China: Destination (Un)known?

Utilization of Social Capital for European (family) SMEs regarding Internationalization towards the People’s Republic of China
Acknowledgements:

Finalizing the master thesis is the last checkpoint of our master studies at Jönköping University and the Jönköping International Business School. There are several people we would like to thank, because without them it would have been extremely difficult to steer this thesis in the right direction.

We would like to thank our supervisor Tommaso Minola from the University of Bergamo (Italy) who provided us with constructive feedback which we used to further narrow down the relevancy of our research. This feedback has proved to be beneficial in every seminar we visited, and it resulted in the final product that we are able to provide today. We would also like to thank Karin Hellerstedt from Jönköping University (Sweden) since her contributions on our thesis in the beginning stages was crucial to the development of our topic and discovering the relevance and novelty of our approach.

We would also like to express our gratitude for the companies and interviewees that agreed to assist us in our research. Without their willingness to participate, experience and expertise on this subject, we would not have been able to provide findings of our research.

Our fellow peers that opposed our work in the seminars throughout the thesis process contributed to the betterment of our thesis, which is why we would also like to thank them.

Finally, we would like to thank our family and friends for their continued support during this stressful but rewarding period of our master studies.

Wictor Dörrich

Ruben Dimmendaal

Jönköping University, Jönköping International Business School
21st of May, 2018
Abstract

Problem: The rise of China in the past decades has not gone by unnoticed. Many European companies are eager to internationalize to one the world’s largest and fast-developing markets. Large enterprises or multinationals can easily apply resources to start their China endeavor, but (family) small and medium enterprises (SMEs) are required to tap into unique resources or find other competitive edges. Social capital is the distinguishing factor on which (family) SMEs should rely in their internationalization process. This study adds to research by focusing on social capital in separate stages of the internationalization process towards China.

Purpose: The purpose of this study is to provide (family) SMEs with a theoretical framework that displays how (family) SMEs can utilize social capital in their internationalization towards China.

Method: By combining three topics of internationalization of (family) SMEs, the cultural characteristics of China and social capital, we crafted one overarching research question: How do (family) SMEs combine their different components of social capital to achieve greater performance in the internationalization process to China? We gathered data through semi-structured interviews and triangulated our findings. Our multiple case study method was then analyzed by means of a cross-case analysis from which we constructed our framework.

Conclusion: Social capital was found to be important in all four stages of our theoretical framework, mostly in the second and third stages. In these stages the family and non-family social capital can be differentiated, which highlights the unique aspects of family social capital on which family SMEs can utilize. The performance in the internationalization can be identified as tangible factors (more chances or getting contracts or projects by extending network) and intangible factors (the quality of the social capital in China is enhanced). Moreover, the results show that networks, relationships and trust have different degrees of impact in the social capital application in strategy.
# 1. Introduction

1.1 Background  
1.1 Problem Statement  
1.2 Purpose

# 2. Literature Review

2.1 (Family) SMEs & Internationalization  
2.1.1 Capabilities of (Family) SMEs  
2.1.2 Internationalization of (Family) SMEs  
2.1.3 Institutional Distance in Internationalization  
2.2 Culture and Society in China  
2.2.1 Trompenaars’ Model of Culture  
2.2.2 Confucianism and Face Culture  
2.2.3 The Concept of ‘Guanxi’  
2.3 Dynamics & Specifications of Social Capital  
2.3.1 Configuration of Social Capital  
2.3.2 Importance of Trust-Building  
2.3.3 Trust in Relationship Development  
2.3.4 Bridging & Bonding Social Capital to China  
2.4 Summary of Key Findings  
2.4.1 State of Literature  
2.4.2 Gaps in Literature

# 3. Method & Methodology

3.1 Research Philosophy  
3.2 Research Design  
3.2.1 Research Approach  
3.2.2 Research Purpose  
3.3 Data Collection and Sampling  
3.3.1 Sampling Methods  
3.3.2 Data Collection  
3.4 Data Analysis  
3.5 Research Quality  
3.6 Ethical Implications on Research

# 4. Case Description & Findings

4.1 Company A  
4.1.1 Strategic Implications
Clarifications:

Throughout the thesis, the internationalization perspective is taken from the European (family) Small and Medium-sized Enterprises, or SMEs. Although we provide a clarification for our interpretation of SME, the reader might be confused by the words ‘European’ and ‘(family)’. We want to clarify these terms so the readers are aware of the meaning of the terms.

We have chosen to incorporate the term ‘European’ since the SMEs that we have gathered are findings on are based in Europe. Literature provides extensive knowledge on ‘European’ SMEs as well, which was used throughout our theoretical foundation of ‘European’ SMEs. In the context of this study, a ‘European’ SME includes: An SME whose headquarters and foundation are rooted in either the Nordics (Sweden, Finland, Norway, Denmark and Iceland) or Western-Europe (the Netherlands, Belgium, France, Germany, Great Britain and Ireland).

Additionally, we have chosen to incorporate (family) when European SMEs are discussed. Our reason for using ‘(family)’ is to show that we include both family, and non-family SMEs. We emphasize this aspect of European SMEs to differentiate their components of social capital. Family and non-family SMEs have unique characteristics that shape their social capital, which is why we chose to highlight both family and non-family by using ‘(family)’.

List of Figures

Figure 1: (Family) SME Firm Performance…………………………………………………………6
Figure 2: Visualization of Underdeveloped Area of Literature……………………………………23
Figure 3: Strategic Steps in Internationalization towards China………………………………54
Figure 4: Business & Societal Culture Specifications of China……………………………………55
Figure 5: Bonding and Bridging Social Capital…………………………………………………56
Figure 6: Combination of Strategic, Cultural and Social Capital aspects ……………………61
Figure 7: Parachuting Internationalization with Social Capital towards China……………65

List of Tables

Table 1: Factors of (Family) SME Internationalization………………………………………8
Table 2: Cultural Differences…………………………………………………………………12

Appendix

Appendix 1: Collection of Literature………………………………………………………79
Appendix 2: Approaching Potential Companies to Interview……………………………80
Appendix 3: Questionnaire……………………………………………………………………84
Appendix 4: Form of Consent……………………………………………………………………86
Appendix 5: Summary of Interviews…………………………………………………………88
Appendix 6: Theme Analysis……………………………………………………………………90
1. Introduction

The introduction will be composed of China’s background related to the current economic situation and future market patterns which displays the relevance of our study. This will lead to our problem statement, the purpose of our study and what this study aims to contribute.

1.1 Background

“To rely on rustics and not prepare is the greatest of crimes; to be prepared beforehand for any contingency is the greatest of virtues.” - Sun Tzu

The People’s Republic of China is East-Asia’s largest country with an astounding population of approximately 1.3 billion people, making it one of the largest populated countries in the world (Barton, Chen & Jin, 2013). The explosive growth of the Chinese economy could create an astounding number of opportunities for companies to seize (Farrell, Gersch & Stephenson, 2006). China is on its way of becoming one of the largest economies of the world contributing to wealthier households, increased GDP and a soaring middle-class (Barton et al., 2013).

The middle class is China is estimated to amount to more than 50% of the population by 2022 (Barton et al., 2013). Two attributes of the emerging middle class in China are; its unusually young age compared with the rest of the developed markets (1), and that the urban middle class will overcome the current urban-focused segment in both size and total spending power (2) (Farrell et al., 2006). As the country is developing toward the standards of their Western counterparts in regards to market output and education, it has fueled China’s shift from a global production hub to an innovative and ambitious society (De Silva, 2012).

In China’s recent past, anything foreign would receive a stamp of approval just because of its origin (Batra et al., 2000). Nowadays, this country-of-origin (COO) effect can be expanded with the emphasis on product-related characteristics. The COO effect has a positive image on specific product category dimensions which are valued to the classification, providing a favored perception towards these products; examples of these could be cars made in Germany, shoes from Italy and electronics from Japan (Wang & Yang, 2008).

The factors contributing to this effect are the concept of institutional distance as well as the theory on Liabilities Of Foreignness (LOF). LOF refers to the knowledge the firms have about the foreign market and how to operate within the institutionally constrained and culturally distant market (Mezias, 2002; Hitt, Li & Worthington, 2005). The concept of institutional distance refers to nine dimensions concerning economic, financial, political, administrative, cultural, demographic, geographic, knowledge and connectedness between home and host country (Berry, Guillén & Zhou, 2010). As the institutional distance between the home and the host country increases, firms face greater level of unfamiliarity and uncertainty, while...
moving toward countries with similar institutional environments are likely to complement structures ensuring less legitimacy challenges (Gaur, Kumar & Sarathy, 2011). These constructs of internationalization might restrict (family) SMEs approaching a host country with greater institutional distance. A culturally distant country such as China in comparison to Europe has a business environment with distinctive institutional environments that could provide cultural challenges during internationalization.

Internationalizing towards an institutionally distant country such as China may imply that different strategies are being implemented by either (family) SMEs or multinationals. Multinationals have short-term financial goals to achieve and have easier access to financial, technological and commercial resources whereas (family) SMEs on the other hand encourage long-term success and tend to have difficulty acquiring resources needed when internationalizing (Lin, 2012; Claver, Rienda & Quer, 2009). European brands such as IKEA, Hennes & Mauritz and Heineken are examples of established multinationals in the Chinese market. These companies relied on their global image and previous foreign internationalization strategies to claim their success in China. This is not self-evident for other, lesser renowned European (family) SMEs. Whichever mode of approaching the Chinese market is utilized, one must acknowledge the fact that careful planning, meticulous preparations and endless rehearsals are required to ultimately decide (Fang, Tung, Berg & Nematshahi, 2017). Additionally, they must rely on their established relationships and existing networks to fuel their international ambitions, which can also be referred to as social capital (Tzeng & Mong, 2017).

By utilizing social capital, (family) SMEs could unlock the potential of China. Social capital can be defined as ‘the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition’ by Bourdieu in 1980 and Arregle, Hitt, Sirmon & Very in 2007 (Wang, 2016, p. 1060). Within (family) SMEs, the family and firm’s social capital coexist, which form the overarching (family) SME social capital (Wang, 2016). The (family) SME has the ability to utilize their social capital to overcome the internationalization constraints when compared to the resources of multinationals. Aspects such as trust, networks and relationships shape the foundation for the (family) SMEs’ social capital, which could be achieved through either the firm or the family (Eddleston, Chrisman, Steier & Chua, 2010). This can be deployed to develop interpersonal, as well as inter-organizational networks and relationships (Bian & Zhang, 2014). European (family) SMEs should tap into their existing networks or initiate obtaining relationships for a specific network in China, to become successful in one of the most challenging and profitable markets globally.
1.1 Problem Statement

China has paved the way to becoming the biggest global economy within the foreseeable future (Farrell et al., 2006; Barton et al., 2013). Domestic Chinese companies, as well as European (family) SMEs must adequately prepare themselves for a long-term orientation to the Chinese market and policies. Especially for European (family) firms, it is desired to have a theoretical framework which allows (family) SMEs to succeed in this volatile and diverse country, which is characterized by complex social dynamics. These SMEs do not have the ability to deploy the same amount of resources as a multinational enterprise, by increasing the desirability of the framework therefore removing the need for entry consultants or intermediaries.

With the current literature and research on internationalization, a clear distinction of the entry mode choices into China can be identified, also shedding light on the differences between Chinese and European (business) cultures. This is a problem for (family) SMEs that are willing to expand their activities to China. These firms often lack the organizational resources, commitment and orientation to be fully engaged with internationalization strategies and deployment. This prevents (family) SMEs to succeed in the economy of the future, which adds to the obstacles and hindrances of other operational aspects of these firms. SMEs differ greatly from multinational enterprises who can easily deploy resources when undergoing internationalization strategies. By not addressing this topic, the cooperation between China and other developed nations in Europe could be hampered, which in turn could harm global development.

However, we aim to contribute to this topic by combining both the strategic aspects of internationalization such as entry modes and market development, as well as integrating the deeper cultural roots of Chinese businesses. The theories of institutional distance and cross-national distance are explored concepts that have been considered when approaching internationalization strategies (Gama, Lana, Calixto & Bandeira-De-Mello, 2016; Berry, Guillén & Zhou, 2010). The factors that are often limiting (family) SMEs to internationalize, will diminish by providing a highly cultural and pragmatic framework to assist European (family) SMEs to flourish in China (Abdellatif, Amann & Jaussaud, 2010).

Moreover, the approach to close the gap of intercultural differences between the two business environments will be conducted through incorporating the Chinese business characteristics. These involve interpersonal networks, preserving someone’s social status, Confucianistic cultural values and social capital in (family) SMEs. We want to especially highlight social capital, since SMEs must rely on this aspect to a greater extent than large enterprises or multinationals. By combining and integrating internationalization, cultural sensitivities and social capital we aim to prepare (family) SMEs in their future endeavors in China. We found several gaps in the literature that do not explore this topic sufficiently, which we have outlined in subchapter 2.4.
1.2 Purpose

The purpose of this study will contribute to what the requirements are for European (family) SMEs to adapt their internationalization strategies for the Chinese market. By using the parachuting strategy proposed by Fang et al. (2017), we will provide an approach tailored to the Chinese market for (family) SMEs eager to start activities in China. This will include internationalization characteristics of (family) SMEs, aspects of Chinese culture such as guanxi (Chinese interrelated networks), mianzi (face culture), Confucianism and social capital aspects such as relationships, networks and trust. By closing the gap on the existing body of literature we will provide a theoretical framework for European family SMEs that are going to internationalize to China to ease the process of both the decision on the entry mode as well as gaining market share in China. The purpose of this study is to provide (family) SMEs with a theoretical framework that displays how (family) SMEs can utilize social capital in their internationalization towards China. By answering the following research question, we hope to achieve that purpose:

RQ: How do (family) SMEs combine their different components of social capital to achieve greater performance in the internationalization process to China?

We want to answer the research question by examining the uniqueness of (family) SMEs’ internationalization strategies in combination with the aspects of social capital (trust, relationships and networks) to further address the performance outcome of the (family) SME when internationalizing. We will address this question by means of a questionnaire which is designed in two parts:

1. General questions about the interviewee, their view on developments in China and the strategic issues European (family) SMEs faced or will face when internationalizing towards China.
2. Questions regarding the cultural differences between Europe and China, which is then linked to social capital, the difference in social capital and which aspect of social capital (trust, relationships or networks) is most vital for bridging social capital from Europe to China.
2. Literature Review

In this section we will explore the theoretical research that has been undertaken in the fields of (family) SMEs and internationalization, as well as cultural differences between Europe and China and the components relationships and trust in social capital.

2.1 (Family) SMEs & Internationalization

The first topic of our theoretical framework revolves around (family) business and internationalization. We shall highlight the capabilities of (family) SMEs, we focus on the unique process of internationalization within the (family) SME and discuss the institutional distance in internationalization strategies.

2.1.1 Capabilities of (Family) SMEs

Family businesses comprise more than 60% of all businesses in Europe (Family Business-European Commission, 2018). One has several options to distinguish a (family) SME from a non-(family) SME. Varying from governance, decision-making division to specific strategic goal-setting or a multitude of related definitions. The majority of (family) SMEs in Europe will most likely be a small or medium-sized enterprise, or SME. An SME can be described by either the headcount of the company (less than 250 employees) or the turnover (less than €50 million) (Family Business-European Commission, 2018). The characteristics of the family SME contributes to the governance dynamics and ownership.

The intrinsic capabilities of a (family) SME has a unique structure within governance encompassing the alignment of management, ownership and control (Nordqvist, Sharma & Chirico, 2014). These peculiarities of (family) SMEs can furthermore contribute to the proclivity of three organizational aspects such as personalism (internal or external constraints), particularism (idiosyncratic behavior), and parsimony (frugality) which in turn hamper the competitiveness of the family firm (Carney, 2005; Nordqvist et al., 2014). Personalism provides either the owner or the family organizational authority by bringing together ownership and control (Chrisman, Chua, Pearson & Barnet, 2010; Carney, 2005). Internal and external constraints such as transparency or bureaucratic are less likely to affect the owner or family since the embodiment of authority is the family. Personalizing the authority onto the (family) SME results into fewer boundaries for family governance (Carney, 2005). Particularism explains the unusual behavior of family owners’ perspective of the (family) SME as ‘our businesses’ as elaborated by Demsetz & Lehn (1985) (Chrisman et al., 2010; Chrisman, Chua, Rau & Steier, 2012; Carney, 2005). Outside managers may be hired to employ their skills and expertise, yet the family controls the right to intervene by applying ‘particularistic’ criteria to decisions made by upper, non-family management (Chrisman et al., 2010; Chrisman, Chua, Pearson & Barnet, 2012; Carney, 2005). Parsimony can be partially explained through the origin of wealth utilized when strategic decisions are made. Aligning interests of opportunities
and risk when the family’s wealth is required will result into frugality, and careful allocation of assets (Carney, 2005).

By governing companies through authority, legitimacy and incentives, one can determine the level of effective implementation of personalism, particularism and parsimony (Carney, 2005; Nordqvist et al., 2014). The separate classifications of non-family and (family) SMEs have been extensively researched, yet (family) SMEs display ranging degrees of the three governing aspects when explored on a specific case-by-case basis (Chrisman et al., 2012). Moreover, ownership differences arising from influence or ownership of the family, family-based human assets and social capital complement the heterogeneity from a goal-, governance- and resource-related perspective (Carney, 2005; Chrisman et al., 2010; Chrisman et al., 2012).

Figure 1 - (Family) SME Firm Performance: Source Habbershon et al., 2003

The competitive advantage for a firm in accordance to Habbershon, Williams & Macmillan, (2003) is how strong the “familiness” of the firm is. The familiness of the firm being the outcome of the interaction of subsystems involving the family unit (1), business entity (2) and the individual family members (3), creating a pool of resources and capabilities to use (Habbershon, Williams & Macmillan, 2003). According to Abdellatif, Amann & Jaussaud (2010), (family) SMEs can be created through the reciprocal economic and non-economic value created by linking family and business systems. The three broad subsystems as mentioned previously can be defined as (1) the history, traditions and life cycle of the family; (2) the structures and strategies used in order to generate wealth; (3) the interests, skills and
life stage of the participating family members (Habbershon, Williams & Macmillan, 2003). Moreover, this view of accumulating and developing resources in the firm implies that the junction of the two systems (family & business) contributes to hard-to-duplicate capabilities, more specified as “familiness” (Abdellatif, Amann & Jaussaud, 2010). The defined family-influence firm may have a unique potential on the concepts of trust, leadership, alliance building strategies depending on the context of how each of these influences interact among each other in the family business system (Habbershon, Williams & Macmillan, 2003). Figure 1 shows an assembly of the model constructed by Habbershon, Williams & Macmillan, (2003) in regards to how each of influences may interact to ensure performance.

2.1.2 Internationalization of (Family) SMEs

Internationalization and global internationalization are no longer optional in the 21st century with demographic shifts and emergence of new economic powerhouses (Patel, Pieper & Hair, 2012). For both family and non-family SMEs there are several aspects that are classified as key drivers for internationalization. The most vital aspects for internationalization with regards to social capital include the family’s involvement, capabilities and resources (Liang, Wang & Cui, 2014). Other drivers include socioemotional wealth (SEW), long term orientation and risk aversion (Boellis, Mariotti, Minichilli & Piscitello, 2016; Arregle, Naldi, Nordqvist & Hitt, 2012; Liang et al., 2014). The last three drivers are ignored since their impact on social capital is negligible (Arregle et al., 2012; Abdellatif, Amann & Jaussaud, 2010; Boyd, Goto & Hollensen., 2010).

The key drivers of internationalization can be further classified as promoting and restricting factors of internationalization. Significant overlap of factors in both promoting and restricting behavior in internationalization of family SME arose, which have been comprehensively outlined in Table 1. First, we outline the promoting factors. Family involvement in management increases the tendency of a firm to internationalize by displaying altruistic behavior for the upcoming generation and its internationalization efforts (Liang et al., 2014; Calabro, Brogi & Torchia, 2015). The commitment to internationalization from the family is extensive when undertaken, which is a facilitator of future international strategies (Arregle et al., 2012). The managerial capabilities that (family) SMEs display must be utilized effectively due to limited professional management at times. This must be compensated by combining the capabilities with behavioral integration throughout management teams (Liang et al., 2014; Graves & Thomas, 2006). The capabilities can furthermore be acquired and configured whilst overseas for European (family) SMEs (Graves & Thomas, 2008). External, non-family managers increase the social networks of the family SME and a boost to resources for the stimulation of internationalization efforts and increase the professionalism of management (Arregle et al., 2012; Fernández & Nieto, 2005; Calabró, Campopiano, Basco & Pukall, 2017). These external managers may also enhance the resource commitment of the (family) SME Commitment of these resources to international efforts may take longer, but when deployed the (family) SME displays a higher commitment to international market development (Claver, Rienda & Quer, 2009; Cano-Rubio, Fuentes-Lombardo & Vallejo-Martos, 2017).
The restricting factors of internationalization include many of the outlined factors above, with some separate distinctions. Involvement of the family weighs heavily on the desire of controlling behavior and the exclusion of external human capital (Cerrato & Piva, 2010; Liang et al., 2014). Privacy and control is often favored which makes the family SME more inclined to focus on the domestic market with internal equity (Graves & Thomas, 2008). Moreover, the externalities that the firm is opening itself up to, are treated with caution since the openness will decrease from the family’s side (Calabró et al., 2017). This involvement may further minimize international venturing due to constrained resources and capabilities (Liang et al., 2014). Competitive advantage through managerial resources and capabilities that prove essential to the internationalization strategies are essentially blocked by the family’s limitations of accessibility (Fernandez & Nieto, 2006; Graves & Thomas, 2008). A general lack of professional management also hampers the professionalism and the effectiveness of deployed resources (Graves & Thomas, 2006). Commitment during initial internationalization processes in (family) SMEs might be low since experience with internationalization is not profound (Graves & Thomas, 2008; Filatotchev, Strange, Piesse & Lien, 2007).

**Table 1 - Factors of (Family) SME Internationalization:**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Promoting effect (positive)</th>
<th>Restricting effect (negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Involvement</td>
<td>- Altruistic behavior to promote internationalization for future generations.</td>
<td>- Control of firm, rigid international growth and decreased openness towards externalities.</td>
</tr>
<tr>
<td></td>
<td>- When internationalization is undertaken, dedicated commitment is shown</td>
<td>- Focus on domestic market with internal equity allocation.</td>
</tr>
<tr>
<td>Capabilities</td>
<td>- Internationalization requires effective use of capabilities with behavioral integration within teams.</td>
<td>- Limited accessibility to capabilities.</td>
</tr>
<tr>
<td></td>
<td>- Non-family managers are able to provide enhanced international management with their social networks and experience.</td>
<td>- Lack of professional management.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Commitment of management may lack due to other, family related.</td>
</tr>
<tr>
<td>Resources</td>
<td>- Thorough preparation is required for efficient use of resources.</td>
<td>- Limited accessibility to resources.</td>
</tr>
<tr>
<td></td>
<td>- Non-family managers are able to provide access to resources with their social networks.</td>
<td>- Commitment of resources is lower and takes more time to be deployed.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Effectiveness of deployed resources is lower due to capabilities.</td>
</tr>
</tbody>
</table>

The three dimensions of promoting and restricting behavior of (family) SMEs influence the decision on pathways and entry mode choices of the (family) SME in international markets. Most of the small and medium sized (family) firms will follow a conventional pathway with
regards to internationalization, depending on the commitment, resources and capabilities invested (Boellis et al., 2016; Graves & Thomas, 2008). A conventional pathway is preferred since it requires effective management, managerial capacities are often lacking, and privacy and control are favored (Graves & Thomas, 2008). The tendency to internationalize is prevalent in the later stages of their business cycles as well as proceeding slowly in comparison multinational or bigger enterprises (Arregle et al., 2012; Kontinen & Ojala, 2011). This experience is then utilized in future internationalization strategies as a learning point for the organization which will have an impact on the entry mode choice (Filatotchev et al., 2007; Arregle et al., 2012; Graves & Thomas, 2008). Moreover, the determinants of the pathway influence either the linear or exponential method of internationalization in (family) SMEs (Graves & Thomas, 2008). Firms tend to gain their first international experience with physically and culturally close countries since the internationalization risk is lowest in neighboring countries (Claver, Rienda & Quer, 2007). The pace, commitment and country selection in the internationalization process can be explained by exploring the topic of institutional distance.

2.1.3 Institutional Distance in Internationalization

The term *institutional distance* is the concept of distinguishing differences or similarities between home and host countries in terms of institutional environments (Berry, Guillén & Zhou, 2010; Gama et al., 2016). The key dimensions of institutional distance are witnessed in geo-demographic dynamics of a country, characteristics of the home- and host country economies and the conceptualization of information flows to and within both the host and home countries (Liu, Jiang & Sathye, 2017; Berry, Guillén & Zhou, 2010). Furthermore, the choice of a host country is caused by a positive or negative effect on the institutional distance (Hernández, Nieto & Boellis, 2018). Positive or negative effects are reinforced by the informal institutional distance (cultural and ideological differences) and formal institutional risk (undeveloped market support, legal and political institutions) (Schwens, Eiche & Kabst, 2010). Besides informal and formalized institutional differences that may be perceived, the institutional distance concept complements the viewpoints on the overall accessibility for a company to start doing business in the selected country (Phillips, Tracey & Karra, 2009; Xu, Shenkar, 2002).

Institutional distance incorporates the concept of the *liability-of-foreignness* (LOF). LOF focuses solely on social costs which are comprised of unfamiliarity, relational and discriminatory hazards of foreign firms which local companies are unaffected by (Gaur et al., 2011; Denk, Kaufman & Rausch, 2012; Moeller, Harvey, Griffith & Richey, 2013; Eden & Miller, 2004). LOF was introduced by Zaheer (1995) which provided an in-depth view of the social component and foreignness (Chen, Griffith & Hu, 2006; Denk et al., 2012). The determinants of LOF are derived from the environment (exogenous) and firm specific factors (endogenous) (Gaur et al., 2011). Sources of environmental LOF include the geographical distance between home and host countries, absence of local roots in host environment and overall environments of host- and home country (Chen et al., 2006). Socio-cultural differences are mostly affected by local roots lacking in a targeted host-country, which decreases
familiarity, information transparency and cooperative stances with spatially distant countries (Mezias, 2002; Pedersen & Petersen, 2002; Chen et al., 2006). Firm specific LOF aspects could be tangible such as size of workforce, composition of upper and middle management and number of personnel in home- and host country (Moeller et al., 2013). The social capital components of LOF severely impact the (family) SME’s ability to overcome the institutional distance which requires rapid learning and adaptation (Gaur et al., 2011).

Institutional distance and LOF could be overcome by demonstrating the firm’s own adaptive capabilities. The resources and assets a firm can deploy within the host country need to be nourished to gain legitimacy in the institutional context of a host country (Hoorn & Maseland, 2016; Hernández, Nieto & Boellis, 2018). The foundation of firm capabilities combined with institutional distance and LOF is knowledge which allows the (family) SME to develop its capabilities (Hitt et al., 2005). Development of knowledge should first and foremost increase through relational assets such as trust or social networks (Barnard, 2010). Capabilities and resources such as monitoring capabilities and social capital must be utilized and further developed to contextually obtain a competitive edge in lesser-developed institutional environments (Hernandez et al., 2018). In developed institutional contexts, abilities that attribute to market mechanisms and its governance must be created and nurtured for (family) SMEs to compete with non-(family) SMEs (Fortwengel, 2017; Hernandez et al., 2018).

Family and non-family SMEs engagement in organizational learning processes to develop its international competencies and capabilities could reduce the negative consequences of market entry (Liu et al., 2017; Petersen & Pedersen, 2002). Foreign entrants could apply an exploratory or exploitative approach to obtain knowledge. Exploratory learning is focused on relationship-building with local partners and to obtain experiences through self-discovery, where exploitative learning focuses on core competencies and prior experience (Hitt et al., 2005). Prior international experience supports the acknowledgement of formal institutional risk and how firms cope with changing environments (Schwens et al., 2010). Research prior to market entrance and previous experience may positively influence the firms’ decision on entry strategy and if an equity or non-equity mode is preferred (Meyer, Estrin, Bhaumik & Peng, 2009; Schwens et al., 2010).

Developing the firm’s capabilities and resources through organizational learning combined with awareness of LOF and institutional distance could turn into a competitive advantage (Hitt et al., 2005). By applying learning strategies, (family) SMEs can create tacit knowledge through learning by doing (Hitt et al., 2005). By adequately preparing for market entrance and responding to the local market rapidly changing needs, (family) SMEs will obtain a competitive edge over their adversaries (Meyer et al., 2009). Especially the development of employees is considerably important due to the majority of knowledge originates from home- and host country employees (Barnard, 2010). When the associations with a targeted host-country presents a positive and valuable relationship within the context of the home-country, internationalization will be stimulated (Gama et al., 2016). Although competitive advantage through a social capital perspective of internationalization can be acquired, one must not underestimate the importance of cultural differences between home- and host country.
2.2 Culture and Society in China

In the second part of our theoretical framework we will explore the cultural differences between Europe and China and investigate the Chinese culture more vigorously. By utilizing Trompenaars (1996) basic assumptions of culture between Europe and China, we will explore the (business) culture in China.

2.2.1 Trompenaars’ Model of Culture

Trompenaars’ model of national culture is a management framework used to identify and understand culture differences in diverse settings. It explains the view of current culture characteristics in businesses and how these are distinguished. It emphasizes the understanding of how each business operates within the current culture that defines it. The proposed model includes five dimensions about the interaction and engagement of human beings between each other. The dimensions of culture that encompasses these relationships are: Universalism vs Particularism; Collectivism vs Individualism; Affective vs Neutral relationships; Specificity vs Diffuseness; Achievement vs Ascription. These dimensions are further described as (Trompenaars, 1996):

The first dimension describes involves the belief of universalism compared to particularism. The belief of universalism is that ideas, practices, general rules and obligations constitutes as a strong source of moral reference and can be applied everywhere. It involves with only seeing one reality, being objective and focusing strongly on formal rules. On the other hand, particularism involves instead certain circumstances to be of greater importance than the explicit rules. The cultures involving a greater sense of particularism see reality as more subjective and puts greater emphasis on relationships (family, friends) (Trompenaars, 1996).

The clash between what we prefer as individuals compared toward the interest of the group is covered in the second dimension. Furthermore, it comprises of the ability of people to relate to each other. Individualism is referred to people regarding themselves as individuals focusing solely on themselves, while collectivism refers to people regarding themselves as part of a group and their joint efforts. Individualism can be described as a “prime orientation to the self” and collectivism as “a prime orientation to common goals and objectives.” The cultures based on collectivism believe your quality of life is better when we help each other. Thus, these cultures organize themselves around groups (Trompenaars, 1996).

The neutral and affective dimension refers to the culture of emotions, stating how emotions are displayed and shared between individuals in a firm. In a culture that fosters neutral relationships, emotions are kept in check and people tend not to share their emotions with each other. On the other hand, cultures that inherit affective relationships emotions are expressed openly and naturally. When these cultures collide during business meetings or if an individual is working within a firm having a certain culture, it is important to acknowledge the counterparts or the environment where the individual is operating to avoid conflicts (Trompenaars, 1996). The ability to separate between private life and professional life, showing
the amount interconnectedness between them, is described in the fourth-dimension *specificity* and *diffuseness*. Within a specific culture people are keen on separating their personal and professional life and do not let this overlap. In this sense, the relationship is not important compared to the goal that is set. Moreover, within a diffusive culture these individuals see their personal and professional life as interconnected where social constructs are of great importance (Trompenaars, 1996).

**Table 2 - Cultural Differences**

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Europe</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Universalism vs Particularism</td>
<td>Sweden and the Netherlands are universalistic countries, by obeying to laws and rules</td>
<td>China is taking a particularistic approach to relationships and want to protect relationships regardless of laws</td>
</tr>
<tr>
<td>Collectivism vs Individualism</td>
<td>Sweden and Switzerland are prime examples of individualistic countries which focus on autonomy and personal achievement.</td>
<td>In China the self-identification is found within the group, and harmony of the group must be maintained at all times through collectivism.</td>
</tr>
<tr>
<td>Neutral vs Affective</td>
<td>Germany and Finland are emotionally neutral countries, whereas France and Italy are emotionally affectionate.</td>
<td>China fluctuates in the sense that it sometimes prefers neutrality during formal meetings, but affection during informal gatherings.</td>
</tr>
<tr>
<td>Specificity vs Diffuseness</td>
<td>Most of Europe would always prefer to separate personal with professional lives, little engagement with colleagues outside of work.</td>
<td>China approaches personal and professional lives in a diffused, overlapping manner. Talking business when socializing and talk private when professional are common practices.</td>
</tr>
<tr>
<td>Achievement vs Ascription</td>
<td>Achievement cultures are found in Scandinavia, but ascription cultures are present around the Mediterranean.</td>
<td>In China, people value social status which is related to power, titles and position. Hierarchy and authority should be respected, to ensure harmony.</td>
</tr>
</tbody>
</table>

The final dimension describes in which ways the culture defines the individual's overall status and, in the ways that people are given a specific status through *achievement* and *ascription*. The culture puts emphasis on either who or what the person is contra how well this individual performs within their function. In an achievement culture, performance is the ultimate measure for the individual through their knowledge and skill which in the end reflects the level of status for the person. In an ascription culture, it highly depends on the hierarchical level the person is positioned. The vast amount of charisma or social status the individual possesses will ensures the amount of respect and authority given by other peers (Trompenaars, 1996). After having described the five most important cultural characteristics which might affect social capital, we are able to highlight differences and similarities between China as a country and Europe.
Considering the vast cultural differences throughout Europe we have chosen to highlight the differentiating factors for each dimension for 2 or more European countries when compared to China. Comprehending the cross-European and Chinese cultural peculiarities provides an in-depth theoretical framework which displays cultural differences affecting collaborative business approaches in general which can be found in table 2 (Trompenaars, 1996).

2.2.2 Confucianism and Face Culture

Confucianism and its values reflect on the harmony preservation and establishment in the complex society of China through a profound and orderly social ranking (Tong & Mitra, 2009). Moral principles are the founding pillars of distinguished Chinese cultural characteristics on morality of people (Tong & Mitra, 2009; Liu & Stening, 2015). Furthermore, Confucianism develops the collectivistic mindset through the significance of the family in social organizations which is the basic unit of society. This significance can be observed in business settings as well, where the collectivistic company operates from a harmonious and cooperative way, focusing on maintaining relationships (Qin & Deng, 2014; Yan & Sorensen, 2006). In these settings, Chinese employees are often reluctant to act independently and take matters into their own hands since independent responsibility is undesirable from a collectivistic perspective (Liu & Stening, 2015).

Historically, Confucianism shaped the main ideology of culture on society and economy in China (Yang, 2012), but the influences of socialism and capitalism cannot be neglected (Liu & Stening, 2015; Yang, 2012). Nowadays, China allows three models of organizations to co-exist which are paternalistic, communal or market specified (Yang, 2012). The paternalistic model stems to firms that have been founded on the principles of Confucianism, the communal model has been influenced by socialist corporations and ideas, and the market model was nurtured by the exposure to capitalistic values which originates from Western firms or joint-ventures with multinational companies (Yang, 2012). Hybrid models which incorporate all three of these cultural influences are rapidly developing and learning from the institutions, applicable tools and cultural context in China (Yang, 2012). Moreover, crucial in the cultural context of China the modesty, competitiveness, preference to communicate face-to-face, hierarchy-consciousness and its fear of losing face impact the diffusion of personal and professional lives (Tong & Mitra, 2009).

The preference of the Chinese to communicate face-to-face is influenced by face preservation and the culture of face, which can be covered within the concept of Mianzi. This terms often contextualizes in which setting face needs to be preserved or extended (Young, 2014; Shi, Kuang & Yang, 2017, 2017; Qi, 2011). Mianzi is the social component of face, which is obtained through experience and success (Buckley, Clegg & Tan, 2006; Shi et al., 2017; Qi, 2011). In his work, Cheng (1986) noted that Mianzi is abstract in its nature which spurred extensive research in the social component of face in social encounters (Qi, 2011).

Associating a person’s face to positively looking at one’s self-evaluation should be taking into consideration when assessing one’s face ‘inventory’. A person’s possession of face, plus that
of what is given or taken by society is understood as the positive social value a person can claim for him- or herself (Young, 2014; Huang, Davison & Gu, 2008; Qi, 2011). Continuously changing social settings require individuals to give, maintain and save face of another person for them to demonstrate similar behavior towards others and yourself (Young, 2014; Qi, 2011). Face culture becomes the goal of social encounters since it has never been explicitly mentioned in rules or regulations, hence the morality is a leading cause of face-culture and its centralization in Chinese society (Young, 2014; Qi, 2011). Instead of using face-culture as a mechanism to aid interactions, it has become the purpose of socializing with peers through an ongoing process of face-preservation, accumulation and assessment (Huang et al., 2008; Qi, 2011). Purchases of specific products or services for social occasions may aid the face-development of oneself (Shi et al., 2017) which enhances self-cultivation of face, leading to achieving error-free, public face, which Chang & Holt dubbed the ‘perfecting oneself in society’ in 1994 (Young, 2014).

These aspects of the Chinese culture furthermore underscore the significance of a particularistic dimension in society, where relationships and ‘face’ can and should be fostered and protected for both the individual and the individual within the collective. Furthermore, diffusion of Mianzi increases the complexities and dynamics of social settings, since one should always be aware of their face preservation and enhancement and the changing groups individuals encounter, whether it be professionally or personally (Trompenaars, 1996; Buckley, Clegg & Tan, 2006; Huang, Davison & Gu, 2008). In organizations in which the employees have known each other for longer periods of time, people are reported to lose their sense of ‘face’ when around their colleagues. This sheds light on Mianzi when networks and knowledge sharing is considered, which can be explained by the concept of Guanxi (Tong & Mitra, 2009).

2.2.3 The Concept of ‘Guanxi’

The Chinese phrase “guanxi” consists of two characters; “guan” which means a gate and “xi” which refers to a tie, relationship or connection (Lee & Dawes, 2005). These characters together give the meaning of “getting over the threshold and get connected”. The Chinese society is mainly organized by guanxi circles extending from the family (core) to blood relatives, friends and beyond, which is encompassed by individual rights since these rights are not universalistic but guanxi-specific (Qin, 2011; Lee & Dawes, 2005). This states that if no tie is detected, neither obligation nor rights of guanxi are required to be upheld by an individual (Lee & Dawes, 2005). Guanxi networks could also reach as far as business, community and government ties which influence the success or failure of an individual in society (Qin & Deng, 2014; Chen, Chang & Lee, 2014). The main exchanges found within the guanxi ties are favors between people in which public reputation through enhancement of sentimental relationships are aspired (Barbalet, 2017). Therefore, one could identify three enveloping qualities surrounding guanxi to be familiarity, trust and mutual obligation (Chang, Chou, Huang & Wang, 2016; Yan & Sorensen, 2006; Burt & Burzynska, 2017).

Guanxi is extensive in the daily lives of Chinese people, which takes both the social clusters and business environments into account (Buckley, Clegg & Tan, 2006). Power, social status
and resource transference could be achieved through nurturing these interrelated social relationships, which has made guanxi the cornerstone of Chinese societies and its aspiration of ever-growing guanxi and personal importance (Tsai, Wu & Yeh, 2013, Bian & Zhang, 2014; Huang et al., 2008). Guanxi must be preserved, which provides a challenge when cross-generational inclusion is considered. By introducing the next generation in your own guanxi and through teachings and learnings of the guanxi concepts, one’s own guanxi is secured and its structure can be deconstructed and rebuilt (Dou & Li, 2012). Multiple generations perceive trust as a centralized factor in obtaining and maintaining guanxi, since the stronger the bond of trust is between two people the better their connection and their degree of trustworthiness (Bian & Zhang, 2014; Tong & Mitra, 2009; Burt & Burzynska, 2017; Qin, 2011; Qin & Deng, 2014). Trust is not only crucial to the development of cross-generational family guanxi but will furthermore facilitate the creation of business- and government guanxi which is equally vital to an individual’s guanxi strength (Qin & Deng, 2014; Bedford, 2011; Qin, 2011).

The benefits of guanxi originate from the fact that participants are willing to favor long-term favors over short-term exchanges since the collectivistic society sees the greater benefit for the group rather than the individual (Gao, Ballantyne & Knight, 2010; Barbalet, 2017). By utilizing one’s guanxi, access to previously inaccessible resources such as financial capital, technology and information could be gained (Barbalet, 2017; Millington, Eberhardt & Wilkinson, 2006; Chen et al., 2015; Gao et al., 2010). Market opportunities and knowledge may furthermore grant access to markets and important contacts by utilizing business guanxi (Millington et al., 2006; Gao et al., 2010). Moreover, trust in business guanxi may furthermore improve the ties to either business or government relationships through personal connections (Bian & Zhang, 2014; Chang et al., 2016; Bedford, 2011). Guanxi facilitates favor exchange and has the implication that the help given has a decisive outcome or influence on others to get things done (Bian & Zhang, 2014; Barbalet, 2017).

On the other hand, guanxi does encounter negative connotations on more than one occasion (Gao et al., 2010; Buckley et al., 2006). Backdoor guanxi displays relative difference in emphasis on status versus moral character of individuals. From an ethical perspective, morality in decision making should be considered when applying backdoor guanxi, since it is often associated with corruption or client-patron relations (Bedford, 2011). There are considerable costs with involving yourself into this concept of networks encompassing financial costs of gifts and food which would be considered bribing in the West (Gao et al., 2010; Buckley et al., 2006). There is also the issue of engagement of time-expensive activities through ritual bonding but as well as continuous monitoring as well as high opportunity costs (Barbalet, 2017; Bedford, 2011). Even though this concept is very abstract and complex it is relatively easy to take advantage of the system. Considering that the Chinese culture compared to the Western culture incorporates relationships to a much bigger extent and are valued higher, these issues are not brought to the surface as often (Gao et al., 2010; Chang et al., 2016).

Lack of understanding by foreign entrants about these complex networks gives the Chinese an advantage in their domestic market, whilst the uniqueness of the Chinese cultural characteristics increases the complexity for western family businesses to enter and succeed
IKEA initially experienced this during their market entry when they advertised low-prices whilst Chinese consumers relate aspirational products with IKEA, therefore confusing the Chinese consumer. The do-it-yourself and environment-friendly practices which lead to higher prices did not seem to haul the success it sought initially (Chu et al., 2013). Walmart and Carrefour are other examples of conglomerates that have mixed feelings about the Chinese cultural dynamics. Both multinationals experienced struggles with an inefficient supply chain because of guanxi on supplier relations which affected their strategic assets deployment (Chuang et al., 2011). Business strategies in China are heavily guanxi-linked because great emphasis is put into relational marketing and relational management which works effectively both domestically and internationally (Millington et al., 2006; Buckley et al., 2006; Tsai, Wu & Yeh, 2013; Bian & Zhang, 2014).

Guanxi is an extensive concept and is a vital element in understanding the Chinese (business) culture regarding its operation and functionality in Chinese society. By assessing guanxi, the true collectivist nature of the Chinese society can be unveiled (Trompenaars, 1996). The particularistic approach by prioritizing relationships has also become apparent in the rather inter-relational character of Guanxi (Trompenaars, 1996; Tsai, Wu & Yeh, 2013, Bian & Zhang, 2014; Huang et al., 2008). Diffusion of private and professional lives extends its effects on guanxi as well. Guanxi may be mobilized through separate social encounters and relationships, in whatever constellation one could think of (Buckley et al., 2006; Trompenaars, 1996; Bian & Zhang, 2014). One should therefore always be prepared to initiate contact or to get contacted by your guanxi. The dynamic processes of guanxi, mianzi and Confucianistic values embedded into culture will affect the social capital and its configuration in either personal-, professional- or a diffusion of the two lives (Bian & Zhang, 2014, Trompenaars, 1996).

2.3 Dynamics & Specifications of Social Capital

The third topic of our theoretical framework encompasses the concepts of social capital, trust, relationships building and networks and how these set the foundation for firms when internationalizing.

2.3.1 Configuration of Social Capital

In (family) SMEs, social capital is considered the goodwill among family members, between families and their community members that can be a vital input to the owning family for them to facilitate action (Danes, Stafford, Haynes & Amaranpurkar, 2009). Arregle, Hitt, Sirmon & Very (2007) argues that family can be a great source, builder and user and through relationships among family members can contribute to ideal conditions for creation of social capital. Family members often are unified allowing them to work more as a team, establishing a greater sense of stability, interdependence, interaction and closure which many non-family SMEs lack (Arregle et al., 2007). These characteristics may give the family SMEs an advantage compared
to non-family SMEs due to having a social capital foundation already set through relationships and kinship. Furthermore, social capital within (family) SMEs is regarded different compared to human capital because human capital is embodied in individuals, while social capital on the other hand is embodied in relationships among individuals and formal social institutions (Danes et al., 2009). In the (family) SME context, the three different forms of social capital consist of structural social capital, cognitive social capital and relational social capital (Arregle et al., 2007).

Regarding the structural capital, it is often associated with internal and external channels of information which has been created by the family members through past interactions with diverse stakeholders in the firm (Wang, 2016). Wang (2016) states that the internal information channels comprises of regular family meetings, reluctance to seek advice from relatives as well as a support network from family members (Kontinen & Ojala, 2012). Furthermore, external information channels include expertise from professional organizations but more importantly connects (family) SMEs to diverse networks outside of the firm (Wang, 2016; Kontinen & Ojala, 2012). Additionally, for (family) SMEs, these external networks are needed if the firm is to innovate and succeed due to their limited number of external network ties compared to non-(family) SMEs and prevent them to become too conservative and adaptable to changes in the surroundings (Kontinen & Ojala, 2012; Arregle et al., 2007). Lastly, if the quality of the structural capital is high then it may enable the family business to vital business information across the market and ensure that their products or services can be successful in the future (Wang, 2016).

Cognitive capital is largely referred to “shared representations, interpretations and systems between actors yielding durable connections” (Arregle et al., 2007, p. 75). Further, cognitive capital has been shown that it has an impact to innovativeness, adaptiveness and the absorptive capability of the firm (Wang, 2016). Argued by Pearson, Carr & Shaw (2008), cognitive capital is referred to the firm’s shared vision, culture that is shared throughout the organization as well as mechanisms that are unique to the firm itself. Throughout a family SME, interactions within the family members are likely to have a better understanding due to mutual understandings, common interpretations and shared visions (Wang, 2016).

Wang (2016) argues that in addition to structural and cognitive social capital, relational social capital involves the Chinese perspective due to the lower level of legal and institutional protection, relational-based social capital is considered an alternative means of protection. As argued by Abdellatif, Amann & Jaussaud (2010), family have considerable limitations compared to non-family SMEs when internationalizing, which further emphasizes the need of social capital related to the Chinese market. To comprehend the Chinese dynamic environment, relational capital can facilitate family SMEs to take collective and efficient actions (Wang, 2016).

The research on social capital shows that it is not a fixed property of social connections, instead it is a dynamic process at both interpersonal and inter-organizational levels in which deliberate actions done by individuals are a necessity to attain certain goals (Bian & Zhang,
Furthermore, social capital is produced and mobilized through the contextualization of culture and institutions that act together as a dynamic process (Bian & Zhang, 2014). As argued throughout the topic of social capital, it is a process in which relationships, organizational structure and systems interact to possibly give benefits back to the firm.

### 2.3.2 Importance of Trust-Building

Trust can be defined as the psychological state of being able to accept vulnerability based upon positive expectations of the behavior of another individual (Sundaramurthy, 2008; Ng, Lau & Nyaw, 2007). This describes the interrelationship that people must engage in, to achieve trust with another person. Furthermore, the issue that evolves is usually due to the interdependence between the individuals and whether the other individual intends to act appropriately (Sundaramurthy, 2008). Then the importance of measuring affection among parties would be highly valued to see to what extent the party is emotionally committed into the agreement. Moreover, the concept of trust is complex and is more of a psychological state rather than certain behavior given by an individual toward another which can lower the barrier of what is believed to be a risk (Lewicki, Tomlinson & Gillespie, 2006; Sundaramurthy, 2008).

As trust has been discussed as a psychological state between beings, it can also occur as a phenomenon between corporations. Moreover, with the globalization of business activities, building and developing trust is increasingly difficult surrounding the cross-cultural interactions (Luo, 2002). Cultural distance does not enhance or lower the performance of trust, but rather gives an understanding of how trust can be built. Cultural barriers can in the beginning obstruct trust development, but once it is constructed it will work effortlessly across cultures (Luo, 2002). Enhancing trust within and between organizations can be particularly valuable in environments such as contemporary China since contextual confidence may not be available for foreign managers (Child & Möllering, 2003). On the other hand, developing trust in organizations is considered less risky than not investing in it at all and only relying on extrinsic contextual factors, considering the ineffectiveness of them in Chinese institutions (Child & Möllering, 2003).

Trust becomes the main contributing force for the emergence and maintenance of cooperation between family leaders in their vision of where and what the business should proceed with (Hadjielias & Poutziouris, 2015). Chrisman et al. (2010) suggests that trust is of great importance in a family leader for the cultivation of guiding principles for non-family employees, encouraging the development of trust creation is aligned with avoiding agency costs. The diverse characteristics that define (family) SMEs may have a strong correlation with how trust is integrated into the firm. Lastly, the cooperation between (family) SMEs, family individuals, and family members and non-family members are strongly influenced by trust, which suggests that to moderate a strong cooperation it is inevitable to avoid trust development (Hadjielias & Poutziouris, 2015; Child & Möllering, 2003; Luo, 2002).
2.3.3 Trust in Relationship Development

Trust remains a complex construct but has been defined as the interaction of two parties and the willingness of the trustee to become vulnerable toward the trustor (Ng et al., 2007). Luo (2002) states that reliance and risk always coexist with trust. Moreover, arguing that reliance is a volitional action by one party that allows the party’s fate to be determined by the other party and risk means that a party could potentially experience negative or positive outcomes from the other party, depending on the trustworthiness of the party. The reason why risk and reliance have to coexist with trust is due to the reason that without risk, trust is irrelevant because there is no vulnerability and without reliance, trust does not exist because there is not willingness to be vulnerable (Luo, 2002).

As previously argued, trust and relationship-developing create an interdependent nature where one does not exclude the other. Shi, Shepherd & Schmidt (2015) argue that within Chinese (family) SMEs’ individual competence has become an increasingly important consideration due to the opportunity recognition and exploitation. Moreover, trust is an informal control mechanism that supplements the formal control system in organizations, involving the concepts of inter-organizational trust and interpersonal trust (Ng et al., 2007). Inter-organizational trust is considered being vulnerable in order to generate favorable organizational outcomes while interpersonal trust refers to being vulnerable to changes in key personnel and the possible breakdown of interpersonal relationships (Ng et al., 2007). Even though there are benefits of creating social capital in organizations, the danger of pursuing interpersonal relationships based on goodwill or individual competence may restrict the trustor to rely thoroughly on the trustee and their networks. (Shi et al., 2015). The reason to be cautious is due to the way of acquiring information from distant and less trusted sources.

The cultural distance between corporations may be lessened through the existence of trust. Trust between a foreign and local corporation can help to facilitate cooperation due to the parties wanting to be vulnerable toward each other, thus giving a better chance of success (Ng et al., 2007). Building social and relational capital has been a strong driver for many Asian corporations in the past when creating alliances, which may create a competitive advantage for these corporations over the West (Hitt, Lee & Yucel, 2002). China has a history of business relationship concepts involving guanxi (networks/relationships) and personal trust (Kriz & Keating, 2010). Guanxi can be translated into relationships and connections/network encompassing social connections, valued resources or social exchanges and is embedded throughout the Confucian culture values (Kriz & Keating, 2010; Gao, Knight & Ballantyne, 2012). Kriz & Keating (2010) argues that the level and depth of trust differ between Chinese compared to Westerners. Xinren (to have trust) implies that you have a relationship (Guanxi) whether you want it or not. Having Guanxi on the other hand does not give you Xinren, it only provides you with stronger branch in your network. (Kriz & Keating, 2010). Moreover, in order to build effective relationships with Chinese companies or individuals, foreigners must not only understand the Chinese business environment but also establish an individual with a great network (Guanxi) to make the process successful (Gao et al., 2012). The business relationships between China and the West are difficult to develop due to their different cultural values and
The cross-cultural adaptation should be emphasized to ensure that these parties that work together efficiently (Gao et al., 2012).

**2.3.4 Bridging & Bonding Social Capital to China**

Social capital is a form of capital that a firm can utilize, sustain and develop (Adler & Kwoon, 2002). Moreover, the social aspect of social capital in form of relations can either be an external focus on relations (Bridging) in the social network or the collective actors internal characteristics (Bonding) (Adler & Kwoon, 2002). Bridging would then constitute the unification of external parties and the sharing of information while bonding puts focus on the internal ties between individuals (Adler & Kwoon, 2002). As social capital being a form of capital it is dynamic and changes over time which may contribute it to increase or decrease the collective access to new information and further enhance the firm’s performance (Kontinen & Ojala, 2011b). Additionally Bian & Zhang (2014) stated that “as it being a dynamic process, the creation and mobilization of social capital is culturally and institutionally contextualized” (p. 424). The benefits of social capital come in the form of the great diversity of information and intermediary opportunities constructed through the lack of connections in the social network (Kontinen & Ojala, 2012). The interaction between firms would then increase the knowledge of each other and benefit each party to take part of the others information, evolving into knowledge about new market opportunities and develop the current social capital (Kontinen & Ojala, 2011b). The accessibility of resources in order to obtain competitive advantage and success is to a large extent based on the building and managing inter-firm relationships (Hitt et al., 2002). Without knowledge and information about future possibilities it may alter the survival of the firm. Kontinen & Ojala (2011) found that in the context of a post-entry change, the usefulness of social capital would enable the firm to enter a market, establish joint-ventures or subsidiaries more successfully, where knowledge is encapsulated about other firms and the market.

Chang et al. (2016) argues that the characteristics of the social exchange relationship is greatly different between the West and East. For Asian firms, by participating in global network is a way for these firms to leverage their social capital and establish competitive advantages on the global marketplace but it would only be possible if guanxi is expanded beyond country boundaries (Hitt et al., 2002). For European SMEs, which do not have the extensive experience with Guanxi, it is crucial to embrace it due to Chinese individuals heavily reliance on cultivating personal relationships (guanxi) to reach their business goals (Chen, Griffith & Hu, 2006). When a firm has done business in China for a longer while, these businesses may establish extensive Guanxi making the difficulty to deal with current conditions lesser where transactions will then take place through relationships rather than other commercial criteria (Chen et al., 2006). By extending relationships, trust and trustworthiness of an individual is an additional aspect important to consider when bridging and bonding social capital into China. Information shared from one party to other on even the identity of key suppliers or customers requires a certain level of trust to be successful (Burt & Burzynska, 2017). Lee & Dawes (2005) argued that in Chinese markets, when a buyer is approaching a salesperson, it is much more
crucial to indulge trust into the selling party rather than into the supplying organization. This is largely due to the fact that the long-term orientation toward the supplier is favored over the personal loyalty of the seller. This suggests that the weight of the transaction is largely based on the trustworthiness of the individual vouched by the guanxi they possess (Lee & Dawes, 2005).

As the geographical distant provides a certain degree of institutional uncertainty as a result of the immense cultural difference, the relevance and exercise of guanxi-based social capital matter for market competition (Bian & Zhang, 2014). When the institutional uncertainty heightens, information asymmetry is inevitable producing gaps in formal institutions. Ensuring trust between actors and institutions is a must and can be created through guanxi-based social capital by producing and receiving favors but also sharing attractive information among parties (Bian & Zhang, 2014). By incorporating the distinct features of social capital from (family) SMEs enveloping trust, networks and relationships (Chrisman et al. (2010) with the characteristics of Chinese relational social capital in form of Guanxi (Hitt et al., 2002), the outcome could be beneficial for both parties. The (family) SME has a noticeable advantage of overcoming internationalization constraints by utilizing their social capital (Wang, 2016). Furthermore, the bridging and bonding strategy to merge together these values may smoothen the transition of venturing into China.

2.4 Summary of Key Findings

By summarizing the key findings throughout this literature review, the foundation of our theoretical framework and the importance of several factors can be strengthened or disproved. European (family) SMEs affect their internationalization methods, processes and speed of internationalization. Outlining the three factors that influence the internationalization process both positively and negatively display that (family) SMEs do not take internationalization lightly, and that many factors influence both the positive and negative impact on internationalization. Institutional distance of countries may hinder international internationalization, which could be complemented by the liability of foreignness. By developing its dynamic capabilities, family SME’s can overcome these obstacles (Arregle, Duran, Hitt & Essen, 2016; Claver et al., 2009; Arregle et al., 2012; Lin, 2012). The Chinese culture differs in several aspects from European approaches to culture. The main differences can be found in diffusion of personal and professional lives and prioritization of relationships over laws or regulations. The importance of relationships embedded in the Chinese culture and society can furthermore be strengthened by examining the Confucian values in society, ‘face’ culture and how to preserve or extend it and the concept of interrelated networks, also known as ‘guanxi’. The concept of ‘guanxi’ is perhaps one of the fundamental aspects Chinese networking and relationships in society since it has become the purpose of socializing (Bian & Zhang, 2014; Huang et al., 2008; Qi, 2011). This has an effect on the configuration of social capital in the context of China as well as Europe. Social capital is not a static collection of connections, rather a dynamic ongoing process. By dividing social capital in structural, cognitive and relational capital one is able to identify several dynamic processes going on at
the same time. Trust has a major role in the development of social capital which strengthens the relationships. Personal trust in relation to the concept of ‘guanxi’ will enhance the social capital which further extends the networking possibilities of European family businesses. The structures, resources and degree of formality in the network ties creates value in social capital creation for family business (Wang, 2016; Kontinen & Ojala, 2012; Arregle et al., 2007).

2.4.1 State of Literature

The literature we have examined revolved around three major topics. One can divide these into family business and internationalization (1), Chinese (business) culture and its specifics (2) and social capital encompassing trust, relationship and networks (3). Theoretical backgrounds and elaborations with regards to family businesses and institutional distance in internationalization are prominently present in the *Family Business Review, Journal of International Business Studies, European Management Journal* and *Journal of Small Business Management*. In these journals the positive and negative impacting factors on internationalization had been summarized and elaborated on its use in modern (family) SMEs. The cultural and societal aspects which affect business culture in China has mostly been found in *Asia Pacific Journal of Management, Asia Pacific Business Review* and *Management and Organization Review*. In these journals the main theoretical considerations of guanxi, face culture and the Confucian value system had been explored which sparked our interest and displayed the importance of these aspects. Regarding social capital and integrated concepts such as trust, relationships and networking the *Academy of Management Review, Journal of International Management, Social and Behavioral Sciences* and *Organization Science* proved valuable. The importance of trust, the several kinds of social capital included and the interplay between relationships and networks have all been mentioned in the aforementioned journals.

2.4.2 Gaps in Literature

The existing body of literature has an extensive knowledge foundation on the three major topics we identified for our research. Nevertheless, we have found three flaws in the existing body of knowledge which leads us to propose the gap of knowledge we aim to explore.

Research has led us to believe that family business and their internationalization can be overcome by applying social capital. Social capital would then encompass its most basic functionalities such as networks and relationships. However, the literature has not taken the specifics of the Chinese culture and society into account when approaching international internationalization strategies for family businesses and (Chinese) social capital which can be distinguished as a flaw. Moreover, internationalization of (family) SMEs has applied the perspective of multinationals and their internationalization to China, which did not significantly used SME’s nor their social capital for the internationalization strategy. Networks and relationships should be used in this case since multinationals can utilize their extensive financial resources, professional capabilities and risk embracing tendencies towards internationalization. This can be identified as another major flaw in current literature.
Furthermore, the importance of social capital found in the Chinese culture and society has been prevalent for decades, if not centuries. The Confucian value system, face culture and guanxi determine one’s social capital and when or how one should utilize it or could be utilized by their surrounding social capital. Favor exchange is a key instrument, and purposefully makes guanxi and face preservation or improvement central themes surrounding socialization. These two topics lacked a deeper exploration in theoretical frameworks or literature. This can be seen as the third major flaw in literature, which leads us to the gap of the literature as well. As has become obvious in the flaws, two out of three of the topics we investigated had been mostly included, yet there is insufficient research in the combination of all three topics into a single study. We aim to fill the gap in literature by combining all three aspects in our research, which has been visualized in Figure 2 below.

*Figure 2 - Visualization of Underdeveloped Area of Literature: Source own*
3. Method & Methodology

We will discuss the research philosophy, research purpose and the approach that we chose to use for our study in this chapter. Moreover, we will discuss the criteria we set for firm selection and the strategies chosen to reach the selected firms. Finally, this chapter will highlight the methods used for data collection as well as the methods used to analyze the data in coherence to the ethical standards toward this research.

3.1 Research Philosophy

For this thesis we aim to study and bridge the knowledge on the concept of internationalization strategies for European (family) SMEs that venture toward China with the perspective of social capital. This Chinese perspective on intra-cultural social capital provides us with additional aspects on building, nurturing and utilizing social capital when European (family) SMEs are choosing to expand their businesses to China. Therefore, it is of high importance to set the foundation and to discuss the topics of ontology and epistemology. In accordance to Easterby-Smith, Thorpe & Jackson (2015), ontology is referred to the views about the nature of reality, while epistemology is toward the views about the most appropriate ways of enquiring about the nature of reality. Regarding ontology, we chose to apply the relativistic perspective as our starting point for our thesis. We observe that there is no single ‘truth’ and that the phenomena depend on the perspectives from which we observe them to further produce different truths (Easterby-Smith et al., 2015). Social capital is a human construct, therefore many ‘truths’ exist surrounding the observation of the nature of social capital. We further argue that different researchers embrace different realities, as the individuals being studied craft individual realities (Creswell & Poth, 2018).

In line with the topic that we researched through the understanding of reality from a humanistic perspective, the importance of acknowledging the individual person’s unique perspective and consideration must be taken into account. Therefore, we argue that perceptions are based on individuals and their intrinsic beliefs on social capital. This humanistic approach to business underscores the relativistic perspective of ontology that guides us throughout our philosophy.

On the other hand, we neglect the realism position because it would suggest that there is one single truth that all of the observers would have to agree upon ignoring the particular individual and contextual factors influencing the observer’s reality (Easterby-Smith et al., 2015; Saunders, Lewis & Thornhill, 2012). A nominalist viewpoint would suggest that there is no truth, disregarding the belief about the person who the study is done on and their perspective on reality, is moreover only their ‘own truth’ (Easterby-Smith et al., 2015; Saunders et al., 2012). Moreover, the perspective of nominalism would then greatly restrict us in the comprehension and consideration of the data gathered from the individuals whom are observed due to the perspective of reality it has. Since we have established that social capital encompasses a truth,
but it is dependent on the observer and their perspective we decided to continue with relativism as our ontology.

In relation to epistemology, we will view this research from the social constructionism perspective as we acknowledge the individual truths of all observers and therefore comply with the fact that reality indeed is socially constructed by humans (Creswell & Poth, 2018; Easterby-Smith et al., 2015). Furthermore, with a social constructionist epistemology we can investigate the individual and subjective perceptions more thoroughly and experience formed from interactions with others with regards to their observed truth about social capital (Creswell & Poth, 2018). Throughout the social constructionist epistemology, it is important to acknowledge that situations are given a meaning and the process among individual interactions are to be considered. These situations in social contexts are experienced in unique, individual ways which further emphasizes our choice of the social constructionist epistemology.

As we are aiming to build a framework for European (family) SMEs to venture toward China, we must be open to diverse viewpoints of social capital to gain a better understanding of the complex topic. Moreover, the integration of ontology and epistemology will allow us to obtain a different viewpoint on social capital. Furthermore, the data gathered from the firms will give the foundation for the development of concepts and ideas. This will help us to provide a conclusion on how social capital and understanding of Chinese culture characteristics can benefit European (family) SMEs internationalization to China.

### 3.2 Research Design

The purpose of this thesis is to provide a theoretical framework for European (family) SMEs emphasizing social capital in internationalization strategies. This study will focus on collecting qualitative data from several cases. In order to collect the appropriate data, we need to include the voices of the participants, the reflexivity of the researcher, a complex description and interpretation of the problem, and its contribution to the literature and what gap has been filled (Creswell & Poth, 2018). The analysis of the study can be both or either inductive and deductive to establish patterns or themes for the final framework (Creswell & Poth, 2018). We have decided to disregard a quantitative study because of the ontological and epistemological nature of our research (Easterby-Smith et al., 2015; Creswell & Poth, 2018). We have designed our research around a multiple case study, which will be further argued for in the approach.

#### 3.2.1 Research Approach

Regarding the topic that this thesis is based upon, the end goal of the study is to develop theory due to the inquisitive and qualitative nature of our research. Moreover, there are different approaches a researcher can pursue when conducting research within the qualitative spectrum. Two approaches are distinguished as inductive and deductive reasoning (Saunders et al., 2012). The deductive reasoning is a top-down approach by using pre-existing theory and further formulating a hypothesis and then designing a research strategy to test it. In addition, the
deductive approach is considered being moving from the particular to the general, in other words, a particular link or relationship is tested to see if it may be true in multiple cases (Saunders et al., 2012; Creswell & Poth, 2018). Because of the nature of deductive reasoning, we decided to not continue with this approach. We consider to approach this research by first collecting data from which we generalize the findings.

On the other hand, inductive reasoning involves researchers working back and forth between themes and the database until they have established a comprehensive set of themes, but it may also involve working together with the participants interactively, so they have a chance to shape the themes (Creswell & Poth, 2018). Inductive approach seeks specific patterns or relationships from many different observations in literature and data. Through inductive reasoning on the topic of internalization toward China, we have been able to build theory from interviews and literature (Creswell & Poth, 2018). It will help to identify relationships, themes, patterns and use these results to further compare them and draw conclusions to construct a suitable conceptual framework as our end goal. With specific regards to social capital, we aim to interview companies so we may establish relationships or patterns that emerge throughout the interview process. Therefore we found inductive reasoning with specific regards to social capital more appropriate.

Our decision on the design of our study originated from the choice of inductive reasoning. A single-case study explores a phenomenon throughout time or on its uniqueness, but our relativistic view suggests that there are multiple truths (Easterby-Smith et al., 2015), therefore we do not pursue a single case study. Since we sought to have patterns emerge throughout several cases as well as discovering relationships within the topic of social capital in internationalization, we decided on using a multiple case study method as our research design (Easterby-Smith et al., 2015; Creswell & Poth, 2018; Daymon & Holloway, 2011). By using a multiple case study method as our research design, we were able to examine our findings throughout cases, as well as comparing results between cases. This has led us to find causality and patterns between the different aspects of social capital which affect internationalization strategies of (family) SMEs in the context of China (Daymon & Holloway, 2011). The theoretic development that resulted as an outcome of the research design will contribute to the existing theoretical framework, managerial approaches to internationalization towards China and the assessment of current strengths and weaknesses for (family) SMEs and SMEs in their internationalization efforts towards China.

Yin (2012) argued for the need of triangulation when combined with our chosen ontology and the social constructionism epistemology. External validation by triangulation will lead to the validation of our research which will furthermore enhance the quality of the research (Saunders et al., 2012; Easterby-Smith et al., 2015; Yin, 2012). Denzin (1978) and Patton (1999) identified four types of triangulation, namely; method, investigator, theory and data source triangulation (Carter et al., 2014). Our research included triangulation based on data source. We identified four different primary sources that all granted us with unique insights and experiences within the scope of our study. The individuals that were interviewed were based in separate geographical areas of China, had different positions among their own companies
and previous employers and fluctuated in their experience within China from five to fifteen years. The interviewees all had either experience in, or with (family) SMEs and their internationalization paths towards China, which displays the relevancy and uniqueness of the data sources. Triangulation between these multiple cases had a positive effect on our final analysis in which we provided a theoretical framework of the utilization of social capital in internationalization strategies towards China. To a lesser extent, we have used theory triangulation that supports our framework within the topics of strategic considerations, Chinese culture, and social capital.

3.2.2 Research Purpose

The study that we conducted was made through exploratory research, which implies that it is meant to provide details where small amount of information exists (Saunders et al., 2012). In addition, it ensures that the field of study is given new insights or extended regarding an occurring problem (Easterby-Smith et al., 2015). It was convenient for us to choose this perspective because we believe that China is an emerging market and may be very attractive for (family) SMEs in the upcoming future, so we want to highlight and investigate into internationalization to China for European (family) SMEs. As the phenomenon of internationalization strategies have been researched extensively as well as the concept of social capital and Chinese cultural characteristics, they have not been merged together to enhance and tailor these strategies for the sole reason of venturing toward China.

3.3 Data Collection and Sampling

3.3.1 Sampling Methods

As derived from the design and approach to our research, we have thoroughly crafted the way we sample and target firms to potentially collect data from. According to Luker (2008) the sampling method aims to identify reasonable situations of the phenomena, which is researched (Easterby-Smith et al., 2015). A population is defined as a set of similar items or events, which is of interest for some question or experiment (Easterby-Smith et al., 2015). By choosing a sampling strategy it has allowed us to minimize the population and therefore enhancing the quality of the data to be collected. The sampling methods chosen were combined from few basic sampling strategies one could apply during the preparations for data collection (Easterby-Smith et al., 2015).

The companies that we have targeted for our research had to comply with several criteria crafted by the researchers. Critical elements in our sampling approach included; company should comply with our understanding of the characteristics of (family) SMEs or have experience in supporting (family) SMEs (1), company must have obtained experience in internationalization strategies towards China (2), and company must have had or currently are in contact with suppliers and/or local agents (3). Ideally, the companies we have targeted would have a base of operations in Mainland China or a neighboring country from which the operations in China were handled. Moreover, Chinese employees or managers were installed,
which displays extensive cooperation with Chinese individuals. Therefore, the sampling strategies we decided upon consist of a combination of *purposive* and *theoretical* sampling.

The defined sample units within purposive sampling that are needed for our research are chosen through the specific criteria we set. Moreover, the criteria we defined for our sample in the population are European family SMEs that currently have or had activities in China with a supplier or local agents. Furthermore, we chose to extend the purposive sampling with theoretical sampling due to our current research approach encompasses an inductive approach of developing theory. Therefore, theoretical sampling suggests that it is the process of data collection for generating theory (Easterby-Smith et al., 2015; Gentles, Charles, Ploeg & McKibbon, 2015). It constitutes that the researcher simultaneously collects, codes and analyses the data to further decide what the next set of data to collect is next in order to develop theory as it emerges, in other words theory saturation (Gentles et al., 2015). Although, theoretical sampling is a type of purposive sampling it attempts to discover emerging categories and their specific characteristics in order to identify and describe the relationships between them, unlike a standard purposive sampling (Easterby-Smith et al., 2015; Gentles et al., 2015). Furthermore, we aspired to obtain knowledge from the most typical cases with regards to this extremely specific research.

### 3.3.2 Data Collection

For our study, we decided on collecting the data through primary and secondary data collection methods. *Primary* methods consist of qualitative research methods which do not involve numbers but rather words, sounds, and non-quantifiable elements, whereas *secondary* methods consist of previously published data such as journals or articles to name a few (Easterby-Smith et al., 2015; Saunders et al., 2012). Secondary data is not gathered by us first hand, therefore we had to evaluate and review the contents and sources to decide whether or not to include it. Relevant secondary data sources include theory and relevant articles, whereas primary data include the interviews we conducted. Our objective was to obtain secondary data from the company directly, but sensitivity and confidentiality prevented us from accessing this secondary data. Secondary data collection on literature can be found in Appendix 1.

By utilizing our sampling methods, we identified and approached one hundred companies as can be reviewed in Appendix 2. We interviewed four companies that can be categorized by the elements in our sampling approach and the combination of sampling methods that were willing to voluntarily participate in our research. The process of reaching out to potential companies and interviewees started first with using our personal contacts and networks including using social media (LinkedIn and Facebook) to get in contact with a set population. Additionally, we reached out to the Chamber of Commerce of Sweden, England, Netherlands, Finland, Norway and Denmark in order to ensure an adequate amount of respondents would participate by emailing responsible party for China relations. The chosen companies were based on the aforementioned criteria to match the aim of our research. Approaching the type of data collection was far more straightforward. When companies agreed upon partaking in our research, we would conduct *semi-structured* interviews to collect our data. These interviews
were conducted by using Skype and WeChat, since our interviewees were all based in Mainland China.

A topic guide in form of a questionnaire was created to roughly guide the interview, which can be reviewed in Appendix 3. We addressed general and strategic topics in the first part of our questionnaire and addressed cultural and social capital aspects in the second part. By guiding the interviewees through these two parts several unique insights and experiences could be unveiled without using academic language throughout the entire interview process. The concept of laddering either up or down by going deeper into certain topics has also been applied, to obtain a deeper understanding of interesting aspects of the research. By approaching the interview from a neutral perspective, we avoided becoming biased regarding our research. We researched from an exploratory perspective which granted us to explore a new area of previously under-researched area of studies. It implies that this perspective is meant to provide information in areas where research has not been thoroughly conducted to ensure that this specific field of study is explored, given contemporary insights as well as extending the current field where is problem is occurring (Easterby-Smith et al., 2015; Saunders et al., 2012). By providing each interviewee with a form of informed consent (Appendix 4) we shield the privacy, anonymity and confidentiality of companies and interviewees (Easterby-Smith et al., 2015).

3.4 Data Analysis

By choosing the method and research strategy, it will clearly outline the logical approach we want to move forward with in the study. In regards to the four rings model of research which includes ontology, epistemology, methodology and methods there are either qualitative or quantitative ways of analyzing the data we collected. (Creswell & Poth, 2018; Easterby-Smith et al., 2015). As mentioned above, we decided to move forward with an exploratory research design encompassing the involvement of social capital into internationalization strategies toward China. As a result, exploring the nature of a phenomena in this context theory development was required from our perspective. By opting for a qualitative study as is argued in the design and approach we aim to complete this objective. We sought to understand perceptions of our interviewees and their views on social capital and its role in internationalization for (family) SMEs. Statistics would be irrelevant in our research, since we aim to identify the phenomena in a practical context without predicting the outcome of a certain stance towards social capital in internationalization efforts. Therefore, using a quantitative approach by assessing the validity based on predetermined assumptions about social capital would not benefit our research. As our understanding was aimed to enhance the understanding of social capital in several cases, a qualitative study was found to be most suited for our research design and analysis (Daymon & Holloway, 2011).

Due to the aforementioned reason, we chose to pursue a multiple case study method as a research format. We chose to disregard the other research strategies due to the fact that we plan to take a well-known phenomenon into a new research setting (internationalization strategies with social capital) and that we aim to develop theory from our empirical investigation by
analyzing multiple cases as specific cases, yet provide an in-depth analyses of cross-case similarities and differences. Yin (2015) defines case study method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context by addressing “why” and “how” questions concerning this phenomenon. This research method can be pursued through single or multiple cases, where single cases puts the focus on unique or critical events while multiple cases moves further to research into many different events to achieve replicable results in the end (Yin, 2015). Our research wants to look closer into different companies and their experiences and expertise with a contemporary phenomenon in a real-life context (Yin, 2015; Mathison, 2011), therefore multiple cases are a necessity.

The analysis of a case study can be approached in several ways but we have decided upon a cross-case analysis (Creswell & Poth, 2018) in which the design is a multiple case study and the unit of analysis is holistic (Yin, 2015). By applying a holistic unit of analysis we aim to research one interviewee per company, whom can provide us with information on their views and experience on social capital and its role in internationalization towards China. Therefore, by using one (1) source per company we aim to gather case-specific knowledge through similar contexts in the multiple cases that we will research. If we were to choose an embedded unit of analysis we would use multiple sources per company, but we could not confirm that we were able to interview the similar types of people within an organization. This strengthens our choice of a holistic unit of analysis (Yin, 2015). The choice to cross-analyze the cases will be beneficial to provide a complete picture of the phenomenon. The information and data gathered are then evaluated and compared among the cases to further draw steps in order to make generalizations that would provide an understanding of the implication of social capital onto the internationalization strategies for (family) SMEs (Mathison, 2011). As was first displayed by Creswell (2009, p. 209), an in-depth portrait of cases will be provided once we have established the contexts and descriptions of the cases, provided interpretations, cross-case theme analysis and the assertions and generalizations that arise from the cases (Creswell & Poth, 2018).

The process of cross-analyzing the cases took up a substantial amount of time, since we have executed it in several steps. The first step of this cross-case analysis was to highlight the most important aspects of each individual interview after summarizing the interviews (Appendix 5). After both of us went through all four of the interviews, we found the main themes that had been addressed in our interviews. The second step was the creation of an excel sheet in which we had combined the four interviewees and their stances on each of the theme that was identified. A total of seventeen themes were identified across the four topics of our questionnaire (developments & attractiveness of China as a market, strategic issues, cultural aspects and social capital) and is outlined in Appendix 6. After we had completed this, the third step included to distinguish the similarities and differences found between the themes in the cases. By distinguishing these, we could provide generalizations of our findings which were triangulated with secondary data in the fourth step. In the fifth step, we combined these generalizations into a comprehensive framework that was established to answer the research question in the conclusion of our research.
3.5 Research Quality

When conducting qualitative research, it is important to emphasize the process of credibility and relevance to other researchers. Moreover, quality of research considers being systematic and thorough in the development of themes, interrelationships and interpretations (Easterby-Smith et al., 2015). Easterby-Smith et al. (2015) argues that the quality of a qualitative research depends to a large extent on how researchers approach their research, suggesting that the aim should be to thoroughly illustrate reflexivity and transparency around the quality of the data. Therefore, setting up criteria to apprehend trustworthiness and ethical standards is of highest importance toward the research community. The decision of pursuing with a qualitative research designs aspiried us to develop answers that are not considered correct but as the nature of qualitative research through the relativistic lens, the answer is considered to be the view of the respondent (Saunders et al., 2012, Creswell & Poth, 2018). On the other hand, comparable to quantitative research where a study is quantified and tested to ensure generalizability, this outcome is not possible within qualitative research due individual unique studies (Daymon & Holloway, 2011). Throughout our research we have upheld the quality of our research and the ethical aspects to the highest standards. By utilizing the criteria for assessing the trustworthiness first proposed by Guba (1981), we aim to display academic integrity to ourselves, the academic community and the University of Jönköping which allows us to research this topic (Easterby-Smith et al., 2015). Trustworthiness of our research is therefore secured through the four naturalistic terms credibility, transferability (external validity or generalizability), dependability (reliability) and confirmability (objectivity) (Lincoln & Guba, 1985).

Credibility relates to the validation of the findings in the research and the meaning it has to other researchers in their social context (Daymon & Holloway, 2011). Moreover, the interpretation of the data gathered through the interviews of the respondent has to have a high level of certainty that the information is credible without being subjective (Saunders et al., 2012). Secondary data has been used throughout this process, as well as triangulation in order to validate our findings. The process of attaining credibility suggests that first highlighting the use of method(s) intended to be used and secondly how the researchers are going to validate and check the details with the members interviewed or triangulated with other data/theory (Daymon & Holloway, 2011). The credibility of our research is upheld through inquiring several cases which display both successful, as well as unsuccessful internationalization strategies towards China and comparison is applied between and through cases. Our approach to ensure high level of credibility was to contact and inform the interviewees that we would submit the questionnaire and what the theme the interview would cover. In addition, prior to the interview we stated to each respondent the method that we were going to use as well as letting the respondents speak freely around the topic and questions in order to assure that we did not affect the answers.

Transferability is closely linked to the generalizability of the research but also the ability of the study and the knowledge gained from the data collection to be transferred into other settings
(Daymon & Holloway, 2011). The transferability is maintained through purposeful sampling of family SMEs with legitimate backgrounds, which makes the research generalizable and displays external validity. When themes emerge from the data collection, if it is in congruence or not with the other respondents, the knowledge gained has to be argued for why and how these proposals are transferable to other similar settings. In addition, previous literature will constitute if the knowledge transferred from these settings did have similar characteristics.

**Dependability** refers to if the study is carried out in a stable and consistent manner to see if the findings are dependable (Daymon & Holloway, 2011). Moreover, it suggests that by achieving high dependability the same results can be accomplished from another researcher if performed in the same manner with similar respondents (Saunders et al., 2012). Dependability and the consistency of the research must be guaranteed throughout all steps of the data gathering process. Besides the primary data, the secondary data must be aligned with the findings of the primary data to ensure dependability. The respondents were chosen from the given criteria that we set encompassing size of firm, ownership structure and if they have activities with China. Furthermore, to attain an elevated level of dependability for the thesis, we chose to use triangulation between data sources revolving around entry strategies and analyzing their activities. The information and data gathered has been analyzed and documented thoroughly to ensure a high level of dependability.

The **confirmability** of this study can be objectively evaluated, since we did not position ourselves as biased, nor did we use terms such as ‘positive’, ‘agree’, ‘negative’ nor ‘disagree’ for instance (Easterby-Smith et al., 2015). Confirmability of the study relates to the research being judged by the way in which the findings and the conclusion relates to the purpose of the study, rather than being achieved through our own assumptions and preconceptions (Easterby-Smith et al., 2015; Daymon & Holloway, 2011). Therefore, the criterion of confirmability is there is verify that the findings are shaped by the participants and not by the qualitative researcher (Easterby-Smith et al., 2015). To ensure a great amount of confirmability throughout our research we have described the process of how we collected the data through interviews and documentations as well as how it was analyzed and categorized. This was to ensure that the research showed a large degree of transparency.

### 3.6 Ethical Implications on Research

Ethics in research is a complementary aspect which enhances the trustworthiness of our research. Paul & Elder (2006) made a very clear distinction of laws, morals and ethics (Easterby-Smith et al., 2015). From our perspective, morality and ethics are instruments that have both guided us in the data collection process. The ethical points of view are being made clear from the moment we contact companies that we are eager to interview. By stating that the names of interviewees and company information shall remain confidential in our research is of great importance to protection of sensitive information provides to us. Before the interviews started, we elaborately explained the rights of the interviewees once more, to underline the voluntary participation and rights to withdraw always (Easterby-Smith et al., 2015).
informed form of consent is sent to the interviewees in advance, which is pre-signed by the researchers, so all the interviewee needs to do is sign the form of consent. This implies that we do not harm the interviewee, nor the company in any way. This furthermore strengthens our notion of privacy, confidentiality and anonymity. Outlining the ethical considerations as well as the trustworthiness of our research provides us with a solid foundation of mapping the results of our interviews (Easterby-Smith et al., 2015).

Besides informing companies of their confidentiality and anonymity in our research, there were other ethical considerations that we had to take into account. Obtaining access was and is one of the key stages in potential ethical issues to arise (Saunders et al., 2012). Over the course of two months we have contacted one hundred companies, but the general response rate was quite low. Moreover, if we received an interested initial response, we could not spam these potential respondents because we did not want to harm the academic community of the university and the credibility of the university (Easterby-Smith et al., 2015). In Appendix 2 we have added an overview of the process of gaining our interviewer partners and our integer approach to the respondents that chose not to participate. Due to the previously mentioned sensitivity of the strategic issues companies might not have been thrilled to assist us with our research, but we have shown our intent and final contributions to our interviewees. By making absolutely sure that the interviewees know the purpose of our study and are aware of the implications of their participation this is the first thing that we mention in our form of consent, so that the ethical standards are of the utmost quality and therefore protecting the university and its researchers from any detriments to their (future) research (Easterby-Smith et al., 2015).
4. Case Description & Findings

The following section on this study provides findings on collecting data through our interviews. We have structured the case descriptions and findings in a systematic way, by which we have ordered our findings based on each interviewed company. These findings were categorized in three overarching themes (Strategic Implications, Chinese Cultural Characteristics and Social Capital) that were combined with regards to the theoretical framework. Lastly, we will provide a summary of the findings from the interviews that we have conducted.

4.1 Company A

Company A is a clean energy provider that specializes in creating a new source of sustainable energy. With offices in both Sweden and China they have a local presence in both of these countries. Witnessing Beijing changing into a skyscraper filled city in just over 15 years, would be one of the most significant impacts of the Chinese growth and their economy according to our interviewee. Our interviewee had been living in China for almost 2 decades, and is the current head of operations in China.

4.1.1. Strategic Implications

The internationalization to China had already been set in motion prior to our interviewee’s arrival to the company, and it has witnessed increased activities over the course of the past years. There is great potential in the Chinese market, especially with regards to sustainable energy since China has land in abundance on which it could harvest the sun or wind. Governance in company A includes family, but China is removed from the main holdings of this influential family. Management has quite strict regulations and shareholders are in close contact with management at this moment. It would be unwise to ignore the potential that China has to offer since everyone is trying to get a piece of the Chinese ‘pie’. The trickiness of this potential is the alignment of your industry and the interests of the Chinese government. It is not always advisable to enter China from our interviewee’s perspective, but due to its potential companies do not really have a choice.

Due to the nature of company A’s business, they were required to be close to power producers and the domestics government in Beijing, which is why they chose set up the headquarter in Beijing. Internationalization in China would be about setting up offices if it were for our interviewee. China is a huge and complex country, you must need presence. A presence managed by someone with Chinese experience but from your own cultural realm. In a scenario for new entrance by a (family) SME, it should consider careful analysis about products and competition, and the role governance plays in the specific industry. Our interviewee said: ‘A Hong-Kong / China structure (setting up an office in Hong Kong to oversee all greater China operations) is another possibility for new entrants, but one must be careful with choosing
employees. Chinese locals can be employed, but it is important to set up an office with a manager who has views and experiences gained from both worlds, Europe and China’.

One of the biggest challenges for a European perspective is that China has caught up with us in many aspects. Demands are forever changing, the middle class is growing and the Chinese assert their systems as equal as or better than our systems in the West. Over the past few years, the government started anti-corruption purges throughout the nation, which resulted in the removal of decision makers. Installing their replacements led to indecisiveness because they are not courageous or knowledgeable enough to make decisions. This has a huge impact on current business activities, since they rely on the government. Even though the country-of-origin effect of Sweden in China is strong, it is getting increasingly difficult to navigate in the political climate of China. With growing nationalism and anti-foreign propaganda, it is harder to become successful as a foreigner in China. Rising suspicion of European brands and European businessmen from the perspective of sales or business development will experience difficulties in the future.

4.1.2 Chinese Cultural Characteristics

‘When in Rome, do as the Romans do’ was quoted by our interviewee on his view of Chinese culture. Confucianism is one of the ideologies that have shaped China in its past. Many other East Asian countries have also been inspired by the learnings of Confucius. The fact that people are too worried to make decisions which will impact their relationships is rooted in Confucianism. You can read books and do language courses, but the culture is vastly more complex than the European ones we know. Even when you think you understand it, you should learn it the hard way by experiencing the culture. Experience is also a key factor when face preservation and gaining is involved. Face culture is a rather easy phenomenon to understand, which could mean to exercise common sense by having certain ground rules. Negotiations can sometime be solely focused on face than actual business logic. A suboptimal outcome must sometimes be accepted, just for the sake of one’s ‘face’. Giving and taking face is an ongoing process, which one must always consider during social interactions.

Guanxi is a far more difficult aspect of culture to master on the other hand. This is because it involves getting in the doors, and having meetings with the right kind of people, the decision makers. During the heydays of China, when foreigners were still considered semi-holy, it was like the Wild West. It was a lot of fun to be there, and you were invited to almost everything. Due to the anti-corruption campaigns, you have become far less interesting as a foreigner which makes it much harder to build a Guanxi in China. You have to be a ‘good foreigner’, vouched by multiple members of your existing Guanxi in order to get your foot in the door. Recent reinforcements by the government and the overall political climate have made it harder for Westerners to be perceived as beneficial in addition. One must completely change their mindset about doing business when they have no experience with China. Forget what you know, but stick to the basics and work from there. We are almost exact opposites culture-wise, which adds to the notion of cultural interaction and learnings.
4.1.3 Social Capital

Face culture and Guanxi are aspects rooted in the social capital of China to a greater extent. As our interviewee mentioned, relationships are not just based on liking or mutual trust, but it is all to the betterment of one’s Guanxi, or network. Three concepts that embody social capital are trust, networks and relationships. According to our interviewee, the Guanxi (network) is of the utmost importance in China. Everyone is able to deliver experience or know-how to a meeting, but now everyone possesses the Guanxi that makes it able to deliver in the first place. Family SMEs and multinationals have ranging resources that they are able to utilize, but Guanxi is far more important to (family) SMEs. Company A obtained its projects through current partners which had to be influenced or persuaded in one way or another to hand over projects. Guanxi has become the decider for business opportunities, especially since the Chinese see their policies as equal or superior than the European ones.

Guanxi is a complex part of culture, but also of social capital in China. Corruption has always been a big part of Guanxi. According to our interviewee’s, almost 100% of the Chinese population has at some point been involved in some degree of corruption. Bribery is also commonly practiced, buying expensive dinners, wine or something along these lines are beneficial to your own Guanxi. After the government’s efforts on anti-corruption, bribery is less common currently. Because of these government campaigns, it has become almost impossible to publicly enhance your social capital in China. It has to happen in a concealed way, so other Chinese businessmen don’t run the risk of potentially getting reprimands from their own network. Our interviewee said that it is virtually impossible for him to obtain new Guanxi, but his old Guanxi is stronger than ever. The only way for him to extend his Guanxi and obtain new contacts, is by going through his own, older Guanxi.

In order to extend the relationships you seek to enhance your Guanxi, you have to incentivize a meeting. You cannot just invite someone for a coffee or dinner, there must be a non-financial incentive to gain from the Chinese perspective. There are no such things as exploratory talks about potential gains, they must be tangible for the other party. Getting people to take you to meetings with others also requires a certain amount of trust which should be mutual. By accessing your old Guanxi, the trust you obtained can also be shattered if the meeting would result in loss of face for instance. This is not bad just for the people involved, but also for the Guanxi of your Chinese counterpart, your extended Guanxi and the third party’s view of you and your reliability. Trust is therefore considered a vital aspect in obtaining the Guanxi, but you never truly know if this feeling is reciprocal or if someone is trying to gain for selfish reasons. Amoral behavior is serving the purpose in absence of morality, as argued for by our interviewee.

4.2 Company B
Company B has a diverse portfolio of specialization but the main business areas are trading goods from Europe to China both online and offline. This company also provides office services, for companies that need to be locally present but do not have the energy and resources to do it as well as online marketing & quality inspection. Currently their business is concentrated in Asia with various offices around mainland China and outside of its border. Our interviewee has been living in China for over a decade and ensured that there was no way he would have been able to conduct business if not being present. The interviewee also stated that Western companies find that Company B is considerably helpful when dealing with cultural issues and language barriers through their office services.

4.2.1 Strategic Implications

The strategic internationalization took place when the interviewee saw an opportunity to pursue due to fact that everything is moving very quickly in China, online business is developing extremely fast. When asked about his job and what was challenging about it he stated that “It is very challenging to set up a business in a completely different part of the world where rules and regulations are nothing alike the ones back home”. Even though China is different in many perspectives, companies are still eager to pursue the “gold rush” as the interviewee phrased it. The opportunities are much bigger and the market is huge with a growing middle class that has a good financial status and educational background. The Chinese middle class has a vast lifestyle, adopting things from Europe and USA that they want to have in China. Moreover, he stated that many of the Chinese are tired of lousy products from China and want to embrace products from the West but not live as them. As an entrepreneur and being able to envision the future, the interviewee argued for the fact that the middle class will be double in five years and this contributes to an additional 300 million people. These individuals will further have a good spending power giving up rise of many businesses in Europe wanting to take part of this development. Beyond the aforementioned reasons for entering China, he accentuated the vast technological developments where e-commerce, distribution platforms and other technology advancing faster than anywhere else. The spending power is also huge among the east coast cities and ensuring that the reasons for companies to seek cheap labor in the past has completely turned around.

In regards the family involvement of the structure in Company B, the interviewee is one of the co-founders. In regards to how the company is governed, the interviewee stated that it is strictly limited to him and the other co-founder. The interviewee stated that there is no big difference between family-owned companies and non-family companies except for the fact that family businesses are more open minded and needs to embrace the details a bit further. In regards to European firms entering China, the interviewee stated that a large amount of the collaborations with China are based on joint-ventures, which can be seen as a great way to enter the market but many of these SMEs end up in lawsuits. In addition, he stated that many companies that want to enter China are scared of being cheated but he emphasized the importance doing the homework right and to find a good local partner. An extensive amount of European corporations are approaching Company B every week and he put great emphasis on firm’s
ability and inability to adapt to Chinese consumer behavior. The interviewee suggested that in order to succeed the strategy needs to include “A realization that everything is immensely different and the firms need to be prepared to spend resources as well as ensuring that they have a Chinese coordinator in the office; avoid joint-venture contracts and pursue a good partnership instead; the first two years the company needs to have someone sent out from the mother company in charge of starting up the office”.

The work atmosphere and ambition throughout the business world in China is much higher than most countries in Europe. He stated that people are very hungry and ambitious to develop and make new things. Furthermore, the interviewee argued for the fact that due to this atmosphere it is easy to find great individuals to work for the firm but as salaries are going up these individuals are very hard to employ. For European companies to succeed in China, he suggested that the company must put great emphasis on learning about social media, being present online and getting in contact with key opinion leaders. Additionally, getting a hold of local expertise and constructing a good strategy in order to market the products in the right way. But on the other hand, education and knowledge about products is very low in many parts of China. The interviewee stated that there is a necessity of bringing in three times more content to describe a product otherwise people will not buy it and you must understand that some products that are popular in Europe might not be in China. Lastly, he stated that “The Chinese buy a BMW for 800 thousand in cash but not a baby seat for the baby, they do not understand why it would be good to have a baby seat”. He suggested that the essence of education and time is of great importance when presenting a new foreign product.

The distance between Europe and China is quite extensive so the following question revolved around if distance influences the decision to expand to China. Moreover, the interviewee stated that the distance itself is not scaring, more the mental distance has a large effect. He stated that the tax system is different, the bank system is different, difficult to get employment for people in China and you are a bit more regulated for being a foreigner. He also emphasized the importance of being present both in mainland China and outside due to the fact that rules and markets are completely different. In addition, it is difficult to employ people in the beginning because you are a foreigner and you don’t have a history. “Calling an institution or legal department to ask about regulations will not work in China, everything is based on relations/Guanxi with a bank guy or someone else, otherwise help will not be granted”. He concluded the question by saying that in many ways the system is partly corrupt.

4.2.2 Chinese Cultural Characteristics

Cultural characteristics that define China are very different in comparison to Europe and aspects that European firms needs to prepare themselves revolve greatly around family and relations. Confucianism is thoroughly embedded into the Chinese society that fulfilling the purpose of family. Chinese families live in completely different way than their European counterpart, whereas employees usually live together with their parents and sometimes grandparents. Moreover, he stated that when the employment process takes place, the
individual usually consolidates with their dad/parents if the company is good or not and if it doesn’t have a good reputation or history they usually advise not to pursue. In addition, the interviewee stated that some troublesome situations can occur, which has just occurred in Company B where the employee’s family got ill and the person had to resign from the company to take care of their family. As family has such a great importance on both work- and private life, he stated that during times when people has to leave the company due to family issues, you just need to accept it.

When introducing the concept of culture and China, the interviewee was very direct by stating that Guanxi and building relationships are super important. “Westerners are too direct, they want to start discussing price of product right away whereas the Chinese want to start with tea, talk about family, dinner and be friends so we can trust each other”. Furthermore, usually the negotiation process in West takes place prior to the signing of the contract, but in China you sign the contract and then negotiate. In addition to Guanxi, the face culture is immensely important. People are very careful about criticizing anyone both upward but also downward the hierarchy. “If you get angry at anyone you can see that they suffer because they do not want to lose their face in front of colleagues”. The interviewee further extended the issue with confronting colleagues that when an individual is underperforming, feedback meetings are useful but he also stated that people will listen and not disagree with you. Moreover, in comparison to Westerners, the Chinese are not as good in collaborations where Europeans usually do things together and work in groups. Instead they are more individualistic, afraid to come with own ideas and criticize your boss or system.

The Chinese are very proud of their country and their history that comes with it. A great amount of things are steered by the government so the society follows a plan set out from the government. The interviewee exemplified a situation where, “A lease contract can be given to a business regarding office space, but the next day the people who lease the space to you can change the contract and if you are not satisfied with it then you have to leave. They don’t care because there is a greater power steering their actions”. Additionally, he stated that people are so indoctrinated and influenced by media that everything that the government does is for the greater good. Anyone who says otherwise will be sent to prison or killed. A very educated person was in contact with our interviewee and said to him during one of the trips to Europe during elections that “We do not need elections because we have such a great government and I pity you for having such a bad government that you need to re-elect ever so often”. In conclusion, this shows how great of an influence the government and media has on everyone throughout China.

4.2.3 Social Capital

As previously mentioned, trust and relationships are part of social capital and in China, guanxi has strong correlation with this. Guanxi is more or less contextualized as a special set of networks that are much more extensive than the kind of network we are used to in Europe. Network is important everywhere around the world, but it is not as “holy” in Europe or Sweden
as it is in China. Moreover, illustrating the importance of Guanxi, it takes a long time to establish such long-term business relations. “If your dad and my dad have done business together, then we can do business together”. People in China are very eager on doing business, but in order to get good prices, your Guanxi needs to be strong. “Social network is much stronger. If you negotiate about the price and do not have a relation, they will just refuse you but if the relation is good then the outcome will be different”. As mentioned in the previous sections, family is very important and if the business relationship contains family parts then it will be much stronger due to the fact that individuals look after their cousins, siblings and other relatives extensively.

When asked about his Chinese encounters and being able establish a solid network in China, he stated that he has had Chinese employees all the time and he has put a lot of faith and trust into these employees to get some things done. He stated that some things have ended well but some things have been bad. He emphasized the importance of controlling everything through the Western way and checking details in everything but also being good in handling risks that comes along with everything. In regards to other companies that take on the challenge of venturing toward China, he suggested an important step to smoothen the transition by approaching other people who have been here for a while and ask them about it. Further, go to seminars held by the Chamber of Commerce and it is important to not come here with a Swedish attitude of doing business: “You have to have an open mind and listen and learn as well as change. Country and regulations are changing so need to be proactive”. He stated that when he first arrived to China, this was the way he proceeded and highlighted the fact how far he has gotten now. On the other hand, when asked if he could use his Chinese network nowadays to grow a business he stated that the kind of business he is doing is very attractive and many companies from Europe wants to take part of this “gold rush”. The “gold rush” being the opportunities that the emerging middle-class will give to companies due to their immense spending power. “Our business in China will double every second year”. Lastly, the most important aspects of expanding toward China in congruence with social capital is that you prepare yourself, talk to Chinese people, talk to other firms with similar business set-up, forget about everything you used to do it and understand that everything takes time.

Regarding the aspect of social capital and that it is divided into trust, networks and relationships, he stated that there is no big difference between relationships and network. Trust on the other hand takes a long time to develop, and he stated that “We have been in the same building for more than 9 years, our relationship is still not that good but we have proceeded with giving gifts during special occasions and we never got into trouble”. He concluded the interview with stating that you need to understand first that there is demand for the product in China, and that people understand and are knowledgeable about the product or service you are selling. If these aspects are fulfilled then you can start building social capital.

### 4.3 Company C

Company C is an organization which aims to bridge strategies of European (family) SMEs and multinationals that must be adapted to the Chinese business environment. Our interviewee is
the executive director as well as a board member of this organization. With a coverage of the greater Beijing area, many European (family) SMEs get acquainted with China through this organization. Hosting several events about new legislations or restrictions are also embedded in this organization’s main activities. By providing their own network, this organization can further enhance the position of European (family) SMEs. With 9 years of experience in China, our interviewee contributed with unique experiences gained by first-hand observations and knowledge.

4.3.1 Strategic Implications

China is developing so rapidly, that changes happen almost quarterly which affect the business environment and its diversification, according to our interviewee. One could be able to write multiple books about the past 9 years. In the earlier days, production plants were mainly established by foreign companies, but the desire of pure manufacturing has decreased. China is on its way to become a far more expensive country in terms of labor costs. The label made-in-China is being replaced by innovated-in-China, with Alibaba and Tencent being its embodiment for the innovation-driven society. State owned enterprises used to dominate domestic markets, but in the past 9 to 10 years China has opened their healthcare and renewables markets which has made these industries accessible to foreign players. The speed of development is quite rapid, which can also be witnessed by the change in product to services. Most newcomers in the Chinese market are service-based companies, which in itself is quite foreign to China. The Chinese market is not accustomed to buying services, rather products with a complementary service. According to our interviewee, there is still a need to get used to this development in the Chinese consumers mind.

Internationalization to China has one very simple reason, namely the market size and complementary to that, the infrastructure development that is connecting China. Our interviewee would take the entry strategy to China very serious. ‘When considering internationalization to China, it is all or nothing. The attitude of spending just little time on the side to the China project could lose you 5 to 8 years. Whatever amount of time or resources you need, the basic rule of thumb is to double it in China’. China consumes an immense amount of time and resources, which is why someone should be sent to China to live there for 6 months before actually setting up shop. This person should be a decision maker in the company, and should be aware what the overall management strategy of the company is. For European (family) SMEs, entrance to China can be approached in several ways. The beginning should be done by some desk research and how demand of your products or services is perceived. Three options companies can consider during the formation of entry strategy could be; 1) establishing a Wholly Foreign Owned Enterprise (WFOE); 2) enter in a joint venture agreement with a domestic organization, or; 3) operate through distributors or partners without acquiring a legal status in China. A fourth option could include having a representative office, but it cannot bill anyone or manufacture anything. This is less attractive since local authorities motivate companies with incentives to enter through the first option because of taxation goals.
Physical distance between Europe and China does not have a real implication on the decision to internationalize towards China. According to our interviewee, it is not difficult for European (family) SMEs to position themselves in China, since the perception of foreign brands is quite good. Many goods are still bought to enhance one’s status, especially cars. German cars will be imported from Germany just to show off. The mobile phone segment has made quite the shift towards domestically favored products such as Huawei, Xiaomi and Oppo. In China, consumers are ready to buy a product which may be 90 to 95% completed, but updates are more or less scheduled for release every week. This in contrast to Apple, which updates its software every 6 months, yet delivers a completed product to market. Foreign brands or products are not always favored by local decision makers. A domestic preference of companies or brands is heavily linked to the amount of paperwork involved. The foreignness of a company would increase this bureaucracy by about 10 times when compared to a local or domestic supplier. Foreign companies are facing another big challenge nowadays, which is the restriction on internet usage. Multinational companies have problems with their global IT systems, and (family) SMEs face issues regarding social media and advertising.

4.3.2 Chinese Cultural Characteristics

The physical distance did not greatly matter in internationalization, but the cultural distance is of much greater importance according to our interviewee. ‘China is completely different. This is a market you cannot study on your computer, everything that you will find online in English is already outdated. You need to be here for yourself, to experience China and see the developments first-hand’. This can be witnessed in business culture as well. In Europe, we have a tendency to go straight to the point. This is my business card, this is my business, these are my terms, let’s do business. In China, you will first get to know the history of the company, you will get to know the family of the people you are in contact with, relationships between China and the specific country of Europe you hail from and so on. The general speed of decision-making is not fast, because Chinese do not want to make mistakes which could result in a bad outcome. The business culture is based on relationships instead of the financial benefits or gains that we are used to. According to our interviewee, this stems from Confucianism ingrained in the Chinese culture, which is often complemented with the readings of Sun Tzu.

Our interviewee has one Chinese employee employed currently, but in a previous role in another company this number totaled seven Chinese employees. Management and leadership of people in China is quite different from Europe. In China, leaders are seen as true leaders and are always right, no matter what. When they tell an employee what to do, it is imperative that it is executed. In Europe employees receive much more freedom to handle a problem by solving it themselves. In China, management must tell employees exactly what to do and how to do it. Leaders must take action in China otherwise nothing will be accomplished, nothing will be done if management is inactive. Leaders should not be questioned or disagreed with, which is a big part of face culture in China. Our interviewee mentioned that agreement and disagreement are aligned with this face culture. European (family) SMEs must understand the delicate meanings and semantics that surround this aspect of culture. Public confrontation should at all
costs be avoided, privacy truly helps dealing with issues caused by cultural misunderstanding for instance. The aspect of Guanxi can furthermore be seen as the core of business in China, as proposed by our interviewee.

4.3.3 Social Capital

Social capital in China has a different meaning than it does to us in Europe, according to our interviewee. Guanxi is the core of business, but also of society. Networks and relationships are not seen as separate terms, but as interrelated aspects that encompass Guanxi. Guanxi includes both of these aspects, and is favor-based. Therefore, people in China have to be willing to help each other. As an outsider, it is harder to get into Chinese business without a Guanxi. An existing network in or with China affects the time it requires you to settle in the Chinese economy which alters the timeline and resource spending greatly in the beginning. A network is faster acquired in Europe than China, since it requires business people to go through the whole dance of getting to know each other thoroughly before business relationships can be set up. As a new foreigner it is not easy to develop a new network or Guanxi in China, it demands a lot of work. Building a network and especially nurturing it is time-consuming and is definitely not in the conventional way of creating a network. This was also shown in our interviewee’s experience with networks in China: ‘In China, you do not hire a person that is going to work for your company. You are hiring the network from which you can benefit through that person’. Networking in the true sense of networking can help businesses and develop your company in China.

Moreover, social relationships are exceptionally strong in China and can last several decades based on mutual experience. The relationship of classmates often lasts until the forties or fifties years of age, which is based on middle school friendship. Trust in this case is not a big facilitator of that relationship, just the experience is. In general, you first get friends or relationships, then earn their trust and then get their business as is accustomed in China. The basic level of trust in the Chinese society is much lower than in some parts of Western Europe and the Nordics. The amount of work required to obtain trust in society in China is much higher than Europe. The fundamental learnings of Confucius support the Chinese in learning how to trust each other, an aspect that Europeans must also learn to grasp if they want to succeed in China. When Europeans are confronted with creating social capital, our interviewee perceives the elements of trust, relationships and networks equally vital. First, you create a network, then you create relationships and then finally you create trust. Without trust, business will be non-existent. The emphasis however must be put on trust, since it is lacking in China. This must be obtained through networks and relationships. Our interviewee stated that because of the basic trust in society in his home-country, relationships themselves are least important in networking in Europe.
Company D has many similarities to Company C, it is also providing a ranging number of services to European (family) SMEs that are considering their internationalization towards China. It serves a different geographic area of Europe when compared to Company C. Events, information sessions and other relevant topics of China are occasionally being organized and directed by this organization. Our interviewee has been working and living in China for almost five years, which has given our interviewee many unique insights on the Chinese culture and doing business in China.

4.4.1 Strategic Implications

Even though our interviewee has only been in China for five years (substantially less than our other interviewees), he has seen a lot of things happen. ‘In the beginning I did not know what I saw (by all the huge buildings and stretching horizons filled with concrete), but now I have gotten used to it. Moreover, it was a bit hard to get adjusted to the current internet restrictions according to our interviewee in the beginning, but he got used to it personally. There has definitely been a change for companies in how they approached China in the past few years. When he started several European companies opted for production facilities, whereas now almost everyone requires a marketing or sales office. The fact that companies are still internationalizing towards China does not surprise him: “China itself is so big, it has almost unlimited potential if you just look at the market. And the current developments in the middle class will ensure that there are many potential customers as well”.

From his perspective, the strategy is extremely important when internationalization towards China is considered. Many European SMEs, approach us with the questions of what to do and how to do it. Regardless of the company’s size, preparation should always be done in advance. Besides the preparation of strategy and other requirements that have to be adhered to, the internet restrictions make it harder to know your marketing channels. With regards to an SME, when asked, our interviewee did not see a big difference for the approach between a family and non-family SME. Some companies may underestimate the cultural difference and distance, which can be experienced as overwhelming according to our interviewee. The main difference could then be found not only in the actual culture, but more noticeably in the business culture and how business is done.

When asked about a potential scenario of having to pick an entry strategy for a European (family) SME, the following would be his advice: ‘When you are internationalizing towards China, you must have a complete focus on the country. You must know what and how you are doing things by knowing them beforehand’. After this point he continued with the notion that a real entry would encompass local presence in one of the three most renowned areas (Beijing, Shanghai and Guangzhou), that could be a local marketing or sales office or a WFOE. This last form is quite popular for foreign SMEs in China. European management should also be installed if the endeavor is to be a success, according to our interviewee. Aspects of the origin
of Europe should also be considered according to our interviewee. It would have to depend on the exact country of origin in Europe whether or not this would be negative or positive for business in China. The physical distance itself does not bother companies to internationalize towards China, but the difference in culture and business culture as he said before would be the biggest ‘distances’.

4.4.2 Chinese Cultural Characteristics

As mentioned before by our interviewee, the cultural distance is one of the most impactful aspects worth considering when internationalization towards China is considered. Our interviewee mentioned that some of the most important cultural aspects that must be prepared for include the indirectness in conversation and negotiations. He mentioned that negotiations can take up quite some time because of the different approach China maintains. ‘On more than one occasion I have heard companies complain about the amount of time they have to pour into the negotiations. I just tell them it is part of doing business here’. This indirectness also stems from a public face that has been retained by the Chinese. Therefore it is so important to avoid confrontation and upsetting someone in public. According to our interviewee, this took some getting used to but he is starting to master this art. If you don’t harm people’s face, then you will be accepted as a foreigner.

When asked about general culture, the term of Confucianism came up: ‘Confucianism is all around us here, it is the foundation of society itself’. Confucianism is perhaps the foundation of everything here in China, but the most important business culture stems from it as well, according to our interviewee. One of the most vital terms in business is Guanxi. Our interviewee mentioned that Guanxi is a key element in not only society, but more so in terms of business and how the relationships are built and nurtured. Guanxi has helped him on several occasions to get the right people to talk with the European (family) SMEs that came to him for ‘a foot in the door’. The importance of family in relationships cannot be understated as well. In China it is very common that the family must be provided for at all costs, and the relationships within the family must be kept in optimal shape. Moreover, in social interactions it is highly common to have a certain social hierarchy, in families too. Therefore, the family becomes the first school of social interaction for young Chinese people according to our interviewee.

4.4.3 Social Capital

Because of the importance of Guanxi in society, business and on a personal level it is crucial that the social capital in China should be considered as a daily task that must be thoroughly carried out according to our interviewee. He furthermore addressed that the interpersonal networks which Guanxi is consisting of, might be seen as several networks instead of one true network. This might be somewhat difficult for foreigners to grasp at the beginning. This was also the case for our interviewee: ‘In the beginning I had almost no network, and the first step was almost literally the hardest step to take. After a while I could maneuver myself in positions
to start properly networking in China’. After obtaining a network or Guanxi, relationships could be established. These are often built upon social interactions in informal settings in the beginning. Through dinners for instance, the character of someone is tested and how they react to the Chinese settings. These settings might get replicated to create a stronger bond.

Besides the networks and relationships found within the Guanxi, there is another important factor missing which is trust. ‘In general, it is hard to trust someone, because the Chinese learn that not everyone can be trusted’. It is therefore very hard to shift the mindset of a nation towards doing business through trust, as the foundation of everything. In order for this trust to arise and exist, the relationship building stage should be taken very seriously. The relationships, once established, will mean that trust has found its way between you and the other party. In social capital, trust is one of the hardest things to obtain in the trifecta of networks, relationships and trust. Our interviewee mentioned that the network is everywhere and exists at every time which makes it a centralized aspect of social capital in China. Without trust the network fails to function properly, so trust must be made through relationships in order to get the network to work in your favor.

4.5 Summary of Interpretations

To summarize all of the companies that were interviewed, the strategic implication of the current situation in China was revolved to a great extent around the emerging middle class. Consequently, the attractiveness of the market is large and the high demand of pursuing the opportunities are great. Further the respondents discussed the immense speed of development and the complexity of China and its market. The local presence as described by the respondents include having an individual from the main office sent out be stationed in the office set up in China. The current situation for many European (family) SMEs involves exporting goods to China and perhaps even using their low labor costs as a reason to import goods. As the development of China is switching towards value-added goods rather than producing cheap goods, labor costs are not attractive anymore. The aspiration for many companies approaching China encompasses the necessity of changing mindset completely and ensure that the company is well-prepared for the challenge. The respondents also discussed the value of foreign brands and the impact that it has on the Chinese society. In many scenarios, the advantage for foreign SMEs is their reputation. The necessity of strengthening their brand is not prioritized, but rather being present, networking with key individuals and spend resources for marketing purposes is preferred.

The respondents mentioned that the culture is one aspect that European (family) SMEs must be prepared for. Since the culture is completely different from Europe, it is critical to absorb cultural knowledge from China. Not only do the (family) SMEs need to be aware of cultural differences, but the managers in charge should be very knowledgeable about the business culture and how to perform in the most optimal way. Europe and China must be bridged by utilizing social capital, and experience in both cultural realms is additionally beneficial to the company. Confucianism and culture are topics that often go hand in hand, which our
respondents mentioned explicitly in the interviews. Guanxi is often seen as the centralized aspect of business culture and how projects or contracts are being won. Face culture is an important aspect during meetings or social settings in order to understand the hierarchy.

Moreover, by extending internationalization strategies aimed towards China, it encompasses a greater deal of cognitive characteristics. These characteristics are considered having a large impact on business outcomes, due to the fact that relationships and trust are valued higher than financial outcomes in many situations. The respondents discussed the value of creating, sustaining and developing networks by setting the foundation for these networks with trust and long-term relationships. In the complex society of China, businesses solely exist due to networks and to some degree “corruption” of these networks. Guanxi, as these networks are called, has become the decider for business opportunities and successful establishments of foreign firms. These networks are the cornerstone of society and business, therefore the importance cannot be stressed enough. Trust is an aspect that must be developed in China in order to do business, but the general level of trust is lacking in Chinese society. This presents a challenge for the European (family) SME with regards to the utilization of social capital in the internationalization efforts towards China. The table in Appendix 5 shows the general summary of the interview from the companies.
5. Cross-Case Analysis & Interpretations

After having rendered the case descriptions and findings, we will display a rich cross-case analysis. First, we will highlight the main similarities and differences that arose during the initial cross-case analysis. The themes will be separated into similar and different thoughts that our interviewees provided us with. Then, we will present our assertions and generalizations on the themes, splitting the themes up in three separate analyses and finding causality within the themes. In the end, we will combine all themes into one comprehensive framework which is based on theory and extended with our newly gained knowledge. This framework will eventually help us to address and answer the research question we posited in the beginning of our thesis.

5.1 Identification of Themes

The first part of our cross-case analysis includes the demonstration of similarities and differences across the identified themes. The first themes were identified after we concluded our interview with regards to the general Chinese developments and strategic elements of internationalization towards China. Identified themes in this topic were reasons to expand to China (1), reasons for failure in internationalization to China (2), entry strategies (3), strategic considerations (4) importance of family in firms (5) and the ‘Europe-effect’ and contextualized distances (6). Next, we addressed the themes of the cultural characteristics of China of which our interviewees provided rich insights. Identified themes in this topic were Confucianism (7), Guanxi (8), face culture (9), (family) relationships (10) and social interactions (11). The final part of our data included social capital and is vital in answering our research question. The themes that we identified in our social capital aspect of the data gathering were networking (12), importance of Guanxi (13), establishing relationships (14), absence of trust (15), trust-building in China (16) and components of (Chinese) social capital (17). The total number of themes we identified resulted eventually in 17. In Appendix 6 a comprehensive overview of the identified themes and similarities or differences between them has been provided.

5.2 Similarities in Themes

5.2.1 Strategic

In the background of our thesis we mentioned that there have been many reasons why China is considered as an extremely interesting market for European (family) SMEs. According to Farrell et al. (2006) and Barton et al. (2013), the emerging middle class was one of the most important factors for the outlook of China. All our interviewees mentioned that this growing middle class was one of the main drivers for internationalization to China (1). This was further supplemented with the incredible market potential, and China’s drive for an ever-improved infrastructure. One interviewee went as far as saying that China is ‘impossible to ignore’. De Silva (2012) and Tse (2010) argued on behalf of the importance of China, saying that
companies must make the jump now or regret not having made the jump at all. This highlights the importance of (family) SMEs to internationalize towards China within the foreseeable future.

Another similarity of our interviewees was found in the approach to enter China with their overall strategy (3). Our interviewees mentioned that it was best for (family) SMEs to first prepare and analyze China, then to have a time and resource dedication, followed by a decision on formal entrance, have local presence with European management (experienced in China) and finally the employment of Chinese locals. As mentioned in the literature, resources and capabilities are critical factors for (family) SMEs (Arregle et al., 2012; Calabró et al., 2017; Liang et al., 2014). The notion that (family) SMEs will follow a cautious pathway as is argued for by Boellis et al. (2016) and Graves & Thomas (2008) strengthens this argument. Depending on the commitment, resources and capabilities invested the first step in success or failure in China will be initiated. Therefore, the long-term orientation of (family) SMEs must be completely dedicated towards China in order to succeed in China. These views are not only grounded in literature, but furthermore supported by the views of our interviewees.

One finding from our interview was that the respondents mentioned that there is no real difference in the approach of family versus non-family SMEs (5). The main difference that was mentioned was that of (family) SMEs and multinational corporations. Calabró et al. (2017) & Liang et al. (2014) argued for the involvements of family in the firm, and how this would affect the decision to internationalize and what degree of risk would be agreed upon. Although the degree of involvement of family in governance has considerable impact as proposed by Carney (2005), Nordqvist et al., (2014) and Chrisman et al. (2012), it has little to no impact on the decision to internationalize towards China. Apparently, the importance of family versus non-family is not heavily taken into consideration when considering internationalization towards China.

5.2.2 Culture

In the part of culture, there were several themes which shared overlap with the individual interviewees. Confucianism (7) was found to be the root of Chinese (business) culture, as has been earlier confirmed by Yang (2012) and Tong & Mitra (2009). In their views, culture and Confucianism are often regarded as one and the same thing in China. Confucianism has shaped the current Chinese culture and underlines the importance of Confucianism in Chinese culture by both our interviewees and the literature. Guanxi (8) and face culture (9) are stemming from the Confucianistic values ingrained in Chinese society according to our interviewees. Furthermore, Tsai et al. (2013) supported the notion that Guanxi is the cornerstone of Chinese society and importance to individuals as well as communities. This has been previously proposed by Buckley et al. (2006) and Young (2014) which states that face culture has been centralized in Chinese society. Our interviewees mentioned these topics naturally and mentioned that Guanxi is a vital aspect in Chinese society. Face culture is also related with social interactions (11) which is vastly different for Europeans in China due to our directness.
Criticism and confrontation are unwanted in public settings, which aids to the settings of social interactions and the general conventions of engagement in China. Tong & Mitra (2009) researched the preferences of social interactions and the importance of aspects such as face preservation and hierarchy-consciousness. Our interviewees mentioned this aspect as a crucial element in social interactions, which is why it is so difficult for Europeans to make themselves well liked. Due to the extent of Guanxi, face culture and the frivolities of social interaction in literature supported by Buckley et al (2006), Shi et al. (2017) and Bian & Zhang (2014) we saw a clear pattern between our interviewees insights and previous research. The views of Chinese culture provided by Trompenaars (1996) were found to be up-to-date, with respects to the particularistic approach of putting relationships first and at many times mixing business and personal lives in a diffused setting, as emphasized by our interviewees.

5.2.3 Social Capital

In the final part of our interviews, we gathered our interviewee’s thoughts on social capital and what the dynamics of social capital in China consist of. Guanxi itself (13) has been mentioned as critical and of utmost importance in Chinese social capital which has also been confirmed by Wang (2016). The reason this network is so important is deeply rooted in the cultural aspects of China, which have in turn affected the dynamics of Chinese social capital. Networks in China will never cease to exist simply because society is built on this social pillar, as argued by Bian & Zhang (2014). Relationships (14) are often established after gaining the trust of the Chinese. Building relationships in China is time-costly but worth it in the end, since it will improve a foreigner’s Guanxi. As proposed by Ng et al. (2007) it will enhance the stability and performance of China endeavors to establish strong relationships. Relationships can be inherited but because of the vastness of the networks, are not the biggest aspect of social capital. Relationships are, just like networks, interrelated terms contributing to Guanxi which can be related all the way back to Confucianism (Kriz & Keating, 2010). In society, as well as business relationships, our interviewees found that trust is often lacking (15). This has been supported by Gao et al. (2012) & Kriz & Keating (2010) stating that it is hard to have a basic form of trust in your Guanxi. Trust is a vital aspect of previous literature, with Luo (2002), Ng et al. (2007) & Hitt et al. (2002). With the trust lacking, one must see to it that social capital must be bridged and bonded between Europe and China (Gao et al, 2012).

5.3 Differences in Themes

5.3.1 Strategic

Besides similarities, there were several differences found within the themes we highlighted earlier. The decision on the formal entry strategy (3) was found to be approached in multiple different angles. The interviewee of Company A mentioned entering through Hong Kong as a base of operations for the entirety of China, and the other interviewees mentioned local presence directly on Mainland China. Although in the literature we did not mention this topic, it was interesting to see the different opinions on the formal entry strategy.
Another difference within the themes was found within the other strategic considerations companies face in China (4). The interviewees of Company C and Company D stated that being aware of the impact online restrictions have for companies is important to consider. In agreement with the interviewees of Company C and Company D, Barnard (2010) argued that the entry of corporations with a generous amount of resources to employ into emerging markets and through their dedication and presence would weaken domestic firms due to their vast capabilities and knowledge. The interviewees of companies A and B mentioned that the demands are changing extremely fast as well. Even though the companies that participated in the interview are considered as SMEs, the presence and spending of resources may align them with domestic firms within niches that are not extensively explored yet in the developing market. Anti-corruption purges according to Company A has resulted in a low decision-making speed. Company C mentioned that decision making speed is not fast as well, but did not contribute this to a particular reason. Supported by Barbalet (2017), the anti-corruption campaign inaugurated by the government in 2012 due to extensive corruption in correlation with excessive economic growth has negatively affected Guanxi efficiency in some relations between corporations and government officials. This has led to greater lead times for decision-making. It is believed that China’s economy is characterized by a lack of consistent business laws and forceful governmental control over a scarce amount of resources giving rise to uncertainties and slow decision-making for firms and entrepreneurs (Foo et al., 2015). This will affect companies that are going to internationalize towards China that will eventually have to deal with the government.

Within these strategic considerations there were also several reasons mentioned as to why companies would fail (2). These include, changing legislation & demands (B & C), complexity of the market (A & C) and also the institutional distance (A & D). The voids created by an institutional distant market will constitute challenges including normative, regulatory and cognitive referring to formal rules and legislations, justified means approved by society as well as the values and beliefs held by individuals in society (Gaur et al., 2011). As the firm is moving toward a host country with a greater institutional distant, the challenges for failure are greater.

Therefore, the contextualized distance (6) was also mentioned as one of the reasons why (family) SMEs fail to comprehend the complexity of the market and that legislation was a big part of the institutions that could not be understood by European (family) SMEs. Our interviewees were divided on the concept of distance. The respondent of Company C said that the differences in bureaucracy were too big of a difference, while the respondents of Company B, Company C and Company D said that the cultural distance was the biggest impact on the contextualized distance itself. In alignment with the interviewees, Tse (2010) stated that entering a complex country like China without understanding the context of governmental legislations and rules, market implications, and to what extent the government will intervene in business operations to ensure political and social stability is pure recklessness. Moreover, it complements the limitations that European (family) SMEs see in the contextualized distance toward the Chinese market. A part of this distance was also found in the effect of European
origins. Having a successful product in Europe does not mean instant success in China. Company B argued for the fact that without education and relevance to the market, the country of origin effect will be obsolete. In three of our cases from Company A, Company C and Company D, the country of origin effect was said to be strong, and it should not be hard for European companies to position and maintain themselves. However, Company A (partly supported by Company C and Company D) argued for an increased difficulty for foreigners to do business, with rising nationalism and anti-foreignness propaganda. Therefore, one could argue that the liability of foreignness has been amplified in the recent years. It has now become a double-edged sword, which companies delicately deal with in their internationalization towards China. Accordingly, Chen et al. (2006) stated that the host country environment encompassing cultural differences influences the market entry strategies for companies seeking to pursue the Chinese market. These market strategies in accordance to physical distance have an impact on the costs of communication and travel, better coordination between headquarters but differences in cultural roots would evolve greater difficulties for them to conduct business in the host country (Chen et al., 2006).

5.3.2 Culture

Within the theme of culture, there was one theme which was different in its outcomes. The (family) relationship (10) was found to be highly important by the interviewees of Company B and D, although it was not mentioned by the other interviewees. The part of family was explicitly mentioned by the interviewee of company B and D, but others mentioned that relationships in general are instrumental to doing business in China. In line with the respondent, Shi et al. (2015) mentioned that family involvement in the firm is an advantage of capitalizing on trust. Trust was emphasized by Company C to be a vital aspect of conducting business as well highlighting the fact that trust in China is almost non-existent.

5.3.3 Social Capital

Networking (12) brought forward some contrasting views on how this is handled in China. Guanxi and networking go hand in hand, but the interviewee from company D mentioned it is a set of networks than one specific network like we know in Europe. In the past, it was easier to network according to interviewee A, but nowadays it is a bit more difficult according to company A and D. The respondent of companies A and B agreed that it as to go through a Chinese network, which will help to a much greater extent. Moreover, company C stated that in China you are not hiring the individual, you are hiring the network from which you can benefit from. In agreement with the interviewee, Guanxi is viewed as networks of informal relationships and exchanges of favors within a business activity (Qin, 2011).

Trust-building in China (16) is another complex issue. Interviewees from Company B and D mentioned that trust is gained by getting to know each other, inviting each other for dinner and having loads of interaction. Company A’s respondent mentioned that trust is nowadays impossible to get unless you are a ‘good foreigner’ and have been vouched for by another
Chinese person. Company C’s respondent mentioned that it takes a lot of work to obtain trust which is the last step in the process of three components of social capital. In accordance to the individuals interviewed, Sundaramurthy (2008) argues that trust is the willingness of one party to be vulnerable toward the actions of another party and it is created through long-term interactions leading to the formation of attachments based on mutual care (Luo, 2002).

These components of social capital in China (17) and their individual importance also differ per interviewee. The respondent from Company A mentioned that Guanxi or the network is the most important aspect of China, and the relationships and trust are of lesser importance but in order to set up a meeting it requires a certain amount of trust. The respondent of company B said that relationships and networks are intertwined, therefore forming a duality of social capital with trust being harder to obtain. Our interviewee from Company C mentioned that all these aspects are equally vital in China, but in the order of networks first, then relationships, then trust. The last interviewee from Company D mentioned that the network is the most important, with trust being a facilitator of the effectiveness of this network. Furthermore, in alignment with the interviewees the different aspects of social capital was argued by Gao et al. (2012) that in order to build effective relationships with Chinese counterparts, the foreign firm needs to connect with a Guanxi insider and put focus on activities around personal rather than organizational matters to establish solid social capital with trust being constructed over the long run.

5.4 Generalizations

Based on the similarities and differences within the themes, we were able to establish certain links within the three overarching subjects of our thesis. These will be handled per topic, with some visualized linkage provided to enhance clarity and understanding for our readers.

5.4.1 Strategic

In the first topic, there have already been many clarifying linkages provided. First, we saw that the reason to internationalize towards China encompasses three major things; the potential of China, the growing middle class and the infrastructure provided. Further strategic issues and decisions made on the path a (family) SME should take towards China can be explained in five steps. First, the preparation and analysis of (family) SMEs must be adequately executed. The reasons for failure that were mentioned (legislation, market complexity, demands & institutional distance) should be considered and taken as a precaution on how (family) SMEs have failed in China in the past. Other strategic aspects should also be considered (decision making styles, distance, liability of foreignness and online awareness and presence) and taken into the analysis. The second step is to properly dedicate time and resources to the ‘China endeavor’. The third step would be to decide on the formal entrance (a joint venture, setting up a representative office, wholly foreign owned enterprise or something like that. The fourth step includes installing a manager from Europe who has extensive knowledge and experience about China. This manager should be from the same cultural realm as the company in Europe
originates from and should know about the management style and operations of the company. The fifth and last step would then be to employ Chinese locals which can serve as a bridge between the company and China. Figure 3 shows a comprehensive overview of the steps in logical order.

Figure 3 - Strategic Steps in Internationalization towards China: Source own

5.4.2 Cultural

In the second topic which revolves around the Chinese cultural characteristics, we will provide a clearer visualization of the cultural characteristics. First off, we mentioned that culture and Confucianism are often mentioned in the same manner when talking about Chinese culture. These terms are interrelated, and three major terms stem from it that revolves around the Chinese (business) culture. These are defined as Guanxi, face culture and (family) relationships. These terms have resulted in many unique perspectives on the Chinese (business) culture and are directly linked to these terms. Terms like decision-making, prioritizing relationships, social interactions, crucial to society, hierarchy, confrontation and indirectness are all rooted in these three overarching terms. Therefore we have found several causalities between the three overarching terms of Chinese (business) culture and the unique perspectives. This aspect highlights that many parts of Chinese culture are interrelated, and is providing the reader with a comprehensive of the fundamentals of Chinese (business) culture.

As the correlation between European (family) SMEs and the Chinese view on the value of relationships are strong, it sets a foundation for a smoother transition into the foreign market. Throughout society and business in China, family sets the foundation for accessibility of resources and information. As family is highly incorporated into Guanxi and face in the cultural realm, it is a vital aspect to consider in order to obtain business success. There is a substantial overlap between family ties and business in China, where Guanxi ensures that the social networks are extended and helpful when accessing resources. The family aspect in SMEs with their intrinsic relationships gives an edge over non-(family) SMEs due their approach of establishing a sense of stability, interdependence and closure. These aspects of SMEs ensures the key evolvement of a foundation making the transition to the Chinese way of conducting business smoother. As (family) SMEs may have limitations in resources, they make it up in their expertise of human relations, more specifically inaugurating relationships. To visualize the cultural analysis of China, we have displayed Figure 4 below.
5.4.3 Social Capital

In the third topic we have provided a clear way of addressing the importance of the three components of social capital, and how to bond and bridge it for success. In Europe, the foundation has been trust in society and trust of people you do business with. This is therefore the foundation of social capital in Europe. Several relationships make up a network, and networks can be introduced to one another, or individual relationships can get in touch with one another. In China, the foundation always was, and will be the network. Network existed and will exist by passing it along to generations. In China, relationships are therefore interconnected within the network, with often second or third layers of networks that have spread in the past. Trust itself is often lacking in society and people that are connected, but this is all for the sake for the networks of the people that are included in social encounters or business settings. The foundation of social capital in China can therefore be having to do with networks and keeping face (social status) in front of them.

Bonding and bridging social capital should be utilized by the (family) SMEs in order to effectively obtain social capital in China. By strengthening the internal ties within the (family) SMEs, the relationships can be focused on externally and by unification information can ultimately be shared. Family SMEs will have an additional benefit over their non-family counterparts. Family relationships in China are ingrained in the society and culture which emphasizes the importance of family in almost every social setting. Family members are ideal in creating social capital, especially in a country with great importance of the family. Their increased dedication to the community members and the family SME is a great facilitator of bridging the social capital aspect from Europe to China. Non-family SMEs will still be able to build and bridge social capital, but due to their non-familiness it will prove to be an additional obstacle which will result in more work that needs to be done. In Figure 5 we have provided a visualization as to showcase how this must be accomplished.
5.5 Extending Current Theory on Internationalization

We can combine all the aspects of our generalizations in one comprehensive framework which extends the research done on ‘parachuting internationalization’ by Fang et al. (2017). In their work they sought to create a new approach companies could use to internationalize to China by combining to older methods rooted in research, namely the Uppsala Model and Born Global methods. Eventually ‘parachuting internationalization’ was coined as a new metaphor which encapsulates a dynamic approach of these methods. Parachuting internationally would render the Uppsala model in itself inaccurate for internationalization towards China, because of the complexities of the market. Considerations such as cultural learning, capital and resource allocation, distance of the market and planning are aspects of parachuting internationalization in the context of China (Fang et al. 2017). In this parachuting internationalization method, little emphasis on social capital in itself was presented, which is what we have elaborated on. We have developed a framework that takes the principles of ‘parachuting internationalization’ by Fang et al (2017) into account and combined it with the findings and literature of strategic, cultural and social capital related aspects. We established our framework on the findings of the approach of entering China and all its steps that must be taken provided by our interviewees. We developed four steps that European (family) SMEs must undergo in their internationalization efforts towards China. We will now provide an in-depth overview of each of the steps and what aspects must be taken into consideration in each step of the internationalization process towards China.

5.5.1 Planning and Analysis

The first step is one that should take place at roughly the same time internationalization to China is considered, namely planning and analysis. Fang et al. (2017) emphasized planning
and preparation in parachuting attempts to the Chinese market by Scandinavian firms. Based on the analysis of our themes complemented by the literature, the planning and analysis stage is among one of the first mentioned in the internationalization process. One should be aware of the strategic considerations a European (family) SME has to beware in order to properly conduct an analysis and prepare itself for the Chinese market. These considerations include the similarities and differences our interviewees have provided us with, which include the actual demand of a product or service, the awareness of current online and social media restrictions and the current state of decision-making on a governmental and strategic level in China.

Moreover, the European (family) SME should identify its origins and how that foreignness might affect, or turn into a liability. The current state of LOF is one of a double-edged sword, which effects could be either negative or positive for businesses. To mitigate this effect (family) SMEs must be aware how to, or how not to use their foreignness to their advantage or disadvantage. Although Fang et al. (2017) did not focus on the reasons for failures in the past, our interviewees mentioned several aspects that must be considered from a strategic point of view. Forever changing demands increase the hardship faced by many European companies. Therefore, an extremely thorough analysis must be executed. The market complexities are not always understood, especially due to its volatility and big differences in legislation and bureaucracy. The distance between the markets is not the biggest issue (supported by Fang et al. (2017)), but the ‘mental’ and cultural distance was noticed to affect the failure rate of (family) SMEs internationalization towards China.

Therefore the preparation on this aspect should also be extend by fully converting the cultural characteristics into tacit knowledge. Figure 4 highlights the importance of Confucianism in Chinese society, which can be supplemented with the aspects of Guanxi, face culture and the importance of (family) relationships. The correlation between societal peculiarities and these three overlapping terms are linked within and throughout culture. Fang et al. (2017) proposed that culture is a dynamic phenomenon which has to be experienced and learned over time instead of preparing for it, something that our interviewees mentioned as critical for successful entry in China.

### 5.5.2 Time and Resource Allocation

The second step described as time and resource allocation should be addressed subsequently by analyzing the current market in China. As emphasized by all of our interviewees, time and devotion of resources needed in order to successfully venture toward China are of great importance. Fang et al. (2017) asserted the incremental need of allocating a vast amount of financial capital and resources in order to penetrate the Chinese market, while time was not mentioned. Through the interviews conducted with individuals with extensive experience in China, not ensuring enough time was one of the major drivers for failure due to everything in China is developing and moving incredibly fast that companies must be proactive toward these changes. The relevance of allocating financial resources has been widely discussed throughout the interviews, extending the amount toward the double of what has been done in the domestic market. Using a wide range of approaches in ensuring support of setting aside an adequate
amount of resources for internationalization was argued by Fang et al. (2017). These approaches included support through organic growth, networks or joint relationships with other actors on the foreign or domestic market. These approaches are all in favor of supporting the globalization efforts done by the European (family) SMEs.

Moreover, the networks and building up relationships with key individuals was highlighted throughout the themes. The Europeans (family) SMEs must deploy their resources by considering using local expertise with current firm expertise. Establishing relationships and beginning to build the Guanxi required for European (family) SMEs to network is regarded as highly important in this stage. Based on our generalizations within the social capital findings, this is the stage where the social capital possessed by the European (family) SME should be utilized to shape its social capital in China (Wang et al., 2016). The relationships that exist within the family can be leveraged as a source and facilitator of relationships with China. This may enhance the family's competitiveness in the Chinese social capital construction (Arregle et al., 2007). Building and bridging of the social capital is, as we generalized earlier, of the utmost importance in successfully obtaining a Guanxi in China.

Kontinen & Ojala (2011) proposed that in order for social capital to be bridged, the bonds within the (family) SME should be strong. Strong network ties in the own realm will assure easier steps in bridging the actual social capital towards China. Bridging the networks of both Europe and China will foster the foundation of opportunities and choices related to the next step. Adler & Kwoon (2002) mentioned this two-step method in the social capital transference for gaining a stronger social capital in an unfamiliar setting. The relationship-building of family members can be considered as an additional factor in overcoming the challenges regarding Chinese social capital creation (Danes et al., 2009). Bonding and bridging social capital can be achieved by both family and non-family SMEs, although the influence of family in the social capital creation can be considered as a decisive factor for family SMEs which eases this process.

5.5.3 Entry Strategy China

After the planning and analysis and allocation of time and resources have taken place, one should take the third step of entering the Chinese market. Fang et al. (2017) have made parachuting the overall strategy to expand towards China, yet propositions on a hypothetical entrance is lacking. Cases from Scandinavian companies that entered China in the past vary within the level of ownership and dedication (Fang et al. 2017). Our findings have constructed a viable way of practical considerations in a hypothetical entrance in China based on real-life experience combined with literature. Entry in China should include a choice of location for the base of operations. One should decide between Hong Kong or Mainland China, depending on activities and secondary significance of location to the (family) SME. Within China, a choice between first-tier cities such as Beijing, Shanghai and Guangzhou (or Shenzhen) is among the most obvious. Then, decisions on the form of the subsidiary should be made. The most favorable alternatives include a WFOE (wholly foreign owned enterprise) or setting up a representative office in China depending on the resources that can be allocated towards the
China endeavor. The least favored alternative consists of setting up a joint venture with a Chinese company. Experience has taught that contracts with the Chinese have resulted into several legal issues and have often ended up in court, therefore obliterating the trust between the European (family) SME and the Chinese counterpart.

In order to get the right contacts to prepare the entrance, European (family) SMEs must utilize their network that they started to build in China during the second step. The relationships within the network can not only be used in finding the right location and price negotiations, but also serves as a gateway to enhance the SMEs own network in China by opening many doors with the right network. Trust is vital in obtaining the right information from your relationships, but since it is so hard to obtain European (family) SMEs must find ways to trust the newly acquired relationship. By utilizing the historical as well as current Chinese cultural developments, the element of trust can be cultivated between Europe and China in the internationalization attempt. Family and non-family members and their cooperation is deeply affected by trust, which has provided family SMEs and family members of SMEs with experience in internal trust-building (Hadjielas & Poutziuris, 2015; Child & Möllering, 2003). By understanding the culture of China, the barriers of trust building can be lifted step-by-step to ease the trust-development process as well (Luo, 2002). Guanxi, face culture and the importance of (family) relationships will all prove to be beneficial to understand in order to build trust within the relationships to further the (family) SMEs network. Cross cultural adaptation would prove to be an additional benefit to the social capital development and the success of the entry strategy (Gao et al., 2012).

5.5.4 Management and Employment Decisions

The last step after entering the Chinese market is the crucial step of management and employment decisions. In order to overcome strategic obstacles related to resource constraints, restrictions on internet usage in social media, employment of personnel and the liability of being a foreigner it is vital to establish strong and long-term relationships. These liabilities encompass being regulated to a much larger extent than a Chinese firm, legislations and rules are completely different compared to domestic market, and the difficulty of employing personnel in China. These liabilities are greatly due to the absence of an extensive firm history and the unwillingness of people to trust foreigners. An entrant firms’ liability of foreignness is composed of different barriers of a more or less permanent nature (Petersen & Pedersen, 2002), stemming from three major sources involving (1) language and culture differences, (2) economic and political regulations and (3) distance between the parties (Mezias, 2002). Managerial constraints within these obstacles can be overcome by initiatives including setting up an office in China with a manager that has experience from both cultural realms and has the support of a local agent. Additionally, when employing a Chinese person with a different view on both culture and how business is conducted, the manager needs to act proactively and display strong leadership skills toward these individuals. Chinese employees must be instructed on what to do otherwise they will be on standby due to their unfamiliarity of taking own initiatives and the impact of face culture. Face in the broad context refers to the image and reputations recognized and gained by others because of adhering to moral norms and self-
constrain (Shi et al., 2017). Moreover, these individuals will be ineffective because of the fear of doing something wrong would result in losing face. A visualization of all these steps and the implications of social capital can be found in Figure 6.

By believing and installing social capital in form of trust into Chinese individuals within the firm the outcome could be beneficial, as emerged from our themes. Fairness and trust help develop strong relationships and if the company demonstrates trust behavior to all of its employees, then the company is less likely to make sacrifices or priorities when it comes to resource allocations (Chang et al., 2016). But as the business culture is immensely different, the firm must implement their own control system to ensure favorable outcomes. Hitt et al. (2005) claimed that foreign entrants need to learn about the culture and how to operate in an institutionally constrained environment. Cultural differences are not seen as static or a bad thing according to Fang et al. (2017), instead it can be viewed as something that can be learned and transformed to ensure a cultural balance. Embracing strong leadership skills from the Chinese cultural realm, embodying the approach of European self-management techniques and investing faith and trust into individuals will improve results. Throughout the themes, it was argued that being present was a presumption. Further, by being present it was meant that there was a need of having an individual whom has experience from both domestic market and host market (China) to be placed in China. European (family) SMEs should take advantage of their own expertise and mix it with the Chinese way of doing business. Fang et al. (2017) argued that even though how great the spatial (geographic) or mental (culture) distance is, firms are given the opportunity to take part of many different markets simultaneously. The new trends of globalization lets the cultural learning process to move along faster and smoother than before (Fang et al., 2017).

However, as information and circumstances both online and offline are drastically changing in China, knowledge about what is and has been quickly becomes obsolete, as mentioned by our respondents. The intensity of changes in the Chinese market is making the most successful strategies weak (Tse, 2010). The information and trends that emerge on the internet will not be beneficial for firms that wish to stay ahead. The interviews underlined the consequence of not being present, suggesting that firms will lose crucial years to market development and competitors. Thus, the given expertise on options to internationalize to China were to construct business relationships with local agents or other capable parties, which were not addressed in the parachuting approach. Moreover, the themes that emerged from the interviews highlighted that building, developing and sustaining social capital in form of networks and relationships are of highest importance. By instigating emphasis on interactions and relationships with others, companies can gain access to external resources in form of information, financial capital and market opportunities (Gao et al., 2010). These interactions must be executed through incentivized meetings with financial benefits for the domestic party. Business relationships with a Chinese counterpart are to a larger extent based on networks with key individuals, ensuring that a healthy relationship is built and safeguarding mutual trust between the parties. Hitt, Lee & Yucel (2002) refer to the network of social capital in the business environment to a system of reciprocity, trust, commitment and interdependencies. If used effectively, it creates value in the end. As communicated by our respondents, trust is barely existent in China and
takes a very long time to construct due to the amoral behavior of individuals in the Guanxi networks. Due to the long history of corruption in the Guanxi networks, trust is almost obsolete and needs to be institutionalized to overcome the barrier of mistrust among individuals and corporations (Child & Möllering, 2003).

**Figure 6. Combination of Strategic, Cultural and Social Capital aspects: Source own**

<table>
<thead>
<tr>
<th>Stage 1: Planning &amp; Analysis</th>
<th>Social Capital:</th>
</tr>
</thead>
<tbody>
<tr>
<td>➤ Consider Strategic Issues</td>
<td>FAMILY</td>
</tr>
<tr>
<td>➤ Analyze Potential Reasons for Failure</td>
<td>Network: assess current network</td>
</tr>
<tr>
<td>➤ Identify and Prepare for Chinese Cultural Characteristics</td>
<td>Relationship: not applicable</td>
</tr>
<tr>
<td></td>
<td>Trust: not applicable</td>
</tr>
<tr>
<td>➤</td>
<td>NON-FAMILY</td>
</tr>
<tr>
<td></td>
<td>Network: assess current network</td>
</tr>
<tr>
<td></td>
<td>Relationship: not applicable</td>
</tr>
<tr>
<td></td>
<td>Trust: not applicable</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stage 2: Time &amp; Resource Allocation</th>
<th>Bonding and Bridging Social Capital:</th>
</tr>
</thead>
<tbody>
<tr>
<td>➤ Dedication of Financial Resources</td>
<td>FAMILY</td>
</tr>
<tr>
<td>➤ Ensuring Time Dedication</td>
<td>Network: build network or guanxi through relationships</td>
</tr>
<tr>
<td></td>
<td>Relationship: build relationships by emphasizing family relationships whilst socializing</td>
</tr>
<tr>
<td></td>
<td>Trust: not applicable</td>
</tr>
<tr>
<td></td>
<td>NON-FAMILY</td>
</tr>
<tr>
<td></td>
<td>Network: build network or guanxi through relationships</td>
</tr>
<tr>
<td></td>
<td>Relationship: build relationships through socializing</td>
</tr>
<tr>
<td></td>
<td>Trust: not applicable</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stage 3: Entry Strategy China</th>
<th>Social Capital:</th>
</tr>
</thead>
<tbody>
<tr>
<td>➤ Choice of Location</td>
<td>FAMILY</td>
</tr>
<tr>
<td>➤ Decision on form of subsidiary</td>
<td>Network: use relationships to enhance network</td>
</tr>
<tr>
<td>➤ Experiencing Chinese Cultural Characteristics</td>
<td>Relationship: create trust within relationships</td>
</tr>
<tr>
<td></td>
<td>Trust: build trust by understanding culture and utilize family trust experience</td>
</tr>
<tr>
<td></td>
<td>NON-FAMILY</td>
</tr>
<tr>
<td></td>
<td>Network: use relationships to enhance network</td>
</tr>
<tr>
<td></td>
<td>Relationship: create trust within relationships</td>
</tr>
<tr>
<td></td>
<td>Trust: build trust by understanding culture</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stage 4: Management &amp; Employment Decisions</th>
<th>Social Capital:</th>
</tr>
</thead>
<tbody>
<tr>
<td>➤ Install European Manager</td>
<td>FAMILY</td>
</tr>
<tr>
<td>➤ Embracing Chinese Cultural Characteristics</td>
<td>Network: use network to find right candidates</td>
</tr>
<tr>
<td>➤ Hire Local Chinese Employees</td>
<td>Relationship: develop relationship through trust</td>
</tr>
<tr>
<td></td>
<td>Trust: ensure trust by Chinese employees in European management</td>
</tr>
<tr>
<td>➤</td>
<td>NON-FAMILY</td>
</tr>
<tr>
<td></td>
<td>Network: use network to find right candidates</td>
</tr>
<tr>
<td></td>
<td>Relationship: develop relationship through trust</td>
</tr>
<tr>
<td></td>
<td>Trust: ensure trust by Chinese employees in European management</td>
</tr>
</tbody>
</table>
6. Conclusion

Throughout this chapter we will conclude our findings to answer our research question.

Internationalization is a complex topic, a strategic issue that has been or will be faced by (almost) all European SMEs, be it family or non-family SMEs. Internationalization towards China brings forward additional complexities for these companies due to the various differences between Europe and China. Large enterprises and multinationals can easily tap into and deploy resources and capabilities where they see fit, but (family) SMEs do not possess this luxury. Effective and efficient resource allocation must be accomplished with limited capabilities. The opportunities and limitations for foreigners venturing toward China entail a vast amount of possibilities due to the emerging middle class, while constraining factors include the diverse culture and restricting business environment. European (family) SMEs with limited resources struggle to overcome those restrictions revolving around the complex culture and business environment in China. Moreover, the interviewees argued for the fact that without presence, allocating enough resources and embracing the culture are necessities which firms cannot afford to neglect. Therefore, social capital has been identified to have the potential to be the decisive factor in determining the success of a European (family) SME when internationalization towards China is considered. This resulted in research on prior knowledge on the three topics of (family) SMEs internationalization, Chinese cultural aspects and (family) social capital. Having reviewed the literature, the novelty of this study was found in the combination of all these three aspects. By combining these aspects we crafted a research question which would shed light on this previously unknown area of research:

How do (family) SMEs combine their different components of social capital to achieve greater performance in the internationalization process to China?

When weighing the evidence from the analysis, the implementation of the different aspects of social capital into the internationalization strategy were critical for the outcome. The business relations with the Chinese counterpart for European (family) SMEs should all put emphasis on constructing thorough but also stable relationships and networks. This is crucial in order to lessen the liability of being a foreigner. In order to successfully venture into China for European (family) SMEs, we merged together valuable contributions from the interviews with current theory to further draft a model with intrinsic steps. These steps encompass careful planning and analysis of the current market situation, dedicating time and resources to withstand constraints and limitations, entering the market and lastly administering management and employment decisions by using cultural understanding of the current setting in China’s complex environment.

Throughout the four stages, it is critical to understand the cultural characteristics of society as well as business or formal settings. The three most important aspects of culture (Guanxi, face
culture and (family) relationships) are the most influential on the European (family) SME and their preparation for the Chinese (business environment). By utilizing one’s social capital, both learnings and adaptations from the Chinese culture can be acquired. This would entail understanding of social settings in meetings to preserve or gain face by using your network, understanding the importance of (family) relationships by exposure to your Chinese network and relationships and optimizing one’s own Guanxi by extensive networking and relationship-building efforts that are crucial in creating long-lasting relationships in China. Both family and non-family SMEs can utilize their social capital in their own, distinct way throughout the internationalization process as we have demonstrated before.

This all leads to the measurement of performance for the European (family) SME in their internationalization towards China. The performance can be measured in two distinctive ways, namely tangible and intangible performance. The tangible measures of performance can be experienced by utilizing the social capital. Since Guanxi is claimed to be the most decisive factor in China, it has the potential to enhance one’s tangible performance. Nurturing and using one’s Guanxi results in obtaining contracts or deals that would otherwise not exist for someone. Therefore, in a tangible sense, the eventual (financial) performance is strongly affected by how extensive you’re Guanxi or network is. Social capital will also assist European (family) SMEs in a smoother execution of the entry strategy, since relationships and the network can be used to find the best deals on the location, handling local formalities and cooperation with local market analysis companies is eased just to name a few. The intangible measures of performance are found within the domain of social capital mainly. After market entry has been fully established the quality of the social capital will be enhanced. Through dedication of the (family) SME in the earlier stages of the internationalization process a bigger network can be seen, as well as the quality of that network. Relationships that have been built have high levels of mutual trust which is of the utmost importance in China. Furthermore, the cooperation between European management and Chinese employees will be enhanced due to the cultural understanding through socializing and preparing for social encounters for the European managers. In the end, the quality of the social capital will influence the ultimately performance of the company in China. It appears that the intangible performance is directly linked to the tangible performance of the European (family) SME in China.
7. Discussion

Throughout the discussion we provide other interpretations that correlate with the theoretical foundation of parachuting internationalization, the practical and theoretical contributions of this thesis, the limitations of our study and the future research areas that can be explored.

7.1 Extension of Parachuting Internationalization

By utilizing the theory of parachuting internationalization proposed by Fang et al. (2017) we had the ability to construct our own framework because of our findings. We felt, however, that the parachuting internationalization method is a unique concept, so we utilized our framework to visualize the theory provided by Fang et al. (2017).

Aspects of their theory only acknowledged revolved around resource allocation of firms, spatial distance of the market, planning and cultural learning which disregarded the aspect of social capital. We have addressed this in the creation of our own framework, in which we explained each step and the importance of social capital in each of these steps.

For that purpose, we created a model encompassing Planning & Analysis, Time & Resource Allocation, Entry Strategy into China and Management & Employment Decisions combined with family and non-family social capital. As the current perspective on internationalization strategies only take tangible aspects into consideration without acknowledging the importance of intangible social variables, this model ensures an important extension and contribution to current strategies. The family and non-family aspect of social capital was an additional factor to consider because of their distinct variances in structure and ability to comprehend disruptions and obstacles in the internationalization strategy. Though this model favors the family aspect of social capital because of it being in close correlation with the Chinese view on culture and how it influences a firm's performance. That said, non-(family) SMEs still have advantages in form of resources accessibility and speed of decision-making but also able to incorporate the aspects of social capital that (family) SMEs inherit.

Aspects that surfaced from the analysis, suggested that the difference between family and non-(family) SMEs was close to nonexistent showing that the implication of the model would be sufficient for both types of firms. As shown by the illustration of the model, extended parachuting model highlights the importance of carefully passing through each of the four steps suggested, to be able to utilize the social capital (box) when venturing into China. So, we suggest that (i) the model could be potentially applied by family and non-(family) SMEs, (ii) aspects of relationship, trust and networking (family attributes) benefit the outcome, (iii) the Chinese culture characteristics encompassing Confucianism, Guanxi and Face are immensely different from other markets making them essential factors to consider and install into the internationalization strategy toward China.
We emphasized the possibility of transforming the current model of Fang et al. (2017) with the implication of social capital, which allows extending the current view on internationalization strategies to China.

**Figure 7 - Parachuting Internationalization with Social Capital towards China: Source own**

![Diagram of Parachuting Internationalization with Social Capital towards China]

### 7.2 Practical & Theoretical Contributions

After finalizing our research, we found that several implications for practice as well as theory have arisen. The practical considerations or implications can be seen as the most impactful, since we have provided a framework that can be used in the international endeavors towards China. The first implication for practice is outlining the strategic path for European (family) SMEs that consider internationalizing towards China. With our framework, European (family) SMEs have certain stages that they can identify in their endeavors to be aware of the steps that need to be taken in accordance with the respective stage they find themselves in. This will limit the dependency and involvement of third parties during the internationalization process. Secondly, managers who are eager to obtain effective leadership and management styles in China are provided with the business culture and several business settings. This aims to improve or develop the effectiveness of management applied by European managers in China.
to have good relationships with their employees, as well as gaining a cultural insight in doing business in China.

The third practical implication this study would have is on the intermediaries and advisory companies that are currently advising (family) SMEs on their entrance in the Chinese market. The implication could be either positive or negative. The positive aspect would entail that they are equipped with theoretical knowledge which could support their advice for European (family) SMEs. This will enhance the quality of the advice, provided that it is clarified for the receiving European (family) SME. The negative aspect could entail that the European (family) SMEs could also utilize this paper which results in an independent stance towards the internationalizing, therefore making the role of the intermediary obsolete. The last implication this paper could have on practicalities is the social interaction and the rules of engagements can be clarified. Foreigners who are clueless or have had no previous interaction with the Chinese before can become aware of faux-pas in social etiquette, which can prevent embarrassment for Chinese and Europeans alike.

Besides the practical implications of our study, several implications for theory were identified. This area of theory in itself is quite underdeveloped, as we have shown in the gaps in literature. We have opened up a new area of research which combines three aspects of social capital, (family) SME internationalization and within the context of China and its (business) culture. Researchers are capable of going in-depth in this theoretical aspect or going beyond these three aspects. By expanding the parachuting model proposed by Fang et al. (2017) researchers will also be able to enhance our interpretation of parachuting and internationalization, to the benefit of academics.

### 7.3 Limitations

We have identified several limitations that can be acknowledged after we evaluated our study. First and foremost, the thesis will be conducted within the area of internationalization strategies for European (family) SMEs (small-medium enterprises) toward China with the perspective of social capital. Additionally, the firms that we adhere to need to have either business set up in China or business relations with a Chinese counterpart. As internationalization strategies itself are widely researched we have decided to focus on the social capital paradigm and how it influences SMEs when venturing into China. Further, only parts referring to trust, relationships and networking will be regarded within the scope of social capital. We did not consider large enterprises or multinationals to take part in this research due to their large pool of resources and capabilities making social capital a minor element in internationalization strategies.

Secondly, as China being an important aspect of our research we emphasize the Chinese culture as an essential part but we are not going in-depth on it, only recognizing the aspects of Guanxi, Face Culture and Confucianism. Therefore highlighting the characteristics of Chinese (business) culture on society and throughout different layers of the societal hierarchy. The Chinese culture is vastly more complex and dynamic, for the sake of relevancy we chose to highlight these three influencing aspects of Chinese (business) culture.
Thirdly, we would like to point out that our research is limited to the qualitative nature of the study. The practical experiences obtained by our interviewees and their respective companies are approached from a subjective perspective, with a lower level of objectivity integrated as well. Due to this subjectivity and individual realities, the cases and their interpretations cannot be linked to quantitative results.

Although our research question could imply that a quantitative study would be more appropriate (performance measurement), it relates to the intangible performance of the company whereby greater networks, increased trust and a multitude of relationships have been established within China. Moreover, as we are investigating the influence of the multifaceted nature of social capital and Chinese culture on internationalization strategies, a qualitative study would be more appropriate.

Furthermore, an additional limitation of our study encompasses the accessibility of potential interviewees. In the appendix it is shown that we have contacted a hundred companies, but eventually only four interviewees and cases were mutually agreed upon. Reasons for this low level of accessibility include time of our potential interviewees, position within the organization (mostly upper or senior management), current activities of contacted companies and the confidentiality or sensitivity of information (strategy-related) but also time constraints on our behalf. Therefore, the results that we obtained may not be generalizable toward the whole population.

7.4 Future Research

The scope and implications of this thesis surrounded areas of research that has not been thoroughly touched upon, which suggested a degree of complexity for us. As stated in the previous section, our study encountered several limitations and restrictions contributing to areas of research that would be of interest for future endeavors. Furthermore, for future research we want to inspire researchers to pursue a different kind of path, more precisely using a longitudinal approach to see within one case of a European (family) SME that ventured toward China to address and examine what aspects, resources and capabilities within this firm are exercised and what the outcome would be. Additionally, researchers could also investigate a successful and unsuccessful venture of a (family) SME through the aspects addressed in this thesis to further observe what attributes and characteristics were contributing and restricting. Also, the entrance into China with a complex culture surrounding everything from social interactions to business and governmental relations, we merely touched upon a modest part of Chinese culture (Guanxi, Face and Confucianism), which would give the opportunity for other researchers to explore further. To move deeper into Confucianism would promote diverse aspects to surface that could be compelling to examine.

Additionally, by using the importance of social capital in internationalizing toward other countries combined with its domestic culture for European (family) SMEs, and see what the difference or similarities would then be. This would encompass entering markets like Africa, South America and North America or other Asian countries. Furthermore, the scope of the research was within the main topic of social capital focusing on the variables of relationships,
trust and networks, which disregarded socioemotional wealth, long-term orientation and risk aversion. These aspects would then be possible for the researcher to dive deeper into and investigate the impact it has on the internationalization strategy toward China or any of the other aforementioned markets. Not to mention, as we set the focus on our research through the lens of social capital, focusing on how individuals interact in the social networks, another area of research to explore would be another form of business capital (human capital). Human capital in this sense shifts the focus onto skills, experience and knowledge of individuals in a firm and the significance of pursuing this trail would be to observe the interrelationship among these skills and the internationalization strategy into China.
8. Reference List


76


## Appendix

### Appendix 1: Collection of Literature

<table>
<thead>
<tr>
<th>Which Platform?</th>
<th>Web of Science</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period of Timeliness?</td>
<td>Between 2000 and 2018</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Keywords Used:</th>
<th>Number of Articles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Business AND China</td>
<td>168</td>
</tr>
<tr>
<td>Family Business AND China AND Culture</td>
<td>38</td>
</tr>
<tr>
<td>Entry Strategy AND China</td>
<td>254</td>
</tr>
<tr>
<td>Entry Strategy AND China AND Emerging Economies</td>
<td>95</td>
</tr>
<tr>
<td>family business AND international model</td>
<td>95</td>
</tr>
<tr>
<td>institutional distance AND international (family) SMEs AND international AND influence</td>
<td>135</td>
</tr>
<tr>
<td>Total Article number</td>
<td>838</td>
</tr>
<tr>
<td>Total Selected # of Articles</td>
<td>27</td>
</tr>
<tr>
<td>Total Selected by Snowballing</td>
<td>13</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Keywords Used:</th>
<th>Number of Articles</th>
</tr>
</thead>
<tbody>
<tr>
<td>business AND China AND culture</td>
<td>544</td>
</tr>
<tr>
<td>Guanxi AND business</td>
<td>491</td>
</tr>
<tr>
<td>Guanxi AND family business*</td>
<td>30</td>
</tr>
<tr>
<td>Guanxi AND Face culture</td>
<td>38</td>
</tr>
<tr>
<td>Face culture AND Western*</td>
<td>109</td>
</tr>
<tr>
<td>Confucianism AND Business</td>
<td>62</td>
</tr>
<tr>
<td>Total Article number</td>
<td>1274</td>
</tr>
<tr>
<td>Total Selected # of Articles</td>
<td>20</td>
</tr>
<tr>
<td>Total Selected by Snowballing</td>
<td>7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Keywords Used:</th>
<th>Number of Articles</th>
</tr>
</thead>
<tbody>
<tr>
<td>social capital AND trust AND relationships AND networks</td>
<td>144</td>
</tr>
<tr>
<td>Total Article number</td>
<td>144</td>
</tr>
<tr>
<td>Total Selected # of Articles</td>
<td>22</td>
</tr>
<tr>
<td>Total Selected by Snowballing</td>
<td>4</td>
</tr>
</tbody>
</table>

Total Amount of Articles Used in Literature Review | 93 |
## Appendix 2 – Approaching Potential Companies to Interview

<table>
<thead>
<tr>
<th>#</th>
<th>Company</th>
<th>Date of Email (sent)</th>
<th>Date of Email (Received response)</th>
<th>Response</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Context Vision</td>
<td>2018-03-05</td>
<td>2018-04-10</td>
<td>No</td>
<td>Decided not to take part in the research</td>
</tr>
<tr>
<td>2</td>
<td>Kvaser</td>
<td>2018-03-05</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>3</td>
<td>LEAX</td>
<td>2018-03-05</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>4</td>
<td>ABB</td>
<td>2018-03-05</td>
<td>2018-03-05</td>
<td>Send to different office</td>
<td>Resent our request to different office, got ignored</td>
</tr>
<tr>
<td>5</td>
<td>Skagerak</td>
<td>2018-03-12</td>
<td>2018-04-02</td>
<td>Too busy to give explanation thoroughly, got minor feedback</td>
<td>Answered few questions, then did not respond</td>
</tr>
<tr>
<td>6</td>
<td>Philips</td>
<td>2018-03-05</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>7</td>
<td>H&amp;M</td>
<td>2018-03-05</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>8</td>
<td>IKEA</td>
<td>2018-03-05</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>9</td>
<td>Oriflame</td>
<td>2018-03-05</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>10</td>
<td>Kinnarps</td>
<td>2018-03-05</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>11</td>
<td>Ludvig Svensson</td>
<td>2018-03-05</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>12</td>
<td>Somas</td>
<td>2018-03-05</td>
<td>2018-03-06</td>
<td>No</td>
<td>Decided not to take part in the research</td>
</tr>
<tr>
<td>13</td>
<td>Absolent</td>
<td>2018-03-05</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>14</td>
<td>Mentice</td>
<td>2018-03-05</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>15</td>
<td>Car-O-Liner</td>
<td>2018-03-05</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>16</td>
<td>Fingerprints</td>
<td>2018-03-05</td>
<td>2018-03-05</td>
<td>No</td>
<td>Found it very interesting but company is busy downsizing so answer was no</td>
</tr>
<tr>
<td>17</td>
<td>Hästens</td>
<td>2018-03-05/19-04/10</td>
<td>N/a</td>
<td>No</td>
<td>Ignored, email sent 3 times (addressed to CEO &amp; managers)</td>
</tr>
<tr>
<td>18</td>
<td>Clas Ohson</td>
<td>2018-03-06</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>19</td>
<td>Callenberg Technology</td>
<td>2018-03-19</td>
<td>2018-03-19</td>
<td>Yes, then no</td>
<td>Was interested in participating and set up a date but then ignored after several contact attempts</td>
</tr>
<tr>
<td>20</td>
<td>Swedish Chamber</td>
<td>2018-03-19</td>
<td>2018-03-20</td>
<td>Yes, then no</td>
<td>Forwarded it to someone else, then ignored</td>
</tr>
<tr>
<td>21</td>
<td>Company B</td>
<td>2018-03-25</td>
<td>2018-04-11</td>
<td>Yes</td>
<td>Yes, very interested</td>
</tr>
<tr>
<td>22</td>
<td>JDN Germany</td>
<td>2018-03-25</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>23</td>
<td>JDN Group</td>
<td>2018-03-25</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>24</td>
<td>Business Sweden</td>
<td>2018-03-25</td>
<td>2018-03-26</td>
<td>No</td>
<td>Did not want to participate</td>
</tr>
<tr>
<td>25</td>
<td>NCS Colour</td>
<td>2018-04-10</td>
<td>2018-04-11</td>
<td>No</td>
<td>Too busy to participate</td>
</tr>
<tr>
<td></td>
<td>Company Name</td>
<td>Start Date</td>
<td>End Date</td>
<td>Response</td>
<td>Notes</td>
</tr>
<tr>
<td>---</td>
<td>-----------------------</td>
<td>------------</td>
<td>----------</td>
<td>----------</td>
<td>--------------------------------------------</td>
</tr>
<tr>
<td>26</td>
<td>Martin-Bencher</td>
<td>2018-04-10</td>
<td></td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>27</td>
<td>Asian Tigers Group</td>
<td>2018-04-10</td>
<td></td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>28</td>
<td>Airec</td>
<td>2018-04-10</td>
<td></td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>29</td>
<td>Regin</td>
<td>2018-04-10</td>
<td></td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>30</td>
<td>Connect2China</td>
<td>2018-04-10</td>
<td></td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>31</td>
<td>Yourlink2Asia</td>
<td>2018-04-10</td>
<td>2018-04-11</td>
<td>Yes, then no</td>
<td>Was interested in participating then we emailed the person 2 more times and was ignored</td>
</tr>
<tr>
<td>32</td>
<td>Fergas</td>
<td>2018-04-10</td>
<td></td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>33</td>
<td>Company A</td>
<td>2018-04-10</td>
<td>2018-04-14</td>
<td>Yes</td>
<td>Was very interested in participating</td>
</tr>
<tr>
<td>34</td>
<td>Pripac</td>
<td>2018-04-10</td>
<td></td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>35</td>
<td>HappyRabbit</td>
<td>2018-04-10</td>
<td></td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>36</td>
<td>BorisDesignStudio</td>
<td>2018-04-10</td>
<td></td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>37</td>
<td>Swedbiz</td>
<td>2018-04-10</td>
<td></td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>38</td>
<td>BambooinAsia</td>
<td>2018-04-10</td>
<td></td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>39</td>
<td>Konstsmide</td>
<td>2018-04-10</td>
<td></td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>40</td>
<td>The Swedish Club</td>
<td>2018-04-10</td>
<td></td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>41</td>
<td>Gaia Leadership</td>
<td>2018-04-10</td>
<td></td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>42</td>
<td>Air Revival</td>
<td>2018-04-10</td>
<td></td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>43</td>
<td>Sveba-Dahlen</td>
<td>2018-04-10</td>
<td></td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>44</td>
<td>C'monde</td>
<td>2018-04-10</td>
<td></td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>45</td>
<td>AlfaLaval</td>
<td>2018-04-10</td>
<td></td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>46</td>
<td>AntikWest</td>
<td>2018-04-10</td>
<td></td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>47</td>
<td>BB</td>
<td>2018-04-10</td>
<td></td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>48</td>
<td>Bombardier</td>
<td>2018-04-10</td>
<td></td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>49</td>
<td>Brokk</td>
<td>2018-04-10</td>
<td></td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>50</td>
<td>CellWood</td>
<td>2018-04-10</td>
<td></td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>51</td>
<td>Crem International</td>
<td>2018-04-10</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>52</td>
<td>Duxiana</td>
<td>2018-04-10</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>53</td>
<td>Axson</td>
<td>2018-04-10</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>54</td>
<td>Company D</td>
<td>2018-04-10</td>
<td>2018-04-11</td>
<td>Yes</td>
<td>The person wanted to participate and set up a date in April, then rescheduled for May</td>
</tr>
<tr>
<td>55</td>
<td>MPS Globe</td>
<td>2018-04-13</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>56</td>
<td>NBH</td>
<td>2018-04-13</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>57</td>
<td>Wallenius Water</td>
<td>2018-04-13</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>58</td>
<td>ABA Care</td>
<td>2018-04-13</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>59</td>
<td>EASAB</td>
<td>2018-04-13</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>60</td>
<td>Inclusive Business</td>
<td>2018-04-13</td>
<td>2018-04-13</td>
<td>No</td>
<td>There was no interest in participating</td>
</tr>
<tr>
<td>61</td>
<td>SIDA</td>
<td>2018-04-13</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>62</td>
<td>GZ China</td>
<td>2018-04-16</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>63</td>
<td>CBBC</td>
<td>2018-04-16</td>
<td>2018-04-17</td>
<td>No</td>
<td>Information was confidential and did not want to participate</td>
</tr>
<tr>
<td>64</td>
<td>DCCSC</td>
<td>2018-04-16</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>65</td>
<td>Company C</td>
<td>2018-04-16</td>
<td>2018-04-23</td>
<td>Yes</td>
<td>Very interested in participating</td>
</tr>
<tr>
<td>66</td>
<td>NCCC</td>
<td>2018-04-16</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>67</td>
<td>YivaDigital</td>
<td>2018-04-17</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>68</td>
<td>WSP Textiles</td>
<td>2018-04-17</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>69</td>
<td>WSET</td>
<td>2018-04-17</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>70</td>
<td>Tiptree</td>
<td>2018-04-17</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>71</td>
<td>Wei Yang &amp; Partner</td>
<td>2018-04-17</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>72</td>
<td>Vision 247</td>
<td>2018-04-17</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>73</td>
<td>Naric</td>
<td>2018-04-17</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>74</td>
<td>TMF-Group</td>
<td>2018-04-17</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
<tr>
<td>75</td>
<td>Softbrick</td>
<td>2018-04-17</td>
<td>N/a</td>
<td>No</td>
<td>Ignored</td>
</tr>
</tbody>
</table>
Appendix 3 - Questionnaire

**General & Strategic Questions**

The questions stated below are more general, overarching questions about the internationalization toward China. If you believe that there are questions or areas that are missing, please reflect over these aspects.

---

**General:**

- What is your current position and role in your organization?
- What are your current activities in China?
- What have been the most important developments in China in the past decade(s)?
- What is challenging about being in your position in China?

**Strategic:**

- Why did you expand towards China? OR Why do companies expand towards China?
- How did you enter China? OR How do SMEs enter China?
- Is it difficult to position a European company in the Chinese market?
- What is important to consider during international expansion?
- How would you choose your entry mode decision when expanding your activities to China?
- Does distance between Europe and China influence expansion strategies?
- What do the Chinese think of European brands?
- Do you recognize challenges with regards to trustworthiness of a European brand?
Cultural & Social Capital Questions

The questions below will encompass the cultural and social capital aspects of encountering Chinese business exchanges from a European firm. If you believe that there are questions or areas that are missing, please reflect over these aspects.

### Cultural

- What cultural aspects must European firms prepare themselves for?
- Is it challenging to cooperate with Chinese employees or partners from a cultural perspective?
- What cultural aspects can be identified in Chinese business?
- What are the differences between Chinese and European employees?

### Social Capital

- What is the difference between European and Chinese social capital (trust, relationships and networks)?
- How do you gain trust in China?
- What is the impact of trust in European company for the Chinese consumer?
- How do you define a relationship in China?
- How can you establish a network in China?
- Is it challenging for ‘foreigners’ to develop their network in China?
- What is the difference between a European and a Chinese network?
- Can you grow a business in China through your Chinese social capital?
- Have you ever used social capital in international expansion?

- What do you believe is most important for expansion; Trust, Relationships, or Networking?
- What do you believe is most important for Chinese social capital; Trust, Relationships, or Networking?
- What do you believe is most important for European social capital; Trust, Relationships, or Networking?
Appendix 4 – Form of Consent

Informed Form of Consent
Master Thesis Research conducted by Wictor Dörrich & Ruben Dimmendaal.
Jönköping University, International Business School

Introduction

We are a group of two (2) master students at the Jönköping International Business School who are conducting research for our Master Thesis on closing the gap of intercultural differences between China & Europe as well as showcasing the complexity of (family) SMEs’ decision making when internationalizing. Furthermore, we would like to invite you to participate in our research. Taking part in this research is voluntarily and choosing not to participate is a choice of the interviewee and completely acceptable. If, at any point, any word in the Form of Consent is unclear, please ask us to go through the information to explain in greater detail.

Purpose and type of research

The purpose of this study will contribute to what the requirements are for European (family) SMEs to adapt their internationalization strategies for the Chinese market. By using the parachuting strategy proposed by Fang et al. (2016), we will provide a parachuting strategy tailored to the Chinese market for (family) SMEs eager to start activities in China. This will include aspects of Chinese culture and social capital, such as Guanxi (Chinese networking), mianzi (face culture), Confucianism and trust. By closing the gap on the existing body of literature we will provide a theoretical framework for European (family) SMEs that are going to internationalize to China to ease the process of both the decision on the entry mode as well as gaining market share in China. The purpose is to provide (family) SMEs with the theoretical necessities to remove the current ambiguous and risky circumstances surrounding them. The research will involve your participation in a semi-structured interview, which will take about 1-2 hour(s) (60-120 minutes).

Participants

You are being invited because your position in your respective organization has given us reason to believe you are capable of delivering valuable insights about the topic of internationalization & China. Again, your participation in this research is entirely voluntary. It is your choice whether to participate or not.

Confidentiality

Your participation is completely anonymous; we will not include your name or your organization’s name in the research. We will refer to you as a number instead of a name to ensure complete confidentiality. We will not distribute the information to any third
party, and we will ensure the privacy and dignity of your information will not be violated in any way.

**Sharing the Results**

Nothing that is shared with us will be shared outside of our research team and the individual respondent. The overall results can be shared if the respondent chooses to do receive this information. The individual interview sheet can be sent to the participant if the respondent chooses to receive the information.

**Right to Refuse or Withdraw**

To be absolutely clear with the respondent, he/she has the right to withdraw or refuse to start / continue the interview if this clashes with personal or professional beliefs. Participation in our research is entirely voluntarily, and your participation in this research is entirely voluntary. It is your choice whether to participate or not.

**Who to Contact**

If you have any questions, please feel free to ask them now or later. To contact us, information will be given below:

*Wictor Doerrich*  
dowi1600@student.ju.se  
+46 76 713 75 13

*Ruben Dimmendaal*  
diru1693@student.ju.se  
+31 6 2230 4342

**FORM OF CONSENT**

I have read the foregoing information, or it has been read to me. I have had the opportunity to ask questions about it and any questions I have been asked have been answered to my satisfaction. I consent voluntarily to be a participant in this study.

**DATE:**

**NAME OF THE INTERVIEWERS:**

**SIGNATURE OF THE INTERVIEWERS:**

**SIGNATURE OF THE PARTICIPANT:**
## Appendix 5 – Summary of Interviews

<table>
<thead>
<tr>
<th>Company</th>
<th>Background</th>
<th>Strategic Implication</th>
<th>Chinese Cultural Characteristics</th>
<th>Social Capital</th>
</tr>
</thead>
</table>
| Company A | ➢ Clean Energy Provider  
➢ Active in China almost 2 decades | ➢ Unwise to ignore the great potential of China, everyone is trying to get a piece of the "pie"  
➢ China is a huge, complex country that demands presence, presence being managed by someone with Chinese experience from own company  
➢ Careful analysis about products and competition is a necessity by the (family) SMEs  
➢ Chinese locals may be employed but important to set up an office with a manager who has views and experiences gained from both worlds  
➢ Middle class is growing & Chinese assert their systems being better than ours  
➢ Country-of-origin effect is strong  
➢ Growing nationalism & anti-foreign propaganda makes it harder for foreigner to succeed in China | ➢ People are too worried to make decisions which will impact their relationships, rooted in Confucianism  
➢ Learn by experiencing the culture, not teaching  
➢ Negotiations can sometimes solely be focused on face than actual business logic, face preservation and gaining is easy to understand but important  
➢ Guanxi far more difficult, involving getting past obstacles, meetings with right kind of people so called decision makers  
➢ Anti-corruption campaigns, less interesting being a foreigner which makes it harder to build Guanxi in China  
➢ Be a "good foreigner", vouched by multiple members of your trusting Guanxi in order to pass over these obstacles  
➢ One must completely change their mindset about doing business when they have no experience with China, stick to basics and work from there | ➢ Relationships are not just based on liking or mutual trust, but it is all to the betterment of one’s Guanxi (network)  
➢ The Guanxi (network) is of the utmost importance in China  
➢ Multinationals having ranging resources to utilize, but Guanxi is far more important to (family) SMEs  
➢ Guanxi has become the decider for business opportunities, especially since the Chinese see their policies as equal or better than the West’s  
➢ Corruption big part of Guanxi and bribery is commonly practiced to leverage or lighten your Guanxi  
➢ Impossible to publicly enhance social capital in China, must be in a concealed way so businessmen don't run the risk to ruin their own Guanxi  
➢ Exploratory talks about potential gains need to be tangible for the other party  
➢ Getting people to take you to meetings with others also requires a certain amount of trust which should be mutual |
| Company B | ➢ Trading goods from Europe to China  
➢ Office Services  
➢ Online Marketing & Quality Inspection  
➢ Active in China over a decade | ➢ Even though China is different in many perspectives, companies are still eager to pursue the "gold rush"  
➢ Opportunities outweigh the limitations due to the potential of the market  
➢ Growing middle class has a good financial status, educational background and spending power  
➢ Middle class will double in five years, contributing to an additional 300 million people  
➢ No big difference between family & non-family companies; family being more open and detail-focus  
➢ Companies entering China are scared of being cheated, important to do the homework right and find good local partner  
➢ Adapt to Chinese consumer behaviour  
➢ Prepare to spend resources, have a Chinese coordinator in office, avoid JV contracts, someone needs to be present in the office being set up  
➢ Success depends on learning about social media, being present online/offline and being in contact with key opinion leaders  
➢ Three times more content to describe a product, understand what is attractive in China & not attractive  
➢ Mental distance has a large effect, all systems are different  
➢ Everything is based on relations(Guanxi) | ➢ Family & Relations is greatly embedded in Chinese culture  
➢ Guanxi is super important and building relationships; Westerners are too direct, Chinese value relationship-building greater in order to trust each other first  
➢ Face culture is immensely important, people are very careful about criticizing anyone both upward and down the hierarchy  
➢ Chinese are not good in collaborations, rather individualistic and afraid to come with own ideas and criticize anyone or the system  
➢ Chinese are very proud of their country and history  
➢ Society follows a plan set out by the government, a great amount is steered by the government | ➢ Guanxi is contextualized as a special set of networks that are much more extensive than the kind of network used in West  
➢ It takes a long time to establish a long-term business relation (Guanxi), "If your dad and my dad has done business, then we can do business"  
➢ Other than social capital, important to approach other people who have been in China for a while and ask for advice; go to seminars; cannot come here with Swedish attitude and business plan  
➢ Prepare yourself, talk to Chinese people, talk to other firms with similar business set-ups  
➢ No big difference between relationships and networks, trust on the other hand takes very long time to establish  
➢ First you must understand that there is a demand for the products, see if people understand and are knowledgeable about the product/service you are selling, if these are fulfilled then you can start building social capital |
| Company C | ➢ Designs bridging strategies for companies that must be adapted to the Chinese business environment  
➢ Active in China 9 years |
| --- | --- |
| ➢ China is on its way to become a far more expensive country in terms of labour costs  
➢ The speed of development is quite rapid, which can also be witnessed by the change in product services  
➢ Internationalization to China has one very simple reason, market size and infrastructure development  
➢ Expanding to China it is all or nothing: Attitude of spending little time on the side to the China project could lose you 5-8 years  
➢ Whatever amount of time and resources you usually spend in internationalization, rule of thumb in China is double it  
➢ Immense amount of time and resources, reason why someone should be sent out to live in China for 6 months before actually setting up shop  
➢ Either set up wholly-Foreign-Owned Enterprise, JV agreement with domestic organization, operate through distributors or partners without acquiring legal status in China, or have a representative office without billing anyone or manufacturing anything  
➢ Perception of foreign brands is quite good  
➢ Foreign companies are facing another big challenge, being restriction of internet usage; Multinationals having problems with their Global IT system, (family) SMEs face issues with social media and advertising  |
| ➢ Cultural distance is of great importance to acknowledge  
➢ You need to be in China for yourself to experience it and see the developments first-hand  
➢ In Europe, we usually go straight to the point but in China you will first have to get to know the company, history, family  
➢ Business culture is heavily based on relationships instead of financial benefits  
➢ Leaders in China are seen as true leader and are always correct, no matter what; employees are only to obey and to execute the order  
➢ Leaders must take action in China otherwise nothing will get done  
➢ Leaders must not be questioned or disagreed with, part of face culture in China  
➢ Public confrontation should at all costs be avoided, privacy is the way to deal with issues in regards to misunderstandings  
➢ Guanxi can be seen as the core of the business in China  
➢ Guanxi is the core of the business but also the society  
➢ Networks and relationships are not seen as separte terms, but as interrelated in Guanxi  
➢ It is difficult to get into a business as an outsider without Guanxi  
➢ An existing network in or with China affects the time and resources being needed to enter the market successfully  
➢ Building and nurturing a network is time-consuming and definitely not in the conventional way of creating a network  
➢ “In China you do not hire a person to work for your company, you are hiring the network from which you can benefit through that person”  
➢ First you get friends or relationships, then earn their trust and then get their business contacts  
➢ The amount of work to obtain trust in society in China is much higher than in Europe  
➢ Trust, relationships and networks are equally vital  
➢ Network is created, then you create relationships, then finally trust is established  
➢ Without trust, business will be non-existent  
➢ Emphasis must be put on trust since it is lacking in China  
➢ On the contrary, relationships are of least importance when networking in Europe |
| ➢ Provides services for firms who wish to internationalize toward China  
➢ Events & information sessions  
➢ Been active in China for almost five years |
| ➢ Internet restrictions as an issue, marketing channels become limited  
➢ Production facilities has pivoted into marketing & sales offices  
➢ China is huge, has unlimited potentials with middle class being a major part of it  
➢ Strategy vital when internationalizing, preparation is key!  
➢ No real difference between family & non-family firms when internationalizing  
➢ Underestimating the cultural difference in business is one of the key issues for many companies  
➢ Presence is a must!  
➢ European management should be installed as well as using origin of Europe to an advantage  
➢ Physical distance itself is not a problem, difference in business and culture are the biggest ‘distances’  
➢ Important cultural aspect is the indirectness in conversation and negotiations, takes times  
➢ Public face has been retained by the Chinese, important to avoid confrontations and upsetting someone in public  
➢ If you dont harm anyone’s face then you will be more accepted as a foreigner  
➢ “Confucianism is all around us here, it is the foundation of society itself”  
➢ Most vital term is “Guanxi”, key element in society but also in terms of business and how relationships are built and nurtured  
➢ Guanxi is a considerably helpful tool in “Getting a foot in the door”  
➢ Family is also a key element, where family must be provided for at all costs including within-family relationships  
➢ Social hierarchy is common, based and built in family  
➢ Emphasis must be put on trust since it is lacking in China  
➢ On the contrary, relationships are of least importance when networking in Europe  
➢ Utilizing and developing social capital in form of relationships are instrumental to be considered daily  
➢ Guanxi, seen as several networks rather than one “true” network  
➢ After establishing somewhat of a network (guanxi) then relationships could be established  
➢ These networks are usually built through social interactions in informal settings in the beginning (e.g dinners), replication makes them stronger  
➢ Besides networks and relationships, trust is a critical factor --> hard to trust someone because Chinese learn that not everyone can be trusted  
➢ In order to build trust, the relationships stage must be taken very seriously  
➢ Trust is one of the hardest things to obtain in the tricessa of social capital  
➢ Networks are everywhere in China, which makes it the centralized aspect of social capital  
➢ Without trust, network fails to function properly so trust must be constructed through relationship-bonding to make it function properly |
### Appendix 6 - Theme Analysis

<table>
<thead>
<tr>
<th>#</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Theme</strong></td>
<td>Reasons to expand to China</td>
<td>Reasons for Failure</td>
<td>Entry Strategies</td>
<td>Strategic Considerations</td>
<td>Importance of Family in Firm</td>
<td>Europe effect &amp; Contextualized Distance</td>
</tr>
<tr>
<td><strong>Company A</strong></td>
<td>Growing Middle class, rapid economical dev. You cannot ignore it</td>
<td>Institutional Distance is main driver (Chinese system of business is equal or better, so European companies should adapt themselves)</td>
<td>Careful analysis and demand. Hong Kong / China structure, local staff but European mgmt with China experience. Must have local presence</td>
<td>Decision making has almost stopped. Too worried about making mistakes -&gt; caused by anti corruption campaigns</td>
<td>Does not matter if Family or Non Family SME</td>
<td>Growing nationalism and propaganda make it harder for foreigners. Foreignness and its liability LOF will return. It is hard to do business from sales or bus.dev. perspective</td>
</tr>
<tr>
<td><strong>Company B</strong></td>
<td>Online developments are big. Huge market potential, growing middle class. Companies want to take part in the gold rush</td>
<td>Chinese legislation and standards must be complied with, otherwise this will result in failure (institutional context)</td>
<td>Preparation and researching demand, build networks. Local presence through WFOE, local player, JV or representative. Time and resource dedication. Send manager to live in China for at least 6 months for him to get used to China</td>
<td>Demands are changing, knowledge of European products is not always good.</td>
<td>No difference between family or non-family. Perhaps family firms are more open-minded</td>
<td>Consumers want European brands for status purposes. Consumer wants European lifestyle. Distance is not scary, but mental distance is (institutions). Cultural distance is hard for companies to grasp. Bureaucracy is much more different than in Europe</td>
</tr>
<tr>
<td><strong>Company C</strong></td>
<td>1.3 billion people (potential) growing infrastructure &amp; middle class etc.</td>
<td>Rapidly changing environment, not enough dedication to China strategy</td>
<td>Focus on China, know how and what to do before and then have a presence in the form of an office or WFOE. European management</td>
<td>Decision making speed is not fast. Need to experience China in real life. Must be aware of social media and internet restrictions</td>
<td>Both family firm and non-family firm have to make the leap to China, no real difference in approach</td>
<td>Foreign companies are not favored for projects, due to bureaucratic reasons, Cultural distance has an impact, but not heavy. Perception of foreign brands is good, foreign brands are status symbols</td>
</tr>
<tr>
<td><strong>Company D</strong></td>
<td>Growing middle class and the size of China (potential)</td>
<td>Distance in culture is sometimes too much for companies</td>
<td>Internet restrictions makes marketing harder, thorough preparation is required</td>
<td>Comes also with an incentive, otherwise guanxi is damaged.</td>
<td>In the heydays he was able to network quite easily, many people wanted to befriend a foreigner. Now, not so much.</td>
<td>Depending on country in Europe, effect is good or bad on business. Difference are found in culture and business culture mostly, distance itself is not applicable.</td>
</tr>
</tbody>
</table>

### Confucianism
- **Most important influence in East Asia, Chinese ppl are molded by Confucianism**
  - Difficult term, has to do with getting into the right doors. It is hard to build new guanxi, but old guanxi is very strong. Guanxi and corruption are closely connected
  - Common sense. Negotiations based on face rather than business. Face is give and take process
  - Leaders are always right, you do not question them or disagree with them. Nothing will be done if the way isn't paved for the Chinese employee
  - Highly valued, employees live together with family and ask parents for advice. Resignation to take care of family. Westeriners are too direct. Does not work well in China. Important everywhere, not holier in Sweden than in China. Provided through Chinese neto
  - Core part of business in China. It is hard to obtain guanxi in China
  - a theme that is maybe mentioned more than Confucianism, Guanxi is key element in society
  - family relationships are important to Chinese people. At all times, family must be provided for
  - Linked to face culture, be polite and don't go straight to the point
  - Several networks instead of 1 network, a bit difficult for foreigners nowadays

### Guanxi
- **Guanxi in CHina**
  - Foundation
  - Holier in Sweden than in China
  - Important everywhere, not holier in Sweden than in China

### Face culture
- **Vital part in Chinese business culture**
  - Losing face is big part of culture, cannot be critical in society and hierarchy
  - Leaders are always right, you do not question them or disagree with them. Nothing will be done if the way isn't paved for the Chinese employee
  - Highly valued, employees live together with family and ask parents for advice. Resignation to take care of family. Westeriners are too direct. Does not work well in China. Important everywhere, not holier in Sweden than in China. Provided through Chinese neto

### Family Relationships
- **Core part of business in CHina**
  - It is hard to obtain Guanxi in CHina
  - a theme that is maybe mentioned more than Confucianism, Guanxi is key element in society
  - Family relationships are important to Chinese people. At all times, family must be provided for
  - Linked to face culture, be polite and don't go straight to the point
  - Several networks instead of 1 network, a bit difficult for foreigners nowadays

### Social Interactions
- **Preparation and researching demand, build networks. Local presence through WFOE, local player, JV or representative. Time and resource dedication. Send manager to live in China for at least 6 months for him to get used to China**
  - Decision making speed is not fast. Need to experience China in real life. Must be aware of social media and internet restrictions
  - Comes also with an incentive, otherwise guanxi is damaged.
  - In the heydays he was able to network quite easily, many people wanted to befriend a foreigner. Now, not so much.

### Networking
- **Focus on China, know how and what to do before and then have a presence in the form of an office or WFOE. European management**
  - Internet restrictions makes marketing harder, thorough preparation is required
  - Both family firm and non-family firm have to make the leap to China, no real difference in approach
  - Depending on country in Europe, effect is good or bad on business. Difference are found in culture and business culture mostly, distance itself is not applicable.

### Internet restrictions makes marketing harder, thorough preparation is required
- **In the heydays he was able to network quite easily, many people wanted to befriend a foreigner. Now, not so much.**
<table>
<thead>
<tr>
<th>Importance of Guanxi</th>
<th>Establishing relationships</th>
<th>absence of trust</th>
<th>trust-building in China</th>
<th>Chinese Social Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vital for SMEs, not so much for multinationals</td>
<td>Used to be very easy, now it has become more difficult. Must be trusted and vouched for (good foreigner).</td>
<td>Finding someone who can be trusted can be hard</td>
<td>expensive dinners, gift-giving. It takes time to build trust with a Chinese person</td>
<td>Trust is very important, but guanxi is of utmost value. The most vital part of social capital in China is guanxi.</td>
</tr>
<tr>
<td>Only way for SME to become successful</td>
<td>Finding someone who can trust in China</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Everything is partly based on guanxi, otherwise no one will help you.</td>
<td>Finding someone who can be trusted can be hard</td>
<td></td>
<td></td>
<td>Relationships and networks are not really different in China, meaning the same in Guanxi</td>
</tr>
<tr>
<td></td>
<td>Start by talking about tea, family, etc. It requires a lot of work to establish a relation. Relationships vital to gaining good business deals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>It is hard to always trust employees or people, you must focus on how things work.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Have dinner first so then we can start to trust each other through social interaction. Gift giving and bribery</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>By networking and relationships you build trust</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Business culture based on relationships. By introduction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Through networking and relationships you build trust</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>In China, you get the history, family, and China and Europe relationships and so on. First become friends, then, get their trust and then do business.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Through the social interactions and informal meetings, you can create a relationship. From this you can build trust.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The network is everywhere, this is most important. But trust in this network is also important, which you have to build</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key element in society