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How do face-to-face meetings affect Swedes' perception of trust when conducting business with Chinese business partners?

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This thesis has truly been more than just an academic achievement; it has been a professional and personal journey. By walking on the enlightening pathway that is research, we have not only managed to shed some light on previously unexplored territory but also unveiled and understood more about ourselves than we expected to do when we first began to write this thesis.

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Gothenburg, a sunny day on the 6th of June 2015

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ABSTRACT

Title: How do face-to-face meetings affect Swedes' perception of trust when conducting business with Chinese business partners?

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Background and Problem: Since China opened up for a more market-based economy in the 70s and its liberalization of the country's international trade, the Chinese economy has flourished and because of a declining economic growth in the West, Western companies are increasingly exploring new grounds in China. When conducting business in a cross-cultural context there are differences in how business proceeds and in the behavior that leads to business. One of these differences is trust towards your counterpart. Along with the development of faster and better communication mediums and with the help of Internet, companies see a chance to cut costs by having virtual meeting instead of face-to-face meetings. However, previously done research has shown that many business people prefer face-to-face meetings because a relationship and trust is better created between the business partners.

Purpose: The purpose is to increase the understanding on and investigate how face-to-face meetings between Swedish and Chinese business partners affect the trust between them from a Swedish point of view.

Method: For this thesis an interpretivistic approach has been used for both the gathering and analysis of the empirical data. The empirical data has been collected through multiple case studies in the form of semi-structured interviews that have been conducted with seven respondents that are all active in a Sino-Swedish business context.

Results and Conclusion: The findings of this thesis reveal that face-to-face meetings have a positive effect on trust in a Sino-Swedish context. This is due to several reasons, including a discrepancy between Swedish and Chinese concepts of trust, face-to-face meetings' psychological effect on trust and the lack of institutional trust prevalent in a Chinese context. The empirical data confirms the theoretical understanding that Chinese has a RF mentality while Sweden has a DF mentality, and it also shows that FTF meetings can bridge the gap between a RF culture and a DF culture. The empirical data points to the conclusion that the low level of institutional trust in China increases interpersonal trust's importance in a Sino-Swedish business context and that as China enters new phases in its evolutionary growth, trust in China will become more institutionalized. However, as this thesis does not have an adequate theoretical framework to further analyze this finding, it is difficult to analyze in any larger extent.

Table of Content

1. Introduction	8
1.1 Background	8
1.1.1 Trust In a Business Context	10
1.1.2 Business as an Exchange Between Actors	10
1.1.3 Activities That Enable Business Exchange	11
1.2 Problem Discussion	12
1.3 Research Question.....	13
1.4 Purpose of the Study.....	13
1.5 Delimitation.....	13
1.6 Contributions	14
1.6.1 Potential Theoretical Contributions.....	14
1.6.2 Potential Managerial Contributions.....	15
1.7 Thesis Structure	16
2. Theoretical Framework	17
2.1 Western Perspective on Trust in a Business Context	17
2.2 Guanxi, Xinyong and Ganqing – Three Chinese Concepts of Trust	19
2.3 Building a Cross-Cultural Business Relationship.....	24
2.4 Face-to-Face Communication	26
3. Methodology	29
3.1 Research Approach.....	29
3.2 Multiple Case Study	30
3.2.1 Choice of Samples	31
3.3 Research Process.....	34
3.4 Primary Data and Primary Sources.....	36
3.5 Method for Empirical Data Collection.....	37

3.5.1 How the Interviews were Conducted.....	37
3.5.2 Face-to-face vs. Virtual interviews.....	38
3.5.3 Forming Interview Questions	39
3.5.4 Recording and Transcription	40
3.6 Method for Empirical Data Analysis	41
3.7 Quality of the Research.....	42
3.7.1 Credibility	42
3.7.2 Transferability	43
3.7.3 Dependability	43
3.7.4 Confirmability	43
3.8 Limitations	44
4. Empirical Material.....	46
4.1 The Definition of Trust in a Business Context.....	46
4.2 Building Trust in a Sino-Swedish Context	48
4.2.1 Business Meetings in China	49
4.3 How FTF Meetings Affect Trust.....	50
4.4 The Importance of Business Relationships	52
4.5 The Trade Off Between Trust and Regulations	54
4.5.1 Differences in Mindset	56
4.6 Network in China	56
4.7 Chinese Concepts of Trust - Guanxi, xinyong and ganqing.....	58
5. Analysis	59
5.1 Different Concept of Trust and its Effect on how Trust is Built.....	59
5.1.1 Xinyong and Credibility Trust.....	59
5.1.2 Ganqing and Benevolent Trust	60
5.1.3 Guanxi	62

5.2 FTF Meetings' effect on Trust 63

6. Conclusion 70

6.1 Conclusions of the Thesis..... 70

6.2 Suggestions for Further Research..... 71

6.3 Implications for practitioners/managerial implications 72

7. Reference List 74

Appendix 1 Letter Sent Requesting Interview 84

Appendix 2 Interview Questions 85

Table of Abbreviations

FTF Face-to-Face

ICT Information and Communication Technology

SET Social Exchange Theory

RF Relationship focused

DF Deal focused

MRT Media Richness Theory

Key Words

Fact-to-face, Trust, Cross-cultural communication, Guanxi, Xinyong, Ganqing

Table of Figures

Figure 1 Explanation of how Guanxi works

Figure 2 The Media Richness Theory

Figure 3 The Research Process

Figure 4 How FTF meetings bridge the gap between a low trust and the trust level required to do business

Figure 5 A model on how Swedes perceive medium to affect trust in a Sino-Swedish context

Tables

Table 1 Summary of trust in a Western point of view

Table 2 Summary of trust in a Chinese context (guanxi, xinyong and ganqing)

Table 3 Illustration of the respondents' professional profile

1. Introduction

The introduction chapter first presents a background description of the thesis's main topics followed by a brief overview of the theoretical framework and then continues with the problem discussion, the research question and the purpose of the study. Lastly, delimitation and limitations of the study are presented followed by potential managerial implications. In order to give the reader a clear overview of the thesis the chapter ends with an outline of the thesis' structure.

1.1 Background

“*This is the greatest palace that ever was.*” were the words Marco Polo legendary used to describe Emperor Kubilai Khan's palace to his cellmate after he had returned to Italy from China in the late 13th century, words that later turned into the book *Travelling in the lands of Kubilai Khan* (Polo and Latham, 2005). In recent years, China has for most of the 20th century been a secluded country, torn by foreign invasions, political instability and famine (Hägerdal, 2008). However, since the late 70's, China has gradually transcended from a centrally planned to a market-based economy and the "open door" policy has resulted in substantial liberalization of its international trade and investment regimes (Lu, Chen, Wang, Zhang, Zhang, and Luo, 2013). This strategy has delivered an unprecedented economic growth averaging about 10 percent annually between 1978 and 2008 and today China is the world's second largest economy in terms of nominal gross-domestic product (The World Bank, 2015). As a result, Western firms have increasingly focused on the Chinese market to capitalize on the opportunities on the booming market (Ambler, Styles, and Xiucun, 1999). However, Western firms entering the Chinese market may face difficulties when doing business in China, something that Gesteland (2005) argues is because Western firms are not accustomed to the characteristic way business is conducted in China. Gesteland (2005) conceptualizes two different mentalities towards

approaching and doing business: a relationship focused (RF) and a deal focused (DF) mentality. This difference in mentality can create a gap in the way business is conducted between people with DF mentality and people with RF mentality (ibid.).

One important aspect that differentiates RF and DF mentality, in a cross-cultural business context, is the way of communicating (Gesteland, 2005). Communication is by researchers such as Reinsch (2009) considered to be a key factor for business. Influenced and spurred on by globalization and technological improvements, cross-culture communication is at an all-time high. Better Information and Communication Technology (ICT) and increased Internet accessibility enables companies to do business any day of the year, in every hour of the day and anywhere on earth. This has result in communication no longer being bound by the available movement of communicating parties. As a result virtual business meetings and conferences connecting people from all over the world is increasingly becoming a reality, cutting both travel and meeting costs for firms willing to try another communication medium than traditional face-to-face (FTF) meetings (Ruhleder and Jordan, 2001). However, according to Forbes Insight (2009), more than eight out of ten of the 750-surveyed business managers state that they do not only prefer FTF meetings but also see it as necessary for bonding and deepening the relationship with business partners. One reason that FTF meetings were preferred was that FTF meetings build a stronger business relationship and trust between participants (which is a vital factor when doing business (Ambler, et al., 1999)) than virtual communication does (ibid.). However, since trust is to some extent based on cultural norms, it is thus important to acknowledge and understand the underlying differences in how matters (such as trust) are perceived, especially in two countries as far apart both geographically and culturally as Sweden and China.

1.1.1 Trust In a Business Context

Researchers' interest for trust in a business context gained momentum in the 1990s, where Morgan and Hunt (1994) were the leaders in an wave of marketing literature explaining trust's role in business. Trust is relevant in a business context because exchange between companies is seen as a process of ongoing and continues collaboration rather than as discrete transactions. This is an evolvement from- and in stark contrast to preceding theories, such as the transaction cost theory, in which business exchange is characterized by a "...*distinct beginning, short duration and sharp ending by performance.*" (Dwyer, Schurr and Oh, 1987: 13). Trust role in business was acknowledged by McNeil (1978) who concluded that organizations acted rationally in that they displayed relational patterns and resisted the urge to act opportunistically in favor of creating a foundation for future exchange. Researchers such as Johnson, Cullen, Sakano and Takenouchi (1996) attribute this to the very nature of trust, it partly being an effect of subconscious and emotional fondness seemingly built on irrational liking. Furthermore, Johnson, et al., (1996) distinguish *benevolent trust* (based on rationality) and *credibility trust* (based on emotions) as two different kinds of trust prevalent in the Western perspective. Trust in a Chinese perspective is a complex topic. *Guanxi*, *xinyong* and *ganqing*, which refer to personal relationship, personal trust and personal feelings respectively, are three prevalent concepts of trust in China. The three concepts are interconnected and have a complex relationship between them (Redding and Luo, 2003; Yeung and Tung, 1996).

1.1.2 Business as an Exchange Between Actors

Exchanges between actors have occurred since ancient times; trade flourished along the silk road in much of the first 1000 years A.C. (Bernstein, 2008). Today, trade and exchange between actors continues to shape the world we live. The Social Exchange Theory (SET) is considered to be one of the most influential conceptual paradigms for understanding exchange behavior

(Cropanzano and Mitchell, 2005). Central in the SET is the interaction that occurs between actors (e.g. individuals or organizations) and this social behavior is primarily viewed as actors' pursuit of rewards and avoidance of punishment (Cook, 2001). In a business context, this can be seen as individuals or organizations pursuit of revenues and avoidance of costs (ibid.). The SET has evolved from Homan's (1958; 1961) focus on sub-institutional behavior between individuals in direct contact, which "...clarified the nature of this theoretical orientation and introduced it [the SET] into mainstream sociology." (Cook 2001: 2670), to Blau (1964) and Emerson's (1972a; 1972b) respective focus on individual and network's macro sociological aspect of business exchange. Turner (1991) notes that Emerson's approach on social structures as patterns of connections in a network of relations reduces the ambiguousness surrounding Homan and Blau's view of social structures as "institutional piles" and "organized collectives". The SET provides a framework that does not only explain business foundation in the interaction among actors and their respective network but also explains cultures' role in business.

1.1.3 Activities That Enable Business Exchange

The Media Richness Theory (Daft and Lengel, 1986) describes how different communication mediums can be used to achieve efficient communication. The development of communication medium goes hand in hand with the evolutionary phases in history and today's fast paced society and globalized world demands fast mediums of communication. However, something that perhaps is not taken into consideration when trying to make communication more efficient is the importance of nonverbal communication such as body language, which according to Hurn (2014) accounts for 60 percent of communication. Research by Forbes Insight (2009) has shown that FTF communication is still important in a business context but its importance varies from task to task. Based on the understanding that different tasks requires different communication mediums, the MRT is availing which communication media is best suitable for a specific task based on

how lean and rich the communication media is (Daft and Lengel, 1986). The theory is interesting in the Sino-Swedish business context of this thesis since both potential cultural and linguistic differences exist resulting in the task (doing business) becoming rather complex and therefore a richer communication medium, such as FTF meetings, could be argued to be preferred.

1.2 Problem Discussion

There is plenty of research done on how knowledge sharing that occurs between members of the same organization depending on if FTF meetings occur or not (Noorderhaven and Harzing, 2009; Salis and Williams, 2010), and on the relationship between FTF communication and how efficient a task is executed compared to non-physical communication (Lane, Maznevski and DiStefano, 2006). However, these do not reflect the complex nature of international business nor the relationship between FTF meetings and trust. To the authors of this thesis knowledge, there is little previously done research on the relationship between FTF and trust. The emergence of a globalized world has forced companies into a global context, where business can technically be done transcontinentally just as easy as domestically. However, Emerson (1972b) notes that other aspects, such as cultural differences, affect business exchange. Cultural differences' effect on how trust is perceived in a Sino-Swedish context is unexplored territory, and without this knowledge it might be difficult to build trust in a mutual way. Moreover, the fact that it from a Western point of view exists two perspectives on trust (credibility and benevolent trust) were it from a Chinese point a view exists three perspectives (guanxi, xinyong and ganqing) points to a discrepancy between how Westerners and Chinese perceive trust and consequently a missing link between them seems to exist.

Combined, the above mentioned issues become problematic since in today's globalized world many companies choose a communication medium faster and cheaper than FTF meetings

without knowing the relation between FTF meetings and something so vital in business as trust (Ambler, et al., 1999; Tsang, 1998; Yan and Sorenson, 2004).

1.3 Research Question

The research question in this thesis is:

“How do face-to-face meeting affect Swedes’ perception of trust when conducting business with Chinese business partners?”

1.4 Purpose of the Study

The purpose of this study is to increase the understanding on- and investigate how FTF meetings between Swedish and Chinese business partners affect the trust between them from a Swedish point of view.

1.5 Delimitation

During the last decades, researches interest for cultural difference has increased and there are now various studies and publications attributing a certain characteristic or way of acting to a certain culture or country. The two perhaps most frequently cited are Hofstede’s (1982) work on cultural dimensions and House’s (2004) GLOBE-study, both of which are impressive and comprehensive works in the cultural anthropology field of study (Jones, 2007). However, although Hofstede (1982) has briefly been used in order to fill a theoretical gap in the analysis, the authors of this thesis have intentionally stayed away from referring to cultural studies. This is partly because the authors of the thesis concur with Peterson and Castro (2006) and Yeh (1988) in their criticism that it is difficult to generalize from the findings as there are geographical, historical, religious, ethnical differences even within the borders of a single country. But the main reason why cultural studies have not been used is the fact that the above stated publications

do not acknowledge trust's role in business in any wider extent. Yet, in order to explain some aspects of business, culturally oriented literature was used but limited to Gesteland and Seyk (2002) and Gesteland (2005) as they focus on trust and adjacent topics.

Although it would be interesting to research FTF meetings affect on trust globally, the focus of this thesis is on a Sino-Swedish context. This delimitation stems from two facts: (1) both the authors of this thesis are Swedish and (2) both of the authors have resided in China and have a personal interest in the country. As a result, it was deemed easier for the authors to relate to a Swedish perspective on trust than to a broader perspective such as "trust in China", especially since trust is already a complex phenomena. Thus, a Swedish perspective was applied in order to narrow down the scope of the thesis while still acknowledging that the applicability of the findings as potentially much wider than in *just* a Sino-Swedish context (Yin, 2003).

Finally, the choice of focusing on FTF meetings as communication medium was partly because it narrows down the scope of the thesis but mainly because it encompasses physical meetings and thus involves interpersonal communication which both the authors of this thesis consider to be an interesting aspect of business communication.

1.6 Contributions

The potential contributions from this thesis can be divided into two parts: theoretical contributions and managerial contributions, and these will be presented below.

1.6.1 Potential Theoretical Contributions

The theoretical contributions of this study revolve around establishing a deeper understanding on how trust between Swedish and Chinese business partners is affected by FTF meetings. This will

add insights to the field of international business since there is little previously done research in the field and will thus fill an important theoretical gap.

1.6.2 Potential Managerial Contributions

It has been highlighted that Western companies are facing decreased revenues streams and are finding it harder to stay profitable in China, which is in stark contrast to previous years' phenomenal growth (The Embassy of Sweden in Beijing, 2013; The European Union Chamber of Commerce in China, 2014). This is problematic from many different points of view, most profoundly in terms of growth for Swedish and European companies since China is a growth engine for the world economy. Although this change is definitely not exclusively attributable to trust issues, understanding how FTF meetings affect trust could have an impact on potential success since, as established before, trust is vital in business. With this report, valuable managerial contribution in an increased understanding on the relationship between FTF meetings affect and trust in a Sino-Swedish context will be provided; a knowledge that may be used when contemplating whether to travel for a business meeting or to use ICT solutions. Indirectly, by understanding the relationship between FTF and trust, an increase in business could potentially be achieved if trust is considered a determining factor for business success. The managerial contributions also involve establishing a framework that future and present Swedish managers can take into account when they are in the process of doing business with China and determining how much time that is needed to be spent on FTF meetings to create trust. By getting a greater understanding for the Chinese definition of trust Swedish businessmen will better understand how to work with their Chinese counterpart and thus get a better relationship with them. Also, this thesis enables Chinese businessmen to better understand how Swedish businessmen experience the business relationship with Chinese counterparts.

1.7 Thesis Structure

Following the introduction, this thesis consists of a presentation of the theoretical framework, methodology, empirical data, analysis and conclusion with an outline as follows:

1. Introduction
2. Theoretical Framework: The theoretical framework presents theories and past research on subjects relevant for this thesis. The chapter includes Western and Chinese theories on trust, theories on business exchange in a cross-cultural context and a theory interpersonal communication.
3. Methodology: This chapter enlightens and motivates the choice of methods that have been used in this thesis. Additionally this chapter describes how the empirical data was collected and how it was managed and discussed in the analysis.
4. Empirical Data: This chapter presents the findings from the qualitative interviews held with the intention to answer the research question.
5. Analysis: In this chapter the similarities and differences between the gathered empirical data and the theoretical background is discussed and analyzed.
6. Conclusion: The final chapter summarizes the analysis in regards to the research questions and the objective of this thesis into a descriptive conclusion resulting in managerial implication. The chapter ends with suggestions for future research within the area of the thesis.

2. Theoretical Framework

This chapter focuses on creating a framework for understanding of how FTF meetings affect trust. The chapter revolves around three main theoretical areas, namely trust, cultural differences and communication.

2.1 Western Perspective on Trust in a Business Context

In both Western and Chinese culture, organizational trust is regarded as a fundamental of inter-organizational relationships and it can, to a great extent, contribute to successful business (Ambler, et al., 1999; Tsang, 1998; Yan and Sorenson, 2004). Yet, there is some ambiguity regarding the definition of trust; Zagzebski (1996) defines trust as “...*a stance of acceptance of vulnerability*” while Morgan and Hunt (1994) conceptualize trust as existing when one party has confidence in an exchange partner's reliability and integrity. This definition coincides with Moorman, Deshpandé and Zaltman's (1993: 82) definition of trust as “...*the willingness to rely on an exchange partner in whom one has confidence.*”. Both definitions are inspired by Julian Rotter's work on trust, most notably the frequently cited *A New Scale for the Measurement of Interpersonal Trust* in which Rotter defines trust as “...*an expectancy held by an individual or a group that the word [...] of another individual or group can be relied upon.*” (Rotter, 1967: 651). Since Morgan and Hunt, Moorman, Deshpandé and Zaltman, and Rotter emphasize that trust is based on the reliance on- and confidence in the other part, a definition of trust that acknowledges this will thus be used in this report as it fits well into the business context of this report because it encompasses the delicate nature of trust as a driver of successful business. Regardless of having an Anglo-Saxian “profit maximization” view on corporate governance or a more unorthodox European and Japanese “profit optimization” view (Magill, Quinzii and Rochet, 2013), both firm - shareholder relation ideologies share the desire to minimize non-value adding costs as a common characteristic, and due to the high costs (and perhaps more

notably, the potential costs) often associated with entering a partnership (Cullen, Johnson and Sakano, 2000), a new business relationship should, at least to some extent, be built on trust. Johnson, et al., (1996) has further developed the concept of trust and distinguish two important components, namely *credibility trust* and *benevolent trust*. Credibility trust, which is the rational component of trust and the more practical side of it, refers to the confidence that the counterpart has the intention and capacity to meet the responsibilities and fulfill the commitment that was agreed. Benevolent trust is the subjective or emotional side of trust and it is about a person's beliefs in the other part's interest in the relationship (below, Table 1 summarizes trust in a western point of view based on Johnson, et al, (1996)). However, the definition and meaning of trust might vary depending on nationality and it is therefore important to look at trust from both a Western and a Chinese perspective. Subsequently, Chinese concepts of trust will be presented in the next section.

Table 1. Summary of trust in a Western point of view

Name	Characteristic	Definition
Credibility Trust	Rational trust	Refers to the confidence that the partner has the intention and capacity to meet their responsibilities and fulfill the promised commitment that was agreed (Johnson, et al., 1996).
Benevolent Trust	Emotional trust	The benevolent trust is about a person's beliefs in the other part's interest in the relationship (Johnson, et al., 1996).

Source: Authors' elaboration inspired by Johnson, et al., (1996)

2.2 Guanxi, Xinyong and Ganqing – Three Chinese Concepts of Trust

Doing business in China is a well-explored field in the academic world; numerous books and journal articles explain everything from negotiation tactics (Pye, 1992) to how to properly toast baijiu, the national liquor of China (Osburg, 2013). In a Chinese context, trust is based on Confucianism and it is of great significance in determining individual behavior as trust is closely correlating with successful relationship building (Tsang, 1998). Something that has puzzled researchers over the years is the existence of certain trust related aspects in China, namely *guanxi*, *xinyong* and *ganqing* (Barnes, Leonidou, Siu, and Leonidou, 2015; Hsiung 2011). These three aspects create a part of the framework that has been used in this thesis.

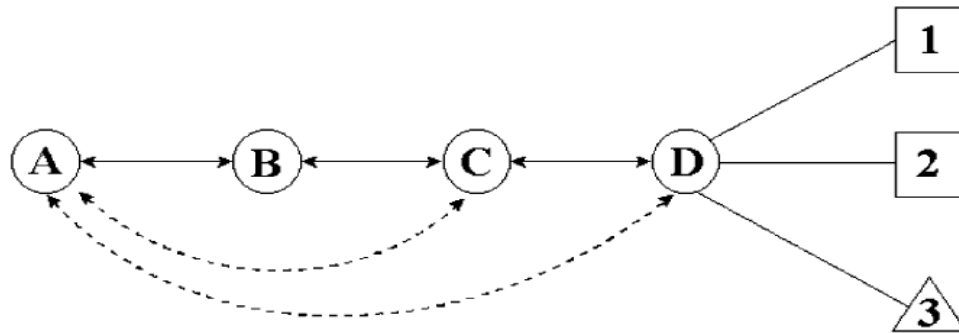
Stemming from Confucius' interpretation of societal rules, Chinese society has functioned as a web of clan-like networks concentrically circling close family member as its core and farther away from the center are distant relatives, friends and acquaintances found, ordered in accordance to degree of trust (Lou, 1997). This is the foundation of one of China's most well known cultural aspects of doing business, namely *guanxi* (Redding and Luo, 2003; Yeung and Tung, 1996). Guanxi is a Chinese term denoting to interpersonal connections and was first introduced in the West in the 1980s in various business writings, concerning cultural factors affecting doing business in China (Alston, 1989; Pye, 1992). Davies, et al., (1995) define guanxi as the personal relationship of informal social bonds in which individuals carry expectations and obligations to facilitate favor exchanges. Yeung and Tung (1996) and Amramson and Ai (1999) conclude and identify guanxi as one of the most important key success factors when doing business in China. It is believed that having the right guanxi is a vital factor in business cooperation and could bring an extensive range of benefits such as sidestepping or short-cutting the bureaucratic maze, gaining information and privilege, providing insurance against uncertainty and assistance when problems arise (Fan, 2002).

During the last ten years, the concept of guanxi has experienced a growing interest from the research fields of business and sociology in Western. Fan (2002) provides a very comprehensive discussion on the definition of guanxi and criticizes Alston's (1989) description of guanxi as a kind of "special relationship". In the Chinese language guanxi have several meanings and is referring to one of three: (a) The existence of a relationship between people who share a group status or who are related to a common person, (b) actual connections with and frequent contact between people, and (c) a contact person with little direct interaction (Bian, 1994; Fan, 2002). However, since there is no single English translation of the word guanxi, it will instead be defined ostensively through its characteristics. With the help of Figure 1, Fan (2001: 549-551) illustrates how guanxi works and can be explained with a simple example; a businessman (A) had to pay a sizeable fine for tax evasion. He asked his longtime friend (B) to help. B turned to his father in-law (C), which was a man with a lot of influence in the area. C called a previous coworker (D) who is the chief of the Tax Bureau for a favor. D then agreed to waive the fine, and for his help he received a big amount of cash, as a thank-you gift from A. A also thanked B and C with a dinner. As can be seen in Figure 1, guanxi is a process which had the following stages; A-B, B-C and C-D. 1-3 are possible outcomes that could have happened when A first asked for help:

1. Same solution and C and/or D remained unknown to A
2. Either C or D or both had been previously introduced to A or A created a guanxi relationship with D through B and C, thus A's guanxi network was extended. This makes it possible for A to go directly to D for a favor next time.

3. D could have been unable to personally help A and instead reached out to a bigger network of guanxi. If this did not help, A could have been forced to start a new guanxi process or face the fact and pay the fine.

Figure 1. Explanation of how Guanxi works



Source: Fan, 2001: 550

Guanxi is however not the only trust related aspect of business in China. Another phenomenon that is important to know when doing business with Chinese is *xinyong*, which refers to a person's willingness to rely on another person based on that person's considered credibility or competence (Luo, 2007). *Xinyong* can be seen in various forms such as preferring verbal rather than written agreements, allowing credit assistance and allowing direct negotiations. *Xinyong* is mainly critical when dealing with strangers or new acquaintance, where the trustworthiness is still unclear (Xu and Fu, 1999) and according to Child and Möllering (2003), Chinese are much more willing to do business with "old friends" who possess *xinyong* in their social network than with an outsider which have an unknown *xinyong*. Ramstöm (2008) and Leung, Lai, Chan, and Wong (2005) refer to empirical evidence that frequent social visits are considered to be the cornerstone for a successful business relationship with a Chinese counterpart, and the creation of relationship is directly linked with a high level of *xinyong*. The emergence of *xinyong* in China can be

attributed to the weak juridical system that, to some extent, still exists in China (Huang and Bond, 2012; Wong, 1999). Thus individuals have to rely on non-judicial binding agreements for business, which is in stark contrast to the business system of most Western countries where trust in the juridical system is high and sometimes considered more reliable than someone's oral testimony (Luhmann, 1979).

Ganqing is an additional aspect of Chinese trust, which Lee and Dawes (2005) define as the feelings associated with an emotional commitment to other people. *Ganqing* can be considered as one of the most important factors of interpersonal relations in China and to be the starting point of a business transaction (Ramström, 2008). After *ganqing* is established a certain bond and trust is created within a group of people and a mutual empathetic understanding of other misadventures and friendliness for the members is present (Leung, Heung and Wong, 2008). Although similar to both *guanxi* and *xinyong*, *ganqing* is even more personal by nature because it is developed and cultivated through social bonding such as parties, dinners resulting in a personal liking (Mavondo and Rodrigo, 2001). *Ganqing* is important in business because of its close linkage to the social aspect of relationships, which consequently is linked to "face", which is a Chinese metaphor for prestige, dignity and respect (Jia, 2001). By creating a bond on multiple levels (both socially and professionally), *ganqing* safeguards against a loss of face because it pressures the counterpart to conform to promised agreements in order to not "lose face", which refers to the loss of prestige or respect within a social network (Jia, 2001). Consequently, it may result in reduced *xinyong* and *guanxi* (Leung, et al., 2005). In Table 2 the three Chinese concepts of trust are presented in order to give the readers a comprehensive overview.

The relationship and connection between guanxi, xinyong and ganqing is complex. The three concept of trust is intertwined in one and another, which creates interdependency (Chinese business: Rethinking Guanxi and Trust in Chinese Business Network, 2014). For a person to have guanxi with another person a certain xinyong and ganqing is required, moreover, if a person fail to live up to his xinyong the guanxi relationship can be affected (Leung, et al., 2005). What they have in common is that they play an important role when conducting business in China (Chinese business: Rethinking Guanxi and Trust in Chinese Business Network, 2014).

Table 2. Summary of trust in a Chinese context (guanxi, xinyong and ganqing)

Name	Characteristic	Definition
<i>Guanxi</i>	Personal Relationship	Davies, et al., (1995) define guanxi as the personal relationship of informal social bonds in which individuals carry expectations and obligations to facilitate favor exchanges.
<i>Xinyong</i>	Personal Trust	Luo (2007) states that xinyong refers to a person's willingness to rely on another person based on that person's considered credibility or competence.
<i>Ganqing</i>	Personal Feelings	Lee and Dawes (2005) define ganqing as the feelings associated with an emotional commitment to other people.

Source: Authors' own.

2.3 Building a Cross-Cultural Business Relationship

In the global world of the 21st century, the connectivity of individuals is at an all-time high; people are not merely electronically connected but also personally connected and the fact that the world is shrinking (metaphorically speaking) is palpable as more and more people get access to ICT (Picot and Lorenz, 2010). This lays a foundation for an ever greater world-spanning network of business partners through seemingly borderless communication. Social interaction is nothing solely happening in the 21st century but is something that has been evident throughout history. One influential theory concerning social interaction and exchange between actors is the Social Exchange Theory (SET), which has evolved from a mainly sociological theory to cover more of the business oriented socioeconomic field of study (Cook and Whitmeyer, 1992).

The emergence of a globalized world has consequently forced firms into a global context. Faced with both competition from abroad and possibilities in foreign markets, companies act in an increasingly uncertain environment (Hagedoom and Schakenraad, 1994) stemming from the increased number of actors but the globalization undoubtedly increases the possibility of a greater social network. This is an important aspect of globalization, because sociologists argue that a firm's social network is the most important facet of an organization's environment (Gulati, 1998). This is due to the fact that, as stressed by Powell and Smith-Doerr (1994), economical actions do not occur in a secluded cell but in a vast social landscape. The SET is distinctly differentiated from other more economically oriented theories of exchange because it emphasizes that trust is vital since companies are mutually dependent and reliant in the social landscape they are active in. Without trust, there would be no or little reasons for companies to not act opportunistic, and only seek to minimize costs (Cook and Whitmeyer, 1992). Zajac and Olsen (1993), point out that transactions should not be regarded as discrete events but as a continuous process, and subsequently the focus is not on short term cost minimization but on possible future

value maximization, a behavior also noted by McNeil (1978). One of the prevalent characteristics of the SET is that trust, loyalty and mutual commitment evolves over time (Emerson, 1972a; 1972b). This process is fuelled by parties' mutual recognition of certain rules or norms governing exchange relationships (ibid.). Thus, it has to be acknowledged that the frame governing exchange between actors is man made by nature, and defined by how humans set these rules and norms. Cropanzano (2005) point out that although there are a number of exchange rules, organizations expectation of reciprocity is the most researched and is regarded as an important catalyst of exchanges. It fits well into business orientation of this thesis because reciprocal interdependence emphasizes interpersonal transactions, as in that an action by one party results in a response by another. This could be seen as a fundamental aspect of business. Yet, reciprocity can be seen as a cultural norm and thus explained by cultural aspects and there are strong evidence supporting the existence of cultural and individual differences in terms of how reciprocity is looked upon (Shore and Coyle-Shapiro, 2003). This has some very interesting implications for this thesis, since it concludes that culture affects the exchange relationships. Seen in this light, cultural aspect affecting business has to be further investigated.

One researcher that has investigated how cultural aspect affect business is Gesteland (2005), who conceptualizes two types of mentalities when doing business in a cross-cultural environment; the RF and DF mentalities. People in cultures with a RF mentality prefer to do business with family, friends and persons well known to them; in other words, people they can trust. They feel uncomfortable doing business with strangers, and therefore people in RF cultures typically want to create a relationship with their potential business partner before doing business. In contrast, people in DF cultures are relatively open to doing business with strangers. This great divide between the world's cultures affects the way business is conducted (Gesteland, 2005). This is important to note when looking into the relationship between Swedish and Chinese business

partners since Sweden has one the most DF oriented cultures while China has a more RF oriented culture (ibid.).

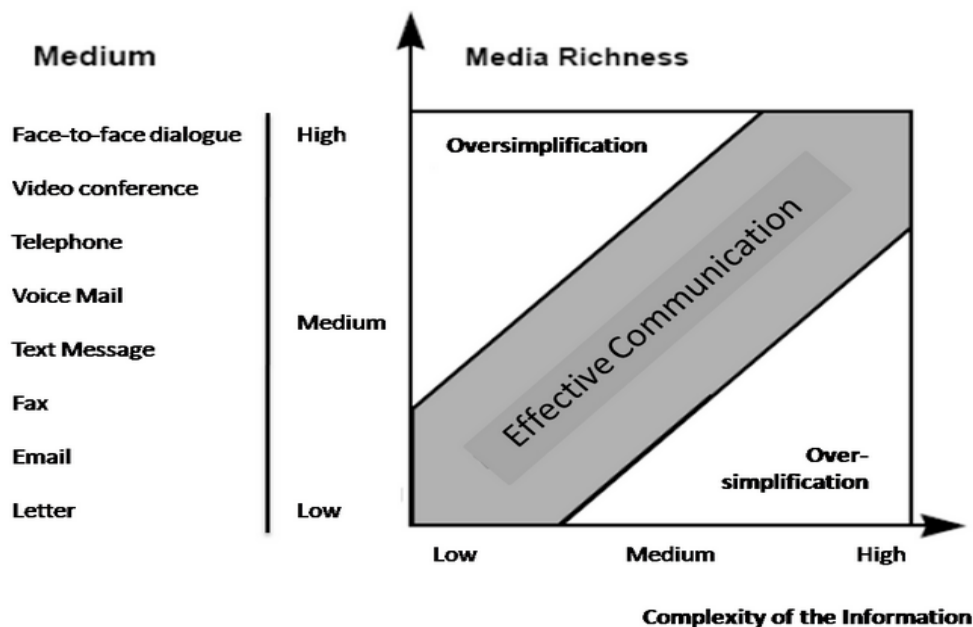
With a DF counterpart there is no need for a long relationship building phase or presentations, and business is usually done after some small talk. In contrast, with a RF counterpart it can take weeks or even months before business is conducted. Building trust and bonds with potential counterparts is important everywhere in the world not only in the DF cultures, but in RF cultures the trust climate need to be created before starting to talk about business. In the RF culture you first become friends then a deal can be initiated which highlights the importance of FTF contacts. According to Gesteland and Seyk (2009) FTF meetings is something that is especially important when conducting business with Asians since they prefer to not discuss important matters in writing, over the phone or via videoconferencing and instead prefer to see their suppliers and partners. This mentality is more prevalent in Asian countries than in the most Western countries.

2.4 Face-to-Face Communication

FTF communication is multimodal as it involves verbal and nonverbal communication such as (a) kinetic behaviors; facial expression, gestures and body movement, (b) paralanguage; voice qualities, non-language sounds, and (c) use of artifacts such as clothes (Duncan, 1969). Thus, communication is not just about linguistics but also about psychology, emotions and social aspects of interaction (Dohen, Schwartz and Bailly, 2010). New technology and better internet connection have led to an increasing use of electronically mediated methods for communication but research persist to underline the importance of FTF communication for certain tasks and information (Stryker and Santoro, 2012). One theory that aims to explain how information is most efficiently communicated is the Media Richness Theory (MRT). The MRT is based on two assumptions: people want to overcome equivocality and uncertainty in organizations, and the

type of media that is the most effective depends on the situation and the task (Daft and Lengel, 1986). Daft and Lengel, the authors of the theory, create a media richness hierarchy by ranking communication mediums from high to low in degrees of richness (Trevino, et al., 1990). A medium's richness depends on the medium's capacity to resolve ambiguity, negotiate varying interpretations, and create understanding (Daft and Lengel, 1986). According to the theory, FTF communication is the richest medium in the ranking followed by videoconference and telephone as can be seen in Figure 2.

Figure 2. The Media Richness Theory



Source: Kessler, 2015

The theory suggests that effective managers make rational choices matching a particular communication medium to a specific task or objective to the degree of richness required by the task (ibid.). Although the MRT is often seen as a management tool and does not explicitly

discuss cross-cultural business, it provides valuable information since it shows that certain tasks are best communicated through certain mediums, and that there is a relation between how good information is received and the medium used to send the information (Trevino, Lengel, Bodensteiner, Gerloff and Muir, 1990). The MRT is interesting for this thesis because it sheds some light on *why* people use one medium in favor of another. By acknowledging that the choice of communication medium is not solely based on personal preference or habitual behavior, the MRT adds a dimension to the thesis as it links FTF communication to an “appropriate” type information.

3. Methodology

The two preceding chapters laid the foundation for this chapter as they theorized and discussed the relevant and underlying theories for this thesis. The methodology chapter presents how the research was conducted and aims to show how issues such as validity of the empirical data and choice of respondents were addressed. This chapter starts with a review of the different approaches that have been used in this report and a justification of their respective use. It continues with an elaboration concerning chosen case study and choice of samples. Thereafter the chapter continues with a description on the research process. The chapter then discusses the different sources that have been used, followed by a presentation of how the empirical data has been collected and analyzed. Lastly, the chapter discusses this thesis quality in terms of trustworthiness and authenticity and finishes off with a presentation of the limitations of this thesis.

3.1 Research Approach

Since the purpose of this study is to increase the understanding and investigate how FTF meetings between Swedish and Chinese business partners affect the trust between them from a Swedish point of view, an interpretivistic approach in both the gathering and the analysis of empirical data was chosen. The approach, which is an epistemological assumption within social science differentiated from natural science as it concludes that studies of people and social phenomena require a different way of conducting research (Blumberg, Cooper and Schindler, 2008). Interpretivism is based on the three basic principles that "...*(1) the social world is constructed and is given meaning subjectively by people, (2) the researcher is part of what is observed and (3) research is driven by interest.*" (Blumberg, Cooper and Schindler, 2008: 21). According to Van Maanen (1983), the interpretive approach implies that basic scientific law is not enough to understand the whole complexity of a social phenomenon by adopting a range of

methods that aims to “...describe, translate and otherwise come to terms with the meaning, not the frequency of certain more or less naturally occurring phenomena in the social world.” (Van Maanen, 1983: 9). Interpretive research is any type of research where the findings are not derived from the statistical analysis of quantitative data (Collis and Hussley, 2009; Strauss and Corbin, 1990). Interpretivistic approach is the most suitable since the aim is to understand the respondent’s subjective relation to- and view on FTF meetings’ effect on trust. Thus a qualitative research, with a non-quantitative empirical data collection method, was used.

3.2 Multiple Case Study

Researchers frequently use a qualitative method when investigating complex and highly subjective fields of studies, which the field of cross-cultural communication and trust should be regarded as, to get a better understanding and define the subject (Wilson, 2013). There exist different alternatives on how to conduct a qualitative method, including observations, interviews, case study and multiple case studies (Yin, 2003). In regards to the case study approach, Yin (2003:2) states that “.. the need for a case study arises out of the desire to understand complex social phenomena. A case study method allows investigators to retain the holistic and meaningful characteristics of real-life events.” Therefore, in order to understand FTF meetings’ effect on trust in a Sino-Swedish context, a case study approach was used in this thesis. To get different perspectives and increase the credibility of the finding this study contains more than a single case and therefore a multiple-case approach have been used, which according to Yin (2003) makes the thesis more compelling and robust. The multiple case study was conducted in different fields of business and in different companies (see Table 3 in section 3.2.1) which gives a higher validity to the thesis. It is important to note that the purpose of the multiple case studies was to get an increased understanding of FTF meetings’ effect on the *phenomena* trust and not compare answers and experiences of FTF meetings *per se*. However, qualitative methods have

sometimes been criticized for poorly describing the actual research process (Collis and Hussey, 2014). To address this problem a thorough presentation on how the research process was conducted is presented in section 3.3 Research Process.

3.2.1 Choice of Samples

The respondents were selected by the authors of this thesis and not chosen randomly; thus, a restriction exists as the result will only help to understand the speculative relationship between FTF meetings and trust and generalizations should be done carefully (Bryman and Bell, 2011). In this research a hybrid of convenience sampling (Blumberg, Cooper and Schindler, 2008) and purposive sampling (Saunders, Lewis and Thornhill, 2003) was used since people that were known to fulfill the criteria stated in the paragraph below were contacted based on their convenient accessibility, that is, they were known to the authors of this thesis. One case of unintended sampling occurred as one respondent suggested and introduced a previously unconsidered respondent to the sample; thus one incidence of *snowball sampling* (Emerson, 2015) was also used. This semi-random method generated one additional respondent, tolling the total number of respondents to seven. Respondents were chosen on the requisite that new information could be obtained from the interviews and would therefore fit the purpose of the study and to answer the research question (Merriam and Merriam 1998). With this approach, only participants that meet the criteria of the research were selected (Saunders, Lewis and Thornhill, 2009).

In order to answer the research question it was necessary that the respondent had relevant experience to the topic in question. Experience from doing business in China, both through FTF meetings and virtual communication, was deemed crucial in order for the respondents to have

experienced the differences between FTF meetings and virtual communication. The following criteria were used to select appropriate respondents for this study:

- The respondents should be directly involved in business with Chinese companies.
- The respondents should have worked towards Chinese businesses for a minimum of six months to ensure that they have seen behavioral patterns in business contexts and have experience from doing business in China.
- The respondents should at least at multiple times during the last 24 months have visited China for business purposes if not currently residing there.

An initial email was sent out to the chosen candidates, asking for their approval of an interview (see Appendix 1 for a text version of the sent out email). 13 people received this email and six people (46%) accepted an interview. After an acceptance was received the respondents were contacted over email and a specific date was decided for the interview along with a brief description concerning the intention of the interview. Out of the seven respondents, six of the respondents were at the time working and living in China and one of the respondents was frequently going there for business purpose. A more detailed explanation of the respondents can be found in the table below.

Table 3. Illustration of the respondents' professional profile

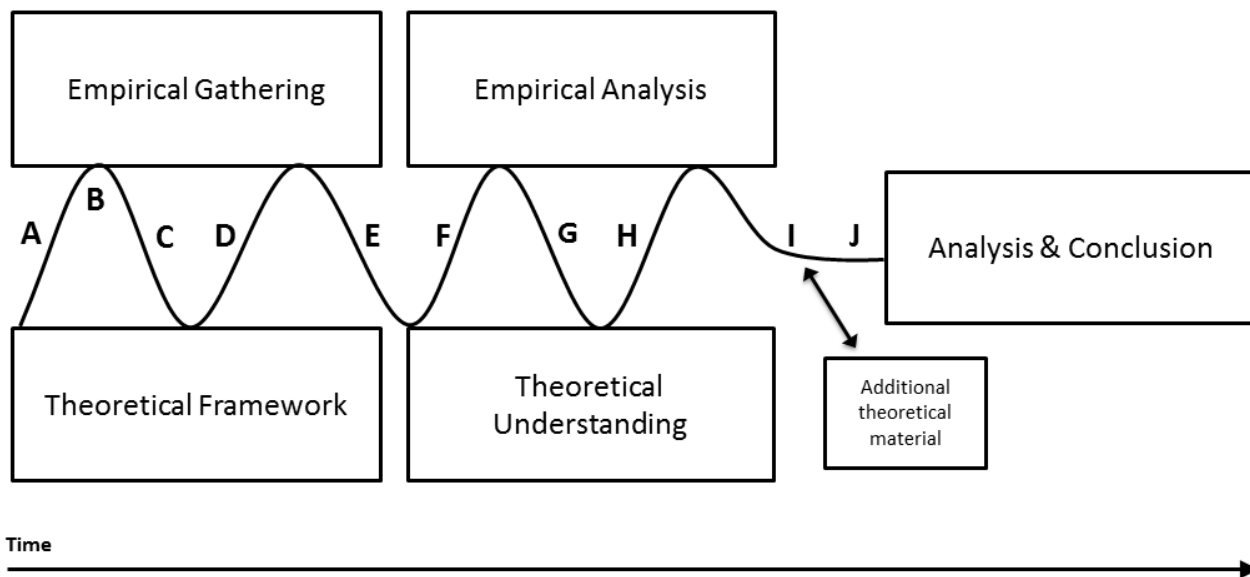
Professional title	Years of experience from China	Current industry	Residing in China	General information about the respondent
Respondent A: Regional Communication Coordinator for Asia	11 years	PR and Communication	Yes	Speaks fluent Chinese. Has daily contact with Chinese clients but limited experience in doing business with Swedish clients.
Respondent B: Business Unit Manager, China	6 years	Automotive	Yes	Has experience from working with OEMs in different Chinese cities and speaks a little bit Chinese.
Respondent C: Project Manager	6 years	Market Consulting	Yes	Has experience from working in Guangzhou, Hong Kong, Taiwan and Beijing. Born in China but raised in Sweden and is a Swedish citizen. Fluent in Chinese.
Respondent D: Deputy Vice President, Customer Service	1 year	Automotive	Yes	Working for a Swedish automotive manufacturer and has a long history within the company working with sales on the Swedish market.
Respondent E: Senior Project Manager	11 years	Market Consulting	Yes	Long experience in helping Swedish companies do business in China. Good knowledge in the Chinese language.
Respondent F: Technical Support Manager	6 years	Electronics	Yes	Has worked for five years in Beijing and one year in Shanghai. Good knowledge in the Chinese language.
Respondent G: Marketing, Sales & Remanufacturing Director,	9 years	Automotive	No	Started to do business in China year 2006 and has frequent business contact with Chinese but infrequent visits.

3.3 Research Process

The research approach of this study consisted of one initial period of creating a theoretical framework and pre-understanding, which was followed by the empirical data collection that was followed by a period of refinement as theoretical and empirical understandings developed over time. According to Alvesson and Sköldberg (2008), this approach gives the reader a good picture of the subject, and it is commonly used when one or more case studies are conducted since it allows the researchers' own reinterpretation; thus the writer does not exclusively depend on theory or vice versa and can alternate as preferred and needed. This way of going back and forth between theoretical development and empirical data analysis is in line with the abductive research approach, making both the empirical findings and the theoretical structure important (Alvesson and Sköldberg, 2008). Additionally this method is also known as *systematic combining* which is a “...*path-dependent process of combining efforts with the ultimate objective of matching theory and reality [...] Matching is, thus, about going back and forth between framework, data sources, and analysis*” (Dubois and Gadde, 2002: 554-555). It is important to note that systematic combining and the subsequent *matching* has, due to its path-dependency, no distinct pattern and the process can take different directions, which has been evident in this study. Towards the end of the research process when the empirical data was analyzed, it became evident that some empirical findings could not be described by the theory in the theoretical framework, and consequently an external sources had to be involved. Figure 3 shows a graphical overview of how the research process proceeded. The letters A-I represent the different steps taken in the research process as it evolved in phases over time. In the first phase (A) a pre-understanding of the subject was first created and then the theoretical framework was established. In the next phase (B) the empirical data was gathered. This was followed by a longer phase (C, D) where knowledge about the subject and understanding of the theoretical frameworks was increased. Phase (E) represents when all the empirical data was collected and as

the thesis progressed a greater understanding of the theoretical framework were established. This greater understanding of the connection between the theoretical framework and the empirical findings resulted in an adjustment of the research question in phase (F). With a greater understanding and with an adjusted research question a phase (G) of analysis of the empirical findings resulted in a different interpretation of the theoretical framework, which lead to phase (H) where an additional review of the empirical findings was conducted. Since the theoretical framework in this thesis could not explain some of the patterns that been seen in the analysis additional new theoretical material were gathered in phase (I), which led to the final phase (J) where the final analysis and conclusion were made.

Figure 3. The Research Process



Source: Authors' own.

3.4 Primary Data and Primary Sources

When developing a theoretical framework primary, secondary and tertiary sources of literature can be used. The collection of relevant information often includes usage of tertiary literature sources such as databases, search engines and Internet where the writer can use keywords to browse through subject directories (Saunders, et al., 2003). The keywords used to gather information for this thesis were *Trust*, *Face-to-face meetings* and *cross-cultural communication* among others. In this thesis the only source of data that have been used is primary data, which means that the data used have been collected for just this thesis. Compared to secondary data, which is data from already existing sources (Collis and Hussey, 2009), primary data gives the thesis a higher validity since it is collected for just this thesis with an intention to reach the purpose of the study (Blumberg, Cooper and Schindler, 2011). Moreover Collis and Hussey (2009) state that primary data is generated from an original source such as experiments, surveys or interviews. The primary data that have been used in this multiple case study is collected from interviews. The empirical data that was collected through the interviews makes it possible to compare the similarities and difference between theoretical framework and the result of findings and was therefore suitable for this study. One issue with primary data is the big cost deriving from data collection, since both time and financial resources are often needed (Saunders, et al., 2009). We addressed this issue by using available ICT solutions (video conferences) to bridge the physical gap between Sweden and China in a cost efficient way and followed a well-planned timeframe for the collection of the empirical data.

Primary sources are, for example, reports in the original form that they were first presented (Collis and Hussey, 2009). In this thesis, primary sources such as original publications of theoretical material stemming from empirical studies have been used. Secondary sources include interpretations of primary sources, for instance, publications such as journals and books that have

been published again. Secondary sources are often seen as a time saver since it is already available for the researcher (Collis and Hussey, 2009) and in this thesis secondary sources such as journals have been used.

3.5 Method for Empirical Data Collection

The empirical data in this multiple case study was collected through interviews. Certain feasibility limits were used when the interviews were conducted (Kvale, 1996), hence the interviews were conducted at the respondent's office in Gothenburg or, for the respondents located in China, videoconferences were used. In this study a small number (seven) of cases were studied and therefore a non-probability sampling method was applied. The number of interviews “suitable” for a research is widely debated and to our knowledge there is no exact number. In our research, we continued to sample until we felt that we had reached knowledge saturation (Bertaux, 1981). Saturation is a complex and disputed term (Guest, Bunce and Johnson, 2006; Morse 1995) since it requires the researcher’s opinion on *when* his or hers knowledge is enough. To address this issue, interviews were conducted until no new information seemed to materialize, a pattern in the empirical data could be distinguished and enough data was gathered to answer the research question (Patton, 2002). To address an issue voiced by Adams, et al. (2007) concerning interviews being time consuming, all interviews were scheduled in a two-week period and the interviews were subsequently conducted within this timeframe.

3.5.1 How the Interviews were Conducted

All the empirical data presented in this report was collected through personal interviews, which according to Kvale (1996) can be seen as guided conversation and should be regarded as qualitative interviews. The interviews had a semi-structured approach, which means that there is a certain set of predetermined questions acting as a framework for the interview, but respondents

are allowed and encouraged to go outside the framework and interact with the interviewer. Hence, a semi-structured approach allows the interviewers to add their own thoughts (Blumberg, et al., 2011). This structure was chosen because it allows some latitude of freedom to ask further questions in response to what the respondent states and in that way achieve a greater understanding of the subject (Bryman and Bell, 2011). A semi-structured interview technique is subjective by nature requiring active intercommunication; thus the approach is coherent with the idea of interactionism in interviews (Silverman, 2005). One of the disadvantages with semi-structured interviews is according to Collis and Hussey (2009: 194) “... *it may be difficult to keep a note of the question and answers, controlling the range of topics and, later analyzing the data*”. To circumvent this disadvantage and to fully encapsulate the interaction during the interview, both the authors of this report were present during the interviews and one was “leading” the interview while the other was more passive and took notes.

3.5.2 Face-to-face vs. Virtual Interviews

Two of the interviews were held at the respondent’s company’s premises, conducted in the natural working environment of the interview objects, that is, conference rooms provided by the office. The advantage with face-to-face interviews is that the interviewer can use visual aids, such as facial expressions, in order to better understand if the respondent has understood the question properly. However, disadvantages with FTF interviews are that they are often costly, time-consuming and demand highly trained interviewers (Blumberg, et al., 2011). The other five interviews were held over a videoconference due to fact that the respondents were all in China at the time of the interview. The advantages of virtual interviews are that no one needs to transport to a specific location and in this case interviews could be done with respondents in China. According to Lavrakas (1993) properly conducted virtual interviews can provide an unbiased standardization. To ensure that the interviews were properly conducted, extensive preparations

were done before conducting the interviews, including test-interviewing acquaintances both FTF and over videoconference to test questions and to familiarize with the art of interviewing and the execution of interviews. The disadvantages of a virtual interviews is that even if the respondent and interviewer can see each other the same depth in visual aids cannot be used (as in FTF) and the answer may therefore be less complete (Blumberg, et al., 2011). This was hard to address, but was kept in the interviewers' minds during the virtual interviews. The virtual interviews were conducted through videoconferences interviews using speakers to ensure high quality recording and minimize the risk of misunderstandings stemming from poor quality of recordings and hearability, an issue voiced by Shuy (2001).

3.5.3 Forming Interview Questions

When developing interview questions it is important to design the questions so that they help to answer the research question (Eriksson and Kovalainen, 2008). The interview questions were constructed to be open to provide a more personal and detailed responses and were carefully selected to give insight into the research topic, which is in line with what Collis and Hussey (2009) says about the importance of an effective data collection approach. In order to get a more sincere answer, neutral questions were used to avoid presumptions and typologies. Reflective questions were used in order to control what the interviewees meant (ibid.). The interviews circled around 14 main questions that were asked to every respondent. These questions are presented in Appendix 2. These questions were followed by both predetermined follow-up questions and spontaneous questions that arose while conducting the interview. By making it clear that the study is not a study of cultures in a wider sense (see Hofstede (1982) and House (2004) for examples of culture studies based on observations from samples) but a study of a phenomenon through a multiple case study, this hopefully took away some of the pressure associated with sensitive questions (Groves and Kahn, 1979). Although the questions asked were

not sensitive by nature, Aquilino and LoSciuto (1990) suggestion of providing the option of anonymity to avoid marginalizing respondents was followed. The process of gathering empirical data was to great extent influenced by Meyer and Scott (1983) since focus was on informal structures rather than formal and documented structures based on the idea that informally collected data better reflects reality.

3.5.4 Recording and Transcription

With consensus from the respondents, all of the interviews were recorded and afterwards transcribed in order to minimize misunderstandings and misinterpretations, which is in line with the best practice in qualitative research (Poland, 2002). The advantage of recording is that the researcher can listen to the interview an unlimited amount of times. The disadvantage is that the respondents can feel disconcert and restrained resulting in the respondent being less cooperative (Bryman and Bell, 2007), but since all respondents were granted anonymity this concern should be limited. Recording is a better way than taking notes directly since the interviewer can completely focus on the respondent. The advantage of transcribing qualitative interviews is the researcher can facilitates a more thorough analysis of the answers as well as it helps to avoid the interviewer's interpretation and limited memory in a later stage. A transcribed interview also increase the reliability since one can go back and control the document again but this advantage comes with a consequence since transcribing is time-consuming and requires a certain level of good equipment (ibid.).

After each interview was conducted, a short discussion concerning the interview were held between the authors of this thesis in order to reflect over the content obtained from the interview and the authors' performance. All interviews were transcribed within 12 hours from the actual interview took place in order to prevent loss or distortion of information, and all transcriptions

were proof read for the same reason (Bryman and Bell, 2007). Once all of the seven interviews had been conducted and transcribed the interviews were compiled and the analysis begun, a process elaborated on in the next chapter.

3.6 Method for Empirical Data Analysis

There are several ways, both structured and unstructured, to analyze the empirical findings and data. Since the analyzing process is often time consuming and demanding, especially when it is qualitative data (Collis and Hussey, 2009), a continuous reduction in the large amount of gathered data took place in order to make the analysis process more efficient. Initially, this was done abductively as the thesis evolved during the empirical data collection process and after multiple refinements of the theoretical framework had taken place (see Figure 3 for illustration of the process). The reduction was done in accordance with Miles and Huberman's (1994: 11) description of data reduction as "... a form of data analysis that sharpens, sorts focuses, discards and reorganizes data". In the final stage of the analysis, a deductive approach was used, thus parts of the data irrelevant to the research question was neglected in the analysis. The final reduction was theory-driven, meaning that key topics were set prior to the analysis and the empirical data was reduced until relevant only to these topics (Weber, 1990). Once the final reduction of empirical data was completed, the data was thoroughly and carefully read and studied. With a multitude of sources including the theoretical framework, empirical data and observation as foundation, the actual analysis began. Evidently, an abductive reasoning method was used (Alvesson and Sköldbberg, 2008). Since the collected data is considered non-quantifiable, and due to the fact that a semi-structured approach used in the interview phase resulted in variations in the respondents' answers, a thematic analyzing approach was used to understand overall themes and subtle patterns (Guest, MacQueen and Namey, 2012). The empirical data is a mixture of the answers gathered from the respondents and first order

narratives (Elliot, 2005) since the respondents were asked to share their experiences of FTF meetings' effect on trust. Based on interpretations of the respondents' experiences, an analysis was conducted in order to see how FTF meeting affect trust in a Sino-Swedish business context.

3.7 Quality of the Research

According to Bryman and Bell (2007), three of the most prominent criteria to have in mind when evaluating business and management research are reliability, replication and validity. However, due to the non-quantifiable nature of this research and the fact that it has been noted by some qualitative researchers that the terms reliability and validity have connotations of measurement, Guba and Lincoln's (1994) proposed criteria for evaluating qualitative studies, namely *trustworthiness* and *authenticity*, will be discussed and addressed instead. The focus is on the trustworthiness since authenticity is present in dependability (reliability), which is one of the four main criterions of trustworthiness together with credibility (internal validity), transferability (external validity), and confirmability (objectivity) (Bryman and Bell, 2007).

3.7.1 Credibility

The credibility criterion involves establishing that the results of qualitative research are credible or believable from the perspective of the participant in the research (Bryman and Bell, 2007). The purpose of qualitative research is to describe or understand a phenomenon from the respondent's perspective and they are therefore the only ones who can legitimately judge the credibility of the results. When the empirical data for this thesis was collected the interviews were recorded for two purposes: to make it easier to analyze the interviews and to make it possible for the respondents to listen to the interviews if confirmation is needed. However none of the seven respondents wanted to listen to the recorded interviews.

3.7.2 Transferability

Transferability refers to the degree to which the results of qualitative research can be generalized or transferred to other contexts or settings. To enhance the transferability of this thesis, a thorough description of the research context and the research process of this thesis are presented throughout chapter three (Bryman and Bell, 2007). The analysis conducted and presented in the last chapter of this thesis enables an analytical generalization to the extent that the findings could be transferred to other studies of cross-cultural communication and especially in a Sino-Swedish context (Bryman and Bell, 2007).

3.7.3 Dependability

Dependability regards the potential to follow and track the development of insights and the analytical process that is applied in a study (Guba, 1981). In this thesis, this is done in the research process that explains how this thesis was conducted and provides a detailed explanation of the methods used and why it was used. The analysis process of this thesis is explained in order to guide the reader through the steps taken in the continuous analytical reasoning between theory and empirical data. The respondents' different professional positions and the fact that the respondents are active in different industries establish a foundation for this thesis empirical dependability due to the fact that the data enables the possibility to triangulate findings so that the results of the thesis are consistent with the empirical data (Bryman and Bell, 2007). Since all the interviews were recorded and transcribed the data also allows for auditing and investigation concerning this thesis authenticity (ibid.).

3.7.4 Confirmability

Qualitative research tends to assume that each researcher brings a unique perspective to the study. Confirmability refers to the degree to which the results could be confirmed or corroborated by others (Bryman and Bell, 2007). It also concerns the researchers' possible bias

and how measures are taken to decrease the possibility of the research being biased (Guba, 1981). In this thesis in order to prevent biased empirical findings the triangulation of the phenomena trust and patterns from the case studies (which were from different industries and different companies) limited the chance of biasing the empirical findings. The detailed description of the measures taken throughout the thesis enhances the confirmability since it allows trail auditing, which enable the possibility to follow the process regarding decisions and choices that have been made throughout the thesis (Shenton, 2004). Regular peer reviews helped to form the structure and chapters of the thesis, since the regular input provided necessary comments to reformulate and restructure parts of the thesis, which resulted in a good final structure of this thesis.

3.8 Limitations

This thesis has some limitation related to the sampling method and the equating of a Western perspective with a Swedish perspective. These limitations are presented below together with measures that were taken to overcome the limitations.

The first limitation regarding the sampling method used in this thesis is that it is not statistically representative of the entire population (Saunders, et al., 2009). Some might argue that it is difficult and problematic to generalize based on the findings presented in this report, since seven Swedes can hardly be said to be representative for the whole Swedish business community. However, it is important to note that the findings are analytic generalizations and not statistical generalizations, and analytic generalizations are not defined to a certain sample population but to the phenomena that has been studied; consequently, generalizations may have a much wider applicability than the multiple cases that have been studied (Yin, 2003). Secondly, Maxwell (2005) points out that a small number of respondents limits researchers' understanding of the

diversity and heterogeneity across individuals in regards to the given phenomenon which can lead to an exaggerated uniformity and findings might only fit part of the population. This limitation has been addressed in the choice of respondents. Seen from the analytic generalization perspective, the fact that the respondents are from different industries and have different professional positions results in a broad range of experiences and perspectives on a specific *phenomenon*, and thus it is not only about sampling size but rather sampling quality (that the respondents have experience from the phenomena in question).

An additional limitation in this thesis is that a Swedish perspective and a Western perspective have been equated and used interchangeably through the thesis. This is an active choice by the authors since Western literature is often considered relatively homogeneous due to its shared common heritage (Encyclopædia Britannica, 2015). This potential mismatch is most evident in the analysis where seven Swede's point of view in the empirical data has been equated and analyzed with a Western theoretical framework. This is however inevitable since there is not enough literature describing a Swedish perspective on trust, and thus a Western point of view stemming from Western literature has been used.

4. Empirical Material

In this chapter a compilation of the seven interviews held with the participants of this study (see *3.5.1 Choice of Respondents* for more information about the respondents) will be presented. Since the content in the following sections to some extent transcends into each other and consequently might be confusing to the reader without an explanation, a general overview of chapter four will here be presented. First, the respondents' definition of trust is presented in order to overcome some of the ambiguity surrounding the meaning of the word and to create a framework for discussion and analysis of the empirical data. *4.2 Building Trust in a Sino-Swedish Context* presents what creates trust in China while *4.2.1 Business Meetings in China* explains how a business meeting usually proceeds. This provides a natural bridge to the next section, *4.3 How FTF Meetings Affect Trust*, which displays the respondents' opinion on how FTF meetings affect trust, a central question in this thesis. Since this thesis has a distinct business focus it is important to investigate trust's role in business, consequently the respondents' view on trust in a Sino-Swedish business context is presented in section *4.4 The Importance of Trust in Business Relationships*. According to the respondents, one reason to trust's prevalent role in business in China is China's weak judicial system; thus, *4.5 The Trade Off Between Trust and Regulations* and *4.5.1 Differences in Mindset* is logically following as to describe why trust is important in Chinese business relationships. This is followed by a description of how the respondents use and perceive the usage of networks in business in China, and the chapter ends with the respondents' view on guanxi, xinyong and ganqing, which are the three Chinese concepts of trust highlighted in the theoretical framework.

4.1 The Definition of Trust in a Business Context

The definition of trust was similar for all the respondents; trust in a business context is when one knows that the counterpart will live up to and do their part of the agreement. Many of the

respondents pointed out that trust also underlines the importance of active intercommunication, as in communicating if something is not going as planned, if there are uncertainties related to the business exchange and to be honest when, for example, a deadline cannot be hold. The importance of communication was exemplified by one of the respondents:

“The root of most of our problems is usually that the final product does not fulfill the specifications outlined in the blueprint. Usually it is either because of miscommunication or because engineers, ours or the counterparts’, do not understand the blueprint. Chinese are keen to not ask too many “unnecessary” questions, and instead produce according to the blueprints although the blueprint might seem strange or faulty. In my experience, it is more common in Sweden that the engineers fix the problem themselves while engineers in China are more governed by the blueprints. As a result, proactive communication is more important in China.”

The example above circles around proactive communication, something that was deemed as an important aspect of trust, which Respondent G pointed out by stating: *“You should have an open dialogue about the status instead of not say anything and hope that people forget that someone was supposed to do something. That is trust.”*

Additionally, some of the respondents pointed out that trust is a phenomenon that is necessary when there is a lack of institutional frameworks, something that was brought up in different perspectives several times during the empirical data collection from almost all the respondents. It seems to be a tradeoff between institutional security and trust between individuals. *“Trust is something you don’t need when everything is going by the book, since the ‘go by the book’ is there so people don’t get fooled and therefore trust isn’t necessary.”*, as Respondent C put it. This tradeoff between institutional framework and trust will be discussed further down in this

chapter, but first is a presentation of the empirical findings on how this defined trust is created in a Sino-Swedish context.

4.2 Building Trust in a Sino-Swedish Context

Social interaction, as a way of building business relationships and trust with a Chinese counterpart, was by all respondents regarded as important in order to have successful business relationships in China. Dinner and drinking alcohol were frequently mentioned activities for establishing trust, while other activities such as spending time with relatives of the Chinese counterpart and singing karaoke together were also on the list of trust and relationship enhancing activities. Respondent F stated that *“Trust is built through dinner together with the Chinese counterpart. To go out and eat, drink and get drunk together is extremely important, because a supplier you haven’t been drunk with does not fully trust you and you should not fully trust him. Right or wrong, but this is the way Chinese build relations and whenever I do business I always go out and drink with both customers and suppliers”*. Based on the respondents’ answers, the activities that take place after regular working hours seem to be of great importance in order to build trust from a Chinese perspective. A majority of the respondents drew the conclusion that the way of building trust in Sweden and China differs. In China, building trust is more about social interaction while in Sweden trust is built around the business transaction rather than the individuals involved in the transaction. This difference was also highlighted in an experience that was shared by one of the respondents:

“I know a person in China (from here on referred to as Person Y) that arrived roughly the same time as me and works for an American company in the same industry. Person Y is very strict when it comes to socializing after working hours and does not eat nor drink with Chinese customers and suppliers. Based on our discussions on experiences with Chinese counterparts,

Person Y seems to face more problems and has a harder time compared with me, and I attribute that to the fact that Person Y has not undergone the sometimes tiresome process of eating and drinking with suppliers and customers that I have. Of course this might be due to differences in personality or company, but I firmly believe Person Y has not made enough effort into building relationships resulting in a tougher business climate.”

Subsequently, when the respondent was asked if FTF meetings in the form of social activities have impacted trust between the respondent and Chinese counterparts the respondent replied that “*Definitely, without a doubt and it can not be denied that that is how it [building trust] is done*”. This case does not only highlight the importance of social activities in building trust but also the difference that trust has on the relationship between actor and its importance in a Sino-Swedish context, something that will be further elaborated on in section 4.4.

4.2.1 Business Meetings in China

All the respondents concluded that FTF meeting is always preferred and it is, together with videoconferences, the most common way to communicate when having business meetings in a Sino-Swedish context. The respondents who currently live in China said that they try to have all their meetings FTF not only because it is the way Chinese people conduct business meetings but also because one gets a different contact and relationship with the business partner. One difference between Sweden and China that was highlighted is the purpose of business meetings where Chinese can have a meeting just to nurture a business relationship and therefore an agenda is not needed, which is in stark contrast to Sweden where meetings are very business-oriented with a clear agenda. Respondent F illustrated the difference by saying that when doing business with a Swedish counterpart one does not need to have a special relationship with the counterpart

as one can just say: “*Give me an offer and a price and I will hand in a purchase order*”, and that is the beginning of a business exchange.

The empirical data shows that there is a clear relation between how important the respondent perceives the reason for meeting to be and which medium is used. If the meeting concerns a less important assignment or if a confirmation is all that is needed then the meeting can be conducted over phone, but when the reason concerns important decision-making or building a business relationship, FTF meetings are always preferred and even considered a necessity. Moreover, if a business relationship is seen as a timeline then the aspect of *when* FTF meetings take place plays a crucial role in the trust building process as all respondents agreed that it is of a great importance that FTF meetings are held as early as possible since the initial trust level is higher when it is time to conduct business.

4.3 How FTF Meetings Affect Trust

All respondents agreed that FTF meetings with a Chinese counterpart positively affect trust, and some of the respondent deemed having a FTF meeting as crucial in order to do business. The general sentiment of the respondents is that trust does not evolve as easily (or at all) when one can't see the counterparts body language and facial expressions and, as Respondents C put it: “*It is about physical confirmation: we have shook hands and met each other, and that builds more trust than virtual contact where one can not feel the other one's hand and know that that person exists. It is a matter of trust, only trust.*”. A majority of the respondents hold the interpersonal aspect of FTF meetings to be important. This is because it is hard to know if the counterpart is paying attention when communication is done virtually, an uncertainty that FTF meetings effectively terminate. Additionally, one can better understanding the counterpart since one can ask questions and follow up questions and judge by the way the counterpart answers due to facial

expression, body language and way of responding if the counterpart is opt for the task or not. Respondent F concluded by saying that *“You can often read the person in a different way [in FTF meetings] compared to email or phone, and it is extremely valuable to meet FTF when establishing trust.”* Respondent A, who has extensive experience from doing business in China but limited experience from doing business in Sweden, stated that one reason why FTF meetings are important when doing business in China is the fact that the respondent often receives various scam calls making it hard to trust someone over the phone. The same respondent concluded that business had once been done with Swedes by only using the phone as communication medium, while the respondent had never experienced that in China and deemed it very unlikely to happen. This, the respondent said, is due to several reasons but foremost that there is a common trust toward Swedish counterparts even though you have never met while there is a common mistrust towards Chinese counterparts *“... until you have met and both feel secure”*. This was highlighted by another respondent in the following example:

“ I had bought sport articles from a Chinese producer that I sold to customers in Sweden. After the payment was done and the articles had arrived to Sweden, it turned out that 150 of the products were defect. Although I had a legal contract and would probably have won in court it was not worth going through the complex process. Retrospectively, this case has a lot to do with a lack of trust stemming from the fact that all communication was done over email and telephone due to the geographical distance and a wish to cut costs. There were not enough FTF meetings, and there was simply not enough trust between us. One should learn from mistakes, and I now understand that I should have gone there and met our supplier and put more demands on them.”

In the example above, the respondent speculatively points out that the business transaction could have had a better outcome if FTF meetings had been used instead of virtual communication. The

idea that FTF meetings could have changed the outcome of a business transaction was shared by most of the other respondents.

A majority of the respondents stated that the overall level of trust is low in China, and that status quo is a natural mistrust towards Chinese counterparts until they have proven themselves trustworthy, while one has a natural trust towards Swedish counterparts until the counterpart misbehaves and the trust is lost. The most common explanation to this lies in the respondents' weak trust in the Chinese institutions governing business exchange. As Respondent E put it: *“Writing a contract in China is important in order to protect yourself and set the framework, but the relationship is just as important because without it, the contract is useless. Relationships are built through FTF meetings, hence there are lots of dinners and other activities.”*

4.4 The Importance of Business Relationships

A clear majority of the respondents considered relationships as vital when doing business in China. Some of the respondents regarded having a good relationship to be almost as important as having a good product in order to be successful in China. The belief that Chinese counterparts' trust, in contrast to Swedish counterparts', is towards a specific person rather than towards a company or product is widely shared among the respondents. Respondent B stated that several companies in China have lost a lot of customers when the Sales Manager or General Manager switched company because Chinese customers tend to be loyal and follow the person and not the company. On this sentiment, one respondent provided an example of when trust from a Swedish perspective was on the company and reflected over how personal trust might have changed the outcome of the situation:

“We were moving one warehouses to a new location with help of a 3rd Party Logistic Supplier (3PL), which I did not have any relationship with. The 3PL stated that everything was under control and that they had enough manpower, I believed them since I have been working with this 3PL in other parts of the world, and trusted the 3PL. When the actual relocation process started, it went horrible; of the stated 20 people that were supposed to follow the company to the new location, only I showed up. I think that they without feeling ashamed could whitewash the project because they did not know me. If we would have a relation then they would never do this, they would have respected me and looked at me in a different way. They would not be able to lie straight to my face, which they did at that time”

This example shows the importance of having a relationship with the person in question and not just the company. Without having a relationship with the Chinese counterpart the level of respect is not as high and consequently it is less important to tell the truth, and in this case trust was built towards the company and not the individual counterpart. Additional, one of the respondent gave an example of when a contract between a Chinese supplier and the respondent ended up in court where the respondent won and demanded the counterpart to fulfill the agreement but the demand was rejected. The court could not do anything, nor could the police or any other legal body enforce the verdict. In this situation a good relationship between them could according to the respondent had change the outcome:

“This is where a relationship comes in handy; if you have a good relationship with your supplier one can say to the supplier; “let’s go and have a drink and we will sort out the problem.” If you have a good relationship you care about each other and you do not want to deceive them and especially not after putting all the time and effort into develop the relationship. Chinese businessmen know this and that’s why building a relationship is so important.”

This was another example on why trust in a business relationship is important. However, one of the respondents (G), who is not currently residing in China but has long experience from working towards China, held a different view and did not perceive having a good business relationship as vital. The respondent stated, in contrast to the other respondents, that Chinese counterparts are very business oriented and prioritize the completion of the actual deal in favor of building a relationship.

However, trust's role in business seems to be changing. According to some of the respondents, trust's role in a business context is changing along with China itself. It was attributed to the fact that there are geographical differences within China in how one does business, including trust's role in business. Tier one cities, such as Beijing, Shanghai and Guangzhou have all to some extent become institutionalized in the way business is done, and as a result, trust is not perceived as important as before.

4.5 The Trade Off Between Trust and Regulations

As mentioned in section 4.1 and 4.3 there is a lack of trust among the respondents towards Chinese regulatory bodies. This is attributed to the history of China that has resulted in a tradeoff between trust and regulations when doing business in China. An example was provided where one of the respondents compared the Swedish way and the Chinese way of conducting business and stated that Swedish companies have a more standardized way of doing business. This results in a framework of trust that limits misunderstandings and loopholes because there is institutional trust towards this standardized way of doing business. In a Chinese perspective the trust aspect becomes more important since there is a lack of transparency and a lot of things are going on

behind the scenes. Additionally, what a person says is not always what they mean or intend to do. One respondent exemplified this lack of trust between Chinese:

“I accompanied a Chinese purchaser to buy raw material for production and the meeting took place on a farm outside a big city in China. The purchaser and the counterpart exchanged some words and the meeting was over rather quickly. Afterwards, the purchaser told me that the reason I participate in the meeting was because the purchaser had told the counterpart that I owned 25 percent of the company, and as a foreigner the counterpart trusted me more. The purchaser was subsequently allowed to pay 50 percent upfront and 50 percent later, instead of paying 100 percent upfront.”

In this example, a Chinese businessman invited a Westerner into a business discussion in order to increase the level of trust, even in a purely Chinese context.

As a response to the question if the respondent trusted the Chinese regulatory body, respondent F said that: *“In China there exists a system of regulations but it is not as regulated as what one is used to in the West. If something happens and even though you do believe you have a strong case in court it is a really complicated and messed up process, so no, it does not work”*. Moreover some of the respondents talked about a contracts importance and it became clear that the power of the contract depends on the regulatory bodies; in Sweden a contract is a legit legal document and if a person do not follow the contract there will be consequences based on regulatory bodies’ decision. In China the consequences of breaking a contract is sometimes nonexistent. Since there are limited downsides of breaking a contract there is no trust in the system and therefore a greater trust in the person is required. Respondent C concluded this very well by stating that *“... everything comes down to the system.”* However, the tradeoff between legislation and trust in

China is changing towards a more Western way of doing business due to a more globalized world. This globalization makes it possible for multinational corporations to enter the Chinese market, bringing with them their own corporate values and way of doing business. Today, China is already in that process of change, something that was pointed out by Respondent C who compared today's China with how it was a couple of years ago: *"If I look back on how I did business a couple of years ago here in China I can see that today people do trust the legislation more and more business is done through other mediums than FTF, this could also be a result of the technological development and that more and more big companies are establishing in China"*. As Respondent C pointed out, the question is not *if* but *when* China is also going to have a legislative body similar to the Western counterparts, the challenge is however to change a behavior that have been dominating for decades.

4.5.1 Differences in Mindset

The empirical data shows that there is a difference in the Swedish and Chinese mindset stemming from the rapid transformation China have done the last 30 years resulting in a mindset where the most important thing is to become rich, and the process of how you are getting rich is not as important as to actually get rich. Respondent A provided an example of this by saying that some Chinese people see people who can deceive others as bright and it is not seen as a negative thing. From a Chinese perspective it is the person who gets deceived that is the stupid one while in a Swedish perspective it is the person deceiving someone that is the vicious one. Due to the difference in mindset, business behaviors that would be seen as bad in the West are not necessarily looked upon as severe in China.

4.6 Network in China

With a seemingly broad consensus among the respondents, the way one's network is used in business differs between China and Sweden. The difference seems to lay in the practical nature

of networks since China is such a vast country where company information is limited but the supply of businesses is abundant. This makes a good network very valuable in China since it can be used to find new business opportunities that are difficult to find through other sources. Sweden on the other hand is a relatively small country where company information is available to practically everyone over the Internet. The use of one's network can be illustrated by one of the respondent's experience from purchases in China:

“Our corporate policy is to only use well known global players as subcontractors and this is known to all purchasers. However whenever we are about to outsource something in China some small local firms are somehow always on the list of prospective companies. No one seems to know how they end up there, but when I speak to colleagues they say that these companies are always related to an employee somehow, that “someone knows someone at that company who they have worked with before and they really want to work with our company”. This is in contrast to Sweden where this would be considered very shameful and intolerable.”

This difference was attributed to the violent and insecure history of China, which has led to tightly knitted networks of people that collaborate and help each other in order to survive. This “give and take” was by some of the respondents seen as a characteristic of guanxi.

Another difference that was highlighted by some of the respondents was the fact that networks in China requires nurturing and attention while in Sweden it is acceptable to simply call someone in your network and ask for a favor without much prior contact. Thus, this was seen as another reason why social activities and FTF meetings are important in order to maintain one's network. One respondent stated that there is a direct correlation between the size of your network in China and the value of the business one do. The reasons for this is the fact that having a large network

in China generates rings on the water and friends of your network may become your customers since recommendations and intra-network business is very common.

4.7 Chinese Concepts of Trust - Guanxi, Xinyong and Ganqing

In the theoretical framework of this thesis, three Chinese concepts of trust (guanxi, xinyong and ganqing) are outlined and their role and importance in a Chinese business context discussed. Out of the seven respondents, two of the respondents (Respondent A who has a bachelor from a Chinese university and C who is born in China) had very good knowledge of all three concepts, four respondents (Respondent B, D, E and F, who has all done business on a weekly bases in China) had knowledge of one or more of the three concepts and Respondent G (who has a long experience but infrequent visits) said that the respondent did not know any of the concepts.

When the respondents' profile (see 3.5.1 for more detailed information) is taken into account, it is evident that there is a relation between how frequent the respondent do business with Chinese counterparts and the respondent's knowledge about guanxi, xinyong and ganqing. Even with quite extensive experience from doing business in China, one respondent stated that it took almost four years of living in China before the respondent understood the meaning of guanxi and some of the respondents pointed on a general lack of understanding of the three concepts among Swedes and Westerners active in China. Respondent B stated that if you do not have guanxi in China it will be very hard to succeed, and continued by saying that *“one can go far with a poor product and a good network, but with a great product and no network one will not succeed.”*

This was by some respondents attributed to the often hierarchical structured business organization that are prevalent in China, making it hard to do business unless you have direct access to the right persons.

5. Analysis

Following the purpose of this study, the analysis strives to answer the research question and thereby increase the understanding of how FTF meetings affect trust in a Sino-Swedish business context. Section 5.1 discusses similarities and differences between the two Western concepts of trust (credibility- and benevolent trust) and the three Chinese concepts (xinyong, ganqing and guanxi) and highlights the discrepancy. This is followed by an analysis on FTF meetings' effect on trust and presents a concretized model on how different mediums affect Swedes' perception of trust in a Sino-Swedish context. Finally, with a foundation in Gesteland's (2002; 2005) work on RF and DF mentalities, cultural aspects' effect on trust will be analyzed and discussed.

5.1 Different Concept of Trust and its Effect on how Trust is Built

The empirical finding shows that there are similarities and differences between Western and Chinese concepts of trust. These findings will be analyzed and discussed in the following subsections.

5.1.1 Xinyong and Credibility Trust

The empirical findings present a definition of trust that was more or less the same for all the respondents; trust in a business context is when one knows that the counterpart will live up to and do their part of the agreement. This definition is similar to Johnson, et al.'s (1997) definition of credibility trust, which in turn, according to Luo's (2007) definition, coincides with the Chinese word of xinyong. Thus, the empirical findings show that xinyong is by Swedes considered the most important aspect of Chinese trust. This is an interesting finding considering that only two respondents out of seven (less than a third) knew the existence and actual meaning of the word. If credibility trust is seen as the definition of trust in a Swedish perspective, then focus should be on building xinyong (as seen in the Chinese perspective) with Chinese

counterparts in order to build trust in a Swedish perspective. Interestingly, xinyong is built through frequent social activities (Leung, et al., 2005; Ramstöm, 2008), which could be considered as one form of FTF meetings. This is different from the Swedish perspective of credibility trust because credibility trust is not necessarily cultivated through social activities. This highlights an important difference; in China, social visits are required to generate trust (xinyong) while it is not required to generate trust (credibility trust) in Sweden. Consequently, this highlights the importance of FTF meetings in order to generate trust when Swedes are doing business with Chinese because although the definition of trust is similar the process of establishing trust is different and thus concludes that FTF meetings positively affect between the Swedish and Chinese business partner.

5.1.2 Ganqing and Benevolent Trust

As concluded above, the path towards trust differs between Swedes and Chinese business partners although the goal (trust) is the same. From a Swedish perspective, benevolent trust, which stands for the counterpart's interest and caring about the relationship (Johnson et al. 1997), is also important according to the empirical findings. In the empirical data, benevolent trust takes the form of proactive communication from the Chinese counterpart, which means that the Chinese counterpart will communicate when something does not go as planned, as a relationship and trust caring gesture. However, the empirical findings show that there is a lack of proactive communication from Chinese counterparts, which the theoretical framework of this thesis does not explain. Thus, an external source in the form of Hofstede (1982) has been used to cover this theoretical gap. Through surveying over 88.000 employees at IBM in different countries over a time frame of five years, Hofstede conceptualized four "cultural dimensions" which he classified countries along. One of the four dimensions is *uncertainty avoidance*, which can be described as, but not limited to, the extent to which a society feels threatened by

uncertainty and ambiguity and tries to avoid these by formal rules and intolerance towards deviant ideas and behavior. This lack of proactivity could be explained by the fact that China, according to the empirical findings, has a hierarchically structured business culture and that China, according to Hofstede (1982), is characterized by a low degree of uncertainty avoidance. The Chinese counterpart will thus comply with uncertainty and not proactively communicate with the Swedish counterpart, which might stir up uncertainty and consequently risk the project, especially if the hierarchical structure is taken into account since communicating with the Swedish counterpart might be secluded to higher levels in the hierarchy. Proactivity might however increase if benevolent trust is present, which in this case could be attributed to ganqing in a Chinese perspective. Ganqing is by Lee and Dawes (2005) defined as feelings associated with an emotional commitment and is characterized by emotional factors of a business relationship, and could involve mutual empathetic understanding of other miss happenings. The empirical data shows that this mutual understanding of miss happenings is by Swedes perceived simply as trust while in China, if ganqing present in a business relationship, there is more understanding of miss happenings than if ganqing is not present. This points to a discrepancy between the Swedish and Chinese perspective since Swedes does not have a specific term for this kind of understanding and simply refers to it as *trust*; thus it might be hard for Swedes to understand that this proactivity has to be gained by having ganqing with the Chinese counterpart. As with xinyong, ganqing has to be cultivated through social activities, which further points to the importance of FTF meetings in building trust.

Empirical findings point to a difference in mindset between Swedes and Chinese when it comes to doing business, exemplified in that some Chinese see the one who gets deceived as the fool while the deceiving one is seen as bright. This might however be due to cultural differences on how business is looked upon as it is seen as bad business behavior in a Western perspective.

However, in a Chinese perspective this might be seen simply as normal business behavior towards someone whom one does not have ganqing with. Although having a relationship with the Chinese counterpart does not diminish the risk of getting fooled, it minimizes it. This is most prominent if the business exchange is to be seen as a continuous process rather than a discrete transaction. If so, trust becomes an even more important aspect as trust is sometimes the only assurance that the next step in the continuous process of business exchange will occur since there is a lack of business governance and a weak judicial system.

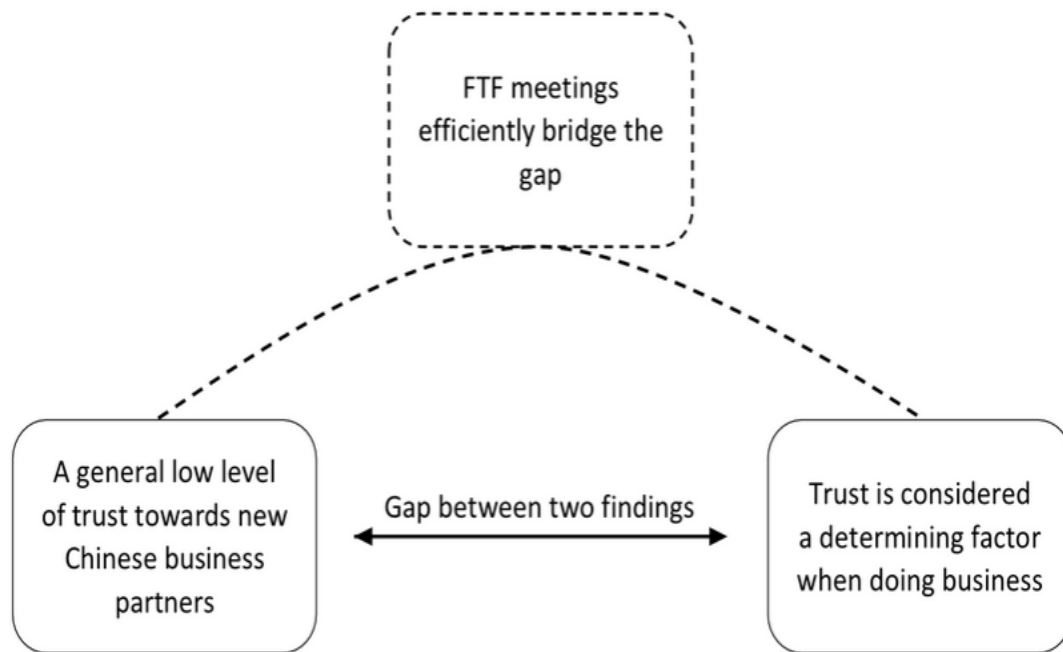
5.1.3 Guanxi

The empirical data points to a close relationship between guanxi and successful business; however, there is little evidence that guanxi is connected with interpersonal trust. Guanxi is defined by Davies, et al. (1995) as the personal relationship of informal social bonds in which individuals carry expectations and obligations to facilitate favor exchanges. In the empirical data guanxi is portrayed as a tool for business in the sense that one can use someone's guanxi network in order to do business. However, the usage is not based on interpersonal trust but the *institution* that is guanxi. Guanxi's effect on business behavior can be compared with the institutional framework's effect on business behavior in Sweden since it upholds contracts and which is trusted due to law enforcement. In China, where the juridical system is weak, guanxi is a self-regulated system in which a failure to fulfill a certain commitment results in a "loss of face", consequently undermining one's reputation (Jia, 2001). This could be why the empirical findings show that networks are used differently in Sweden compared with in China. In China, the general level of credibility trust is low and thus the use of one's guanxi (network) to some extent safeguard towards unfulfilled commitments. In Sweden, the general level of credibility trust is higher due to other consequences to unfulfilled agreements than intra-guanxi consequences (such as "loss of face").

5.2 FTF Meetings' Effect on Trust

In line with the theoretical framework of this thesis concerning mediums ability to convey the information sent (Daft and Lengel, 1986), the empirical data shows that FTF meetings are most suitable for complex information. Additionally, what has emerged from the empirical data is that FTF meetings are also perceived to positively affect trust between Swedish and Chinese business partners. The reason for this is the gap that exists between (a) the low trust among Swedes towards new Chinese counterparts and (b) the fact that trust is perceived as a determining factor when deciding if to do business or not. Thus, FTF meetings are important because they bridge the gap between the generally low level of trust between new Swedish and Chinese business partners and the level of trust needed in order to do business, as illustrated in Figure 4. FTF meetings' positive effect stem from FTF meetings multimodal nature (Duncan, 1969), that is, FTF meetings are able to transmit more nonverbal information about the counterpart than virtual communication. According to the empirical findings nonverbal communication is very important in order to evaluate the counterpart and consequently build trust. This explains why the empirical data shows that FTF meetings were the favored meeting form in a Sino-Swedish context.

Figure 4. How FTF meetings bridge the gap between a low level of trust and the trust level required to do business

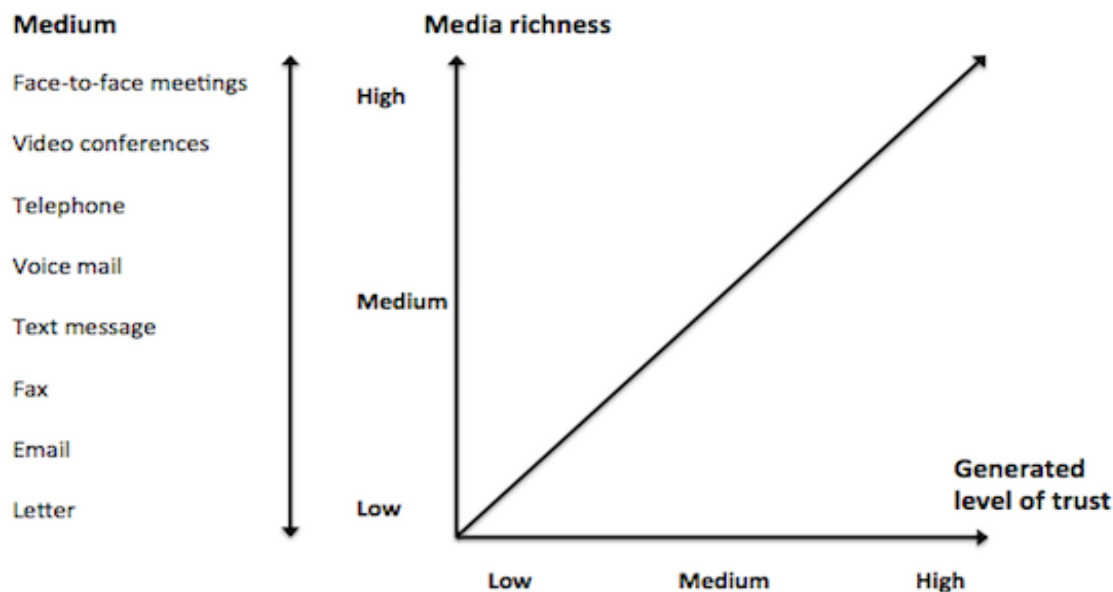


Source: Author's own.

Due to the cultural differences and different ways of doing business in Sweden and China, the choice of medium has to be adapted depending on with who or where business is conducted. The empirical data points to the conclusion that a certain medium that might be deemed appropriate and suitable for certain information in Sweden is not necessarily the most suitable medium for the same information in China. In order to analysis this, information will be equated with task since the empirical data shows that Sino-Swedish communication is done with the task in mind rather than information. Thus, an adaption of the media richness theory has to be done since

when a certain task is put into a cross-cultural context where the main success factor is trust, it is difficult and redundant to speak of how “complex” information is as it is more interesting and worthwhile to look at how much trust different mediums facilitate. The empirical findings show that the higher level of trust that one wants to achieve, the richer the communication medium has to be. Conversely, a communication medium low in richness generates a lower level of trust. This relation between trust and communication medium is illustrated in Figure 5. This observation has interesting implications on this thesis because it shows that FTF meetings affect trust in a positive way, that is, trust is enhanced by a richer communication medium and since FTF communication is the richest communication medium according to the media richness theory (Daft and Lengel, 1986) it affects trust the most. It is important to note that FTF meetings enhance trust in two different ways as it generates trust but also, through nonverbal communication, shows who cannot be trusted. Based on the empirical data, this is attributable to the fact that FTF meetings are rich in communication and facilitate instant communication where body language is evaluated and can be taken into account and the fact that one can interact through questions and visually evaluate the counterpart’s response.

Figure 5. A model on how Swedes perceive medium to affect trust in a Sino-Swedish context



Source: Authors' elaboration on Kessler's (2015) conceptualization of the media richness theory

The model in Figure 5 would however not be applicable to business in a purely Swedish context because the empirical data show that business transaction between Swedes does not require as much trust as a business transaction in Sino-Swedish context. One plausible explanation is the fact that trusts in a Swedish context has its foundation in institutional frameworks while trust in China circles around interpersonal trust. This difference in type of trust is attributable to China's violent and unstable history, where famine and poverty was widespread and officials and governmental bodies were corrupt, something highlighted in both findings in the empirical data and by Hägerdal (2008). Consequently, this forced people to abandon their trust towards institutions and instead depend on trust towards other people; thus guanxi, xinyong and ganqing grew in importance. Although China has come a long way from the hard times of the mid-late 20th century, the past events have sowed the seed to the institutional mistrust that exists today.

This is however changing, and the empirical data shows that geographical differences exist within China. Big cities such as Beijing, Shanghai and Guangzhou are moving towards a more institutionally based trust due to a better-enforced and more predictable juridical system. One possible explanation is the fact that the Chinese government has liberalized the market (Lu, et al., 2013), which has led to more Western firms entering the Chinese market, taking their corporate values and way of doing business with them to China. As more and more Western companies enter the Chinese market, the standardized Western way of conducting business with the underlying emphasize on institutional trust could influence Chinese legislation. Additionally, the liberalization also allows Chinese companies to do business in foreign markets, and as they internationalize they bring back new perspectives on how to conduct business. Based on the assumption that as businesses expand into the global arena, previously unreachable customers can be supplied subsequently unlocking new potential revenue streams. Hence, the internationalization of Chinese companies spurs economic growth and should be favored by the ruling Communist Party of China since economic growth has for a long time been one of its main goals (Lu, et al., 2013). With this in mind, economic growth enhancing measurements such as a creating a more rigid legal system and a shift towards “rule of law” should become more prevalent, something that in fact has highlighted by the Chinese government in recent years (The Economist, 2014). Thus, backed by governmental efforts, the ongoing internationalization process is an important catalyst for Chinese companies and businessmen to shift towards institutionally based trust. Although epicentered in and around the international tier one cities, this shift will probably spread geographically as more parts of China becomes woven into the net of global business. This is an interesting aspect, because if this pattern continues and trust in China becomes increasingly institutionalized, the effect of FTF meetings on trust would likely decrease.

5.3 Cultural Effects on How FTF Meetings Affect Trust

In section 2.3 it was established that there are “rules” or norms that govern exchange relationships and that these, because of their man-made nature, are to some extent based on cultural differences. The empirical data confirms this and shows that cultural differences do not only affect how trust is perceived but also how trust is built. There are evidence that differences in perception regarding trust and FTF meetings have resulted in that the Swedish respondent and their Chinese counterparts have failed to have successful business exchanges and relationships. One plausible explanation lays in the fact that Sweden and China is considered to have different focus when it comes to doing business. Gesteland and Seyk (2002) and Gesteland (2005) conceptualize Sweden to have a deal focused (DF) culture while China is considered to have a relationship focused (RF) culture. Unsurprisingly, the empirical data shows that there is a mismatch between the Swedish DF nature and the Chinese RF nature, a mismatch that in some cases (see Chapter 4 Empirical Data for examples) were too big to overcome. Luckily, empirical data also shows that FTF meetings can help Swedish and Chinese business partners to overcome this mismatch since an important aspect of business relationships is trust, and according to the empirical findings FTF meetings are the best way to develop xinyong and ganqing, which are prevalent concepts of trust in China. Thus, there is a relation between RF mentality and xinyong and ganqing since they all emphasizes interpersonal relations and that trust is built through social activities. It might be worthwhile to note that although the examples presented in Chapter 4 are examples of when business did not go as planned, all respondents speculatively stated that the outcome of the examples could have differed if there was a stronger tie between the respondents and their counterparts. Other empirical findings point to the fact that relationships in China are built through FTF meetings, both when parties are figuratively speaking sitting around the discussion table and also through social activities such as dinner parties, because it creates trust (the tie previously mentioned). Seen from Sweden’s DF perspective, FTF meetings might be

seen as waste of time, but in order to do business in China one has to build relationships and the deal oriented Swedes have to submit to this fact. This is further solidified by the empirical findings showing that some meetings are held for the sake of nurturing a relationship and to build trust, since there is a relation between trust and social activities in a Chinese perspective. Hence, meetings deemed unproductive or unnecessary from a DF (Swedish) perspective might be deemed very productive in a RF (Chinese) aspect.

6. Conclusion

The first section of the conclusive chapter outlines the main findings of this study on how FTF meetings affect trust in Sino-Swedish context. Following the findings of the thesis, the empirical and theoretical contributions that can be attributed to the thesis are presented and suggestions for further research are presented and discussed. Finally, implications for practitioners will be presented in order to highlight the practical usage of the findings.

6.1 Conclusions of the Thesis

This thesis has shown that trust is perceived as vital when doing business in a Sino-Swedish context and that FTF meetings have a positive effect on trust. Seen in the Sino-Swedish context of this study, trust seems to be of great importance but attributable to different things in a Swedish perspective compared with in a Chinese perspective. The analysis of the empirical findings points to China's weak legal enforcement and juridical governance as a reason trust is more important when doing business in China than when doing business in Sweden. However, since this conclusion is drawn from the empirical findings and are not presented or investigated in the theoretical framework, this aspect will not be further elaborated on in this chapter but rather discussed in section 6.2 Future Research. FTF meetings have a positive impact on trust because although the essence of trust, namely a belief in the other parts, is the same, there is a discrepancy in the way trust is built. Chinese concepts of trust, such as xinyong and ganqing, are reliant on social activities in order to be cultivated, something that is less prevalent in a purely Swedish context. The empirical data confirms the theoretical understanding that Chinese has a RF mentality while Sweden has a DF mentality, and it also shows that FTF meetings can bridge that gap. Thus, Swedes have to submit to the fact that FTF meetings are the most efficient way to build relationships that are built on trust and reconsider the deal focused mentality prevalent in Sweden. FTF meetings affect trust as the focus on building trust seems to revolve around

psychologically reassuring aspects of visual contact, such as the knowledge of the counterpart's physical appearances the ability to read the body language and facial expressions of the counterpart. These are attributes of FTF meetings that based on the empirical findings are not attributable to virtual communication, making FTF meeting crucial in order to build trust with Chinese counterparts.

Conclusively, the way business relationships evolve is different in Sweden and China. FTF meetings affect trust as it builds a deeper relationship, something that is necessary in China but not as profound in Sweden. It is a process where business and social activities intertwine and trust is mutually developed during the process. Swedes look for subtle, non-verbal signs in FTF communication to make an assessment of how trustworthy the counterpart is as a person based on an intuitive feeling that none of the respondents could describe. Swedes perceive Chinese to build trust through the development of a mutual emotional connection that prevents one party of the relationship to deceive the other. Hence, activities that take place outside of the meeting room, such as social activities, are considered important which is in line with the theoretical framework on Chinese trust, which states that both *xinyong* and *ganqing* are developed through social activities. Thus, the importance of FTF meetings in a Sino-Swedish context can not be stressed enough.

6.2 Suggestions for Further Research

This thesis breaks new ground in the area of international business as it sheds some light on a previously unexplored area, namely how FTF meetings affect trust. Due to its focus on a Swedish point of view on the subject it is greatly narrowed down but the thesis nevertheless provides some interesting findings that we hope can help other researchers on their journeys. However, as discussed in section 3.8 *Limitations*, it is difficult to even generalize on FTF

meetings effect on trust in a Sino-Swedish context based on the sample in this thesis and with a focus solely on a Swedish perspective. It would be highly interesting to look at FTF meetings' effect on trust from a Chinese perspective to obtain a better understanding of FTF meetings affect in a Sino-Swedish context. This could, for example, be done by sampling pairs of Swedish and Chinese business partners and study how they perceive the effect on trust in a given FTF meeting and follow the evolvement of a trust over an extended period of time. Furthermore, one of the key findings of this study is that FTF meetings have a positive effect on trust due to an intuitive feeling that none of the respondents could describe by words. Therefore, it would be of great interest to better understand this "intuitive feeling" in order to understand the psychological aspect of FTF meetings, a knowledge that subsequently could be used in understanding FTF meetings' effect on trust.

As presented in section 6.1, the weak juridical governance in China is highlighted as an important factor to trust prevalent position in a Sino-Swedish business context. This understanding evolved in the final stage of this thesis and hence there is insufficient theoretical material to explain this relation. Thus, it would be very interesting to further investigate the relation between China's weak juridical system and trust's role in business.

6.3 Implications for Practitioners

The increased understanding of how FTF meetings affect trust in Sino-Swedish context that emerged in this thesis is valuable not only in the academic world as this thesis has explored new territory in the field of international business, but also in the practical reality of Sino-Swedish business relationships. The findings presented in this thesis are two sided; it provides Western practitioners with a better understanding of FTF meetings' effect on trust while it enhances Chinese practitioners understanding of how Swedes perceive Sino-Swedish relationship building

and trusts role in a Sino-Swedish context. Hence, the knowledge derived from this thesis could potentially make the relationship building phase easier for both parties and thus facilitate business. To start with, Westerners should prioritize FTF meetings when doing business with Chinese businessmen and make sure to participate in social activities together with the Chinese counterpart. Seen from a Chinese perspective, the knowledge that Westerners do not perceive social activities as necessities for building trust and that ganqing and xinyong are both part of the more general *trust* in a Western perspective, could be used to understand why a Western counterpart, unaware of the difference and how important social activities are, does not see the need for lengthy and relationship building meetings.

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Appendix 1 Letter Sent Requesting Interview

"Dear XXX,

We are two students from the University of Gothenburg who are writing our bachelor thesis in Business Administration.

The area we are researching is International Business, with a focus on cross-cultural communication. We write to you to ask if you would like to be part of our research? We examine how the Face-to-face (FTF) meetings affect trust between two business partners, and since we are both interested in China, we have chosen to investigate the relationship between Swedish and Chinese business partners. Our research question is: "How does FTF meeting affect trust between two potential business partners?"

The aim of the research is to gain a better understanding of how Swedish companies work with Chinese business partners and get help with the literature that can be applied by the Swedish company. The interview is expected to take an hour and we are very flexible when they come to the date and time and see no problem with coming to you. Time is limited so we would kindly like the interview to take place before the week 18th of April. We are interested in the meetings (both the FTF and virtual) with Chinese business partners that led to both negative and positive outcomes. We would prefer if we can mention the company name in the paper but understand that there may be sensitive information, hence we accept, even if you want to remain anonymous. Is this study anything you can imagine to attend so do not hesitate to contact us for any of us and we will contact you for booking meetings and more information."

Appendix 2 Interview Questions

- Introduction of us, who we are, what is the purpose of the thesis and the interview.
- Presentation of the respondent. The business, how long in China, position. Background of the respondent (his/her experience with conducting trade with Chinese counterparts)
- What are the perceived differences when doing business with Chinese compared to doing business with Swedes?
- Do you perceive that there is a difference in the way you build a relationship with a Chinese business partners compared to a Swedish business partners?
- Is there a difference between a Chinese business relationship and a Swedish business relationship?
- How is your business meeting usually proceed? FTF/virtual/mail? (%?)
 - Why?
 - Do you notice any differences? Any differences between Swedish and Chinese?
 - According to you, how big impact does FTF meeting have when doing business with a potential Chinese business partner?
 - What's the difference when doing business with a Swedish business partner?
 - What Pros/cons do you think there is with FTF meetings?
 - How does the FTF meeting affect the trust between you and the Chinese potential business partner?
 - Do you notice any differences in terms of trust between FTF and non-FTF meetings?
 - How do you define trust?
 - How do you feel that the relationship to the potential Chinese business partner turn out to be after/during a FTF meeting?
 - Is trust a determining factor when doing business?

- How do you achieve this level of trust?
- Does FTF meeting have any effect on the trust according to you?
- Can you give us any example on businesses with a Chinese partner that was successful/not so successful
- What went well / not so well, Why?
 - Do you know what Guanxi, Xinyong and/or Ganqing is? Please explain your interpretation of these terms.
 - Do you think these three aspects of Chinese business influence you in your work?
 - Is there a difference between how you use your network when doing business in China compared to Sweden?