M.Sc. INTERNATIONAL BUSINESS

ICELANDIC COMPANIES DOING BUSINESS IN CHINA;
Cultural Differences and Intercultural Communication

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Prologue & Acknowledgements

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Abstract

It has been recognized that doing business is China is particularly difficult. Business practices can be problematic because of cultural differences and communication barriers. Over the years, the relationship between Iceland and China has been on good terms and recently, in 2013, these two countries signed a Free Trade Agreement (FTA). It is expected that business between Iceland and China is going to increase because more companies are searching for various opportunities and looking towards China to tap into various benefits of the FTA. In this research cultural differences and intercultural communication are analyzed though previous research, survey questionnaire, and interviews to find out how they are affecting Icelandic businesses doing business in China. This research reveals that cultural and communication barriers are always present and need to be constantly managed. One of the key findings is that Icelandic companies seems to recognize the advantage from overcoming cultural differences and communication barriers, but are however not doing enough to address the challenge, resulting in financial loss.

Keywords: culture, cultural differences, communication, intercultural communication, Iceland, China

Declaration of Research Work Integrity

This work has not been previously been accepted in substance for any degree and is not being concurrently submitted in candidature of any degree. This thesis is the result of my own investigation, except where otherwise stated. Other sources are acknowledged by giving explicit references. A bibliography is appended.

By signing the present document I confirm and agree that I have read RU's ethics code of conduct and fully understand consequences of violating these rules in regards of my thesis.

15.05.15 Reykjavik   2503892999

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1. Introduction

There has been a radical change in China's position as a market for the last two decades, giving a need to address that market effectively. It has been recognized for a long time that doing business in China is particularly difficult and that the key difference in business practices, between China and the West, lie in the importance of cultural awareness. Ever since the Embassy of Republic of Iceland was set up in Beijing in 1995 bilateral relations have continued to strengthen. Cooperation and exchanges have been developing very fast, resulting in many important agreements to form between Iceland and China (MII, n.d.-a). In 2007, bilateral cooperation reach a new heights when Iceland became the first European country to recognize China's market economy status and started negotiations about a Free Trade Agreement (FTA). After six years of negotiation these two countries signed the FTA in April 2013, making Iceland China's first FTA partner in Europe (MII, n.d,-b). In 2013, China was Iceland's fourth biggest importing country and the biggest trading partner in Asia. With the FTA and stabilization of the Icelandic economy since the financial crisis in 2008, imports grew to new heights, accounting 8.19% of its total imports in 2013 (MII, n.d.-c). On the other hand, exports to China have been steadily increasing over the years, ranking China as Iceland's seventeenth biggest exporter, accounting for 1.15% of its total exports. Over the years seafood has been the most important export to China (MII, n.d.-d). Moreover, Icelandic companies have been entering the Chinese market, by various forms of investment, and more companies are looking for various opportunities (MII, n.d.-e). The FTA agreement is expected to have a great impact on economic cooperation and bilateral trade in the future, export are also expected to grow further as more companies are looking towards China and tap into various benefits of the FTA. Overall, throughout the years, the relationship between Iceland and China has been on good terms (China FTA Network, n.d).

When companies seek to expand to new markets their ability is often hampered by obstacles from cultural differences and communication barriers. A global survey (Bolchover, 2012) shows that a significant numbers of companies are stuck where they can notice the benefits of overcoming these cultural differences and communication barriers. However, they are not necessarily doing anything to address the challenge (Bolchover, 2012).

This research seeks to find out, from companies that are already doing business in China, how cultural differences and intercultural communication are affecting companies when doing business in China. The research also explores what is the most common cause of misunderstanding when Icelandic companies do business in China; whether there is a difference between companies in terms of years doing business in China in relation to experiencing difficulties when communicating with their Chinese business partner(s); and whether companies that have established some kind of language management strategy are less likely to lose business than those who have not. To answer the research question data will be gathered through semi-structured interviews, survey questionnaire, and previous research. It is important to notice that it is not possible to generalize results when it comes to China because of the size and the diversity of the country.

The structure of the thesis is as follows. The second chapter discusses theoretical framework of the research topic. Culture in general will be explained as well as communication and cultural differences. The third chapter discusses the conceptual framework with a focus on Geer Hofstede's dimensions, Edward T. Hall's high context cultures and low context cultures, and Jeswald Salacuse's ten different factors of negotiation. In addition, the Icelandic and Chinese culture will be discussed and put into context with Hofstede's dimension, Hall's contexting, and Salacuse's negotiation factors. Chapter four puts forward the research question and the hypothesis of this research. The fifth chapter is the methodology chapter where the research method is explained, research model and structure described, and how the research was conducted. Chapter six is the results chapter where results from the research will be put forward. Chapter seven is a discussion chapter that summarizes the results of the research, answers the research question, and gives recommendation for those who do business in China and those who are planning to do business in China. Finally, conclusion from the research will be provided in chapter eight.

This research is built on methodological triangulation as data is collected by a survey questionnaire, interviews, and by reviewing the existing literature in the field of cultural differences and intercultural communication. The research aims to find out how cultural differences and intercultural communication affect Icelandic companies doing business in China and therefore the following research question is put forth:

How do cultural differences and intercultural communication affect Icelandic companies doing business in China?

2. Literature Review

2.1 Culture

Culture has been defined and described in a variety of ways and scholars have not been in agreement on a single definition of the term. Kroeber and Kluckhohn (1952) identified more than one hundred and sixty definitions of the word culture; Edward Taylor provided one of the oldest and most widely cited definitions of culture in the nineteenth century. In his book *Primitive Culture*, published in 1871, he defined culture as *"that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society"* (Wiarda, 2014, p. 33). According to Christiansen (2014), more scholars have been defining the term culture in recent years, one of them is Geert Hofstede. Hofstede defines culture as a collective phenomenon; *"culture is a collective programming of the mind that distinguishes the members of one group or category of people from others"* (Hofstede, 2011, p. 3). Furthermore, Gibson (2000), described culture as a shared system of values, belief, attitudes, and behaviors. In the context of this research, culture will be understood with a definition from Martin Soley and Pandya (2003), as it indicates that culture plays an important role in communication. Soley and Pandya (2003) define culture as a *"shared system of perceptions and values, or a group who share a certain system of perceptions and values"* (p. 206). The author of this research acknowledges that this specific definition is not exhaustive, as culture is, in general, a set of attributes that are constantly evolving and dynamic in nature.

2.2 Intercultural Communication

According to Adler (1991), communication is the exchange of meaning, and includes both verbal and non-verbal messages. Verbal messages are words, but non-verbal messages are tone of voice, body language, facial expressions, and behavior. Adler also mentions that intercultural communication occurs when individuals from two different cultures communicate. Moreover, the greater the cultural difference between the two individuals, the greater the change for intercultural *mis*communication (Adler, 1991). Spinks and Wells (1997) define intercultural communication as a communication activity between people of different cultures, and describe it as being similar to any

other communication activity. According to Wells and Spinks (1997), intercultural communication is greatly affected by many cultural differences. The areas that are affected by cultural differences for example include contracts, time, social customs/mores, class/caste systems, religion, dress, gender, friends and associates, work ethics, practicality, efficiency, change, individualism, materialism, competition, formality, privacy, and equality.

Communication is an important part of everyday life and its presence often implies simplicity and mutual understanding. Acquiring understanding and knowledge of cultural factors is considered key to successful intercultural communication. According to Beamer (1992), the most obvious cultural difference is linguistics. However, intercultural communication competence does not naturally accompany linguistic skills. For the last several years, more and more companies have realized the importance of languages in business. In order for any business to be successful and competitive in today's markets, especially internationally, communication is one of the most important factors to master. According to Guang and Trotter (2012), the profitability of a firm is in part determined by its communication strategies and skills; moreover, the invisible barriers that cultural differences place on business communications are often neglected. Furthermore, evidence from PIMLICO (*Promoting, Implementing, Mapping Language and Intercultural Communication Strategies in Organizations and Companies*), a research report on language management strategies by Hagen (2011), shows that even though companies and stakeholders are aware of the importance of languages for business, they will choose not to prioritize investment in that area. The PIMLICO research exposes the value of employing effective language and communication strategies to overcome both cultural and linguistic barriers in international trade. The study also presents examples of companies having strategically used languages for expanding their business, leading to considerable increase in turnover. Furthermore, the PIMLOCO research has shown that significant amounts of business, in small and medium sized international companies, have been lost due to lack of language skills and cultural barriers. The same results appeared in another study, *Internationalization of European SME's,* conducted in 2010 (Hagen, 2011). Even though language is only one of many factors, a BBC language survey (2004), *British Chambers of Commerce,* found that there is a direct correlation between the value on language and the annual turnover within a company. Hagen also talks about the importance of language management and identifies four techniques associated with a better performance in international trade: a

language management plan/strategy, finding a native speaker, using a professional translator, and recruiting local agents. Prior to the PIMLICO research, Hagen, undertook the ELAN (*Effects on the European economy of shortages of foreign language skills in enterprise*), the first major all-European study of the use of languages. The objective of ELAN was to analyze how European companies are managing language skills. The results of the study revealed a correlation between how successful companies manages their language use and how a significant amount of business can be lost due to lack of language skills. In addition, there might be changes in the role of English in the future as the world's *lingua franca* of business (Hagen, 2008). *Lingua franca* refers to a common language between people from different countries and to date, English has been the dominant language in international business contexts. However, there have been suggestions that languages such as Chinese, Arabic, and Hindi might replace English in the future as the *lingua franca* (Nickerson, 2005). To further stress the importance of language in international business, Frankel (1997) found that cultural affinity and ease of communication are important factors in international trade. He claimed that two countries that speak the same language are 55% more likely to trade than otherwise similar countries. In his research Frankel (1997) described the effect of English and how it gained strength in the business world and was rapidly becoming the *lingua franca* of Asia, as well as most of the world. Although English has a leading role as the language of business in the world today, there are other languages that will provide companies with a competitive edge. Companies should therefore look at language skills as an asset across all business activities and focus on implementing strategies to avoid language barriers.

2.3 Cultural Differences

Cultural differences present themselves in international business transactions every day and if not managed carefully, can turn peaceful relationship into a continuing source of conflict. Moreover, cultural differences can create misunderstandings in communication; these misunderstandings are not limited to words but also include interpreting actions. How cultures cope with conflict varies and unfortunately the tendency is to extol one's own cultural values and disparage the other's cultural values (Salacuse, 1999). Swedish research on cultural differences between Sweden and China reveled that the main cultural differences were time orientation, contracts, and language barriers. In addition, language was considered the main barrier between those two cultures and was the cause of a lot of uncertainty in doing business (Andersson and Sun,

2013). Global leaders should be able to effectively communicate with individuals from different cultures and appreciate people's distinctiveness; they should be sensitive to cultural differences. By respecting cultural differences one will not be labeled as ethnocentric. Therefore, increasing one's general cultural awareness is the first step in managing cultural differences. When cultural differences are utilized as a resource and understood, everyone benefits; when they are ignored, the costs are significant (Harris, Moran & Moran, 2004).

3. Conceptual Framework

Edward T. Hall and Geert Hofstede have conducted research on cultural differences in communication for decades (Chirkova, 2011). Therefore, their work will be the most applicable in the examination of intercultural communication, especially in the context of business. Furthermore, Salacuse identified ten important areas in which cultural differences could arise during the negotiation process and emphasized that knowledge in these areas could be a significant advantage when doing business in different cultures.

3.1 Hofstede's Dimensions

Hofstede's cultural dimensions theory is known worldwide and used in various cross-cultural studies in understanding cultural differences between countries (Hofstede, 2011). The dimensions of the theory are: power distance index, individualism, masculinity, and uncertainty avoidance index. However, research conducted by Hofstede and Bond (1991) led Hofstede to add a fifth dimension to his theory, the long-term orientation. This dimension was set up to answer the need to culturally fit theories for organization and management (Hofstede, 2001). A sixth dimension, indulgence versus restraint, has also been added since then and is based on Minkov's World Values Survey data analysis. The sixth dimension has not yet been adopted widely because it is still relatively new (Hofstede, 2011). The way that the cultures are valued range from 1 to 120 but the value is only meaningful when there is a comparison between cultures (Christiansen, Yildiz, & Yildiz, 2014).

3.1.1 Power Distance

The underlying issue in power distance between cultures is how a society deals with inequalities among people. Power distance is the scope to which the less powerful members expect and accept that power is distributed unequally. Power and inequality

are extremely significant facts of any society. Societies that exhibit a large degree of power distance have members that accept a hierarchical order, while low power distance societies strive to equalize the power distribution (Hofstede, Hofstede & Minkov, 2010).

In cultures with a high power distance there is usually a centralized political power and tall hierarchies within organizations with a large difference in status and salaries. The difference between supervisors and subordinates is significant and in the decision making process, subordinates have little involvement and influence. In such a structure, subordinates are expected to do what they are told and follow orders, while the supervisors expect obedience and respect (Hofstede, 1980).

Cultures with a low power distance de-emphasize the differences of power and wealth between citizens, everyone is desired and expected to have equality and opportunity. In the organizational context, flatter hierarchies are common and everyone expresses their opinions and ideas freely despite their status inside the organization. Supervisors and subordinates are believed to be interchangeable and employees have more involvement and influence in the decision-making process within the organization (Hofstede, 1980).

3.1.2 Individualism/Collectivism

Individualism is the high side of the dimension and is defined as having looser ties between individuals. Individualistic societies are expected to look after and only take care of themselves and their immediate families. Collectivism, however, represents a tight-kniter framework where individuals are members of a strong in-group, often extended families, and take care of each other in exchange for unquestioning loyalty. In this dimension, people's self-image of their society's position is reflected in terms of "I" or "we" (Hofstede, Hofstede & Minkov, 2010).

In an individualistic culture, Hofstede (1980) suggests that loose interpersonal relationships between members are easily developed and individual rights and individuality are paramount within the society. Individuals are, therefore, expected to only look after themselves and their immediate family. There is a focus on individual interest over the group, strong private opinions, freedom of the press, political power of voters, rights to privacy, and professions of the ideologies of self-realization, self-government, self-actualization and freedom.

In a collectivist culture, interpersonal relationships are close and everyone should be responsible for their group members to establish and maintain harmonious interdependence. Individuals are usually integrated into cohesive groups that protect

them in exchange for complete loyalty and they are expected to behave in the best interest of the group. Collectivist cultures favor collectivist social-economic interests over the individual, profess the ideologies of consensus and harmony, and favors rights and laws for groups over individuals (Hofstede, 1980).

3.1.3 Masculine/Feminine

In a masculine society there is more competitiveness and a clear preference for heroism, achievement, assertiveness and rewards for success. In the opposite, femininity, the society is more consensus-oriented and values modesty, cooperation, quality of life and caring for the weak. For in dimension in relation to a business context, masculine cultures are sometimes referred to as being tough and feminine cultures are referred to as being gentler cultures (Hofstede, Hofstede & Minkov, 2010).

In masculine cultures, there is a clear distinction of emotional gender roles, thus males are expected to be focused on material success, be assertive and tough and females are expected to focus on quality of life and be tender. Males also dominate a large proportion of the power structure and the society, and females are controlled by the male domination. Traditional masculine goals are recognition, earnings, challenge, and advancement (Hofstede, 1980).

In feminine cultures both genders, males and females, are expected to be tender, modest, and focus on quality of life. In all aspects of the society males and females are treated equally. Traditional feminine goals are employment security, good relationship with peers, subordinates and supervisors, and good working and living conditions (Hofstede, 1980).

3.1.4 Uncertainty Avoidance

Uncertainty avoidance explains how a society tolerates uncertainty and ambiguity, moreover whether its members feel comfortable or uncomfortable in unstructured situations. The underlying issue is that the future can never be known, thus it is not known whether or not the society should try to control it. Strong uncertainty avoidance cultures are intolerant of different ideas and behaviors; they maintain fixed codes of belief and behavior. The opposite cultures, weak uncertainty avoidance, have a more relaxed attitude wherein practice is valued more than principles (Hofstede, Hofstede & Minkov, 2010).

Cultures high on uncertainty avoidance try to avoid and control uncertain situations by rules, regulations, laws, and controls. Individuals belonging to these cultures are more

emotional and are motivated by nervous inner energy. In an organizational context, uncertainty avoidance cultures favor career, structure in organization, and relationships to make circumstances predictable and interpretable (Hofstede, 1980).

Cultures low on uncertainty avoidance have more tolerance for uncertain situations and are less concerned about uncertainty and ambiguity. They tend to accept change readily, take risks, are less rule-oriented, and are not expected to express emotions. In addition, individuals are more contemplative and phlegmatic. In an organizational context, low uncertainty avoidance cultures expect more challenges, flexibility, and risks (Hofstede, 1980).

3.1.5 Normative/Pragmative

The link between the past and the future is something that all societies maintain, but prioritize differently. Societies with a low score view societal change with suspicion, but value time traditions and norms. The opposite, societies with a high score, prepare for the future with a more pragmatic approach, and encourage thrift and efforts in relation to education. In a business context, this dimension is often referred to as a normative (short-term) versus pragmatic (long-term) culture (Hofstede, Hofstede & Minkov, 2010).

Pragmatic or long-term orientation cultures have thrift for investment and believe in many truths. Virtuous work-related behaviors are defined and believed to be as affective to acquire education and skills, as are being patient, and working hard. They value long-term commitment in relation to career and organization and are concerned about long-term benefits in the future, both psychologically and financially (Hofstede, 1980).

Normative cultures, also short-term oriented, are considered traditional and conventional and generally believe in absolute truth. They tend to make decisions on instant believes and satisfaction (Hofstede, 1980).

3.1.6 Indulgent/Restraint

This dimension is explained as the degree to which members of the society try to control their desires and impulses, and it is based on the way they were raised. Indulgence means to have weak control over impulses, while restraint is having strong control over impulses. Indulgent societies place an emphasis on enjoying life and having fun, they allow for rather free gratification of natural and basic human drives. On the other hand, restraint societies have more strict social norms (Christiansen, Yildiz & Yildiz, 2014).

It is important to mention that many studies have challenged Hofstede's findings, both by criticizing the research methods he used and the assumptions based on the claims made.   Professor Sunil Venaik and Dr. Paul Brewer (2013) claim that Hofstede's national culture dimensions should not be used in assessing cultural characteristics because no cultural implications can be drawn about the people living in a specific country based on individual and organizational levels. McSweeney (2002) summarized several of Hofstede's major critiques to critically use Hofstede's conceptualization of cultural dimensions. To begin, regarding national culture, Hofstede was inconsistent with relying on two notions of national cultural sharedness. He claimed that every individual in a specific culture shared a common national culture; however, his data were based on another notion of national culture were he used statistical averages built on individual's views. Another critique posits that Hofstede's sample was too narrow and did not represent nor was it appropriate to compare cultures. Finally, Hofstede's cultural dimensions were criticized for being bi-polar dimensions, meaning each dimension is composed of contrasting positions. Triandis and Gelfand (1998) supported this critique when they studied collectivism and individualism, claiming that individuals might reflect different collectivism and individualism in different contexts or situations.

3.2 Edward T. Hall: Low Context and High Context

One of the most dominant theoretical frameworks for interpreting intercultural communication is Hall's model of low-context and high-context cultures (Hall, 1976). Hall further developed and broadened Hofstede's dimensions theory and introduced the context, a dominant cultural dimension to explore the relationship between communication and culture (see Table 1). The way the model is embedded in intercultural business warrants considering as context is the most frequently used frameworks to explain the difference in business communication styles between cultures. In his work, Hall describes cultures as being either high context or low context. However, cultures could be organized on a continuum from extremely high context to extremely low context. His intentions were to improve intercultural relationships, with an emphasis on helping American executives understand confusing behaviors of executives from other cultures (Cardon, 2008).

In high context cultures, words are not necessary to convey meaning, the members understand and know each other and their appropriate role. As a result, communication in high context cultures is fast, gratifying, and proficient (Neuliep, 2009). Members of a culture tend to rely on body language, symbols, hidden meanings, and intonations of speech (Luan, 2012). The communication involves being sensitive to the social roles of others, as well as interpreting messages that do not minimizing the content of verbal messages. Many high-context cultures such as China and other Asian, Arab, and African cultures have collectivistic tendencies (Neuliep, 2009).

The verbal code is the primary source of information in low context cultures; information shared with others is coded in the verbal message. Rules and expectations are clearly outlined and the users are dependent on words to convey meaning and will most likely be uncomfortable with silence. The communicator feels the need to speak and people are expected to communicate their feelings; the messages are direct and explicit. Many low context cultures are individualistic, including Iceland, Germany, and the United States (Neuliep, 2009).

High and low context cultures communicate differently, notably when it comes to the use of silence (Neuliep, 2009). According to Charles Braithwaite, the fundamental factor of linguistic and cultural competence is knowing when and how to apply silence as a tactic in communication (Braithwaite, 1990).

Due to the fact that high context cultures do not rely on verbal communication as a source of information, individuals are content with silent during communication exchanges; it communicates a mutual understanding. When individuals of different status communicate in high context cultures, the lower status individual recognizes the higher status of the other individual through silence (Neuliep, 2009).

Silence is uncomfortable in low context communications and the ones who do not talk are often looked at negatively because silence is in some sense, considered as a problem. Moreover, communication in low context cultures is expected to be direct and to the point (Neuliep, 2009).

Several authors have questioned the relevance or sections of Hall's contexting model, but only with short statements; real critiques of Hall's model are rare (Cardon, 2008). One major limitation is the relevance of the contexting model because most trends clearly point towards high context cultures adopting low context communication practices. It is expected that low context communication will increase because English is often adopted as the global business language and contexting is tied to language use

for business. Another limitation of Hall's contexting model is that high context cultures and low context cultures are exaggerated. Researchers that make cultural contrasts between high context cultures and low context cultures do not point out the behavior of high context cultures in cultures traditionally considered low context. As an example, low context cultures are usually advised not to use high context communication patterns, such as humor, idioms, puns, metaphors, hyperbole, or other simplified language with less nuance when dealing with high context cultures (Cardon, 2008).

Table 1

Edward T. Hall's High and Low Context

High Context	Low Context
A high context culture values formality, face-saving communication, relationships, and the slower pace needed to develop relationships	A low context culture values informality, direct communication, results, fast pace, and punctuality
Conduct business through development of relationships	Relationships interfere with business
Non-verbal communication is important	Precise verbal agreements are important
Contracts are the basis of relationships	Contracts are binding and exist apart from personal relationships
Time is fluid and schedules tend to be flexible	Time is treated as a commodity and schedules are carefully observed

Adapted from Handbook of cross-cultural marketing by Herbig, P., 1998, *The International Business Press,* Birmingham, New York.

3.3 Salacuse – The Impact of Culture on Negotiation

According to Lewicki and Haim (2006), mastering negotiations are important in business-to-business (B2B) transactions. A business that knows how to negotiate generally prospers and grows faster than others. Although companies may be aware of the fact, mastering negotiation skills can play a surprisingly large role in the success of the business. In business negotiations, differences in culture between two or more countries can cause problems. They can, for example, create various misunderstandings in communication, affect how actions are interpreted, influence the substance and the form of deal that is being made, and impact the negotiation style used (Salacause,

1999). Salacuse (1999) analyzed ten different factors that seem to be the most problematical in international negotiations (see Table 2). The objective of the study was to identify specific negotiation factors that are affected by culture and to show the potential variation that each factor may have. The knowledge gained from such a study can help the international business negotiator to understand both the approaches and the negotiation styles of other cultures. In addition, such information can help the negotiator to understand his or her own negotiation style and how it appears to others. The ten factors consist of two poles and can be placed on a continuum. The factors are: negotiation goals, attitudes toward the negotiation process, personal styles, styles of communication, time sensitivity, emotionalism, agreement form, agreement building process, negotiating team organization, and risk taking.

Negotiation goals (contract or a relationship): The purpose of a negotiation is viewed differently depending on the culture of the negotiator. The goal of a business negotiation in one culture could be a signed contract between parties, while others view the negotiation process as a time to build relationships. The relationship itself might be the essence of the deal, however the written contract expresses the relationship. It is therefore important to determine how the other parties view the purpose of the negotiation (Salacuse, 1999).

Negotiating attitude (win-lose or win-win): Differences in culture can affect how people approach negotiations, either the process of a win-win situation or a win-lose situation. Win-win negotiators view deal making as a problem solving and collaborative process, while win-lose negotiators see deal making as confrontational (Salacuse, 1998). According to Salacuse (1998), there is a significant difference between how cultures approach negotiations. Therefore, when entering a negotiation, it is important to know what type of negotiator is involved.

Personal style (informal or formal): The personal style of negotiators is strongly influenced by culture. It depends on how an individual approaches another individual from a different culture, how he or she speaks and dresses, uses titles, and interacts with others. A misuse of informal or formal style can result in disrespect because each culture has its own formalities with their own unique meanings. Therefore, it is essential to respect appropriate formalities when negotiating in a foreign culture (Salacuse, 1998).

Communication (direct or indirect): Direct or indirect methods of communication vary among cultures. Some cultures focus on simple and direct methods of communication,

while others emphasize complex and indirect methods. In direct cultures, one can expect clear and definite responses, while indirect cultures use forms of facial expressions and body language, figurative forms of speech, and circumlocutions (Salacuse, 1998).

Sensitivity to time (high or low): It is often said that some culture value time more than others, however the amount of time devoted is valued differently among negotiators and how it is measured against the goal pursued. As an example, western cultures tend to get down to business quickly while Asian cultures want to invest time in relationship building to further investigate if a long-term relationship is suitable (Salacuse, 1998).

Emotionalism (high or low): The tendency to act emotionally varies between cultures. What is considered an appropriate emotion is different between cultures and how emotions are displayed depends on the rules of each culture. Some cultures show their emotions while others hide their feelings during negotiations (Salacuse, 1998).

Form of agreement (general or specific): Cultural differences influence written agreements between cultures. In most cases, negotiations will be in a form of written agreement whether the goal is a relationship or contract. In western cultures, a detailed contract is preferred because the deal is the contract itself and the contract must be followed. However, in Asian cultures, general principles are preferred over a detailed contract because the core of the contract is the relationship between the parties (Salacuse, 1998).

Building an agreement (bottom up or top down): How agreement is built when negotiating a business deal is the question of the process being inductive (bottom up) or deductive (top down). This process depends on whether the agreement starts on general principles and then proceeds to more specific terms or the agreement starts with the specifics, such as price, product quality or delivery date. In the top deductive approach, the maximum deal is often presented and the other party accepts the conditions. In the bottom up approach, one negotiator proposes a minimum deal that can be increased and broadened while the other party accepts additional conditions. Western cultures are often said to prefer the top down approach while Asian cultures favor the bottom up style (Salacuse, 1998).

Team organization (one leader or group consensus): One of the important factors that affects how the other party organizes themselves before negotiation is culturally dependent. It is essential, in any negotiation, to know how the other side is organized, who has the authority to make the decisions and make commitments, and how the

decisions are made. Some cultures focus on the group, while other stress the individual; these values influence each side in negotiations. Western cultures often use supreme leader that has the authority to make all the decisions while Asian cultures emphasize team negotiation and focus on harmony in decision-making. In negotiations such as with Asian cultures it is often not clear who has the authority or who is in a leadership position (Salacuse, 1998).

Risk taking (high or low): According to Hofstede (2011), some cultures are more risk averse than others. In deal making, the culture of negotiators can affect the willingness of taking risks. Western cultures are considered to be risk takers, while Asian cultures are more risk averse. When dealing with risk averse cultures it is good to be patient, propose rules to reduce risks, focus efforts on building relationships and trust, increase information sharing, and consider restructuring the deal to a step by step process (Salacuse, 1998).

Table 2

Jeswald Salacuse's Top Ten Ways That Culture Can Affect Negotiations

Negotiation Factors

Goal	Contract	⟺	Relationship
Attitudes	Win/lose	⟺	Win/win
Personal Styles	Informal	⟺	Formal
Communication	Direct	⟺	Indirect
Time Sensitivity	High	⟺	Low
Emotionalism	High	⟺	Low
Agreement Form	Specific	⟺	General
Agreement Building	Bottom up	⟺	Top Down
Team Orientation	One Leader	⟺	Consensus
Risk Taking	High	⟺	Low

Adapted from "Ten ways that culture affects negotiation style: Some survey results" by Salacuse, J. W., 1998, *Negotiation Journal, 14*(3), 221-240.

3.4 Iceland – Culture

The business culture in Iceland is, in many ways, much younger compared to other such cultures in Europe. In fact, in just one century, the country has developed from a poor agricultural economy to an advanced economy with specialization in the fishing industry as well as technology (Eyjolfsdottir & Smith, 1996). In most of the nineteenth century, Iceland was more of a collectivist culture where people had to rely on each other to live and work; imports and exports were subject to state control. However, through regulations related to Iceland joining the European Economic Area, European Free Trade Agreement, and the signing of the FTA (Free Trade Agreement) with China in 2013 that has changed. The Iceland-China FTA is the first FTA signed between a European country and China. The agreement will largely promote the mutually beneficial cooperation between Iceland and China, and the development of bilateral trade and economic relations (Islandsstofa, 2014). Compared to other countries, the public ownership of companies and industries is quite extensive due to Iceland being a small country, and also because few individuals have capital for huge investments. For companies competing in the same business market this has made the competition between private and public sector quite unequal. Subsidies and protectionism is common and Icelanders have a need to show that they can prosper on their own by keeping foreigners out of their businesses. In addition, isolation in business by keeping foreigners out is rather resistant to change and has become a part of the culture (Eyjolfsdottir & Smith, 1996). Now, Iceland is a developed democracy and its economy is primarily based on fishing, infrastructure, information technology, aluminum smelting, and tourism. In the 1990s, Iceland experienced economic growth due to the strong performance of the fishing industry that continued until 2008, despite a small interruption in 2001. However, in 2008, in the wake of the global financial crisis, the country began to experience huge financial problems, following a collapse of three major private banks in Iceland. The failure of the banking sector caused an economic and financial crisis because the banking sector was much larger than the entire economy and there was a rapid depreciation of the Icelandic currency. Even though traditional corruption played its role in the downfall of the Icelandic economy, it was not the fundamental reason for the downfall, rather weak business culture and unethical decision-making by Icelandic businesses and political elite were to blame. In addition, corrupt practices in the country became a product of a weak business culture (Vaiman, Sigurjonsson & Davidsson, 2011).

It is important to dig into the Icelandic history and culture to fully understand the specificities that have formed people's attitudes and behaviors. Vikings first settled in Iceland in the ninth century and Icelanders are proud of their Viking heritage. The Vikings came from Scandinavia, which has added a few secularities to the modern Icelandic character. In the year 1000 AD, Iceland became Christian, which was another critical part in the formation of the culture. In the centuries following, Iceland came under Norway and later Denmark, which lead to a creation of a sense of national identity. Consequently, affected the culture because it this was one of the most fundamental and important events in the Icelandic history. Finally, Iceland declared independence, in 1944, and became a republic. One of the best ways to understand the culture and the Icelandic society is to understand the term "fisherman mentality;" this term also has affected organizations. Since the fishing industry is Iceland's most important sector in the economy, it is linked to a rather unstable economic environment. The majority of fisherman's work is dependent on luck and hope for fast results, even though nothing is guaranteed. At some point, the fisherman might work with other people but mostly it depends on how much he or she personally catches. The fisherman tends to think that he/she knows exactly what his/her job is about and does not necessarily adopt new or different techniques. These characteristics of a fisherman are deeply rooted in the Icelandic culture, but they are reflected in today's management and organization of Icelandic companies (Eyjolfsdottir & Smith, 1996). As mentioned above, the fishing industry in Iceland is one of the country's key industries and is considered a backbone of the economy. It directly employs approximately 5.3% of the total workforce, or 9,000 people. Moreover, the seafood industry directly contributed 11% to the GDP (Iceland.is, 2013). Nowadays, Icelanders still embrace their cultural heritage even though the culture has undergone some changes. The culture has been affected by international influences, especially American, however it is very similar to that of other Scandinavian cultures. According to Eyjolfsdottir & Smith (1996) there are two main characteristics that lay out the most important values in the Icelandic society and organizational function; egalitarianism and what the authors call "reaction to adverse nature" (p. 61). Egalitarianism relates to low power distance, high femininity, and high individualism. In relation to business, these values resemble Icelanders preferring a flat organizational structure and to work in harmony. The characteristics of an Icelandic businessperson can be described as somewhat confident, courageous, ambitious, and original. "Reaction to adverse nature" is a characteristic that involves

low uncertainty avoidance and a relaxed view of time. This characteristic can be seen though adventurism, risk taking, lack of self-discipline, and strong optimism. Furthermore, increased competition has opened doors for many new business opportunities, as well as opening up Icelandic trade (Eyjolfsdottir & Smith, 1996).

3.4.1 Iceland – Hofstede's Dimensions

Power distance

Iceland has a very low power distance score of 30 (see Figure 1). Thus meaning that a hierarchy is established for convenience and communication is direct, informal and participative (Christiansen, Yildiz & Yildiz, 2014). There is hardly any class difference in the Icelandic society and income is equally distributed. The majority of Icelanders are middle-class individuals who are driven by values such as knowledge, artistic ability, and individual excellence. As a result, there is no power struggle in the society or in organizations. Due to the egalitarian and informal attitude in the culture (Eyjolfsdottir & Smith, 1996), the social order is rather relaxed and the difference between bosses and employees is not clearly marked.

Individualism

Iceland has a score of 60 and is considered to be a highly individualistic culture (see Figure 1). In business, employees are expected to display initiative and be self-reliant. Furthermore, when hiring or promoting employees, decisions are based on evidence regarding what one can do or has done before (Christiansen, Yildiz & Yildiz, 2014). Even though the culture is described as individualistic, there are also some collectivist characteristics as well, such as a strong preference for equality and organizational commitment. The Icelandic society has recently been showing more individualistic characteristics such as integrity, the effort of doing something original, and independence. In addition, Icelanders now prefer more of private enterprises over public ownership, and welcome the opportunity associated with increased competition (Eyjolfsdottir & Smith, 1996).

Masculine/Feminine

Iceland has a very low score of 10, meaning it is a feminine society (see Figure 1). There is a focus on working in order to live; people value equality, quality, and

solidarity in their working lives, and managers strive for consensus (Christiansen, Yildiz & Yildiz, 2014). Iceland holds strongly feminine values and identifies with a feminine concern for quality of life. Egalitarianism is very much reflected in the relationship between men and women and has the advantage of creating a good relationship between superiors and employees (Eyjolfsdottir & Smith, 1996).

Uncertainty Avoidance

Iceland has a low score of 50 in uncertainty avoidance, which reflects a fairly pragmatic culture that needs both experts and generalists (see Figure 1). Planning is a focus point and these plans can be made with short notice and spontaneity. People are not averse to taking too much risk, are rather relaxed and do not show much emotion (Christiansen, Yildiz & Yildiz, 2014). The low score can also be related to adverse natural environment in which Icelanders live (Eyjolfsdottir & Smith, 1996).

Normative/Pragmative

Due to a low score of 28, Iceland has a normative culture (see Figure 1). They are a normative thinking culture and have a strong concern with the absolute truth. They want to achieve quick results, have respect for traditions, and a small tendency to save for the future (Christiansen, Yildiz & Yildiz, 2014).

Indulgent/Restrained

Iceland is an indulgent country with a score of 67 (see Figure 1). Icelanders tend to have a positive attitude, be optimism and are willing to please their impulses and desires, especially related to having fun and enjoying life (Christiansen, Yildiz & Yildiz, 2014). Icelanders also are pretty comfortable in ambiguous situations resulting in a lack of self-discipline and think that everything will eventually work out. Moreover, their positive attitude makes them appear friendly, flexible, and easy to work with in relation to business and organizations (Eyjolfsdottir & Smith, 1996).

Figure 1 Geert Hofstede Dimensions – Iceland
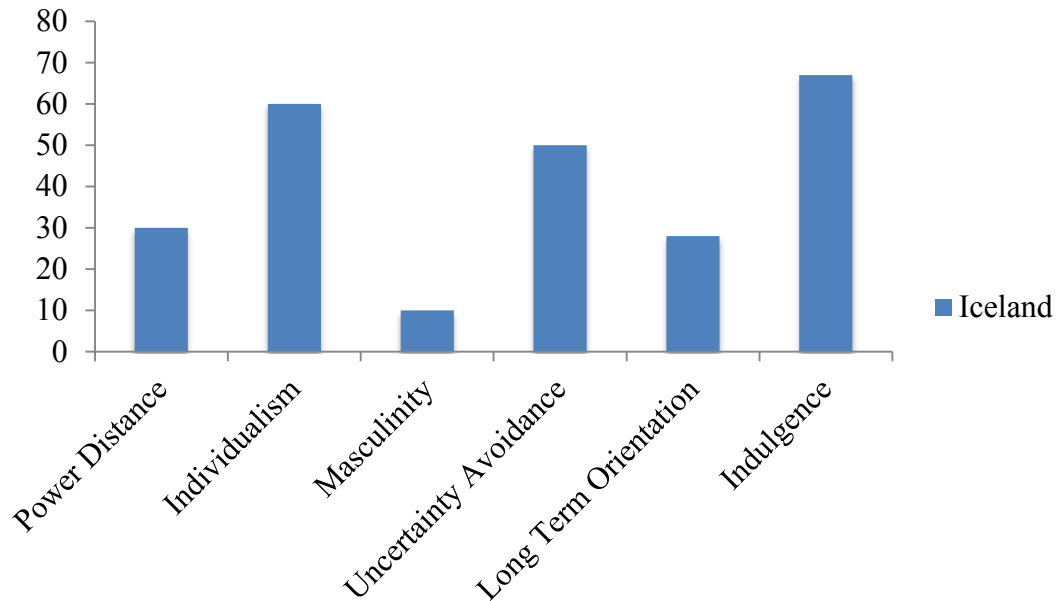
In addition to the dimensions, Hofstede also published research describing goals of business leaders between countries. The five most important goals perceived by successful business leaders in Denmark were: creating something new, profits 10 years from now, responsibility to employees, staying within the law, and honor, face and reputation. The five least important perceived goals were: family interests, power, responsibility to society, personal wealth, and continuity of the business (Hofstede, 2007).

3.4.2 Iceland – Low Context Culture

Edward T. Hall recognizes Scandinavian countries, with Iceland included, as low context cultures among cultures with western European roots as well as much of Europe. It is well noticed that low context cultures favor written instructions and signs, relating to everything being labeled. The behavioral norms of the culture are oftentimes communicated by writing rather than though personal enforcement. It is often said that the Westerners live in a world with instructions and rules and are lost without them. In terms of contracts, they are often very detailed with everything spelled out in a fine print; moreover, once the contract is signed there is no flexibility. Usually the legal system is expected to enforce compliance if one of the parties fails to deliver. Low context cultures see doing business as being identical to making a deal (Paulson, Kiesling & Rangel, 2012).

During business meetings, Icelanders use the opportunity to discuss pros and cons, and might even reach a final decision on the spot. All parties in the meeting are expected to openly express their opinions as long as they can back up their views with arguments and facts. When negotiating, everyone is expected to play by the "rules", and when loosing, there are no hard feelings. Negotiating price and money, low context cultures believe that the price should be controlled by the logic of the market. Being a rule-based culture, it is important to recognize two characteristics that have a part in shaping Icelandic behavior. First, people respect the rules for their own sake. Second, if someone is caught breaking the rules, compliance is often encouraged by fear of punishment and feeling guilty. People are taught to obey and pay attention to the rules. People, in low context cultures or ruled-based cultures, have an underlying confidence that rules can serve as a basis for resolving disputes because rules have objective validity (Paulson, Kiesling & Rangel, 2012).

3.4.3 Iceland – The Impact of Culture on Negotiation

The Scandinavian countries will be used as a comparison due to the fact that not much has been written about how the culture in Iceland can influence negotiation. The Scandinavian countries are Norway, Sweden, Denmark, Finland, Iceland, and the Faroe Islands. Table 3 below, shows how Icelandic is placed on Salacuse's ten cultural factors.

Negotiation goal (contract or relationship): Among Icelandic negotiators, negotiation is usually purely about business or signing a contract. However, trustful and lasting relationships are considered important, but not a precondition. Icelandic negotiators may be cautious and reserved until trust is established. This might cause the process to be slow but once trust is established, the apposing negotiator can expect both respect and loyalty. These features are highly valued because they create common ground if conflict arises (Nordbo, 2010).

Negotiation attitude (win/win or win/lose): Icelanders look at their opponent as an equal partner and negotiating is a joint problem-solving process. They focus on a win-win solution and long-term benefits. They expect reciprocation of trust and respect due to their cooperative negotiations style. Avoiding conflict or confrontation and showing instead friendliness, patience, and calmness is advised (Katz, 2007).

Personal style (informal or formal): As an egalitarian culture, Icelanders have an informal personal style. There is a small difference between status and power. Because of their informal style, Icelanders, tend to be easy going and informal during

communication and business dealing. As an example, they usually move quickly to a first name basis (Gesteland, 1999).

Communication (direct or indirect): Icelanders are direct communicators that communicate verbally rather than by using non-verbal communication. Body language is not common and is considered inappropriate during negotiations. The verbal communication style is direct, honest, and straightforward. What Icelanders express is often exactly what they mean, think, and feel. However, during conflict situations, negotiators may avoid telling the entire truth (Nordbo, 2010).

Sensitivity to time (high or low): Icelanders are a monochronic culture when it comes to time. Thus, time is inflexible, schedules are adhered to closely, and time can be divided easily (Silkenat & Aresty, 2000). Icelandic culture is time focused, punctual, and values time management. It is common and expected to show up 10 minutes early and arriving late is considered a sign of disrespect. By respecting a scheduled time, one is stressing efficiency. Because time is scheduled, Icelanders usually get straight down to business and avoid unnecessary small talk. However, there has been a development towards time scheduled, it is becoming more loose, because of the time it takes to focus on details in contracts or agreements. In addition, people have the right to voice their opinions because Iceland is an egalitarian culture (Nordbo, 2010).

Emotionalism (high or low): In Iceland there is a low display of emotions during negotiations. Icelanders are often considered cold, too serious, and lacking imagination due to the fact that they do not use body language. Even though emotions are not shown physically, this does not indicate a lack of interest (Nordbo, 2010).

Form of agreement (general or specific): Icelanders have been under the influence of Americans when in comes to forms of agreements or contracts. Contracts are often detailed and lengthy, including conditions and terms on both contingencies and core agreements. In addition, handshakes and verbal agreements are often respected and kept although they are not legally binding. The specific form of agreements is related to Icelanders directness and honesty. However, agreements or contracts are usually formalized by signing, and then adherence to conditions and terms apply. If they are not adhered to, they will be enforced by law (Nordbo, 2010).

Building an agreement (bottom up or top down): Building an agreement in Iceland is often a top down approach. Actions and goals are systematically pursued and when negotiating Icelanders work their way down a list of obligations in sequential order. Each item on the list is negotiated separately. Negotiators in Iceland might use a

pressure technique such as opening up with their best offer to speed up the negotiation process and they often are willing to make small compromises (Katz, 2007).

Team organization (one leader or group consensus): As an egalitarian culture, Icelandic negotiators are usually individuals who are best suited to handle the negotiation. An individual's social status, gender, family connections or age does not matter. The knowledge of the subject matter and previous experience are highly valued and are considered more likely to lead to a favorable outcome (Nordbo, 2010).

Risk taking (high or low): Icelanders are considered to be moderate risk takers compared to Scandinavia. However, when looking at the recent financial crisis in 2008, many would consider Icelanders to be high-risk takers. Again, the egalitarian culture plays a role because the group is often consulted before making a decision. In addition, decisions are made after all documented objective facts have been looked at thoroughly and every aspect has been carefully examined (Nordbo, 2010).

Table 3

Jeswald Salacuse's Cultural Factors

Factors	Iceland
Goal (contract or relationship)	Negotiations are about business/signing a contract. Relationships are considered important but are not a precondition.
Negotiation attitudes (win/lose or win/win	Focus on win/win solution and long-term benefits. Negotiating is a joint problem-solving process.
Personal style (informal or formal)	Informal personal style. Small difference between status and power. Communication and business dealings are informal and easy going.
Communication (direct or indirect)	Direct communication. Communicate verbally; style is direct, honest and straightforward. Express what they mean, think and feel. May avoid the truth during conflict.
Sensitivity to time (high or low)	Monochronic culture. Time is inflexible, scheduled oriented and divided easily. They are time focused, punctual and value time management.
Emotionalism (high or low)	Low display of emotions. Often considered cold, serious and lacking imagination.
Form of agreement (specific or general)	Contracts are specific, detailed and lengthy. Verbal agreements respected.
Building an agreement (bottom up or top down)	Often top down approach. Actions and goals pursued systematically, then obligation worked in sequential order down a list.
Team orientation (one leader or group consensus)	Negotiators are individuals who are best suited to handle the negotiations. Knowledge of subject matter and previous experience are highly valued.
Risk taking (high or low)	Moderate/high risk takers. Group consulted before making decisions.

3.5 China – Culture

To better understand the Chinese culture, it is essential to explore its sources of values. By exploring the historical antecedents of the values and beliefs it is possible to gain a deeper understanding of the Chinese business culture. Confucianism forms the foundation of Chinese cultural traditions and contributes to the norms and basis of Chinese interpersonal behavior in daily life and business (Matondo, 2012). Confucianism is a belief system at the roots of Chinese culture. It is considered one of the oldest religions and philosophical beliefs in the world and is based on the teachings of Confucius, a Chinese philosopher. Through his teachings, Confucius, described and applied the values of humanness, knowledge, loyalty, propriety, righteousness, continence, filial piety, and integrity. The main principle is humanism, highlighting the family and the world. Because Confucianism influences the Chinese culture, the Chinese highly honor authority and age. These values might come across as egalitarian, but in China the concept supports equality within specific social units. In addition, founded on the Confucianism principles is collectivism that is apparent in Chinese society as well as the function of hierarchy. It is also important to acknowledge that individuals do not exist apart from each other, relationships are highly valued and individual function is based on one's place in a group. Families are very much involved in each other lives and the familial-based hierarchical structure encourages favoritism and nepotism within the Chinese culture (Chou, Tu, & Huang 2013).

Chinese values and behavior have been strongly influenced by Confucianism and many researchers have acknowledged the connection (Sheh, 2001; Gram and Lam, 2003; Su, Zhang and Hulpke, 1998). However Su, Zhang and Hulpke (1998) acknowledge the Confucian principle and the method of Chinese management have not been analyzed in depth. Which, according to Matondo (2012), results in many Westerners lack an understanding of a culture that emphasizes human relationships, trust, and personal connection. Because the Chinese society is heavily influenced by traditional values of Confucianism, which promotes a strict system of propriety and norms, these values can significantly influence employees' behavior within an organization. To the Chinese society, the concepts of guanxi and mianzi are central and largely influence business life. Guanxi refers to relationships, or interpersonal relationships, and connections, while mianzi is the concept of face, or self-respect (Irwin, 2012).

Guanxi, is one of the largest influences on Chinese business life. The term refers to connections or interpersonal relationships and is a general term for social networking. It

is often said that "who you know" is often more important than "what you know." In Confucian societies, like China, this takes on a special significance and refers to personal connections with authorities and individuals. In more detail, guanxi is seen to establish connections between two individuals to implement a bilateral flow of transactions. However, and importantly, both parties must obtain benefits from the transaction to secure continuance of that relationship (Yeung & Tung, 1996). According to Zolkiewski & Eeng (2011), guanxi can be imagined in terms of layers of relationships, where trust is in the central layers and is usually related to family relationships. This part of Chinese culture is often a mystery for Westerners. Moreover, Chinese want to build a good relationship before they do business but in western cultures business is done first. Therefore, business relationships are not developed as quickly in China as they are in the west, but when developed the relationships tend to be deeper and last longer (Zolkiewski & Eeng, 2011). It has been said that no company can go far with its operations in China without a deep understanding of guanxi, however there are some downsides of guanxi. Guanxi has sometimes been misused when companies manipulate their interpersonal relationship for their own benefit, and as a result they can expect to face ethical challenges in the form of bribery and corruption (Gao, Knight & Ballantyne, 2012). Gao, Knight, and Ballantyne (2012) examined ten articles relating to Chinese-Western relationships and the results were that guanxi is acknowledged to have a positive impact on foreign companies performance in China. In addition, there is an emphasis on time and patience when it comes to building guanxi because business relationships are hard to develop due to conflicts in connection to cultural differences.

Trust and credibility are important ingredients of guanxi, both tend to play a more crucial role than a legal binding contract among Chinese business people (Tsang, 1998). Trust is an important part of an effective business relationship, it has been shown to promote richer information exchange as well as greater cooperation. Moreover, in international business, trust is critical because the relationship between the business partners rarely share assumptions and values on how business works. The inability to build a trusting relationship may result in failed business collaboration (Jiang, Chua, Kotabe and Murrey, 2011). From the influence of Confucianism, Chinese do not rush into any serious business relationships without the feeling of trust and some kind of closeness. Closeness between two parties will increase with accumulation of both jiaoqing and ganqing. Jiaoqing is a sense of obligation and indebtedness because of

economic and social transactions to satisfy pragmatic needs of work and life. Gangqing, on the other hand, refers to connection and emotional understanding, and also the sharing of feelings (Chen & Chen, 2004). Due to the fact that it takes time to negotiate with the Chinese, it is crucial to be patient. Patience is considered the most important qualification for a successful outcome in negotiations with the Chinese. The reason why negotiations take a long time is because different organizations and various departments within the organization tend to contribute in the decision-making and the negotiation process (Ghauri & Fang, 2001).

In China, individuals are extremely sensitive to enhancing and protecting ones "face," as a result of their emphasis on enduring social networks and relationships (Ho, 1976). The concept of "face" refers to status, dignity and prestige and serves to maintain harmony in hierarchies as well as social relationships (Cardon, 2006). To do business effectively with the Chinese it is essential to know and understand the concept of face because it is considered Chinese business person's most precious possession. Face relates to a status within a social structure and to a person's image, and is viewed as an essential component of communication. Without adequate attention to face from their counterparts, the Chinese might have trust issues and it will be difficult to build a relationship without trust. The face is connected to Confucianism because it encourages them to value this feature for largely moral reasons. In addition to Confucian principles, contemporary forms of relationships also encourage a focus on instrumental reasons, like prestige, obtaining power, and influence relationships. The Chinese are governed by mutual obligations and favor (Cardon & Scott, 2003). The concept of face can change overtime; it can be gained and lost. In relation to business, face can be gained through expanding business relationships and procuring business deals (Hu, 1944). According to Cardon (2006), the fear of loss of face permeates Chinese society. The emotional reactions experienced when a Chinese businessperson loses his or her face have not been addressed in empirical research. However, Cardon (2006) states that a better understanding of those emotional reactions to loss of face might empower foreign businesspersons to strengthen their relationship with their Chinese business partner. According to Hu (1944), face can be exchanged and traded as a form of social currency. The Chinese refer to it as borrowing face and buying a face. An example would be if one person asks another person, who has a lot of face, to intervene on their behalf because they do not have enough face. That is, when an individual who does not have enough status to accomplish a goal will seek the help of someone who does. This

strategy might be used if a company is seeking to do business with a particular company and tries to work though an individual, with a lot of face, that is well acquainted with the leader of the other company. Further, face is mutual in nature and can be shared within a group. As an example, when a group of businesspersons attend social functions, members frequently talk about the accomplishments and status of one another to enhance the face of one another. Another aspect of face is that others influence it; it depends on how an individual is treated by others. In the mind of the Chinese, being skilled at face perpetuating demonstrates credibility and trust among business partners. Finally, in a business context, giving and saving face is extremely important to business communication. Saving face is intended to avoid face losing and it is a serious matter to the Chinese. Examples of face losing in business environments are public displays of anger, directly addressing conflict, behaving arrogantly and aggressively, inappropriately addressing the status of others, direct and public criticism, and directly refusing requests. However, when giving face, actions such as giving a gift, concessions, and praising are highly valued (Hu, 1944). There are a couple of face related communication strategies that Chinese business people employ in order to save face or give face to others. To save face, Chinese often use indirectness or intermediaries; this can often be a problem for their counterparts. Chinese often try to avoid public confrontation in order to save face. When it is not possible, they use indirect communication to avoid losing their face because rejecting someone directly is considered a face-losing act. During a conflict situation, Chinese use intermediaries to avoid possible face loss by ignoring direct confrontation. The intermediaries are often someone with a large face. Praising is often used to give face, praising one's business counterpart is used to recognize status or position and it boosts the face of the individual being praised (Cardon & Scott, 2003).

Even though, at different points in China's history, the principles and teachings of Confucianism were discarded and dropped, they have gained significant favor in the current context and fit China's goal for social stability (Yu Wong, Maher, Evans and Nicholson, 1998). Because of continuous reinforcement at the state, educational, and family levels, the strength of Confucianism has been maintained throughout history (Chou, Tu, & Huang, 2013). Sheh (2001) observed that characteristics of Chinese management include: a paternalistic management style that encourages face-saving and patience in conflict situations; a strong sense of hierarchy and a cohesiveness that lies within the hierarchical structure; a good conduct (trustworthiness, reliability, and

obedience) and orientation in relation to seniority; the conscious upgrading of others and emphasizing of self in the workplace. Sheh (2001) also describes the unique characteristics of Chinese organizations, including a paternalistic style of leadership, highly centralized decision-making, strong family ownership and management, low structuring of activities, group behavior, and strong emphasis on collectivism. However, in today's rapidly changing environment, some of the cultural values have been exchanged for more modern management theories and techniques. Even though it is important to adopt and change, the Chinese try to hold on to some of the traditional values like honesty, integrity, perseverance, trustworthiness, patient, and working hard (Sheh, 2001).

3.5.1 China – Hofstede's Dimensions

Power Distance

China has a rather high ranking of power distance, a score of 80 (see Figure 2). The society believes that inequalities are acceptable among people, and they should not have aspirations beyond their rank (Christiansen, Yildiz & Yildiz, 2014). In organizations, decision-making is a highly centralized top-down process and subordinates acknowledge the authority of managers who make the decisions (Khairullah & Khairullah, 2013).

Individualism

A score of 60 categorizes China as a highly collectivist culture, were people act in the interest of their in-group (see Figure 2). Preferential treatment is used when hiring and promoting the members of the in-group, there is a good working relationship and cooperation; on the other hand, relationships with out-group members are cold or even hostile (Christiansen, Yildiz & Yildiz, 2014). The Chinese distinguish between people depending on if they are a part of their group or not. Decisions are often made to benefit the whole group and the Chinese value group goals, respect, saving face, friendship, and long-term perspectives and goals. Due to the fact that the legal system is unreliable and weak, people focus on personal relationships and mutual trust that override legal recourse (Khairullah & Khairullah, 2013).

Masculine/Feminine

China is a masculine country with a score of 66 (see Figure 2). The society is driven and success oriented; this shows in their work ethic because they are willing to sacrifice family and other priorities in order to work. The Chinese value ranking and it is considered the main criteria to achieving success (Christiansen, Yildiz & Yildiz, 2014). The Chinese culture focuses on moderation and restraint and therefore they have to behave politely and avoid behavior that is openly aggressive (Khairullah & Khairullah, 2013).

Uncertainty Avoidance

China has a low score in uncertainty avoidance, or a score of 30, which means that Chinese are entrepreneurial and adaptable, and they are comfortable with ambiguity (see Figure 2). There is a concern for rules abound and truth, however the adherence to rules and laws can be flexible to suit the way of life (Christiansen, Yildiz & Yildiz, 2014). Managers in China tend to make relatively safe decisions and avoid risks. Decisions have to be straightforward and direct and it is important to explain the decisions and outcomes. Sometimes decisions are made based on astrology, which is important to the people of China and an understanding of these practices is essential for international managers (Khairullah & Khairullah, 2013).

Normative/Pragmative

China's score is 87 in this dimension, which results in very pragmatic culture (see Figure 2). In societies with a pragmatic orientation, the truth depends on time, context and the situation. They have the ability to adapt tradition effortlessly to changed situations, are dedicated in achieving results, and have a strong tendency to save and invest (Christiansen, Yildiz & Yildiz, 2014). China is likely to plan toward a long-term future and emphasize long-term orientation (Hofstede, 1980).

Indulgent/Restrained

China has a low score of 28, which makes them a restrained society (see Figure 2). They are pessimistic and have a tendency to cynicism. Moreover, they do not focus on leisure time and believe their actions are restrained by social norms (Christiansen, Yildiz & Yildiz, 2014).

Figure 2 Geert Hofstede's Dimensions - China
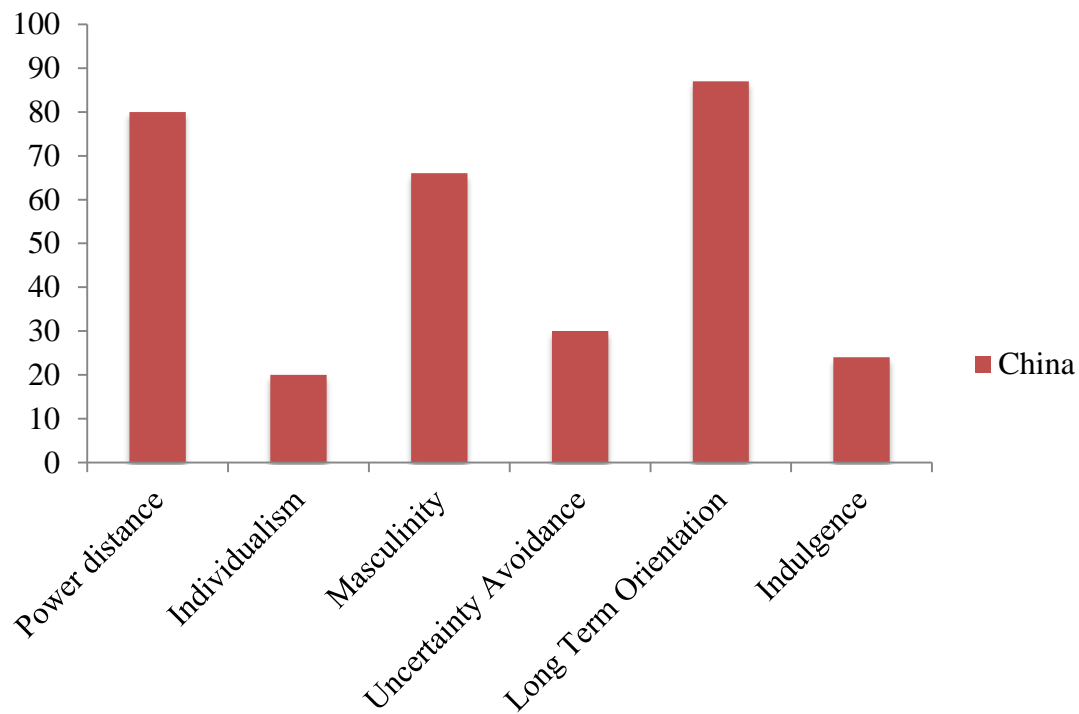
In addition to dimensions, Hofstede published research describing goals of business leaders between countries. The five most important goals perceived by successful business leaders in China were: respecting ethical norms, patriotism/national pride, power, responsibility to society, and honor, face and, reputation. The five least important perceived goals were: creating something new, game and gambling spirit, this years profit, personal wealth, and staying within the law (Hofstede, 2007).

3.5.2 China – High Context Culture

Edward T. Hall (1976) recognizes China as a high context culture among the Japanese, Arabs, and Mediterranean. In relation to communication, it is hard to understand the message behind the communication without a great deal of background information. General information is transmitted differently compared to low context cultures; there is a limited use of written instructions and signs. The Chinese want to provide the information though social context rather than through impersonal signs. In the area of contracts, in China, it is not necessary to have everything written down; rather the focus is on mutual understanding so later there is room for adjustments when the situation changes or develops. As mentioned earlier, relationships are very important to the Chinese, therefore, in a Confucian culture, doing business is more about developing a

relationship than making a deal. In China, business plans develop with the relationship between partners rather than though a formal written contract (Paulson, Kiesling & Rangel, 2012).

During negotiations or decision making with high context cultures like China, one can expect indirect answers. "Yes" does not necessarily mean "yes" and if the proposal is unsatisfactory, it is more likely that the response will be indirect. However, there is an underlying cultural reason of face saving as well as avoid giving face behind the answer. It is more likely, during negotiations or decision-making that indirect answers are given where parties may disagree. When disagreeing, it is considered crucial not to give offence, rather one should strive to preserve harmony though courtesy, indirection, and deference. A business meeting in China is often an occasion to explain or announce a decision, however decision-making and deliberation tend to take place at upper levels. To succeed in negotiations in high-context cultures it is necessary to emphasize building and fostering the relationship to built trust. If there is a common ground for business, it will most likely develop along with the relationship. Moreover, in high context cultures, confrontational bargaining can be appropriate and tends to be a ritualized activity. The objective is to find a common price by using as little information exchange as possible (Paulson, Kiesling & Rangel, 2012).

3.5.3 China – The Impact of Culture on Negotiation

Negotiation goal (contract or relationship): Chinese often find that the goal of negotiations is to create a relationship between the counterparts but not to sign a contract. They think the essence of the deal is the relationship even though the contract describes the relationship. Signing of a contract is often seen as opening up the relationship, rather than closing the deal, and the Chinese tend to use more effort and time in pre-negotiations. During pre-negotiations, the parties get to know one another, which is crucial for building a good relationship in China (Salacuse, 1999).

Negotiation attitude (win-win or win/lose): The negotiation attitude in China is towards a win-win situation rather than a win-lose situation. However, the attitude can depend on the level of trust between the counterparts and therefore it is essential to have a good relationship with the negotiation partner (Salacuse, 1999).

Personal style (informal or formal): The Chinese personal style during negotiations is rather formal, for example in how they address their counterparts, avoiding personal anecdotes, and the use of business cards (Salacuse, 1999). Business cards are a part of the introduction process and should be given and received with both hands. It is

important to look at the card, study it for a moment and treat it with respect (Seng Woo & Prud'homme, 1999). Chinese gestures are also symbolic, same goes for rank, experience and age, and there is need to show a respect (Salacuse, 1999).

Communication (direct or indirect): The Chinese culture relies heavily on indirect communication methods. Their communication is often with circumlocutions, oblique references, figurative forms for speech, gestures, facial expressions, and other type of body language. In addition, the Chinese often make assumptions about their counterparts' level of knowledge. When communicating or negotiating with a direct culture, the Chinese tend to be misunderstood because of the differences between indirect and direct communication styles (Salacuse, 1999).

Sensitivity to time (high or low): According to Salacuse (1998), China has mixed time sensitivity. The Chinese attitude toward time is that they tend to invest time in the negotiating process. The reason for that is to build a relationship, get to know one another, build up trust, and determine whether there are grounds for a long-term relationship. Moreover, China is considered a polychromic culture, which means they are constantly nurturing relationships, and tend to do many things at the same time.

Emotionalism (high or low): China is low on emotionalism (Salacuse, 1999), therefore it is not considered appropriate to display emotions during negotiations in China. However, the more trust there is between the business partners, the deeper the emotional bonds will be (Warner & Rowley, 2011). Positive emotions in business negotiations enhance guanxi and are considered important in the context of negotiation (Syed & Özbilgin, 2010). However, emotionalism also depends on the individual personality that is involved in the negotiations, but overall Chinese are expected to show low emotionalism (Salacuse, 1999).

Form of agreement (general or specific): In China, contracts are preferred as general principles rather than specific rules. That is because they value the relationship of the parties and the deal is the essence of the relationship. If any problems arise, the parties should look to their relationships to solve the problem, not the contract (Salacuse, 1999).

Building an agreement (bottom up or top down): According to Salacuse (1998), Asian cultures, China included, prefer the inductive (bottom up) style of agreement building. The negotiation begins with an agreement on specifics, such as product quality, price, and delivery date. However, according to Jaing (2013), in contemporary Chinese negotiation, China is moving more towards the deductive (top down) style. On major

issues a deductive style is used, or a step-by-step negotiation, but when issues are minor, a more flexible inductive style is applied and used as a quick problem solver.

Team organization (one leader or group consensus): In China one can expect to show up to negotiations facing a negotiating team with one supreme leader that has all the authority to decide all matters. As a result, China favors the one leader approach during negotiations. Moreover, there is a different role and aspect of the composition of the Chinese team. The rank and position of the Chinese counterparts matter, the Chinese negotiator would always have to match the rank of their counterpart. This is related to 'face' and it is considered good when a person ranked high in the hierarchy is present at the negotiating table (Salacuse, 1999).

Risk taking (high or low): The Chinese are risk averse culture. Therefore, it is important to focus reducing risks when negotiating by proposing rules and mechanisms to gain trust. During negotiations, the Chinese might require a large amount of information, focus on details and take a longer time than their counterparts to reach a decision (Salacuse, 1999).

Table 4 below, shows how China is placed on Salacuse's ten cultural factors.

Table 4

Jeswald Salacuse's Cultural Factors

Factors	China
Goal (contract or relationship)	Negotiations are about creating and building a relationship. The contract is the relationship.
Negotiation attitudes (win/lose or win/win)	Focus on win/win solution. Attitude will depend on the level of trust between counterparts.
Personal style (informal or formal)	Rather formal personal style. Important to show respect and rank, experience and age matter.
Communication (direct or indirect)	Indirect communication. Figurative forms of speech, gestures, facial expressions, and other types of body language are common.
Sensitivity to time (high or low)	Polychronic culture. Have mixed time sensitivity. Spend time on negotiations to build trust and do many things at the same time.
Emotionalism (high or low)	Not appropriate to display emotions, changes with more trust between partners.
Form of agreement (specific or general)	Contracts are considered general principles, relationship is the core of agreement.
Building an agreement (bottom up or top down)	Prefer bottom up approach. Begins with agreement on specifics. Moving towards top down approach.
Team orientation (one leader or group consensus)	One leader with a whole team behind them. The leader has the authority to decide all matters. Depends on rank.
Risk taking (high or low)	Risk averse. Important to reduce risk to gain trust.

## 3.6 Comparison Between Iceland and China

3.6.1 Hofstede's Dimensions

As mentioned earlier, Hofstede's cultural dimensions are only meaningful when there is a comparison between cultures (Christiansen et al., 2014). Figure 3 shows the difference between Iceland and China and how the countries score on each dimension. The figure

shows that there is a clear difference between these two cultures as in almost every dimension China and Iceland are ranked as opposites. Thus, according to Hofstede's research on culture, there is a significant cultural difference between China and Iceland. The biggest difference is the long-term orientation; China has a high score of 87 while Iceland has a low score of 28. According to Hofstede and Minkov (2010), this difference can cause a problem when these countries are doing business with each other. The cultures represent two different way of thinking. For example, for a long-term orientation culture what works is usually more important than what is right, while in a short-term orientation culture there is a deep concern with righteousness. There is also a big difference in masculinity and power distance, as well as indulgence and individualism. The smallest difference and where the cultures are most similar, is in relation to uncertainty avoidance; China has a score of 50 and Iceland has a lower score of 30 meaning that Iceland is lower on uncertainty avoidance than China. According to Hofstede (2001), this result means that the cultures are similar on relaxed attitude but China seems to be more intolerant of different ideas and behaviors than is Iceland.

Looking at the dimensions in sequential order from the biggest difference to the smallest, the order is: long-term orientation, masculinity, power distance, indulgence, individualism, and last, uncertainty avoidance (see Figure 3).

Figure 3 Geert Hofstede Dimensions – China and Iceland
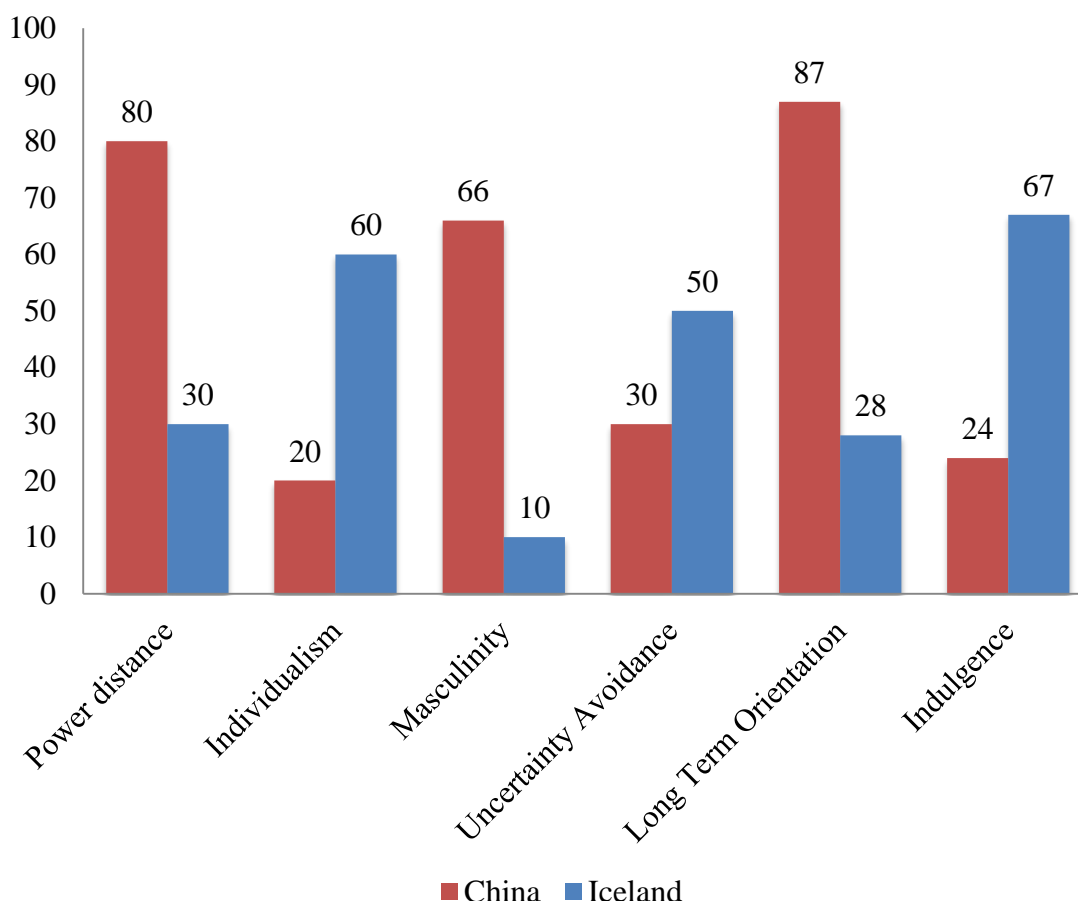
3.6.2 Edward T. Hall – High Context and Low Context Culture

The literature recognizes China as a high context culture and Iceland as a low context culture, again placing the cultures on the opposite side of the pole. One of the differences between the cultural contexts of China and Iceland is how messages are communicated. The Chinese communicate through social context with a mutual understanding rather than having everything written down. Icelanders, on the other hand, prefer to have everything written down and labeled; they also favor instructions and signs. Another difference is communication during negotiations. In a high context culture, like China, communication tends to be indirect, which has to do with the underlying cultural reason of face saving. As a result, the other party might not receive the whole message of what is being communicated. At the end of negotiations, the final decision in made by a person with a high rank and authority. During negotiations in a low context culture, like Iceland, everyone is expected to voice their opinion and back them up with arguments. What makes Icelandic culture different from the Chinese is that communication is direct and people say what they mean because there are no hard feelings. Finally, there is a difference between these two cultures regarding time and

time management. The Chinese culture prefers a slow pace, especially relating to developing and building relationships. In addition, time is not fixed and schedules tend to be more flexible. On the other hand, in the Icelandic culture, time is treated as a commodity and schedules are carefully detected. In Iceland, individuals prefer a fast pace, want fast results, and value punctuality.

3.6.3 Salacuse – The Impact of Culture on Negotiation

Table 5 shows the negotiation styles of China and Iceland. Salacuse (1999), identified ten factors where cultural differences may arise. The table shows that, again, China and Iceland are on the opposite sides of the poles in almost every factor. The factors where these two cultures are the same are: negotiation attitudes and emotionalism. It seems that both cultures prefer a win/win solution rather than win/lose solution and they are both low on emotionalism. There is a question regarding whether China and Iceland both prefer a top down approach when building an agreement. According to Salacuse (1999), the Chinese prefer a bottom up approach, but Jaing (2013) states that in contemporary Chinese negotiation, China is leaning more towards top down approach, similar to Iceland.

Table 5

Jeswald Salacuse's Ten Ways of Negotiations – China and Iceland

Dimensions	China	Iceland
Goal (contract or relationship)	Relationship	Contract
Negotiation attitudes (win/lose or win/win)	Win/win	Win/win
Personal style (informal or formal)	Formal	Informal
Communication (direct or indirect)	Indirect	Direct
Sensitivity to time (high or low)	Low	High
Emotionalism (high or low)	Low	Low
Form of agreement (specific or general)	General	Specific
Building an agreement (bottom up or top down)	Bottom up/top down	Top down
Team orientation (one leader or group consensus)	One leader	Group consensus
Risk taking (high or low)	Low	High/moderate

The above conceptual framework shows that China and Iceland are different when it comes to looking at their culture and communication. Hofstede's dimensions, Hall's high context and low context cultures, and Salacuse's negotiations factors all show significant difference between the two cultures. Therefore, it will be interesting to see how these cultural differences and intercultural communication affect Icelandic companies doing business in China.

4. Research Question

The research aims to answer the following question: How do cultural differences and intercultural communication affect Icelandic companies doing business in China?

Hypothesis:

H1: Cultural differences, such as traditions, are the most common cause of misunderstanding when Icelandic companies do business in China.

H2: Icelandic companies that have been doing business in China for 10 years or more are less likely than companies that have been doing business in China for less than 10 years, to encounter difficulties when communicating with their Chinese business partners.

H3: Icelandic companies that have established some kind of a language management strategy, to better manage and improve communication, are less likely to lose business because of poor language skills than those who have not developed such a strategy.

5. Empirical Study

5.1 Methodology

After analyzing the most relevant theories from the literature, an overall framework was formed to describe the most important cultural differences and intercultural communicational factors for Icelandic firms doing business in China. Research was carried out based on this framework.

According to Denzin (2009), this study qualifies as methodological triangulation as it is "the combination of methodologies in the study of the same phenomenon" (p. 297). For example, this type of research was used for navigation and military strategies because multiple viewpoints allow for greater accuracy. In addition, this method has been used for organizational research by involving the use of multiple methods to explore the same dimension of a research problem. Triangulation can also capture a more complete and contextual description of a study as well as cover some unique variances that otherwise may not have been found by using a single method (Jick, 1979).

5.2 Research Gap

There is a gap in the literature regarding the cultural differences and intercultural communication between Icelandic and Chinese business partners. According to recent literature, cultural differences seems to be the most problematic factor when Icelandic companies conduct business in China (Aradottir, 2012), also cultural literacy is considered to be the key to successful business relationship between Iceland and China

(Moestrup, 2011). However, there is a gap in how the cultural differences and communication barriers are affecting Icelandic companies doing business in China. Therefore, there is a need to take a closer look into Icelandic companies that are doing business in China especially in the light of the recent signing of the FTA. Therefore, the following research question is addressed: How do cultural differences and intercultural communication affect Icelandic companies doing business in China?

5.3 Research Model and Structure

This research uses methodological triangulation method; various sources of both quantitative and qualitative nature are used including previous research, interviews, and survey questionnaire. In order to visualize how this research was structured a research model was mapped out to more fully understand the framework (see Figure 1).

The research objective is to answer the research question by analyzing firstly culture, communication, and cultural differences and how it differs between Iceland and China. The higher part of the model describes:

1. Previous research on culture, communication, and cultural differences;
2. Iceland and China are analyzed separately in terms of culture, communication and cultural differences, and;
3. Results from Iceland and China analyzes are compared.

By digging into these areas, it is possible to see the differences between these two countries. The lower part of the model looks at the methodological triangulation where the following will be analyzed to reach results:

1. Previous research;
2. Semi-structured interviews, and;
3. Survey questionnaire.

Research Model
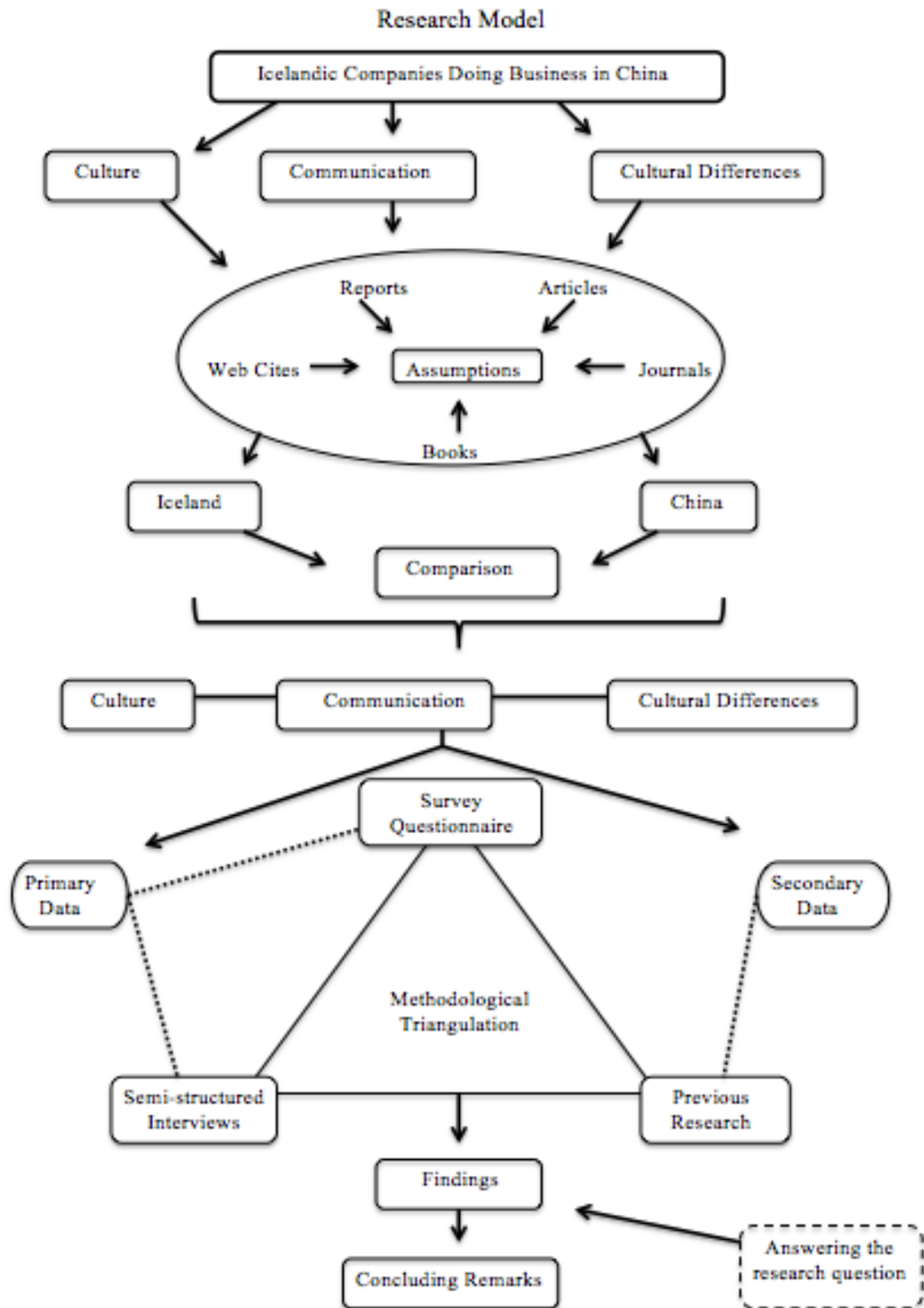
Figure 4. Analytical framework for the research purpose.

5.4 Limitations

This research has limitations because of the lack of accessible data on companies doing business in China. The available data did not include all companies that conduct business in China and it also included companies that are no longer conducting business in China as well as companies that are no longer operating. Hence, the number of participants is lower than the author expected and anticipated. Therefore, this research should not be used to make generalizations. Moreover, the research should rather provide evidence or indication regarding a connection/relationship of factors that affect Icelandic companies doing business in China. However, despite the limitations, the conclusion of this study provides valuable indications for Icelandic companies doing business in China both today and in the future.

5.5 Data Collection

Both primary and secondary data were collected for this study. Primary data were collected using both qualitative and quantitative methods. Qualitatively method data were collected in the form of interviews; quantitatively data were collected in the form of a survey questionnaire. By using both methods the author wanted to provide evidence of patterns though the survey questionnaire and more in-depth insights on the subject by using the interviews. Secondary data were collected through previous research and studies.

Three interviews were conducted: one with a trade representative of the Icelandic Embassy in China and two with managers of two different companies. By interviewing the Chinese trade representative, the author wants a different point of view and to further understand the cultural differences and intercultural communications between Icelandic and Chinese business partners. The two companies interviewed were specially selected by the author and contacted though the author's network. Moreover, the companies' themselves handpicked the most suitable candidate for the interviews. The difference between the two companies is that one is a multinational company and a global leader in their industry with a little less than ten-years of experience doing business in China. The other company is relatively young with around two-years of experience in doing business in China. The reason these two companies were selected was to dig deeper into the cultural differences and intercultural communication experience from the point of view of years of experience doing business in China. The

view from a company with many years of experience and a view from a company with relatively little experience could reveal interesting results.

The interviews were open but semi-structured (see appendix B and C) based on themes that focused on key factors related to cultural differences and intercultural communication. The key factors included the company itself, previous experience, culture, communication, and learning experience. There was flexibility within the interview itself, allowing for more openness and for the author to ask follow-up questions based on the participant's responses. The interview with the trade representative was conducted in English because the participant being interviewed was Chinese and English was the common language between the author and the person interviewed. The other two interviews were conducted in Icelandic because both participants interviewed were Icelandic and the author assumed the answers would be more accurate if the interview was in the participants' native language. Later the interviews were translated into English. One interview was a face-to-face interview conducted in Iceland while the other two interviews were conducted through Skype phone call because both participants live and work in China. All interviews were recorded with permission from each participant and typically lasted about 30-60 minutes. To avoid misinterpretation, interviewees were asked to further clarify their answers and make comments. When needed, additional questions were asked though e-mail. The interviews were conducted in February 2015.

A survey questionnaire was used for the quantitative portion of the study (see appendix A). Survey Gizmo, an online survey software tool, was used to host and collect data. The questionnaire used was from the report: *Competing Across Borders: How Cultural and Communication Barriers Affect Business* (2012). The report is from the Economist Intelligence Unit (EIU) sponsored by the EF Education First. The EIU is the world's leading resource for business and economic research, analysis and forecasting. In addition, the EIU reports are widely used and each statistic is checked rigorously and interpreted to ensure validity, relevance, and accuracy (The Economist Intelligence Unit, 2015). Most of the questions from the questionnaire were used in the research, however, some questions were rephrased or deleted if not applicable, and new questions were added that were more suitable for this study. The question format included: Likert-scale questions, multiple-choice questions, multiple response questions and open-ended questions.

The firms that participated in the survey all do business in China and where selected because of their business relationships in China. Using the companies' websites, the author picked the most suitable participant to answer the questionnaire on the behalf of the company. To make sure that the right person was chosen, the author contacted most of the companies by phone or e-mail. Since the questionnaire offered the participants to reveal the companies name as a participant in the survey, many of the companies got a second e-mail to remind them to answer. Overall, 43 companies received an e-mailed with the survey (see appendix E). The following companies participated in the research: Ossur, Bakkavor, G. Ingason Seafood, Marorka, Marel, Lauf Forks, Jonar Transport, First ehf., Sportver, ShopChina.is, IsBu International Ltd., 3X Technology, and Plain Vanilla (see appendix D). Additionally, there were eleven other companies who participated. The survey was open to participants for 8 weeks in March and April of 2015.

5.6 Data Analysis

To examine the cultural differences and intercultural communication when Icelandic companies do business in China, several statistical analysis were performed. SPSS (Statistical Package for the Social Sciences) was used to conduct the following statistical tests: a) Cronbach's Alpha analysis to test the reliability of the scales; b) descriptive statistics to test what is the most common cause of miscommunication; c) a t-test to test whether companies that have been doing business in China for 10 years or more encounter less communication difficulties than those who have been doing business in China for less than 10 years; and d) a t-test to test if companies with a language management strategy are less likely to lose business than those who do not have such strategy.

The interviews will be analyzed to identify themes or patterns that later will be used to back up the results from the statistical analysis. Further details will be presented in the following chapter: Results.

6. Results

In this chapter the demographic characteristics of respondents are presented as well as the hypotheses promoted in the theoretical chapter. After reviewing the hypothesis, the results of data analysis will be reported and further explained.

Hypothesis review

H1. Cultural differences, such as traditions, are the most common cause of misunderstanding when Icelandic companies do business in China.

H2. Icelandic companies that have been doing business in China for 10 years or more are less likely to encounter difficulties when communicating with their Chinese business partners than companies that have been doing business in China for less than 10 years.

H3. Icelandic companies that have established some kind of a language management strategy, to better manage and improve communication, are less likely to lose business because of poor language skills than those who have not develop such strategy.

Results of Data Analysis

Demographic Characteristics of Respondents

The response rate for the questionnaire was 55.8% (24 out of 43 companies answered the questionnaire). The participants in the survey were Icelandic companies doing business in China. The industries varied between the companies but food and/or seafood, fisheries and/or processing, medical and/or healthcare, and IT and/or high-tech all have a response rate of 16.7%. The logistics industry has 8.3%, energy industry, creative industry and textile industry all have 4.2%, and other industries accounted for 12.5%.

Most (33%) of the companies have been operating for more than 30 years, 25% have been operating for 20-30 years, 16.7% for 10-20 years, and 25% have been operating for 0-10 years.

There is also a difference when it comes to looking at the number of countries in which the company does business. Half of the companies (50%) are doing business in more than 15 countries, 4.2% are doing business in 13-15 countries, 16.7% are doing business in 7-9 countries and 4-6 countries, and 12.5% are doing business in 1-3 countries.

The number of years of doing business in China varied between the companies, as did the percentage of their business with China. In total, 12.5% of the companies have been doing business in China for more than 20 years, 29.2% of the companies have been doing business for 10-14 years, 29.2% of the companies have been doing business for 5-9 years, and 29.2% of the companies have been doing business for 0-4 years.

Regarding the percentage of business a company does with China, 16.7% of the participants stated their business with China accounts for 80-100% of the total business,

8,4% of the participants have 60-80% of their total business with China, 4.2% of the participants have 40-60% of their total business with China, 8.3% have 20-40% of their total business with China, and 62.5% have 0-20% of their total business with China (see Table 6).

Table 6

Descriptive Statistics

Participant Information		Percentage (%)
Company industry	Food and/or seafood	16.7
	Fisheries and/or processing	16.7
	Medical and/or healthcare	16.7
	IT and/or high-tech	16.7
	Energy	4.2
	Logistics	8.7
	Creative	4.2
	Textile	4.2
	Other	12.5
Operating years	0-10 years	25.0
	10-20 years	16.7
	20-30 years	25.0
	30+ years	33.3
Number of countries	1-3 countries	12.5
	4-6 countries	16.7
	7-9 countries	16.7
	10-12 countries	0.0
	13-15 countries	4.2
	15+ countries	50.0
Years in China	0-4 years	29.2
	5-9 years	29.2
	10-14 years	29.2
	15-19 years	0.0
	20+ years	12.5
Out of the company's total business, percentage of business in China	0-20%	62.5
	20-40%	8.3
	40-60%	4.2
	60-80%	8.4
	80-100%	16.7

Reliability of Scales

Table 7 shows the alpha coefficient (α) of each variable separately, along with number of items, mean score, and standard deviations. As shown in Table 7 the Cronbach's alpha value for each variable scale varies from .568 to .927. For three of the variables the value is above .7, which is considered acceptable and shows internal consistency. The value of the three variables ranges from .869 to .927 showing a relatively high internal consistency. The other two variables were not as internally consistent, with a Cronbach's alpha of .626 and .568. The reason for a low alpha score could be due to short scales as Cronbach's alpha values are rather sensitive to the numbers of items in the scale. Moreover, when evaluating the Cronbach's alpha scores, George and Mallery (2003) presented the following as a rule of thumb: "_ > .9 – Excellent, _ > .8 – Good, _ > .7 – Acceptable, _ > .6 – Questionable, _ > .5 – Poor, _ < .5 – Unacceptable" (p. 231). Overall, for the three variables exceeding .7, they are considered to show either good or excellent internal consistency, while the others that are below .7 show either questionable or poor internal consistency.

Table 7

Descriptive statistics, number of items, mean, standard deviation, and the reliability coefficient (α) scale

Variables	Number of Items	Mean	Std. Dev	Cronbach's alpha
Collaborating across borders	4	1.502	.699	.626
Investment in improving cross-border communication	5	2.502	.725	.897
Cross-border communication improvement	3	2.200	.713	.927
Company's strategy (language)	4	2.053	.761	.568
Problems with communication	4	1.615	.762	.869

Testing hypothesis 1

The hypothesis states that cultural differences, such as traditions, are the most common cause of misunderstandings when Icelandic companies do business in China. This research compares which independent variable causes the most misunderstanding. To do that, descriptive statistics in SPSS were performed; the results are shown in Table 8. According to Table 8, the results do not support the hypotheses stating that cultural differences, such as traditions, are the most common cause of misunderstandings when Icelandic companies conduct business in China. The results show that different norms of workplace behavior are the most common cause of misunderstandings, followed by poor quality translations. The results are shown more visually in Figure 5.

Table 8

Descriptive Statistics

	Frequency	Percentage (%)
Diversity of languages	3	12.5
Different norms of workplace behavior	9	37.5
Differences in cultural traditions	4	16.7
Poor quality of translations	5	20.8
Different accents of people	0	0
None – misunderstanding and ambiguity in communication are not an issue for us	2	8.3
Don't know	1	4.2
Other	0	0

Figure 5 Most common cause of misunderstanding

Category	Value
Diversity of languages	3
Different norms of workplace…	9
Difference in cultural traditions	4
Poor quality of translations	5
Different accents of people	0
None - communication is not…	2
Don't know	1
Other	0

To further dig into what aspects are causing the most problems, participants were asked if they had ever experienced problems in a number of areas when doing business in China (see Figure 6). The participants could select more than one option. The most common problem previously experienced is communication issues, mostly related to indirect answers from their Chinese business partner. The second most common problem is trust issues followed by hierarchy, or rank or status of their Chinese business partner.

Figure 6 The most common problems

Category	Value
Gender issues	2
Trust issues	9
Communication issues	14
Relationship building	4
Time management	3
Body language	1
The use of 'silence' in…	2
Hierarchy (rank or status)	7
Building a contract	5
We have not experienced any…	4
Don't know	4
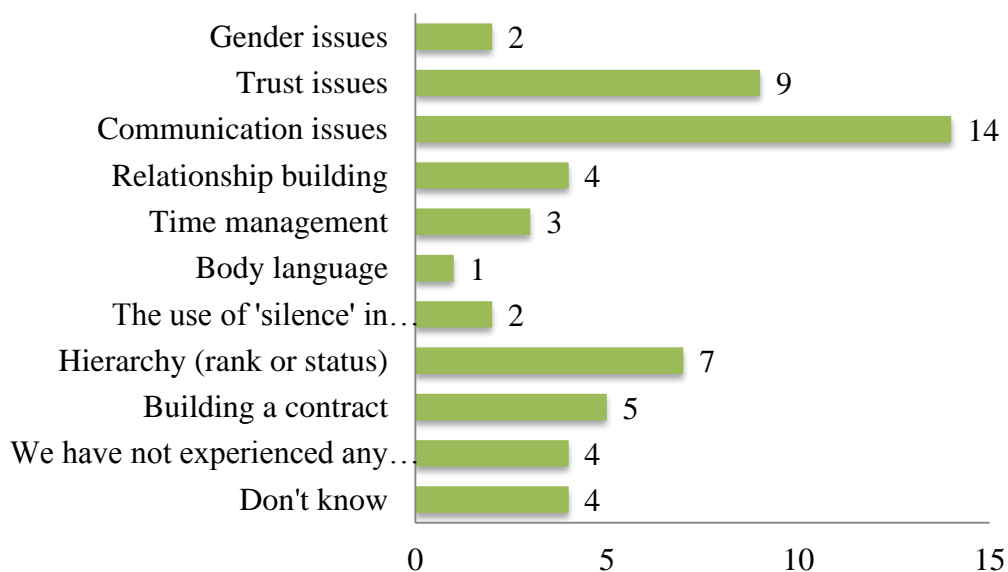
The conducted interviews help to explain in depth how these problems affect business and also point out what kind of challenges companies are likely to face and what is important to avoid.

The interviews revealed similar results as the figure above shows. Regarding communication issues and that the fact that Chinese people tend to be indirect when communicating; the managers interviewed agreed that it was very common. Examples were given in the interviews both regarding the Chinese not giving up information or providing detailed answers and also the delivery time of a product. The fact that the Chinese are not willing to give up information or detailed answers is related to them being risk averse and not wanting to take responsibility because of the authority rank. In the example of the product delivery, the company experienced their product not being delivered at the time agreed upon because of indirect communication and misunderstanding. Another aspect in relation to communication issues that was mentioned was the poor English proficiency of the Chinese. One of the managers stated that soon after they started doing business in China they realized that they needed to speak English in a much simpler way than they are used to when doing business in other countries. Both managers interviewed stated that at some point they have used a translator to make communication easier because of the poor English proficiency of their business partners.

The trade representative, speaking from the viewpoint of China, agrees that the Chinese are not very straightforward. By that he meant that Chinese are not silent, but quiet and they do not speak much. Moreover, they do not give answers directly, unless asked for confirmation. He also realized that this is a problem when Icelandic companies do business in China and therefore he recommends that Icelanders always be very specific about critical details, not leave any ambiguity in communication and always ask for confirmation regarding business details.

Figure 6 above, shows that trust issues are the second most common problem that Icelandic companies experience. Both managers interviewed confirm that it is hard and it takes time to build trust in China. It also takes patience and time to climb up the hierarchy to reach the person with the authority who makes all the decisions. This is related to building a relationship, or guanxi. However, the managers interviewed do not consider trust an issue, it is more of the effort needed to gain the trust and build the relationship, but once trust is established business generally runs smoothly.

The trade representative agreed that is not easy to build trust in China. Doing business in China is like making friends and it is important to show the Chinese that one cares; actions tend to speak louder than words. As mentioned above, trust is related to relationships or guanxi. Having guanxi can be beneficial because one has established connections and good relationships with people that can help in one way or another. Furthermore, he explains that guanxi also means having trust and confidence in each other. However, the trade representative also states that there is a downside to guanxi when companies misuse the term for their own benefit and notes that in the long run that will never work. Moreover, he mentions that Icelanders tend to give trust easily and they have to be careful. It is important to look into the company one is conducting business with and have some kind of basic understanding of one's Chinese partner.

Hierarchy (rank or status) is the third most common problem according to Icelandic companies. The manager of the company that had been doing business for two years in China said that they have not experienced differences in rank or status between themselves and their Chinese counterparts. However, it was very obvious that there was a hierarchy between the Chinese. It was clear who is the boss and who had the authority to make decisions; the hierarchy is also noticeable in how the Chinese speak to one another. The other manager, of the company that has been doing business for little less than ten years, mentioned problems with hierarchy when communicating with the Chinese. It was hard to get the Chinese to confirm or agree to something because they do not want to have the responsibility if something should go wrong. The manager uses ladder as a metaphor, starting at the bottom by communicating with a person with no authority to make decisions. To be able to climb up that ladder to reach the person with the authority one has to gain trust of the ones you communicate with. Therefore, it is important to build up trust to gain access to the person with the authority to avoid the communication issues. Therefore, it is important to have access to the person with the authority to avoid the communication issues.

According to the trade representative, the hierarchical structure should not be an issue. When dealing with small companies, the companies usually have more of a flat organizational structure. However, when dealing with large state owned companies, it is important to be mindful of the hierarchical related issues because these companies always have some kind of protocol, or different layers of authority. As an example of protocol the trade representative mentioned that general managers only talk to general managers and product managers only talk to product managers. Overall, when dealing

with a small company or a small manufacturer there should not be a problem, but it is important to be careful about hierarchical issues when dealing with bigger companies.

Testing hypotheses 2

Hypotheses 2 states that Icelandic companies that have been doing business in China for 10 or more years are less likely to encounter difficulties when communicating with their Chinese business partners than companies that have been doing business in China for less than 10 years. To test the hypotheses, an independent-sample t-test was performed to compare the mean scores of the two groups, those with less than 10 years and more than 10 years of experience of doing business in China. In this case, the significance level for Levene's test is larger than .05, which means that the assumptions of equal variance has not been violated. There were no significant differences in scores for companies that have been doing business for less than 10 years (M = 2.36, SD = .842) and companies that have been doing business for 10 years or more in China (M = 2.20, SD = .789; t (24) = .463, p = .648, two-tailed). The magnitude of the differences in the mean (mean difference = .158, 95% *CI*: - .547 to .864) was very small (eta squared = .01).

These results may indicate that even though companies have been doing business in China for 10 years or more they are still encountering difficulties when communicating with their Chinese business partners at a similar level as those who have been doing business for less then 10 years.

Moreover, half of the companies (50%) state that they strongly agree/agree that lack of clarity in their cross-border internal communication often results in lost productivity. More than half of the companies (58.3%) also state that they strongly agree/agree that lack of clarity in their cross-border internal communication results in serious risk exposure. When working with cross-border external partners almost half of the companies (45.8%) state that they incur losses due to ineffective communication. Finally, the majority of the companies (66.7%) strongly agree/agree that differences in language and culture make it difficult to gain market share in unfamiliar markets (see Table 9).

Table 9

Affects of communication problems

	Frequency	Percent (%)
Lack of clarity results in lost productivity		
Strongly agree/agree	12	50.0
Neutral	6	25.0
Disagree/strongly disagree	6	25.0
Lack of clarity results in risk exposure		
Strongly agree/agree	14	58.3
Neutral	6	25.0
Disagree/strongly disagree	4	16.7
Incur losses due to ineffective communication		
Strongly agree/agree	11	45.8
Neutral	10	41.7
Disagree/strongly disagree	3	12.5
Language and cultural differences make it hard to gain market share		
Strongly agree/agree	16	66.7
Neutral	5	20.8
Disagree/strongly disagree	3	12.5

The included companies have been doing business for less than 10 years. However, when asked about their experience and what to avoid when communicating or negotiating with their Chinese business partner they had similar yet different responses. Their responses could be an important factor in avoiding difficulties when communicating with Chinese business partners. The manager of the company with two years of experience in China stated that it is important to learn from previous experience to avoid difficulties and for them it has been helpful to contact other companies in the same industry to get advice. The manager of the other company, with a little less than ten years of experience in China, explains the importance of taking the time to get to know the things that one does not have any knowledge about. It is essential to realize that coming from the outside one does not have a full understanding of everything that is going on. Another important factor is not to assume that everything is done the same way as one is used to and it is important to be patient if things are not going smoothly.

To avoid difficulties when communicating, the Chinese trade representative recommends being specific about the things, asking for conformation on critical details and being aware of the cultural differences between Iceland and China.

Testing hypotheses 3

The third hypotheses states that Icelandic companies that have established some kind of language management strategy, to better manage and improve communication, are less likely to lose business because of poor language skills than those who do not have a strategy. The companies that do not offer any formal training for managers that work with international/diverse workforce accounted for 22.2%, while the other 77.8% have established some kind of language management strategy. Note that the participants were able to select up to two options for language management strategies when answering the question. To test the hypotheses, an independent-sample t-test was performed to compare the mean scores of the two different groups, those who had established some kind of language management strategy and those who had not. The significance level for Levene's test is larger than .05, meaning that the assumptions of equal variances were not violated. There were no significant differences in scores between the companies that established some kind of language management strategy (M = 2.44, SD = .814) and companies did not have a strategy (M = 2.75, SD = .814; (24) .923, p = .366, two-tailed). The magnitude of the differences in the mean (mean difference = .313, 95% *CI*: - .389 to 1.014) was small (eta squared = .04).

Table 10 below, shows the most common language management strategy is to hire and promote managers on the basis of how well trained they are to cope with a diverse workforce (33.3%). Another common strategy is to train managers by sending them to markets the company operates in to learn the language and customs of their teams (19.4%). However, 22% of the companies state that they do not have any formal training for managers that work with international/diverse workforces.

Table 10

Language management strategy

	Responses		Percent of
	N	Percent (%)	Cases (%)
We train our managers by sending them to markets we operate in to learn the language and customs of their teams	7	19.4	29.2
We offer cross-cultural training for our managers working in international teams	1	2.8	4.2
We hire and promote our managers on the basis of how well trained they are to cope with a diverse workforce	12	33.3	50.0
We don't offer any formal training for managers that work with international/diverse workforce	8	22.2	33.3
Our workforce is quite homogenous, so our managers rarely encounter difficulties	4	11.1	16.7
Don't know	4	11.1	16.7

Moreover, participants were asked questions regarding how they cope with the language difference between these two countries. Most companies use one language for organization-wide communication (70.8%); in addition, most companies do not use translators for either collaborating with external partners (45.8%) nor internal teams (62.5%) across borders. Finally, it varied between companies whether or not language training was considered a key part of their strategy; 41.7% of the companies' somewhat/strongly disagreed that it was not a key part in their strategy (see appendix F).

Furthermore, participants were asked what internal and external factors would benefit most from an improvement in their company's cross-border communication when doing business in China. Participants had the option to choose at least two factors for each, both internal and external factors. The results of the internal factors show that the majority of companies believe that business operations (26.3%) and strategy (23.7%) would benefit the most from an improvement in their company's cross-border communications. On the other hand, the results of the external factors show that relationships with clients or customers (26.3%), sales (23.7%), branding and market

reputation (23.7%), and relationship with supply chain (21.1%) would benefit most from an improvement in their company's cross-border communication (see appendix F).

The managers of the companies interviewed were asked whether they had lost business because of cultural differences or intercultural communication. The company with two years of experience in China did not recall having lost business because of differences in culture or intercultural communication. However, the company that had little less than ten years of experience in China explained some of the difficulties they had experienced. The person being interviewed claimed that mistakes will happen at some point and the main reason is because people are not communicating correctly. Another example mentioned was when business was cancelled because the Chinese company was corrupt and the Icelandic company does not do business that way. This situation is probably more related to the Icelandic company making an ethical decision and at the same time experiencing cultural differences. Finally, an example was given regarding when the company failed in their preparations and lost a significant amount of time and money because they received the wrong information or there was a misunderstanding about VISA documentation in China.

The Chinese trade representative mentioned an interesting economic theory to explain how two companies with different cultures can avoid problems and possible business lost. The theory is called the "prisoners dilemma" and he explains the point of using it is to find out what one wants, what one's counterpart wants, what one is thinking and what one's counterpart is thinking. If one is able to do that, there should be no problem in the cooperation and an individual will be more likely to win his or her counterpart over.

7. Discussion

The results from this research indicate that cultural differences and intercultural communication are affecting Icelandic companies doing business in China in various ways.

This research confirms that different norms of workplace behavior present the greatest threats to the harmony of cross-border relationships when Icelandic companies do business in China. These results were not expected, compared to Bolchover's research (2012), Competing Across Borders: How do cultural and communication barriers affect business, differences in cultural traditions pose the greatest threat. These results may

indicate that Icelandic companies are having a hard time learning appropriate workplace behavior for China. The underlying reason might be lack of cultural awareness with a hint of ethnocentrism. The previous behavior learned that was successful, in their home country or other countries the companies are doing business in, may have to be modified to fit the Chinese culture.

Up to this date, English has been the dominant language in international business (Nickerson, 2005). The interviews conducted for this research reveal that companies have had to simplify their English or turn to translators for communication assistance. However, the findings of this research show that more than two-thirds of companies encounter difficulties "very often" or "sometimes" when communicating with their Chinese business partners and the years of doing business in China do not seem to have an influence. These results might indicate that communication and cultural barriers are always present and need to be constantly managed to avoid any difficulties that may arise.

According to Hagen's (2011) PIMLICO research report, companies and stakeholders are aware of the importance of languages for business; they will choose not to prioritize investment in that area and a significant amount of business has been lost due to lack of language skills and cultural barriers. Among the techniques associated with a better performance is a language management strategy. In this research, of those companies that have established some kind of language management strategy, half of the companies (50%) hire and promote their managers on the basis of how well trained they are to cope with a diverse workforce. Almost one-third (29.2%) of the companies train their managers by sending them to markets they operate in to learn the language and customs of their teams. However, the results show no significant difference between having a language management strategy and not having a language management strategy when it comes to losing business. Although these results were not expected, it is interesting to note that of the companies who offer some kind of language management strategy only 4.2% of the companies offer cross-cultural training for their managers working in international teams and language classes to learn about different markets. Furthermore, 50% of companies admit to not investing enough in training to improve their employees' language and communication skills. More investment is put into recruitment and selection of individuals, conflict resolution of disputes, and technology to help improve cross-border communication. It seems that training current employees to improve their language and communication skills is being neglected,

which could be an underlying cause of why some companies lose business. This can be explained in more depth. According to Guang and Trotter (2012), the profitability of a firm is in part determined by its communication strategies and skills; moreover, the invisible barriers that cultural differences place on business communications are often neglected. Guang and Trotter were not the only ones who reached this conclusion. Hagen's (2011) PIMLICO research report shows that even though companies and stakeholders are aware of the importance of languages for business, they will choose not to prioritize investment in that area and a significant amount of business has been lost due to lack of language skills and cultural barriers. Furthermore, the British Chambers of Commerce survey (2004) found that there is a direct correlation between the value of language and the annual turnover within a company. However, according to this study this seems to be the case. The results indicate that effective cross-border collaboration and communication are becoming a critical factor of the financial success of companies. The survey findings show that nearly two-thirds of companies think that better cross-border collaboration has been a critical factor in the improvement of their organization's performance in the past three years. However, it is interesting to note that a similar proportion feel that at least "sometimes" their organization encounters difficulties with cross-border communication or collaboration. These difficulties can be costly. Around half of the companies acknowledge that inadequate collaboration or ineffective communication had interfered with transactions, resulting in a financial loss. Moreover, the majority (around 80%) admits that if cross-border communication improved at their company then revenue, profit, and market share would improve simultaneously. These results are very much similar to the results from Bolchover's research (2012), Competing Across Borders: How do cultural and communication barriers affect business.

Since most companies understand and realize the cost of not improving their employees' cross-border communication skills, it is interesting to note that many companies are not doing enough to address the challenge. It seems that companies are not taking action to address the root causes of the misunderstanding they are experiencing. The survey result shows a significant proportion of the companies (50%) admit that their organization does not offer enough training to promote or increase their employees' communication and language skills.

These results can be advantageous for companies that are already doing business in China and also companies that are planning to do business in China in the future. The

results can be helpful for companies that are already doing business in China because the results can be advantageous to resolve some of the problems the companies are experiencing related to cultural differences and intercultural communication, which could later on have a positive impact on their financial performance. Finally, the research can be helpful for companies that are planning to conduct business in China because they can see where most of the companies are struggling, realize what the most common problems are, and the consequences of cultural differences and intercultural communication that may arise if not managed carefully.

8. Conclusion

For the last two decades, there has been a radical change in China's position as a market and for a long time it has been recognized that doing business in China is difficult because of cultural differences. Companies have certainly recognized the impact that cultural differences and intercultural communication have on their businesses. This research shows that a significant number of Icelandic companies are trapped at the stage where they can recognize the gain of overcoming cultural and communication barriers, but unfortunately are not necessarily doing enough to address the challenge. Problems arising from cultural differences and intercultural communication can be minimized with better trained workforce, investment, and time. It may have to be done differently at each organization but overall, companies need to face the challenges, recognize their problems, and be innovative in finding solutions that involve one of their most important resource, their employees.

It would be interesting to see to what extent training to improve employees' language and communication skills can contribute to the financial benefit of companies conducting business across borders.

Appendix A

Survey Questionnaire

1. How many years has your company been doing business in China?

2. Out of the company's total business, how large of a percentage would you say business with China counts?
    a. 0-10%
    b. 10-20%
    c. 20-30%
    d. 30-40%
    e. 40-50%
    f. 50-60%
    g. 60-70%
    h. 70-80%
    i. 80-90%
    j. 90-100%

3. What is your company's primary industry?
    a. Food and/or seafood
    b. Fisheries and/or processing
    c. Medical and/or healthcare
    d. IT and/or high tech
    e. Creative industry
    f. Energy
    g. Tourism
    h. Logistics
    i. Textile
    j. Other

4. How do cultural factors or differences such as language and local customs affect your company's business in China?
   a. Hampers a lot
   b. Hampers somewhat
   c. Does not affect at all
   d. Helps to plan for future business

5. When doing business in China, which of the following would you consider the most critical organizational factor?
   a. Quality of collaboration with local partners, agents, or distributors
   b. Ease of communication with partners/customers
   c. Technical skills of local talent
   d. Cultural compatibility
   e. Inter-personal skills
   f. Other

6. When doing business in China, which of the following would you say are the most important factors for effective cross-border collaboration within your organization?
   (Please select up to two options)
   a. Senior management support
   b. Creating the right organizational structure
   c. Employees with the right mix of communication, linguistics, and business skills
   d. One language for internal cross-border communication
   e. Robust-wide technology
   f. Culturally sensitive team leaders
   g. Established process for conflict resolution
   h. Appropriate and fair financial incentives across borders
   i. Effective training for working in cross-cultural teams
   j. Other
   k. Don't know

Please state the extent to which you agree or disagree with the following statements:
(Questions 7-12)

7. Cross border teams are a well-established way of working within our organization
    a. Strongly agree/agree
    b. Neutral
    c. Disagree/strongly disagree
    d. Don't know

8. Better cross-border collaboration has been a critical factor in the improvement of our organization's performance in the past three years
    a. Strongly agree/agree
    b. Neutral
    c. Disagree/strongly disagree
    d. Don't know

9. The multicultural nature of cross-border teams breeds innovation
    a. Strongly agree/agree
    b. Neutral
    c. Disagree/strongly disagree
    d. Don't know

10. Collaborative team working within our organization is more effective thanks to diverse workforce (employees of different national backgrounds)
    a. Strongly agree/agree
    b. Neutral
    c. Disagree/strongly disagree
    d. Don't know

11. Cultural and linguistics diversity can make it difficult to collaborate internally across borders and with our external partners
   a. Strongly agree/agree
   b. Neutral
   c. Disagree/strongly disagree
   d. Don't know

12. Cultural and linguistics diversity in our company opens up cross-border business opportunities
   a. Strongly agree/agree
   b. Neutral
   c. Disagree/strongly disagree
   d. Don't know

13. Of the following, which are most likely to cause the greatest misunderstanding in cross-border communication for your organization when doing business in China?
   a. Diversity of languages
   b. Different norms of workplace behavior
   c. Differences in cultural traditions
   d. Poor quality of translations
   e. Different accents of people
   f. None – misunderstanding and ambiguity in communication is not an issue for us
   g. Don't know
   h. Other

14. When communicating with Chinese business stakeholders (partners, customers or co-workers) across borders, how often would you say that you or your organization encounters difficulties?

    a. Very often

    b. Sometimes

    c. Rarely

    d. Never

    e. Don't know

In improving cross-border communication with your Chinese business partner(s), how would you describe your company's investment in the following?

(Questions 15-19)

15. Management time spent on assessing impact of cross-border communication issues

    a. More than enough

    b. Adequate

    c. Not enough

    d. Negligible/non-existent

16. Technology to help improve cross-border communication

    a. More than enough

    b. Adequate

    c. Not enough

    d. Negligible/non-existent

17. Training to improve employees' language and communication skills

    a. More than enough

    b. Adequate

    c. Not enough

    d. Negligible/non-existent

18. Conflict resolution of disputes arising from cross-cultural misunderstandings
    a. More than enough
    b. Adequate
    c. Not enough
    d. Negligible/non-existent

19. Recruitment and selection of individuals who are suited to cross-cultural environments
    a. More than enough
    b. Adequate
    c. Not enough
    d. Negligible/non-existent

To what extent can better cross-border communication improve the following at your company?
(Questions 23-25)

20. Profit
    a. Improve significantly
    b. Improve somewhat
    c. Not at all
    d. Don't know

21. Revenue
    a. Improve significantly
    b. Improve somewhat
    c. Not at all
    d. Don't know

22. Market share
    a. Improve significantly
    b. Improve somewhat
    c. Not at all
    d. Don't know

23. Which of the following (internal factors) are likely to benefit most from an improvement in your company's cross-border communications when doing business in China?

(Please select up to two options)

    a. Strategy

    b. Innovation

    c. Business operations

    d. Productivity

    e. Employee morale

    f. Workforce productivity

    g. Financing

    h. Technology

    i. R&D

24. Which of the following (external factors) are likely to benefit the most from an improvement in your company's cross-border communication when doing business in China?

(Please select up to two options)

    a. Branding and market reputation

    b. Sales

    c. Relationship with clients or customers

    d. Relationship with investors

    e. Relationship with supply chain

    f. Relationship with regulators in overseas markets

    g. Relationship with media

Please state the extent to which you agree or disagree with the following statements:
(Questions 25-28)

25. My company uses one language for organization-wide communication

    a. Strongly agree/agree

    b. Neutral

    c. Disagree/strongly disagree

26. We often use translators when collaborating with external partners across border

a. Strongly agree/agree

b. Neutral

c. Disagree/strongly disagree

27. We often use translators when collaborating in internal teams across borders

a. Strongly agree/agree

b. Neutral

c. Disagree/strongly disagree

28. Language training is a key part of our strategy to ensure effective cross-border communication

a. Strongly agree/agree

b. Neutral

c. Disagree/strongly disagree

29. Of the following statements, which best describes your company's strategy to manage and improve cross-border communication?

(Please select up to two options)

a. We train our managers by sending them to markets we operate in to learn the language and customs of their teams

b. We offer cross-cultural training for our managers working in international teams

c. We offer language classes for our managers to learn about different markets/countries

d. We hire and promote our managers on the basis of how well trained they are to cope with diverse workforce

e. We don't offer any formal training for managers that work with international/diverse workforce

f. Our workforce is quite homogenous, so our managers rarely encounter difficulties

g. Don't know

Please state the extent to which you agree or disagree with the following statements:
(Questions 30-33)

30. Lack of clarity in our cross-border internal communication often results in lost productivity
    a. Strongly agree/agree
    b. Neutral
    c. Disagree/strongly disagree

31. Lack of clarity in our cross-border internal communication can result in serious risk exposure
    a. Strongly agree/agree
    b. Neutral
    c. Disagree/strongly disagree

32. When working with cross-border external partners, we incur losses due to ineffective communication
    a. Strongly agree/agree
    b. Neutral
    c. Disagree/strongly disagree

33. Differences in language and culture make it difficult to gain market share in unfamiliar markets
    a. Strongly agree/agree
    b. Neutral
    c. Disagree/strongly disagree

34. To the best of your knowledge, have communication misunderstandings or problems ever stood in the way of a major cross-border transaction (eg, sale, contract with a supplier, merger, acquisition, foreign direct investment etc)?

    a. Yes it has happened several times and we have suffered financially as a result

    b. Yes it has happened a few times and we have incurred some financial setbacks as a result

    c. No, it has never happened to my knowledge

    d. Don't know/not applicable

35. To the best of your knowledge, have you or your company ever experienced problems in any of the following when doing business in China:

    a. Gender issues

    b. Trust issues

    c. Communication issues

    d. Relationship building

    e. Time management

    f. Body language

    g. The use of silence in communication

    h. Hierarchy

    i. Building a contract

    j. We have not experienced any problems

    k. Don't know

36. How old is your company?

    a. 0-5

    b. 5-10

    c. 10-15

    d. 15-20

    e. 20-25

    f. 25-30

    g. 30+

37. Approximately, how many people work for the company?

38. Approximately, how many percentages of the company's employees have a university degree?

39. In how many countries does your company do business?
    a. 1-3
    b. 4-6
    c. 7-9
    d. 10-12
    e. 13-15
    f. 15+

40. What is the average proportion of women that take part in communicating/negotiating with China?
    a. We only have women communicators/negotiators
    b. Above 50% of communicators/negotiators are women
    c. Below 50% of communicators/negotiators are women
    d. We do not have any women communicating/negotiating
    e. Don't know

41. Your company's name?
    (Answer optional)

42. Can I use your company's name in my thesis as a participant in this research?
    a. Yes
    b. No

43. Is there anything else that you would like to add in relation to communication or cultural differences when doing business in China?

Appendix B

Interview Guidelines for Companies

1. Out of company's total business, how large of a percentage would you say business with China counts?
2. What is your experience of doing business in China?
   a. What has been difficult?
   b. What has been easy?
3. To what extent are Chinese different from other countries/cultures that you do business with?
   a. Examples
4. Can you tell me about how you experience power distance (hierarchy) when doing business in China?
   a. Communication with authority?
   b. Is the person you communicate with the one who makes the decisions?
5. How is your experience with trust when doing business in China?
6. Can you tell me about the negotiation process with Chinese companies?
   a. How is the preparation?
   b. How is the negotiation process different from for example Iceland? Other nations?
   c. Who is negotiating?
   d. Something that is important to be aware of when negotiating?
   e. Any learning experience?
7. Has you company ever lost business because of cultural differences?
   a. Examples
8. Are there any other cultural differences that you have experienced that have affected business?
   a. Miscommunication?
9. Can you tell me how your company avoids miscommunication when communicating with Chinese?
   a. Have any other approaches been used? How did that go?
10. Have any issues regarding gender differences come up?
    a. Women?
11. Overall, is there anything you wish you had done differently?
12. For how long has the company been doing business in China?

13. For how long has the company been doing business internationally?

14. Age?

15. Gender?

16. How long have you worked for the company?

17. What is your position?

Appendix C

Interview Guidelines for Trade Representative

1. Overall, what is your experience when Icelandic companies do business in China?

    a. Where are they struggling?

    b. What are they doing well?

2. Do you think that hieratical issues are in some way an issue when Icelandic companies do business with Chinese companies?

    a. If so, can you explain?

3. Do you think there is a trust issue between Chinese and Icelandic companies?

    a. If so, can you explain?

4. How prevalence is guanxi and do you think it is affecting the business between these two countries in any way?

    Do you think Icelanders do not know how guanxi works?

5. Do you believe that there is a gender issues when Icelandic companies do business in China?

    a. Are Icelandic women accepted as directors or as decision makers?

    b. Are Icelandic women respected when doing business with Chinese companies?

    c. Does gender matter in communications? (eg. Are the communications any different if the main communicator is a woman or a man?)

        i. Are Chinese business men very traditional and maybe think that women should take care of the house and child?

        ii. In recent years has there been any changes in the business environment when it comes to the role of women executives?

6. In your best knowledge, what are the most common cultural mistakes that Icelanders make when doing business with China?
    a. In your opinion, if mistakes are identified, what could Icelandic managers do differently?
    b. Do you think that there is a cultural awareness of Icelandic culture within Chinese companies?

7. Can you tell me about the negotiation process in China?
    a. How would you say it is different from Iceland?
    b. How is the preparation?
    c. Who is usually negotiating? The one with the authority or someone else?
    d. What should Icelanders be aware of when negotiating with the Chinese? Any deal-breakers?

8. In your opinion, what is the best way to avoid miscommunication between Icelanders and the Chinese? (Difference in linguistics)
    a. Silence?

9. Is there anything else that you could tell me that might be helpful in terms of cultural differences and intercultural communication when doing business with China?

Appendix D

List of companies

Companies	Website
Bakkavor	www.bakkavor.com
First ehf.	www.first.is
G. Ingason Seafood	www.gingason.is
IsBu International Ltd.	www.isbutrade.com
Jonar Transport	www.jonar.is
Lauf Forks	www.laufforks.com
Marel	www.marel.com
Marorka	www.marorka.com
Ossur	www.ossur.is
Plain Vanilla	www.quizup.com
ShopChina.is	www.shopchina.is
Sportver	Not available
3X Technology	www.3x.is

Appendix E

Survey Introductory Letter

Sæll/Sæl,

Ég heiti Inga Dís og er meistaranemi í Alþjóðaviðskiptum við Háskólann í Reykjavík. Í augnablikinu er ég að vinna að mastersverkefni um íslensk fyrirtæki með viðskipti í Kína með áherslu á menningarmun og samskipti.

Mér þætti vænt um ef þú sæir þér fært um að aðstoða mig með því að taka þátt í rannsókninni minni. Ég reikna með að það taki í kringum 10 mínútur að svara könnuninni. Fullum trúnaði er heitið og svör verða ekki rakin til einstakra þátttakenda.

Könnunin er á ensku og slóðin er hér að neðan:

Ég vona innilega að þú sjáir þér fært að taka þátt í þessu með mér.

Með fyrirfram þökk,

Inga Dís Júlíusdóttir

English translation:

Dear receiver,

My name is Inga Dís and I am a master student in International Business at Reykjavik University in Iceland. At the moment I am working on my master thesis about Icelandic companies doing business in China, with focus on cultural differences and intercultural communication.

I hope that you are willing to assist me by participating in my research; I assume it will take around 10 minutes. Note that the confidentiality of the data will be protected.
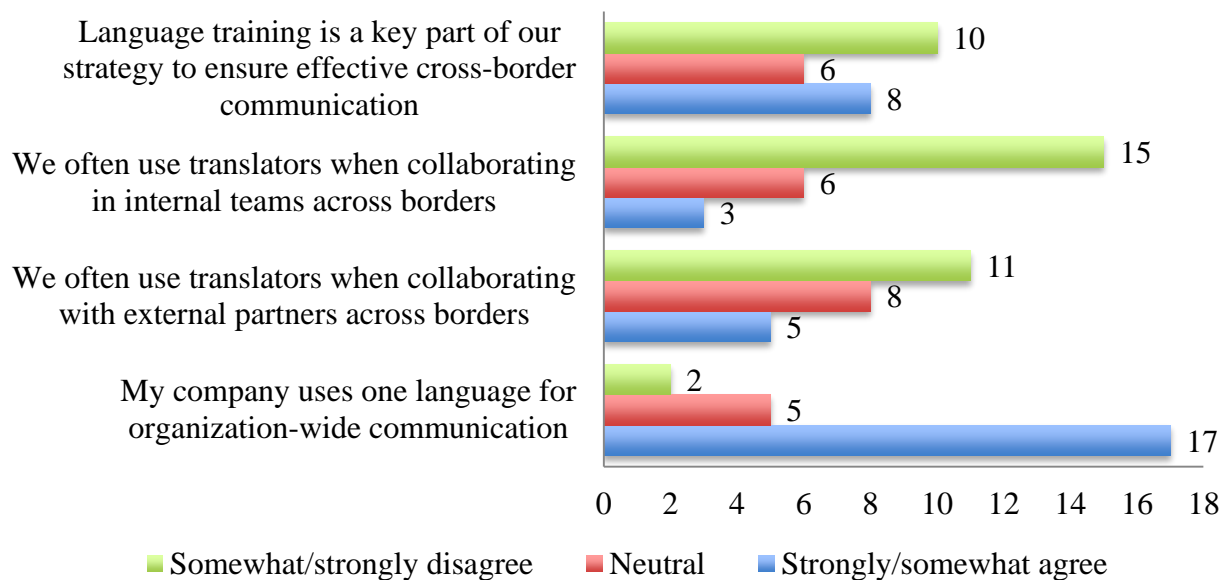
The questionnaire is in English and the link is below:

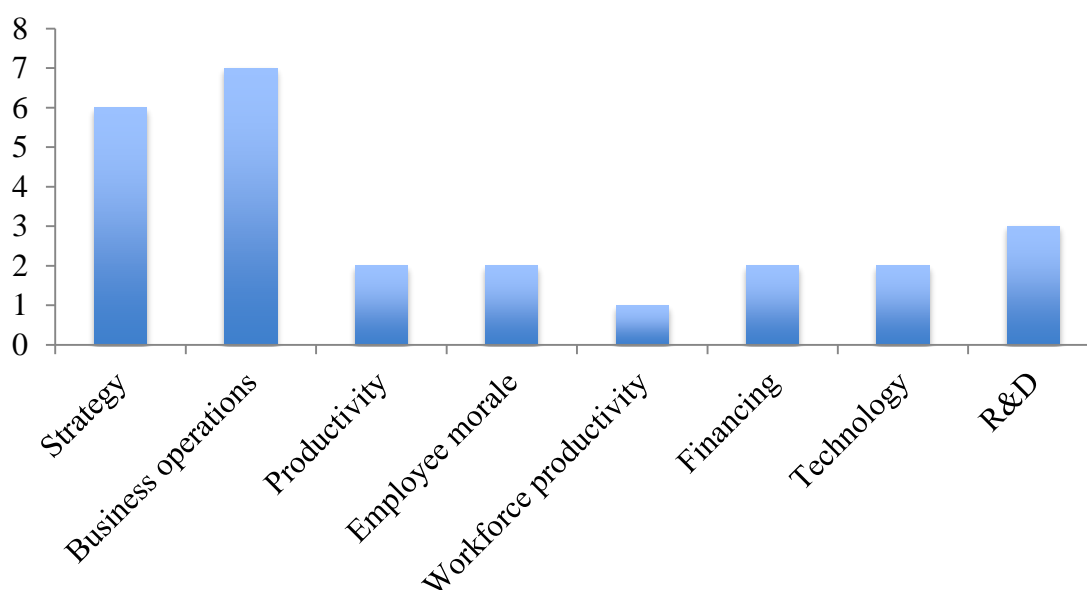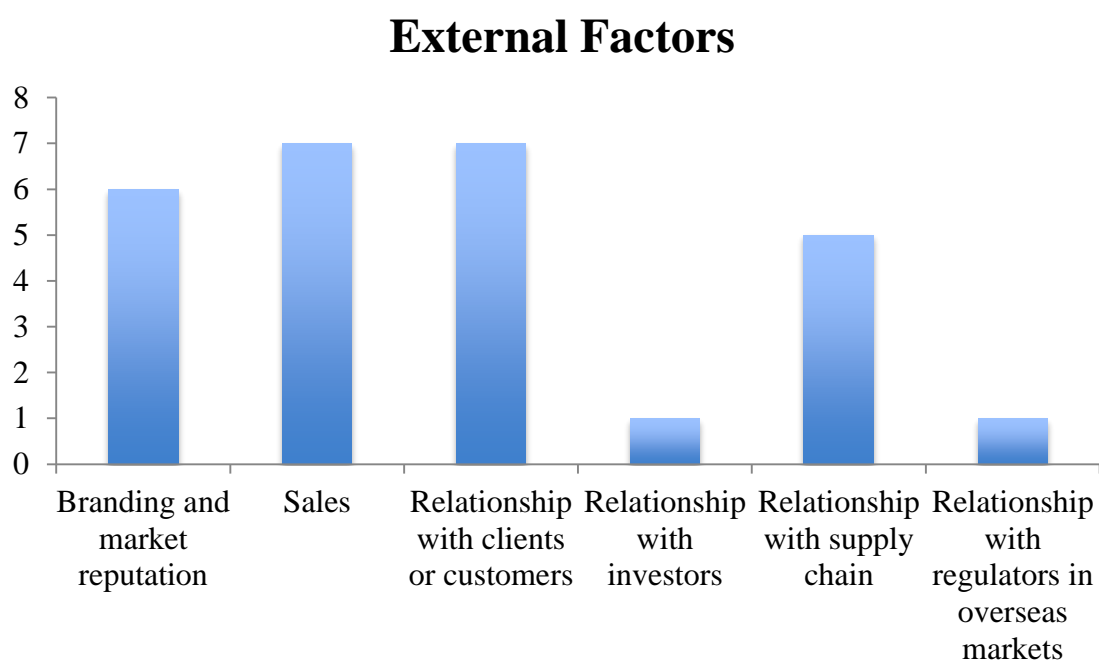Thank you and best regards,
Inga Dís Júlíusdóttir

Appendix F

How companies cope with the language difference.

Language training is a key part of our strategy to ensure effective cross-border communication — 10 / 6 / 8

We often use translators when collaborating in internal teams across borders — 15 / 6 / 3

We often use translators when collaborating with external partners across borders — 11 / 8 / 5

My company uses one language for organization-wide communication — 2 / 5 / 17

■ Somewhat/strongly disagree   ■ Neutral   ■ Strongly/somewhat agree

Internal factors likely to benefit from an improvement in cross-border communication

Internal Factors

Strategy 6, Business operations 7, Productivity 2, Employee morale 2, Workforce productivity 1, Financing 2, Technology 2, R&D 3

External Factors likely to benefit from an improvement in cross-border communication

External Factors

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