



Finnish cleantech companies' implementation of GLOCAL to enter the Chinese market

- *A case study of Finnish firms' utilization of networks in the internationalization process*

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2021

ÅBO AKADEMI UNIVERSITY – FACULTY OF SOCIAL SCIENCES, BUSINESS, AND ECONOMICS

Abstract for Master's thesis

Subject: International Business	
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Title: Finnish cleantech companies' implementation of GLOCAL to enter the Chinese market - A case study of Finnish firms' utilization of networks in the internationalization process	
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<p>Abstract:</p> <p>As a result of globalization and the rapidly changing market environment firms must be able to adapt to the changes it brings with it. Hence, there is a crucial need for an updated internationalization strategy. The parachuting Internationalization model integrates the Uppsala and the Born Global models to show that firms can reach success in the age of globalization if they are willing to execute creative strategies that help them overcome the challenges in a psychically distant environment.</p> <p>This study investigates how five Finnish cleantech firms have entered the Chinese market by implementing a GLOCAL approach, which the Parachuting internationalization strategy is based upon. The research focuses on how the firms have benefited from their networks within the internationalization process and what company characteristics have affected the entry mode. The multiple-case study research approach is used as the study's research method. Qualitative interviews were used as a data collection method for the study.</p> <p>The results of the study show that the firms implemented a GLOCAL approach in different ways. Firms that entered the Chinese market in the 1990s had to a greater extent used a strategy resembling the Uppsala model, whereas firms that had more recently entered the market had more elements from the Born Global approach. However, all the case companies had utilized combinations of both models. Various kinds of networks had played a crucial role in the internationalization process and the case companies had particularly benefited from guanxi, the informal social network existing in China and from relationships created on the home market. The physical characteristics of the products had influenced the choice of entry mode. Companies that had standardized products strived to find suitable distributors and channel partners, whereas companies with a product adaptation strategy aimed to develop strong relationships with their customers.</p>	
Keywords: Parachuting Internationalization model, GLOCAL, The Uppsala model, Born Global approach, guanxi, resource benefits, entry mode, business networks, Covid-19, environmental policies	
Year: 2021	Number of pages: 85 (95)

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1. INTRODUCTION

The global financial and economic crises have driven the rise of emerging markets in the global economy. China became the largest exporter in the world in 2009 and 2010 the second-largest economy in the world, overthrowing Japan's position. (Zou and Fu, 2011, p.11). This has made the Chinese market very lucrative for foreign investments, and many Finnish companies also want to profit from the growing market.

There are approximately 350 Finnish companies in various fields, that are active on the Chinese market. Finnish companies have invested approximately 11 billion euros in China. The direct or indirect employable effect is about 60 000 persons. Most of the companies have positioned themselves in Beijing, Shanghai, Guangdong, and Hong Kong. In 2018, Chinese exports accounted for about 5.7 percent of Finland's total exports (Finnish-Chinese Trade Association, 2019).

Finnvera, which is a Finnish state-owned financing company, increased its export guarantees to China from 3 million euros in 2017 to 93 million euros in 2018. This occurred, after almost ten years of low demand. Mika Relander, who is a regional manager for Finnvera, explains that official Chinese sources say that demand for environmentally friendly technologies is increasing in China. Products and projects that have undergone a Western environmental and social impact assessment are in demand, as Chinese buyer companies feel they will benefit from the assessments (Relander, 2019).

Finland has been a forerunner in sustainability. The country is reducing its dependency on fossil fuels import by half and is aiming to ban the use of coal in power generation by 2030. If successful, it would make Finland the first industrialized country in the world to ban coal power. The Minister of Foreign Trade and Development, Kai Mykkänen, states that Finland is making a determined move towards a cleaner energy system. Decreasing the amount of oil imported will require remarkable changes in the whole transport system. A tenth of Finland's car fleet, or 250 000 electric cars, is strived to be utilized by 2030. Furthermore, the Finnish government has decided to increase the share of biofuels blended in liquid fuels to 30 percent by 2030. This is done to achieve the country's greenhouse gas target of 39 percent, to which Finland is committed under the European Union's mission to reduce emissions. Mykkänen explains that many biofuel investments are being planned in Finland. Waste and side-products of the forest industry would be used as raw materials. The Minister of Economic Affairs, Olli Rehn, explains that the country's task is to develop into a carbon-neutral society by 2050 (Lindström, 2016). Finland has managed to achieve sustainable

solutions for various industries with its green mindset and world-class research environment. In 2020, six Finnish multinational companies were featured in the Corporate Knights' "Global 100 list of the world's most sustainable corporations". (Corporate Knights, 2020). Furthermore, the World Economic Forum ranked Finland third in its annual analysis of the energy sectors of different countries. Energy Transition Index 2020 assessed the readiness of 115 countries to utilize clean energy using three criteria: energy access and security, environmental sustainability, and economic development and growth. Top-ranked countries share a reduced dependence on imported energy, lower energy subsidies, and a strong political commitment to change their energy sector to pass climate targets (Woord, 2020).

Finnish companies must know how to successfully expand to the Chinese market, which offers substantial opportunities with its huge population. In the time of globalization, a company benefits strongly from having a rich business network, that can help to reach success in the foreign market. This is particularly important in China, where the concept of Guanxi is still present. The Chinese value deep relationship building and prefer to have long-term business collaborations after a strong mutual trust is established (Buckley et al, 2006, p. 284). Hence, foreign firms can benefit from establishing a strategic alliance with a local partner that understands the culture and has a broad network from the past. In some instances, however, a company prefers to oversee its operations in the foreign market. The degree to which a company chooses to outsource its operations or establish a joint venture depends highly on the company characteristics. Despite the fact, that the company chooses to operate more independently, relationship-building with customers and other business actors remains essential for the success of internationalization (Hollensen, 2007, p. 300).

In the past, internationalization models such as the Uppsala model from the 1970s were viewed as a functional way to view a firm's internationalization as it was characterized by risk-aversion and gradual expansion. As a result of globalization and the rapid information sharing which the Internet has enabled, internationalization models had to be updated. The Parachuting Internationalization model is a blend of the Uppsala model and the Born Global model, but which is adapted to today's globalized market. The model is characterized by a firm's need to take swift action and risks when a gap or opportunity in the market is spotted (Fang et al, 2017, p. 6). This thesis aims to show to what extent Finnish companies have utilized the new Parachuting Internationalization model to enter the Chinese market. The model is built upon a glocal aspect, where the firm must be able to think globally but act locally.

1.1 Problem definition

A Finnish firm must internationalize to new markets if it wants to expand and become a well-established brand. Often, firms in niche fields must reach new markets solely to survive due to the small size of the domestic market. Finland is known for its innovative technology and from brands such as Nokia and Rovio. Finnish firms, however, have generally in the past been struggling to reach new markets, and establish themselves there.

China, which is the second-biggest economy today and has a rapidly growing middle-class, has a growing interest in cleantech, which Finnish firms have expertise in. These firms that have a lot of potentials, must however be able to quickly enter the foreign market. As a result of globalization, a firm must rapidly move into new markets before competitors reach there and gain a major foothold. Furthermore, a firm must have a clear vision and strategy regarding its expansion. This includes the decision, to what degree it aims to outsource operations and collaborate with local actors. Pros and cons must be taken into consideration, before moving to a new market with a differing culture. If a firm fails to establish itself on the market, it can cost majorly the firm, and be a huge setback for its operations. Although global markets have become more open and similar due to internet information sharing, national markets still differ to a varying degree.

The Republic of China has strong Internet censorship called the Great Firewall. Instead of westerner search engines and websites, they have been substituted with local ones. Baidu is like Google and Maimai is equivalent to LinkedIn. Besides the censorship, the differing culture causes other challenges for foreign firms such as language barriers, differing legislation, and its harming reputation of copying technology. All these factors make it crucial for a firm to establish relationships with key players, or to have an in-depth knowledge of the market to reach success.

1.2 Objective and research questions

The purpose of the study is to examine to what extent Finnish sustainable firms have used the Parachuting Internationalization model when expanding to China. Furthermore, it will examine what firm characteristics have been essential for a firm's expansion to the Chinese market. To gain this understanding, the empirical research will be conducted as a qualitative study. The reason for the approach is the aim of getting thorough descriptions of how firm managers have determined their decisions regarding internationalization.

The research questions of this study are the following:

RQ1: How has the Parachuting Internationalization model been presented as a way for a firm to expand to new markets?

RQ2: How did Finnish companies implement a GLOCAL strategy for parachuting internationalization to China?

RQ3: What company characteristics should be considered when a company chooses its entry mode to the Chinese market?

RQ4: What are the implications of the companies' various networks, for executing the parachuting internationalization strategy?

1.3 Delimitations

The study is limited to China because emerging markets are differing strongly from the Finnish and European business culture. Hence, the concept of the Parachuting Internationalization model can perfectly be implemented. Moreover, it can be viewed to what extent a differing business culture causes challenges. Furthermore, it is interesting to concentrate on China because it is the second-biggest economy and is estimated to become the world's largest economy in 2028 (Cheng and Nee Lee, 2021). As a result of the contrasting Chinese culture compared to the Finnish one, the importance of business networks is crucial. In general, Chinese people are not comfortable speaking English in business settings, hence, it is often essential to have established relationships with local actors, to have successful negotiations. The thesis is delimited to the study of Finnish companies, to be able to compare the results from the original Parachuting Internationalization model study, which was implemented by Swedish and Danish companies. Thus, the results will reveal, if Nordic countries, in general, have similarly implemented the Parachuting Internationalization model, or if the Finnish firms in this thesis study have used the model to a differing degree.

1.4 Layout of the study

The thesis is divided into six main chapters, followed by a Swedish summary, references, and appendixes. The theoretical framework is built upon four subject matters: factors affecting the foreign market entry mode decision (section 2.1), internationalization models (section 2.2), different types of networks and their role for internationalization (section 2.3), and the Chinese market

(section 2.4). The theoretical framework is structured to support the purposes/objectives of this thesis.

Following the literature review, in chapter three, the research methodology will present the chosen method and motivate the selected approach (section 3.1 and 3.2). Followed by the criteria of the selection of case companies (section 3.3). Empirical findings from the five case companies will be presented in chapter four. The results and an analysis of the obtained data will be presented in chapter five, including descriptive analysis and results and answers to the research questions (section 5.1 and 5.2). The results will be discussed in chapter six, providing main findings as well as limitations and suggestions for future research. A Swedish summary is included at the end of the thesis in chapter seven.

2. LITERATURE REVIEW

The following chapter introduces and defines key concepts of the thesis, providing an insight into previous research made within factors affecting the foreign market entry mode decision (section 2.1), internationalization models (section 2.2), different types of networks, and their role for internationalization and resource benefits of networks for internationalization (section 2.3). Additionally, the chapter will review the Chinese market by presenting the concepts of guanxi and mianzi (section 2.4.1), China's most essential environmental policies (section 2.4.2), and the Finnish businesses that are active on the Chinese market (section 2.4.3).

2.1 Factors affecting the foreign market entry mode decision

A firm's choice of its entry mode for a given product and target country is the result of many different forces. Choosing an entry mode is a complex process with various tradeoffs among alternative entry modes. Svend Hollensen (2007) explains that four groups of factors influence the entry mode decision. The factors consist of internal factors, external factors, desired mode characteristics, and transaction-specific behavior.

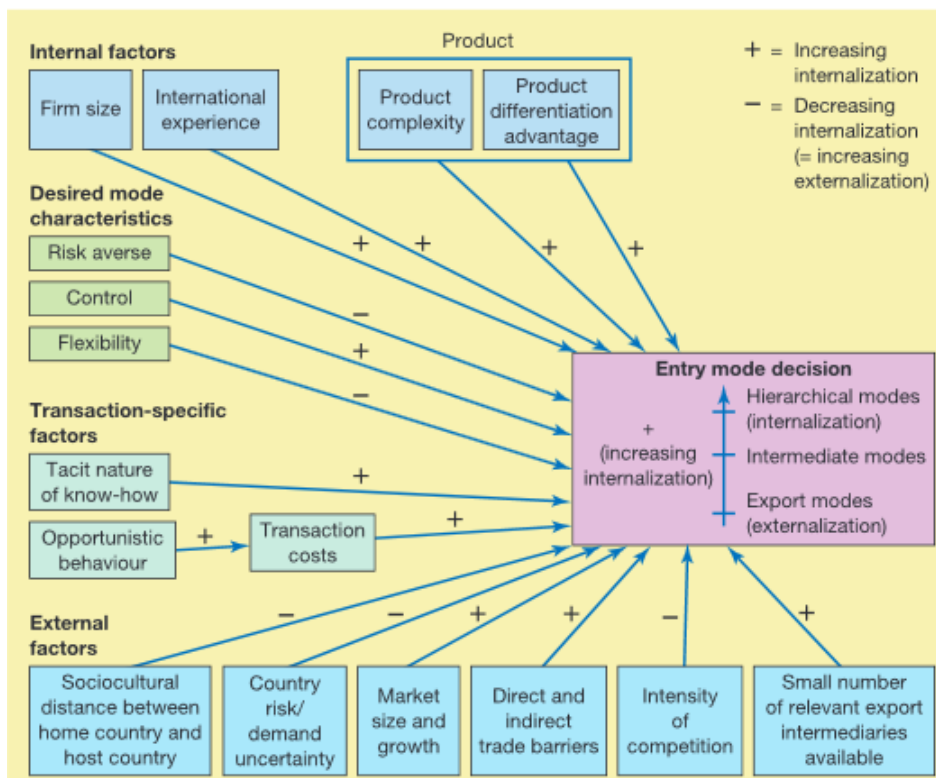


Figure 1 Factors affecting the foreign market entry mode decision, Hollensen 2007, p.298

2.1.1 Internal factors

Internal factors are constructed by the firm size, international experience, and the product or service. The firm size is the base for the firm's resource availability. When a firm is rich in various resources it can expand easier to new markets than a firm that is lacking in resources. Oftentimes, SMEs enter foreign markets using export modes because they do not have enough resources to keep a high degree of control. As the firm grows it can keep more of its control when entering new markets by implementing the hierarchical mode which consists of fully-owned subsidiaries established through acquisition or greenfield investment (Hollensen, 2007, p. 298)

The international experience of managers is another aspect influencing the entry mode. International experience reduces the cost and uncertainty of expanding to a new market and therefore, increases the likelihood that the firm will commit resources there. Johanson and Vahlne (1977) stated that uncertainty is reduced in international markets through operating in foreign markets rather than from the knowledge obtained from acquisitions (Hollensen, 2007, p. 299).

The physical characteristics of the product or service are crucial in deciding where production is located, which also affects the channel selection because the selling job is very different depending

on the product or service. Products that are technically complex, oftentimes need before and after-sales service. Marketing intermediaries may not have the expertise to do the work, hence, firms can choose to use hierarchical modes instead (Hollensen, 2007, p. 299). Services can be distinguished between hard and soft services. Hard services such as software services can be mass-produced. Hence, standardization is possible. Soft services are very different in their characteristics. Production and consumption happen at the same time and the customer functions as a co-producer. Therefore, there are remarkable differences between hard- and soft-service suppliers regarding the choice of foreign market entry. It is much more likely that a firm specialized in soft service choose a high control entry mode than a hard service. A soft-service supplier interacts closely with its foreign customers, which makes it more valuable for the firm (Blomstermo et al, 2006, pp. 222 – 223). Product differentiation advantages enable firms to raise prices and limit competition through the implementation of entry barriers, which offer firms a natural monopoly. Hence, firms use hierarchical modes of entry to keep their competitive advantages (Hollensen, 2007, p. 299).

2.1.2 External factors

External factors can be distinguished in sociocultural distance between the home and host country, country risk or demand uncertainty, market size and growth, direct and indirect trade barriers, the intensity of competition, and a small number of relevant intermediaries available (Hollensen, 2007, p. 300).

Countries that have similar language, business, and industrial practices, comparable educational levels, and cultural characteristics are viewed as socioculturally similar. Differences in sociocultural terms between a firm's home country and its host country can cause internal uncertainty and hence, influence the mode of entry by the firm. Firms prefer joint ventures rather than direct investment when the sociocultural distance is wide between the home and host country. Joint ventures offer more flexibility if the expansion would fail due to low resource commitments (Hollensen, 2007, p. 300).

Foreign markets are often riskier than the domestic market because of the existing exchange rate- and political risks. Unpredictability in the target market increases demands uncertainty and risk. Hence, an expanding firm must do a risk analysis of the target market and its method of entry. Firms often prefer entry modes that do not require a lot of resource commitments to risky markets (Hollensen, 2007, p. 300).

The size of a market and its growth rate are crucial for deciding the mode of entry. Firms are more willing to invest heavy resources into a large country with a high growth rate, which can be achieved by establishing wholly-owned sales subsidiaries or by establishing majority-owned joint ventures. On the other side of the spectrum, firms prefer using a minimal amount of resources by licensing agreements or exporting to small markets that are isolated and hard to serve (Hollensen, 2007, p. 300).

High tariffs on the import of foreign goods and components favor firms to establish local production or assembly operations. Furthermore, standards, customs formalities, and product or trade regulations affect the operation decision and often favor the firm to source operations to local actors. A culture where local suppliers are preferred encourages an internationalizing firm to establish a joint venture. The local partner can assist in negotiating, selling, developing local contacts, and establishing distribution channels (Hollensen, 2007, p. 301).

When there is a substantial amount of existing competition in the host market, firms often prefer entry modes consisting of low resource commitments because the markets are in general less profitable (Hollensen, 2007, p. 301).

A consequence of a low number of relevant intermediaries available in the host market is that opportunistic behavior will often occur from the few existing export intermediaries. Hence, the internationalizing firm is likely to implement hierarchical modes of entry to be able to reduce the likelihood for opportunistic behavior (Hollensen, 2007, p. 299).

2.1.3 Desired mode characteristics

Risk-averse, control, and flexibility are viewed as desired mode characteristics.

Internationalizing firms that are risk-averse prefer export modes or licensing because they require low levels of financial and management resource commitments. Joint ventures require management time and effort, but they make it possible to share the financial exposure and risk. Modes of entry with minimal levels of resource commitments, are unlikely to enrich the development of international operations and can lead to that the firm misses out on profitable opportunities (Hollensen, 2007, p. 301).

Control is closely linked to the level of resource commitment. Indirect exporting offers minimal control over how the product or service is marketed in the host market, whereas, wholly-owned

subsidiaries offer the most control but also require the most commitment of resources (Hollensen, 2007, p. 301).

Firms must consider the flexibility associated with a given mode of entry. The hierarchical modes are generally the costliest but the least flexible and the most problematic to change in a short time. Joint ventures also limit a firm's ability to change strategy rapidly when market conditions are changing (Hollensen, 2007, p. 302).

2.1.4 Transaction-specific factors

Transaction-specific factors are distinguished into the tacit nature of know-how, opportunistic behavior, and transaction costs.

When a firm's know-how transferred is tacit it is regarded as problematic to articulate. This often consists of a firm's complex products and services, where functionality is difficult to convey. The challenges and costs involved in transferring tacit know-how make it favorable for firms to use hierarchical modes. Hence, the firm can implement human capital by utilizing its organizational routines to structure the transfer problem (Hollensen, 2007, p. 302).

The opportunistic behavior is based on the idea that there is always some friction caused by opportunistic behavior in the relation between a producer and an export intermediary. Firstly, the export intermediary might manipulate invoices and claim that the sales promotion activities have been too high. As a result, the producer pays the export intermediary too much. Secondly, the export intermediary can manipulate information on market size and competitor prices to get lower prices from the producer (Hollensen, 2007, p. 296). The most crucial safeguard to provide trust between the two parties is to make a legal contract, which allows a transactor to go to a court to sanction an opportunistic partner.

The transaction cost analysis model explains that if the transaction costs consisting of search-, contracting-, monitoring- and enforcement costs through externalization (importer, or agent) are higher than the control cost through an internal hierarchical system then the firm should establish wholly-owned subsidiaries. The model can also be explained by the following statement: if the friction between buyer and seller is too high then the firm should rather expand by forming subsidiaries (Williamson, 1981, p.548).

2.2 Internationalization models

In the following chapter, different internationalization models will be presented. To begin with, three classic internationalization models founded by Johanson and Mattsson will be explained. They are closely linked to each other, consisting of the Uppsala model (2.2.1), the Business network model of the internationalization process (2.2.2), and the Network approach (2.2.3). Thereafter, the Born Global model, founded by Oviatt and McDougall is explained (2.2.4). The chapter is concluded by presenting the newly created Parachuting Internationalization model (2.2.5) and the GLOCAL approach (2.2.5.1), which it is utilizing.

2.2.1 The Uppsala model

The first model of the Uppsala Internationalization process was published in the “Journal of International Business Studies in 1977 by Johanson & Vahlne. Since then, the economic and regulatory environments have changed drastically (Johanson & Vahlne, 2009, p. 1412).

According to the 1977 model, firms choose or should choose the suitable mode for entering a market by analyzing their costs and risks based on market characteristics and taking into consideration their resources. However, empirical observations showed that Swedish – owned subsidiaries abroad began internationalizing with ad hoc exporting. Companies would formalize their entries through deals with intermediaries, in most cases agents who represented focal companies and the foreign market. As sales grew, they replaced their agents with their own sales organization and thereafter they began manufacturing in the foreign market to overcome trade barriers. Johanson & Vahlne called this dimension of internationalization an “establishment chain”. The second dimension of internationalization was that the internationalization in foreign markets usually started in foreign markets that were close to the domestic market in terms of “psychic distance”, which describes factors that make it troublesome to understand foreign environments. Companies would thereafter gradually enter other markets that located further away in psychic distance terms. The process had its origin in the “liability of foreignness”, which explained why a foreign investor had to have a firm-specific advantage to more than offset this liability. The larger the psychic distance, the larger the liability of foreignness. The assumptions of the 1977 model are uncertainty and bounded rationality. Additionally, it has two change mechanisms. The first mechanism is that firms change by learning from their experience of operations and activities in the foreign markets. The second mechanism is that firms change through the commitment decisions that they make to strengthen their position in the foreign market. Commitment is defined as the product

of the size of the investment times its degree of inflexibility. The model is dynamic because experience builds knowledge of a market, which influences the firm's decisions about the degree of commitment and the activities that build-up, resulting in the next level of commitment which generates more learning. Johanson and Vahlne (1977) assumed that the process of internationalizing will continue as long as the performance is favorable. Additionally, they assumed that learning and commitment building takes time, and therefore expansion into markets that are further away in terms of psychic distance would be made gradually. These markets were seen as riskier but potentially rewarding. The model has in the subsequent literature been viewed as behavioral in contrast to the internationalization theory (Buckley & Casson, 1976) which is considered economic. Empirical studies from the 90s and 2000s have suggested that the model has a positive impact on performance and hence, it can be examined as a model of rational internationalization (Johanson and Vahlne, 2009, pp. 1412 – 1413).

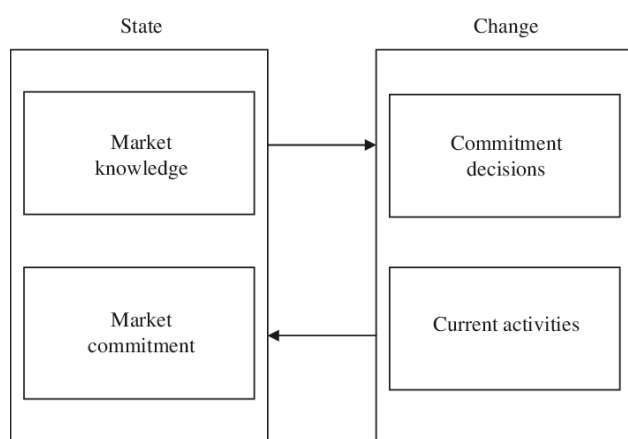


Figure 2 The Uppsala model, Johanson, and Vahlne 1977, Researchgate.net

2.2.2 Business network model of the internationalization process

Johanson and Vahlne (2009) describe that trust and commitment building must be included in the new model. They explain that since the 1977 model much has been written about social capital and trust which include affective and cognitive elements. Second, they describe that from empirical observation that affective dimensions are important for understanding the relationships that are an essential part of the 1977 model. Third, trust plays a crucial role in recent research on relationship development and business networks. The authors explain that trust is essential for strong learning and the development of new knowledge. Trust can also function as a substitute for knowledge. This can occur when a firm lacks the necessary market knowledge and allows a trusted middleman to run

its foreign business. Trust presumes that human behavior is characterized by high ethical standards. If the intentions are positive and there is an eagerness, then trust can develop into commitment. If trust builds up to the commitment, it suggests that there is a willingness to continue the relationship and to invest in it, even acceptance of the need of making short-term sacrifices that benefit another, for reasons of long-term interest for oneself (Johanson and Vahlne, 2009, p.1423).

Internationalization is viewed as the result of firm actions to strengthen network positions by what is referred to as improving or protecting their position in the market. Because networks are borderless, the characteristics between entry and expansion in the foreign market are less relevant. The traditional view of entry which emphasizes overcoming different barriers is becoming less important than internationalizing to strengthen a firm's position in the network (Johanson and Vahlne, 2003). Johnson and Vahlne claim that existing business relationships have a strong impact on the geographical market a firm will decide to enter, and on which mode to utilize because the relationships make it achievable to identify and exploit opportunities. Learning and commitment are related to identifying and exploiting opportunities. Some types of knowledge are not available to everyone and are instead held by network insiders, a strong commitment to partners allows first to build on their knowledge, making it possible to discover opportunities. In contrast to the 1977 model, the authors believe today that internationalization is dependent more on developing opportunities than on overcoming uncertainties, such as concerning institutional conditions in the foreign market (Johanson and Vahlne, 2009, p. 1423).

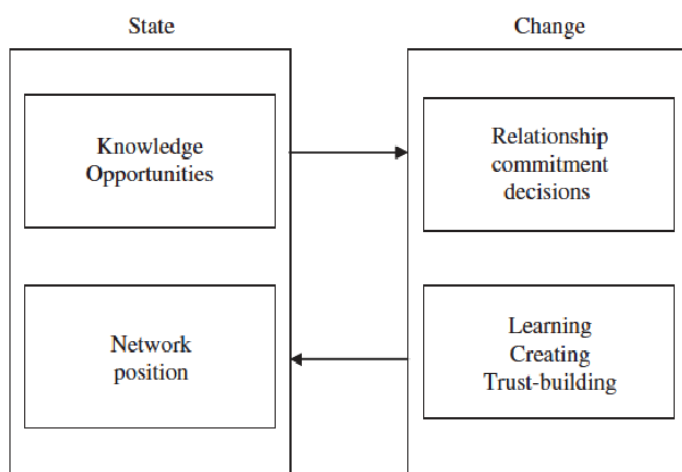


Figure 3 The business network internationalization model, Johanson and Vahlne, 2009, Researchgate.net

Internationalization depends on a firm's relationships and networks. The focal firm will likely join a partner abroad if that partner firm has a useful network position in one or more foreign countries.

There are two possible reasons for such a foreign expansion:

1. The likelihood of the firm finding interesting business opportunities. Partner bases of knowledge are interrelated and are hence indirectly related to other members of the network. Entrusting on a related knowledge base, the focal firm can enter networks abroad, where it can spot opportunities (Johanson and Vahlne, 2009, p. 1425).
2. The second reason to go abroad for the focal firm takes place when a relationship partner who is going abroad or already abroad wants the focal firm to follow. By following the partner abroad, the focal firm shows its commitment to the relationship (Johanson and Vahlne, 2009, p. 1425).

The destination market that the company chooses depends on various factors:

1. Generally, the focal firm and its partners choose a market where it sees opportunities (Johanson and Vahlne, 2009, p. 1425).
2. A foreign market in which the partner has a strong position (Johanson and Vahlne, 2009, p. 1425)
3. If the firm has no relevant partners, it could go where it might be easy to connect with a new firm that already has a position in the foreign market. This could be for instance a middleman, such as an agent or a distributor. After the focal firm has managed to establish relationships with customers it can create a subsidiary and decrease its partnership with the middleman (Johanson and Vahlne, 2009, p. 1425).

2.2.3 The network approach

Instead of viewing internationalization as a process between a firm and the market, the network approach, developed by Johanson and Mattsson (1988) emphasizes the importance of independent firms establishing networks. Firms are dependent on each other in their existing network. Firms must establish exchange relationships to be able to sell their products and to get access to external resources. Exchange relationships take time to establish, hence it hinders firms from changing counterparts. The networks are characterized by the fact that they are stable and changing. Various bonds are developed between firms in the network. When a firm is expanding to a new market it must establish a network there. Through the developed relationships the firm can gain essential resources and secure the sales of its products and services. (Johanson and Mattsson, 1988, pp. 111 - 115).

The network model views the internationalization of a firm as it establishes and advances its positions to counterparts in foreign networks, which can be achieved in three different ways. Firstly,

it can be accomplished through international extension, which is the establishment of positions to counterparts that are new to the firm. Secondly, penetration, which means that the firm can develop the positions and increasing resource commitments in those nets abroad in which the firm already has positions. Thirdly, international integration, which implies that the firm increases coordination between positions in different national nets (Johanson and Mattsson, 1988, p. 118).

Johanson and Mattsson expanded on the model by creating a comparative analysis that explains internationalization processes with four different situations.

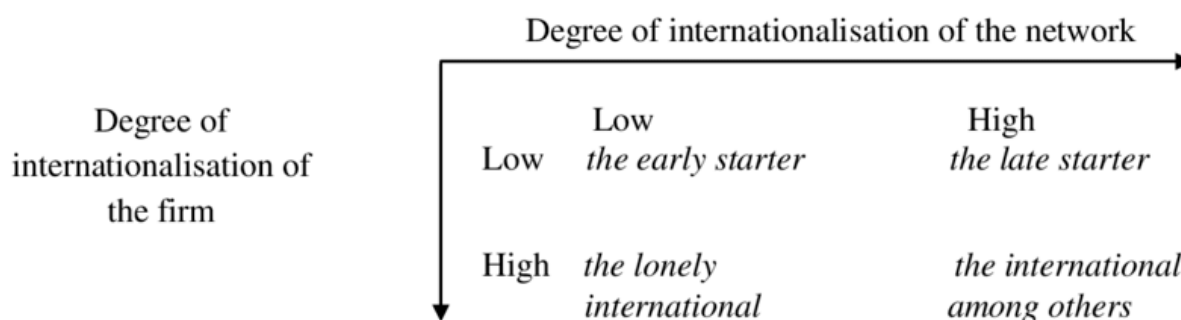


Figure 4 Internationalization and the network approach: the situations to be analyzed, *researchgate.net*

As shown in the table above, “The Early Starter” has just a few relationships abroad. The other firms in the production net do not either hold many international relationships. As a result, the firm does not have a lot of knowledge about foreign markets and it cannot make use of its relationships in the domestic market to obtain such knowledge. This category is characterized by small firms. Because ventures abroad require resources for knowledge development, the size of the firm plays an essential role. The early starter follows the Uppsala internationalization model in the sense that internationalization is initially launched in nearby markets using agents rather than subsidiaries. Because the small firm is lacking knowledge, it can utilize the agent’s knowledge and its position in the market, hence minimizing the internationalizing firm’s need for knowledge development and demands for adjustments. As the sales volumes in the foreign market increase, it can be profitable for the firm to invest in production facilities. This follows the Uppsala Internationalization model in the expansion, where risk-taking is minimized by proceeding gradually. Using an agent assures the firm’s delivery capability. Optionally, the firm could initiate the internationalization process with an acquisition or a green-field investment. That would require a bigger investment and hence, only be possible for larger firms that already have gained resources in the past. An advantage of that

approach would be the firm's capability to possibly gain knowledge and market penetration in the future. If a firm is capable to do market investments by having a service organization or a manufacturing plant in the foreign market, it helps to create confidence with potential customers, because they view the firm as a more legitimate and trustworthy actor (Johanson and Mattsson, 1988, pp. 120 - 121).

Actions taken in the early internationalization of the firm are in most cases done by counterparts, such as distributors or other actors in the foreign market. Hence, the foreign counterpart adopts its market assets to establish a new firm within its network. Oftentimes, it is uncertain if the firm will succeed to develop its position in the market after the introduction phase. It depends on the degree of structuring of the network and the positions of the counterpart. If the counterpart, which is functioning as an introducer, is a leading distributor in a tightly structured network, then the conditions are favorable for a quick and effective penetration by the firm, as long as adjustments to the network are made. The demands for quantities might become so high that the production capacity of the firm is insufficient. In that instance, it could require increased engagement in the market by the firm through the establishment of production units. The parties can enter long-term supply contracts, to reduce the risk of overcapacity. It is a process that is relatively consistent with a deeply structured network (Johanson and Mattsson, 1988, p. 121).

As the firm becomes more internationalized, it develops from an "Early starter" to a "Lonely International". In this phase, the firm has experience of relationships in foreign countries. It has established knowledge and tools to handle environments that have different characteristics in their culture and institutions. Hence, it decreases the risk of failure. The knowledge situation is more positive when launching the firm into a new national net. Furthermore, the international firm has a wider set of resource adjustments. An advantage with an international firm is that it has a higher number of resource combination possibilities. Furthermore, it can use its market investments to gain a fast diffusion of its new products (Johanson and Mattsson, 1988, p. 122).

An international firm has an easier time than others in entering rightly structured nets. It already has gained valuable knowledge about various national markets. Hence, further expansion is not as dependent on similarities between markets as it is for the Early Starter. Experience and resources offer the firm tools which are needed to make substantial market investments, which are demanded to enter a tightly structured production net. It is also easier for the firm to establish relationships with other firms with positions in the structured net or possibly take over them. An additional benefit is that the firm can give its counterparts access to other national nets. Because the firm's customers, suppliers, and competitors are not internationalized, the Lonely International can

promote the internationalization of its production network and of the firms that are part of it. It has an advantage over competitors that it has managed to internationalize before, especially in tightly structured nets, because it has managed to develop network positions. International integration is an essential feature in the development of the greatly internationalized firm to utilize the advantages of being a Lonely International. (Johanson and Mattsson, 1988, pp. 122 - 123).

If a solely domestic firm's customers, suppliers, and competitors are international then the domestic firm has also some indirect relations with foreign networks. The existing relationships in the domestic market can function as the catalyst to enter foreign markets. This phase is called "The Late Starter". The firm can be 'pulled out' by either suppliers or customers in big projects. Hence, market investments in the domestic market are assets that can be used when a firm is expanding its operations abroad. Sometimes in those cases, a firm expands directly to a foreign market, which is far away from the home market, which is possible due to the indirect relations that offer entry opportunities. This differs from the traditional Uppsala Internationalization model where a firm expands gradually from a nearby market to more distant ones. Oftentimes, markets that are close to the home market, are heavily structured and there are already competitors that have established their market position. It is easier for small firms to be a Late Starter than larger firms. Smaller firms are often more specialized and flexible. They also have an easier time finding a niche in internationalized nets. Larger firms often need to get established in a foreign production net through foreign joint ventures or acquisitions. This forces the firm to take a big risk because it does not have prior experience in those entry modes. The Late Starter has a comparative disadvantage regarding its lesser market knowledge compared to its competitors. An additional disadvantage is the difficulty of establishing new positions in a tightly structured net, which occurs because the best distributors are already linked to competitors. Furthermore, competitors can make the expansion of the firm challenging or even unprofitable by using predatory pricing. In comparison with the Early Starter, the Late Starter has an easier time establishing trust because firms in the foreign markets already have experience of actors from abroad. Because the markets are highly internationalized for a Late Starter firm, it must obtain a stronger customer adaptation ability or better ability to influence the need specifications of the customers than its competitors, which can be challenging for a firm to achieve. Hence, when comparing the Early Starter with the Late Starter it shows the importance of timing as the main issue in the analysis of strategies in networks (Johanson and Mattsson, 1988, pp. 123 - 124).

"The International Among Others" is characterized by the fact that both the firm and its environment are greatly internationalized. Hence, when a firm continues its expansion to new

markets it does not change it critically and it only leads to small changes in extension and penetration. The firm can benefit from its network when expanding to new markets by using positions in one net over to other nets. International integration is however required to succeed in this action. There is a strong need for coordination between the various markets. As a result, it often leads to a rapid establishment of sales subsidiaries. National differences are smaller, and the internationally linked networks offer the firm access to external resources. Hence, the International Among Others may choose oftentimes to purchase various components instead of manufacturing them themselves. Because essential joint-venture partners and customers are also international it offers opportunities for the firm to increase its penetration to “third countries”. When a firm can coordinate operations in international networks it can easier spot the changes that spread globally and benefit from them. Furthermore, it can act on changes that occur in the localization of economic activity. The firm achieves this by using its priorly established position in an expanding national market to increase penetration in the particular market and possibly to markets nearby. Further internationalization for a firm in this phase is based on the continuous ability to adjust and influence the geographical reallocation of activities in the production network. The firm’s competitors are also internationally active and function in tightly structured markets. Hence, the positions will change by acquisitions, joint ventures, or mergers. The phase differs strongly from “The Early Starter” because internationalization is less dependent on the need for knowledge development and the similarities between the foreign markets and the home markets. Strategic use of network positions is instead the most important factor within internationalization (Johanson and Mattsson, 1988, pp. 124 - 126).

2.2.4 Born Global approach

With increasing globalization, since the mid-1990s, the field of internationalization of the firm has seen the emergence of the Born Global approach, which describes an essential new challenge to traditional internationalization theory. The Born Global approach argues that firms can adopt a global vision from its inception to establish competitive advantage, by making active use of global resources. The Born Global firms are often technology-oriented small- and medium-sized enterprises that view the whole world as one single market from the beginning. Therefore, they act in a different way than the Uppsala model states. They jump over the early stages and aggressively enter internationalization. The core of the model is customer focus, which is the key driver of marketing orientation, product quality, and product differentiation. Customer focus allows firms to

concentrate their resources to serve markets and avoid direct resource-wearing competition with large multinational enterprises. (Oviatt and McDougall, 1994, pp. 49 - 51)

2.2.5 Parachuting Internationalization model

Globalization inspires firms to internationalize in unorthodox ways. Extensive changes have occurred in the global economic environment such as the emergence of the digital revolution, the liberalization of cross-border markets, and technological breakthroughs. These changes have led to “boundarylessness” in cultural learning, synchronized information sharing across nations and peoples, knowledge transfer, therefore created extraordinary opportunities for firms to conduct business on a global scale (Fang et al, 2017, pp 1 -2).

Hofstede’s paradigm from 1980 has dominated research on culture in the international business context for decades. The paradigm explains psychic distance, cultural distance, and liability of foreignness. Psychic distance includes factors such as differences in political systems, language, culture, level of education, and level of industrial development. Cultural distance is similar to the psychic distance used in the Uppsala school. Liability of foreignness comprises all additional costs a firm operating in a market overseas is subjected to that a local firm would not receive. Psychic distance is positively correlated with the liability of foreignness (Hofstede, 1980). The paradigm was written before the Internet was established globally, hence the vision of culture has been questioned by many academics. Substantial evidence has shown that doing business in a country close-by to the domestic market with a similar culture can be just as challenging as in a distant country with a different culture. The phenomenon is known as the Psychic Distance Paradox (Fang et al, 2017, p. 6). However, the paradox has also been used to refer to exporting firms that have underestimated the actual cultural differences in their operations. The Born Globals model is useful, but it also fails to show the concept of culture from a dynamic perspective (O’Grady and Lane, 1996, p. 309).

Fang has proposed that culture can be viewed from a Yin and Yang perspective. The ancient Chinese philosophy has a holistic and dynamic worldview. The Yin and Yang system can manage paradoxes across organizational functioning (Fang, 2012, p. 25). Therefore, essential elements of the Uppsala and the Born Global models can be used to develop a new strategy that firms can use to overpower large psychic and cultural distances (Fang et al, 2017, p. 6).

Fang, et al (2017) researched four Scandinavian firms' experiences of entering the Chinese market. The research was made by a multiple qualitative case study method, based on in-depth interviews. Three of the companies in the study were Swedish and one Danish. The interviews were conducted in 2008 except for those of the Danish company that was conducted in 2006. The results showed that companies had acted in a way that combined strategies from the Uppsala model and the Born Global approach. The companies showed five common themes that resulted in their success in entering China. The themes were the importance of knowledge, learning, and commitment; customer focus regardless of geographic location; the need for speed; reduced salience of psychic distance; and national cultural learning and balancing in globalization. The themes propose that parachuting internationalization, a combination of the two prior models better show the essence of the internationalization process in the era of globalization (Fang et al, 2017, pp. 17 - 18).

Knowledge, learning, and commitment are characteristics associated with the Uppsala Model. All four case companies from the study noted the importance of the characteristics. The study revealed that the companies acquired these characteristics through their relationships and networks in the market. Furthermore, the results suggested that a small new start-up company can beat firm-specific limitations such as lack of resources, by implementing market-based resources in the host location (Fang et al, 2017, pp. 17 - 18).

In the Born Global Model, the customer is at the focus. The Uppsala Model, however, does not focus on the customer. The study shows that to be successful, the international firm must be more customer-driven than its competitors. Furthermore, the results suggest that the sequential stages in the Uppsala model could have become obsolete, due to the globally changing market environment. Hästens, one of the case companies, explained that they initially implemented a cautious approach, by beginning their internationalization to nearby Nordic countries. However, the company's view of internationalization strategy has drastically changed, and now the management favors a global perspective instead of a nearby perspective. (Fang et al, 2017, pp. 18 - 19).

The study also shows that firms need to be aggressive and rapid in their internationalization to be able to become global players. This is contradictory to the Uppsala Model, which describes that firms must develop in their domestic market before going overseas. The model can be bypassed when two factors are occurring. Firstly, the existence of information technology and secondly, the existence of tough competition. When these factors are in place, it can be useful to skip the sequential stages of the Uppsala Model by parachuting straight as rapidly as possible to the target markets (Fang et al, 2017, p. 19).

The aforementioned themes propose that the concept of psychic distance is increasingly less salient due to rapid changes caused by globalization. The psychic distance between the domestic country and target countries is less powerful than 15 to 20 years ago. The study's results revealed that trends and values spread across international borders (Fang et al, 2017, p. 19).

Even though the executives from all four companies felt that “liability of foreignness”, “psychic distance” and “cultural differences” were not crucial for their success and entry to China, they viewed it crucial to grasp the local culture. Some interviewees noted that traditional Chinese values such as guanxi and face are still essential in Chinese society. They, however, viewed that these traditional values coexist with Western and capitalistic values. Hence, the results suggest that it is crucial to maintain a Yin Yang approach to grasp cultural learning and balancing in the age of globalization. Therefore, globalization has not resulted in that national culture does not have any longer any significance, rather, it means that national culture does not connote into everlasting cultural differences that are resistant to change. The model suggests that each national culture can learn and embrace new values and behaviors, (Fang et al, 2017, p. 19) which follows Fang's hypothesis that any given “foreign” concept can paradoxically find its base in the local host culture, under the right context, time and situation (Fang, 2005-2006, p. 71).

The results from the study suggested, that neither of the leading internationalization theories could capture reality solely. Hence, Parachuting internationalization integrates the Uppsala Model and Born Global Model. Fang et al explain:

“Parachuting internationalization refers to a firm's strategic targeting of markets with great potentials, correct positioning, swift actions, and fast learning in world markets whereby the firm appears to circumvent the conventional wisdom of liability of foreignness, cultural distance, and psychic distance. Parachuting internationalization involves high risks and demands global vision, courage, planning, intimate knowledge of the local terrain, effective use of networks, and basic survival instincts”. (Fang et al, 2017, p. 20).

Parachuting internationalization offers insights into stage-skipping or springboarding and highlights the firm's capability to embrace a strategic intent when internationalizing in the age of globalization. The strategy is based on the dynamic integration of the “Uppsala” and “Born Global” models. By adopting a military metaphor, the Uppsala Model is the infantry in the army which focuses on step-by-step advancement in the terrain, whereas the Born Global Model would be the airborne bomber, which can fly high and far. The former has a superior advantage of indigenous knowledge, whereas the latter effectively uses its speed and holistic view (Fang et al, 2017, p.25).

The results from the study show that concepts of “liability of foreignness”, “psychic distance” “cultural differences” and “cultural distance” are less salient of a firm’s internationalization into high risk and high yield markets in the age of globalization. The firm’s strategic assets are its global vision and strong commitment to learn and build competence continuously through relationships and networks in the target market. The model does not ignore cultural differences, rather, it views them in the context of dynamic changes in the age of globalization. The findings show that it is profitable for firms to capitalize on globalization trends, that have promoted the convergence of consumer taste globally. Firms must also acquire knowledge from networks and partner with domestic or foreign entities if the firm does not have in-depth knowledge and expertise. Due to the rapid development in many emerging markets, it is not beneficial for a firm to act on a sequential approach to foreign market entry, rather, the company should take into consideration parachuting into various markets at the time (Fang et al, 2017, pp.24 - 25).

2.2.5.1 GLOCAL

Successful parachuting requires fulfilling the keywords forming the word “GLOCAL”.

G - global vision

The firm must have a clear global vision from the inception of its business. This could imply reaching where the customers are, capitalizing on global trends, adopting a proactive high risk, high yield strategy of aggressively scanning market opportunities globally (Fang et al, 2017, pp. 22 - 23).

L - location

The location where the firm chooses to operate is crucial for its success. To seek locations with the best market opportunities and the need to meet the needs of the local customers is ingrained in the global vision (Fang et al, 2017, p. 22).

O – opportunity

It is important for a firm to rapidly enter foreign markets and to establish the right networks to seize the opportunities that they can offer (Fang et al, 2017, p. 22).

C – capital and other resources to support globalization efforts

A firm must have enough capital when expanding to a new market. The resources can be attained through networks, organic growth, or joint relationships with other actors either at the home market or abroad. The importance of networks is stated both in the Uppsala and Born Global Model. The

Uppsala Model explains in-depth the significance to support an investor's globalization efforts, whereas, the Born Global Model does not emphasize it. (Fang et al, 2017, p. 23).

A – accelerated cultural learning and swift action

There are cultural differences across national markets, the psychic distance, however, explained in depth in the Uppsala Model seems to have become less important. This is due to global new trends, mainly the Internet's ability to spread information rapidly. China is a nation that has traditionally kept multiple philosophical traditions, is keen on capitalistic and western influences, however, they are simultaneously afraid to lose the values that have been fruitful in the past (Faure and Fang, 2008, p. 194). Cultural differences are not viewed as static anymore, instead, they are something that can be learned. Culture can be changed through Yin Yang balancing. Hence, the notions of national culture and psychic distance are viewed as both essential and non-essential in parachuting internationalization, depending on how they are approached in each context, situation, and time (Fang et al, 2017, p.24). There are both positive and negative factors associated with cultural distance, the crucial aspect is to grasp when, where and how distance matters (Stahl and Tung, 2015, p. 391).

L – logistics preparation and meticulous planning

Firms must have an in-depth knowledge of the environment of the targeted market and plan thoroughly all factors that can fail in internationalization. This functions as the "parachuting" metaphor, where the paratrooper must be able to rapidly adjust to unexpected changes. This flexibility is also an essential factor of the Yin Yang principle (Fang et al, 2017, p.24).

2.3 Different types of networks and their role in the internationalization

Various types of networks are viewed in literature as affecting the outcome of the internationalization process. Networks that are essential in many studies are different formal and informal networks such as business and social networks along with strategic alliances. In the following, definitions and characteristics of formal and informal networks are presented (section 2.3.1).

2.3.1 Formal and informal networks

Organizational performance can be viewed from formal and informal interactions. Formal interactions are allocative by nature, whereas, informal interactions can be seen as being “generative” to the extent that they assist individuals in organizations to generate new capabilities, attain new skills and insights into ways that make it possible for individuals to handle complex situations. Empirical evidence has shown that in many organizations, informal interactions are the main way by which employees find information and manage to solve complex situations, and learn how to do their work. Informal networks that are existing in an organization and which are taking part actively in the managing of practices can influence the formal hierarchical design of the organization, which leads to a co-evolution between formal and informal organizational networks. Informal interpersonal networks are a major component of the organization’s knowledge transfer process (Lamieri & Mangalagiu, 2009, p. 2).

Informal networks are self-organized, self-generated, and self-managed interrelationships between organizational agents. These interrelationships form the foundations of effective and smooth flows of experience, information, knowledge, and ideas. The informal networks function as an “informal division” of “labor”, by holding the view that performance relies particularly on formal recognition of the informal organization. It can facilitate faster outcomes and coordination between formal teams and integrators, but it also brings new problems for leadership, which needs to manage differentiated systems of relationships through network design (Lamieri & Mangalagiu, 2009, pp. 8-9).

Informal relationships among employees are often quite more reflective of the way work occurs in an organization than relationships created by position within the formal structure. Often informal relationships are invisible or only partially grasped by managers (Parker et al., 2002, p. 26).

Business networks are characterized to consist of formal relationships and hence, belong to the category of formal networks. Social networks, however, can be viewed as formal as well as informal networks depending on their purpose and the influence from outside forces. A strategic alliance can also have a formal and informal character depending on the degree of formalization between the actors. The characteristics and impacts of business networks (section 2.3.2), social networks (section 2.3.3), and strategic alliances (section 2.3.4) on internationalization processes are presented on a general basis in the following.

2.3.2 Business networks

Social exchange theory defines business networks as

“a set of two or more connected business relationships, in which each exchange relation is between business firms that are conceptualized as collective actors” (Emerson, 1981, p. 2). The actors consist of customers, competitors, suppliers, distributors, and the government.

Networks of connected firms are in a fast way replacing traditional markets and vertically integrated companies. Business networks have always existed; however, they have drastically increased in their number, complexity, and form. The factors driving the change are the increased importance of knowledge, competitive forces, technological innovations, globalization, and the availability of information technology (Halinen & Törnroos, 2002, p. 1286).

Business networks are not under the control of an individual firm instead they are self-organizing systems. Hence, order emerges in a bottom-up way from the local interactions that occur among firms in the relationships in which they are tangled (Ritter et al., 2004, p. 175).

Business networks are sets of repetitive transactions, based on relational and structural formations that comprise interconnected elements, consisting of actors, activities, and resources. Business networks are characterized by dynamic boundaries, contain the contrary and complementary targets strived by each member. They cooperate in joint activities, and its actors exchange repetitively commodities, commitment, trust, information, heterogeneous resources, and individual affection. Furthermore, business networks are viewed as sets of connected exchange relationships between actors controlling business activities. The business network is defined as a set of three or more interconnected actors, as well as two or more connected dyadic business relationships, which are structures of relationships between heterogenous actors, cooperating for a business purpose. The structure of business networks is viewed as strategic alliances, collaborative business communities, supply and inter-firm networks (Barnett, 2011, pp. 95-96).

Both, directly and indirectly, connected companies exist in a business network. Social and economic dimensions of exchanges that occur often between companies, create business relationships. Companies are the nodes in this network. When an exchange occurs frequently, companies start to invest social and monetary resources in each other and they start to build trust by exchanging knowledge (Öberg, 2019, p.124).

Definitions vary regarding business networks because they target different aspects, which can be categorized into if the network is constructed on only business exchanges if the network is

delimited or limited in space or to specific assignments, or the importance of social ties for the business exchanges (Öberg, 2019, p.125).

The structural or positional perspective views three types of actors in the business networks. These are organizations, groups, and individuals (Todeva, 2006, p. 65).

2.3.3 Social networks

Social networks are broadly defined as a web of personal connections and relationships to secure favors in the personal or organizational action. In organizational settings, social networks can involve social relationships among individuals embedded in a formal structure of business connections, such as strategic alliances or buyer-supplier relationships. Social networks are an informal structure of personal relations bounded in social, geographical, or institutional space. Social networks are personal ties that are built upon goodwill and trust, and which have been associated with the process of national or international opportunity identification, resource mobilization, and access to tacit knowledge. Home-based networks are a valuable resource for international entrepreneurial SMEs to respond to the demand of global supply chain networks. Hence, they are critical to identify global market opportunities and to broaden connections with foreign intermediaries. Trust-based connections can provide key capabilities to the firms, regarding speed and flexibility of response to global markets, by reducing information and knowledge barriers, creating a successful cross-border business operation, and improving transaction cost efficiency. Home-based social networks are a critical factor in moderating the performance impact of internationalization. International entrepreneurial SMEs that expand into China, can highly benefit from social networks because of personal connections such as “guanxi” function as the way for doing business and understanding economic transactions (Zhou, et al., 2007, p. 674).

Informal social networks work as the initial basis, from which formal networks of business linkages are created in new territories, and by which exporting relationships are formed. Social networks are crucial to the identification of new opportunities, to gain access to foreign markets, and to develop competitive advantages through the accumulation of international knowledge and the development of formal business linkages across borders. Building and maintaining network relationships are an essential part of the internationalization process in both inputs and outcomes into the process. As input, the information benefits of social networks could influence the performance impact of internationalization strategies. As outcome firms need to benefit from relationship networks such as guanxi, which can offer profitable information benefits (Zhou, et al., 2007, p. 674).

Home-based social networks offer knowledge of foreign market opportunities, advice and experiential learning, and referral trust and solidarity by a third party. These benefits can assist internationalizing companies to create legitimacy, credibility and offer the development of new capabilities for international expansion at lower risks (Zhou, et al., 2007, p. 676).

Social network theories build on the statement on the transmission of knowledge, or useful information through interpersonal ties and social contacts with individuals.

Social capital can be divided into strong and weak network ties. Strong ties are related to resource transfer, reciprocity, trust, and innovation. Weak ties offer non-redundant information, better performance outcomes, and new opportunities. They are relationships with suppliers, customers, and others that are friendly and business-like. Weak ties require less investment than strong ties, hence, weak ties occur more in networks. These ties can grow relatively rapidly, and they are essential because they function as sources of important information and know-how. With brokers weak ties are crucial. Brokers are nodes in a network, or actors, who are tied to nodes that are not tied themselves. Hence, brokers create ties between actors who without the broker have no link to each other. Therefore, brokers establish indirect ties. In international business, brokers often offer links across national borders, between actors who want to establish international business with each other (Oviatt & McDougall, 2005, p. 544).

The existence, of cross-border weak direct or indirect ties, can positively and remarkably moderate the speed of venture internationalization. If an entrepreneur has established such ties previously, the initial foreign entry can happen unusually rapidly. If the ties do not exist, the internationalization process is likely to be a lot slower. The size of a company's network is the second key factor, after tie strength that will control the speed of internationalization. With a large network, a relatively huge portion of venture revenue comes quickly from foreign sources, therefore, the venture has a faster commitment to internationalization (Oviatt & McDougall, 2005, p. 545).

Dense networks are useful when trust and reciprocity are important, whereas sparse networks are useful at gathering new information. Actors have sparse networks when the nodes to which they are tied, are not tied to each other. Sparse networks are believed to create new information better than dense networks because the sparse networks link disparate nodes while the dense networks link nodes through redundant ties. Dense networks have more links than sparse networks and hence there is more interaction among all the actors in the network. Trust is stronger in a dense network than in a sparse network because there occur penalties for opportunistic behavior. Dense networks

can be viewed as a substitute for strong ties across national borders. (Oviatt & McDougall, 2005, p. 546).

An essential implication of the embeddedness of firms in social networks is the established trust between firms. Trust between firms implies the confidence, that a partner will not exploit the vulnerabilities of the other. A social network of prior ties can promote trust in two possible ways. First, by functioning as effective referral networks. Through ongoing interactions, firms learn about each other and can develop trust around norms of equity, or knowledge-based trust. Hence, a partner can choose to refer a certain firm to the actor because it knows it is suitable for the actor's needs. Second, social networks can function as an essential base for enforceable or deterrence-based trust. This means that the anticipated utility from a tie with a partner motivates good behavior. Each partner is aware that the other has plenty to lose from acting opportunistically. A result of this is that it enhances confidence in each other. Acting opportunistically could lead to loss of business with the same partner, loss of other points of interaction between the two firms, and loss of reputation (Gulati, 1998, p.303).

2.3.4 Strategic alliances

Strategic alliances are an inter-organizational network. They are overseen by formal and relational governance mechanisms. Formal governance mechanism means contractual and authoritative governance. Relational governance explains the role of norms, trust, and solidarity in contractual relationships (Windsperger, et al., p. 230).

Strategic Alliances is defined by Ranjay Gulati as:

“Voluntary arrangements between firms involving exchange sharing or co-development of products, technologies, or services”.

Strategic alliances are a popular strategy for companies to share risks and exchange resources, achieving economies of scale, obtaining synergy and competitive advantages, and accessing new markets. Furthermore, they can serve as an exchange agreement for partners to learn and acquire from each other the skills, technologies, and knowledge that do not exist in their organizations.

Strategic alliance occurs when two or more firms unite to aim at a set of agreed-upon goals, in which they share the benefits. In being able to achieve these goals, partner firms independently

control the performance of assigned tasks and contribute on a lasting basis in one or more key strategic areas (Chen & Che, 2002, p. 1007).

The motivations for creating a strategic alliance can be divided into three groups. Firstly, high transaction costs resulting from small-number bargaining, secondly, strategic behavior aimed at enhancing a firm's competitive position or market power, and thirdly a quest for organizational knowledge or learning when one or both partners desire to acquire some important knowledge from the other.

According to the network view, resource sharing is essential for all firms, because no firm is large enough to be self-sufficient. Hence, the main task of strategic alliances is the creation of a formal and stable relationship between partners to promote the ongoing exchange of resources. Therefore, strategic alliances are solutions to long-term needs, rather than achieving temporary results. The alliance is viewed as a formal agreement between partners to invest in a relationship to exchange resources on a continual and sustained basis. The partners must invest in learning and adaptation until the alliance begins operating smoothly and shape to a mechanism for exchange. Furthermore, the strategic alliance represents a commitment to invest in relation-specific assets. It has the potential of collectively raising the competitiveness of its member firms through lower total value chain costs, fewer defects, greater product differentiation, and rapid product development cycles (Chen & Che, 2002, p. 1008).

A threat regarding relations-specific investments regarding strategic alliances is that it increases mutual dependency among partners, and therefore also their vulnerability. Hence, it is essential to choose a suitable partner when forming a strategic alliance. Reputation and the level of trust and reciprocity that develops between parties are important preconditions for establishing an alliance (Larsson, 1992, p.98).

The appropriation of relational rent is also worth taking into consideration when deciding to invest in a relation-specific asset. The partner that holds more bargaining power in the relationship is entitled to more rent. Strong firms may decide to form a strategic alliance with weaker firms because they have the power to appropriate relational rent. Weaker firms may benefit from an improved position in other relationships when establishing an alliance with a strong partner. It increases the credibility of a relatively unknown firm when entering new markets and hence, offers profitable opportunities (Chen & Che, 2002, p. 1008).

From a network perspective, strategic alliances create a foundation for continuous exchanges, where the partners negotiate and sometimes jointly decide on the use of resources that are committed to the alliance (Chen & Che, 2002, p. 1008).

Strategic alliances can take place across horizontal and vertical boundaries. Market structures with demand and competitive uncertainties are the most encouraging to strategic alliances. Competing firms with comparable market power, establish alliances to decrease risks and to achieve scale economies. These alliances are called horizontal alliances (Chen & Che, 2002, p. 1008).

Firms that are establishing alliances are facing a risk by not being fully aware of the behavior of the other partner and the costs to a firm from opportunistic behavior by a partner if it would happen. A partner might choose to limit its contributions to an alliance or then just act opportunistically. Changes in the environment can also lead organizations to alter their needs and orientation, which affects the alliance. To minimize any potential risks in an alliance, all actors must be aware of their potential partner's needs and requirements. Furthermore, the firm must obtain information about the reliability of its potential partners (Gulati, 1998, p.300).

The embeddedness of firms in social networks can both restrict and enable the alliances a firm chooses to join. Firms that have had focused networks in the past and have been centrally situated in the alliance network have shown to be more likely to establish new alliances with a high frequency. Studies show that the embeddedness of firms is an essential influence on their alliance behavior. It has also been observed that previously allied firms were likely to engage in further alliances. The reason behind this has been the shared knowledge of partners' goals and capabilities. Also, indirect ties between firms create informational benefits, this has been showing to be the case for both one-level-removed indirect ties and more distant ties. Results show that firms that were unconnected in the past were more likely to establish an alliance if they had common partners or if they were less distant from each other in the alliance network (Gulati, 1998, p. 301).

Structural embeddedness also influences the choice of a partner to create an alliance with. The status of an organization in the network affects its visibility and reputation in the system. The bigger the reputation obtained is the wider the company's access to a different kind of knowledge and the greater the collaborative experience, which makes it a profitable partner. The properties of status are more important in uncertain environments where the attractiveness of a potential partner can be viewed from its status, which depends on the companies that are already tied to the partner (Gulati, 1998, p.301).

A governance structure is the formal contractual structure used to organize the partnerships in an alliance. There is an extensive variation in the formal structure of alliances. At one end are joint ventures, which involve partners establishing a new entity in which they share equity, and which most closely resemble the hierarchical control feature of organizations. At the other end are alliances with no sharing of equity that have few hierarchical controls set into them (Gulati, 1998, p.303).

A critical concern of firms entering alliances has to do with the predictability of their partners' behavior. To create predictability, firms can create a detailed contract and a second way is to establish trust. Both knowledge-based trusts resulting from mutual awareness and equity norms and deterrence-based trust resulting from reputational concerns establish self-enforcing safeguards in an exchange relationship. The established trust can substitute for contractual safeguard. The familiarity between organizations through prior alliances creates trust which makes it possible for firms to use less hierarchical structures in organizing alliances (Gulati, 1998, p.303).

Research has shown that alliance success requires building trust with partners, flexibility in management, constructive management of conflict, regular information exchange with the partners, continuity of boundary personnel responsible for the interface between the firm and the alliance, and managing partner expectations.

Alliances with embedded ties have also shown to perform better and exist longer than others. If the Alliances have a prior history of ties, they are less likely to go under. (Kogut, 1989, p. 183) Furthermore, the duration of exchange relationships creates "dyadic attachments" between firms that create a strong bond. This social structure limits the organization's perceptions of opportunistic behavior by partners, and the firms are more willing to establish nonrecoverable investments which can boost the performance of the alliance. Both interpersonal and inter-organizational-level trust is influential in the performance of exchange relationships (Zaher, et al, 1997, p. 141).

Cooperative capabilities required for a successful alliance includes: identifying valuable alliance opportunities and good partners, developing interfirm knowledge-sharing routines, using appropriate governance mechanisms, making requisite relationship-specific asset investments, and initiating necessary changes to the partnership as it evolves while simultaneously managing partner expectations (Singh, 1998, p. 662).

Productivity gains in the value chain are possible when firms are eager to establish relation- or transaction-specific investments. Human asset specificity means transaction-specific know-how created by transactions through longstanding partnerships. It increases as alliance partners develop

experience cooperating and gaining specialized information, language and know-how. It enables the partners to communicate clearly, which reduces communication misunderstandings, hence enhancing the quality and increasing speed to market (Singh, 1998, p. 662).

Social networks are valuable channels of information that offer opportunities but also creates constraints for firms and have essential behavioral and performance implications for their alliances. By channeling information, social networks make it possible for firms to discover new alliance opportunities and can therefore influence how often and with whom those firms establish an alliance. Once two firms have created an alliance, their relative proximity in the network can influence the specific governance structure used to formalize the alliance (Gulati, 1998, p. 311).

The effectiveness of an alliance depends on its initial conditions which consist of task definition, partners' organizational routines, partners' expectations, and interface structure. The conditions can make the alliance agile or plummet the efficiency. Additionally, the five dimensions consisting of task, process, environment, skills, and goals explain the sufficiency of the alliance. Learning allows the partners to reevaluate their partnership on the grounds of viewed efficiency equity and adaptability. Reevaluation leads to readjustment to initial conditions and a new cycle of learning and reevaluation. Successful alliances enable such a series of learning cycles over time, which is characterized by a stronger trust and adaptive flexibility. An additional result is that the partners are willing to establish larger and irreversible commitments (Doz, 1996, p. 70).

2.4 Resource benefits of networks for internationalization

Useful resources for internationalization that can be obtained through various kinds of formal and informal networks are presented in the following chapter. Galbreath (2005, p. 980) defines a resource as:

“Factor that has the potential to contribute to economic benefit” (p. 980).

A firm must be able to mobilize combinations of resources to succeed in its internationalization. Hence, it can gain an advantage over competing ventures, which is described as the resource-based view. Network resources are viewed as external resources embedded in a firm's network that affect business operations. Hence, network resource combination means bringing together complementary resources from network relationships. Therefore, the value of the resources is strengthened by combining them. Special resource combinations can enable a firm to produce more effectively and satisfy its customers more positively than its competitors (Tolstoy and Agndal, 2010, pp. 24 – 25).

A structured overview of identified resources is presented namely market (section 2.4.1), network (section 2.4.2), technological (section 2.4.3), and reputational resources (2.4.4).

2.4.1 Market resources

Market resources consist of different kinds of knowledge that are needed to conduct business in foreign markets successfully. This information facilitates the company to adapt its product or service when needed, to the target market (Allen, 2007, p. 180). A result of globalization is that companies are operating in dynamic business environments. Hence, it has become more difficult for companies to obtain the necessary knowledge, which is required to succeed in international markets. Networks are an essential tool in accessing crucial information, which the company can utilize greatly of. Among the essential types of knowledge are market knowledge (section 2.4.1.1), and international knowledge (section 2.4.1.2).

2.4.1.1 Market knowledge

Market knowledge refers to objective information about a foreign market. It consists of information about the market size, the regulations, the competitors, etc. Market information that is acquired during the pre-internationalization phase is crucial for internationalization and its first phase. Before internationalizing, the firm strives to get as much market information as possible due to the high risk of the first entry. Networks facilitate obtaining general knowledge about market characteristics. Particularly smaller firms benefit from being part of various kinds of formal and informal networks because general knowledge about foreign market characteristics is exchanged. Various kinds of networks can be beneficial for the firm, which is aiming to internationalize. Business network partners can for instance offer crucial market knowledge regarding foreign institutions. Therefore, the firm which is entering a new market can benefit from being aware of rules and regulations in the foreign market (Johanson and Mattson, 1988). Through social networks, the firm which is internationalizing can also gain knowledge about the latest technological developments, market trends, and competition. The firm strongly uses the market knowledge acquired during the first phase of internationalization. It is most extensively used during this phase. The intensity of the application of market knowledge decreases as the firm advances in the internationalization process. More emphasis is instead put on knowledge relied on network, cultural and entrepreneurial knowledge (Umemoto and Katushiro, 2010).

2.4.1.2 Internationalization knowledge

A firm must have internationalization knowledge when expanding to a new market to be able to gain market entry, localize strategies and organize international enterprise structures (Fletcher et al., 2013, p. 1) Internationalization knowledge is defined as:

“experiential knowledge about internationalization in general” (Blomstermo, Eriksson, Lindstrand & Sharma 2004a, p. 358):

Experience of internationalization builds its knowledge and this knowledge about marketing operations can be shifted across markets, which is a valuable aspect within internationalization process research. By developing internationalization knowledge, a firm can gain a competitive advantage over domestic competitors and access greater international market performance.

Internationalization knowledge is viewed as the learning capability, that firms must have to achieve a successful entry into new markets (Fletcher et al., 2013, p.4).

The network obtained in the pre-internationalization phase is crucial for the internationalization start. The network can encourage the firm to begin to internationalize. Domestic and foreign social networks influence firm internationalization during its first stage (Umemoto and Katsuhiko, 2010). Holmlund and Kock (1998) found out in their study of Finnish SMEs that were in their initial phase of internationalization, that social networks in the home country and abroad were viewed as the most influential factors in internationalization.

Market entry internationalization knowledge consists of knowledge about how nations, institutions, and businesses operate and differ internationally. It has been recognized in internationalization process research as the most essential knowledge regarding how to enter new international markets, including the appropriate mode of entry. It is a resource towards reducing the firm's expenses within the expansion to a new market. Furthermore, it makes it a strategic resource due to the general difficulty of acquisition and assimilation of market entry (Fletcher et al., 2013, p.5). To succeed in market entry strategies, firms must evaluate, integrate and systemize external nation-specific market expertise into internal firm-specific knowledge (Eriksson et al., 1997) Networks are often needed to evaluate market-specific knowledge and to establish a marketing strategy. These relationships are crucial for small firms and they require that the participants share knowledge to succeed in relationship development. A result of a successful relationship is that firms manage to collaborate more reliably, rather than to internalize operations regarding market entry. Experience

and knowledge about the choice of a particular entry mode are exchanged through various kinds of formal and informal networks (Flether et al., 2013, p.6)

Localization internationalization knowledge consists of the sourcing of knowledge regarding capabilities, environments, and usable strategies that will mirror the local market conditions. Managers need to know how to evaluate localization internationalization knowledge to assess international business opportunities, and to manage strategic internationalization decisions. Market entry internationalization helps firms establish market positions, whereas localization internationalization knowledge makes it possible for firms to develop strategies, that will offer a sustainable competitive position in the new market. Localization internationalization knowledge is needed for firms to develop marketing strategies that are suitable for the new market, and strategies that coordinate the firm through various international markets with segmentation. Strategic alliances are beneficial in the internationalization process because it enables strategic and operational knowledge related to foreign markets to be shared (Teece, 1992, p. 2). Knowledge about developing and implementing strategies in new territories is very hard to transfer because it stems from systemizing accumulated knowledge from other territories. Localization internationalization knowledge is viewed as a strategy within the resource-based view of the firm (Flether et al., 2013, p.6).

International enterprise international knowledge makes it possible for firms to handle the internal organization of their enterprises through various international territories. Furthermore, it makes it easier to know how to control different partner behaviors, how to operate internal relationships that are spatially distant, and how to assure appropriate levels of knowledge transmission that are constantly occurring (Flether et al., 2013, p.7).

Cavusgil (1998) explains the importance of cross-border transactions knowledge, which consists of international logistics, product adaption for different markets, the working of currency markets, and transnational legal aspects.

When firms succeed in expanding to more territories, operating adequately requires more attention to effective management. Practices such as foreign exchange management and customer operations become more essential (Prashantham and Young, 2011).

2.4.2 Human resources

Human resources are defined as employees that have the skills, mindset, and knowledge to manage a foreign market entry and to operate in a foreign market. Obtaining human resources is advantageous for internationalization because risks and uncertainties to a foreign market expansion can be minimized (Tolstoy & Agndal, 2010, p. 24).

External resources which are embedded in a firm's network that affect business outcomes are viewed as network resources. Network resource combination is the act of bringing together complementary resources from network relationships. Networks broaden the resource base of firms and increase innovation. Firms can find opportunities through combinations of dispersed resources that exist in their networks. Resources in networks are leveraged by constant interaction between firms, that allow resources to be circulated through network relationships. Firms can leverage resources through directly connected relationships and indirectly connected relationships. Direct actors are connected to an economic agent, such as suppliers and customers whereas indirect actors are customers' customers and suppliers' suppliers that are in the global market. Firms must be proactive to be able to seek opportunities in the network and they must strive to change existing combinations of network resources. Greater leverage of network resources leads to a competitive advantage, which is succeeded through cooperation between the firm and its network partners. International collaboration can create awareness of certain conditions in foreign markets, which enables firms to respond to customer needs. By utilizing network resources, it leads to reduced liabilities of smallness, which encourages innovative behavior. Network resources accelerate internationalization by reducing market uncertainties and by offering business solutions. Firms that use network resource combinations have an easier time achieving international growth (Tolstoy and Agndal, 2010, p.26).

2.4.3 Technological resources

Technological knowledge is viewed as all knowledge that is needed to develop and implement domestic products to technical standards that are suitable in target markets. This knowledge makes it easier for firms to overcome the lack of experience. High-tech industries can achieve a competitive advantage in their internationalization, by using effectively technological resources. They are essential for innovation and help to enter a new market. The greater their knowledge, the faster they manage to succeed internationally (Autio, et al., 2000, p.919).

Mowery, Oxley, and Silverman (1996) revealed in their study consisting of multiple case studies of 792 strategic alliances that technological knowledge is obtained in different countries by exchange through strategic partners.

Research by Bell (1995) shows that Finnish and Norwegian software companies that before developing their products, had received distribution rights for the Scandinavian market from third parties in the US. This research provided evidence that the internationalization process started with an inward technology transfer and cooperating with an overseas supplier, which occurred before any export activities (Bell, 1995, p.66)

2.4.4 Reputational resources

A firm's reputation in its network is crucial for reaching success because, it can be a source of competitive advantage, by increasing firms' long-term ability to attract foreign customers. Furthermore, they constitute a big precondition for a fast international expansion among smaller firms. Reputational assets help to inform external factors about the credibility, trustworthiness, and quality of the firm. Reputation cannot be bought, instead, it is built, and it is substantially more difficult to copy than tangible assets. Furthermore, it contributes to a greater extent to a firm's success than tangible assets. Reputational assets are among the most essential assets that a firm can develop. A positive reputation results in positive performance. The benefits can be viewed both socially and financially. Maintaining and building a positive reputation is crucial in the management of firm resources (Galbreath, 2005, pp. 981 – 985). The reputation and credibility of one or more actors within networks can spread to other actors within the same network. Hence, companies that expand to a foreign market and do not have a priorly established reputation can benefit from the reputation and credibility of other actors within the network that already has established themselves there (Turnbul, et al, 1996, p.44). A study conducted by Coviello and Munro (1997, p. 361), revealed that New Zealand-based software developers profit from their contacts with the formal and informal networks, by gaining an improved international reputation and credibility.

2.5 The Chinese market

In the following chapter, the informal social network in China will be discussed, which is built upon trust known as *guanxi* and saving face defined as *mianzi* (section 2.5.1). Thereafter, China's environmental policies are presented (section 2.5.2), and the chapter is concluded with Finnish businesses on the Chinese market (2.5.3).

2.5.1 Guanxi & Mianzi

Guanxi, which is the informal social network in China is a crucial strategy to access information and to get access to the relevant resources in a timely and flexible way. It can be viewed as a form of relationship exchange that reflects the basic idea of network capitalism. The informal social network is viewed as a system of trust, reciprocity, and interdependencies that offer value through the effective use of social capital. Guanxi networks are often characterized by informal interpersonal connections that are influenced by hierarchical Chinese cultural values and bonded with reciprocal expectations. Hence, it embodies the traditional Chinese culture and functions as a conscious choice on the part of actors preferring for personalized contacts and relationships. This kind of social network can offer special information benefits to the actors that are connected by exclusive or non-redundant personal ties, regardless of whether the nature of the social relations is weak or strong. Guanxi-related networks can reduce transaction costs or increase transaction values through an easier exchange of resources, knowledge, and information (Zhou, et al., 2007, p. 676).

Guanxi has both strong significances for interpersonal and inter-organizational dynamics and functions as an inseparable element of the Chinese business environment. The informal social network can be viewed as a web of interpersonal relations spread throughout Chinese societies. Business practices that are based on Guanxi can besides lowering search and other transaction costs also reduce uncertainty, offer usable resources and a sense of connectedness. Relationships based on Guanxi, are especially beneficial for foreign investors because they reduce environmental uncertainty and opportunistic behavior. Hence, foreign firms should aim to build up guanxi to establish a competitive advantage.

Mianzi is the recognition of an individual's social position, which is seen as a person's prestige and dignity. In Chinese culture, it is crucial to protect a person's mianzi. Saving face or mianzi makes it easier to build a network and to get access to other's social resources. Hence, mianzi goes hand in hand with guanxi. By developing guanxi and saving mianzi in relationships, it creates trust between partners. In strategic alliances trust is crucial for the relationship to prosper, by enabling open information exchange, improved coordination, and less bureaucratic costs (Buckley et al, 2006, p. 276 – 277). Trust occurs when foreign and local firms have a shared mindset. This mindset is crucial for foreign-invested firms to have ingrained, to achieve success in China. A shared mindset can be achieved when both sides strive to actively build guanxi and respect mianzi. Hence,

relationships between firms in China can be developed in the same way as at a personal level (Buckley et al, 2006, p. 283).

Firms that are entering China should have a long-term vision when designing business and knowledge transfer strategies. In the Chinese culture, long-term engagement is valued, which enables people to build mutual understanding and nurture trust. This reflects the usefulness of guanxi building with the Chinese environment (Buckley et al, 2006, p. 284).

Guanxi and mianzi make it clear that cultural awareness is essential for a firm's business strategy by affecting its performance and knowledge transfer. Trust, which is the essence of relationship-building is important at personal, corporate, and governmental levels. Trust is more challenging to establish with local partners and governmental entities because of a differing organizational culture. However, long-term commitment makes it easier to nurture trust between organizations. Guanxi and mianzi can be utilized on a governmental level by building trust in various ways for instance in joint ventures established with state-owned companies, which can result in that the government implements beneficial policy makings for the firm (Buckley et al, 2006, p. 286).

2.5.2 China's environmental policies

A part of the Chinese planned economy is that China has outlined, that by 2030, the streets will no longer have cars running on internal combustion engines and they will be replaced with electric ones instead. Another efficiency measure is the Blue-Sky protections War 2017 program, according to which factories manufacturing internal combustion engine cars may no longer be established in China (Väkeväinen, 2019).

In the nation's 14th five-year plan period (2021 – 25) China is aiming to progress in building an ecological civilization, optimize the development and protection of territorial space and achieve notable results in green transformation of production and lifestyle. The country will allocate energy and resources more appropriately and raise utilization efficiency. Furthermore, China will continue reducing emissions of major pollutants, improving its ecological environment, develop its urban and rural living environment and make ecological security shields more solid. Significant progress will be made in the reforms of the property rights system and the market-based allocation of factors of production (Xinhua, 2020).

At the EU-China Summit in July 2018, both parties reaffirmed their commitment to go forward with the implementation of the Paris Agreement and deepen their cooperation on climate change

and clean energy. The two parties agreed to strengthen bilateral cooperation on many different aspects such as energy efficiency, long-term low greenhouse gas emission development strategies, emission trading, clean energy, low-emission transport, climate-related technology, investment in climate and clean energy projects, and cooperation with other developing countries (European Union, 2018).

China is furthermore aiming to monitor, rate, and regulate the behavior of market participants through their new “social credit system”. The plan, which was first published in 2014, applies credit ratings across environmental, social, and political sectors. As a result, companies that have higher emission targets than allowed will receive a lower rating, leading to punitive measures such as higher taxes or further sanctions. The plan will function on big data that monitors and evaluates social and economic behavior, by implementing real-time feedback.

The program aims to improve environmental protection by establishing environmental punishments and incentives. The required information that companies must share consists of environmental protection permits, construction project environmental management, nuclear and radiation safety management, sewage charges, and environmental protection tax payments. Additionally, some enterprises must share information regarding the following factors: key pollutant discharge unit monitoring, pollution monitoring, access to and use of special funds for environmental protection, and environmental risk management information. The aim of the program is that companies actively check their score and take measures to fix any occurring problems that are causing the plummeting score. The program was implemented in Jiangsu province in 2019, based on environmental credit ratings from 2017. China is striving to fully enforce the social credit system by 2020 (Davies & Westgate, 2019).

The country has already made advances and been able to show results in its environmental policies. In 2018, China’s carbon intensity fell by 4.0%, a cumulative decline of 45.8% compared to 2005. Furthermore, the same year large-scale land greening and ecological protection and restoration engineering projects continued to accelerate (Ministry of Ecology and Environment of the People’s Republic of China, 2019).

2.5.3 Finnish firms on the Chinese market

The Finnish companies in China suffered from low demand at the beginning of 2020 when the virus struck, but the business operations returned to an almost normal level on a very fast schedule. For

instance, UPM which is a Finnish forest industry told that their factories stayed active during the whole pandemic in China and explained that they used the knowledge regarding the virus in other market countries. Jenni Isola, the Secretary-General of the Finnish - Chinese Trade Association states that Finnish companies have expertise in the field of digitalization, health technology, intelligent transport, energy, and clean food. These sectors offer profitable business opportunities in China (Isola, 2020).

Ding Ma is an expert in Chinese trade and has worked as a market analyst in Beijing, and four years in the Chinese ministries of foreign affairs, and one year at the export promotion center. He explains that even though there are 1,3 milliard inhabitants in China, it remains challenging for a Finnish company to expand to the Chinese market and compete with their products. He tells that China is currently one of the most competitive markets in the world. Hence, a Finnish company is required to have a good competitive advantage, an understanding of the local language and the culture. A Finnish company with competitive knowledge can easily be overshadowed by others if the abovementioned factors are not implemented. Oftentimes, foreign companies do not compete directly with Chinese products, but rather foreign companies compete with each other. Chinese companies on the other hand are competing for a growing domestic market but also more abroad, particularly in the high-end class. Therefore, the perception of China only as a lower-priced country is starting to fade away. Ding Ma mentions that Chinese successful actors take a long time to choose a foreign partner with whom to establish a joint venture in China. However, after the partnership is established, the expansion is rapid and profitable. Expanding firms should be aware that in terms of intellectual property rights, copying is still common at the grassroots level. Furthermore, possible court hearings in intellectual property rights infringement cases can take several years, so the potential economic benefit of a favorable judgment may quickly wither away due to a long legal battle. Chinese investors have become accustomed to high returns in recent years. Hence, a Finnish company must increase its customer numbers or its market share at least tenfold in the initial phase, to maintain the investors' interest in the company's operations. (Väkeväinen, 2019).

Finland's exports to China in 2019 equated to a 5.4 percentage share of total exports. The amount was 3493 million euros. It was a -1 percentage decrease from 2018. China is Finland's sixth most important exporting country (Board of Finnish- Chinese Trade Association, 2020).

3. RESEARCH METHODOLOGY

The empirical part of the study is done with the aim of understanding to what degree Finnish cleantech companies have implemented the International Parachuting strategy by implementing GLOCAL. Furthermore, reasons for the companies' entry modes are studied. Qualitative research was chosen for gathering the data. In the following chapter, the choice of research method and the reasons behind the choice will be presented. The chapter includes a general research approach of how the data was collected and concludes with a presentation of the choice of research method.

3.1 General research approach

The research was implemented by conducting in-depth interviews. The interviewees were either founder or had managerial positions in the company, which enabled to receive as reliable data as possible. As a result of Covid-19, the interviews were conducted either by web conferencing software (Zoom & Microsoft Teams) or through phone calls. The length of the interviews varied quite a lot. They were in general 30 minutes to 1 hour and 30 minutes. In general, interviewees that had been for a long time active in the company were willing to share more information due to the broad knowledge that they had gained over the years in the company. Each interview template was edited to suit the company in question, based on the research made by the researcher on the company's background. The templates at the end of this thesis were used as the basis, before shaping the questions for each company. The interviews were conducted between the time frame of 3.11.2020 – 8.2.2021.

3.2 Research design – case study

Qualitative methods are viewed as fitting when the objective of the research is to understand experiences, attitudes, and behavior in-depth (Yin, 2016). Hence, a qualitative method was chosen for the research because choosing suitable case companies enabled the gather of valuable data through the personal experiences of the interviewees. Yin (2016) states that in qualitative studies, free formulating answers are mostly included, and responses are divided into categories or classes rather than quantities or frequencies. Qualitative approaches are generally more time-consuming than quantitative approaches, often having participants formulating their own answers and going more in-depth with the attained responses. Because qualitative methods need more time and resources, the samples are often smaller (Yin, 2016). Since the research aims to study the

interviewees' experiences networking with various Chinese actors, which is a personal and subjective theme that requires thorough answers a qualitative approach is the most applicable method to use.

Qualitative research was chosen as an alternative to quantitative research because it enables for a more flexible research method with open-ended questions and allows the participants to respond in greater detail (Yin, 2016). By choosing a different research method, the data would not have been as rich, due to the elements of the research questions that required an in-depth appreciation, in their natural real-life context.

Case studies are often used when it is hard to find a precise solution (Solberg Søilen & Huber 2006). Hence, it is a suitable choice of method for the research because the answer is not numerical rather it is more complex by viewing how companies have internationalized and used their networks. Yin (2003) explains that case studies are typically used to answer questions related to "how" and "why" because they enable an explanatory approach. Since the research problem is geared to answer "how" Finnish cleantech companies have implemented the Parachuting Internationalization model, the case study format is the most appropriate method to use. Furthermore, choosing a case study as the method of choice enables gathering for as much in depth data as possible, which is valuable because the amount of existing data regarding Finnish cleantech companies' internationalization process to China is quite low.

A difference between a single case study and a multiple case study is that in the last mentioned, the researcher is studying multiple cases to understand the differences and the similarities between the cases. Evidence obtained from a multiple case study is also measured strong and reliable (Baxter & Jack, 2008). Therefore, a multiple-case study was chosen for the research to be able to understand the difference and similarities between the Finnish firms' internationalization to the Chinese market.

3.3 Selection of case companies

All the case companies chosen for the study are cleantech oriented and founded in Finland. They differ in aspects such as size, existing time on the market, and field of industry. For instance, Vaisala was founded in 1936 and is listed on the Nasdaq Helsinki stock exchange market, whereas, Roberide is a limited start-up company established in 2017. Due to the differing business fields that the companies are active in, it made the results more diverse because they have peculiar

characteristics and business strategies. The reason cleantech companies were chosen for the research, was to be able to study how China's environmental initiatives and policies have affected companies' operations.

4. EMPIRICAL FINDINGS: CASE COMPANIES

This chapter of the master's Thesis provides information about the case companies that were interviewed for the study; Cross Wrap Oy Ltd, Vaisala Corporation, Wetend Technologies Ltd, Roboride Ltd, and Glaston Corporation. The chapter will consist of a background of the companies and their products or services, insight into their competitive advantages, their internationalization processes, and their utilization of networking during internationalization. The people interviewed from each respective firm were Participant 1, the Sales Director at Cross Wrap Oy Ltd; Participant 2, Vice President, Industrial Measurements APAC at Vaisala Corporation; Participant 3, Chief Executive Officer of Wetend Technology Ltd; Participant 4, Chief Executive Officer at Roboride Ltd and Participant 5, Chief Operating Officer and Deputy Chief Executive Officer at Glaston Corporation.

4.1 Case company: Cross Wrap Oy Ltd

4.1.1 Company background

Cross Wrap was founded in 1992 by entrepreneur Kalle Kivelä. He came up with an innovative way of wrapping square bales and other rectangular end products. He made the first drawings of the wrapping system by hand on a cargo ship on his way back to Finland from the UK machinery show. The most essential reason to develop the Crosswrapping method was customers' requests to have a reliable stretch wrap packing system, which would optimize the usage of film to the right places that are the corners and handling sides of the package. This innovative method makes the package more robust with lower cost. In 1994 the first Cross Wrap machine was built.

Cross Wrap's following invention to a customer request was developing the CW Bale Opener, which opens the wired and wrapped bales when you want to use the baled material.

The company has always been dedicated to manufacturing, engineering, and installing stretch-film bale wrapping, bale dewiring, bale opening, and board packaging machines wherever needed. Cross Wrap has been providing trustful service for companies globally since its foundation.

The customer's need has always been and is still to this day the company's primary inspiration for creating innovative products.

Cross Wrap has manufactured, delivered, and installed 500 Cross Wrap machines, serving customers in 55 countries, and producing more than 95 million Cross Wrapped bales and finished-product packages (crosswrap.com).

Cross Wrap is the global market leader, in making machinery that wraps bales of waste. Participant 1 explains that they differentiate themselves from their competition by having the most customer references, their bale wrapping technique differs from the competition and they have a patent on it. Furthermore, they have various machines such as bale wire openers, and machines that handle plasterboard. Some parts in every machine have a unique patent.

4.1.2 Entry to the Chinese market

Because the Finnish market is so small, the company decided straight from the beginning to export abroad. Sales volumes in Finland also vary a lot. Some years Cross Wrap makes no sales on the domestic market, whereas other years there can be a few sales. Hence, The company strived to internationalize from its inception. Participant 1 states:

“Crosswrap has evolved through broadening its network and by customer references. The company has built up its reputation over time and has become a well-known established company. Business events have been valuable to gain new contacts and to share information”.

The initial market that the company exported to were mostly countries from Europe: In 1994 the company started exporting to Germany and United Kingdom. In the following years, it expanded its exports to Belgium, Holland, Sweden, Italy, Lebanon, United States, and New Zealand, etc.

The company established its first contact in 2017 with a Chinese prospect, and the following year a contract was signed. Cross Wrap does not have an office in China, but it will perhaps open up one in the future. A Chinese person is employed by Cross Wrap that works as a freelancer.

4.1.3 Utilization of existing networks, experience, and knowledge

Networking and the network are very essential to Cross Wrap. What characterizes the company's network is that they have not so far had an agent or a representative person who would have

exclusive rights to sell the machines. In part, it is because every wrapping machine has a baling machine in front of it, and some customers prefer a baling machine of a certain brand. If Cross Wrap would choose an agent from a country that would have a lot of market knowledge and preferences, there remain some risks. In most cases, a customer needs both a wrapping machine and a baling machine. The agent however sells only a certain brand of wrapping machines and baling machines. Hence, if a customer would prefer a certain brand's baling machine, that would not be suitable for Cross Wrap's wrapping machine then the company would lose a sale. This would cause uncertainty because countries have various baling machine companies. The quantities that Cross Wrap sells to individual countries are quite small and every customer has particular needs, hence it is not likely to be profitable to have an agent with exclusive rights. Furthermore, the majority of agents have different brands that they sell and therefore, they put most resources to sell a brand that has a lot of demand. Cross Wrap's machinery is a niche and its sales quantities to individual countries are quite low. This results in that the agent would not put as many resources to sell their machines.

Participant 1 further explains why Cross Wrap wants to oversee its sales operations:

“Because projects are individual it is easier for Cross Wrap to operate independently without having a person with exclusive rights responsible for sales. This way Cross Wrap can adjust the machinery to the customers' needs”

Cross Wrap has however certain agents that sell various brands of machinery, and oftentimes they contact the company, although they do not have exclusive rights. In those cases, the agent works as the buyer from Cross Wrap and the agent delivers the machine to the end customer.

If Cross Wrap would sell for instance components to paper mills which would be suitable for every machine, then it would be more effective, convenient, and profitable to have a person with exclusive rights.

The network is essential to Cross Wrap so that it can serve its customers' specific needs in different countries. Another disadvantage of having agents with exclusive rights would be that the market knowledge at new locations would remain narrow because the company would only receive information that the agent would inform them with. When Cross Wrap oversees the sales process, it can serve its customer in a customized fashion and it gets information of the customers' demands, such as quantities of machinery needed.

Perhaps Cross Wrap will choose an agent in China with exclusive rights in the future because it is quite time-consuming and hard to operate without one. Furthermore, in certain countries, Cross Wrap has had agents that have been responsible for sales, even though they have not had exclusive rights.

Participant 1 explained the following when questioned what the most essential factors for building trust and commitment with partners are:

“That is an easy question. Firstly, the most important thing is that you never lie. You must always speak truthfully and stay within facts. When you start to tell false facts, you can never remember everything correctly and what you have said in the past. Secondly, you do not tell things that are told to you confidentially, to anyone else. For instance, if a company mentions that they have a project at a specific location, then you are not allowed to tell a third-party that they should also strive to launch a project there”.

When customers ask people at Cross Wrap about various client projects and competition, they reply that they cannot answer the question because they do not want that a customer would tell to a third party about Cross Wraps’ operations. Hence, secrecy even though it would not be a non-disclosure agreement is crucial. The circle within the business field is quite small, for instance, at events worldwide, there are often the same European exhibitors. Therefore, if you would break your reputation it would affect you greatly and it would be very challenging to build it up again. Participant 1 states, that despite small cultural differences, that in the end, people are people wherever you are, and that trust is a global value that shows your character and is respected everywhere.

Cross Wrap cooperates with Chinese bale manufacturers. If a customer needs a wrapping machine, a baling machine is also required. Hence, Chinese bale manufacturers help to spread the good word about Cross Wrap’s wrapping machines. Furthermore, Cross Wrap collaborates with a European whole supplier that has a resale contract in China. Cross Wrap has managed to build its network with Chinese actors through different channels. Participant 1 explains:

“There are many European business actors that have established their presence on the Chinese market, by having a subsidiary or part of their manufacturing in China. These actors have assisted Cross Wrap by being the initial contact to Chinese actors. Furthermore, various events and webinars have been useful to get in contact with actors within the field.”

Cross Wrap’s relationships in China have evolved substantially. Participant 1 describes:

“Trust and cooperation improve when you spend time together, and work to achieve a common goal”.

Cross Wrap’s cooperation in China has been particularly beneficial with certain paper mills that have often initiated the negotiation by approaching Cross Wrap, and by explaining that they would be interested to order a similar machine, that they have acquired to another location in the past.

Cross Wrap has also been able to gain new customers through word-of-mouth. Participant 1 states:

“An advantage operating without agents with exclusive rights is that Cross Wrap can build up stronger relationships with their customers through trust and commitment. There have been cases when an employee from a paper mill has started working at a different company’s factory, he or she has recommended Cross Wrap and through that word-of-mouth, it has managed to increase its sales.”

The biggest events are essential for Cross Wrap to get to know different actors within the field. You can meet your partners, and old- as well as new customers there. Besides being a social gathering, events are beneficial to establish new deals. Participant 1 tells that it is a good way to build trust and commitment, by being active and visiting other partners stands. Before the pandemic struck, Chinese customers and actors had gradually increased their presence at various events that had been held in Europe. International events have been an essential part of Cross Wrap’s internationalization and a tool to gain market knowledge. The events have been very useful to get new prospects.

Participant 1 states:

“There are new prospects at every event. Oftentimes we get many contacts, of which approximately 10% turns into potential deals. Two Chinese companies’ CEO’s attended business events and became interested in Cross Wrap machinery. Hence, that was the initial contact and the spark which led to future sales “.

Cross Wrap evaluates after every event how successful it was for the company, and if it would be profitable to attend in the future. Certain events were held yearly, which were viewed as an excess number by actors within the field. Participant 1 explains that you do not have that much new information to share with people within such a short period, hence, it is not that valuable and causes avoidable expenses. These yearly events are kept so often because it is profitable for the event arrangers. Participant 1 thinks that certain events will become unprofitable and laid down in the future, but that the biggest events such as IFAT will stay relevant. Cross Wrap has participated three times at a bigger event that is normally held once a year. Participant 1 tells:

“The first time we did not have an own stand, instead we shared a stand with a partner. The second time we were independently an exhibitor and we had our stand. We got some contacts, but they did not develop into future sales. The last time, we had a local Chinese partner that represented us. We could not participate due to travel restrictions, because of the pandemic. There were not as many participants, but we gained some contacts that have turned into potential customers”.

The partner that was hired works and represents solely Cross Wrap and no other actor within the waste management field.

4.1.4 Characteristics networking with Chinese actors and market challenges

Participant 1 tells that there are no essential differences in cooperation with customers and partners regarding countries. He tells that every country consists of various companies, some companies are easier to do business with than others. However, the Chinese business culture has some challenges. Participant 1 explains:

“the Chinese business culture brings certain challenges, for instance, a company’s hierarchical structure and the existing language barrier. A trait that characterizes the business culture is that Chinese people value face-to-face meetings within networking”.

Participant 1 explains that trust and commitment building with Chinese actors is more challenging and difficult. He explains that it requires various meetings to establish trust. Language is a huge barrier because certain nuances are lacking from the discussion. Regarding information sharing reluctance Participant 1 states about Chinese actors:

“The customer has always shared essential information needed for the installation of the machinery. Secondary data, however, such as other clients the customer orders machinery from, or to who and where they deliver their products, are information they want to keep for themselves. This is a shame because the lack of secondary data sharing, hinders Cross Wrap from potentially selling additional products that would suit the customer’s needs and Cross Wrap would gain broader market knowledge”.

Participant 1 assumes that the reluctance of sharing information is due to the hierarchical structure of companies and the competitive atmosphere. A result of the hierarchical structure is that project managers often only receive the data that is relevant to complete the installation. Secondary information is held by people higher up the chain. Another result of the hierarchical structure is that

even though the project leader would have the information, the person would be unsure if he or she would have the authority to share the information.

Participant 1 tells that deadlines are kept, but during projects, customers often change the dates due to various reasons, or in some cases, projects are put down without explanation. This is however quite normal in this business field globally.

The business network with Chinese actors has been useful for Cross Wrap to get new customers. There have been cases when an acquaintance has been able to give the right contact information of a person who is responsible for sales in a multinational corporation. Hence, the initial discussion with the customer has been smooth and rapid which would otherwise have been challenging, due to the size of the multinational corporation. Participant 1 explains that customers have become more open once trust is built. Participant 1 has encountered Chinese customers that initially have been reserved, but once trust is built have shared information on their initiative. Participant 1 feels that Chinese actors are very loyal to their partners after a strong trust is established. Currently, there are some Chinese customers with whom Cross Wrap is negotiating for further sales after the initial one.

Cross Wrap is mostly independent regarding its sales hence, exporting to China has some challenges. The most important ones are the hierarchical structure of companies and the existing language barrier. Besides that, the company's operations are quite straightforward. In Cross Wrap's contracts, it is always mentioned that the customer takes care of customs operations. This makes the exporting process more efficient and easier for Cross Wrap. Chinese customers have sometimes certain demands regarding the contract, which need to be negotiated for quite a long time. There are often disputes, which country's conditions should be implemented. Chinese people want it to be kept in China, but it has always been managed to be negotiated into a neutral country, such as Singapore. Regarding the hierarchical structure of Chinese companies, Participant 1 states:

“It can be challenging that the person who you have been negotiating with does not have the authority to be flexible and can only follow orders from persons higher up within the hierarchy. This can lead to confusion because it is hard to get direct answers and the negotiation does not develop further”.

Another challenge Cross Wrap has faced is that Chinese companies are more reluctant to share information than European companies. They offer essential information needed to complete the installation, but often they do not want to share any additional information regarding their projects. Participant 1 thinks that this could be due to their competitive business culture, or their uncertainty

regarding if they can fully trust the counterpart and fears that the sensitive information could get leaked to third parties.

4.1.5 Effects of China's environmental investments and Covid-19

Cross Wrap started exporting to developed countries because waste management is not as essential in developing countries. Furthermore, they do not have as many financial resources as developed countries. Cross Wrap has not yet been exporting to Africa due to lacking interest from the customers. As nations develop, their governments start to take action to improve the country's waste management. China has experienced rapid economic growth and has become an important market for Cross Wrap. According to Participant 1:

“China has become an essential customer as a result of its growth. Hence, they have the interest to improve their waste management. The target country needs to push for a change before it is profitable to export there. “

Currently, the Taiwanese government is pushing its domestic companies to improve their waste management.

A big effect of the pandemic is that all bigger events have been postponed. IFAT, which is the biggest event within the field, held every other year in Germany, has been postponed further a few times already. It is unclear how many exhibitors and visitors will participate in future events. Cross Wrap participated in 10 or more events yearly. Participant 1 thinks that certain events will become unprofitable and laid down in the future, but that the biggest events such as IFAT will stay relevant. However, Participant 1 mentions that it is hard to know what the future will bring, and it could turn out that people are more willing to attend events and see each other face-to-face after all the traveling restrictions that the pandemic has caused. Before the pandemic struck, events were an essential location to establish the initial contact. Nowadays, it has been substituted digitally with platforms such as Zoom and Microsoft Teams. Participant 1 sees that encounters will move more into digital marketing and virtual seminars. Probably live events will be held but in a lower number. If the number of exhibitors will decrease exponentially at events, then there will be fewer customers visiting, resulting in, that it will not be profitable to take part in the events. Participant 1 states that it all depends on customer behavior. If the customer feels that the first contact can be established digitally, then it could become the new norm, to meet face-to-face after the digitally established encounter. It is hard to tell how things will develop in the future, and if events will be relevant or

become obsolete. Another potential change regarding events could be that they would narrow down to field-specific themes and topics. Participant 1 states that a result of the pandemic is those customer meetings that can be held digitally will remain in that way, hence, decreasing unnecessary traveling. Cross Wrap has increased its usage of digital tools drastically. Participant 1 explains

“A big change within Cross Wrap is that digital meetings were held approximately once a week and nowadays it is daily”.

During the pandemic, Cross Wrap has managed to have final negotiations through Microsoft Teams. Despite the benefits digitalization has brought, Participant 1, as sales manager, points out the importance of seeing the person face-to-face, being able to read the person’s body language in full, and view the customer’s reactions. Participant 1 also mentions another challenge regarding digital platforms. Before the pandemic, events offered an avenue to meet all actors at one place, whereas, it is not possible to be in touch the same way through digital platforms. It is more time-consuming to arrange meetings individualistically, and more challenging to meet persons that are not that close to you. Furthermore, it is easier to show a concept with a pen and paper when you meet someone face-to-face than it is virtually. Digital marketing is a useful way for Cross Wrap to get new contacts, which has become more used during the pandemic. Because normal events were closed, Cross Wrap started to launch webinars. Cross Wrap strives to activate its current customers and gain new ones through that action.

4.2 Case company: Vaisala Corporation

4.2.1 Company background

In 1931, Professor Vilho Väisälä discovered a fallen Russian radiosonde. He admired its idea to use radio technology to retrieve observation results. However, he decided to improve it to his quality standards. In 1936 he finalized his famous innovation, founded Vaisala, and sold the first radiosonde pieces to the Massachusetts Institute of Technology.

Today, Vaisala is a global leader in weather, environmental, and industrial measurements, headquartered in Vantaa, Finland. Vaisala strives strongly towards its mission of *“Observation for a better world”*. The company is a reliable partner for customers around the world and offers a wide range of innovative observation and measurement products and services.

Vaisala's business operations are divided into two sections. Firstly, it manufactures measuring instruments and systems for various industries. Secondly, it produces weather as well as environmental prognoses. In the industry sector, it measures factors such as humidity and carbon dioxide.

Vaisala has 30 offices globally, in 2019, the average number of employees was 1900 and net sales were over 400 million euros (Vaisala.com).

Vaisala started its exporting straight away from its launch in 1936. Its first customer was the Massachusetts Institute of Technology. The share of the Finnish market equals currently 3 – 4 %.

Participant 2; Vice President, Industrial Measurements APAC explains that Vaisala differentiates itself from its competitors by being the global market leader, and by having the best products within its field by all standards.

4.2.2 Entry to the Chinese market

The company started exporting to China in 1994 through its subsidiary that opened an office there. Vaisala created directly strong relationships in China. Participant 2 states:

“We sought Chinese sellers and distributor partners when we expanded here, and we have been running the business jointly with them since then to this day.”

As time has passed the relationships have evolved. Vaisala has aimed to have long term-partners and has worked together since the 90s with certain actors. Trust-building is important for the company. Participant 2 explains:

“Trust is built when the partner notices that we deliver a product which is fully operational and flawless, and we are willing to offer our support as quickly as possible when something unpredictable occurs”.

4.2.3 Utilization of existing networks, experience, and knowledge

Vaisala sells components, hence it is beneficial for it to have channel partners that have wide networks. Delivering components does not cause any problems with the trade, because it is only a small part of the customers' machinery. Hence, it is very transactional and straightforward.

Regarding Vaisala's partners, Participant 2 explains:

“We have channel partners and distributors because they have built a wide network and offer various products to the same customer. They can offer prospects that we would not otherwise find. When we want to internationalize to a certain province, we seek a useful distributor. Our distribution channel network and our own sales team’s channel contacts are used to find new customers”.

4.2.4 Characteristics networking with Chinese actors and market challenges

Regarding customer relationships within China, Participant 2 states:

“Customer relationships are essential. Oftentimes you can do business with the same actors for over 10 years. It is a dynamic market, where companies go under rapidly. It is also an enormous market with different segments”.

Deadlines in China have caused challenges to a certain degree. Participant 2 explains:

“Big companies give surprising predictions for the projects when the product needs to be delivered. The short deadlines can sometimes make the cooperation a bit challenging for the supplier”.

International events have been relatively useful for Vaisala. The Characteristics of an event are however important. Participant 2 tells:

“We have sometimes created encounters with interesting actors. Events vary a lot. Generally, a small event with a narrow theme is a lot better than a bigger event where the theme is broader”.

For Vaisala, the international events have been a good way to build up the brand by showing externally that the company is active. It has also been a good way to find interesting contacts. They have been able to find some suiting channel partners, distributors, and leads from various events. The language barrier has been a huge problem with Chinese exhibitors because they do not often talk English that well. Hence, it has been useful for Vaisala to have a person that is fluent in Chinese and can network with them. According to Participant 2, Chinese people are as easy as anyone else to establish contact with, if the discussion is preferably in Chinese. All in all, international events are not that essential for Vaisala’s internationalization, they are mostly only a networking tool.

China is a growing market, and therefore Vaisala strives to increase its presence there. Participant 2 says that terms of trade are different, and you often need middlemen that take a remarkable share of

the profit. All in all, Participant 2 feels that business is business universally, which means you need to have a product or service that stands out and has a competitive advantage.

4.2.5 Effects of China's renewable energy investments and Covid-19

China's renewable energy initiatives and investments have been beneficial for Vaisala. The increased amount of wind energy projects has offered Vaisala new projects. The company has also benefited from stricter environmental policies regarding flue gas.

Participant 2 tells that when the pandemic struck, everything stagnated in China, and all the projects were postponed. Participant 2 explains that China's industry is dependent on external markets and the global market situation is reflected in China. Currently, the market has begun operating quite stably again, but the industry is not growing yet as rapidly as before the pandemic. The usage of digital networking tools has increased within the company, both internally and externally. Additionally, more webinars have been launched, Participant 2 states:

“We have increased webinars and online tools with distributors regarding training and information sharing. We have however held a lot of webinars before the pandemic also”.

4.3 Case company: Wetend Technologies Ltd

4.3.1 Company background

Wetend Technologies Ltd is the global technology leader in mixing chemicals, additives, and gases into high-volume process streams. The company has set business objects to improve paper, board, and tissue making process chemistry by new innovative mechanical ways. Wetend has been able to develop new pioneering technologies and new remarkable solutions that distinctly have changed the way of thinking about how to run a process. It has been accomplished by questioning present traditional solutions. The company was founded in Finland in 2001 and is now operating globally with its experienced personnel and representatives. The company is located in the city of Savonlinna in eastern Finland, where it holds office and shop premises, and modern facilities for process and product development. Wetend has also had since 2006 an office in Beijing, China. The company has supplied over 530 mixing installations to 25 countries (Wetend.com).

The company stands out from its competition by its innovative technology, which blends various additives and chemicals with fibrous materials such as board and provides significant savings in pulp, paper, and board industries. This technology and all its products are protected by numerous international patents and patent applications. Furthermore, a strength of the company is the number of references it has.

Wetend's technology, reduces process chemical consumption by 30 – 60 %, sometimes even more. Today, it saves approximately, 70 million m³ of fresh water every year. Additionally, it saves 3,2 million MWh of energy, with a reduction of 2 million tons of carbon dioxide gas annually.

4.3.2 Entry to the Chinese market

Only two years after its foundation, the company expanded to China. Participant 3, CEO of Wetend, has a background working in the pulp & paper industry, in the Finnish company Metso. With Participant 3's previously gained experience and network, the company managed to get its first deal in China, which was UPM, a Finnish leading company in forest-based bioindustry. Initially, Wetend's internationalization strategy to China was to use a Chinese agent. The decision was however unsuccessful. There were instances when the Finnish managers arrived in China, they expected that the agent would have been in contact with potential customers and established a contact with them. It quickly turned out, that it was not the case, and it revealed that the agent had not done a lot for Wetend. Participant 3 feels that the failed cooperation could have been due to a few different reasons. Firstly, agents generally have many customers, hence, an individual company does not get a lot of attention. Secondly, the communication had not been optimal, and it had caused misunderstandings. Thirdly, Participant 3 feels they could have hired a more competent agent.

4.3.3 Utilization of existing networks, experience, and knowledge

Participant 3 knew a Chinese represent that worked for other Finnish paper companies operating in China at the time. Participant 3 suggested that they should cooperate and that she would be a suitable fit to represent Wetend. That led the ball rolling and resulted in that Wetend established a representative office in Beijing. Participant 3 states:

“It turned things around. The operations in China surged up drastically. The representative managed to establish contact with various companies that ended up becoming customers. When Finnish managers now arrived in China, the representative had managed to get the managers from

the potential customer firm to pick them up from the airport and they showed them gladly around the factory”.

After Participant 3’s partner sold his shares to the representative, it further optimized the cooperation. Participant 3 explains the positive outcome:

“Now, the representative had the authority to sign deals, which resulted in that customers respected her legitimacy and authority more. Another positive outcome was that managers from Wetend did not have to travel to China to sign a deal. Hence, the company’s operation became a lot more effective by saving time and travel expenses”.

The representative in Beijing and her team, operating from the company’s office, is responsible for customer relationships, finding new prospects, and dealing with distributors.

As time has passed the cooperation has evolved and Participant 3 has now known the Chinese representative for over 40 years. The successful relationship has deepened through trust and commitment.

International events have also been successful. Generally, the representative is socializing with the attendees and convincing them to stop by the stand. At the stand, managers are describing their products and how the technology works. International events have been for Wetend a beneficial venue for brand-building. Events have also been a useful tool to socialize with different actors in the field.

Wetend has established a cooperation deal with Valmet, which is a leading global developer and supplier of technologies, automation, and services for the pulp, paper, and energy industries. The Finnish company employs over 14 000 professionals around the world. Wetend installs their technology in all of Valmet’s new factories. Through the partnership, every Valmet factory in China has implemented technology from Wetend.

In 2008, the company received from the People’s Republic of China as the first Western company a “Golden Bridge Technology” award and the following year “The Most Sustainable Project” award. The awards assisted the representative to gain new customers and it further builds up the company’s brand and proved that it was a relevant actor within the market.

4.3.4 Characteristics networking with Chinese actors and market challenges

Besides the language barrier in China, Wetend has faced problems regarding copying. Participant 3 explains that a few Chinese companies have made cheaper replicas of their products. They have then sold the products to Chinese customers. The technology has however been insufficient and resulted in that the Chinese actors have bought Wetend's product in the end. One company that copied the technology even used pictures taken from Wetend's factory in Finland, where the product was shown. Participant 3 explains that the situation has improved because of stricter international laws. Participant 3 tells:

“The way Chinese people view copying differs from the western culture. They do not see it as a negative aspect or something shameful, rather as profitable. They view it as beneficial if you can manufacture a similar product for a cheaper cost production”.

During the cases when Wetend's technology was copied, they contacted their lawyer which resulted in that the actors who copied had to stop selling the replicated version.

Participant 3 states that Chinese people view face-to-face meetings as important, and using Microsoft Teams which the company has increased to implement due to Covid is in that sense a lacking tool. Chinese customers often hesitate to share any additional information that could be beneficial for the project. Participant 3 however states that it is quite normal globally in the field to only share the most essential information that is needed for the project to be completed.

4.3.5 Effects of China's environmental investments of Covid-19

China's environmental investments have offered an increasing number of projects for the company. As a result of the pandemic, Wetend has drastically increased their usage of web communication tools, mostly Microsoft Teams.

4.4 Case company: Roboride Ltd

4.4.1 Company background

Roboride was founded in 2017 in the city of Tampere. The company is an autonomous transportation services operator. Robo last-mile transportation services make sustainable and smart mobility possible in places such as campuses, holiday resorts, industrial parks, or by functioning as

an extension of public transportation. Robo service is based on the on-demand operational model, that optimizes usage of vehicles. Roboride is a service provider, not a developer of technologies. The company offers its customers a transport solution, based on autonomous vehicles with a turnkey solution, for the first and last mile. Because Roboride is not stuck to certain manufacturers or technology suppliers, they can choose the best solutions on the market and develop a service that fits the customer's needs.

The business is part of a large global change that megatrends regulate. Urbanization, climate change, and technological solutions have increased electrified traffic, which will eventually make traditional transportation obsolete.

Roboride is operating worldwide with its first commercial trial sites in Europe, China, and India. Its goal is to develop smart cities and to reduce traffic together with cities and municipalities, by offering flexible and reliable services.

Robos are so-called slow vehicles. They are by EU standard categorized as L7. This regulates the maximum weight and the number of passengers. Robos have a safety system that identifies a volatile situation and activates an emergency stop when needed. Technical Research Centre in Finland (VTT) is functioning as the company's safety and testing partner in Finland (Roboride.com).

Participant 4 explains that Roboride differs from its competitors by being purely an operator, which is offering first and last-mile transportation service. Other companies have primarily developed a technological platform, but they are not operating the business themselves. In general, solely developing the platform has not been profitable on the market. With the business model Roboride implements, the customer pays a monthly fee for a full service. The turnkey solution means that Roboride is fully responsible for the operation by building a remote monitoring center and offering vehicles that are fully maintained by being registered, insured, charged, and washed.

Vehicles used are meant for a few kilometer-long distances. The speed is 20 – 40 kilometers in an hour. There are a few competitors, but they are using vehicles in other categories that can go as fast as normal cars. Because of the high speed, they are more dangerous in the traffic due to the lacking technology.

Roboride is currently the global market leader in its field. The company already meets the EU's 'Clean Vehicles Directive' standards. Participant 4 believes the competition will increase in the

future because urbanization is a global megatrend. Integrating automated vehicles deeply with high-capacity public transportation will decrease people's need to own a car.

4.4.2 Entry to the Chinese market

The company's first global deployment was with a Chinese holiday resort near the great Beijing Area. The agreement was signed in 2018. The catalyst for the deployment was Honkarakenne, a Finnish company that is a pioneer in the construction of log houses. Participant 4 explains:

“They were selling holiday cottages to the resort when the customer asked them to recommend other innovative Finnish companies to partner with and to further make the resort more attractive. Hence, by being a common acquaintance to us, they functioned as the middleman, and the contact with the Chinese customer was established”. After meeting with the customer and initiating negotiations, a Memorandum of Understanding was signed, whereafter, a commercial agreement was written.

The cooperation with the customer has been successful. Due to Covid-19's travel restrictions, the delivery has however been postponed but the project will be finished and fully operating in 2021.

The legislation regarding autonomous vehicles is notably stricter in China than in Finland. Importation of vehicles outside of China is highly regulated, and especially sections of the law regarding customs operations differ greatly from Europe. It is also difficult to get directly in touch with transport authorities, whereas in Finland you can call them. Roboride has had a good relationship with Traficom in Finland from the very beginning, which has simplified operations domestically.

In Finland, it is allowed to put an autonomous vehicle on a public road if the driver holds a driver's license. The driver does not need to be inside of the vehicle to control it. In the rest of Europe however, the law differs, and the driver must be inside the vehicle for it to be lawful. This has led the Finnish market to be particularly attractive.

4.4.3 Utilization of existing networks, experience, and knowledge

The company has established its network in China, by the prior individual experiences the team members have gained through their stay in the country. Participant 4 tells:

“One employee of Roboride has lived over ten years in China and has therefore managed to establish a broad network. One of the founders lived six years in Beijing and established a rich network over that period. Furthermore, the person responsible for productization has lived 25 years in China before moving to Singapore. He is fluent in spoken and written Chinese. The company has established its network in China through the team's contacts”.

When operating at the resort, the company got in touch with a company that has assisted Roboride with the local law which differs strongly from the one in Finland. It has led to a close partnership. Participant 4 states:

“A partner from the Chinese resort who is responsible for all its resources has expertise in the country's differing law and has assisted to explain it. Besides grasping the local sections of the law, the partner has a broad and valuable network. Roboride has acquired through the partner company all of the necessary human resources, such as remote drivers, project managers, and cleaning services”.

Roboride has one own employee who is responsible for sales and project deliveries in China. Currently, the company is focusing on productization and localization of the service completion on the Chinese market. Towards the end of this year, Roboride strives to launch sales activities more actively. It will build its own sales organization, and scale it up by region. Participant 4 states:

“China is a large market and we will start operating at certain provinces where we already have valid leads. We have created a good pipeline from our prior sales in China. The parent company of the holiday resort that we made a commercial agreement with, owns 30 additional resorts, which is an extremely good addition for future sales growth”.

Participant 4 explains that Hebei Orenda Tourism Developing Co. Ltd, the holiday resort developer is a partner where the relationship has deepened through trust and commitment. It is a relationship where both parties have incentives to nourish the partnership. Roboride has already delivered its vehicles and has them fully operational in one of the resorts of Haituo Valley (subsidiary to Hebei Orenda). The valley has five different resorts, and Roboride is currently building its operations to the second one. The plan is to grow and replicate the concept to additional resorts in the valley, and thereafter, to other resorts owned by Hebeir Orenda.

The next action steps Roboride will take to increase its presence in the Chinese market are to open an office, hire more employees, and establish cooperation with universities.

The Ministry of Science and Technology of the People's Republic of China (MOST) has also shown interest that they would be keen to cooperate with the company. MOST operates similarly as VTT in Finland, with which Roboride has a close relationship.

Another partner that is based on strong trust is the resource company mentioned earlier in the text. Roboride has joint plans with them and they will assist with the sales resourcing in the future.

The company's business model is a type of consultancy project where the level of service is defined with the customer. First, the security analysis is made in the area, whereafter, Roboride recommends to the customer what kind of vehicle would be suitable to use, the number of vehicles needed, a smart route to choose, and how to implement the service in combination with existing public transport.

Secondly, if the customer wants to move forward, a deployment project is launched, which involves testing, fine-tuning, securing the safety, and building of the infrastructure. Thereafter it is no longer a consultancy project but instead a pure service that can be delivered.

Due to the nature of the business model, where the level of service is discussed and determined together with the customer, Roboride is independently in charge of its sales operations. As an operator in cities, the company is responsible for the safety aspect. Hence, a third party cannot manage the operations, because it is Roboride's liability to be part of the area planning and implementing a thorough safety analysis before it can initiate operating.

4.4.4 Characteristics networking with Chinese actors and market challenges

Participant 4 explains that Chinese partners have helped to gain new customers and provide otherwise useful contacts, and he feels sure they will do so even more in the future. The partners have also shared knowledge about the Chinese market to an extent, but Roboride has mostly got familiar with the market by participating in various events and looking up different researches.

Participant 4 tells that the factors that have caused the biggest challenges in networking with Chinese actors, have been cultural differences and establishing trust with local actors, which takes more time to establish than with Finnish ones. Building a strong foundation of trust is essential in Chinese culture, and it is important to have common acquaintances who can introduce people to each other. Hence, it is essential to establish relationships with valuable actors. Another challenge has been the language barrier, due to Chinese people's lacking English skills. Therefore, the company has needed an interpreter for every meeting.

4.4.5 Effects of China's environmental investments and Covid-19

Roboride feels strongly that China's renewable energy initiatives and investments have had a positive impact on the company. Besides China, it continually receives customer contacts from Europe and India. The interest is growing exponentially. Market research predictions have shown that the market will open globally in 2025. By then in cities, there will be a revolution in the movement of people. Private car ownership will highly be replaced with transportation as a service type of movement.

The pandemic has affected the business in China by delaying product deliveries and made it difficult to complete projects. The company has before the pandemic used actively Microsoft Teams, because the organization is scattered around the world. There are employees in Finland, Germany, China, and Singapore. However, because of the pandemic, the usage rate of Microsoft teams has increased with customers and partners due to the imposed travel restrictions and lockdowns.

4.5 Case company: Glaston Corporation

4.5.1 Company background

Hammaren & Co. was founded in 1870 when Lars Johan Hammarén and Gustaf Oscar Sumelius bought a cotton mill. In 1878, they launched a paper mill in Kyrökoski, Finland. In 1941 The company's name was changed to Oy Kyro Ab. The company acquired in 1981 the entire share stock of Tamglass Oy, which was founded in 1970 and specialized in windshield bending and lamination. In 1997, the Kyro Group's parent company was listed on the Helsinki Stock Exchange. Kyro acquired in 2003 Z. Bavelloni that specialized in Pre-Processing machines. In 2007, the company's name was changed to Glaston Corporation and in 2019, the company acquired Bystronic glass (glaston.net).

Glaston's mission is to make the customer's glass outstanding by providing machinery, technology, and expertise. It strives to achieve success in the customer's chosen area of glass processing. The company is passionate about innovating the next level in world-class technology, dedicated services, and technical support so that the customer gets the highest production energy efficiency and best glass quality. The headquarters of Glaston Corporation is in Helsinki. The production of

heat-treated glass machinery is concentrated in Finland, whereas the production of insulating glass machinery is concentrated in Germany. The facility in Switzerland is responsible for the automotive industry and display technology machinery (Glaston.net).

Participant 5 states that Glaston is one of the market leaders in glass processing. They have one similar-sized Austrian competitor named LiSEC, whose turnover is also a few hundred million euros. The company's technology is superior, and they have always invested in it. Furthermore, Glaston is the market leader in heat-treated glass, second positioned in insulating glazing and first- or second positioned in vehicle glazing, competing tightly with one Japanese competitor named Panda.

The company has plenty of patents that protect the innovative technology which is utilized. Glaston has a global service network, which makes it possible to serve the customer closely and efficiently. Customers are industrial; hence it is crucial for them that the machines are functioning properly.

4.5.2 Entry to the Chinese market

Glaston's first deliveries to China occurred at the beginning of the 90s. Initially, the company used a network of agents. It made it possible to overcome the language barrier, which was a big challenge back then, because of the Chinese lacking skills in English. Thereafter, the company hired facilities and in 2001, the construction of the first factory begun, in Tianjin, and in 2005-06 it was finished, and the production began.

4.5.3 Utilization of existing networks, experience, and knowledge

Glaston was one of the first foreign companies in Tianjin and they initially established a close relationship with the local government. Participant 5 states:

"We must maintain a stable and productive relationship with the local government. Plenty of issues are decided and settled by local agreements compared to other countries".

The company has managed to create a business network in China through different means. Participant 5 tells:

"Glaston managed to build up its business network in China in the beginning through their agents. When constructing the factory in Tianjin, the company formed relationships with various local

actors. Furthermore, the glass industry is globally quite integrated, hence, actors often know each other, which has made it easier to find suitable partners around the world. Business events have also been an essential tool to meet interesting actors”.

The network is utilized for sales operations, which the company runs independently in China. A local team is also in charge of marketing, and they utilize effectively all the channels that the Chinese customers prefer to use. The company is in contact with various actors within the glass industry such as raw material manufacturers and suppliers. Because Glaston is within its field one of the biggest machine suppliers globally and in China, it can effectively use its network to get in touch with fitting actors. Furthermore, the company has annually attended China International Glass Industrial Technical Exhibition, which is the most commercially valuable exhibition in China’s glass industry. The exhibition, which was postponed in 2020 because of the virus, has been an effective way to get in touch with prospects.

Glaston has formed long-term relationships with customers from the construction field, that are market leaders. For instance, the company’s machinery and technology were utilized for the construction of the Shanghai Tower and the skyscrapers around it.

4.5.4 Characteristics networking with Chinese actors and market challenges

China is a challenging environment because you must continually be able to prove the superiority of your product. Furthermore, copying is a big problem, although the situation has improved. It is however viewed by the copier as a gesture of admiration, that the products are efficient. One thing that goes hand in hand with copying, is that patents are also quite difficult to protect. The company has operated for a long time on the Chinese market and globally, hence there are not particular major challenges that occur on the market.

4.5.5 Effects of China’s renewable energy investments and Covid-19

The company has benefited from China’s renewable energy investments. Insulating glazing is energy-friendly and the demand has increased steadily in that field. Furthermore, because of China’s heavy investments in solar energy, the demand for solar panel-glazing has drastically surged. The market is attractive, because of its large size, the competition is however strongly price-driven. Hence, it is crucial to be able to justify the company’s strengths to the customers.

In 2020 during the Chinese new year, Glaston had to close their factory for a few weeks, because of Covid-19. Due to the comprehensive local sales network around the national market, the travel restrictions within China did not have a strong impact on the sales and service operations. Because Glaston has established its presence and operations on the market, it could minimize the negative effects of the virus. Because of the pandemic, the company has learned and increased its usage of Microsoft Teams, which participant 5 views as a particularly important tool for the organization, which is spread globally. It will probably replace several pre-pandemic necessary travels in the future.

5. RESULTS AND ANALYSIS

The following chapter presents and summarizes the obtained results from the conducted study. First, an analysis of the descriptive information is provided (section 5.1), followed by the research questions being answered by the theoretical literature and qualitative data analysis results from the case interviews (section 5.2).

5.1 Descriptive analysis

The pandemic caused by the Covid-19 virus has further changed the global environment and reinforced the need for updated internationalization models such as the parachuting internationalization model. It is a suitable model because it emphasizes the need to plan for unexpected market changes and to be able to rapidly adapt to them. The small market size of Finland had mostly functioned as the catalyst for the internationalization of the case companies, which has characteristics of the Born Global model, where the company has from its inception decided to expand globally. Market entry had not been dependable on psychic distance as the Uppsala model states. Rather, physical characteristics of the product and the alignment of a soft- or hard service had been more important. The reasoning will further be gone through in the third research question. China's environmental policies had affected all the case companies positively by increasing demand. All the interviewees noted certain cultural characteristics within Chinese business actors that can be viewed from the lens of guanxi. The interviewees explained challenges consisting of establishing trust, which required a lot of commitment, Chinese actors' preference for face-to-face meetings, the hierarchical structure, and Chinese actors' reluctance to share information. It was emphasized that Chinese actors were loyal and open after a deep trust was

established. An interesting phenomenon is that traditional Chinese values such as *guanxi* and *mianzi* are still essential in the Chinese society and that these traditional values coexist with western and capitalistic values, which makes the parachuting internationalization strategy beneficial because it views culture from a yin and yang perspective, where old and new beliefs coexist. The fourth research question will further analyze how *guanxi* had affected the internationalization of the case companies.

5.2 Results and answers to the research questions

RQ1: How has parachuting internationalization been presented as a way for a firm to expand to new markets?

The parachuting internationalization strategy was created because of changes occurring in the global market environment. The rise of the digital revolution, the liberalization of the cross-border market, and technological innovations are developments that have been taken place in the past decades. These changes have resulted in “boundarylessness” in cultural learning, synchronized information sharing across nations and peoples, knowledge transfer. Therefore, the impact of the psychic distance between the domestic country and target countries is not as strong as 15 to 20 years ago. Hence, trends and values spread across international borders, which has led to profitable opportunities for firms to expand to markets that have been out of reach before.

Fang, et al (2017) researched four Scandinavian firms’ foreign market entry into China. The parachuting internationalization metaphor was inspired by the broad description provided by some of the respondents, which the researchers linked to parachuting jumps in military operations. The model views internationalization from the lens of a special operations paratrooper, who has to know the terrain which is the market, and take all factors into account that could jeopardize the operation, and be able to adjust to the changes occurring in the environment, which is an analogy for the risks that the firm faces in the new market and the skill to be able to rapidly adapt to appearing market-threats. The model integrates the Uppsala model and the Born Global model to show that firms can achieve success in the age of globalization by using creative strategies. Firms can strive, by viewing the culture from a Yin and Yang perspective instead of Hofstede’s paradigm from 1980, which was written before the Internet. The model consists of a dynamic worldview and can manage paradoxes across organizational functioning, which enables it to mix crucial elements from the classical models.

The strategy is based on themes consisting of the importance of knowledge, learning, and commitment, which are characteristics associated with the Uppsala model, customer focus regardless of geographic location, which is essential for the Born Global model, need for speed, reduced salience of psychic distance and national cultural learning and balancing in globalization.

“Parachuting” is ideal for high risk and high yield markets, where the firm’s strategic assets are its global vision and strong commitment to learn and build know-how continuously through relationships and networks in the target market. The model does not ignore cultural differences, rather they are viewed through globalization and the dynamic changes they result in. Furthermore, the model emphasizes the need for a firm to be aggressive and rapid in its internationalization. Stage-skipping, which is contradictory to the Uppsala model can be achieved when the target market has information technology such as the internet and when there is tough competition.

GLOCAL is a shortening of the keywords that are required to achieve parachuting successfully.

RQ2: How did Finnish companies implement a GLOCAL strategy for parachuting internationalization to China?

GLOCAL is an acronym shortened from:

G -global vision

L - location

O – opportunity

C – capital and other resources to support globalization efforts

A – accelerated cultural learning and swift action

L – logistics preparation and meticulous planning

Cross Wrap had from its inception a clear *global vision*. The company knew it had to internationalize because of Finland’s small market size and the inefficient demand domestically. Hence, the company started to build up its global business network and its reputation by having the customer in focus. Cross Wrap became known as a reliable actor by tailor-making the machinery to each customer and gaining references. The decision to expand to China was enabled as a result of a global trend because the government of China had implemented policies to become more environmentally friendly. The market’s demand surged, and Cross Wrap operated rapidly to

capitalize on it. Cross Wrap is continuously scanning for new market opportunities globally and is currently observing the Taiwanese government, which is pushing its domestic companies to improve their waste management.

The company viewed a market gap for its machinery and could meet the needs of the local customers. Hence, the factor of *location* was also achieved. Cross Wrap grasped the *opportunity* that the Chinese market offered by a few different means. They gathered knowledge from its broad network, they noticed an increasing presence, interest, and demand from Chinese actors on business exhibitions, and they followed up on the policies put in place by the Chinese government. The machinery Cross Wrap offers is a niche product, hence, the Chinese market is lucrative because of its large size. Through its existence, Cross Wrap has obtained *capital and other resources to support globalization efforts*. The differing bale wrapping technique and the parts in the machinery have patents safeguarding it, which creates a stable competition advantage for the company. Furthermore, the reputation which has gradually been built up by establishing close long-term customer relationships and actively attending business exhibitions has solidified the company as a reliable actor on the market, which eases the process of gaining new prospects and customers. Although the company oversees its sales operations, it has built up long-term relationships with agents that often contact the company because of its trustworthy reputation. In such cases, the agents deliver the machine to the end customer although they do not obtain exclusive rights. Cross Wrap has also gained in-depth market knowledge by operating independently and from the network, it has benefited from. China's environmental policies are to a degree a result of globalization and the *accelerated cultural learning* that has occurred in the past few decades. China wants to be represented globally as an environmentally friendly country and the megatrend of ecological sustainability offered Cross wrap to take *swift action* and penetrate the market by working closely with its Chinese customers. The company has executed a thorough *logistics preparation and meticulous planning*. As a result of Covid-19, the company has started to launch webinars and increased drastically its use of web conferencing software. The increased presence online represents the "parachuting" metaphor and the flexibility of the Yin and Yang, where the paratrooper must be able to quickly adjust to unexpected changes. Furthermore, it is always stated in Cross Wrap's contracts, that the customer takes care of customer operations, which functions as a safeguard because it makes the exporting process as efficient as possible.

Vaisala had initially *a global vision*, by beginning exporting since its foundation in 1936. A factor that simplifies the company's expansion nowadays, is its position as the global market leader in its field. The company is operating effectively globally and has been in China since 1994. Because of

Vaisala's market-leading position, being active in China is self-evident. Hence, the factor of *location* is achieved strongly. Vaisala seized the *opportunity*, by directly creating a subsidiary and establishing effective long-term relationships with Chinese sellers and distributors, with whom it has been running the operations jointly. One of the most essential *resources* of the company is its tightly knitted network. The importance of creating long-term relationships with successful channel partners has been crucial because the company sells components, which are as a product transactional and straightforward. Furthermore, the company's reputation has been an important resource, hence the company put substantial effort to offer flawless products and is quick to offer its assistance to its partners when needed. Business exhibitions have also been useful for the company, but not as strongly as for Cross Wrap. They have mainly functioned as a tool to build up Vaisala's brand and seek channel partners, which the company's operation model is strongly built upon. Vaisala's net sales were over 400 million euros in 2019, hence the *capital* obtained makes it easier to find suitable partners, and to act to unexpected events occurring on the market. The element of accelerated *cultural learning and swift action* has not been essential in internationalization. Firstly, because the company expanded to China before the Internet had become a major phenomenon and secondly because the company sells components, which is not a trend product. Vaisala has operated following the element of *logistics preparation and meticulous planning* by initially creating a subsidiary and thereafter finding suitable partners. The company has also increased its usage of webinars and online conferencing software. Vaisala is globally substantially more spread than Cross Wrap, hence, it had already implemented online tools before the pandemic. An essential element of Vaisala's success in its parachuting to the market was its decision to collaborate with a local sales team. The Chinese channel partners could authentically connect to the target customers and were able to leverage the content in a way that speaks to the market. Furthermore, Vaisala empowers its channel partners, by offering its support as quickly as possible when needed.

Wetend has also since its inception had a *global vision* because it operates in a niche market where Finland's demand is too small. The company has been in China since 2006, hence, it viewed the *location* as riskier, but potentially as a high yield in its niche market. The company was struggling initially with the element of *opportunity* but eventually found a suitable representative to assist in establishing its position in the market. Wetend's most crucial *resource* is its innovative technology, which is protected by international patents. Its reputation is another resource consisting of a substantial amount of references and awards received in China. The reputation is further improved through business exhibitions, where the company has been creating brand awareness. The partnership with the Chinese partner and the strategic alliance with the Finnish company Valmet,

are essential resources established for operating successfully in China, which has been established through networking. In common with Vaisala, *accelerated cultural learning and swift action* have not been essential for the company's internationalization to China because of the characteristics of the product. Wetend took swift action and expanded to China only two years after its foundation. Although Wetend was struggling somewhat initially with the element of *logistics preparation and meticulous planning*, it succeeded to establish a fruitful partnership by having a representative office and installing its technology in Valmet's factories. In common with the other case companies, Wetend has also drastically increased its usage of web conferencing software with Chinese actors because of the pandemic. The representative's local knowledge of the market and its ability to adapt the company's content to Chinese actors, has played an essential role in Wetend's implementation of glocal.

Roboride has had a clear *global vision* from its inception. The company benefits from sustainable and smart mobility, which is a global megatrend. The company was founded in 2017 and has already trial sites in various national markets. The agreement with the Chinese customer was signed in 2018 just one year after the company was created. The Chinese *location* has been essential for Roboride, because of the market's large size and the environmental policies, which China has implemented. Roboride saw the *opportunity* and chose to rapidly enter the Chinese market. To act quickly has been crucial because the company is a market leader in its field and can therefore benefit from moving aggressively and expanding its business. The company's most essential *resources* are its diverse network, consisting of domestic and Chinese business actors. The organization has gained market knowledge, through the team members' stay in the country, which varies from 6 – 25 years. During the stay, the members have broadened their network and created personal contacts. The company's customers and partners whom Roboride must collaborate closely with offer valuable market knowledge, which is a highly beneficial resource. Roboride has already established partnerships in China with a holiday resort and a local resource provider. An additional resource is the company's position as a market leader, which has been established by specializing in a niche field consisting of global megatrends such as urbanization, climate change, and electrified traffic. Roboride differs from its competitors by being an operator and service provider, in contrast, to solely a mobility software provider. The company has foreseen the increased competition that will occur due to urbanization and China's strict environmental policies regarding mobility. Hence, the company has taken *swift action* and has leveraged its position as a market leader, by establishing its position in the high risk /high yield environment. Roboride is a company that has strongly benefited from *accelerated cultural learning*, because of various global megatrends that are

strongly a result of synchronized information sharing, which the Internet has enabled. *Logistics preparation and meticulous planning* have been achieved by the partnership established with the resort developer, which functions as a safeguard because the partnership is comprehensive and will offer steady sales income through projects implemented in various resorts. Furthermore, the local human resource provider assists in unexpected changes that could occur. The company has a solid plan on how to increase its sales operations and commitment in China. Because the company is working closely with the customer and oversees the safety regulations it can minimize and prevent any unexpected events. As with Vaisala, Roboride has also actively used web conferencing tools internally because of the structure of the organization, which is highly scattered globally. However, as a result of the pandemic, the company has also increased its online meetings with its partners and customers.

Glaston is a company that has existed for over 150-years. It has achieved its *global vision* through acquisitions of various foreign companies, whereafter, Glaston has divided its manufacturing to different countries. The company has implemented its machinery for the construction of numerous skyscrapers in China, therefore the *location* has been lucrative. The element of *opportunity* has been achieved by establishing a close relationship with the local government. Glaston's most valuable *resource* is its superior technology, which is protected by various patents. Additionally, the company is one of the market leaders, which makes expanding-, learning and gaining knowledge from the market easier because of the broad existing network and the reputation it has built. Furthermore, customer focus is ingrained in the business strategy, which is executed through a global service network. This further goes hand in hand with its reputational resource, which the company has firmly established. As part of its strategy to broaden the network, Glaston has attended business exhibitions. The company followed the traditional Uppsala internationalization strategy initially at the beginning of the 1990s when it expanded to China. Glaston used a network of agents to overcome the language barrier, and gradually increased its commitment to the market by renting facilities and further on within the expansion by building its factory and establishing its own local sales team on the market. The element of *accelerated cultural learning and swift action* has not been crucial, due to the field that the business is operating in and because of the early expansion to China, which occurred before the Internet was booming. Globalization and the opening of China's market made it possible for Glaston to get a foothold in the market and build its factory. *Logistics preparation and meticulous planning* have been achieved by learning and committing gradually to the market. The company's stable presence on the market today and the local sales team, function as safeguards for unexpected changes. Hence, the consequences of Covid-19 were not severe for the

company's operations in China because the local team could keep the processes going. Glaston's local team is responsible for marketing and they utilize effectively all the channels that the Chinese customers prefer to use, which is crucial in parachuting and in localizing the brand to the target market.

RQ3: What company characteristics should be considered when a company chooses its entry mode to the Chinese market?

The research question will strongly be based on Hollensen's four groups of factors influencing the entry mode decision.

In the case of Cross Wrap, the company has gradually built up its reputation through various ways such as customer references and business events. Hence, the company wants to be fully in charge of its operations. Participant 1 explained that operating independently causes challenges such as the existing language barrier and the hierarchical structures of companies on the market. Cross Wrap has however safeguarded its operations by stating in its contracts that the customer oversees customs operations. Participant 1 stated that Chinese customers generally want to implement China's conditions when negotiating the contract, but Cross Wrap has been able to negotiate it into a neutral country, which follows Williamson's (1985) statement that the most essential safeguard is the legal contract. Due to the importance of Cross Wrap's network the company can function independently and have full control. Although, being a volatile way to operate the company has gained experience through the years. Business events have particularly been beneficial for Cross Wrap to strengthen its network, which has shaped its business strategy and the decision to utilize a hierarchical mode. The machinery they produce and sell is furthermore essential for their strategy to be independent. They need to tailor-make the product for every customer's needs and the quantities are quite small, which makes using an agent possibly unprofitable. They want to gain market knowledge from every new country they expand to. Hence, Cross Wrap's independent entry characteristics are based on; utilizing and deepening its network, control, the complexity of the product, and need for market knowledge and international experience. The choice of the company's hierarchical mode is strongly based on internal factors and desire mode characteristics (Hollensen, 2017). The managers are however uncertain if they will hire an agent in China with exclusive rights due to time restraints and the challenge to operate independently, which is an effect of the firm's relatively small size, which affects internal factors towards increasing externalization but also an

external factor because of the distance between the home- and the target market and differences in sociocultural terms (Hollensen, 2017).

Vaisala is an intermediate-sized enterprise and chose to establish a subsidiary in China. They have outsourced a lot of their operations and they have long-term sellers and distribution partners. The company sells components; hence, the product is standardized, and it is beneficial for Vaisala to use distributors and channel partners. The product has been the company's most essential factor regarding entry mode decisions.

For Wetend Technologies the founder's priorly gained rich network had a strong impact regarding the company's entry mode. Wetend's first customer was a Finnish company that participant 3 had priorly established a good relationship with. The company established a representative office and was able to hire a local representative that participant 3 knew from before. Participant 3 knew she was competent from her previous experience representing Finnish companies. Hence, she would be valuable for the company's expansion in China. Before establishing the representative office, they worked with a Chinese agent. The collaboration was unsuccessful, which shows the importance of choosing a suitable agent and that the product or service is fitting to the agent's portfolio. The company furthermore benefited from its network by establishing a strategic alliance with a Finnish company that is actively operating in China. The reason Wetend chose as its entry mode to establish a representative office and work closely with one representative was because of the founder's priorly established network.

For Roboride, the network has similarly to Wetend Technologies been essential. The operator managed to get its first Chinese customer through the relationships established with a Finnish company. Roboride needs to function independently because of its complex service model. The company must work closely with its customers because the business model is initially a type of consultancy. Furthermore, Roboride is responsible for the safety aspects. The company has established strong long-term partnerships in the form of commercial agreements and joint plans with local actors who assist with sales resourcing.

Characteristics affecting the company's decision to have a hierarchical mode established is its soft service, which requires the company to be interacting with the customers. Furthermore, the reason to establish a greenfield investment is the international experience and the broad network that the company has with local actors. Partnerships are in a crucial role in the expansion by enabling to overcome sociocultural differences and decreasing the risk of internationalization by establishing long-term partnerships. By establishing an office, the company can continue deepening its relations

and developing its productivity and market presence. A combination of Hollensen's all four groups of factors has influenced the entry mode.

Glaston Corporation chose to use a network of agents when entering the Chinese market at the beginning of the 1990s. The reason for the implementation of sales agents was the company's lacking language skills in Chinese. Furthermore, Glaston's size as a company was smaller in the 1990s than nowadays. Hence, using agents was a low-risk decision for the company enabling it to steadily gain market knowledge and commit to the market, which was achieved by hiring facilities and eventually through greenfield investment. Therefore, the company's entry mode using Hollensen's model was influenced by internal factors regarding the firm's smaller size when it expanded to China. Hence, Glaston used the desired mode characteristic by being risk-averse and flexible. Furthermore, external factors had a strong impact because of the sociocultural distance between the home country and the host country.

RQ4: What are the implications of the companies' business networks, for executing the parachuting internationalization strategy?

Cross Wrap has created strong business networks with its customers with whom it has cooperated closely, by tailor-making the machinery to each customer's need. The high number of customer references has built up Cross Wrap's reputation and it has eased the internationalization process. The company has implemented its business- and a social network consisting of European actors that have established their presence in China. They have helped by functioning as the initial contact to the Chinese actors, showing the effect of *guanxi*, where referrals are shared within the informal social network. Cross Wrap has created *guanxi* quite successfully with various actors in China. For instance, establishing long-term relationships with customers has been possible by jointly building trust and commitment, which has led Cross Wrap to receive useful contacts and referrals through which it has gained new customers. Furthermore, agents, Chinese bale manufacturers, and a European whole supplier who has a resale contract in China are included in Cross Wrap's business network. They often refer Cross Wrap's machinery to their customers, which the company benefits from. Cross Wrap has implemented the Parachuting Internationalization strategy by having a broad business network that it has created through business exhibitions and close customer relationships. Because Chinese actors value face-to-face meetings, business events can be viewed as a valuable tool to deepen the relationship with them. The reputation Cross Wrap has built up globally has helped it to be viewed as a reliable partner by Chinese actors, which has eased the process of getting

new prospects and customers on the market where the character trait of being trustworthy is seen as essential.

Vaisala preferred to create a strong business network with Chinese distributors and sellers when expanding to China. The company has built *guanxi* by building gradually trust and working together with certain actors since the 90s. By having long-term relationships with its channel partners, the actors have learned how the counterpart operates and the cooperation can function as smoothly as possible. Because Vaisala sells components the company must cooperate with business actors that have local knowledge of the market and widely established networks. Business exhibitions have functioned as a networking tool for Vaisala enabling it to find interesting channel partners.

Participant 3, the founder of Wetend used his business network from the home market to land the company's first deal in China, which was UPM, a Finnish company that is specialized in forest-based bioindustry. Thereafter, Wetend hired an agent who turned out to be quite incompetent. Participant 3 reached out to a representative that the participant knew from before who worked for other Finnish paper companies. She started to represent Wetend and the relationship has successfully deepened through trust and commitment. The representative, part of participant 3's business- and the social network had deep know-how of the Chinese market and could attract new customers to the company. A clear result of respecting *mianzi*, which is the prestige of a person can be shown when participant 3's partner sold his shares to the representative. Hence, the representative had the authority to sign deals and the Chinese business actors respected her legitimacy more. Furthermore, Wetend as a company showed its trust towards the representative by the action. The company has established *guanxi* with the Chinese state by receiving two awards from the Chinese government. Wetend has benefited from the awards by increasing its reputation on the market and broadening its business network. Furthermore, Wetend has been able to create a strategic alliance with the Finnish firm Valmet in China. The company implemented its parachuting strategy by taking advantage of its business- and social network established in the home market.

Roboride benefited from its business- and social network, which it has established in the home market. The company was able to get its first customer in China through Honkarakenne, a Finnish company, that recommended Roboride to its customer in China. Roboride signed thereafter a Memorandum of Understanding and the relationship has since then gradually deepened. Roboride will through the strategic alliance be able to install its self-driven vehicles to 30 resorts in total. The company works very closely with its customers and is, therefore, able to gain a lot of market knowledge. Roboride's business network in China has actors from different fields. Currently, it strives to establish cooperation with universities and the Ministry of Science and Technology of the

People's Republic of China. If achieved, it would be a prime example of creating guanxi with a governmental entity. Roboride, which is a startup company represents well the parachuting internationalization strategy by aggressively taking advantage of global megatrends. The company has expanded swiftly to the Chinese market and benefited from its domestic business network as well as its rapidly established relationships in the market, which is a result of building guanxi and respecting mianzi. The organization's deep market knowledge gained through the team's prior experiences in China and the social networks established has furthermore simplified the internationalization process to the Chinese market.

Glaston has obtained its business network through acquiring various companies. Furthermore, the business field is quite integrated, hence, all the major European actors within the glass industry know each other, which has offered Glaston a broad business network. The company has nourished its business network and gained new contacts through attending various exhibitions. When expanding to China at the beginning of the 1990s, the company used agents to overcome the language barrier. Later, Glaston constructed its factory in Tianjin and broadened its business network. Hence, the company has mostly implemented the Uppsala internationalization model by gradually committing to the market and steadily learning from it. Glaston was however one of the first foreign companies in Tianjin, which shows they moved swiftly to the market, strongly characterized by the parachuting internationalization strategy. Furthermore, when the factory was created, close relationships were established with the local government. Glaston is one of the case companies that has most effectively implemented guanxi on a governmental level. Therefore, it can be stated, that the company later within its expansion moved towards a parachuting internationalization strategy. By having a factory in China, the company has encountered business actors consisting of manufacturers and suppliers. As one of the biggest machine suppliers globally within its field, Glaston can effectively use its network to get in touch with fitting actors. Hence, Glaston has over the years built a diverse business network that it can utilize when needed. Glaston has formed long-term relationships with its customers in China, which has enabled the company to get a stable position on the market and to receive support from guanxi's informal social network. For instance, the Shanghai Tower and the skyscrapers around it have implemented Glaston's machinery.

6. CONCLUSIONS AND DISCUSSIONS

In this final chapter, the main findings of the research and managerial implications are discussed, and the chapter is concluded with limitations and suggestions for future research.

6.1 Main findings

The results from the research revealed that an updated internationalization model such as the parachuting internationalization strategy is needed in today's global market environment, which is rapidly changing. However, certain aspects from the Uppsala model, mainly obtaining market knowledge remain essential for most companies.

All the case companies succeeded in parachuting internationalization by benefiting from their business network, which involved actors that could assist in the company's expansion. The research shows that Finnish firms can, as successfully as Swedish and Danish firms, implement a parachuting strategy for their internationalization to China.

The case companies had used to a varying degree a combination of the Uppsala model and the Born Global approach. In general, older companies that existed before the Internet's usage had skyrocketed, initially implemented an Uppsala Internationalization approach by gradually learning and committing to the market by increasing their resources, which is shown by the fact that certain case companies that internationalized in the 1990s, gradually changed the mode of operating from using agents to greenfield investing.

The business network model of the internationalization process by Johanson and Vahlne (2009) was utilized by the case companies. The model emphasizes the importance of trust and commitment building. Social capital is crucial in China where Guanxi still strongly exists. The informal social network enables its actors to share knowledge, which the interviewees viewed as essential to reach success in the foreign market. The authors explain regarding the model that some types of knowledge are not available to everyone, and are instead held by network insiders, which is a suiting representation of Guanxi. However, once trust is established and a person becomes a reliable member, he or she can obtain the knowledge. Furthermore, some of the case companies established their first deal in China by benefiting from their business network established on the home market which was built on trust. The business network model of the internationalization process has similarities to the Parachuting Internationalization model because both models emphasize the importance of relationship building.

The network approach developed by Johanson and Matsson (1988) was to a certain degree followed by the case companies. The model categorizes firms into four groups depending on their size and by how they benefit from their existing network. The results from the research followed the model, which can be viewed by smaller size case companies using a substantial number of agents or representatives, whereas case companies that were bigger internationalized by greenfield investments and by benefitting from their broad network. The network approach can be linked to the Parachuting Internationalization model because it explains the importance of firms' exchange relationships.

The data shows, that often the business network gained from prior relationships had functioned as the catalyst for the market entry or enabled the company to get its first sale. The need to tailor-make the product or service had played an essential role in companies' entry mode. As a result, companies chose to oversee their operations and aimed to develop strong relationships with their customers. Opposite to the former strategy, companies that had standardized products had strived to find suitable distributors and channel partners when entering the Chinese market. Hence, the physical characteristics of the product or service of the company were crucial for the internationalization strategy and the need for intermediaries.

6.2 Managerial implications

Based on the findings of this research, there are some factors managers should consider when internationalizing to China. Companies can drastically benefit from old cultural values, that strongly exist in China by being able to establish deep relationships with local actors. In a market such as China where the local government can freely apply beneficial policies for business actors, the internationalizing company should strive to show its value and willingness to cooperate by keeping close ties with legislative decision-makers. By building up *guanxi* the foreign firms can establish a competitive advantage by accessing valuable information.

The results were in alignment with prior internationalization literature (Umemoto and Katsuhiro, 2010), (Holmlund and Kock, 1998), (Zhou, et al., 2007.), and (Johanson and Vahlne, 2009), which states the importance of a business network from the home market can have for an internationalizing company. The interviewees from this research revealed it in terms of referrals by the actor from the domestic market, by opportunities to establish strategic alliances, and by the ability to get a foothold in the market. Hence, a managerial implication is that firms that are

internationalizing to a new market should try to benefit from the business network from the home market that is already active on the target market.

The foreign firms can strongly benefit from the local sales teams that have a good understanding of the market. The case companies often preferred to implement local sales teams that had authentic knowledge of the market, which is associated with parachuting and glocalization, where it is crucial to adjust the company's brand to local nuances, dialects, and cultures.

Firms can gain a competitive advantage from technologies that can facilitate communication within the organization. Because of the pandemic, all the case companies increased their usage of web conferencing software, which is an element of glocalization. The case companies had benefited from the technology by using it to bring dispersed teams together, enabling them to work faster, more productive, and collaboratively. Furthermore, launching online meetings with partners and employees revealed information about local audiences and helped the teams to offer the right content to the right people at the right times.

The results showed the importance of creating relationships with suitable actors that could assist in internationalization. Firms with standardized products benefited from having close relationships with distributors, whereas firms with highly adapted products strived to cooperate closely with customers. Having a clear vision of the type of actors that the firm needs to collaborate with when entering a new market simplifies the process of implementing GLOCAL.

6.3 Limitations and suggestions for future research

This research is limited by its small number of case companies. Some of the case companies had initiated their internationalization to China at the beginning of the 1990s. Globalization had already taken place but not the boom of the Internet, which is a strong consequence of the creation of the parachuting internationalization model because of the increased information-sharing which it has enabled. These companies showed a more risk-averse and gradual expansion characterized by the Uppsala Internationalization model. Furthermore, solely Finnish managers had been interviewed for the study. Hence, the Chinese actors' opinions and views of the business relationships were not represented in the research. For future research, it would be fascinating to view the results of contrary research, by studying the different aspects occurring when Chinese firms internationalize to Finland.

7. SUMMARY IN SWEDISH

En fallstudie av finska cleantech-företags implementering av GLOCAL för att komma in på den kinesiska marknaden

7.1 Inledning

Kina blev den största exportören i världen 2009, och etablerade sig året därpå som den näst största ekonomin i världen. Detta har gjort den kinesiska marknaden mycket lockande för utländska investeringar. Kina har infört diverse miljöinitiativ de senaste åren och fortsätter starkt att investera i förnybar energi. Finland har expertis på området att uppnå hållbara lösningar för olika industrier med sitt gröna tänkande, och med sin forskningsmiljö som är i världsklass. Därmed har flera finska företag de senaste åren etablerat sig på den kinesiska marknaden. På grund av globalisering och det snabba globala informationsflöde som internet har möjliggjort, behövs nya sätt att få fotfäste på internationella marknader. Internationella fallskärmsmodellen är en ny strategi som är baserad på glocalisering. Detta är den lokala dimensionen av globaliseringen, som innebär att ett företag kan sälja på en global marknad trots att det endast producerar på ett fåtal platser. Den utvecklades av Fang, et al. 2017 från Stockholm universitet, som forskade om hur svenska samt ett danskt företag hade expanderat till kinesiska marknaden. Den är i stort sett integrerad från Uppsalamodellen och Born Global-modellen. Metaforen för fallskärmschoppandet inspirerades av respondenternas omfattande beskrivningar från den ursprungliga undersökningen. Forskarna kopplade det till militära operationer, då specialtrupper hoppar med fallskärm vid fiendens front och agerar raskt där. I dessa fall bör alla oförväntade händelser tas i beaktande på förhand och en grundlig förberedelse bör göras angående ”terrängen”, en analogi som står för marknaden. Modellen lägger vikt att skapa kontakter som är användbara. (Fang, et al, 2017). Detta är väsentligt i Kina där det informella sociala nätverket Guanxi ännu används i stor utsträckning idag. Guanxi möjliggör för företaget att minska transaktionskostnader eller öka transaktionsvärden, genom enklare utbyte av resurser, kunskap och information. Det kan ses som en form av relationsutbyte, som återspeglar grundidén i nätverkskapitalism. Det baserar på förtroende och växelverkan som erbjuder värde genom effektiv användning av socialt kapital. Det kännetecknas av informella förbindelser, som påverkas av hierarkiska kinesiska kulturvärden, som är knutna till ömsesidiga förväntningar. De är särskilt fördelaktiga för utländska företag, på grund av att de erbjuder en konkurrensfördel genom att minska marknadsosäkerhet och opportunistiskt beteende (Buckley et al, 2006). Internationella fallskärmsmodellen grundar sig på GLOCAL, som är en kombination av

orden global och lokal. Inom strategin finns en engelsk akronym, som är metoden som möjliggör företagets tillträde in på en ny marknad. Översatt står akronymen för global vision, position, möjlighet, kapital och andra resurser som stöder globaliseringen, accelererat kulturellt lärande och snabb handling samt logistikförberedelse och noggrann planering.

7.2 Syfte och forskningsfrågor

Finland är globalt känt för sina innovativa teknologiföretag. Tidigare har dock en stor del av företagen haft utmaningar att expandera, fastän produkten eller tjänsten varit lönsam. Att komma in på nya marknader är västenligt för företag som är aktiva inom en nisch enbart för att överleva, på grund av den inhemska marknadens storlek som ofta är bristfällig. Finland har expertis inom cleantech, och Kina har en växande efterfrågan för dessa produkter. På grund av globaliseringen måste dock företagen vara snabba på att nå nya marknader, innan konkurrenterna hinner få fotfäste där. Dessutom har affärsnätverket som företaget lyckats skapa en central roll inom internationaliseringen. Det är väsentligt att skapa relationer med kinesiska aktörer på grund av att Kina är en tillväxtmarknad vars affärsomgivning skiljer sig starkt från den inhemska kulturen.

Denna avhandling bygger på hur och till vilken grad finska företag har lyckats implementera Internationella fallskärmsmodellen när de har expanderat till den kinesiska marknaden. Resultaten kan därmed jämföras med den ursprungliga forskningen, och det kan tolkas om nordiska länder i allmänhet har använt fallskärmsmodellen på ett liknanden sätt, eller om finska företag har använt modellen i mindre utsträckning eller på ett annat sätt.

För att uppnå det huvudsakliga syftet med denna avhandling har nedanstående forskningsfrågor formulerats:

1. Hur har Internationella fallskärmsmodellen presenterats som ett sätt för ett företag att expandera till nya marknader?
2. Hur implementerade finska företag en GLOCAL-strategi för att genomföra Internationella fallskärmsmodellen på den kinesiska marknaden?
3. Vilka egenskaper bör beaktas, när ett företag väljer sin strategi för att komma in på den kinesiska marknaden?
4. Vilka är konsekvenserna av företagens affärsnätverk för att genomföra fallskärmsinternationaliseringen?

7.3 Metodik

Den empiriska forskningen genomfördes som en kvalitativ studie, genom djupintervjuer. Personerna som intervjuades är antingen grundare eller har ledande positioner i företagen. Anledningen till detta tillvägagångssätt var att möjliggöra så grundliga och personliga beskrivningar som möjligt av hur företagsledare har fattat sina beslut om internationaliseringsprocessen. På grund av coronapandemin genomfördes intervjuerna på Microsoft Teams, Zoom samt per telefon. Intervjuerna genomfördes mellan 3.11.2020 och 8.2.2021. Fallföretagen som valdes till forskningen är grundade i Finland och är aktiva inom cleantech-branschen. De skiljer sig till storlek, längden på deras existens på marknaden, och till produkterna eller tjänsterna som produceras. Företag med olika egenskaper valdes för att få mer mångfaldiga resultat, och för att kunna jämföra hur de hade lyckats med implementeringen av Internationella fallskärmsmetoden. Personerna som intervjuades var Deltagare 1, försäljningsdirektören på Cross Wrap Oy Ltd; Deltagare 2, vice president, industriella mätningar APAC på Vaisala Corporation; Deltagare 3, verkställande direktör på Wetend Technology Ltd; Deltagare 4, verkställande direktör på Roboride Ltd och Deltagare 5, operativ direktör samt biträdande verkställande direktör på Glaston Corporation.

7.4 Resultat och diskussion

Resultaten från forskningen visar att en uppdaterad internationaliseringsmodell som fallskärmsmetoden behövs i dagens globala marknadsmiljö, som snabbt förändras. Den senaste negativa händelsen som plötsligt skett, är coronaviruset som har tvingat företagen att anpassa sig till de ändrade marknadsförhållandena.

Vissa aspekter från den ursprungliga Uppsala Internationaliseringsmodell främst att erhålla marknadskunskap, är fortfarande viktigt för de flesta företagen idag. För undersökningens fallföretag hade Finlands bristfälliga marknadsstorlek varit den främsta orsaken till internationalisering. Detta har egenskaper av Born Global-modellen, där företaget från första början har beslutat att expandera globalt.

Alla intervjuade personer noterade egenskaper som kan anses härstamma från Guanxi hos kinesiska affärsaktörer. Detta gör fallskärmsstrategin lönsam, eftersom den ser kultur ur ett yin- och yangperspektiv, där gamla och nya kulturella värden samexisterar. Guanxi, det informella sociala

nätverket, är ett gammalt kulturellt värde, medan Kinas ökade kapitalism och växande medelklass kan ses som en ny utveckling. Flera av personerna som intervjuades för undersökningen hade haft svårigheter med att skapa förtroende hos kinesiska aktörer. Detta berodde på att det vanligtvis krävde mycket engagemang och tid att skapa trovärdighet. Därmed lades en stor vikt på att hålla informella möten innan förhandlingar, för att möjliggöra att lära känna varandra och skapa en djupare relation. En annan utmaning var den hierarkiska strukturen och motvilligheten hos den kinesiska parten att i början av relationen dela tilläggsinformation som kunde vara användbar. Det betonades dock att de kinesiska aktörerna var lojala och öppna efter att förtroende hade skapats. En stor del av fallföretagen hade etablerat djupa relationer med lokala aktörer. Dessa relationer hade varit väsentliga i företagets internationaliseringsprocess. Kina är en marknad där den lokala regeringen fritt kan tillämpa fördelaktiga policyer för affärsaktörer. Därför bör det internationaliserande företaget sträva efter att hålla nära band med lagstiftande beslutsfattare. Glaston Corporation hade lyckats hålla en gynnsam relation med lokala beslutsfattare när de byggde och drev sin fabrik i Tianjin. Detta hade underlättat deras affärsverksamhet på marknaden.

Resultaten stämde med tidigare internationaliseringslitteratur, som lägger vikt på det existerande nätverket från hemmamarknaden för ett internationaliserande företag. I undersökningen kunde detta analyseras på olika sätt. Till exempel Roboride Ltd hade lyckats få sin första kund på den kinesiska marknaden genom en rekommendation från ett finskt företag som redan var aktivt på marknaden. Wetend Technologies första kund på den kinesiska marknaden var ett finskt företag som verkställande direktören hade en god relation från tidigare med. Förutom detta etablerade företaget också en strategisk allians med ett annat finländskt företag i Kina som båda parterna gynnas av.

Alla fallföretagen hade implementerat Internationella fallskärmsmodellen. Företagen hade i varierande grad använt en kombination av Uppsala Internationaliseringsmodell och Born Global-modellen. Företag som hade kommit in på marknaden på 90-talet, innan Internet-boomen hade mer aspekter av Uppsala Internationaliseringsmodell. Detta kunde tolkas genom att de hade samlat marknadskunskap och stegvis ökat sina resurser. Till exempel Glaston Corporation hade först använt sig av försäljningsagenter och gradvis byggt upp en egen fabrik. Roboride Ltd har haft mycket inslag av Born Global-modellen genom att de snabbt internationaliserat sig på den kinesiska marknaden och använt relationer med lokala kontakter och resurserna som de erbjudit.

Fallföretagen hade skapat relationer med olika slags affärsaktörer. Dessa aktörer, som varierade starkt beroende på företaget, hade spelat en väsentlig roll i internationaliseringen och i att få fotfäste på marknaden. Därmed kan internationella fallskärmsinternationaliseringen implementeras med diverse affärsrelationer. Ofta hade aktörerna erbjudit användbara kontakter eller diverse kunskaper

om marknaden. Flera av personerna som intervjuades förklarade att företagets goda rykte hade möjliggjort att få kunder på den nya marknaden. Flera av fallföretagen deltog också på mässor och skapade kontakter där som de hade utnyttjat vid internationaliseringen till Kina. Framförallt för Cross Wrap Oy var mässor i en central roll för internationaliseringsprocessen.

Företagets produkt eller tjänst hade också haft en stor betydelse för internationaliseringen i Kina. Om företaget hade specialiserat sig på komponenter hade det varit väsentligt att hitta lämpliga distributörer, medan företag som samarbetade nära med sina kunder fungerade självständigare på marknaden. För dessa företag var det väsentligt att samla marknadskunskap samt relationer med lokala aktörer som hade expertis om marknaden. Fallföretagen föredrog också att använda sig av lokala försäljningsanställda. Detta möjliggjorde att justera företagets produkt eller tjänst för den lokala marknaden. Denna aspekt är väsentlig i fallskärmsmodellen, där företaget måste vara kapabelt att anpassa sig till olika kulturer.

På grund av pandemin hade alla fallföretagen ökat sin användning av webbkonferensprogram. Företagen måste vara snabba på att konstant anpassa sig till ändringar på den globala marknaden. Detta betonas i Internationella fallskärmsmodellen, som är en kombination av globalt och lokalt verkställande. Modellen är lämplig, eftersom den beaktar behovet att planera för oväntade marknadsförändringar och att snabbt kunna anpassa sig till dem. Teknologin utvecklas i snabb takt och företagen måste vara kapabla att använda diverse program när en oförväntad kris uppstår. De digitala konferensprogrammen har möjliggjort för organisationer att kommunicera med team som är globalt spridda att arbeta så effektivt och snabbt som möjligt. Personerna som intervjuades för undersökningen förklarade att digitala konferensprogrammen hade varit otroligt väsentliga vid resebegränsningarna. Fallföretagen som hade lokala anställda som var verksamma på kinesiska marknaden hade inte påverkats lika hårt av pandemin på grund av att de kunde fortsätta med affärsverksamheten.

Av fallföretagen representerar Roboride Ltd väl Internationella fallskärmsmodellen. Företaget expanderade till Kina redan ett år efter att det hade grundats. Deltagare 4, verkställande direktören, förklarade att företaget som verkade som en autonom transportoperatör, vilket är en ”megatrend”, måste som global marknadsledare snabbt få fotfäste på Kinas marknad och skapa goda relationer med olika lokala aktörer. Dessa relationer kan erbjuda användbara resurser och marknadskunskap. ”Megatrender” är kopplade till Internationella fallskärmsmodellen på grund av att de sprids globalt.

Undersökningen visar att finska företag lika framgångsrikt som svenska och danska företag kan genomföra Internationella fallskärmsmodellen för att komma in på den kinesiska marknaden.

7.5 Begränsningar och förslag för framtida forskning

Denna studie begränsas av det låga antalet fallföretag. Några av fallföretagen hade internationaliserat sig i Kina redan i början av 90-talet. Då hade globalisering redan skett men inte uppgången av internetanvändandet, vilket var främsta orsaken att Internationella fallskärmsmodellen grundades, på grund av den ökade informationsspridningen som internet möjliggjorde. Dessa företag visade en mer riskavvikande och gradvis expansion, kännetecknad av Uppsala internationaliseringsmodell. Dessutom har endast finska chefer intervjuats i studien. Därmed är de kinesiska aktörernas åsikter och syn på affärsrelationerna inte representerade i denna forskning. För framtida forskning skulle det vara intressant att se resultaten från en motsatt forskning, genom att analysera kinesiska aktörers åsikter om expansionen till den finska marknaden.

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APPENDICES

Appendix 1 – Interview template in English

Interview questions

General questions

- How does the company differentiate itself from its competitors?
- Has the company sought to begin its internationalization in neighboring markets, where the business environment has been similar to that in Finland, and through gaining experience, progressively continued expansion into markets located further away from the domestic market?

The Chinese market

- When and how did the company begin its export/expansion to China?
- Has the country's legislation posed any challenges (Have the partners helped to solve the problems)?
- Has demand for your products increased with China's renewable energy initiatives and investments?
- Have Chinese environmental initiatives affected your business in any other way?

Network in China

- How did the company succeed in establishing its network in China?
- Can you describe the cooperation process with different partners in China?
- How does the company operate in China today?
- Can you give examples of certain Chinese actors with whom your cooperation has been particularly profitable, where your relationship has deepened through trust and commitment?
- How do you manage to gain new prospects/customers in the Chinese market?
- What factors have posed the biggest challenges in networking with Chinese actors?

- To what extent have trade fairs helped to expand & deepen your network as well as gain new prospects and customers in China?

Covid-19

- How has the pandemic affected your business in China?
- Have you increased the usage of web conferencing software?
- Have you organized more webinars because of the pandemic?

Appendix 2 – Interview template in Finnish

Haastattelukysymykset

Yleiset kysymykset

- Kuinka yritys eroaa kilpailijoistaan?
- Onko yritys pyrkinyt aloittamaan kansainvälistymisensä lähimarkkinoilla, jossa liiketoimintaympäristö on ollut samankaltainen kuin Suomessa, ja kokemuksen myötä laajentunut progressiivisesti markkinoille, jotka sijaitsevat kauempana kotimarkkinasta?

Kiinan markkina

- Kuinka ja milloin yritys aloitti viennin Kiinaan?
- Onko maan lainsäädäntö tuottanut jonkinlaisia haasteita (Ovatko kumppanit auttaneet ratkaisemaan ongelmia)?
- Onko kysyntä laitteillenne lisääntynyt Kiinan uusiutuvien energian aloitteiden ja investointien myötä?
- Ovatko Kiinan ympäristöaloitteet muulla tavalla vaikuttaneet teidän liiketoimintaanne?

Verkosto Kiinassa

- Kuinka yritys onnistui luomaan verkostonsa Kiinassa?

- Voitko kertoa yhteistyöstäprosessista eri kumppaneiden kanssa Kiinassa?
- Kuinka yritys operoi Kiinassa tänä päivänä?
- Voitko antaa esimerkkejä tietyistä kiinalaisista toimijoista, joiden kanssa yhteistyönne on ollut erityisen kannattavaa, jossa suhteenne on syventynyt luottamuksen ja sitoutumisen myötä?
- Kuinka onnistutte saamaan uusia prospekteja/asiakkaita Kiinan markkinalla?
- Mitkä seikat ovat tuottaneet suurimpia haasteita verkostoitumisessa kiinalaisten toimijoiden kanssa?
- Missä määrin messut ovat auttaneet laajentamaan & syventämään verkostoanne sekä saamaan uusi prospekteja ja asiakkaita Kiinassa?

Covid-19

- Miten pandemia on vaikuttanut liiketoimintaanne Kiinassa?
- Oletteko lisänneet verkkokokoustyökalujenne käyttöä?
- Oletteko järjestäneet enemmän webinaareja pandemian seurauksena?