

European Green Tech FDI in China: The Role of Culture

Katiuscia Vaccarini, Francesca Spigarelli, Ernesto Tavoletti

ABSTRACT

Purpose: the purpose of this paper is to investigate to what extent culture and language affect European foreign direct investments (FDI) in mainland-China. It provides an in-depth analysis on the perception of European and Chinese identity and the role played by language in fostering or hampering FDI, along with culture.

Design/methodology/approach: our research questions are contextualized and timely/spacely bound through a multiple case study panel of six European companies, which entered the Chinese green tech market through FDI. We used quantitative and qualitative approaches and a three-phase data collection process, based on a specific protocol.

Findings: findings suggest that European investors emphasize “intra-Europe” differences rather than a “European collective (id)entity”. They have more awareness of the intra-China differences in the post-entry rather than the pre-entry period. The cultural factor goes along with the language dimension, which, in specific cases, is perceived as a higher hurdle than culture. However, by adopting a cognitive and social psychological viewpoint, language and culture are not stand-alone dimensions and intersect with each other. They both contribute to the concept of identity.

Research limitation/implication: the analytical generalisation out of our multiple case study is limited to a specific industry and to specific home and target economic areas.

Practical implications: our research offers an in-depth insight about the role and the perception of culture of European companies investing in China mainland. This study is not only addressed to academics and scholars, but also to managers who want to approach the market and policy makers.

Keywords: green tech FDI, Europe, China, cultural distance, psychic distance

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1 - Introduction

The paper is part of a wider EU funded project¹ on renewable energies and environmental industries, investigating, among other aspects, EU-China investment flows. The work aims at analysing the role of culture in terms of cultural differences in European FDI in China, perceived by European business men. The focus is on the green tech sector, for which Europe and China are experiencing a strong cooperation (Lv and Spigarelli, 2015).

According to The World Bank (The World Bank and The Development Research Center of the State Council, the People's Republic of China, 2013; Pew, 2011), China is now the leader in renewable energy investment and that makes the case of China especially relevant and worthy investigation.

A recent study regarding the integration of European and Chinese renewable energy markets (Lv and Spigarelli, 2015), reports that Europe has begun the first market for sales for Chinese global firms. Accordingly, Germany, Italy, UK, and France are considered among the world largest investors in renewable energies sectors, with Germany being the most popular destination to Chinese outward FDI (OFDI).

In order to contextualize the progress related to the green tech industry we rely on the definition of “green growth” provided by UNESCAP (2012): *Is, in general terms, economic progress that fosters environmentally sustainable, low carbon and socially inclusive development. Pursuing green growth involves outlining a path to achieving economic growth and well-being while using fewer resources and generating fewer emissions in meeting demands for food production, transport, construction and housing, and energy.*

The research enables us to draw upon primary data including an in-depth case based analysis of six European enterprises which already entered the Chinese market. The companies of our multiple-case study belong to the green tech industry, they are into green buildings, green technology, consultancy, solar energy plant developing and engineering, plumbing and heating systems². The firms will constitute our units of investigation.

Our research tries to answer the following questions:

¹ The EU funded project is POREEN – *Partnering Opportunities between Europe and China in the Renewable Energies and Environmental iNdustrries*. With its multidisciplinary approach, it gathers legal experts, engineers and economist. The aim is to investigate a number of aspects of Chinese and Europe integration in the environmental and green tech sectors. 1) “This project is funded by the European Union under the Marie Curie Action’s IRSES”. 2) “This publication does not necessarily reflect the opinion of the EU” [When relevant]. The research leading to these results has received funding from the People Programme (Marie Curie Actions) of the European Union's Seventh Framework Programme FP7/2007-2013/ under REA grant agreement n° 318908.

² There is no consensus in the definition of green, probably due to the broadness of products and services, including consultancy services in the green tech industry, next to the fact that the sector is continuously being updated following the steady development of what is green and what is not green (Eurostat 2009, Salvatelli, 2014).

1. What role does culture play in European FDI in China?
2. Which is the role of the European national identity in the investment decisions in China? Do European companies refer to a single European identity or to national identities (intra-Europe)?
3. Do European companies consider China as a whole or they speak in terms of Chinese provinces or cities (intra-China)?

A focused study regarding the green tech European FDI in the Chinese market, the role of culture and its relationship with FDI entry mode is missing in the extant literature and our contribution is aiming at filling this gap.

This paper is structured as follows. In the theoretical background section, we explain in detail the relevance of the above mentioned topics and the geographical areas we are going to analyse. In the third section, we explain the methodology. In the fourth section, we analyse and discuss findings and implications, by adopting a cultural perspective. We conclude the study with final remarks, limitations and possible directions for future research.

2 – Theoretical background

Chinese firms international expansion has been examined by different viewpoints. Among them, the analysis based on home vs. host country specific factors seems to be particularly helpful. In fact, when looking simultaneously to home and host country factor, a certain idea of distance emerges. Rugman and Chang (2008) argue that emerging market MNEs expand abroad largely on the strength of home country factors, such as access to natural resources and cheap labor. “Pull” forces, and home country “push” factors can be included in the analysis (Luo and Wang, 2012; Wei and Alon, 2010). In the case of China, international expansion is pushed by preferential policies and financial support provided by the Chinese government (Peng et al., 2008). Among push factors, some authors include the necessity to overcome domestic institutional voids (Luo and Tung, 2007; Puri, et al. 2015). Pull factors (i.e., host country specific advantages) include the level of economic development (Buckley et al., 2007; Cheng and Ma, 2008; Kolstad and Wiig, 2012; Stoian, 2013), market size, and specific endowments such as strategic assets, natural resources, or cheap labor (Buckley et al., 2007; Cheung and Qian, 2009; Kolstad and Wiig, 2012). Among host country factors, a specific attention should be paid to institutions. Host institutional CSAs include elements such as: policy liberalization; openness to inward FDI; a more entrepreneurial market based business culture (Buckley et al., 2007; Lau, 2003; Lecraw, 1977; Wells, 1983; Zhou, 2006) and, eventually, the population of the overseas Chinese diaspora; (Buckley et al., 2007; Cheung

and Qian, 2009; Quer et al., 2012). A comprehensive view of country factors, should include among measures of distance, also culture and language. Psychic distance could be consider, if minor, a push factor. In case of huge diversity, culture and language could become a CS disadvantage.

Cultural and psychic distance in international business (from now on CD and PD, respectively) are key concepts in management activities. Their meanings are strongly connected, it refers to the degree of similarities or differences perceived by companies between home and host country and it refers also to the degree of familiarity of the company with the foreign environment.

Scholars have been investigating the interrelation between language and culture for years and the Russian school is considered one of the pioneers in cultural studies; Vygotskij (1934, 1978), in particular, is considered one of the pillars in social/cultural psychology (Anolli, 2004; Mantovani, 2006; Van Dijk, 2008). Accordingly, language is the main tool that promotes thinking, develops reasoning and supports cultural activities. It plays a crucial role and is considered “the instrument of the instruments”, enabling activities with the other individuals (Vygotskij, 1978).

In the area of international business, recent studies regarding perceptions of distance and differences confirm the strong relationship between culture and language (Child, Ng and Wong, 2002; Child and Rodrigues, 2005; Child, Rodrigues and Frynas, 2009; Klossek, Linke and Nippa, 2012; Puthusserry, Child and Rodrigues, 2014). In the theory of international trade and investment, CD and PD have been largely discussed over the years, they are considered as variables affecting the entry mode, along with other determinants, such as, government regulations, competitive environment, local infrastructures (Shenkar, 2001, 2012; Ghemawat, 2001; Dow and Karunaratna, 2006; Dunning, 2009; Child, Rodrigues and Frynas, 2009; Ambos and Håkanson, 2014, Vaccarini, 2014). Scholars examined the two concepts by joining them together, comparing them with each other and analysing how they were used, finally, if they were used as a proxy for each other (e.g., Kogut and Singh, 1988; Benito and Gripsrud, 1992; Ambos and Håkanson, 2014).

The acceptance and employment of the two constructs have been questioned, as confirmed by Ambos and Håkanson’s (2014) analysis of about 300 papers, between 1975 and 2011. Results show that in the examined papers, CD and PD were studied partly as a key focus and partly as a minor focus or just cited. In this paper, we are following up studies which applied the PD to decisions about export, FDI, market entry modes, perceptions of differences between home and host country and impact on the business in the foreign country (Child, Rodrigues and Frynas, 2009; Puthusserry, Child and Rodriguez, 2015; Ambos and Håkanson, 2014).

The cultural dimension in international business applies to a series of cases, such as human resources management and business behaviour (see “human resources practices” in table 2 and 3). To define culture, we can draw upon scholars’ studies from several research areas, not only international business but also social psychology. Hofstede (1993; 1994) refers to a series of items,

such as, values, ideas, symbols, beliefs. He defines the construct as a collective mental programming. Furthermore, culture can be identified as a combination of acquired experience and values that contribute to and influence distinctive groups' behaviour and responses (Johnson and Turner, 2004), as the representatives of our case studies confirm in their feedbacks (see tables 2, 3 and 4).

3 - Methodology

For the purpose of this study we conducted an on-site collection of data in China by approaching a number of European companies which have recently entered the Chinese market. They were interviewed by us thanks to our intermediates who put us through them, such as European embassies in Beijing and other institutions that we had previously contacted. As mentioned above, the companies belong to the green tech industry, with high variety of dimensions in terms of employees and size.

3.1 Multiple case study research design

Our multiple case study research method provides a deep understanding of the dynamics we are going to analyse and particularly suits for inductive theory development, description and deduction (Yin, 2014). This paper is in compliance with the components of the case study research design, namely, questions, propositions, units of investigation (the companies), unit of analysis (role of culture in FDI), the logic linking data and propositions, and criteria for interpreting the results (Yin, 2003).

The data collection process relied on the presence of at least two team members in the fieldwork, in China, who implemented and conducted the investigation from the pre-travel to the post-travel phases (see the below sections). The process enabled to keep a more rigorous and careful data collection, thanks to the cooperation in the fieldwork, the multiple sources of evidence, the creation of a shared case study database, the maintenance and the chain of evidence in the form of notes, documents, email exchanges, tabular and narrative material. We followed a specific protocol which will be illustrated in detail in the following sections.

Case study is not a simple data collection strategy, it has a significant role as a methodology or research strategy (Yin, 2003). Some of its advantages lie in the collection of data regarding real life context phenomena, the attention to the details of the process, validity and rigour in the data along with the research protocol documents. It can be seen as a synonym of methodology trustworthiness and credibility. Other advantages are linked to the units of analysis that are chosen within a specific time and space³. Case study research suits to descriptive, qualitative, exploratory and explanatory

³ Our data collection process and analysis covered a period of time which goes from 2014 to 2015.

research designs, to the use of multiple data, and the focus on a contemporary real life context. The analysis of multiple sites increases the scope of the investigation and the possibility to generalise finding (Patton, 1990; Eisenhardt, 1989; Miles and Huberman, 1994).

Compared to a single case study, multiple case study provides a more rigorous and complete approach, as well as a variety of research sites and data sources to satisfy propositions, theory generation and validation, replication logic, within-case study analysis and cross-case study analysis and triangulation of evidence (Patton, 1990, Eisenhardt, 1989, Yin, 1994). We will accomplish a highly synergistic aim (Eisenhardt, 1988): descriptive analysis, extension of the emergent theory and combination of quantitative data from our questionnaire with qualitative evidence from Likert scale based and open-ended questions (Bourgeois and Eisenhardt, 1988). Since our unit of analysis is the role of culture in green FDI, we follow Stöttinger and Schlegelmilch' suggestion (2000) and use qualitative methodology to capture its nuances.

3.2 Data collection process

Our data collection process developed in three steps in terms of time scheduling: (1) pre-travel, (2) fieldwork and (3) post-travel. We gathered two types of data in the form of a questionnaire (quantitative) and open-ended questions (qualitative). A detailed description of our protocol follows.

The questionnaire covers three main areas, namely economics (containing a specific focus on culture), law and engineering. It enabled us to have quantitative data, in terms of numbers and figures along with qualitative data, in terms of perceptions of factors promoting or preventing the entry mode choices at firm level. We obtained 22 feedbacks and extracted the most significant questions in compliance with our research cultural perspective of analysis, by means of five-point Likert scale and “yes or no” questions. The open ended questions were formulated after the analysis of our feedbacks: (a) “what does culture mean for you?”, (b) “how would you define your company entry mode in the Chinese market (e.g., FDI, direct or indirect export, licensing, franchising, joint venture, etc.)?”, (c) “was the entry mode choice influenced by cultural, financial, technical/practical, bureaucratic, legal aspects or other aspects?”. These questions are mainly about perceptions of cultural differences and the relationship between culture and language. To raise our understanding of the role of culture in the European green tech FDI in China, we addressed the above mentioned questions to our six companies after having analysed the questionnaire data.

Phase 1: pre-travel

In the pre-travel phase we drew up a full contact list of company associations, firms and governmental organizations, national and international institutions, operating in the green tech industry and involving European and Chinese FDI. During this step, the project coordinator and the

team members established a first e-mail contact with those entities by sending out a cover letter containing our research purposes and the link to our online questionnaire.

More specifically, before our departure to China (Beijing and Shanghai, April-September 2014), we emailed European national organizations based both in Europe and in China, European embassies in Beijing and associations providing support for European small and medium enterprises in China⁴.

Phase 2: fieldwork

In the fieldwork, two members of our team arranged video calls, face to face meetings and on site company visits. All these activities, topics of the meetings and interviews were recorded in the official report addressed to the European Union⁵.

In order to have direct access to the companies without the involvement third parties we also attended international fairs that enabled us to submit further questionnaires. Furthermore, we arranged meetings with academic institutions⁶ in order to have scholars' perspectives and to keep us informed about research projects on similar topics. In this regard, economists, engineers and legal members of our team, made up of sixty researchers, took part in international conferences concerning Europe and China in international business and management research areas⁷.

The fieldwork activities enabled us to have a more comprehensive view of the current dynamics and scenario in our target country since the research project stakeholders do not only involve academicians, but also practitioners and policy makers, being the purpose to understand and identify the role of the cultural factor in terms of business partnering opportunities - and challenges - for both European and Chinese firms.

Phase 3: post-travel

The post-travel step consisted in a preliminary analysis of the data collected on-site and of the open ended questions regarding the meaning of culture and the entry mode choice.

4 – Analysis and discussion

The main details of the companies are showed in table 1. For confidentiality purposes, we will name each company with a letter (from A to F) to refer to them throughout the analysis and discussion.

⁴ European Chamber of Commerce, Handelskammer Deutschland – The German Chamber Network, GIZ – Deutsche Gesellschaft für die Internationale Zusammenarbeit – the German government association for international cooperation, EU SME Center and Helpdesk China, etc.

⁵ The records account for 396 pages of material and a mean of 100-150 email exchanges with each respondent.

⁶ For example, Euraxess Link China, Institute of Energy, Environment and Economy, Tsinghua University).

⁷ They are affiliated to the Department of political sciences, communication and international relations and Department of economics and law, among others.

4.1 Company profiles

Following Gersick (1988) and Pettigrew's approach (1990) we are going to illustrate each company profile, which is central to the generation of insights and propositions.

Table 1. Company profiles (2014)

	Beijing Boon Edam Entrance Technology Co., Ltd.	Exprivia IT Solutions (Shanghai) Co., Ltd.	ISG Heating Equipment Co., Ltd.	Hamon Thermal (Tianjin) Co., Ltd.	Solarig Holding S.L.	Alstom Grid China Technology Center Co., Ltd.
Year of establishment	2001	2014	2013	2009	2006	2009
Respondents' position and nationality	Ambassador, Dutch	CEO, Italy	General Manager, Turkish	Sales and Projects Manager (China), Belgian	Asia Executive Director, Spanish	General Manager, Chinese
FDI entry mode	Joint venture	Merger & acquisition	WOFE	Branch	Joint venture	WOFE
Turnover in China (USD)	48,000,000	113,000	3,800,000	90,000,000	74,000,000	N/A ⁱ
Core business	Manuf. revolving doors	Service: consultancy, service, information and communication	Manuf. heating business	Manuf. and services: turnkey projects, engineering	Manuf. and service: energy plant developer, engineering and operation	R&D: applied research, product development, engineering support
Headquarter location	Netherlands	Italy	United Kingdom	Belgium	Spain	France
Chinese location	Beijing	Shanghai	Shanghai	Beijing	Beijing	Shanghai
N. of Chinese speaking employees in China	427	19	2	120	1	120

Source: own elaboration

4.2 Within and cross case analysis

Since we have both qualitative and quantitative data at our disposal we opted for dividing this section into two parts, the first regarding the qualitative data and the second one regarding the quantitative data.

Part 1: open ended questions and critical discourse analysis (CDA) approach.

This part analyzes and discusses qualitative data. We are referring to the open ended questions on culture. The analysis was conducted by adopting a CDA (Fairclough, 1992; Wodak and Meyer,

2001) approach, which consisted in examining the language, the most recurring pieces of information, topics and expressions provided by our respondents. Afterwards, we gathered them under several categories of abstraction (Ahonen, Tienari and Vaara, 2011).

We focused on two levels of analysis, textual and socio-cultural. CDA was developed in response to the earlier and narrow approaches on the micro-linguistic aspect of discourse and which neglected its more macro social aspects. Its origins can be found in Facault’s studies on power (Sinclair and Coulthard, 1975; Potter and Wetherell, 1987, Fairclough, 1993). In this way, we connected the textual elements with the socio-cultural dynamics (Dreyfus and Rabinow, 1982). The idea behind is that socio-cultural structures become manifest through discourse and social practices, hence our approach is a theoretical and methodological attempt to combine two levels: textual production and socio-cultural structures.

The aim was to identify our respondents’ implicit values and meanings and therefore illustrate the key issues regarding culture in international business contexts. The analysis is based on Van Dijk’s approach (2000), whose purpose is to comprehend how ideologies and, in turn, values, affect texts and discourses and how they help to reproduce ideologies and values in society. Ideology is defined as a set of values and norms that are shared by a social group, with the aim to implement the socio-cultural practices of that group in order to reach the planned objectives. Since the concepts of ideology and value are strongly connected we opted to apply CDA to identify shared values rather than ideologies in the texts.

This qualitative data analysis, jointly with the analysis of quantitative data extracted from our questionnaire, provides a triangulation regarding our unit of analysis – the role of culture in Europe-China green FDI.

Table 2. Most recurrent words and expressions (textual elements) referred to the meaning of culture

Company	Quoted textual elements	Categorization
A	<i>It depends on the characteristic of the group, of the people in the organization. It depends on the country, political environment. It covers many areas: behaviour, customs, religion, food, all kind of things, arts, philosophy.</i> <i>How to manage employees</i> <i>How to communicate with employees from different countries</i> <i>How to select and hire people</i>	National identity Human resources practices
B	<i>A way of thinking and how you see or looks at things or at situations and the say you resolve or take decisions</i> <i>Language, translation</i> <i>Politics, business, social, relations, religion</i> <i>China’s thought has been developing for more than four – plus thousand years</i>	Business behaviour National identity National identity
C	<i>Culture is a heritage from the past for a community. It is transmitted from a generation to another and so on along time</i>	Shared culture

D	<i>Culture is a common way of thinking of a group of people it will be affected by the history they share in a remote or recent past. Big achievements and natural or manmade disasters will be part of it too. Besides, the education system and doctrines they have faced will shape their culture</i>	Shared culture
E	<i>Local habits and customs</i>	Shared culture
F	<i>The cultural aspect has several dimensions.</i> <i>Different kind of cultures: product and production culture or quality, internationalization culture, strategic culture</i> <i>Difficulties in the internationalization process, if not due to the size of the company, in terms of dimension and investment capabilities, are due to cultural issues, namely to the definition of culture (set of intellectual cognition skills acquired through studying and experience)</i> <i>Knowledge, openness, experience, previous success</i>	Business behaviour

Source: own elaboration

Table 3. “Chinese-culture bound” and “localization” textual elements

Company	Quoted textual elements	Categorization
A	<i>Hiring local people</i> <i>Having local colleagues</i>	Human resources practices
B	<i>China’s culture is very far apart from our Greco-Judeo-Christian culture way of thinking – also language, which is not Indo-European language</i> <i>So in this culture the concepts are also different for instance, it’s not the same the concept “Politics ”-coming as you know from Greece, and “Politics” in Chinese language the semantics’ translation is completely different.</i>	National identity, shared culture/language National identity, shared culture/language
E	<i>Culture is one of the key points of success</i> <i>In China culture is an extra dimension</i> <i>Chinese are proud people and they have respect for the culture and will always handle in this way especially in business with foreigners. This give them a comfortable feeling</i> <i>The numbers 8 and 9 means good luck and good life, next to the fact that they are used in feng shui, especially in the South of China. And also a small Buddha in the office can mean a lot, but we Westerners, we never think about it.</i>	National identity National identity National identity National identity, business behaviour, shared culture
F	<i>Attention to diverse values, models of behaviour, awareness of the cultural gap and different business and management practices</i> <i>Open issues regarding China:</i> <ol style="list-style-type: none">1. <i>Protection of intellectual property</i>2. <i>Finding reliable business partners</i>3. <i>Cultural gap and different management style</i>4. <i>Capacity to receive and benefit from Technology Transfer</i>5. <i>Financing opportunities for innovative ventures</i>6. <i>RandD institutions not fully open or prepared to cooperate with firms</i>7. <i>Clear policy direction information in specific high-tech sectors</i> <i>Italian companies in China have always focused on the culture and/or quality of the product and of production. They exploited the national brand image, marketing strategies and international as well as distribution channels.</i>	Business behaviour National identity National identity

Source: own elaboration

Table 4. Culture bound textual elements applied to international business

Company	Quoted textual elements	Categorization
A	<i>In doing business in different countries cultural differences play an important role, especially regarding how to manage employees, how to communicate.</i>	Human resources practices
F	<i>In international projects and relations we refer to culture as knowledge of (or attention to) cultural differences related to the target markets</i>	Cognitive knowledge
	<i>The controversial issues of knowledge, openness, attention to diverse values, models of behaviour emerge when approaching new international markets</i>	Cognitive knowledge
	<i>A recurring problem is referred to those companies which act on the basis of their previous successful experience and regardless the market they are going to approach. In other words they approach the foreign markets by applying almost indistinctively their standard model</i>	Business behaviour

Source: own elaboration

CDA enabled us to analyze the sub-elements contained in the concept of culture according to our respondents. Results show three main areas, namely (1) a general meaning of culture, (2) the cultural meaning applied to the Chinese environment, which can be identified as a target market oriented meaning, and (3) the meaning of culture referred to the international business behaviour. First of all, our respondents provided their general idea of culture, secondly they expressed the relevant issues regarding the role of cultural, especially in China, and thirdly, they specifically applied their meaning and knowledge to the business scenario.

Each table illustrates the highlights of the open ended questions. In table 2, the most recurrent categories include history, in terms of previous experiences. We could have expected replies including values or behaviour rather than history, however they can be considered as intrinsically included along with the language factor. We gathered them under the category “national identity”, which appears to be the most recurrent. In table 3, specific aspects regarding the Chinese market emerge and prove a the degree of attention to the target, in terms of “cognitive knowledge” and “shared culture/language”. As a matter of fact, company B reports some detailed examples: *I have multiples examples, in politics, business, social relations, so not be surprise to hear these situations and all kind of things from the travellers and businessman/businesswomen or politicians where they spend hours and hours talking with the Chinese and when they go back home to Europe all the problems start coming out because each part understood differently.*

On the one hand, the emphasis on information about China shows the relevance of the local aspect, the attention and orientation to the target market, their understanding and awareness of the crucial role played by culture in doing business in China (“business behaviour”, “national identity”,

“shared culture”). The bullet points illustrate the peculiar issues related to the Chinese-market (e.g., intellectual property), showing the local-context oriented approach (i.e., contextual intelligence). Another example is provided in table 2, where the knowledge of the foreign market in terms of experience plays an essential role (“business behaviour”). On the other hand, attention to the characteristics of the country of origin emerged, especially regarding attitudes, such as the comparison between Italian and Dutch companies’ attitude that shows an intra-Europe sensitiveness rather than a mere generalisation of the whole European entity (“national identity”).

To be culturally successful in the target country it is necessary to integrate knowledge and awareness of the cultural differences between source and target market (“cognitive knowledge”), not only at national, therefore, general level but also at local and firm level (e.g., location or area of the company, management and business practices, composition of the company team and company culture). Moreover, choices should not be made relying 100% on previous success or achievements, but by tailoring the firm’s model, organization, values and practices to the new target (i.e., target oriented sensitiveness, cultural sensitivity).

To sum up, we can recall the concepts developed by international business scholars over the years, such as, “cultural competence”, “cultural knowledge”, “cultural sensitivity”, “cultural intelligence”, “contextual intelligence”, which are considered as key ingredients to fill the gap between home and host country (Thompson, 2002; Earley, 2002; Earley and Ang 2003; Earley and Mosakowski 2004; Johnson *et al*, 2006; Khanna, 2014). Cultural intelligence, for example, reflects a person's capability to adapt when s/he interacts with others from different cultural regions. It is about how to learn and implement cognitive skills that allow to function effectively in a new culture, the motivational boost to adapt to a different cultural environment and the ability to engage in adaptive behaviours (Earley and Ang, 2003). Along with Gertsen’s “cultural competence” (1990) the literature offer other examples, in terms of competences, such as “global” and “transnational” competence (Adler and Bartholomew, 1992; Adler, Graham and Schwarz Gherke 1987). Results show that each respondent has his own idea of culture and its role in determining the approach to their target, both in the pre-entry and in the post-entry phase. Our respondents confirmed how much international business choices and processes are affected by culture and that their awareness and sensitiveness enables them to adopt a proactive attitude in overcoming culture related issues in business contexts.

Part 2: data extracted from the questionnaire

The questionnaire⁸ which was submitted to our respondents is based on about 100 questions each. We extracted those ones which deal with cultural differences and PD, as follows:

⁸ The complete questionnaire is available online: <http://poll.econ.univpm.it/index.php?sid=56367&lang=en>.

Table 5. Relevant questions about our unit of analysis – the role of culture

Questions	Reply items	Outcomes
2.3.3 Reason for choosing a specific Province within China?	<ul style="list-style-type: none"> • Access to local market • presence of a local business partner • Availability/acquisition of key technologies and brands • Availability of skilled labour • Low labour cost • Tax regime/free tax zone/technology parks/special economic zone • Incentives and supportive policies • Logistical reasons • Cultural and language factors <p>(Grade from 1 to 5, where 1 means not relevant, 5 means very important)</p>	Results show that the role of culture and language is not considered important when choosing a certain location in China in terms of province. We are referring to the pre-entry period.
2.13 Did you encounter any of the following non-regulatory obstacles (operating, market and infrastructure difficulties) when investing in China?	<ul style="list-style-type: none"> • Cultural differences • Unfamiliarity of Chinese employees with Western style management • Hiring and maintaining local people • Managing local employees • Cost of personnel and other resources • Currency risk • Problems understanding the Chinese environment/market • General negative perception of European investment • Lack of suitable schooling facilities for children • Lack of expatriate community • Lack of awareness of the importance of environmental protection <p>(Grade from 1 to 5, where 1 means not relevant, 5 means very important)</p>	Cultural differences are key barriers to investments in China in terms of non-regulatory obstacles. Unfamiliarity of Chinese employees with western style management follows.
2.19 How important is the knowledge of the Chinese culture when investing in China?	1 2 3 4 5	Outcomes show the preponderance of the cultural dimension over the language factor when investing in China. We refer to the pre-entry period.
2.20 How important is the knowledge of the Chinese language when investing in China?	(Grade from 1 to 5, where 1 means not relevant, 5 means very important)	
2.21 Do you have Chinese speaking employees in your Chinese firm?	Yes/no	Two out of 22 companies only do not rely on Chinese speaking employees in their Chinese firms (local workforce) ⁹
2.22 Please indicate the number of Chinese speaking employees in your Chinese firm.	(see Table n. 3 “Companies”)	
3.1 Evaluate the following features, in terms of the degree of difference between home country and target country.	<ul style="list-style-type: none"> • Geographical distance • Culture • Language • Level of education • level of technological development • Level of economic development • Logistics infrastructure • Political system • Legal system • Regulations • Accepted business practices • Business ethics <p>(Using a scale of 1 to 5, where: 1 = “no real difference” / “does not impact on my business at all” 5 = “very great difference” / “impacts on my business very much”)</p>	Rather than culture, language appears to be the most important driver when managing investments in China in the post-entry period.
3.2 Evaluate the following features, in terms of to what extent they impact on your business in the target country.		

Source: own elaboration (3.1 and 3.2 questions are drawn up from Child *et al.*'s model, 2009)

⁹ Question 2.22 enables us to identify the size of our companies and the position and roles covered by the Chinese speaking employees in 20 out of 22 European companies investing in China. Despite the fact that this multiple case study include 6 companies, our sample is an attempt to include a variety of company types in terms of size, core business, Chinese and headquarter location.

When it is about choosing a location in China, in the pre-entry period, results show that European companies do not consider culture as a major obstacle (2.3.3.). In this context, access to local market, the presence of local business partners, logistical reasons and local connections are ranked among the most important drivers.

Conversely, the cultural role is key to European investors in terms of non-regulatory issues, regardless of the pre or post-entry phase. The “cultural differences” item is followed by “unfamiliarity of Chinese employees with western style management”, which can be considered very close to the perceptions of distance and differences in question 2.13. The relevance of culture is further confirmed by questions 3.1 and 3.2, which is basically about non-regulatory items of question 2.13 and cultural aspects. 3.1 and 3.2 questions are extracted by Child *et al.*'s paper (2009), whose main focus is to analyze PD perceptions in international business contexts. Firstly, respondents were asked to indicate the difference that they perceive¹⁰ between source and target country in relation with the 12 listed items (3.1). Secondly, they were asked to what extent each item affects their business in the target country (3.2).

Moving on questions 2.19 and 2.20 regarding investments in China in terms of culture and language, the role of culture resulted to be the most important between the two in the pre-entry period. Furthermore, the majority of the companies rely on Chinese speaking employees in their business unit in China (2.21, 2.22).

Culture is ranked second among the 12-item list, both in question 3.1 and 3.2. Here, the third most relevant factor, both in terms of differences (3.1) and impact (3.2) resulted to be geographical distance, followed by technological development. Our respondents gave secondary importance to political system, business practices and business ethics, which are ranked right after culture, language and geographical distance (3.1). Whereas the most relevant items after the language, geographical and cultural factors are technological development and business ethics (3.2).

Some results report the relevance of language over culture, whose reason can be found in the literature, especially in the social psychology research area (Vygotskij, 1934, 1978; Hofstede, 1993, 1994; Mantovani, 2006). Culture can be considered an umbrella term including several dimensions whose boundaries cannot be clearly identified. Such features are confirmed both in our questionnaire items and in the feedback regarding the open ended questions. In the questionnaire we can find language, geographical distance, business practices (3.1), unfamiliarity of Chinese employees, the management of local employees, problems in understanding the Chinese environment/market, finally general negative perception of European investment (2.13). While in the other replies we can rely on tables 2, 3, and 4, which reveal how the cultural concept is described through a series of dimensions and items, whose boundaries can be hardly defined.

¹⁰ On a Likert scale based on 5 points.

4.3 Culture, language and identity

Findings and literature show that cultural items contribute to define the concept of identity (Mantovani, 2004, Brannen and Thomas, 2010). Jimenéz *et al.* (2004) also confirm that in the case of national identities, common culture, customs and traditions, common language, common ancestry and common history and destiny are related to the “cultural” conception of identity. In table 2, 3, and 4 we can see how our respondents confirm the correlation between culture, language and identity (in particular, company B - “business behaviour”, “shared culture/language”, “national identity”). The ethno-cultural components of national identification include common culture, customs and traditions along with shared language and history. Our respondents added achievements and behaviour to the list. In other words, the relationship between language and culture is mirrored in the national identification.

As about Europe, a dualism emerges as far as national identification is concerned: on the one hand, common civilization and the shared membership bring member states together, on the other hand, language and culture bring them apart. Language and culture affect the national identification: the more important they are, the higher it is. Both language and culture are considered among the five most important items for national identification (Table 3, companies: B and F; Table 4, company F - “cognitive knowledge”, “shared culture/language”) (Jiménez *et al.* 2004; Eurobarometer surveys, 2015). This leads to the following proposition regarding the perception of source and target market:

In the pre-entry period European investors seem to have a higher awareness of different European national cultures - and differences - than an awareness of the different cultures in Chinese provinces.

As far as the source market is concerned, European investors perceive their own national identities and keep their intra-Europe awareness in international business contexts. Conversely, as about target market, they may not be deeply aware of intra-China differences as much as they do toward Europe. As a matter of fact, question 2.3.3 and the feedbacks illustrated in Table 2, 3, and 4 confirm what mentioned above. Intra-China differences seem to be acquired in the post-entry period. It is necessary to point out that while Europe is featured by a series of different languages, cultures and countries, Chinese language roots are almost the same throughout the country. Cultural dynamics are considered as determiners of linguistic structure. Furthermore, the linguistic forms are inherited from one’s own culture (“shared culture/language”) (Hurford, 1989).

Cultural and language features are quite close to the notion of European identity. Carroll and Fennema (2002) emphasize that business communities are usually organized along national lines, highlighting the importance of the nation-state and the sense of national identity among

international business communities, despite the current globalized world. “National identity” is a part of the broader European identity, in the case of Europe. As about perceptions, these two identities – national and European - can co-exist within the same individual.

In other words, the concept of identity is related not only to culture but also to that part of culture that is denoted as language. In turn, all these elements are connected with European culture and history, leading to an intertwined concept of national and European identity. The advantage of a globalised world is that while growing more global by adopting global business expertise and practice, international businessmen are becoming more aware of their national peculiarities and cultural traits (Trompenaars and Hampden-Turner, 1997; Gladkikh and Mabey, 2012).

The following proposition refer to location choices before entering the market:

When choosing a specific location in the Chinese market, in the pre-entry phase, European investors do not consider the cultural perspective.

Cultural and language factors are second to such drivers as access to local market, presence of a local business partner, logistical reasons, local connections and availability of skilled labour (2.13). This may lead to the following consideration: before entering the market, European investors have a general perception of China as a whole whereas in the post-entry period, they interface locally and acquire a deeper intra-China awareness. Table 3 (companies: A and E) and table 4 (companies: A and F) confirm their post-entry perception of China, for example, after gaining experience in the foreign environment they possess a good command in “human resources practices”. European companies do not seem to take into account the local perspective, they seem to look at China as a homogeneous entity with non relevant intra-country differences before entering the market.

As regards regulatory and non-regulatory issues, the following proposition emerges:

Culture has a more relevant role in the post-entry phase, in dealing with non-regulatory rather than regulatory obstacles

where, according to our questionnaire, regulatory obstacles involve issues, such as, the legal system; labour and company law; tax regulations and accounting; intellectual propriety; licenses, administrative and regulatory approvals at provincial and national level; etc. Whereas, “non-regulatory” refer mostly to operations, such as hiring and maintaining local people; managing local employees; cost of personnel and other resources (table 2, 3 and 4 - “human resources practices”); currency risk; problems understanding the Chinese environment/market and general negative perception of European investment (table 2, 3 and 4 - “national identity” and “business behaviour”).

5 - Conclusion

This paper aimed at analysing the role of culture in European green tech FDI in China through a multiple case study design. By adopting an international business perspective, culture along with language are major determinants in specific cases. Relevant outcomes show that when investing in China, European enterprises are more aware of cultural differences within China in the post-entry rather than in the pre-entry period. This suggest that we should refer to “cultural experience”, in terms of presence of the company over time in the foreign environment, rather than referring to cultural differences at national level.

The analytical generalisation out of our multiple case study is limited to a specific industry and to specific home and target economic contexts. Therefore, testing the propositions of this study in a wider population of enterprises, other industries and areas could be a recommendation for future research.

6 - References

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