with China*. San Rafael: World trade press.

Hofstede, G. (1997). *Cultures and Organizations: Software of the Mind*.
New York: The McGraw-Hill Companies, Inc.

Lewis, R. D. (1999). *When Cultures Collide: leading across cultures*.
Boston: Nicholas Brealey Publishing.

Phillips-Martinsson, J. (1992). *Svenskarna som andra ser dem, (2nd
Ed.)*. Lund: Studentlitteratur.

Saunders, M., Lewis, P., & Thornhill, A. (2003). *Research Methods for
Business Students, (3rd Ed.)*. Harlow: Pearsin Education Limited.

Selmer, J. (1998). *International Management in China: Cross-cultural
issues*. London and New York: Routledge.

Sharma, K. (1996). *Alla dessa kulturer: om den praktiska konsten att
förstå en annan kultur eller vad man behöver kunna hantera
innan man lär sig en annan kultur*. Stockholm: Förlags AB
Industrilitteratur.

Trompenaars, F., & Hampden-Turner, C. (2003). *Riding the Waves of
Culture: Understanding Cultural Diversity in Business, (2nd Ed.)*.
London: Nicholas Brealey Publishing.

Internet:

<http://www.communicaid.com/chinese-business-culture.asp>

http://www.communicaid.com/culture_business.asp

http://www.multicultural.se/nyhetsbrev_2005_mars.html

http://www.importanceofphilosophy.com/Evil_Collectivism.html

<http://www.tonyfang.com>

Personal Interviews:

Nilsson, Leif, Export director, Malmberg Water AB, Yngsjö, 4 November 2005

Svensson, Anders, Marketing manager, TEXO, Älmhult, 7 November 2005

Linnér, Karina, Marketing and Sales Director, Chris-Marine, Malmö, 7
November 2005

Grevendahl, Karl- Erik, Managing Director, Sustainable Business Hub,
Malmö, 9 November 2005

Welander, Pia, Chinese Area Contact, Anoxkaldnes, Lund, 9 November
2005

Telephone Interviews:

Kristiansen, Kjell, Asia Area Manager, Allergon, Ängelholm, 8
November 2005

Seminar:

Ms. Shirley-Li, seminar, Kristianstad University, 2004



Dear Mr. or Mrs.

We are three students studying International economy at Kristianstad University. At the moment, we are devoting our time writing our bachelor dissertation. The dissertation is discussing the cultural differences between Sweden and China. Our aim is to carry out a study that may help Swedish companies when negotiating with Chinese companies. To receive the information needed, we will interview Swedish businessmen/businesswomen in order to take part of their earlier experiences from negotiations with Chinese companies.

The purpose with the study is to get an insight in how a Swedish company handles the differences between the business cultures when negotiating. The information we will receive may help us go deeper into the problem in negotiating and make it easier for us to compile guidelines that might be relevant for Swedish companies.

If any of the questions seem vague, irrelevant please contact us so we can change or explain what we mean. The most important is that we receive response on all questions.

The study is not confidential and the answers will be presented or quoted in our dissertation.

We are looking forward to take part of your experiences!

Best regards

Mikael Larsson
Severin
mickelarsson82@spray.se
0709-646 646

Maria Olofsson
maria.olofsson@webaid.se

Ulrika
ulrika.severin@webaid.se

Questionnaire

1. What is your main task?
2. How long have you and your company done business with China?
3. How many companies have you successfully been negotiating with?
4. What do you think is the main difference when doing business with a Chinese company compared to a Swedish company?
5. Rank the following guidelines from 1 - 5, depending on how important they are when doing business with a Chinese company. See appendix.
6. If you look at the guidelines we have compiled, are there anything you would like to add that has been of importance when negotiating with Chinese companies?
7. Do you think it is important to keep the cultural differences or shall the business parts change their cultural background in order to satisfy the opposite business part? Or should the business parts try to unite the best parts from every business culture?

Guidelines

1. *Trust is one of the most significant issues for Chinese business people and it is therefore important for Swedish business people to keep their promises and not let their Chinese business part down.*

Ranking:

Disagree **1 2 3 4 5** *Agree*

2. *To maintain face, i.e. the company's status and prestige, in front of the other business part in order to have a successful business deal.*

Ranking:

Disagree **1 2 3 4 5** *Agree*

3. *To try to reach the business people with high status and show most interest in them.*

Ranking:

Disagree **1 2 3 4 5** *Agree*

4. *To have the "correct" team during negotiations is important since the Chinese prefer to negotiate with older and more experienced businesspeople with high status within the company.*

Ranking:

Disagree **1 2 3 4 5** *Agree*

5. *To build relationships before signing a contract is necessary.*

Ranking:

Disagree **1 2 3 4 5** *Agree*

6. *To try and maintain the relationship also after the negotiations is of huge importance.*

Ranking:

Disagree **1 2 3 4 5** *Agree*

7. *To entertain and maintain the relationship with the Chinese business part through gift giving.*

Ranking:

Disagree 1 2 3 4 5 Agree

8. *To always have access to an interpreter at meetings.*

Ranking:

Disagree 1 2 3 4 5 Agree

9. *To avoid misunderstandings in communication between business parts, the body language has to be considered.*

Ranking:

Disagree 1 2 3 4 5 Agree

10. *One should use the person's profession when addressing Chinese business people, and if a title does not exist, one should address them as Mr, Mrs or Ms.*

Ranking:

Disagree 1 2 3 4 5 Agree

11. *To be flexible and accept changes is necessary when negotiating with the Chinese.*

Ranking:

Disagree 1 2 3 4 5 Agree



Hej,

Vi är tre studenter som läser internationell ekonomi vid högskolan i Kristianstad. Just nu ägnar vi vår tid åt att skriva vårt examensarbete där vi studerar kulturella skillnader mellan Sverige och Kina. Vi skall genomföra en undersökning som syftar till att underlätta för svenska företag vid förhandling med kinesiska företag. Som hjälp ska vi intervjua svenska affärsmän/affärskvinnor för att ta del av deras tidigare erfarenheter från förhandlingar med kinesiska företag.

Syftet med undersökningen är att vi ska få en inblick i hur svenska företag hanterar skillnaderna mellan affärskulturerna vid förhandlingar. Detta skall underlätta för oss när vi ska sammanställa resultatet och gå in på djupet och mer konkret sätta fingret på de avgörande faktorerna vid förhandlingar. Målet med vår undersökning är att resultatet i framtiden skall kunna underlätta för Er vid förhandlingar.

Om Ni upplever en del frågor som otydliga, irrelevanta eller har några synpunkter så är Ni varmt välkomna att meddela oss så ser vi till att ändra eller förklara vad vi menar. Det viktigaste är att vi får respons på alla frågor.

Undersökningen är inte konfidentiell utan svaren kommer att redovisas eller citeras i vår uppsats.

Vi ser fram emot att få ta del av Era erfarenheter!

Med vänliga hälsningar

Mikael Larsson
mickelarsson82@spray.se
0709-646 646

Ulrika Severin
ulrika.severin@webaid.se

Maria Olofsson
maria.olofsson@webaid.se

Frågeformulär

1. Vad är Er huvudsakliga arbetsuppgift?
2. Hur länge har Ert företag och Ni gjort affärer med Kina?
3. Hur många kinesiska företag har Ni framgångsrikt förhandlat med?
4. Vad tror Ni är den huvudsakliga skillnaden i att göra affärer med ett kinesiskt företag jämfört med ett svenskt företag?
5. Ranka de följande riktlinjer från 1-5 beroende på hur mycket de stämmer överens med Ert tillvägagångssätt när Ni gör affärer med ett kinesiskt företag. Se bilaga.
6. Om Ni tittar på de riktlinjer vi har sammanställt, är det något Ni vill tillägga som har varit betydelsefullt när Ni har gjort affärer med kinesiska företag?
7. Tror Ni att det är viktigt att behålla de affärskulturella skillnaderna eller skall någon part försöka ge vika för sin kulturella bakgrund? Eller försöka ena de bästa delarna från varje kultur?

Bilaga.

Riktlinjer

1. Förtroende är väldigt viktigt för kineserna och det är därför viktigt att man står fast vid sina löften och inte sviker den andra parten.

*Ranking:**Stämmer inte alls 1 2 3 4 5 Stämmer*

2. Det är viktigt att bibehålla "ansiktet", dvs. företagets prestige och status, inför den andra parten för att affären skall lyckas.

*Ranking:**Stämmer inte alls 1 2 3 4 5 Stämmer*

3. Försök nå de människor med högst status och visa mest intresse för dem.

*Ranking:**Stämmer inte alls 1 2 3 4 5 Stämmer*

4. Att ha "rätt" team vid förhandlingar är viktigt, eftersom kineserna föredrar att göra affärer med äldre och mer erfarna affärsmän/kvinnor som har hög status inom företaget.

*Ranking:**Stämmer inte alls 1 2 3 4 5 Stämmer*

5. Att bygga relationer innan ett kontrakt skrivs är nödvändigt.

*Ranking:**Stämmer inte alls 1 2 3 4 5 Stämmer*

6. Att försöka bibehålla relationen även efter en affär är avslutad.

*Ranking:**Stämmer inte alls 1 2 3 4 5 Stämmer*

7. Upprätthåll relationen till den kinesiska affärsparten genom gåvor.

*Ranking:**Stämmer inte alls 1 2 3 4 5 Stämmer*

8. Ha alltid tillgång till en tolk vid möten.

*Ranking:**Stämmer inte alls 1 2 3 4 5 Stämmer*

9. För att undvika missförstånd i kommunikationen mellan affärsparterna bör man tänka på kroppsspråket.

Ranking:

Stämmer inte alls 1 2 3 4 5 Stämmer

10. När man tilltalar kinesiska affärsmänniskor bör man använda yrkestitel, och om yrkestitel inte finns, bör man tilltala de med Mr, Mrs eller Ms.

Ranking:

Stämmer inte alls 1 2 3 4 5 Stämmer

11. Att vara flexibel gentemot kineserna och vara öppen för förändringar är nödvändigt när man förhandlar med kineser

Ranking:

Stämmer inte alls 1 2 3 4 5 Stämmer
