

# Cultural synergies and challenges in the context of Supplier Relationship Management: Finnish-Chinese interaction

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## **Cultural synergies and challenges in the context of Supplier Relationship Management: Finnish-Chinese interaction**

### **Objective of the study**

The objective of the study was to identify the cultural synergies and cultural challenges in the context of a case study on supplier relationship management. The two main case organizations of the study were a Finnish subsidiary of a Western MNC, called with the fictional name Power Oy and its Chinese supplier of welded structures, called with the fictional name Frames CN. The Finnish case company manufactures products for the power generation industry. The study explored the perceptions and experiences of Power Oy's managers and business partners in order to answer the main research questions: "What kind of cultural synergies and cultural challenges can be identified between the Finnish case company and the Chinese supplier within supply chain processes?" and "At what stages of the supply chain processes do these cultural synergies and cultural challenges occur?".

### **Methodology and the theoretical framework**

The main source of data in the qualitative single case study carried out consisted of six semi-structured interviews with representatives of the organizations involved, conducted at Power Oy. In addition, supporting documentation was provided by Power Oy. The interviews were conducted in Helsinki, with three of them over the phone with the interviewees located in China. The theoretical framework of the study dealt with three main cultural dimensions: (1) the physical dimension, emerging from the field of cultural materialism, (2) the psychological dimension, emerging from cultural cognitivism and (3) the language dimension, which serves to bridge the physical with the psychological dimensions. The three dimensions were used to describe the cultural synergies and challenges identified during the supply chain process stages.

### **Findings and conclusions**

Cultural synergies were identified through a representation of standard procedures from the supplier approval stage to the purchase order completion stage. In particular, there was no indication of cultural challenges in the processes of supplier selection, placing the order into the enterprise resource planning (ERP) system and design. The following organizational and country-specific culture related challenges were identified within the supplier approval and quality control stages: lack of know-how, lack of welding procedure specifications (WPS), differences in organizational attitudes and beliefs, insufficient understanding of the International Organization for Standardization (ISO) standards, differences in communication styles, use of authority power and interpersonal values. Within the language dimension there were several additional

challenges: the Chinese supplier lacked English language skills, non-verbal communication was almost non-existent and there were mistakes in the translation of technical specifications. Finally, recommendations on how to improve communication with the Chinese supplier were given.

**Key words:** international business communication, intercultural business communication, organizational communication, supply chain management, supplier relationship management, sourcing in China, Finnish culture, Chinese culture, Chinese manufacturing, supplier quality management

## **Културни синергии и предизвикателства в контекста на Управление на Отношенията с Доставчиците: финландско-китайското взаимодействие**

### **Цел на проучването**

Целта на проучването беше да се идентифицират културни синергии и културни предизвикателства в контекста на бизнес казус от сферата на управление на отношенията с доставчиците. Двете главни организации, представени в проучването, бяха финландски филиал на западна мултинационална корпорация, назован с фикционалното име Power Oy и неговия китайски доставчик на заварени структури, назован с фикционалното име Frames CN. Финландската компания, представена в казуса, произвежда продукти за енергийната индустрия. Проучването изследва възприятията и опита на мениджърите от Power Oy и нейните бизнес партньори, за да отговори на следните основни въпроси в проучването: „Какъв тип културни синергии и културни предизвикателства могат да бъдат идентифицирани между финландската компания, представена в казуса и китайския доставчик в обсега на процесите по управление на доставките?“ и „В кои етапи от процесите по управление на доставките се наблюдават културни синергии и културни предизвикателства?“.

### **Методология и теоретична рамка**

Главните източници на информация в еднократното качествено проучване на бизнес казуса бяха шест полу-структурирани интервюта с представители на участващите организации, проведени в сградата на Power Oy. В допълнение, подкрепяща информация беше осигурена от Power Oy. Интервютата бяха проведени в Хелзинки като три от тях се осъществиха чрез телефонна връзка с хората, намиращи се в Китай. Теоретичната рамка на проучването засегна три основни културни измерения: (1) физическото измерение, произлизащо от концепцията за културен материализъм, (2) психологическото измерение, произлизащо от културния когнитивизъм и (3) лингвистичното измерение, което служи за мост между физическото и психологическото измерение. Трите измерения бяха използвани за да опишат културните синергии и предизвикателства, идентифицирани в етапите на управление на доставките.

### **Констатации и заключения**

Културните синергии бяха идентифицирани чрез представяне на стандартните процедури от етапа на одобрение на доставчика до етапа на изпълнение на поръчката. В частност, нямаше индикации за културни предизвикателства в процесите по селекция на доставчиците, подаване на поръчки в системата за

планиране на ресурсите на предприятието (ERP system) и дизайна. Следните предизвикателства, свързани с организационната култура и националната култура бяха идентифицирани в етапите по одобрение на доставчиците и контрол на качеството: липса на ноу-хау, липса на спецификации за процедурите по заваряване (WPS), разлики в организационните нагласи и становища, недостатъчно разбиране на стандартите от международната организация по стандартизация (ISO), разлики в стиловете на комуникация, използването на авторитетната власт и междуличностните ценности. В лингвистичното измерение се наблюдаваха няколко допълнителни предизвикателства: китайският доставчик не притежаваше знания по английски език, невербалната комуникация почти не съществуваше и имаше грешки в превода на техническите спецификации. Накрая, бяха дадени препоръки за това как да се подобри комуникацията с китайския доставчик.

**Ключови думи:** международна бизнес комуникация, межкултурна бизнес комуникация, организационна комуникация, управление на веригата за доставки, управление на отношенията с доставчиците, снабдяване в Китай, финландска култура, китайска култура, китайско производство, управление на качеството на доставчиците

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## **1. INTRODUCTION**

As argued by Nassimbieni and Sartor (2007, p. 333) “China is one of the most attractive sourcing basins thanks to the low cost of manpower, the rapid increase in the quality and quantity of its products, the availability of major logistic platforms, and the possibility of justifying a commercial presence in the market that is potentially the biggest of the world”. Hence, the increasing interest of Western companies in sourcing products from China in the recent decades has created a need to explore in more depth the important aspects behind supplier relationship management in China. Previous research shows that one of the most crucial aspects for successful operations in China is understanding the culture. Sartor (2006), for example, points out that in China’s social, cultural, and legal context, so different from Western ones, companies are likely to encounter numerous obstacles when creating and managing a supply flow from China. There are numerous other researchers who have recently started to put even greater emphasis on the importance of intercultural communication in the buyer-supplier relationships in China (Kull & Wacker, 2010; Towers & Song, 2010; Wang, Singh, Samson & Power, 2011; Sun, 2009; Yang, 2011). Moreover, Kull & Wacker (2010) have conducted a study, which proves that cultural values in Asian and non-Asian countries determine the effectiveness of quality management practices are at improving quality performance, especially when it comes to managing supplier quality.

However, despite the growing number of studies on sourcing in China and the increasing interest in the role of culture in business relationships, there has been little in-depth research on the effect of intercultural communication in supplier relationship management between Western buyers and Chinese suppliers. Thus, the current study is focusing on exploring this phenomenon in the context of a case study involving a Finnish buyer and a Chinese supplier.

It is also important to point out that the author of this research project has taken a very specific approach to the concept of culture. Since the case study is from the field of



global sourcing and supply chain management (SCM), the closest constituent of SCM to culture is the field of supplier relationship management. Its purpose is to maintain and improve the communication with the supplier, ultimately aiming at achieving better quality. On the other hand, according to Chaney and Martin (2007) culture and communication are inseparable and they should be studied together. “Culture cannot be known with a study of communication and communication can only be understood with an understanding of the culture it supports” (Jandt, 2007, p. 27-28 quoted in Chaney and Martin, 2007, p. 1-2). Furthermore, this Master’s Thesis studies business culture and national culture together since they seem to play equally important roles in international business and they can also affect each other. Thus, referring to Borden’s theoretical framework on cultural dimensions (1991, p. 171) business culture and national culture are, on the one hand, positioned through the cultural materialism perspective, which takes into account the physical environment and the cultural artifacts, so important for operational level studies like the current one and, on the other hand, the cognitivist perspective, which is mostly psychological.

The new knowledge gained through this study should be able to fill in the research gap in in-depth micro-level studies on intercultural communication in the context of supplier relationship management. It should also provide both researchers and practitioners globally with new knowledge that can be utilized in practice or used as foundation for future research. Furthermore, the findings and managerial implications should be able to serve as a guideline for future SRM communication between the case company and the Chinese suppliers. Finally, the most valuable contribution of this thesis would be better understanding of the cultural differences between Finnish and Chinese supply chain practitioners (not only managers) in the setting of a multinational corporation.

### **1.1 Research objectives and short description of the case study**

As previously mentioned, despite the growing research on supplier relationships and quality management in China, there is hardly any research that addresses the critical

issue of improving business communication through cultural synergies in supplier relationship management between Western MNCs and Chinese suppliers. In addition, the effect of language and communication on international business has been studied extensively in recent years, largely because of the inevitable globalization processes that constantly impose the need for better cross-cultural knowledge management and communication. Previous studies suffer from some serious limitations when it comes to specific micro-level investigations like the current one.

Hence, the present study was designed as a case study. It involves a Finnish production unit of an MNC with global operations in the power and automation industry, which sources some of its components (in this case welded electrical motor and generator frames) from a Chinese supplier. Because of confidentiality requirement, this Finnish buyer company is called with the fictional name Power Oy in the current research. For the same reasons, the Chinese supplier has been named with the fictional name Frames CN. When the case study was launched it was evident that the Finnish subsidiary had been experiencing various difficulties in establishing successful co-operation with Frames CN and achieving acceptable quality. The inability to prevent these difficulties had already resulted in costly corrective actions, which suggests that a deeper investigation of the case would be highly beneficial for future actions. Hence, the purpose of this study is to investigate possible intercultural communication obstacles, which may occur in Chinese supplier relationship management from a Western MNC perspective. It should further reveal the related pitfalls and suggestions for improvement.

Based on the background information presented above, this study explores the following research questions:

1. What kind of cultural synergies and cultural challenges can be identified between the Finnish case company and the Chinese supplier within the supply chain processes?

2. At what stages of the supply processes do these cultural synergies and cultural challenges occur?

The current sub-chapter established the research gap that triggers the current study. It also explained the purpose and the essence by presenting background information for the case study in question. It ultimately presented the final research questions of this Master's thesis.

## **1.2 Structure of the thesis**

This Master's thesis consists of five main chapters – 1) Introduction, 2) Literature Review, 3) Data and Methods, 4) Findings and Discussion and 5) Conclusions. The first chapter – Introduction - provides the research gap which induced the current study, the value of the research, the research objectives, a short description of the case study, and the structure of the thesis. The second chapter – Literature Review – is divided into three subchapters. The first subchapter is focused on the influence of culture on business communication. It provides some general information regarding the concept; it describes the problem of ethnocentrism and its solution with the concepts of acculturation and cultural synergies; it shortly presents the concept of BELF (Louhiala-Salminen, Charles, & Kankaanranta, 2005) in intercultural communication; and finally it probes further into the influence of culture on communication for supplier relationship management. The second subchapter is focused on intercultural business communications in the case of Finland and China. It provides brief profiles of the national and business cultures in the two countries.

Finally, it presents findings from previous research comparing the two cultures. Then, the third subchapter in the Literature Review combines the research concepts presented earlier to create the final theoretical framework that is used for the analysis part of the thesis. The third chapter of the current study – Data and Methods – describes the

research methods used and the data collected for the analysis. The fourth chapter of this thesis – Findings and Discussion – presents the most relevant findings from the analysis of the collected data through the theoretical framework presented in the Literature Review situated within the SCM process stages. And finally, the fifth chapter – Conclusions – provides the research summary, the practical implications of the study, its limitations and suggestions for future research.

## **2. LITERATURE REVIEW**

### **2.1 The influence of culture on business communication**

Before discussing the most fundamental research on culture, it is important to shed light on the approach to culture that the present study assumes. Chaney and Martin's concept of culture (2007) combined with Borden's three dimensional model of culture (1991, p. 171) seem to provide the most relevant theoretical framework for the current study. As previously discussed, in their book on Intercultural Business Communication Chaney and Martin (2007) claim that communication and culture are inseparable. As Alfred G. Smith (1966) wrote in his preface to *Communication and culture*: "Culture is a code we learn and share, and learning and sharing require communication." Godwin C. Chu (1977) observed that every cultural pattern and every single act of social behavior involves communication. To be understood, the two must be studied together.

Yoshida (2002) further claims that a lack of effective intercultural communication skills quite frequently causes misunderstanding. He also argues that this usually results in distrust between the parties concerned and, more often than not, problems arise because of differences in communication styles.

To summarize, Chaney and Martin (2007) describe the two concepts as follows: “Whereas communication is a process, culture is the structure through which the communication is formulated and interpreted...When cultures interact, adaptation must take place for the cultures to communicate effectively. With intercultural business communication, being aware of each culture’s symbols, how they are the same, and how they are different is important.” (Chaney and Martin, 2007, p.5)

In addition, Borden (1991) claims that there are at least two valid approaches to the definition of culture. The first one is the environmentalist/behaviorist perspective, which is physical and measurable (objective) and it has three subdimensions: the natural environment, the man-made environment, and observable human behavior. The second one is the cognitivist perspective, which is psychological and inferential (subjective). It also has two subdimensions, content and process, with content further divided into knowledge and belief systems and process subdivided into an undetermined number of processes. Furthermore, Borden (1991) believes that in order to make these two perspectives congruent with each other a third dimension should be added, namely the language dimension (verbal and non-verbal). This dimension is part of the man-made environment and human behavior on the physical dimension and of both content and process on the psychological dimension. Thus, the primary cultural role of language according to Borden (1991) is communication through which social systems are established, propagated, and maintained.

Ultimately, based on the previous research presented above, underlying premises of the current study suggest culture and communication to be inseparable; business culture and national culture to be interconnected and inseparable; and culture to be both materialist and cognitivist. At the same time it is assumed that language, both verbal and non-verbal keeps the whole cultural construct together and “running”. As Rosengren (1986) claims: “The culture of human society is a set of abstract, man-made patterns of and for behavior, action, and artifacts” (Rosengren, 1986, p. 19, quoted in Borden, 1991, p. 171).

### **2.1.1 Landmark studies on culture**

Even though Borden's theories (1991) and Chaney and Martin's research (2007) have been highly beneficial to the field of intercultural communication the latter can be attributed to the anthropologist Edward T. Hall (1959). Another fundamental researcher in the field of intercultural business communication is Geert Hofstede. In his landmark book "Culture's Consequences: International Differences in Work-Related Values", first published in 1980, he presents the results of one of the most comprehensive studies in the field that far. Despite both researchers being widely criticized for some of their research approaches, their concepts are still considered to be some of the most influential ones in the field of intercultural business communication.

On the one hand, Hall (1990) distinguishes the concepts of context, space, time, and information flow across different cultures. His theories about high-context and low-context cultures, as well as polychronic and monochronic cultures are still used in many of the contemporary studies. In addition, Hall established the foundations of intercultural communication in the context-, space-, -time and information flow orientations. Hall's concept of context can be viewed as the amount of information that must be explicitly stated to consider communication successful. Thus, low-context societies use more explicitly stated information while high-context societies use more implicitly stated information. In terms of space Hall studies the distance that different countries/cultures use between them while communicating. Furthermore, his concept of time seems to have had the greatest impact on intercultural studies and has been used numerous times by other researchers to explain certain phenomena of cross-cultural time perceptions. Hall claims that there are two types of societies when it comes to time – monochronic and polychronic. The monochronic societies are prone to scheduling and completing one activity at a time while the polychronic societies do not distinguish between activities and tend to complete them simultaneously. The following Table 1 (adapted from Hall, 1990 in Tamas, 2007) gives a brief overview of the two different time concepts:

**Table 1. Monochronic and polychronic cultures (Hall, 1990 in Tamas, 2007)**

	<b>Monochronic Culture</b>	<b>Polychronic Culture</b>
Interpersonal Relations	Interpersonal relations are subordinate to present schedule	Present schedule is subordinate to interpersonal relations
Activity Co-ordination	Schedule co-ordinates activity; appointment time is rigid.	Interpersonal relations co-ordinate activity; appointment time is flexible
Task Handling	One task at a time	Many tasks are handled simultaneously
Breaks and Personal Time	Breaks and personal time are sacrosanct regardless of personal ties.	Breaks and personal time are subordinate to personal ties.
Temporal Structure	Time is inflexible; time is tangible	Time is flexible; time is fluid
Work/personal time separability	Work time is clearly separable from personal time	Work time is not clearly separable from personal time
Organisational Perception	Activities are isolated from organisation as a whole; tasks are measured by output in time (activity per hour or minute)	Activities are integrated into organisation as a whole; tasks are measured as part of overall organisational goal

In addition, Chaney and Martin (2007) summarize Hall's concept of culture on an even more practical level. According to them:

**Monochronic People**

- Do one thing at a time
- Concentrate on the task
- Take time commitments seriously and value promptness
- Are committed to the task
- Show respect for private property; rarely borrow or lend
- Are accustomed to short-term relationships

**Polychronic People**

- Do many things at once
- Are highly distractible and subject to interruptions
- Consider time commitments more casually; promptness based on the relationship

- Are committed to people
- Borrow and lend things often
- Tend to build lifetime relationships

(Chaney and Martin, 2007, p. 117)

Finally, Hall (1990) studies the concept of information flow in intercultural communication by investigating the differences in the structure and speed of messages between individuals and organizations. However, in the current thesis we are not going to focus so much on this dimension of intercultural analysis.

Hofstede's comprehensive study (2001) on business communication in global settings has provided researchers with some concrete and measurable concepts for comparison between cultures. These concepts are power distance, uncertainty avoidance, individualism and masculinity. Hofstede's study (2001) explores the differences in thinking and social action that exist among members of more than 50 modern nations. "It argues that people carry "mental programs" that are developed in the family in early childhood and reinforced in schools and organizations, and that these mental programs contain a component of national culture (Hofstede, 2001, p. XIX)." These mental programs, according to him, are most clearly expressed in the different values that predominate among people from different countries. Many researchers believe that although Hofstede's work is somewhat dated and has been criticized on a number of grounds the dimensions of culture (e.g. power distance, individualism, masculinity, uncertainty avoidance, long-term orientation) that he explored are useful in understanding that members of various societies are likely to behave in different ways in a given situation. The Power Distance dimension, also known as the Power Distance Index is defined as "the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally" (Hofstede, 1994, p. 28). A High Power Distance ranking shows that inequalities of power and wealth exist within the society and that the less powerful members of the society accept this situation as normal. A Low Power Distance ranking indicates the



society de-emphasizes the differences between citizens' power and wealth. In these societies equality and opportunity for everyone are both stressed. (Hofstede, 2001 in Tamas, 2007)

The cultural dimension Individualism (IDV) Hofstede defines as follows:

"individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after himself or herself and his or her immediate family." (Hofstede, 1994, p. 51). A High Individualism ranking indicates that individual rights rather than group rights are leading within the society. A Low Individualism ranking categorizes societies as more collectivist ones with close ties among its members. In addition, the Masculinity dimension (MAS) focuses on the degree to which 'masculine' values like competitiveness and the acquisition of wealth are valued over 'feminine' values like relationship building and quality of life. A High Masculinity ranking indicates that the society under investigation values affirmative and aggressive 'masculine' traits. A Low Masculinity ranking recognizes societies as entities with caring 'feminine' characteristics that predominate.

Consequently, the Uncertainty Avoidance Index (UAI) focuses on the level of tolerance for uncertainty within the society. Following the logic so far, a High Uncertainty Avoidance index shows that the country in question has a low tolerance for uncertainty. This usually means that the country has a rule-oriented society that follows strictly the laws, rules, regulations, and controls in order to reduce the amount of uncertainty. In contrast, A Low Uncertainty Avoidance ranking indicates that the country has less concern about uncertainty and tolerates more the diversity of opinions. This is usually reflected in a society that is less rule-oriented, takes more and greater risks and is prone to change more easily. Finally, the Long-Term Orientation (LTO) dimension of culture, formerly known as "Confucian dynamism", focuses on the degree the society supports or does not support long-term devotion to traditional values. A High Long-Term Orientation ranking indicates the country respects traditions and where patience is regarded as a virtue, suggesting that long-term rewards are expected as a result of

“today's” hard work. A Low Long-Term Orientation index would show a more immediate and short-term oriented society expecting the rewards from their work in a shorter time period. (Hofstede, 2001)

All of these dimensions of culture have proved to be highly valuable for gaining more understanding of intercultural competence in international business settings. This is the reason why basic notions of Hall's (1990) and Hofstede's (2001) work were explained above. Later, when the collected data of the current study are discussed the same concepts can easily be referred to.

Another influential study in the field of intercultural business communication was conducted by Trompenaars and Hampden-Turner (1997). They view culture as a way in which a group of people solves problems and reconciles dilemmas (Schein, 1985). Some of the dimensions of culture that they develop resemble those of Edward Hall (1990) and Geert Hofstede (2001). In addition, Trompenaars and Hampden-Turner (1997) have distinguished different levels in which culture presents itself. At the highest level is the culture of a national or regional society. In the lower level they put the way in which attitudes are expressed within a specific organization, i.e. corporate or organizational culture. Finally, in the lowest level they put professional culture, i.e. culture of particular functions within organizations: marketing, research and development, personnel. However, in their research Trompenaars and Hampden-Turner, just like Hofstede, focus more on the differences in national culture that would eventually affect corporate and professional cultures. They also emphasize the inseparability of communication and culture in the business environment that was discussed above. According to them: “Communication is, of course, essentially the exchange of information, be it words, ideas or emotions. Information, in turn, is the carrier of meaning. Communication is only possible between people who to some extent share a system of meaning, so here we return to our basic definition of culture” (Trompenaars and Hampden-Turner, 1997, p. 74)

In contrast with the above mentioned research concepts that focus mostly on national culture, Jameson's study (2007) argues that the field of intercultural business communication needs a stronger focus on understanding itself. According to her the concept of cultural identity should not privilege nationality but instead should balance components related to vocation, class, geography, philosophy, language, and the social aspects of biology. Jameson believes that equating culture with a country limits our understanding of business issues, problems, and strategies. Louhiala-Salminen (1997) also noted that "affiliates of an international group can share aspects of a common culture, although operating in different countries" (p. 332). Furthermore, Poncini (2002) argued that studies of discourse in multicultural business settings should not view participants as representatives of homogenous national cultures; other factors, such as organizational roles, business contexts, and individual differences, may be important. This is the reason why the present study attempts to investigate culture, both national and organizational, on a micro-level within the business context emphasizing the fact that the two cultures are intertwined and it is hard to determine which one is more important for intercultural business communication. Jameson (2007) further explains that sometimes professional culture helps to explain communication differences in the cases when national culture cannot. She further argues that adopting a common corporate language in MNCs does not necessarily solve the communication challenges between business professionals from different countries. On the contrary, it might make cultural differences even more evident in intercultural communication, because the impact of culture is still significant.

Similarly to Jameson's research, another recent study by Gore (2007) also supports the idea of taking into account various different circumstances in intercultural business communication. According to him since its beginning, the approach of intercultural communication has been practical and one that the modern, global business community has enthusiastically adopted in various forms. He also points out that business is seen as a proactive agent in bringing diverse peoples together that drives the need and the way people communicate. Gore (2007) claims that the approach in intercultural

communication is micro-level. He further argues that culture is examined and explained at the individual level in specific situations. Based on this argument, he presents the following characteristics of intercultural business communication:

- Intercultural communication focuses on improving communication not only between people of different national cultures, but also other person to person differences.
- Nonverbal communication is a crucial part of intercultural communication, particularly in terms of people's orientation (and differences) to time and space.
- Experiential learning is a key component in intercultural communication. One must experience intercultural communication if one is really going to understand it.

(Gore, 2007, p. 12)

In business terms, Gore (2007) points out that “education about intercultural communication refines raw human resources into quality knowledge capital” (p. 34). He further claims that many companies are still investing in machinery and equipment to improve production efficiency, but more organizations are coming to the conclusion that investing in people produces those results even better. To conclude Gore (2007) believes that intercultural communication competence, or as he calls it “the ability to communicate effectively with people of different cultural backgrounds” (p. 137) is a skill that needs to be developed, especially in the settings of international business.

### **2.1.2 Ethnocentrism, stereotypes and prejudice in intercultural business communication**

Janhonen-Abruquah and Palojoki's research paper (2005) on multicultural integration work in Finland claims that multiculturalism is two kinds – selfish and humane. According to their study, in selfish multiculturalism a person is only post factum profiting from cultural diversity, whereas in humane multiculturalism the same tries to consider cultural diversity before acting. The notion of “selfish” multiculturalism leads to a concept much deeper rooted into societies world-wide, i.e. the concept of ethnocentrism, which can be viewed as a phenomenon which precedes the stage of gaining intercultural competence or intercultural sensitivity (Bennett, 1986; 1993).

Ethnocentrism means that when a person from a particular culture interacts with a person from a different one he/she would perceive the challenges in communication as a result of using “the wrong” way of communicating or perceiving the world. Although, in this kind of situation there is no “right” or “wrong”, but just “different”. In more academic terms, Chaney and Martin (2007) define ethnocentrism as “the belief that your own cultural background, including ways of analyzing problems, values, beliefs, language, and verbal and nonverbal communication, is correct”(p. 10). According to them, as earlier mentioned, ethnocentrists believe that their culture is the central culture and that other cultures are incorrect or defective. Fisher (1997) refers to ethnocentrism as mindsets and he believes that no matter how strong these mindsets are they can be altered. Moreover, Hofstede (2001) also discusses the concept of ethnocentrism and he uses the definition that Drever (1952, p.86) gave for it, namely an “exaggerated tendency to think the characteristics of one's own group or race superior to those of other groups or races”. Hofstede (2001) also compares ethnocentrism to egocentrism in the sense that they are both considered a phase in a person's mental development. According to Faucheux (1976, p. 309) “egocentrism is a phase in the development of a child before it can take the viewpoint of another”. The same way ethnocentrism is a

phase in the development of a person's intercultural sensitivity and ability to communicate efficiently with representatives of different cultures.

Additionally, Hofstede (2001) points out that a common mistake in sociological (or similar) research is that it has been developed by scholars studying their own societies and "these scholars are themselves personally caught up in the same symbols which they try to decode" (p. 19). In the context of the present study, it is worth mentioning that the research presumably might gain more authentic results since it has been conducted by a person who is neither Finnish nor Chinese.

Moreover, ethnocentrism has been seen as a major cause for people from different cultures to experience communication challenges and difficulties finding a "common language" not only in business settings, but even in daily interactions. Sallinen-Kuparinen, McCroskey and Richmond in their study from 1991 argue that even though there are many varieties of humans all of these various types of humans have one thing in common—they are basically ethnocentric. The reason for that they explain to be that people's experience normally centers on interactions with other humans very much like themselves.

On the one hand, according to Chaney and Martin (2007) China has been very ethnocentric because of its chosen isolation behind the Great Wall for approximately 2300 years. They also argue that Westerners have had difficulty doing business with the Chinese because they lack an understanding of the Chinese culture and the intrinsic differences between Eastern and Western mindsets. On the other hand, a study on the leadership styles in Finland by Mäkilouko (2004) showed that an ethnocentric leadership style was found and was most common among the project leaders (40 out of 47). Hence, it might be argued that Finland proves to be highly ethnocentric as well. Consequently, knowing that both Finland and China have shown to be ethnocentric and as they are culturally different, leads to the conclusion that there might be prejudice and misleading stereotypes involved in the interaction between the two.

In relation to this assumption, Jameson (2007) argues that ethnocentrism and prejudice are very closely related. She points out that studies of intercultural business communication have typically stressed positive feelings toward one's own culture, described as ethnocentrism, and negative feelings toward others' culture, described as prejudice. Hence, it is possible to conclude that if there is ethnocentrism evident, there will be prejudice as well.

Gore (2007) claims that prejudice is just one form of expression regarding differing groups of people in contact that are bound to make judgments about each other. According to him together with prejudice, stereotypes and discrimination may also occur. Gore (2007) defines stereotypes as "widely held beliefs about a specific group of people that are converted into labels" (p. 48). He also argues that they usually have a negative shade in meaning that tends to have a detrimental impact on understanding. In addition, Chaney and Martin (2007) do not recommend relying on stereotypes in intercultural business communication too much. They support the idea that although stereotyping is a guide to a national culture, it does not work well with individuals, particularly those who have worked in international business or who have lived or studied abroad. Borden (1991) also discusses stereotyping. According to him stereotypes are good, but most are bad, because "we seldom get beyond them in our communication with the stereotyped" (p. xiv). Hofstede (2001) further elaborates that stereotypes are at best half-truths, but they are unavoidable and should be taken into account. He also argues that unfounded stereotypes can affect people's perceptions of actual events in a negative way but on the other hand if groups seek constructive interaction, even unfounded stereotypes may be helpful in getting communication started (p. 423). Hence, stereotyping might not always be considered as having a negative effect on communication. However, prejudice is the form of expression that some use to show completely negative attitude towards people from other cultures. Gore (2007) defines prejudice as "a negative attitude toward a cultural group based on little or no experience" (p. 48). He also believes that in the most extreme form prejudice can lead to an act of discrimination.

### **2.1.3 Acculturation and Cultural Synergies**

The process of transition from ethnocentrism and the related forms of expression to achieving cultural flexibility inevitably involves adaptation and integration. Chaney and Martin (2007) refer to these concepts by discussing the processes of acculturation and cultural synergism. They claim that since people do not want to abandon their past they acculturate new ideas into their existing culture. According to Chaney and Martin (2007), acculturation is “the process of adjusting and adapting to a new and different culture” (p. 9). Then, when mutual cultural understanding is already evident and the involved parties adapt to each other communication improves. This improvement according to Chaney and Martin (2007) forms a cultural synergy: “If people of two different cultures absorb a significant number of each others’ cultural differences and have a number of similarities, cultural synergy takes place with the two cultures merging to form a stronger overriding culture.” (Chaney and Martin, 2007, p.9)

In line with Chaney and Martin’s research, Gore (2007) discusses the concept of creating cultural synergies by calling it adaptation to culture through intercultural sensitivity. He defines this intercultural sensitivity as “the degree of cognitive sensitivity we establish within ourselves toward other cultures while still retaining a link to our own” (p. 150). Gore (2007) uses Milton Bennett’s Developmental Model of Intercultural Sensitivity (1986, 1993) to explain the stages of transition from ethnocentrism to ethnorelativism. In Gore’s research the framework is utilized to explain the reactions of people to cultural differences and to assess one’s level of cultural adaptation. According to Gore (2007), the underlying assumption of the model is that as one’s experience of cultural difference becomes more complex and sophisticated, one’s competence in intercultural interactions increases. In the first ethnocentric stages one’s own culture is experienced as central to reality in varying degrees while in the last ethnorelative stage that can be attained, the integration of cultural differences, people can comfortably and effectively live “between” cultures without feeling that they have to choose one or the other (Gore, 2007). Another widely



used term to describe this last stage is achieving cultural intelligence (Chaney and Martin, 2007).

In addition, Hofstede (2001) argues that lack of adaptation to alien cultural environments is not only a problem for individuals, but also problem for organizations. According to him it exposes organizations to communication breakdowns, loss of effectiveness, and sometimes even complete failure. The same transition stages that Bennett describes in his cultural sensitivity model (1986, 1993) Hofstede (2001) puts into three phases: awareness, knowledge and skills.

#### **2.1.4 Business English as a Lingua Franca (BELF) and Intercultural Business Communication**

As has been discussed in the sections above, culture and its constituents have a significant impact on intercultural business communication. However, there are certain factors that also affect business communication in multicultural settings by assisting in the creation of cultural synergies even when the communicators are not aware of it. One of these factors is Business English as a Lingua Franca (BELF) (Louhiala-Salminen et al., 2005). BELF often plays a crucial role in intercultural business communication, especially in the context of multinational companies (as in the current case study). The term BELF, which was introduced by Louhiala-Salminen et al. (2005), was developed from the notion of ELF (English as a Lingua Franca) investigated previously by several researchers (Jenkins, 2000, 2007; Seidlhofer, 2004, Mauranen, 2010). BELF is different from ELF, because it addresses the shared language used in professional communication in global settings. This concept very often influences business communication by modifying some of the communication characteristics adherent to national cultures through the imposition of its own communication codes.

Since the case company in the current study also uses English as official company language it is important to note that research into the BELF concept has made it clear

that it is influenced by both English and mother tongue practices (Louhiala-Salminen & Charles, 2006; Lu, Kankaanranta and Kampf, forthcoming). This fact according to Lu et al. (forthcoming) suggests that the BELF communication of Chinese business professionals would show some of the native Chinese characteristics.

For the case study analysis in the current Master's thesis it is also helpful to understand what Kankaanranta & Planken (2010, p.3) (see also Kankaanranta & Louhiala-Salminen, 2010 and Lu et al., forthcoming) argue about successful BELF communication. According to them it requires "directness and clarity rather than grammatical accuracy, knowledge of business specific vocabulary rather than only 'general' English and the ability to build rapport and relational orientation rather than pure focus on factual content".

### **2.1.5 The influence of culture on communication for supplier relationship management**

After discussing in detail the influence of culture on intercultural business communication, it is of crucial importance for the current study to discuss also the influence of culture on communication for supplier relationship management.

Gore (2007), for example, describes how the Information Age we currently live in affects international business (including sourcing) communication. In the list of global forces that he refers to (Rosen, Digh, Singer & Phillips, 2000) global growth is seen to play a crucial role in both supply chain management and communication in international business settings, as can be seen in the following quote:

Global Growth: As companies and brands become global, it is more difficult, if not impossible to determine the "home country" of many corporations and their products. Therefore, the stereotypes of quality (or

lack thereof) associated with a nation are quickly disappearing. For example, Germans are known for making high-quality goods and “Made in Germany” was a guarantee of such quality. Nowadays, it might be more appropriate to say “Designed in Germany”. (Gore, 2007, p. 20)

The same is valid for Power Oy. It is a Finnish subsidiary of a big corporation with headquarters in Switzerland. It designs the motor and generator frames in Finland but buys them from a Chinese manufacturer. In this case, it would also be appropriate to say “Designed in Finland”, rather than “Made in Switzerland”, “Made in Finland” or “Made in China”. Gore (2007) further points out that outsourcing non-core services forces companies to rethink their basic competencies and develop relationships with suppliers which are, in many cases, located abroad. That is why he believes that in order to develop and maintain these relationships companies should possess both culture-specific knowledge as well as culture-general knowledge.

Gore (2007) also claims that people still remain a necessary element in the production of goods and services. According to him, with profit and growth in mind, companies continually seek more efficient means to produce goods and services. As a result of this, Gore (2007) states that either workforce migrates to where goods and services can be produced at lower costs or industry moves to where lower operating costs already exist. In either case, the researcher argues that people are deeply involved in the process and if one expects to purchase goods or services at a low cost, he/she has to consider the human factor (Gore, 2007, p. 33).

Gore (2007) further points out that this human factor in the context of both organizational and national culture has to be considered in order to conduct business with international partners (suppliers included) successfully. Coates (2009) also underlines the importance of good communication for the success of sourcing and manufacturing, which cannot be achieved without sufficient knowledge of the culture.

Moreover, perhaps the most comprehensive study on the influence of culture on supplier relationship management is the one by Kull and Wacker (2010). They explore in detail the influence of culture on quality management (QM) effectiveness in Asia. Their study proves that specific cultural dimensions are statistically related to QM effectiveness in global sourcing. According to Kull and Wacker (2010) the most used dimensions in QM studies are based on Hofstede's cultural dimensions (2001): power distance, uncertainty avoidance, individualism and masculinity.

Kull and Wacker (2010) probe to find out which cultural dimensions influence QM effectiveness that managers can use to improve the product quality received from their East Asian facilities and suppliers. They further claim that when an organization's cultural values are incompatible with QM values, then quality initiatives would not be as successful. Even if QM practices are implemented they may not be effective, because of the moderating function of cultural values. Moreover, in line with the statements made so far, the authors state that both organizational and country culture should be considered when defining which cultural dimensions affect supplier's QM. They both create an environment for which QM would be more or less effective. In addition, an individual's personal attributes – such as personality and cultural values – interact with one's work situation – such as operational tasks and procedures – to motivate behavior (Wallace, Johnson and Frazier, 2009). The following statements present Kull and Wacker's research results that explain in clear and practical terms how culture and supplier QM are intrinsically connected:

1. Employees in a future oriented culture should be easier to motivate because they understand that changes often require short-term aggravation to yield long-term benefits. For instance, employees in a high FO culture can foresee that ISO 9000 certification will aid operations and bring business in years to come. By contrast, low FO cultures will likely “corrupt” the intent of ISO 9000, only increasing the intensity of QM

immediately before the certification inspection and ignoring QM otherwise (Lozeau et al., 2002 in Kull and Wacker, 2010, p. 226).

2. A high level of institutional collectivism is congruent with QM values. (Kull and Wacker, 2010, p. 228)

3. More power distance in a culture causes the objective of “satisfying the customer” to be the manager’s responsibility. Therefore, a high power distance is expected to decrease the deep acceptance of QM practices, leading to symbolic implementation and inappropriate usage. (Kull and Wacker, 2010, p. 229)

4. Uncertainty avoidance (UA) has a positive influence on QM effectiveness. This suggests that employees in cultures desiring predictability and law-like understanding will be motivated to frequently apply QM’s systematic approaches, as in six sigma’s improvement heuristics. Moreover, high UA cultures are not uncomfortable with rules and process controls. Therefore, employees in high UA organizations with established ISO 9000 procedures will be motivated to follow the written standards, while low UA organizations will be less concerned about deviating from set processes. A desire to adhere to the systemization of QM is an important cultural value for achieving quality improvements. (Kull and Wacker, 2010, p. 234)

5. ...assertiveness (AS) has a negative effect on QM effectiveness, suggesting managers in high AS societies have difficulty in how QM practices are used because of interemployee competition and opportunistic behavior. High AS organizations are less likely to see problems as systemic, since they believe people are in control of their environment. Moreover, employees from high AS cultures are less motivated when

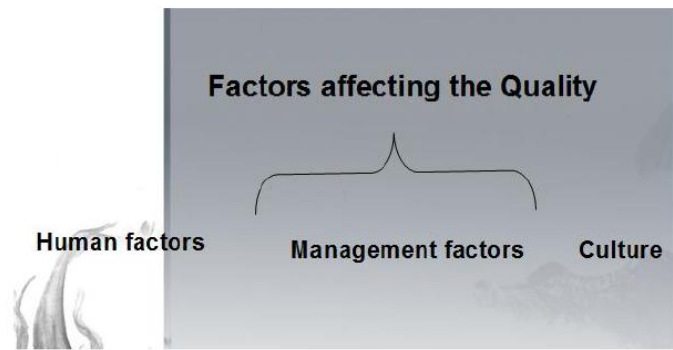
rewards and recognition are given to groups rather than individuals. Thus, workers will find ways to corrupt QM, perhaps by exemplifying quality champions and punishing individuals for out-of-control processes. Countries that have high assertiveness are also expected to have significant difficulties in discovering the root cause of quality problems. The cultural attributes underlying an assertive culture create these conditions to deter QM effectiveness. (Kull and Wacker, 2010, p. 234)

Finally, the researchers emphasize the fact that sourcing decisions need to consider which country cultural values are in line with QM values in order to achieve acceptable quality performance. Furthermore, Kull and Wacker (2010) believe that in whichever country a facility is, buyers sourcing from such a facility or managers operating at the facility would benefit from understanding how country culture is manifested within that facility when seeking to improve quality practices.

Furthermore, international sourcing, and more generally the transfer of parts of the value chain to foreign countries, is characterised by complex factors such as cultural heterogeneities, the presence of multiple actors, and unfamiliar business rules and behaviour (Birou & Fawcett, 1993; Handfield, 1994; Herbig & O'Hara, 1996; Nellore, Chanaron, & Soderquist, 2001; Spekman, Spear, & Kamuff, 1999; Swamidass, 1993 in Sartor, 2006). Towers and Song (2010) also suggest that due to geographical distance and differences in language and culture, there are many challenges for manufacturing companies engaged in global sourcing. Additionally, they argue that trading with suppliers has become highly dependent on the strength of the relationships that incorporate sociological issues (i.e. culture).

Sun's research (2009) also supports the concept that culture has a huge impact on supplier relationship management. He found out that the main reasons for quality

problems of suppliers are based on three factors: culture, management and human factors (presented in Figure 1 below).



**Figure 1. Factors affecting quality (Sun, 2009, p. 68)\***

\* Human factors to be considered part of the square

Moreover, Yang's study (2011) on Chinese welding suppliers also shows the importance of culture and communication in supplier relationship management. His research suggests that in addition to processing steps, WPS standards, personal training methods, inspection methods, maintenance of machines, material storage condition, the environment and climate conditions, also culture and human factors are used to measure the quality control level of the welding factories (p. 8-9).

Yang (2011) also believes that mutual understanding of culture, living, and habits between eastern and western countries also plays an important role in the co-operation with the suppliers. Finally, Yang (2011) discusses the role of communication as an important component of the service component in the subcontractor and supplier evaluation processes (p. 140).

Subchapter 2.1 explored the influence of culture on business communication. Firstly, it presented the most fundamental studies on culture (2.1.1). Secondly, it explained the role of ethnocentrism, stereotypes and prejudice in intercultural business

communication (2.1.2). Thirdly, the concepts of acculturation and cultural synergies were discussed (2.1.3). Consequently, the notion of BELF and its impact on business communication were described (2.1.4). And finally, the influence of culture on communication for supplier relationship management, in particular, was presented (2.1.5).

## **2.2 Intercultural business communications – Finland and China**

Before moving on to the concrete cultural characteristics of Finland and China, it is useful to explain why these are needed. Many researchers from the field of intercultural communication believe that knowing one's own culture before evaluating other's is crucial for the development of cultural sensitivity (Gore, 2007; Borden, 1991; Jameson, 2007; Sallinen-Kuparinen, et. al., 1991). Gore (2007), for instance, argues that intercultural communication competence is knowing oneself and that this self-awareness can be used to better manage relationships with others who are culturally different in their verbal and nonverbal communication. Hence, in the current it was decided to present brief cultural profiles of both Finland and China in order to delineate the cultural macro-environment of the two parties discussed in the present research project. Describing the cultural macro-environment provides the setting for the research and facilitates the construction of the theoretical framework that is going to be used when analyzing the micro-environment, i.e. the case study.

### **2.2.1 Finland – national and business culture profile**

Gore (2007) uses an adaptation of the ideas first proposed by Kluckhohn and Strodebeck (1961) on cultural value orientations to explain the main characteristics of the Finnish culture (see Table 2 below). The shaded areas in the table present Gore's



application of Kluckhohn and Strodebeck's theoretical model (1961) to Finnish culture, keeping in mind possible implications for business.

**Table 2. Perception of cultural orientation dimensions (Gore, 2007, p. 42)**

<b>Individual</b>	Good	Good and evil	Evil
<b>Nature/World</b>	Dominant	Harmonious	Submissive
<b>Human relations</b>	Individual	Laterally extended groups	Hierarchical groups
<b>Activity</b>	Doing	Controlling	Being
<b>Time</b>	Future	Present	Past
<b>Space</b>	Private	Mixed	Public

### **Finnish cultural values orientation indicated by shaded areas**

Gore's study (2007) argues that the Finnish attitude toward people's qualities as individuals is that people are inherently good. He exemplifies his claim by saying that even people who commit the worst crimes are not condemned to a lifelong jail sentence and capital punishment does not exist. On the other hand, in their orientation to nature and the world, Finns seek harmony between modern technology and preserving nature, which is evidenced by their conscious commitment to develop industries that continually reduce the impact on the environment. With regards to human relations, Finns do tolerate consensus, but they are still perhaps more focused on the individual. Being respected for individual achievements is desired in the society, but according to Gore (2007) not at the expense of group harmony, so that is why individual achievement is often expressed in modest terms. When it comes to activity orientation in Finland, Finns are clearly doing-oriented, but more concentrated on the future rather

than being content with “today”. Additionally, their orientation to space is mixed, both public and private. (Gore, 2007, p. 42-43)

Additionally, from his experience as a foreigner in Finland, Gore (2007) makes some assumptions about Finland’s ethnic homogeneity, communication style, social activity and face-saving.

Regarding the ethnic homogeneity, Gore says:

Finland has been and still remains an ethnically homogeneous nation. As a result, a clear sense of “us” versus “them” mentality has developed among Finns. Additionally, both geographic and linguistic isolation has contributed to the feeling that Finns have their own culturally unique ways. Although this attitude is changing among young people, who readily and fluently speak other languages, there is still some apprehension about making contact with strangers. (Gore, 2007, p. 160)

Gore (2007) further elaborates that small talk and brief greetings are not very common in Finland. Also, anything that emphasizes rank, show or status is generally downplayed (Finland Career Guide, 2007). Getting acquainted to new friends also does not happen through direct contact, but rather through mediating activities, i.e. hobbies. He also discusses one relatively sensitive subject in Finnish culture, namely the social role of alcohol among Finns. Perhaps unexpectedly, this topic is related to the current thesis as an important factor in conducting business between Finnish and Chinese business professionals. Since Chinese businessmen often arrange lavish banquets (with a lot of alcohol) before signing important contracts/deals, knowing Finns’ behavior in such kind of situations and how it possibly differs from the Chinese one (described in the following chapter) would be beneficial for mutual understanding. Gore (2007) argues that in Finland drinking alcohol frees people from tensions about how to behave and what to say, so “rules” are relaxed for a while and contact can be readily made with

strangers (*or people from other cultures*), but at the same time once sober, the standard “rules” of culture apply, so the short-lived openness experienced during drinking was simply that – only for the time and place (p. 161).

Face-saving in Finland is also another phenomenon that Gore (2007) discusses in his study and he explains it as unwillingness to speculate or think out loud because of a risk of being “wrong” and embarrassing oneself (Gore, 2007, p. 161).

To support Gore’s assumption above, Yli-Jokipii (1994), who analyzed how language choices reflected cultural orientations in a cross-cultural study of written business requests from companies in Finland, found out that requests written in Finnish were much more likely than those in English to avoid mentioning human agents, suggesting “a deep-rooted Finnish avoidance of distinguishing self with linguistic means” (p. 252). Furthermore, the researcher defines the communicative style of Finns as very direct and succinct. If one wants to find out details about the question being asked, he/she should elaborate on what he/she desires to know by asking supportive questions like: “why?”, “how?” or “what exactly about...do you...?” (p. 161). Another general feature of the Finnish communication culture is the attitude of seriousness that shapes much of the contexts for speaking in Finland (Laine-Sveiby, 1991; Sajavaara&Lehtonen, 1997; Varpio, 1999). In addition, as an aesthetic principle, simplicity in expression is highly valued. Persons exercise careful choices around speaker and listener movements, gestures, holding the face, interruptions, and the degree of syntactic elaboration in speech. Gesticulating widely and using irony through speech are normally not ways of speaking deemed appropriate in Finland (Wilkins, 2006).

Even though culture in Finland can be distinguished from the other Nordic cultures by many unique cultural characteristics certain similarities exist. Just like in the other Nordic cultures, Finns consider punctuality and organization essential and normally, they would also try to minimize risks (Finland Career Guide, 2007). Due to the fact that Finnish people tend to be thoughtful it is important to know that when there is a period

of silence in conversations with Finnish people, it is better to allow them to take the time needed for formulating a response rather than interrupting (Finland Career Guide, 2007).

Empirical evidence has proven that Finns persistently maintain negatively loaded portraits of themselves when it comes to willingness to communicate and hold a low communicator image of themselves (Sallinen-Kuparinen, Asikainen, Gerlander, Kukkola&Sihto, 1987). Other research also suggests that Finns are asserted to appreciate and tolerate silence (Lehtonen&Sajavara, 1985; Sallinen-Kuparinen, 1986; 1988; Sallinen-Kuparinen, et. al., 1991). Research shows also that in verbal cultures, remaining silent remains a problem, but in cultures with a high tolerance of silence (as in the case with Finland) introverted behavior is socially more acceptable and the perceptions of a person's competence are not predominantly based on his or her verbal behavior (Sallinen-Kuparinen, et. al., 1991).

### **Negotiation style in Finland**

The following summary of the negotiation characteristics in Finland has been adapted from the previous research conducted by Moran and Stripp (1991), Trompenaars and Hampden-Turner (1997) and Metcalf, Bird, Shankarmahesh, Aycan, Larimo and Valdelamar, (2006). Since all of these researchers have conducted comparative studies on negotiation styles across the world, the summary presented in this paragraph explains the characteristics on which all of the researchers presented above agree upon in their findings.

According to these researchers, just like in every day communication, in negotiation, Finns also use a direct communication style. They begin business right away, without small talk or even if existent it would be more of a formality rather than genuine act of communication. Finnish negotiators find it inappropriate to be late. In business negotiations they use objective facts rather than subjective feelings. They tend to be serious and reserved. Decision-making is distributed among individuals, but normally

leaders “have the last word”. Also, as research shows Finnish professionals express a win-win attitude in negotiations towards achieving results beneficial for all the parties involved in the negotiation process (Moran and Stripp, 1991; Trompenaars and Hampden-Turner, 1997; and Metcalf, et. al. 2006). They do not necessarily seek specific agreements, but at the same time they would be most likely unsatisfied with a general agreement. Just as previously discussed in general terms, Finnish negotiators can be defined as risk-averse rather than risk-takers. In addition, vague contract language should be avoided in negotiating with them. Contrary to negotiators from other cultures, Finns prefer hearing the details of the project in question after the main points have been discussed and not in the beginning of the negotiation.

### **Leadership styles of Finnish project managers**

According to Schwartz (1994) Finnish project leaders seem to value highly intellectual autonomy, egalitarian commitment and harmony and they prefer cooperation, rather than competition. Furthermore, Lindell and Arvonen (1996) argue that Finnish leaders have trust in followers. They also claim that Finnish leaders show openness for change and the leadership, in general, is oriented more to development rather than maintaining the status quo. Moreover, Mäkilouko (2004) and Kakabadse, Myers, McMahon and Spony (1997) explain in their studies that “flat” organizations in Finland are more preferred than strictly hierarchical ones where the manager is more of an organizer rather than a “ruler”. In addition, Mäkilouko’s study reveals that most of the project leaders in Finland tend to be rather ethnocentric than synergic or polycentric.

### **2.2.2 China – national and business culture profile**

Today, understanding the national and organizational culture in China is considered of significant importance not only in the current study but also globally. In Rosen et al. (2000 in Gore, 2007, p. 21-22) the Asian rebound and Chinese production and

consumption market are defined as two of the forces that define change in communication on a global scale. These forces are explained as follows:

- **Asian Rebound:** The collective social networks in Asian cultures combined with a strong ethic for work and education will set the foundation for economic growth.
- **China, Inc.:** If the path of growth is sustained, China will become the largest, most important market in the world. Industries and advanced economies around the world are already feeling the direct effects as factories are shutting down and jobs are moving to this burgeoning market.

In the current study understanding Chinese culture is also of high importance. Yang (2011) points out that China is becoming the world's biggest machining product export center and one of the biggest trade markets in the world. Furthermore, the welding industry is one of the most important branches in the Chinese machining industry (p. 10). Thus, all three research studies - Rosen et al. (2000), Gore (2007) and Yang (2011) - suggest that the whole world should increase its knowledge of the Chinese culture.

### **Confucianism**

In China, the cultural traditions are deeply connected with the philosophy of Confucianism. According to Chaney and Martin (2007), Confucianism has an impact on the attitudes of the people and it reinforces the cultural traditions that exist in China. Furthermore, Coates (2009) claims that for business people doing business in China, it is important to understand that Confucianism is a fundamental philosophy taught in Chinese elementary schools. She believes that the Confucian values of respect, restraint, thoughtfulness, and study are evident in Chinese culture.

Coates (2009) further claims that Confucianism can be experienced in many situations when interacting with Chinese people, especially in negotiations. Confucianism has an impact on the attitude of "saving face" in Chinese culture as well as building "guanxi"

(relationships), as noted in Nojonen's doctoral dissertation on "guanxi" (Nojonen, 2007).

### **Collectivism**

Another important characteristic of the Chinese culture is the fact that it is considered a collectivist culture. Sanderson (2008) defines it as "a political or economic theory advocating collective control, especially over production and distribution of goods" (p. 43). Both women and men are employed in the economy. However, women generally do not have the higher positions in the economy although women are considered to be equal to men (Chaney and Martin, 2007). According to the two researchers, even though foreigners find it hard to accept that reality, they must try to adapt to it in order to be successful in business operations. Sanderson (2008) further states that people in a collectivist culture tend to define themselves in terms of their place in the group, stick to group decisions, and place group needs above personal wants and that is something that people from foreign cultures should also take into account.

### **Communication style and high-context characteristics**

According to Chaney and Martin (2007, p. 102) the verbal style of Chinese people includes the following characteristics:

- Chinese people understate or convey meanings indirectly. They use vague terms and double negatives; even criticism is indirect.
- Harmony is very important. During negotiations, the Chinese state their position in such a way that seems repetitious. They do not change their point of view without discussing it with the group.
- They speak humbly and speak negatively of their supposedly meager skills and those of their subordinates and family.

(Adapted from Klopff&McCroskey, 2007 in Chaney and Martin, 2007, p.102)

Moreover, just like in Finnish culture silence in China is valued and it is associated with politeness (Chaney and Martin, 2007, p. 131). Additionally, Sanderson (2008) claims that the ideal attitude for conversation in China is “restrained friendliness, tempered by modesty and sincerity” (p. 30). He also warns that it is important not to misread the Chinese “yes”:

Chinese people frequently use the word “yes” simply to mean “I hear you” or “I know what you are saying”, to give a harmonious air to a dialogue. Never assume that “yes” means “I agree”, or “Let’s do it”. (Sanderson, 2008, p. 30)

On the other hand, Coates (2009) emphasizes the importance of the high-context communicative culture in China. She argues that due to the fact that Chinese communication is high-context, Chinese are much less direct in their communication than westerners.

In business dealings, you must watch for indirect signals within the context of the situation. For example, if there are production problems or quality problems, they will be described in generalities. (Coates, 2009, p. 27)

Coates (2009) further elaborates that high context refers to a more vastly contextualized communication environment. In these environments, as she explains, many aspects of cultural behavior are not made explicit because members know what to do and think from years of interaction with each other. Below, there are the characteristics of Chinese culture in terms of the high-context way of expression as Coates (2009) has formulated them:



The communicative style of Chinese culture is high context:

- Body language is extremely important.
- Status is extremely important.
- Saving face is necessary.
- Building guanxi is more important than results.
- Famous quotes and proverbs are often injected into conversation and you are expected to interpret what is being intended.
- Chinese will never say no to a suggestion or a question, but will say that further study is required and will introduce ambiguity.

(Coates, 2009, p. 40)

### **Saving Face**

Another important characteristic of Chinese culture is the phenomenon of “saving face”. Sanderson (2008) explains it as one’s social status or prestige, and one’s reputation for integrity and morality (p. 42). It is the image Chinese people project and the status they claim in society and building or saving face means projecting an image of goodness, competence and strength. He further elaborates that due to the concept of “saving face” Social position, respect, and personal honor are very important in China and should be considered by the business professionals who want to be successful in China. Moreover, Coates (2009) discusses the concept of “saving face” as a common Asian practice. She believes that it comes from the Confucian values that teach never to embarrass anyone, but rather let them “save face”.

### **Guanxi**

“Guanxi” is probably the most important concept in Chinese culture affecting both personal and business interactions. According to Nojonen (2007) “guanxi” is “generally

understood as an informal social relationship or a set of social ties between two or more individuals” (p. 2). The culturist school explains the emergence of “guanxi” to the traditional Chinese philosophies (Hamilton, 1996), mainly Confucianism. Nojonen (2007), on the other hand, believes that “guanxi” emerges mostly from the institutional asymmetry in power between state officials and agents in the market. According to this view the traditional culture continues to guide, enforce and pattern individuals’ behavior in the Chinese market and Chinese society. Also, the pioneer of sociology in China, Fei Xiaotong (1948/1991 in Nojonen, 2007, p. 11), described China as a network/relationship-based society more than five decades ago. In fact, “guanxi” has proven to be strategic factor for company performance in China (Nojonen, 2007). Moreover, a comprehensive survey study conducted in the Shanghai and Qinqpu districts shows that 92.4 percent of respondents regarded “guanxi” as important for their daily social life (Chu and Ju 1993). Nojonen’s findings (2007) are also in line with that study as eighty percent of his interviewees state that “guanxi” still plays a central role in obtaining a deal, necessary information, capital or any other essential resource.

Sanderson (2008) describes “guanxi” as a cultural construct with the following characteristics:

- Built on social moral system
- The start of a friendship
- Introduced
- Complex and subtle
- Need for close human feeling
- Requires patience and a long-term view
- Knowing someone might mean nothing
- Deductive way of thinking

(Sanderson, 2008, p. 35)

Furthermore, according to Coates (2009) even if managers do not succeed in gaining cultural competence, at least they must remember that “guanxi” is absolutely fundamental to the success in China. Several times the author emphasizes on the fact that in China building guanxi is more important even than results. Moreover, Towers and Song (2010) also suggest that future challenges in strategic sourcing from China also include important influences based on Chinese business cultural beliefs and behaviour. Some of these unique challenges derive from social relationships known as “guanxi”. Inability to participate in the social network based on Chinese business cultural beliefs and behavior by Western managers has been recognized as a key challenge in sustaining a successful long term strategic sourcing (Towers and Song, 2010).

### **Banquets**

Consequently, in establishing business relationships, dining plays an important role and business entertaining is typically conducted in restaurants at lunch or dinner (Chaney and Martin, 2007, p. 173). According to Sanderson (2008), visiting such kind of events and engaging in social activities like this one shows respect to the Chinese hosts and should not be neglected. Coates (2009) also gives some insider information on those kinds of events in China:

Large banquets are given when a big deal is signed or something very significant happens in business. These banquettes may be attended by two or three hundred people and are often televised. The Chinese leaders will typically make long speeches and dish after dish will be served. The most exotic foods and the best quality will be served to you, the guest of honor. Items such as fish heads (fish cheeks and eyeballs are delicacies), octopus, chicken feet, beetles, sea horses and other things may be served... These days, most Chinese hosts will understand that your Western tastes are different from their appreciation of delicacies. However, refusing food is

still considered rude... you should try to taste everything that is served to you. Drinking is another matter. As part of a banquet or other dinner party, Chinese will often initiate drinking games. (Coates, 2009, p. 83)

Here, the reader can see why it was important to present the Finnish view on using alcohol for socializing and building “guanxi” in the previous subchapter. While alcohol in China might have the effect of bringing people together and result into long-term effects, the same would presumably not succeed in Finland.

### **Negotiation style in China**

According to Chaney and Martin (2007) it is important to build relationship with Chinese people before getting into negotiations and they also claim that this cannot be achieved simply in the meeting rooms. Personal connections are also important. Other negotiation characteristics that Chaney and Martin (2007) present include the following:

The Chinese may not openly state everything during negotiations. They do use silence; postponement of the current discussion or changing the subject to indicate that they disagree with what is being proposed or said. However, disagreeing (p. 222) with a foreigner is acceptable because of the desire to reach a consensus. The more they are interested in an agreement, the more they entertain. When they are happy with an agreement, they will smile; however, very little negative emotion will be shown when there is disagreement. Disagreements are handled politely, such as proposing an alternative. Chinese negotiators prefer face-to-face meetings over written communication (Ngai, 2000 in Chaney and Martin, 2007, p. 222).

According to Sanderson (2008) Negotiating Chinese-style takes time. He claims that meetings may seem like little more than social engagements, as participants share

information about families, home towns, and leisure activities. Sanderson (2008, p. 66) further argues that these meetings are not inconsequential – they begin the process of forming connections so essential to Chinese business. The rule according to him is “friends first, business later. (p.66)”

Moreover, Coates (2009) describes Chinese negotiations as typically patient, meandering, and vague. Even though one may think he/she has closed on a topic and moved, it would most likely be opened again and new points brought up. In China, “nothing is finalized until everything is finalized” (Coates, 2009, p. 62) and “nothing is final until it is signed” (Chaney and Martin, 2007, p. 222). To sum up, Coates (2009) claims that the Chinese negotiating style is indirect and lengthened, and would often confuse the westerner.

### **Leadership Style in China**

Sheh (2002) in his extensive study on the Chinese leadership style defines several distinctive attributes of Chinese leaders. According to his research, Chinese leadership style is characterized by centralized decision-making, low structuring of activities, paternalistic style of leadership, strong emphasis on collectivism and group behavior and strong family managerial roles and ownership. Sheh (2002) further claims that the Chinese leader often develops a web of relationships (“guanxi”), which even expands the reach of his influence and capacity.

### **Chinese culture in the context of sourcing and supplier relationship management**

As Kull and Wacker (2010) note globalization has forced managers to use manufacturing capabilities in countries with different cultures than their own. In times of financial difficulties, like the period that the world is still experiencing, many companies turn to sourcing from China, because of lower labor and production costs. Wang et al. (2011) support this claim by stating that procurement and production of

goods and services from China has become an attractive alternative for companies wishing to cope with the need to lower costs and develop a broader global procurement base. In fact, as far back as the mid-1980s the potential for outsourcing to China had been recognized, as well as the requirement for investment in trading partners and the importance of developing relationships (Kokotow, 1986).

Kull and Wacker (2010) point out that recent quality problems in China have raised the concern among managers and researchers as to how to assure product quality from Asian facilities. Because of this claim QM practices are being implemented but are not always effective at increasing product quality. Kull and Wacker (2010) argue that the implemented QM practices assume certain cultural traits to exist in the workforce, the lack of which would impact effectiveness. Their study suggests that the high assertiveness and high uncertainty avoidance in Chinese QM have a huge effect on QM practices. While assertiveness may have a negative impact, Kull and Wacker (2010) show that the high uncertainty avoidance index of the Chinese culture has a positive effect on QM.

Further research on sourcing in China by Wang et al. (2011) suggests that social control mechanisms in China seem to be more effective than formal control mechanisms (unlike in Western cultures). They also claim that in order to achieve successful cooperation professionals brought up in Western values should try to accommodate and appreciate the differences in business cultures. Moreover, Wang et al. (2011) succeed in identifying that the cost of doing business with Chinese suppliers cannot be isolated from the cultural context within which they operate. As some of the important cultural differences that should be taken into account they present the power structures and the ideological basis for collaboration.

Additionally, the role of language should not be neglected. Both Coates (2009) and Towers and Song (2010) emphasize the importance of language and translation in technical discussions and specification requirements. If not done properly or by a

professional, wrong translations may result in costly corrective actions. In that connection Coates (2009, p.77) suggests that business practitioners from the field of supply chain management can prevent such problems by getting all the specifications and manufacturing instructions translated (both in written form and orally) by a professional technical translator.

### 2.2.3 Finnish-Chinese National and Business Culture Comparisons

Table 3 above shows a comparison of Finland and China according to Hofstede's cultural orientations (2001).

**Table 3. Finnish-Chinese comparison on Hofstede's cultural orientations**  
(Adapted from Tamas, 2007)

	China (index)	Finland (index)
Power Distance	80	33
Individualism	20	63
Uncertainty Avoidance	40	59
Masculinity	66	26
Long-term orientation	118	missing

The index table suggests that the only area where China and Finland seem to have similar views is uncertainty avoidance. This supports also the previous research presented in sections 2.2.1 and 2.2.2 of the current study (Kull and Wacker, 2010).

On the other hand, coming back to Hall’s concept of monochronic and polychronic cultures (1990) Lewis (1992) has created a 20-level chronemic where Finns occupy level 3 (highly monochronic) and Chinese occupy level 12 (more polychronic rather than monochronic).

Furthermore, Chaney and Martin (2007) present the findings of House, Hanges, Javidan, Dorfman, & Gupta (2004, p. 682) on cultural leadership characteristics globally. In that study (see Table 4) again both China and Finland can be found (China represented with the more general term Confucian Asia and Finland included in Nordic Europe).

**Table 4. Cultural leadership theories (CLT) score comparisons of Finland and China**

(Adapted from House, et al. (2004, p. 682) in Chaney and Martin, 2007)

	<b>Nordic Europe</b>	<b>Confucian Asia</b>
Charismatic	higher	middle
Team Oriented	middle	middle
Participative	higher	lower
Humane oriented	lower	middle
Autonomous	higher	higher
Self-protective	lower	higher

Studying the chart, one can see that both cultures seem to value team orientation and autonomy in leadership the same way, while they have completely different perceptions of participation and self-protection. The participation score can be explained with the patriarchal leadership style in China and the self-protection can be presumably caused by the Chinese concept of “saving face” and Confucianism philosophy.



Chaney and Martin (2007) also define some non-verbal communication characteristics between Nordic and Asian cultures. According to them Northern Europeans use moderate eye contact while East and Southeast Asians prefer minimal eye contact. Axtell's study (1998) on "touch" and "don't touch" cultures defines Northern European countries as a "don't touch" zone, while China is located in the middle ground.

Trompenaars and Hampden-Turner's extensive study on global business cultures involving approximately 30 000 managers worldwide (1997) also provides cultural comparison material about Finland and China. An adapted summary table of the cultural comparison is presented below (Table 5):

**Table 5. Finnish-Chinese cultural comparison, adapted from Trompenaars and Hampden-Turner (1997)**

	China	Finland
Percentage of respondents opting for individual freedom	41%	64%
Feeling upset at work, respondents who would not show emotions openly	55%	41%
Respondents who would not help the boss if he had asked them to help him paint his house	32%	89%
Respondents who disagree that the company they work for should provide	18%	70%

housing		
Respondents opting to be left alone to get the job done	57%	85%
Respondents opting for function rather than personality as a reason for organizing work	85%	98%

From the table above one can draw several conclusions. Firstly, Finland, as expected, shows more individualist orientation at work. Secondly, Chinese people show emotions at work more openly than Finnish people. Thirdly, in China (unlike Finland) authority of the superior extends the working time and space. In addition, Chinese employees (unlike Finnish employees) rely on their employers for providing personal well-being (e.g. housing). Furthermore, teamwork is more appreciated in China than in Finland. And finally, both Chinese and Finnish employees consider functionality rather than personality as a reason for the way they organize their work.

Moreover, Mäkilouko's study from 2004 provides information on leadership styles of Finnish project managers working in multicultural projects. The team members that he interviewed consisted of Finnish-Chinese, Finnish-European and Finnish-American cultural combinations. As previously mentioned in subchapters 2.1 and 2.2, 40 out of 47 Finnish leaders followed ethnocentric leadership style, favoring representatives of their own culture more than others. Yet, 3 out of the 7 non-ethnocentric leaders were concentrated almost entirely on relationships, especially with leaders of Finnish-Chinese teams who indicated that their main task was to interact with people. These 3 leaders were called "synergistic" leaders and were only found in connection with Finnish-European and Finnish-Chinese teams. The remaining 4 leaders were regarded

as polycentric, because they often acted as a link between the team members according to the cultural division. One of these leaders even shared some of his experience as a mediator:

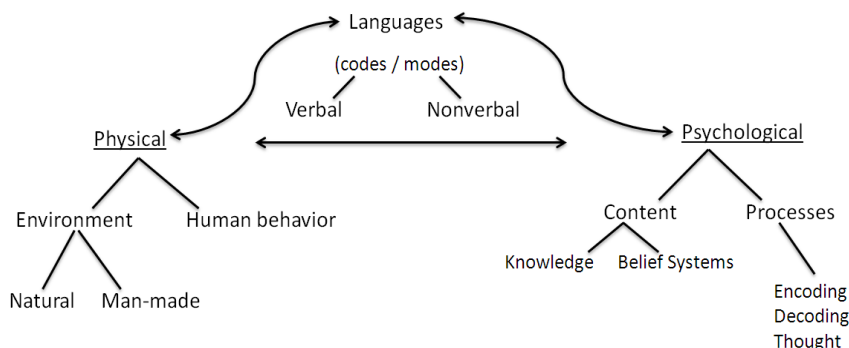
My most important and perhaps the most difficult task is being a link between Finns and Chinese . . . Being a link is something like, when the Chinese hardly say anything direct, I would know how to interpret that so the Finns understand it. And when instructions come from Finland to China it is often quite direct text. This has to be interpreted to the Chinese so that they understand it in the right way. – Finnish leader  
(Mäkilouko, 2004, p. 392)

In addition, according to Mäkilouko (2004), the Finnish–Chinese leaders were oriented more towards harmony and interpersonal balance. Moreover, the leaders of Finnish–European and Finnish–Chinese project teams (synergistic and polycentric leadership style) tended to improve their personal relationships with the team members as a way of improving communication and reducing project problems and they proved to be successful in doing so. Hence, for international companies it might be important to realize that leaders with relationships’ orientation may be better in multicultural leadership, especially when it comes to Finnish-Chinese cooperation.

Subchapter 2.2 presented the cultural macro-environment for the current case study. In section 2.2.1 a brief overview of the Finnish national and business cultures was provided, including general country-specific characteristics, negotiation style and leadership style. In section 2.2.2 the cultural profile of China was discussed. It included the role of Confucianism and collectivism, communication style, face-saving, “guanxi”, the role of banquets in business, negotiation style, leadership style and finally, the position of Chinese culture in the context of supplier relationship management. Finally, section 2.2.3 provided comparisons on the Finnish and Chinese cultures, adapted from previous studies (Hofstede, 2001; House et al., 2004; Trompenaars and Hampden-Turner, 1997; and Mäkilouko, 2004).

## 2.3 Theoretical framework

As mentioned in subchapter 2.1, in his Master's Thesis on Quality Management of Outsourcing Welded Structure: Case China Sun (2009) claims that there are three main factors affecting quality problems – culture, management and human factor. Moreover, According to Borden (1991, preface) two cultures may appear to be “saying” the same thing, but because of the differences in their cognitive orientations they may be saying something very different. However, if we know “the relevant features of different groups, and... how such features generally relate to one another, (we) may be able to predict the results when the groups interact” (Smith, 1979, p.1). Chaney and Martin (2007) also elaborate that to communicate effectively in the intercultural business environment, knowing all the cultural factors that affect the situation is essential. Hence, to build on Sun's research findings (2009), the author of the present thesis explores the concept of culture that Borden presented through his cultural dimensions framework (1991, p. 171). As mentioned in the first subchapter of the present thesis, the framework takes into account three primary dimensions – language, physical and psychological (Figure 2) and thus, makes it possible to position the current case study into the intercultural business setting. The framework also supports Gore's idea (2007) that culture is both something concrete and material as well as abstract and immaterial and Jameson's claim (2007) that cultural identity should be explored in a more holistic way, taking into account not only the nationality factor.



**Figure 2. Dimensions of culture (Borden, 1991, p. 171)**

We can see in Figure 2 that the physical dimension of Borden's framework (1991) is taken primarily from cultural materialism, as it focuses on the environment and the human's reaction to it as the basis of culture. Biological and social evolutions also affect this dimension. According to Borden (1991) all of these approaches say that the human is environmentally determined and all behaviors are conditioned by the environment in which he or she develops.

The cultural materialism approach is a behavioristic approach based on the need to be able to observe and measure all of the variables in the investigation of human behavior. It is also of great value for the current research since it makes it possible for the author to situate the operational circumstances of intercultural business communication. Figure 2 further shows that the environmental sub-dimension is further divided into nature and man-made constituents. Borden (1991) states that the natural parts of the environment are all those entities ascribed to nature – geographical, geological, zoological, biological, etc, while the man-made parts of the environment are all the entities (both essential and optional) created by the human being for survival. He then defines human behavior as all the observable activities of human beings.

The psychological dimension, again, is divided into content and processes subdimensions. The real value of this dimension lies more in the belief systems part of content than in the knowledge part. The researcher claims that attitudes, beliefs and values are formed as a result of exposure to the culture in which one lives. According to him these beliefs and attitudes are unconscious and they emerge when people react to events that question the status quo. Yet, since different cultures structure knowledge differently this can affect both behavior and communication, e.g. the organization of information during communication or the types of information that are accepted as evidence for any given opinion (Borden, 1991, p.2). Gore (2007) and Jameson (2007) also emphasize the importance of knowledge orientations in intercultural communication, pointing out that it can be achieved only through mutual understanding,

with Jameson (2007) underlining the significance of using a more holistic and individual approach to the understanding.

Furthermore, while Borden (1991) discusses knowledge through Hall's concept (1990) of context orientations, Chaney and Martin (2007) use the same foundation when they discuss differences in language expressions. In any case Hall's concept of high- and low- context cultures is considered fundamental in the theoretical framework of the current study. Consequently, the processes part of the psychological dimension, according to Borden (1991), is the most important aspect of human behavior for the understanding of intercultural communication.

On the language dimension Borden (1991) claims that even though there are numerous nonverbal codes that are used to communicate various purposeful messages and meaning there may be 300 times more verbal codes. That is why Gore (2007) also perceives language as mostly verbal and he points out some of its characteristics that in many cases are culture-specific, i.e. formality vs. informality; precision vs. vagueness; succinctness vs. detail; directness vs. indirectness; low-tone vs. high-tone of voice. However, both verbal and non-verbal codes hold a culture together, facilitate identity on both the personal and cultural levels, and have an effect on people's knowledge and belief systems and the way the latter are acquired. Borden (1991) further argues that they are a crucial construct in the overall understanding of intercultural communication. He states that a code (language) must be shared if its symbols are to have meaning (language exists for the purpose of communication) (p. 173).

Furthermore, Borden (1991) argues that for cultural materialism, language – both verbal and nonverbal – functions as the coordinator among the activities on the three levels of structure. On the other hand, in systems terms, language is the vehicle for the creation of the subsystems that exist on each level and facilitates the interactions among them. In terms of the cultural orientation model (Borden's theoretical framework), competency in nonverbal communication is associative and particularistic while competency in

verbal communication is abstractive and universalistic (p. 174). Moreover, while verbal languages are primarily informative, nonverbal languages are usually relational or as Borden calls them “meta-communicational”, which means that they tell something about the communication situation. Hofstede (2001) also claims that language is not a neutral vehicle and that people’s way of thinking is affected by the categories and words available in their languages. Jameson (2007) describes language as a symbolic system through which culture is conveyed. In her study she points out that many researchers have hypothesized that those who share a language also share patterns of thought. However, other researchers (Lu et al., forthcoming) claim that this might not always be the case and even when a common language is used cultural differences might still cause miscommunication.

Moreover, Chaney and Martin (2007) reveal one important aspect of language in intercultural business communication – the role of translation. According to them when languages are translated, the intended meaning may be lost. They claim that even though such errors may seem hilarious, they might be also very costly for the companies. They believe that since translation is written it does not have the advantage of nonverbal communication. The receivers of the translation, according to Chaney and Martin (2007), are more likely to receive a literal translation than a literal interpretation. They claim that the word or concept being translated may not have an exact duplicate in the other language, because not all languages have the same verb tenses, and many verbs have multiple meanings. Chaney and Martin (2007) conclude by saying that “when a language is the person’s second language, slang, euphemisms, and cultural thinking patterns can cause problems” (p. 103).

Ultimately, as we can see in Figure 2, all three dimensions (the physical, psychological and language) from Borden’s theoretical framework (1991, p. 171) are clearly interdependent.

As has been discussed in this sub-chapter, the theoretical framework for the present study is based on Borden's academic research on the cultural dimensions. In addition, two of his main findings are used as guiding principles in the analysis. These principles Borden (1991) defines as "constructs for understanding intercultural communication" (p. 212). They are:

Construct 4: The degree to which we can understand intercultural communication depends upon the degree to which we are able to work within the constraints (personal, situational, and cultural) of the HCS (*human communication system*) established by the communication from two cultures.

(Borden, 1991, p. 212)

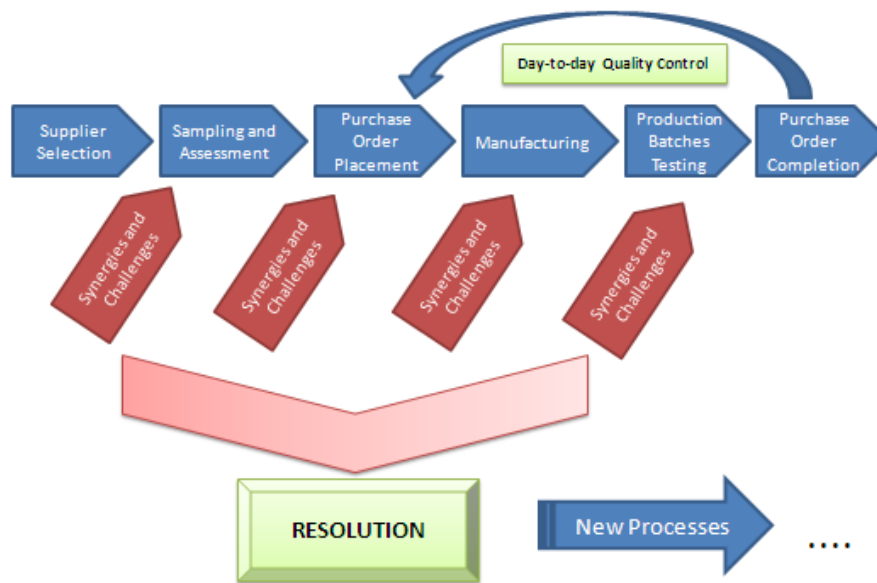
AND

Construct 5: The degree to which we can understand intercultural communication depends upon the degree to which we are culturally literate in our own and the other's culture.

(Borden, 1991, p. 212)

The theoretical framework, described above, is taken into account in the findings part of the Master's thesis situated within the supply chain management processes of the case study in question. This framework helps to identify the cultural challenges and cultural synergies within the bicultural model of the international sourcing practices of Power Oy. On Figure 3 below, there is a representation of the logical path used in the analysis of the data including a short description of the supply chain process stages. These are: 1) supplier selection, 2) sampling and assessment, 3) purchase order placement, 4) manufacturing, 5) testing and 6) purchase order completion. During stage 3) to stage 6) there is a continuous quality control process. More information on these stages is presented in Chapter 4 of the present study.





**Figure 3. Supply chain processes and logical path**

Once the cultural synergies and challenges are identified, the author uses the cultural sensitivity model (Bennett, 1986; 1993), described in subchapter 2.1 of the current study, to determine the cultural sensitivity stage of the business practitioners and give suggestions for improvement in the practical implications in the end of the thesis input, which would give a possible resolution to the major challenges and may result in new processes or sub-processes (see Figure 3 above).

To summarize, subchapter 2.3 presented in greater detail the fundamental theory which serves as a basis for the theoretical framework used in the present study. It further combined the main concepts and orientations explained earlier in subchapters 2.1 and 2.2.

### **3. METHODS AND DATA**

#### **3.1 Methods**

The general methodology of this Master's thesis can be defined as qualitative research with an inductive reasoning approach. The design emerges as the study unfolds. As this study is largely explorative, a qualitative research approach is justified (Patton, 1990). In line with this statement, the aim of the present research project is to generate theories rather than to test them (Bryman, 2004). Another reason why the chosen approach in this study is the qualitative research method lies in the view of social reality as a constantly shifting emergent property of individuals' creation (Bryman, 2004). The naturalism tradition of qualitative research also contributes to the chosen methodology. It seeks to understand social reality in its own terms and provides rich descriptions of people and interaction in natural settings (Gubrium and Holstein, 1997). The author of the present study attempts to follow the naturalism tradition of qualitative research as she collects different data on the organizational and operational environment of the case study to describe the actors involved and their interaction in the natural business setting.

From the two main research methods associated with qualitative research – ethnography/participant observation and qualitative interviewing – the author of the Master's thesis has selected the qualitative interviewing method in order to collect sufficient data for the analysis and generation of new theoretical insights (Bryman, 2004). Additionally, through this research method the researcher can be provided of relevant texts and documentation, which support the actual interview data (Bryman, 2004), as in the case of the present study. In particular, six semi-structured interviews were conducted through a list of fairly specific topics covered and at the same time sufficient leeway was given for the interviewees in how to reply. Specifying questions were also asked as the interviewer picked up on the statements by the interviewees

(Bryman, 2004). As mentioned above, extra documentation relevant to the present study was also collected.

### **3.2 Data**

The data comprises of semi-structured individual and group interviews, supplier audit reports, internal corporate e-mail correspondence, factory visit report and various in-process discussions with the parties involved in the case (including one of the supply chain managers in the case company who acted as professional mentor and coordinator of the empirical part of the Master's thesis). The supplier audit report gave an idea of what the situation was at the Chinese supplier's premises before the official collaboration started. The internal corporate e-mail correspondence provided examples of the differences in communication and negotiation styles among the parties involved. The factory visit report (from fall 2011) presented extra information on the most recent conditions at the Chinese supplier's premises. Finally, the various in-process discussions supported and clarified certain topics covered during the interviews.

The guiding themes used in the semi-structured interviews can be summarized as follows:

- 1) Describe the standard supply chain procedure in which you (the interviewee) are involved.
- 2) What are your observations on the case of Frames CN?
- 3) What advice can you (the interviewee) give for future improvement?

In fall 2011 and winter 2012, the author conducted four individual interviews and one group (double) interview with managers, business practitioners and consultants from the case company (Power Oy), its Chinese sister-company (Power CN) and a third-party company hired for auditing and quality inspection of the Chinese supplier (see Table 6

below). All of the interviewees were involved in certain stages of the supply chain processes – from the supplier selection and approval to quality control and purchase order completion. From the total of six interviews, three were conducted face-to-face with the experts located in Finland and three were held over the phone with the experts located in China. Even though the author attempted to conduct all the interviews face-to-face, the geographical distance and other factors prevented her from doing so. However, the data, despite collected by phone, cannot be defined as less fruitful than the one collected through personal meetings because it also provides sufficient information on the interviewees’ perceptions regarding the case study. In addition, the current research project was initiated as part of the case company’s effort to improve its knowledge on managing quality of and relationships with its Chinese suppliers of welded structures.

Table 6 shows the code name, mother tongue, sex and job title of the six interviewees involved in this study.

**Table 6. Code name, mother tongue, sex and job title of the interviewees.**

Code name	Mother tongue	Sex	Job title	Organization
Interviewee 1	Finnish	F	Purchasing Manager	Power Oy
Interviewee 2	Finnish	M	Consultant/Manager	Third-party service provider (FI)
Interviewee 3	Chinese	M	Welding coordinator/Trainer	Third-party service provider (FI)
Interviewee 4	Chinese	M	Global Commodity Manager for Welded Structures	Power CN
Interviewee 5	Chinese	M	Sourcing Engineer	Power CN
Interviewee 6	Chinese	M	Supplier Quality Manager	Power CN

Interviewee 1 is currently a purchasing manager at Power Oy, but she was also a procurement manager involved in the supplier approval at the time when the discussions at Power Oy started regarding purchasing welded frames from Frames CN. Interviewee 2 is the head of the welding coordination department at the third-party service provider, which was hired for the audits and quality inspections of Frames CN. Interviewee 3 is a welding coordinator and trainer at the third-party service provider and he was also the mainly responsible for the quality control and inspections at Frames CN's factory, when the quality problems occurred. He spent several months at the Chinese supplier's premises. Interviewee 4 is the global commodity manager for welded structures at Power Group (the whole MNC), but he is located at the premises of Power CN. His job is to support local business units on sourcing welded structures (not only frames) from low-cost country suppliers approved by Power Group. He is the superior of Interviewee 5, who also supports local business units, but on a lower level, mostly during the purchasing processes. Interviewee 6 is the head of the supplier quality engineering team at Power CN. His team is responsible for handling the supplier quality claims that arise, because of low product quality of the suppliers delivering to Power CN.

### **3.3 Trustworthiness of the study**

The qualitative research study presented in the Master's thesis followed each of the steps required to generate authentic qualitative findings and theoretical insights. First, the general research questions were defined. Second, the author selected the relevant site (i.e. Western buyer of Chinese components) and participants to be studied. Third, relevant initial data (i.e. background information on the case study) was collected and then interpreted. Afterwards, further data was collected to refine and clarify gaps in the previous data. Additionally, the written documentation provided complemented the findings from the semi-structured interviews. It was used to support the claims made by the interviewees. Then the information was positioned in the study through the

conceptual and theoretical work, which resulted in tighter specification of the research questions and finally, the findings and conclusions were drawn. (Bryman, 2004, p. 269)

Moreover, in any qualitative research project, four issues of trustworthiness demand attention: credibility, transferability, dependability, and confirmability (Lincoln & Guba, 1985).

Credibility is an evaluation of whether or not the research findings represent a “credible” conceptual interpretation of the data drawn from the participants’ original data (Lincoln & Guba, 1985, p.296). By formulating a clear theoretical framework for analyzing the data, based on previous academic research in the field of intercultural communication, the author of the current study constructed the scientific grounds for the analysis and interpretation of the data. In addition, the background of the author gives extra credibility to the study, because she is a current employee at Power Oy.

Transferability is the degree to which the findings of this inquiry can apply or transfer beyond the bounds of the project (Lincoln & Guba, 1985). The findings of the current research project suggest that a similar micro-level study using Borden's theoretical framework (1991) can be conducted in other business divisions and/or using different intercultural communication actors.

Dependability is an assessment of the quality of the integrated processes of data collection, data analysis, and theory generation (Lincoln & Guba, 1985). As earlier mentioned in the current Chapter 3, the data collection was conducted in two stages in order to allow initial interpretation and specification of the research objectives. The data analysis was guided by the theoretical constructs provided in Chapter 2. Finally, the theoretical insights generated at the end of the present research paper support, summarize and synthesize the collected data and previous research by providing input for the research gap presented in Chapter 1.

Confirmability is a measure of how well the inquiry's findings are supported by the data collected (Lincoln & Guba, 1985). The number of interviewees inquired made it possible for the findings to be sufficiently backed up. Each one of the findings is supported by at least 2 interviewees and/or extra documentation provided as complementary material.

#### **4. FINDINGS AND DISCUSSION**

Before presenting the details of the case study, the author would like to refer back to Borden's framework (1991, p. 171), which will be used as the main theoretical framework for analyzing the findings of the current study. As mentioned in Chapter 2, his framework divides culture into three dimensions – physical, psychological and linguistic. The physical dimension according to cultural materialism involves cultural artefacts, which in national culture can represent simple objects (e.g. chopsticks instead of forks) while in professional or organizational culture it can refer to, e.g. the working tools, instructions, documentation and working process design. On the other hand the psychological dimension, again, which focuses on content and process, can be viewed from two aspects – the professional and country-specific. In the professional dimension it takes the form of knowledge about the nature of the work done and orientations towards working style (e.g. management/leadership style). From the national culture perspective it can be shaped by such factors as religion and national philosophy (e.g. Confucianism, “guanxi”). Language in any case serves as a tool for connecting the physical and psychological dimensions of culture, which in this case is relevant for both professional and national cultures. Hence, the author explores the three dimensions of organizational and national culture by positioning them in the context of the supply chain process stages evident in the case study.

Since the supply chain processes sometimes overlap, a decision was made to group them into two main stages – 1) supplier selection and approval and 2) quality control

from purchase order placement to purchase order completion. In addition, because of confidentiality issues, as earlier pointed out, the author uses pseudonyms for the parties involved, namely:

- Power Group – the name of the Western multinational corporation, the parent company of Power Oy
- Power Oy – the Finnish subsidiary of the Western MNC
- Power CN – the Chinese subsidiary of the Western MNC
- Frames CN – the Chinese supplier of welded frames
- Project Frames FI – the Finnish supplier of welded frames

For the purpose of clarification and better understanding, Figure 4 (below) depicts an illustration of a welded frame and how it is different from a casted frame. Even though the casted frame does not play any role in the present case study, its image explains why the traded product is called “welded frame” and not just “frame”.



**Figure 4. Welded vs casted Frame** (Source: Power Oy)



Finally, in accordance of the interview questions, the findings will be presented in the following order – 1) description of the standard procedures for supplying welded frames for electrical motors and generators 2) chronological description of the case study and identification of the cultural challenges and synergies and 3) expert advice on future improvement (subchapters 4.1-4.3). Each of these subchapters covers the two main stages above – a) supplier selection and approval and b) quality control from purchase order placement to purchase order completion.

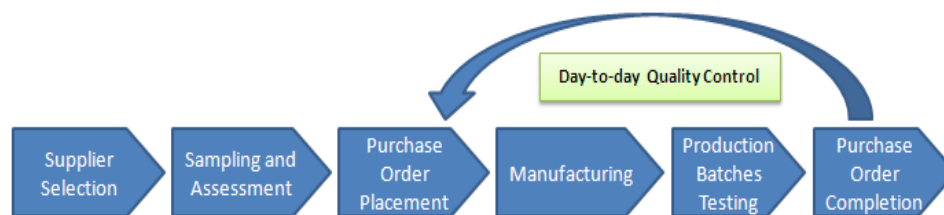
In relation to the theoretical framework that was explained in the literature review and the research questions presented in the introductory chapter, the cultural synergies within the supply chain processes will first be identified (describing the standard procedures regarding the case study in detail) and the cultural challenges will be afterwards pointed out (the complications that occur within the supply chain processes). When there is a cultural synergy as described in the literature review one perceives that the communication in the situation is effective, the processes run smoothly and nothing goes out of order. In the context of the case study, this means that the conditions of the contract between Power Oy and Frames CN are met and no complications in the operations or interaction emerge. The organizational and, in particular, operational culture are functioning the way they should and the country-specific differences are understood and used effectively. It means that all the participants are aware of their own and the other party's national traits and they can take this into account during the supply chain processes intentionally or subconsciously. Hence, in subchapter 4.1 the author provides a short description of the standard processes that would occur in a state of complete organizational and national culture synergy within the two main case companies – Power Oy and Frames CN. In addition, the author identifies the supply chain processes (or subprocesses) for which there was no clear indication of a particular cultural challenge.

On the other hand, the cultural challenges described in the second subchapter (4.2) present the difficulties encountered in both organizational and national cultures and they

occupy various levels in Borden's framework (1991) both within the cultural materialism dimension and the cultural cognitivism dimension. This positioning becomes self-evident when the study reaches the micro level and specifies with concrete examples.

#### 4.1 Identification of cultural synergies

Since supplier relationship management is a concept with a longitudinal orientation it is important to explore it in the whole context of buyer-supplier interaction. For that purpose the author of this study has created the process flow chart presented in Figure 5 (below) to explain the critical processes in a standard supply chain management environment. In short, the processes involve: 1) supplier selection, 2) sampling, assessment and approval, 3) pre-design and purchase order placement, 4) manufacturing, 5) production batches testing and finally 6) purchase order completion. In the case study, however, as previously mentioned these processes are grouped into two larger stages: a) supplier selection, assessment and approval and b) quality control from purchase order placement to purchase order completion.



**Figure 5. Standard supply chain processes**

#### **4.1.1 Supplier Selection, Assessment and Approval**

As with other components and products, typical supply chain operation for welded frames starts with the process of supplier selection. As Interviewee 1 mentioned:

...basically if we were requiring new suppliers from China or new supplier from anywhere for our welded frames we would think that there is a capacity lack for our frames. Then we would contact the global commodity manager for welded structures at Power CN and say “we have a need for 50 frames, where should we buy?” and he should be able to tell us that “okay, you can use these 3 suppliers. The prices are this and this and this...” and then we make the decision. (Interviewee 1)

After careful consideration of several suppliers the global procurement team located at Power Oy selects the most appropriate suppliers based on the set requirements (e.g. cost, quality, global standards, and production capacity). It is interesting to mention that the final approval after sampling and assessment is always done by the global procurement team located at Power Oy even when Power CN is the one ramping up new suppliers and not Power Oy. Furthermore, there is a global standard for supplier selection and approval of suppliers that all local business units use when they are looking for new suppliers. The comment of Interviewee 6 supports that claim:

We are using the same specifications as Power Oy... I mean when we are going to select a supplier in China or when we are going to transfer some products from Power Oy to China and we have to develop local suppliers we are using the same requirements as Power Oy. (Interviewee 6)

He further elaborates that when sorting the suppliers his team provides the technical information. This includes the drawing and specification requirements/standards for the local supplier. However, the manager points out that it is not his team that is responsible

for the translation of the technical specifications and documentation. He also states that there is also no official requirement for translating the drawings into Chinese since it is not always needed. This insight is fully revealed by the comment of Interviewee 6 below:

We have a department called quality department. They are responsible for the quality management assistance... They need to release and translate all official documents in Chinese and English version. That's their assistance. For example, when Power Oy releases new global production instructions people in the Chinese factory (the quality department of Power CN) will receive them automatically by e-mail. Then they download these global instructions and then release them internally to (the rest of the employees in the) Chinese factory. At that time any documents will be translated into Chinese. But for drawings which we need to (be) sent to the suppliers there is no requirement which says "you have to translate into Chinese version before you send to the suppliers". (Interviewee 6)

When the supplier receives the drawings and technical information the supplier's employees can start studying the documentation. In case they cannot understand particular part of the information they ask Power CN's sourcing engineers or supplier quality engineers. If they cannot help the inquiry escalates to Power Oy's technical support team. When the requirements and documentation are clear the supplier starts making samples. When the sample is ready employees from Power Group go to inspect the samples. After the assessment is done the global procurement team decides if the supplier is qualified or not and makes the final approval.

Interviewee 6 also explains the standard procedure for Frames CN (the Chinese supplier of welded frames) when exploring the requirements of Power Group and further notes that it is the supplier's responsibility to find a Chinese translation of the global quality standards (e.g. ISO or EN):

For the Frames CN case for every frame they (the supplier's employees) have (been given) drawings. In the drawings we have specific requirements according to the ISO standard. When Frames CN will receive a drawing they begin to study the drawings. When they find the ISO standard they can (also) find a Chinese version of the ISO standard, but the official place to get this kind of information (specific quality requirements) in Chinese is the ISO standard or the EN standard. (Interviewee 6)

Since there are various versions of the ISO quality standards it is important to explain which part of it is relevant, when dealing with suppliers of welded products, like in the present case. Sun's research (2009) specifies in particular which section of the ISO standard is focused on the welding procedures and what exactly it includes:

ISO 3834-3 defines the standard quality requirements for fusion welding of metallic materials both in workshops and at field installation sites. It describes the aspects of sub-contracting, welding procedures and personnel, inspection and testing procedures and personnel, storage and handling of welding consumables and parent materials, post-weld heat treatment, non-conformance and corrective actions, calibration and validation of measuring, equipment, identification and traceability, and quality records. (Sun, 2009, p. 30)

#### **4.1.2 Purchase order placement to purchase completion**

When all the formalities and assessments in the supplier approval stage are finalized the buyer company starts placing purchase orders to the supplier company. There are two types of orders that Power Oy normally makes – one for standard frames and one for project-specific frames.

But before the order is placed, there is a pre-design stage. During that stage the design engineers from Power Oy send the drawings and instructions needed for manufacturing to the supplier. It is important to note that the design of the frames, even those used in Power CN is done by the design team, located in Power Oy.

Then, in the first case when Power Oy buys standard frames to stock there is a purchase requisition alert in the enterprise resource planning (ERP) system showing that the stock level is on the limit and that the purchaser should make an order, giving an automatic impulse to buy. Normally, in 3 months the stock level would go below the ordering point or safety stock level and that is the time when the purchaser makes a new order. Then the purchaser chooses the supplier – either Frames CN or Project Frames FI. In the case when the chosen supplier is Frames CN the purchaser places an order in SAP to the supplier's agent (third party) in China, who is responsible for processing all the incoming orders from abroad. When buying from Frames CN, assuming no complications, standard frames to stock should be ordered once per month (1 container of 16 frames). In addition, when placing the order Power Oy also gets assistance from a sourcing engineer in Power CN when needed (e.g. translation). This particular sourcing engineer is always informed by Power Oy when there is an order placement to the Chinese supplier so that he can react fast if his assistance is required. In case of bigger issues his superior, the global commodity manager for welded structures is contacted. According to Interviewee 1, the global commodity manager is in charge of dividing the capacity between different suppliers and different Power Group subsidiaries.

In the second case when the order is for project-specific frames, Power Oy buys them from a local Finnish supplier Project Frames FI. This local supplier buys welded housings from the same Chinese supplier (Frames CN) to stock. When the order from Power Oy comes the Finnish supplier can provide a faster delivery, because the Finnish supplier's foremen complete the final machining and painting of the frames at their

premises. Otherwise, placing the order into the ERP system is not much different than in the first case, explained above.

After the design specifications are cleared, the manufacturing process can start. During that stage there is not so much information on the standard monitoring procedures that Power Oy uses, probably because Power CN plays the role of a mediator in the supply chain processes. In fact, all the communication between Power Oy and Frames CN is mediated by employees working in Power CN. The main reason for this is that according to the data there is not even a single person in the supplier's premises who would have sufficient English proficiency. The next step after manufacturing is testing the production batches. When the quality has been assured the order is shipped out to Power Oy and the order is completed. Ideally, the frames would arrive to Finland on average between 7 weeks to 90 days after the placement of the order.

After manufacturing and before final acceptance of the components, Power CN uses the following system:

When the parts come to Power CN we have a quality department. The quality department is responsible for the operational quality. That means we have a team called incoming inspection team. They will inspect the components we buy from outside Power Group. They check these samples according to Power Group's requirements. If there is any non-conformity found during the incoming inspection they will report to my team, I mean supplier quality engineering team (copy to the sourcing engineers). The supplier quality engineering team will go to the supplier side to work with the supplier to identify the cause of this non-conformity. They will work with the suppliers together to do some corrective actions, to remove these non-conformities. That is also a standard procedure of my team in the current Chinese factory. (Interviewee 6)

In addition, Interviewee 6 mentions the fact that his team has members responsible for different suppliers, including Frames CN:

...in my team I have 17 members that are working with different commodities, which means they are also responsible for different suppliers. Frames CN is one of our welding suppliers. They are providing the frames to our factory. (Interviewee 6)

To the question who his team contacts from the organization of Frames CN, he gives the following answer:

It depends. Normally, we contact their sales responsible. And if the case cannot be solved then it will escalate to their boss, the owner of Frames CN. Also, for the quality issues we will contact their quality responsible. There are normally two issues we need to contact the supplier for: 1) commercial issues, they will go to their sales responsible and 2) quality – people from their production. And if there is any issue which cannot be resolved in time there will be escalation to their boss, the owner of Frames CN. (Interviewee 6)

To sum up, as mentioned in the beginning of subchapter 4.1 when the standard supply chain processes are followed without complications this can be defined as the ideal environment of cultural synergy. Moreover, the collected data did not give any indication of cultural challenges in the processes of supplier selection, placing the order into the enterprise resource planning (ERP) system and design. Hence, these stages seem to accommodate clear cultural synergies.



## **4.2 Identification of cultural challenges**

In the current subchapter the cultural challenges that occurred during the business case are identified. In the first stage – supplier selection, assessment and approval there are mostly challenges related to organizational culture while in the second stage – quality control from purchase order placement to purchase order completion – both organizational and country-specific cultural challenges occupying different levels in Borden’s theoretical framework are identified but all of them within the physical, psychological and language dimensions.

### **4.2.1 Supplier selection, assessment and approval**

The first local business unit of Power Group to start using Frames CN was Power CN. The cooperation started in 2007. During the supplier approval stage Power CN did 3D measurement testing and made sure that the machining capabilities of the supplier were fulfilling the requirements. However, according to both Interviewee 4 and Interviewee 5 during the supplier approval stage welding was not first priority and was somehow neglected. Nevertheless, in the first audit report of the supplier from 2007 Power CN did recognize welding quality and overall quality control processes as some of the problematic areas of Frames CN, supported by some of the required corrective actions that Power CN pointed out to the supplier:

1. Build adequate gauge control planning, and keep official inspecting record provided by 3<sup>rd</sup> party.  
....
2. Update process manual, like welding process, painting process, etc.  
...
3. Do incoming inspection (of the sub-suppliers) and keep record.

(Excerpt from the required corrective actions after the first audit of Frames CN in 2007)

Yet, business practitioners from Power Group involved in the supplier approval process did not provide detailed technical specifications for the manufacturer nor did they request the supplier to create welding procedure specification documents that the global design team in Power Oy could then evaluate. Moreover, it seems that during that period of time these two procedures were neglected in cases with other suppliers as well. The business practitioners from Power CN recognize it as a big mistake during the supplier approval stage.

Then, two years after Power CN started buying the frames from Frames CN, Power Oy also decided to begin using that supplier, trusting that it was already an approved supplier for the whole Power Group. At that time (2009) there were three possible suppliers, but only Frames CN qualified, because it was the only one to be capable of satisfying the high demand and cost pressure. However, even though Power Oy trusted the approved supplier there were still ongoing discussions about doing extra tests. Thus, welding was checked again by visitors to the supplier's factory – both experts from Power CN and Power Oy. Machining was also tested again through 3D measurements. Yet, according to Interviewee 1, there was not a real welding coordinator who would have checked the weldings properly. She also argues that if Power CN had been marketing the local Chinese suppliers more, the procurement team could have made a better choice:

...but I would say the situation is so that the Chinese factory is not marketing their suppliers to us so that “you could come here and maybe also purchase from this factory”. They are not really doing that. They are not giving the information to us, willingly...or...freely (Interviewee 1)

The Finnish manager further points out that Power Oy trusts the supplier quite heavily when it comes to welding. According to her, Power Group does not have global instructions for welded frames. There is only the drawing and the ISO standard, which states that the welding should be Class C. Even though Power Oy conducted audits before and after the cooperation between Power Oy and Frames CN, she believes that the trusting nature of Finnish managers might have prevented them from recognizing the problems on time. This statement supports the previous research presented in Chapter 2 by Gore (2007) who found out in his study that Finns perceive other individuals as inherently good, which suggests a more gullible attitude in certain situations. Moreover, she doubts that Frames CN was ever audited before 2010 according to the ISO 3834-3 standard (described in subchapter 4.1), which is strictly focused on the welding quality. However, the data shows that until that point not only the Chinese was not audited according to the ISO 3834 standard, but all also all the other welding suppliers of Power Group.

Based on the data explained above, during the stage of supplier selection, assessment and approval the following organizational culture challenges were identified:

- Lack of sufficient knowledge by the specialists from Power Group on the exact technical requirements for the welding they were buying (psychological dimension in Borden's framework)
- Lack of sufficient welding know-how of the Chinese supplier (psychological dimension)
- Welding procedure specifications were missing (operational culture artifact from the physical dimension)
- Attitudes and beliefs of the managers from Power CN were not in accordance with those from Power Oy (psychological dimension)

#### 4.2.2 Quality control during the purchase order processing

The first discussions in Power Oy about the supplier's welding quality started already after the first deliveries in 2009. However, at that time the situation did not seem as crucial as in the beginning of 2011. As Interviewee 1 points out there have always been discussions about the welding quality of the Chinese supplier, but the seriousness of the situation did not escalate up until the beginning of 2011. She also shares some information on her first visit to the supplier's factory:

...and for example, when I visited them first time I gave them some instructions...how to improve their quality, because it was obvious that they were doing something wrong... basically, we have been giving them some pointers all the time and trying to also explain Power CN that ...”this is how the welding should look (like)” or...”this is how it should be done”, but basically we are not really sure if our explanations are going through and do they understand? Does even Power CN understand what we are saying? That is also a question mark for me... (Interviewee 1)

Another comment revealed her opinion of the supplier's understanding of the ISO standard:

I think the main point is that they don't really understand the welding requirements in our design, so there it is mentioned that it has to be according to ISO 3834, of course that's an international quality standard for welding... but I think it's clear that this Chinese supplier really doesn't understand what the ISO means even...It should be noted that the supplier maybe doesn't understand English so well that he can really read the standard, so it has to be made other ways sure that he understands the requirements in the standard. (Interviewee 1)

As implied in one of the comments above the manager also seemed to have doubts about the welding competence of the business professionals from Power CN who accompanied her during the supplier's factory visit. According to her, the representative of Power CN did not have sufficient understanding of how and what kind of welding should have been done, can also be seen in the statement below:

at least in the beginning it was obvious that when I visited the person who was responsible for the buying of the welded structures in China, the Power CN employee...when we went to visit this supplier the employee of Power CN didn't really have understanding of how/what kind of welding should have been done... (Interviewee 1)

Despite the first discussions, as mentioned above, the situation with Frames CN's welding quality did not seem to cause too much trouble before the "burst" of quality claims in the beginning of 2011 became evident. In the meantime, in 2010 Power Oy's local Finnish supplier Project Frames FI started to buy pre-machined welded frames from the same supplier that Power Oy had been using, namely Frames CN. In the beginning of 2011 Power Oy started to complain of the quality that the company had been receiving from Project Frames FI while the local supplier blamed Frames CN. In an informal side discussion with an anonymous source working for Power Oy, the author of the thesis was told that even before these internal partner-to-partner quality claims emerged, the attention of Power Oy on the welding quality was triggered by the increasing amount of quality claims about breaking frames in the motors and generators that Power Oy produced.

The serious discussions at Power Oy about the welding quality of Frames CN started in the beginning of 2011 and reached their peak during the summer the same year. The internal corporate e-mail correspondence from Power Oy shows that severe welding quality problems started appearing in deliveries from January, 2011. Problems in practically every frame have appeared in deliveries to Finland and Estonia. Power CN

has not reported problems, but according to several visitors the frames should have been rejected by Power CN too. Here's a glimpse into Interviewee 1's experience from summer, 2011:

In the beginning of summer we checked all of our frames that we had received from China and the welding quality was not what it should have been. Basically, we had to repair all of our frames... (Interviewee 1)

Interviewee 6 also explained how the welding quality problem was recognized:

Regarding Frames CN I was involved in the beginning of this case. I think this case happened in April, last year (2011). I am not quite sure if I am right or not (about the time). Since April last year Power Group did a welding audit for all the welding suppliers including Chinese welding suppliers, Indian welding suppliers and European welding suppliers. We introduced a third-party to do the welding audit. The purpose was to improve our welding suppliers' capability, to make the components better in the future. At that time...we received some quality claims from Project Frames FI and also Estonia (regarding Frames CN's products)...It is a very strange case. Why? Because Frames CN has been supplying to Power CN for 4 years and to Estonia and Finland for about 2 years. We had very few quality claims from Power Oy and from Project Frames FI. But since year 2011 the quality claims were very high. So, we had to work on these quality claims and inspection was needed to secure the quality of our products. (Interviewee 6)

After figuring out that there is a really serious problem with the welding quality of Frames CN, as reported above Power Oy, the Estonian subsidiary of Power Group and the local Finnish supplier informed Power CN about the situation. Interestingly, the data seem to suggest that there was a clear consensus regarding the reaction of Power CN to

the quality claims to the Chinese supplier among all the interviewees that touched upon this topic. Interviewee 1 describes the reaction of Power CN to the quality discussions of Frames CN in the following way:

I think in the first place their reaction was I would say quite funny, because they were like: “No, you can’t say that it’s bad. You have been here 2 years ago and you have said that it’s okay...” but they really didn’t understand the need of constant monitoring of the supplier quality and they were saying: “But you have accepted the quality 2 years ago”... now when there has been discussion I think they are coming along slowly.  
(Interviewee 1)

In accordance with the above comment all three interviewees from Power CN – Interviewee 4, Interviewee 5 and Interviewee 6 pointed out their amazement that the quality issue was brought up so late after Power Oy had been collaborating with the Chinese supplier for almost 2 years. They, however, justify the claim of Interviewee 1 that they “didn’t understand the need of constant monitoring” with emphasizing the fact that Power Oy had accepted the quality level provided during the first two years of the collaboration. According to them it was also Power Oy’s responsibility to highlight the importance of the higher welding quality requirements during the period of collaboration.

Here are few of the comments presenting the perceptions of Power CN’s employees, explained above:

1) Actually ...we think that even during this case happened the quality did not change a lot or did not become worse compared to the previous months...Last year the welding quality was the same level as 2 years ago or 3 years ago. So, in Power CN we accept their quality...but from Power Oy maybe after the third party’s global welding audit (in 2011) all the

welding quality was rejected... it was strange why they suddenly stopped all the containers and make them (the supplier) repair the quality, 1 or 2 months ago they did not give any warning to show that the quality is going down or (was) not as good as before ...or any report that the quality is going down...(Interviewee 5)

2) From my point of view our requirements were not specified in the beginning, during the first years, I mean...last 2 years we accepted the supplier's deliveries and we said: "okay, this is good delivery, we can use these components, and there is no problem...." but suddenly we say: "okay, your frames have some problems, we cannot use them, you have welding issues. You have to change them, re-work them first..." so the requirements have been put to a high level in a very short period of time...My point of view is that the supplier has delivered for 2 years and there were not so many claims ...when the components arrived in Finland or Estonia... (Normally) when we inspect the components we can find the issues and report them to the suppliers' at the first time. If we don't report these issues at the first time the supplier will continue delivering components as the previous batch. So, (this is probably the reason why) they didn't realize they have made mistakes. (Interviewee 6)

In addition, Interviewee 4 also supports the views presented above. According to him the quality of the supplier was kept at a constant level since the beginning of the collaboration between Power Oy and Frames CN 2 years ago. Furthermore, he underlines the fact that between January and March, 2011 there was no incoming quality inspection of the Chinese supplier's deliveries by the local Finnish supplier Project Frames FI, when suddenly the latter left a backorder of 100 frames, because of quality claims.



Moreover, in contrast with Interviewee 1's opinion Interviewee 6 does emphasize the importance of constant communication with and monitoring of the supplier's quality, as reported below:

We need continuous communication with the suppliers, not just claim to them one time. That's what I am thinking about this case. In China we have the incoming inspection team that inspects Frames CN's components for each delivery. If we have some quality issues we will report them to our suppliers and request corrective actions. (Interviewee 6)

He also mentions that because constant communication with the supplier is so important in his team there is a person who is in particular responsible for Frames CN and he visits the factory very often to ensure that the quality is according to the standards:

In my team we have a person who is responsible for Frames CN. So, he visits the supplier quite often, once per week or sometimes even more than once per week in order to monitor their process, the manufacturing process. (Interviewee 6)

The citations above by Interviewee 6 support the claim of Coates (2009) that "guanxi" maintained through continuous communication is crucial for the successful supplier relationship management.

Another important comment was made by Interviewee 5 who partly explained what might be the cause of the different acceptance of the supplier's quality at Power Oy and Power CN. He points out, as earlier mentioned, that both companies use the same global quality standard for welding, i.e. the ISO standard. However, according to him even though the standard is the same the interpretation can be different:

Different people have different opinions. It's not like white or black...a lot of grey areas, even when there is a specialist...(for example) I worked with the third party quality inspectors a lot of times...even there different people have different opinions regarding the quality...a quality problem may be due to a) or b). (Interviewee 5)

As already obvious from the comments above, after the serious discussions regarding the supplier's quality were evident (in the beginning of 2011) Power Group hired a third-party welding consultancy company to make a global audit of all the welding suppliers, not only Frames CN. This same third-party service provider was used to inspect all of the frames before they were sent out to Finland and in addition, to give training to the supplier's welders on how they can improve quality in case of quality claims. Regarding the hiring of the third-party service provider interviewee 1 gave the following comment:

Now when we have started to question their welding quality there is an inspection done for every container, (but there was a time when we expected the frames to be already inspected in China), so that we can be sure we get good quality... but basically we do not trust the supplier anymore...we have also used this third-party welding coordinator in China to inspect the frames before they are sent to us. (Interviewee 1)

In the following paragraph, Interviewee 2 explains the scope of the service his team provides and the methods they use for communication with the supplier:

The scope of our service is based on standard ISO 3834 and our services are called welding coordination services. It means that already from the engineering stage... we look for details and possibilities for welding economically and we also look for welding techniques. We also collect all the information regarding the welding procedure specifications (WPS)

depending on welding. If we look at the process, we select the company which will make the components. We are typically making welding audits so we can make sure that the company has ability to make welded components...typically, for Power Oy we make audits before the approval of the suppliers...after engineering of course and after audit we will make these welding inspections, but also it's typical (at this stage) that we will look at control on WPSs of the supplier, which we normally keep in our system... This approval process we have made also before...and if we look at those quality inspections nowadays we don't make complete inspections...because our philosophy is that they have to make it themselves... and they have to fulfill properly the requirements without our inspections. (Interviewee 2)

However, the specialist points out that in the case with Frames CN there has been continuous quality control for months, because of constant problems with the quality. On the communication with the supplier he explains that it happens mainly through phone and e-mail, but however he emphasizes on the importance of personal contacts. He further elaborates that for the ease of communication the third party provider has developed an information platform from where employees can easily extract information needed for project management.

### **Implications regarding communication styles and attitudes in the intercultural setting**

After the third party service provider was hired there were extra costs involved – extra costs for the services they provided, extra costs related to the backorders and extra costs related to the repair work of the frames. This situation caused a huge dispute among the four main parties involved in the case – Power Oy, Power CN, Project Frames FI and Frames CN – on how to divide the costs. Because of confidentiality issues that stage of the case will not be discussed in detail. However, from organizational and national

culture points of view it is important to note some of the differences between Finland and China in the way managers communicate the points they want to make during the dispute.

Based on the analysis of the internal e-mail correspondence between Power Oy and Power CN it becomes clear that while the Finnish managers focused purely on facts and figures and did not involve personal expressions or emotions too explicitly, the manager from Power CN seemed to show a mixture of facts and feelings. This finding supports the previous research presented in Chapter 2 on the negotiation style of Finnish managers who are described as using objective facts rather than subjective feelings during negotiations (Moran & Stripp, 1991; Metcalf et al., 2006; Trompenaars & Hampden-Turner, 1997). Here are few examples:

1) I think we (Power Group) should keep our reputation and keep good relationships with suppliers. Especially for Frames CN... they have had very competitive prices and sufficient capacity... Meanwhile their welding quality level has been improved and Power Group spent a lot of resource to develop Frames CN. I think it's time for Power Group to get the benefits from the cooperation with Frames CN instead of destroy supplier relationships.

....

2) Hope you understand that we are supporting Power Oy on low-cost country sourcing and developing qualified suppliers together.

.....

3) My feeling is that no one from Power Oy would like to take the responsibility and just leave all the responsibilities to supplier and third party.

(Excerpts from the correspondence regarding the cost dispute, Global Commodity Manager of Welded Frames at Power CN)

The last point leads us to the next very interesting part of the findings, i.e. the culture-specific influence from the three-dimensional view of Borden's theoretical framework (1991) on the overall quality control processes in the stage from purchase order placement to purchase order completion.

Most of the insights on this part of the findings come from the third-party welding coordinator (Interviewee 3) who spent several months at Frames CN's factory to help with the improvement of the welding quality. It is also worth mentioning that his nationality is Chinese, but he works for the Finnish third-party service provider and he also gained his higher degree in a Finnish university. This background gives him the ability to be more culturally sensitive (according to Milton Bennett's model, 1986; 1993) towards both Finnish and Chinese culture.

His first comment (Interviewee 3) is based on the widespread view of the Chinese people not being able to say "no" (Sanderson, 2008):

Chinese communication is positive. We cannot use no, no, no, no...we cannot do that. During the time when I was in the factory of the supplier of Power Oy I found that for foreigners it is a little bit hard to find a way to communicate, because they always say: "I told you and you told me you understand it. Why didn't you carry it out? Why didn't you do it?" ... in fact, if Chinese people say "yes", they mean "I hear you". That confuses and bothers foreigners and makes communication between Chinese and Western people difficult. (Interviewee 3)

Similar type of comment was given by Interviewee 1 when she showed awareness of the cultural differences in communication:

...because we are Finnish we always trust when we say to somebody: "you must do this" and then they say: "yes"...we always believe that it

really means yes, but this cultural issue in China is that they always say “yes” and they don’t really mean that, but you should understand that. In Finland if you are asked (to do) something and you say “yes” then you will do so, but in China it’s normal that they always say “yes” and then they start asking questions.... (Interviewee 1)

In relation to this, Interviewee 3 also points out that if a customer goes to the factory (e.g. an employee of Power Oy) and gives a lot of requirements, the supplier would just say “okay” and add “as soon as possible”, but this may actually mean half a year or one year. Interviewee 3 claims that there is no limit to this. Hence, he suggests that in order to achieve results the customer should make it clear that the requirements are absolutely necessary by also taking into account the potential costs that these requirements may trigger for the supplier. If these two aspects are not considered the supplier normally would not deliver the desired changes or if he does, they will be heavily delayed:

But until the end of the period you (if you are the project manager)... you are so much in a hurry about the project that you might think: “we have no time, the product first and quality maybe goes second”...you might just say: “you just do that and finish the product...and the quality processing thing you can maybe do next time”. Because they always delay, delay, delay...until...you lost your patience. That is a problem. (Interviewee 3)

### **Language implications**

Regarding the language issue, from previous comments it emerged that some of the quality problems might be due to translation problems. When managers from Power Oy visit the supplier’s factory there is always someone from Power CN acting as an interpreter. The data collected suggests that there is not a single point in the supply chain processes where a professional technical translator would be involved. As earlier mentioned, even the production instructions and technical specifications are translated

by the quality department of Power CN. Interviewee 1 describes the problem in her own words:

...then it's a language issue, because (sometimes) when we are speaking English to them they don't understand. The supplier maybe doesn't understand any of it. Then we have Power CN person who is translating our notes to the supplier and it might be that he even doesn't understand the technical issues when we are saying that the welding should be like this and this. It might be that the Power CN person doesn't understand what we are requiring and then he might translate it to the supplier totally wrong. (Interviewee 1)

In an informal discussion at Power Oy the author of the thesis received a confirmation of this assumption with the following example of a wrong translation in technical instructions in China (illustrated on Figure 6 below):



**Figure 6. Wrong translation of the word “file” in technical instructions**

The illustration shows a recent example of a wrong translation of the word “file” in technical instructions used in the production department at Power CN. Instead of translating the word as the tool used for production, “file” was translated to mean folder. This example also supports Coates’s view (2009) on the importance of hiring

technical translators to avoid mistakes in translation of instructions and technical specifications.

### **Outcome of the case**

After the third-party service provider helped in improving the quality of the supplier there were some positive comments about the current situation at the supplier's premises. The first one comes from one of the procurement managers at Power Oy who visited the supplier in October, 2011:

After factory visit, a sample of end customer documentation was reviewed (Power Oy generator frame). WPS document was adequate if looking all data that there should be according to EN standards. Material certificates were reviewed also. Systematic approach to quality control existing (exact specifications and control should be provided from end customer)... Frames CN is capable of good welding... (Excerpt from the procurement manager's notes on his visit to Frames CN)

Interviewee 5 also gave a positive evaluation of the current situation:

After this happened...the supply improved a lot from the quality...Firstly... they became more careful regarding this kind of welding quality. Then, from a technology point of view the supplier improved a lot. So, so far both Power CN and Power Oy can get benefits from their quality improvements. But even at this moment specialists are sent to inspect the welding quality...their welding level improved quite a lot after this case. (Interviewee 5)

At last, during the same day of one of the interviews (January, 2012) Interviewee 6 visited Frames CN's factory and this is how he described the current situation:



I actually visited Frames CN this morning. I also talked about the welding issues with their owner, Frames CN's owner... We had a discussion about the quality issues and quality claims within last year, in year 2011. On the one hand, they are not happy to pay lots of money for re-work. But on the other hand, they are happy to have their quality and the process improved. ... They are also happy for the training and coaching to improve their quality... I also walked around their factory and the workshop has changed a lot compared to my last visit. That's what we can see. They changed a lot the product quality and the workshop. This really impressed us. (Interviewee 6)

To summarize, in this section the following organizational culture challenges (according to Borden's theoretical framework, 1991) were identified:

- Knowledge and understanding regarding the ISO standard varies (psychological dimension)
- Lack of welding know-how internally within the Power Group (psychological dimension)
- All the parties involved have the same goals for quality monitoring, but different understanding of how it works (psychological dimension)

Then the author identified one challenge that according to her can be positioned in both national and organizational cultures, namely:

- Different negotiation attitude within the cost dispute (psychological)

Moreover, the findings indicate country-specific challenges in communication:

- Different understanding of the meaning of “yes” in Finland and China (psychological dimension)
- Different use of authority power and “guanxi” (friendship) (psychological dimension)
- Trusting nature of Finnish managers preventing them from recognizing the potential problems on time (partly due to the low-context vs. high-context collision) (psychological dimension)

Finally, the author identified the following challenges from the language dimension:

- No one at the supplier side speaks English and verbal communication between Power Oy and Frames CN is always mediated
- Non-verbal communication between Power Oy and the supplier is minimized to technical drawings
- There are occasional mistakes in translation of the technical specifications

### **4.3 Managers’ advice on future actions**

Finally, the interviewees gave their perceptions on how the cultural and operational challenges from the country-specific, organization-specific and department-specific perspectives could be turned into cultural synergies, i.e. to make interaction between Power Oy, Power CN and Frames CN smooth and “running” as described in the standard procedure process flow in subchapter 4.1.

#### **4.3.1 Supplier selection, assessment and approval**

Regarding the first stage of the supply chain processes a couple of suggestions were given by Interviewee 1, Interviewee 4 and Interviewee 6.

According to Interviewee 1, special attention should be given to decision-making and taking responsibility during that stage:

I think it is our responsibility to really find out when we start working with some new supplier that they are working according to the requirements ... and if we are requiring C-class then we must understand it ourselves what it means and we must check that the supplier complies with it. If not, we should decide if he needs improvement or then we just have to say: “no, we can’t work with you. You are not fulfilling these requirements.”

(Interviewee 1)

She also adds that a clear ramp-up plan or instructions regarding the welded structures should be developed. The manager also thinks that the supplier approval tool that Power Oy uses should be extended to include more clearly stated requirements.

Moreover, both Interviewee 4 and Interviewee 6 underline the importance of acquiring detailed welding procedure specifications from the suppliers in the future:

The correct/right way is when we develop a new supplier or a new project for welding we have to have the WPS. That’s the right way, at least in the future... When they are going to produce a product with welding process we (will) request our suppliers to create WPS first. Then after we evaluate the WPS we can say: “it is okay now, you can go; you can go with your production with this kind of WPS”. (Interviewee 6)

#### **4.3.2 Quality control from purchase order placement to purchase completion**

Regarding the quality control stage from the purchase order placement to purchase order completion Interviewee 1 suggests that Power Oy technical support team should use pictures:

Project Frames FI, for example, has done good work with Frames CN, because they have noticed the problem (of understanding) when there is a problem with the weldings or any quality problem. They take a picture of the problem and then send it to the factory and then explain...then the supplier can see, once he has these pictures, that there is something wrong with the walls there so that the workers can check that. They understand the pictures better than written information. (Interviewee 1)

In addition, Interviewee 3 suggests several practices for effective communication with the Chinese supplier during the quality control stage. Firstly, he points out that buyers should understand what kind of environment they have and how much their requirements would cost. Secondly, the quality inspector should establish checking points for monitoring the development of the requirements. According to him, looking only at the whole process would not be beneficial:

You have to cut the whole process to some single small processes. You cannot lose your actions. If you are just checking the whole process after 1 week or 2 weeks you will lose your direction (and think) “what am I checking?”, “What should I check?” You will forget if you do not have experience. That (the process breakdown) is very important. (Interviewee 3)

Thirdly, he points out that the inspectors or managers involved in the quality control process should make it clear that they have the authority to present requirements, as can be seen in the following citation:

You have to say it in a way that it looks like you are the authority... you have to say: “you have to follow that order”. Normally in daily work Chinese people do not like to think by themselves...they like to follow orders. (Interviewee 3)

The citation above supports the previous research presented in Chapter 2 on the leadership style in China, which is described as paternalistic and centralized.

And lastly, he emphasizes the importance of communicating with the lower-level employees – the welders:

You have to get information not only at the table, but you have to go to the factory and talk with the welders and some people there. You have to ask them what kind of problems they are facing...what went wrong and why the situation happened. You have to ask questions to those people. Those people would love to say anything to you; because they do not care about the cost...You have to talk with these welders. They will give you the real information, but not in front of a manager. From the local supplier manager you can hear about a wonderful life and it never changes, it’s always so wonderful. (Interviewee 3)

Yet, Interviewee 3 also emphasizes on the role of “guanxi” in Chinese business, confirming what was previously discussed in the literature review (Nojonen, 2007; Sanderson, 2008; Coates, 2009; Kull & Wacker, 2010). He believes that there are only two ways to make things happen in China through the use of 1) friendship (“guanxi”) or 2) if that doesn’t work by using authority power:

In China we like to say that before doing the business, we have to become friends first. The business comes second. Even if you are doing the job...if you go to Frames CN you have to become friends (with the employees) first. You shouldn't say: "you have to start your work" and "you have to do this, do that". Nobody will hear you! You have to start like friends. And secondly, you can say: "okay, the friend suggests to you to do this, do that"...but... if still they don't hear you then you have to say: "okay that is an order, no negotiation". If you want to be friends, okay be friends, but if you don't okay just be managers. (Interviewee 3)

On the other hand, the advice that Interviewee 5 gave on future operations comprised of two parts:

1. I think it is very important to set up a point to do the incoming inspection from low-cost country suppliers.  
....
2. To act fair and with respect is the most important, because it is easy to say, but much harder to do. (Interviewee 5)

Finally, Interviewee 4 for welded structures believes that in the future in such cases like with Frames CN it is important to have:

- 1) a clear process for order/quality claim
- 2) responsible person (to process the claims)
- 3) more quality control actions and monitoring
- 4) internal quality inspection by a representative of Power Group and not a third-party service provider

Overall, the advice that the managers gave on how to improve interaction with the supplier can be summarized as follows:

- I. During the supplier selection, assessment and approval stage:
  - Pay special attention to decision-making and taking responsibility
  - Require welding procedure specifications (WPS)
- II. During the quality control stage:
  - Use non-verbal communication with the supplier (e.g. images)
  - Establish checking points during quality inspections
  - Use authority power
  - Communicate with lower-level employees
  - Use “guanxi”
  - Set up a point for incoming inspection
  - Act fair and with respect
  - Create clear processes for handling quality claims
  - Enhance monitoring

To summarize chapter 4, subchapter 4.1 described the standard process for sourcing welded frames from the Chinese supplier. Subchapter 4.2 identified the cultural challenges during the supply chain processes and finally, subchapter 4.3 presented the advice on how the challenges can be overcome according to the interviewees.

## **5. CONCLUSIONS**

### **5.1 Research summary**

In the first chapter of the Master's thesis, the author introduced the concept of the study, gave a short description of the case study, established the research gap and the importance of the topic for the field of international business communication research and finally, presented the research questions. The purpose of the current study was to 1) identify the cultural synergies and cultural challenges in the context of a case study on supplier relationship management and to 2) define the supply chain processes within which they occur.

In the second chapter the author analyzed previous research by dividing the chapter into 2 main subchapters and one summarizing subchapter. The first subchapter focused on explaining the concept of the current study in more details by referring to established scholars in the research field. It argued that culture has a significant impact on intercultural business communication and in particular, in communication for supplier relationship management in a global context. The second subchapter was focused on comparing some of the characteristics of the Finnish and Chinese national and organizational cultures that previous research already brought up. Finally, the third subchapter explained the theoretical framework that the author used for her study (i.e. Borden's cultural dimension framework, 1991) in greater detail by supporting it through the concepts of researchers and her own input on how it can be applied in the Master's thesis.

In the third chapter details about the data and methods used for the current research paper were delineated. This chapter included the research methods, practicalities about the data collection and trustworthiness of the study.



The fourth chapter presented the findings of the collected data, the details about the case study regarding the Finnish buyer Power Oy (local business unit of the bigger corporation Power Group), the role of its sister company Power CN and their collaboration with the Chinese supplier Frames CN. The cultural synergies were identified through a representation of the standard procedures from the supplier approval stage to the purchase order completion stage. The author argued that when there is a cultural synergy it would mean that there would not be any complications and the procedures would go according to plan. In particular, she identified cultural synergies in the processes of supplier selection, order placement and design. Regarding these stages the data did not give any indication of cultural challenges. Then, the author identified the cultural challenges – both organizational and country-specific by positioning them into the supply chain process stages and Borden's dimensions of culture (1991).

During the supplier selection and approval stage the author identified the following organizational culture challenges: lack of welding know-how, lack of WPS, differences in organizational attitudes and beliefs. During the quality control stage from purchase order placement to purchase order completion the following organizational culture difficulties were described: insufficient understanding of the ISO standards, lack of welding know-how, different attitudes and beliefs of the business partners. Several country-specific challenges also emerged during this stage: different understanding of the meaning of "yes", different use of authority power and "guanxi" and over-trusting nature of the Finnish managers. Regarding the language dimension the author also identified the following challenges during the quality control stage: the Chinese supplier lacks English language skills; non-verbal communication is minimized; and there is a chance of mistakes in the translation of the technical specifications.

Finally, the fifth chapter presents the overall conclusions from the case study, the main findings, practical implications, limitations of the study and suggestions for further research.

## **5.2 Practical implications**

Regarding the practical implications it may be wise to summarize the findings of the study through an attempt to answer a question given in the beginning of the research. When this study was initiated one of the global supply chain managers at Power Group (the coordinator of the empirical part of this research) brought up the following question to the author:

*There were welded frame batches sent to both Power CN and Power Oy during the same period of time (presumably after the third-party audit and increasing quality claims). Finland rejected the batch, but China accepted it. Why? (Supply Chain Manager at Power Group)*

From the findings of the study the author managed to come up with three possible scenarios:

Scenario 1: Power CN accepted the quality before they knew about the higher quality requirements emerging (suggested by the interview with the global commodity manager) or before they received the audit reports.

Scenario 2: Power CN knew about the quality problems but corrected them in a timely manner by using continuous communication with the supplier and sending the supplier quality engineer to help the supplier improve the quality before the frames arrived at Power CN (implied by supplier quality manager's interview).

Scenario 3: The quality was the same and both parties (Power Oy and Power CN) were aware of the quality claims, but Power CN accepted the quality and Power Oy did not. It can be explained with the different acceptance level and different interpretation of the global standards (the ISO and EN standards) that the whole Power Group uses (implied by the interview with Power CN's sourcing engineer).

However, because it is difficult to find out what actually happened only assumptions can be made.

Moreover, based on the findings of the research the author has created the following list of recommendations on how to improve future intercultural and operational communication with the Chinese suppliers within the case environment:

In the supplier approval to purchase order completion stage

- 1) Provide or share welding know-how internally (to Power Group employees) and externally (to the Chinese supplier)
- 2) Create a ramp-up plan or instructions regarding the welded structures. → The case study developed in the Master's thesis can serve as a foundation for building the plan and preventing future mistakes.
- 3) Use alternative methods for communicating with the supplier in case a qualified technical translator cannot be hired (e.g. pictures, instructional videos).
- 4) Know both the organizational and national culture of the supplier:
  - a. Use authority power when needed.
  - b. Always try to develop "guanxi" (friendship) and pay attention to appropriate communication style

- 5) Communicate with the lower level employees at the supplier's premises when the manager is not around (suggested by Interviewee 3).
- 6) Take equal responsibility in the monitoring of the supplier's quality with Power CN. Avoid the "we" and "they" attitude.
- 7) Quality inspection should be done internally (without third-party inspections) when welding know-how of Power Group is improved and can guarantee the same results.

### **5.3 Limitations of the study**

Since the current study is a unique context case study, the results from the research might not be relevant for other studies in another industry or between other nationalities than the Finnish and Chinese. Nevertheless, the author believes that Borden's cultural dimension framework (1991) has not previously been applied to real professional settings, which adds to the value of this study. However, for that reason the validity and authenticity of the results cannot be verified by comparing the results to other case studies.

In addition, the scope of the study is mostly focused on communication in Supply Chain Management, which has its distinctive features compared to Sales, Marketing or Logistics departments. Hence, again in that sense the findings of the current research may not be applicable in situations occurring in other fields of business.

## **5.4 Suggestions for further research**

Interestingly, some of the limitations of the current study may trigger suggestions for further research.

It is important to note that the value of the current study to the academia is the fact that it presents a research tool to locate and analyze cultural features in micro-level and operation-level studies. While previous research has mostly researched macro trends in intercultural business communication, the current one brings it down to “the core” of global business operations.

Hence, future research might be done on following process descriptions and case analyses in other fields of business or other departments. This kind of study would also provide a ground for comparison to the present findings. Moreover, it might be beneficial for the confirmability of the current research to conduct the same type of study with a Chinese buyer and Finnish supplier to see if the same cultural synergies and challenges are evident.

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