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Cultural knowledge and sensitivity in managing international business relations: people as boundary spanners

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Abstract

Major challenges of international business relate to cultural issues. This paper investigates managers' cultural sensitivity in business-to-business relationships with foreign partners. The aim is to investigate the role that individuals play in spanning the cultural boundaries in international business relations. As an empirical inspiration I use recent analysis of supply relations that Finnish companies have established in China. The empirical study investigates relationship establishment processes and key persons as cultural boundary spanners. This exploratory study shows that Finnish managers vary as comes to their distance and consequently their sensitivity to the Chinese culture. It thus begins a conversation on skills of individual managers in crossing cultural boundaries.

Keywords: inter-cultural boundaries, cultural sensitivity, cross-cultural analysis, boundary spanners, supplier relations

Introduction

The importance of culture to international business is profound. Management of international business means, among other things, management of cultural differences. And management of international business relations means coping with people representing different behaviors, norms, values and assumptions. In essence, one needs involvement, cultural skills and sensitivity, and ability to cross cultural boundaries. This poses requirements to individuals involved.

International business studies often handle cultural differences by specifying and comparing the general cultural features of the two (or more) countries. The Hofstede framework easily leads to a stereotypic characterisation of business contexts and researchers are often satisfied with, for instance, referring to low-context (Western) and high-context (e.g. China) cultures. Or, cross-cultural research adopts a framework of bipolar cultural dimensions (Osland & Bird 2000). In network studies relationships form the central unit of analysis, which requires for a shift from macro/national level of analysis and contrasting different contexts into that of understanding interaction between two particular parties. In other words, for analysis of business relationships, intercultural rather than cross-cultural approach is valid (Usunier 2000). Accordingly, the atmosphere of a relationship and the perceived 'psychic distance' (Johanson and Vahlne, 1977) depends on the character of the specific relationship rather than on general difference on a country level (Forsgren & Johanson, 1991).

Cultural knowledge is tacit by nature. It is shared by the members of the cultural group, but it is difficult to transfer. For a company cultural knowledge can be a valuable resource. This paper investigates how this type of non-economic capital is used for managing international business relations. Furthermore, it is argued that it is individuals who can tap into this capital, carry cultural knowledge and bridge boundaries between different cultural groups.

The aim of this paper is to investigate the role that individuals play in spanning the cultural boundaries in international business relations. Unit of analysis is not a relationship or cultural norms in a relationship, but instead, the study aims at investigating individuals as boundary spanners in an intercultural relationship. The paper brings together international business literature on culture on the one hand, and network studies on the other. This paper is mainly conceptual in character, but resorts to a recent empirical research for illustration and inspiration. The paper focuses on global sourcing – since this has become increasingly important for successful business, but we still know little about how cultural differences are tackled in sourcing relationships.

The paper is structured in the following way. After this introductory section, the next section reviews literature on culture in business interaction and presents arguments for cultural sensitivity in international business. The next section presents an exploratory study that forms illustration for cultural sensitivity: empirical analysis concerns supply relations that Finnish companies have established with Chinese suppliers. On that basis, the paper proposes further studies on cultural interaction in business relationships and networks. The concluding section summarises the propositions that may be used both in future empirical studies and may help companies in handling cultural issues in their interfaces with global suppliers and customers.

International Business Relations And Culture

When discussing international business, there is an important difference between the 'cross-cultural' and 'inter-cultural' aspect (Usunier 2000). The former refers to comparison between different, e.g. national cultures. The latter describes a situation where parties representing different cultural backgrounds interact. For network studies it is more interesting to analyze inter-cultural aspects, since only then are we dealing with connections. Foreign market entry according to a traditional (textbook) view, which is based on planning the entry by analyzing e.g. the cultural features of the potential target market, is largely based on a cross-cultural comparison. If a network perspective to market entry is taken, we would stress a process involving orientating, positioning and timing (Axelsson & Johanson, 1992). This means being involved in inter-cultural interaction.

Cultural issues have been investigated within studies of international business relationships and for this purpose several concepts have been used, including such as psychic distance (Johanson & Vahlne, 1977) cultural sensitivity (Fletcher & Fang, 2004), cultural norms (Battaglia, Nadin & Gobbini 2004) and interpersonal relations (Agndal & Axelsson 2002; Hallén 1992). These views show that in order to understand, for instance, how multinational enterprises may cope with the legitimacy requirements in different contexts (Kostova and Zaheer, 1999) we need to realize that the cultural adaptation and interaction between the environment and the organization in fact occurs between individual managers interacting with each other. As a result, we may propose that people (individuals) should be placed at the centre for analysis of inter-cultural communication and adaptation.

Role of individuals in interaction

Embeddedness of economic action has been recognised since the seminal work by Granovetter (1985), and social relations and networks have recently received particular attention – as shown in the growing number of studies dealing with social capital (Nahapiet & Ghoshal, 1998, Inkpen & Tsang, 2005). Although firms are primary actors in economic life, the role of individuals in actual business interaction is central. This was recognised in the literature on industrial buying and selling early on (Turnbull, 1979) and has also been demonstrated by international business studies - one example being Aharoni's (1966) influential study, which analyses the foreign investment decision making process as a complex social process that is influenced by social relationships both within and outside the firm. The more recent studies have focused on informal interaction in multinational companies (Marchan, Welch and Welch, 1996), personal contacts in market entry (Salmi, 2000), and personal networks as driving forces in internationalisation (Agndal and Axelsson, 2002).

When coming to a firm, individuals bring along their personal contact network, which is based on their personal history, family, friends, education, and earlier tasks in various firms and organisations. This network has been called the "relationship sediment" (Agndal and Axelsson, 2002). These contacts can be used for either company or private purposes, depending on the particular person's willingness and abilities (Welch et al. 1996, Hallén 1992). Thus the social capital (Nahapiet & Ghoshal, 1998) can be organizational public good, or relates to an individual, thus being a private good (Inkpen & Tsang, 2005). It seems that for promoting business relationships, key assets of an individual are social competence, network knowledge and relationship portfolio (Walter, 1999).

One of the deeply culture bound issues are perceptions and use of social relations. For instance, it has been proposed that in the Western context especially in the early phases of inter-organizational relationships, people act within their organisational roles, and over time, personal relations increasingly supplement role relations (Ring and Van de Ven 1994) while in the Chinese and Eastern European cultures personal relations often precede business relationships (Björkman and Kock, 1995; Salmi 2000). As the Chinese culture is people, rather than rule oriented (Usunier 2000) the use of personal contacts there seems to be more systematic. This is also reflected by the specific term for the phenomenon, *guanxi* (and correspondingly, *blat* in Russia). Recently, it has been argued that the reliance on 'Western' based cultural dimensions ignores the existence of indigenous cultural traits that are unique to, e.g., Asian markets. Therefore, an emic approach of assessing cultural drivers specific to the area under analysis is proposed (Fletcher & Fang, 2004).

In the present study focus lies on personal relations for two reasons. Firstly, cultural knowledge is often transferred in informal interaction and via informal, personal contacts. Thus managers have different possibilities for gaining and transferring cultural knowledge, depending on their own contact networks (social capital). Secondly, Chinese business culture that will be investigated in the empirical part, has traditionally emphasised personal relations (*guanxi*) (Usunier 2000). An expert on Confucian Asian management systems, Min Chen (2004, 55) notes that "in dealing with the Chinese, a foreign businessperson should acquire a basic understanding of *guanxi* dynamics, even though he does not necessarily have to play by Chinese rules".

Cultural knowledge and cultural sensitivity

Different kinds of knowledge as well as efficient transfer of knowledge are crucial for international business. The Uppsala process model of internationalization (Johanson & Wiedersheim-Paul 1975,

Johanson and Vahlne, 1977) introduced two intertwined processes: increasing knowledge about foreign markets and the creation of market commitment. The term 'psychic distance' was proposed to conceptualise, e.g. cultural distance between the firm and the market.

Personal contacts may reduce the psychic/cultural distance in international markets (Cunnigham & Homse 1986). In general, the distance which is perceived to exist between buyer and seller (including social, cultural, technological, time and geographical distances), is an essential element for understanding development of business relationships (Ford 1980). Personal contacts may communicate various tasks to the other party as shown in the early study by Cunnigham and Homse (1986). Accordingly, communication concerned the following tasks of the international supplier: customer orientation, technological expertise, commercial competence, flexibility & adaptability, supply performance capability, price competitiveness, organizational effectiveness and social integration. Another study looking at the suppliers' perspective to customer relations notes the importance of relationship promoters for success, but does not look at cultural issues in particular (Walter 1999).

Studies mostly tackle culture in business relationships by looking at the common (but implicit) rules that parties have for carrying out their transactions (Sandström, 1991). More specifically in the case of Chinese culture, cultural differences have been analyzed at different phases of a business relationship, as exemplified by a study of Italian companies (Battaglia, Nadin & Gobbini, 2004). Thus so far, the main unit of analysis has been cultural norms in a business relationship. Simultaneously, while analysis of multinational enterprises notes the challenges that especially cognitive and normative domains of institutional environment present to MNE subunits, it keeps to the organizational level of analysis (Kostova and Zaheer 1999), without taking the investigation of interaction to the level of individuals.

If we take as a starting point the importance of getting involved and gaining knowledge in international business networks, there is a need to consider what happens at the level of individuals. It is the individuals who interact, and it is the individuals who learn about cultures. To understand the situation of a newcomer in a culturally new context and network, we can resort to recent analysis of doing empirical studies (qualitative interviews) in international (Marschan-Piekkari & Welch, 2004) and transitional contexts (Clark & Michailova, 2004). Several researchers who have described openly the situation and their experiences, stress such issues as language problems, context, involvement and the difference of being an 'insider' or an 'outsider'. Nojonen (2004) describes the problems in the Chinese context that are caused by arbitrary and overlapping regulations and policies, difficulties in establishing contact and the warm-up stage together with socialising in informal settings that are needed. Clark and Michailova (ibid) argue that not only researchers but also managers need to struggle with this kind of problems. Competitive edge is often created by being better skilled in negotiations, mastering cultural problems, and becoming an insider. This puts a lot of demands on managerial skills – in particular, what is needed for coping with intercultural interaction is *cultural sensitivity*.

This is in line with the viewpoint of Fletcher and Fang (2004) who note that "In essence, it is not culture but rather cultural sensitivity that influences relationship creation and network formation". This sensitivity entails awareness, understanding and reduction of cultural bias. Therefore, the cultural difference between nations/partners only influence the relationship to the extent that the actor in an international business relationship perceives it (Sandström, 1991). Furthermore, instead of stereotypic polarization of cultures, recent studies point to cultural *sensemaking* that links schemas to contexts (Osland and Bird, 2000). It follows that cultural mentors can be used to interpret local cultures and help interaction in a certain context (ibid). Some people may act as important relationship promoters (Walter 1999) thanks to their knowledge and sensitivity to cultural issues.

Most often, the analytic level of business networks is a relationship, but in the end, companies are dependent on the cultural sensitivity and skills of individual managers; thus how managers interact with foreign partners and how well they succeed in crossing cultural boundaries affects the way the relations develop. Thus, a culturally sensitive person is probably good in cross-cultural relationship-specific tasks described by Ritter, Wilkinson & Johnston (2004). Just like some people can be influential in crossing over boundaries of different communities of practice, as discussed by Wenger (1988) and act as boundary spanners in knowledge transfer (Inkpen & Tsang, 2005), some managers are more efficient in reducing cultural distances. In order to investigate the role that individual people play in intercultural situations, we

to oneself or to others. But face-related values in the Orient are not only important influencers on behaviour, but rather "they are its prime source" (Redding & Ng, 1982, p. 205). Face means the individual's assessment of how others close to him/her see the person. Issues relating to face include both giving and receiving face. Furthermore, the concept of trust (*xinren*) is often proposed as central for understanding Chinese business culture.

The framework of this study may be summarised in the following way. Business relationships form the conceptual basis, but in order to tackle culture, the study focuses on managers: their cultural sensitivity and their skills in crossing the cultural boundaries. For analyzing these, the paper looks at specifically those situations that seem to reflect Chinese culture (face, trust, harmony) in business relationships.

Empirical Illustration

This study analyses the interaction between companies representing two different national cultures: Finnish and Chinese. The study concerns Finnish companies' business relationships with Chinese suppliers, and the perspective is that of the Finnish buyers/managers to these relationships.

International sourcing has recently attracted researchers' interest (Quintens et al. 2005) and cultural factors have been seen to influence companies' sourcing strategy (Freytag 2004). Given the increasing pressure towards global sourcing, and consequent interaction with more distant and numerous international partners, there seems to be acute need for more information on both cross-cultural and intercultural aspects of purchasing. International sourcing requires special skills (Davis, Eppen & Mattsson, 1974, Ellram 1991) and 'the human factor' has been increasingly taken into consideration, thus bringing into focus e.g. trust, communication and personal aspects in supply base management (Handfield & Nichols, Jr. 2004). The present study is an aim to concretize these issues in the context of Chinese sourcing.

As comes to dynamic aspects of business networks, focus here lies on the initiation phase of business relationships. This means a situation, where there is not only a long geographical distance between the Western (Finnish) and Chinese partner, but probably also a long psychic distance that needs to be covered in one way or another.

Methodology

There are several complications concerning methodological issues in cultural studies. Inter-cultural interaction is not an easy topic to analyze. To reach deeper understanding, case studies are often used (Yin 1984), as is common more generally in international business studies today (Marschan-Piekkari & Welch, 2005). Moreover, transitional context of China poses its own challenges to the investigations (Nojonen, 2004; Clark & Michailova 2004). Developments in the country are very rapid; thus on the one hand legacies of the past are still affecting behaviour, while on the other there are expectations for fast progress. The business networks there are going through fundamental changes, while Western companies and actors are in many instances still outsiders in the system.

Finnish companies sourcing from China, directly or indirectly via inter-mediators, were approached for the study. The empirical study was carried out in the time period May 2004 – November 2005. Managers/directors responsible for purchasing of the companies: in total 9 people were interviewed. These managers represent the following kinds of companies: three companies are Finnish small and medium-sized companies (respondents A, C and G), two are global companies with Finnish headquarters (headquarter respondents E and I), and two are units based in Finland, but belonging to a European and an American group, respectively (respondents F and B). The global companies have local sourcing teams, together with production facilities in China. Their expatriate respondents (D and H) in China were contacted by phone. The study concentrates on the individual managers' cultural sensitivity and skills in crossing the cultural boundaries.

Interviews lasted for 1-2 hours each. Discussions were based on open-ended questions concerning the basic organizational choices that companies had made in their Chinese supplies, focusing especially on the character and management of supplier relations. The respondents were asked to tell about their own and the company's experiences in China, about the specific features of Chinese business culture, and the role of social relations there.

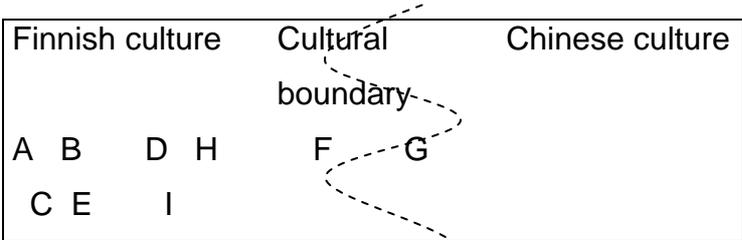
The next section analyses the respondents as comes to their personal knowledge and distance relating to Chinese culture. Then such issues as trust, communication and transfer of knowledge, harmony, language and closing distances are discussed. The final section investigates personal relations: the system of guanxi together with the basic and dynamic functions of personal relations.

Cultural distance at a person level

Our respondents vary as comes to their personal knowledge of Chinese culture and language: one has lived in the country for more than two years, but uses English for practically all communication (D); one person visits China regularly and knows the language well enough for small talk (F); two do not know the language nor the culture very well, but visit regularly all suppliers in order to nurture relations (I, H). One has good contact networks with Chinese despite low skills in language, however, this person is well familiar with Chinese culture and ways of doing business (G). The other four respondents were not familiar with the language or the culture, and had made only occasional, if any visits in China. All our respondents were Finns, thus representing the Finnish culture.

In the following table 1, the respondents are placed according to how well they seem to be aware of the Chinese culture, i.e., how comfortable and skilled they seem to be to handle intercultural situations. The three possible categories include: those clearly representing the Finnish culture, those playing at the border of two cultures, and those 'going native', i.e. behaving like Chinese. Of course, the boundary between the Finnish and Chinese culture is blurred, but it is assumed that we can place people in relative terms on a continuum. Most of the respondents fall into the first category, while no one belongs to the last one. Two of the respondents seemed to be well familiar with the ways needed in the Chinese cultural context - these can thus be described as good cultural brokers.

Table 1. Respondents on the continuum Finnish - Chinese culture



This categorisation is based on a general, intuitive evaluation of the responses, but it can be illustrated in more detail by managers' responses to the following issues.

Trust

When we asked about trust in business relationships we received very different opinions. According to respondent D, *"In my view, all business relations in China are based on distrust... If in some other places it is trust, here it is distrust. Meaning that you have to check everything yourself very carefully. ...This trust issue does not necessarily mean that they want to cheat you, but that they, somehow, are inclined to do it the easiest way, and for instance, they do not understand everything at the offer-*

making phase. Later on, if they admitted they did not understand, they would lose their face". Interestingly enough, this person has been involved in Chinese business for a longer period.

Usually, those respondents who had extensive experience stated that Chinese partners appreciate long-term relations and with committed partners aim at a win-win situation. Person F, well familiar with the culture, noted that according to local thinking, if a newcomer is not familiar with the system of commitment, relations and long-term involvement, i.e. does not know the rules of the game, the person *"deserves to be cheated"*. Thus this opinion shows cultural understanding of *why* there would be distrust and opportunistic behaviour.

Communication and transfer of knowledge

Studies have shown several problems in communication and transfer of knowledge between Western and Chinese partners today (Duanmu & Fai, 2004; Fang et al 2004). One reason for this are lacking skills of English language among locals, an other requirement for detailed information to inform about the customer requirements.

In our interviews, two different views to these problems were expressed: one showing an outsider perspective, and another one trying to handle the problem. A culturally 'distant' respondent D noted that *"Usually, if you ask [in China] whether there are any question the reply is NO. So there are never any questions from the other side. But then later, after two weeks you realise that they probably should have posed questions"*. While another one, closer, respondent F just noted that interpersonal communication is a good way for solving and preventing problems. Furthermore, the person G who was most involved at a personal level in Chinese business, noted that although officially it is possible to negotiate only with the managers (in order to act on the same level of status and prestige), he used all possible opportunities to see and discuss matters unofficially also with those directly connected to manufacturing, to ensure that the requirements were well understood.

Interestingly, the expatriate D located in China stressed that for their company locals (natives) were responsible for communication issues. They played an active role not only in acting as language interpreters in business negotiations, but also in searching for new suppliers and starting up new relations, while the Finnish person was mostly concerned about controlling issues, auditing suppliers and making key decisions concerning suppliers. Thus, a large part of the person-to-person communication took place between Chinese, due to e.g. lacking skills of English among the local people. The expatriate seemed to be better in crossing cultural boundary in relation to the subordinates, than to suppliers.

Another recent study on knowledge transfer between MNEs and Chinese suppliers by Duanmu and Fai (2004) has analyzed the supply-chain relationship development as well as the type of knowledge (technological and managerial, tacit and codified) that is embedded and the forms in which they are passed from the MNE to the supplier. Their study points to more extensive knowledge transfer between the companies than the present study reveals. One explanation may be that the Finnish companies analyzed here are still in their early phase of establishing relations, thus involving mostly the initiation phase. Another reason for the difference may be the differing size of the companies: our sample consists of mostly, but not only small companies. In fact, all our respondents noted that Finnish companies are small, and consequently less interesting from the Chinese suppliers' point of view, if compared with the big volume customers, such as MNEs. An interesting issue of knowledge management of course is, whether the cultural diversity may be beneficial for knowledge transfer (Inkpen & Tsang, 2005), another question which our study is unable to answer.

Harmony

The respondents pointed to the harmony and respect that need to be maintained in business negotiations. One respondent (D) put it in the following way: *"Problems [of low quality] are solved by redoing [the products], or over time. That is the way to solve. Nothing can be solved here by shouting or quarrelling, only by speaking softly. Or if this does not help, you need to change the supplier."* Another response (F) was in the following lines: *"Never, ever, under no circumstances may you lose your temper, you must always be able to negotiate and search for a working compromise"*, since *"loosing your temper publicly shows that you are not a civilized person. ... [then] they do not respect you"*. My interpretation would be that the first comment shows only adaptation to the situation, while the second one shows also understanding of the cultural roots of the necessary behavior.

Another aspect having roots in the local culture is that Chinese have difficulties in disclosing bad news. In addition to harmony, this probably relates to the feature of not losing one's face. One respondent noted that one should never make too difficult questions (unless discussing face-to-face with only one person). In front of others the Chinese should not be put in a situation where he/she did not know the answer and would be thus embarrassed. Therefore Western businessmen need intuition and sensitivity to see where potential problems lie, in order to handle them; this is very much based on tacit knowledge of the partner and situation.

Language

Lack of common language of course affects contact making: *"It is difficult to answer the questions concerning personal relations, as I feel I do not have any big relations with people: if we do not have a common language, one can not really use small talk or home visits". (respondent D)*

One respondent (F) knew Chinese language, which was seen to show commitment and positive attitude towards China: *"[knowledge of Chinese language] is not necessary as such, it is a positive signal showing that we have entered the market in order to stay ... it makes them think that if this person takes the trouble to learn Chinese, which is not the easiest language ... the person must have an interest in this country and in this culture, and also that the company is also involved on a longer perspective".* Thus Chinese language helped in forming a nice atmosphere, although business negotiations were led in English.

As a conclusion, even minimal language skills can be used, if so chosen, to show commitment and build trust in business relations. On the other hand, their lack may be used as an excuse (as in the former quote) for not getting involved in the local cultural systems.

Getting closer over time

All of the companies under analysis had plans for increasing Chinese sourcing and developing further supplier relations there. Also, most of the people were about to increase their connections with Chinese partners. One reason given for this was that personal relations make things run smoothly. One interviewee (B) who had not visited China himself also brought this up; accordingly, if the company were to increase purchasing from China, it would be necessary to meet face-to-face the suppliers. Better personal relations would help in discussing and solving problems. Thus we would expect a general movement of the respondents towards being closer and more sensitive to the Chinese culture in the future.

Personal relations in managing business relationships

When asked specifically about the local system of *guanxi*, opinions differed depending on the involvement and interest of the respondent.

One respondent believed that *"to some extent foreigners can get in into the system of guanxi. ...this would probably require a long-term relation and ... exchange of favours and counter favours. But I do not know what the favour actually could be. So the price [of the favour] may turn out to be too high."* The last point clearly shows an outside perspective. Those respondents personally involved in Chinese business noted that over time Westerners may cultivate personal relations and get to know their Chinese partners better (F and G). But in the end, they can never have very deep or extensive contact network – since they lack the relationship sediments and kinship relations. This is exemplified in the following views of the respondents: *"I doubt very much how far a foreigner can get in gaining a really, really deep relationship to the Chinese supplier, because their own relations originate from their grand fathers... Their relations are so much older, and may be so much more complicated ... Those relations are so intertwined with each other, that it is always questionable, how well a foreigner can establish a relationship that even reminds that. But of course one can get further than spot trade"*.

Another respondent (G) talked about a system of three circles: the smallest and closest one is the most essential for business, but foreigners can only be – after years of contact making – on the outskirts of the third circle of contacts. He noted also that *"Nokia is the only company in Finland, in my*

view, which can do something in China on the basis of its name only. For all smaller companies – it is personal relations. The name of the company does not matter, as they are all so small by Chinese standards.” This is in line with other views: nearly all pointed out that many (European) companies are still small players in China.

A third comment (D) came when talking about the tools for trust building: *“It is probably the personal relations – if you CAN create personal relations – like in Finland. But for sure it is difficult here, one can’t much [create] personal relations with the Chinese. As far as I see it, here they build this guanxi...and they play with it. Like mutual respect, giving your face, and having dinner every now and then etc. ...But it is difficult for a foreigner. These Chinese can play this better.”*

In addition to the specific system of guanxi, we can see that personal relations played a basic and dynamic role in development of business relationships (Halinen-Kaila & Salmi, 2001). In order to overcome problems that related to quality, delivery times and specifications, personal contacts were used in their *basic functions*: information exchange, assessment, negotiation and adaptations. These interviews show, in particular, how personal relations act as ‘promoters’, thus fostering the maintenance of the business relationship. Not surprisingly, inter-personal relations were stressed by especially those people who had longer experience in Chinese business, who were involved in the system and interested in the Chinese culture.

The *dynamic functions* of personal relations relate to initiating, ending and problem situations of business relations. All of the companies were very cautious in the beginning phase of relations and also recommend to others to start with small trial orders first. Preference was given to those suppliers which had been used by other Western companies, as these were more familiar with Western business practices and e.g. quality issues. Sometimes the personal relations acted as “door openers”, allowing entry into business. *“If you get in to a new firm via a recommendation from another company or person, you get directly into business, and you do not need to fight for everything. Because if there is recommendation, the Chinese partner treats you a little like an old customer. So it would be good to have someone to open the door”*. Personal contact and recommendation are keys for starting business smoothly and quickly, but business relations could be started in other ways too (via internet or at trade fairs, for instance).

In the interviews, the respondents told some reports of first-comers who did not understand the value of personal networking, and even lost their reputation by showing this – in this situation the personal contacts indicated the role of a “gate-keeper” to business relations. A concrete example was described by a person who tried to help a representative of another Finnish company to establish marketing channels in China. Our informant took this Finn (whom he did not know well) to meet a Chinese contact person. During the negotiations, the Chinese businessman said that he could help in arranging distribution and sell the products in different parts of China. He added that he has good contacts that can be used. As a reply the Finn said: ‘I have heard those stories a hundred times, I do not believe in them at all, and one can not trust at all on these connections’. Negotiations ended immediately. The Chinese partner felt very much insulted, as he had offered help to a person who came via recommendation by our respondent. Ending of relationship with both was very close. For our respondent, the way out from the situation was to clearly show door to the newcomer and actively nurture the Chinese relation. This example shows, not only damage that a direct insult may cause to a business relationship in any context, but has special cultural meaning in the Chinese context, where guanxi seems to form the basis on which business is built, and where recommendations play a crucial role and should therefore be especially appreciated.

Several of the respondents pointed out that a written contract is not necessarily binding - the Chinese partner *“can tear the paper into small pieces”*. All contracts need to be written carefully in order to transfer enough information and ensure communication, but at the end of the day, how they were followed by the Chinese depended on the personal relations. There were also instances where after a promising contact and offer from a Chinese, this partner just lost interest in the deal (possibly due to a more tempting order from a competitor). So, a Western company can not rely on the partner until a more established relation has been built. Personal contacting was an important way for building the commitment.

It was also reported that occasionally, when problems were met in a business relationship, the personal contacts took up the role of a “peacemaker”. Often this was seen in communicating delivery problems. If there was mutual (interpersonal) trust, it was easier for the Chinese partner to communicate the problems. *“In some problem situations I have been able to negotiate better terms for*

us. Because I am the person they have met, and I am the face of our company to them. They know me. And then they try to give better service". (respondent F)

Discussion

This paper investigated how companies handle cultural issues in their interfaces with foreign partners, and in particular concentrated on managers: their cultural sensitivity and their skills in crossing the cultural boundaries. A special emphasis was given to perception and management of social relations. Thus, unit of analysis is not a relationship or cultural norms in a relationship, but instead, the study aimed at investigating individuals as boundary spanners in an intercultural relationship. This exploratory study concerns interaction in business relations between companies representing different national cultures (Finnish - Chinese). The study concerned Finnish companies' business relationships with Chinese suppliers, and in particular, the early phases of relationship development. The perspective was that of the Finnish buyers/managers to the relationships.

This paper would argue that it is individuals who can tap into the tacit cultural capital, carry cultural knowledge and bridge boundaries between different cultural groups. Just like in case of boundary spanning between different communities of practice (Wenger 1988) and in knowledge transfer (Inkpen & Tsang, 2005) specific skills are needed, and some managers are thus more efficient than others in reducing the cultural distances. But managers may play an important role as cultural knowledge brokers, influence the way companies cross the cultural boundaries in international business and thus promote well-working business relationships.

Main contribution of this paper is to bring together *international business studies*, which offer a vast amount of accumulated knowledge on cultural issues, and IMP-related studies and analysis of interaction in business relationships. This paper thus tries to synthesize different analytic units: individuals, relationships, norms and cultural context.

In international business, different activities are needed to cover and reduce the cultural distance between the company and its international business partners. Essential for this is not only the distance, but in practice the people who are involved in the interaction. Between the two companies coming from two cultures there is always somewhere a cultural boundary; in the Finnish-Chinese context the managers involved must cross it either in relation to Finnish or Chinese culture (or if they represent a third nationality, they need to cross both). Thus the cultural sensitivity and skills of the individuals start to play a key role. In this study, all the respondents were Finns. Furthermore, only two could be seen to interact within the cultural boundary easily - others were clearly outsiders to the Chinese culture. In responses, we could thus clearly see those "just" adapting to the contextual issues, and those that also understood the underlying reasons for certain behaviour. Thus the latter were more sensitive to culture.

For a company this raises the question of staffing - who should be responsible for overcoming cultural boundaries and how? Those people who master different cultures and are able to translate the information for others become important brokers (like knowledge brokers between different communities of practice, see Wenger 1988 or relationship promoters in successful business relations, see Walter 1999). Furthermore, this relates to the topical issue of knowledge transfer: once cultural skills and knowledge has been gained by someone, how can this knowledge be transferred within the company. In this case, cultural mentors would be useful (Osland & Bird, 2000) And how can one learn cultural knowledge? Cultural knowledge is sticky and tacit. Often it is gained in interpersonal communication over time by using social capital, and in some cases like in China, mastering the system of personal relations as such becomes cultural knowledge.

The present study is exploratory in character, focusing on a small number of Finnish managers' perspectives on Chinese culture. There are therefore several limitations to the study. Firstly, Interviews cover only people at the Finnish end and Finnish representatives in China. The cultural sensemaking and sensitivity in interaction should be analyzed by gathering data from both sides of the relationship. Furthermore, in order to analyze cultural sensitivity of an individual, more finegrained information of his/her behavior in different situations and over time should be reached. However, even this explorative and limited data shows that people vary in their sensitivity to cultural issues. Further, the number of interviews in this study is very low, and by no means does it aim at showing any generalizable results of Finnish or Western managers' cultural skills. Rather, this study hopes for

further discussions on these issues. Furthermore, on a conceptual level, more work should be done in linking the different analytic levels: individuals, interaction, norms and cultural contexts. This study proposes that 'boundary spanners' would be a key concept for doing this.

This study poses several challenges for companies in their management of international business relationships. How to make sure that managers have necessary cultural skills? How to educate managers in cultural issues? How to transfer cultural knowledge within the company, especially across the units of a large multinational? What kind of cultural skills and sensitivity are needed at different phases of a business relationship – probably building trust is most important in the initiation, while conflict solving and new initiatives play a bigger role in mature business relationships. Moreover, hiring and firing of cultural boundary spanners may be key issues for successful international business.

Despite the limitations, this study shows new areas for future research concerning China (and other intercultural contexts). We need more studies comparing, for instance, experiences of companies from several Western countries in the Chinese context. Moreover, it would be fruitful to analyze business relationships from the perspectives of both the buyer and the supplier (instead of one-party perceptions on it), thus enhancing our knowledge of the contents and developments of the relationship. More robust analysis of personal relations and cultural sensitivity should be done by, e.g. investigating long term development of the relations. Finally, in addition to empirical database, the concept of personal relations in business and especially the specific feature of *guanxi* call for (conceptual) development. Especially today, when China is beginning to play a bigger role in the global economy and international business, we need more information about the Chinese ways of doing business.

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