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SCHOOL OF ECONOMICS AND BUSINESS

MASTER'S THESIS

**THE IMPACT OF CULTURE ON THE INTERNATIONALIZATION
OF SLOVENIAN COMPANIES TO THE CHINESE MARKET**

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AUTHORSHIP STATEMENT

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INTRODUCTION

We live in a globalised world, where international trade and international business have a huge importance. China and the European Union are important economic partners. China is the second biggest economy in the world, with more than 1.4 billion people, and represents Europe's second most important business and trading partner. China joined the World Trade Organisation (WTO) in 2001 and has increased its trading partly due to liberating and reforming parts of its economy. As the world's biggest exporter, it plays a crucial part not only in world economics, but it is also a major political power. As a member of the WTO, China should conform to fair trade practices, respect intellectual property rights, and meet its obligations (European Commission, 2022). Due to Europe's open market, the EU is China's biggest trading partner. A market so big represents a huge opportunity as well as a customer base for many international companies that chose to enter the Chinese market.

In the year 2021, the EU had a trade deficit with China of € 249 billion. EU has its trade deficit in chemicals (€ 1.6 billion), other manufactured goods (€ 120.0 billion) and machinery & vehicles (€ 147.3 billion), and trade surpluses in food & drink (€ 10.4 billion), raw materials (€ 7.3 billion), other goods (€ 1.9 billion) and energy (€ 0.4 billion). 86% of exports from the EU to China are manufactured goods, while 12% are primary goods. The manufactured goods exports are mostly machinery & vehicles (52 %), followed by other manufactured goods (20 %) and chemicals (15 %). The biggest share of imports from China to the EU are also machinery & vehicles (56 %), followed by other manufactured goods (35 %) and chemicals (7 %). In 2021, Slovenia imported 5.871 million EUR worth of goods, while it exported 448 million EUR worth of goods to China (Eurostat, 2022).

When doing business across borders, the awareness of cultural differences is the key factor to success. Culture is viewed as a set of values that are shared in a given social group and distinguish this group from others (Schwartz, 2014). Understanding China's culture and its cultural differences compared to Europe are crucial when doing business. Culture has been identified as a key environmental characteristic underlying systematic differences in behaviour (Markus & Kitayama, 1991). Hofstede said, "The business of international business is culture" (Hofstede, 1999). Failing to understand China's cultural differences can have a negative impact on business. "A review of the IB literature, as well as our experience in working with managers in multinational organizations, suggests that there are very few instances where culture does not matter at all" (Leung, Bhagat, Buchan, Erez & Gibson, 2005). Cross-national joint ventures have been reported to suffer from communication, cooperation, commitment, and conflict resolution problems caused by partners' values and behavior differences, which in turn cause interaction problems that adversely influence joint venture performance (Pothukuchi, 2002). Not being sensitive to culture when internationalizing can have negative consequences. Greater cross-cultural differences translate into higher marketing adaptation costs and can lead to expat failure (Doole & Lowe, 2008). Failure of firms can also occur due to a lack of cross-cultural competencies (CC) –

the ability of individuals to function effectively in another culture (Johnson & Lenartowicz, 2006). It is crucial for a manager to have cross-cultural competencies before entering a global market, because a major factor of failure is the inability of understanding the local culture, rather than the problems in technical aspects of their job. Successful managers in domestic markets, may struggle and face failure when entering a global market when they are facing cultural differences, because of their low level of CC. Felbermayr and Toubal (2010) demonstrated that cultural distance can lead to informal trade costs in the case of complex differentiated goods that require more complex contracts and are harder to sell, rather than homogeneous goods. According to the empirical research of Tadesse and White (2010) about OECD countries, a one percent increase in cultural distance between the countries leads to a decrease of imports from the respective trading partner by 0.78 %, *ceteris paribus*.

Regardless of cultural differences, successful examples of international business between Slovenia and China can be found. Company Outfit 7 is one of the main examples of Slovenian-Chinese takeovers in the past decade. The Slovenian video game developer has been acquired in 2017 by Chinese chemical firm Zhejiang Jinke Entertainment Culture for around one billion dollars, making it the highest-value acquisition of a Slovenian company. As a result of the acquisition, China became one of the company's most important markets. Furthermore, it helped the company to make a good relationship with important app stores (Handrahan, 2018). Another example of a Chinese takeover is Gorenje, a Slovenian white goods manufacturer, which was acquired in 2018 with a 95.42 % stake by China's Hisense Group. Since the acquisition, the company has entered China's high-end consumer market under a newly adapted Chinese name Gu Luo Ni (Pavlova, 2020). Third, TAM-Dura Bus is a Slovenian company whose financial investor and majority owner is CHTC Groupand. Chinese owner provides capital investment to the TAM-Dura Bus, as well as good knowledge of the Chinese market and business connections.

To deeply understand Chinese culture, we can analyze different cultural models. In order to measure the framework of national culture and cross-cultural communication, Hofstede's model of cultural dimensions (Hofstede, 1999) is most frequently used. The main dimensions in his model include power distance, individualism vs. collectivism, uncertainty avoidance, masculinity vs. femininity, long-term vs. short-term orientation, and indulgence vs. restraint. Using this framework can give us an insight into how the cultures in Slovenia and China might differ. The purpose of this thesis is to gain a comprehensive and in-depth understanding of the cultural differences between China and Slovenia and how they are affecting the internationalization of Slovenian companies in China. The results will help managers get a better understanding of Chinese culture and its differences in comparison to Slovenian culture, which is crucial to improve their business in China.

My research goals are:

- To research existing secondary data on the economy, politics and culture of China.

- To explain the difference between Chinese and Slovenian culture, using Hofstede's national framework.
- To research what is the impact of these differences on the internationalization of Slovenian companies to the Chinese market by analyzing the experiences of two Slovenian managers doing business with China.
- To examine whether the difficulties faced by Slovenian managers correspond to the expectations of Hofstede's model.
- To provide recommendations for managers that wish to enter the Chinese market.

To answer the research questions, both primary and secondary data were used. Secondary data was used in the theoretical part of my thesis. The aim is to present the Chinese economy and culture to point out its differences and similarities with Slovenian culture. Data was gathered from scientific, popular, and official types of sources and relied on publications of economic organizations, university papers, reports, and books.

The empirical part of the thesis relies on primary data, which was collected through qualitative research. The Hofstede model was used as a theoretical framework for two semi-structured in-depth interviews. Interviews were done with two individuals, a manager and former CEO of Slovenian companies that entered and are successfully doing business in the Chinese market. The first individual interviewed is Ivo Boscarol, the founder of Pipistrel, and the second manager interviewed is Severin Lorenčič, the internationalization manager of Just a Corpse. The interviews helped us understand the effects of culture when using different models of internationalization to enter the Chinese market. Interviews were done on Zoom and will be analyzed with thematic analysis.

The thesis is organized as follows. In the first two chapters, I provide information on culture and international business. In order to get a deep understanding of culture definitions of culture, culture in International Business, common failures, and measurements of culture are provided. The second chapter focuses on international Business between China and Slovenia and provides information on the economy and trade of both mentioned countries, as well as the culture of the countries and Hofstede's analysis between them and the main Slovenian companies doing business with China. In the third chapter, the methodology is presented with a research framework, data collection, and sample description. The last chapter is the analysis where the results of the interviews, implications of the findings, limitations of the study, suggestions for further research, and recommendations for managers are provided.

1 THE IMPORTANCE OF CULTURE IN INTERNATIONAL BUSINESS

1.1 Definitions of Culture

Culture is a complex term to define, there are several known definitions. Even though vast research has been done in the field of culture, there is still no universally accepted definition. According to Hofstede, culture is the programming of the human mind by which one group of people distinguishes itself from another group. He defined culture as “the system of shared values, rules, norms and institutions, most of them unwritten, socially transmitted, regulating the social life of groups” (Hofstede, 2018).

Culture transfers itself from an individual to an individual through observation, imitation, punishment, and reward and it is developed from a combination of sociological, biological, and psychological factors. Culture has visible parts like rituals, symbols, and manifestations and invisible parts like values (Hofstede, 2018). Symbols present a choice of language, objects, gestures, or imagery that can only be understood by individuals who share the same culture and contains specific meaning. (Hofstede, 2018). Symbols can also be reflected in the way people dress or do their hairstyle which can present an individual’s social status. Furthermore, symbols are the most superficial or cosmetic layer of culture and do not have a deep lasting manifestation.

Edward Tylor (1974) defined culture as “the complex whole, which includes knowledge, belief, art, morals, law, custom and any other capabilities and habits acquired by a man as a member of society”, he also stated that the culture is learned – it is not biological, and shared – it is acquired in a part of a group. Every society has its own culture, and it is shared over generations. (Tylor, 1974, p.1). Culture has also been identified as a key environmental characteristic underlying systematic differences in behavior (Markus & Kitayama, 1991). Schein (1990) defines culture in managerial terms as how people feel about the organization, the authority system, and the degree of employee involvement and commitment”, he added that culture can be viewed as a widely held, shared set of values, beliefs, and ideas. Keesing in 1974 stated that culture refers to society and its way of life. It is defined as a set of values and beliefs or a cluster of learned able as well as livable.

One of the important factors of national culture that influence the workplace is the distribution of decision-making power. The hierarchy of an organization is in the shape of a pyramid, and it shows the distribution of power inside an organization. The higher an individual inside an organization is, the more responsibilities he or she has, and normally is rewarded with a higher salary. The hierarchy within an organization also influences the communication between employees on different levels of the hierarchy.

We can see culture from an organizational point of view or in other words organizational culture. Nations and organizations present two different levels of aggregation (Hofstede,

2001). The company is a small society or a system that bonds people together (Simon & Bakke, 1952). For employees that have been employed long, culture in organizations represents a part of second nature to them. Organizational culture is more precise to measure because, in contrast with nations, organizations have clear requirements and objectives. Organizational culture is defined as the shared values, beliefs, or perceptions held by employees within an organization or organizational unit (Robbins & Coulter, 2018). Organizational culture can be changed and influenced faster than national culture.

Being a part of an organization is often voluntary and partial while being a part of a nation is mostly given by birth. Cultural differences between organizational employees can either enrich the workplace or make it difficult. The differences can lead to conflicts between employees and decrease productivity. Stereotypes and not knowing different traditions in cultures can lead to the inability for employees to work as team or form relations with potential customers in foreign markets. (Rav, 2019).

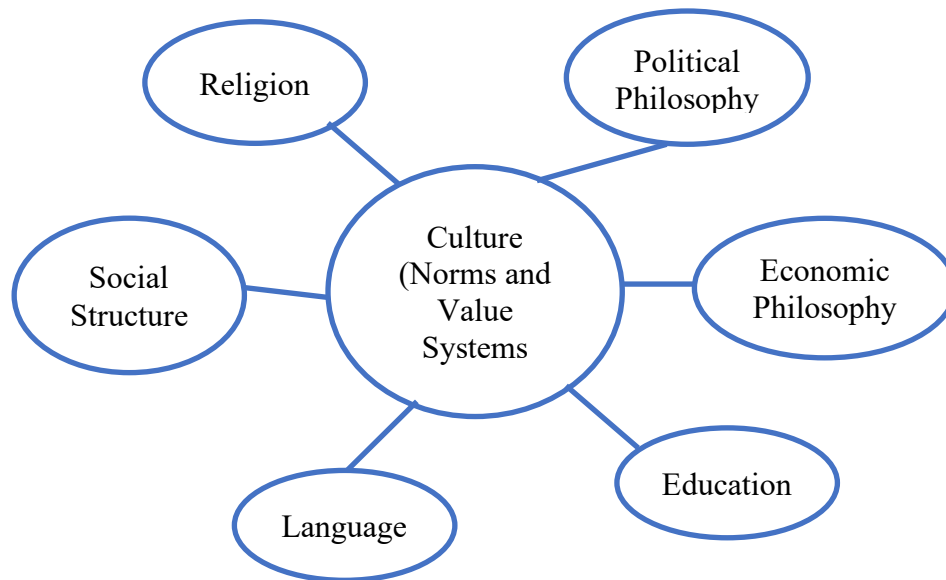
The difference and distance of organizational cultures in different companies can affect and make the business between them difficult and challenging. The organizational culture is often more important than the company's strategy and it is the core of any successful business. We need to also differentiate between organizational culture and organizational climate because there are differences between these two, even though the concepts are very similar. (Ashkanasy, Wilderom & Peterson, 2000).

There are several typologies of organizational culture described by authors. Deal and Kennedy described organizational culture on two main criteria. The first one is the measurement of business risk, the second is the speed of feedback from the market. Based on these criteria, the authors have distinguished four types of culture: business culture, speculative culture, process culture, and system culture. (Ivanko & Stare, 2007, p. 105).

Cameron and Quinn (2006) described organizational culture based on the Competitive Values Framework. The mentioned model describes four types of organizational culture, clan, adhocracy, hierarchy, and market. Clan type is inward-looking and flexible, it values teamwork and collaboration. Adhocracy type is outward-looking, flexible, risk-taking, and innovative. Hierarchy is inward-looking, and control focused. Market is focused on outcome, action driven and very market achievement oriented.

Over time, the definition of culture has developed and changed, especially in the field of anthropology. Pieterse in 2020 stated that culture refers to what one learns, as a member of society, and by society means people and nation (p 12.). Culture influences managerial values through languages, economy, religion, policies, social institutions, class, values, status, attitudes, manners, customs, material items, and education (Kanungo, 2006). The figure 1 below can be seen.

Figure 1: Determinants of culture



Source: Hill (2000).

Understanding culture and its impact on an individual can lead to a better perception of his or her behaviors and even enables us to predict his or her future behavior. That knowledge can be used in business. Cultural intelligence is defined as “a person’s capability for successful adaptation to new cultural settings, that is, for unfamiliar settings attributable to cultural context” (Early, Ang, 2003, p. 9).

Cultural differences mean that people around the world have different cultural characteristics. Human behavior can be influenced by education, social status, religion, personality, past experiences, and more. It is also important to understand cultural traditions. When studying cross-cultural differences, we need to take into account the comparison of different ethnical groups, not only individuals (Billikopf, 2009).

It is important to define values as well, as culture is influenced by them. Value is a conception - explicit or implicit, distinctive of an individual or a group - of the desirable that influences the selection from available modes, means, and ends of actions. (Kluckhohn, 1951). Values are invisible until they can be noticed in behavior, however, manifests itself also in visible elements (Hofstede, 2001, p. 5–89.). Values are emotions that often consist of opposite ends like what is good and bad, rational versus irrational, and so on. Values are an invisible part of a culture and are one of the earliest things that a child is taught subconsciously. Because of that people are often not aware of their values and cannot easily

change them. These values only show under specific circumstances or in the way individuals unconsciously react (Hofstede, 2018).

1.2 The Importance of Culture in IB

With increasing globalization in the last decades, international business is increasing. Globalization describes a more integrated and interdependent world economy (Hill, 2000, p. 5–6). There are two parts of globalization according to Hill, one is a globalization of the markets where markets of nations that have been closed before open into a global marketplace, the other part of globalization is a globalization of production, where companies are using cost and qualitative advantages with moving their sources and internal capabilities across the world. One of the consequences of globalization is the rapid increase in several expatriates and the movement of workers abroad. (UNCTAD, 2021).

In this globalized world, culture plays an important role in international business. International business is defined as the trade of goods, services, technology, capital, and/or knowledge across national borders and at a global or transnational level (Perker, 2020). From a cultural point of view, international business is performing business practices across country borders and cultural borders to fulfill the needs of consumers and organizations (Adamczyk, 2017). Culture has been one of the most enduring components of international business and international management (Caprar, Devinney, Caligiuri & Kirkman, 2015). Culture has been positioned as an antecedent, moderator, and mediator of strategic choices from entry form and mode, patterns of international expansion, cross-border knowledge transfer, joint venture performance, entrepreneurship, and multinational enterprise corporate social responsibility, as well as leadership style, expatriate placement success, and a host of other individual-level outcomes (Caprar, Devinney, Caligiuri & Kirkman, 2015).

One of the consequences of globalization is the contact between cultures. Two aspects can be mentioned here. One is cross-cultural competences and the other is cross-culture communication. Cross-cultural competences can be understood as the ability to comprehend people coming from other cultures, the ability to work with them and the ability to stay the cross-cultural contact. Cross-cultural communication is social process happening in when different cultures come in contact (Adamczyk, 2017). Having poor CCC might result in inefficient management of foreign mergers or accusations, poorly executed partnerships abroad and poor understanding of local socio-cultural climate (Johnson, Lenartowicz & Apud, 2006). Most in the studies done in these field confirm that for international manager to operate efficiently, it is vital to have an understanding of how differences in cultures could affect business in indirect and measurable ways. (Hofstede, 2001)

Culture influences the decisions that we make so it strongly influences the way we do business. When doing business across borders, the awareness of cultural differences is the key factor to success. Understanding that countries have different cultures and that we need to adapt ourselves and the way business is done can have a positive influence on international

business (Miroshnik, 2002). Before entering a new market, companies should study the culture of the country and adopt their marketing strategy accordingly. They should study local market beliefs, values, and customs and realize that there are also different business negotiations in different countries (Sutherland, 2003). To make an efficient business relationship with the foreign market it is crucial to understand local business practices and adapt your business model to them (Attia, Jantan, Atteya, & Fakhr, 2014). The key to successful international business is good comprehension and adaptation to the cultures of your business partners (Hooker, 2012). The research was done with multinational company managers (Coca-Cola, Ikea, Siemens ...) and the findings suggest that managers are aware of cultural differences, along with their advantages and disadvantages and they believe that they have the skills to turn cultural differences into advantages (Tutar, Altinoz & Cakiroglu, 2014). Multinational company's activities differ from local companies in terms of the nature of ownership and managers' nationalities. They also differ in their workforce, since it is composed of people from different cultural backgrounds. The multicultural employee profile at multinationals requires the harmonization of the expectations of these employees and the company standards, which leads to the need to manage cultural differences (Helvacioğlu & Özutku, 2010). Managing international business means handling both national and organizational culture differences at the same time. Organizational cultures are somewhat manageable while national cultures are given facts for management; common organizational cultures across borders are what keeps multinationals together (Hofstede, 1994).

Managers can have a significant impact on the organizational culture and its changing. The organizational culture can often show itself in unconscious behavior and values which change over time with the arrival of new employees in the company (Livermore & Soon, 2015).

When leading an international business, managers should be aware and take into consideration the differences in religion, languages, cultural context, non-verbal communication, humor, behavior, esthetic, and many more in order to be successful. If mentioned things are not studied, respected, and included in business strategy when entering a foreign market, they can have a negative impact on our international business (Grahovac & Rađenović-Kozić, 2020).

Another point that can be mentioned here is the fact that each culture has its own style of negotiation and behavior in certain situations. Understanding cultural differences is important for successful interaction with people from different cultures and also for preventing possible problematic questions (Ray, 2019). When the negotiators come from different countries the chances that the negotiation is unsuccessful increase because of inefficient understanding of words and gestures. Culture affects multiple aspects of international business communication like business relations, negotiations, international management, marketing communication strategies, consumer behavior, or brand decision (Adamczyk, 2017).

Culture also has an impact on how managers make decisions in international business. Leadership is one of the most valuable factors of culture. Leadership and cultures are connected to each other (Blair, 2003). Nowadays, leaders are not connected only to people who they share their culture with, due to migration, countries have a lot of diversity inside their borders (Dalglish, 2008). The change in organizational culture can improve business performance.

Regardless of cultural differences, most societies have the same understanding and expectations from their leaders. In all, mostly all cultures charismatic leadership has support (Liddell, 2005).

1.3 Common Cultural Failures of Companies Doing IB

Failing to understand cultural differences can have a negative impact on the business. When businesses perform international business and do not take culture into account, the consequence can be expat failure, marketing failure, and increased trade costs. Running an international business means dealing with both organizational and national cultural differences between countries and organizations at the same time.

Expatriate failure is a term covering a broad range of themes like premature return from an international assignment, low performance, and adjustment problems. (Harzing & Christensen, 2004). According to Tung failure of expats of multinational corporations across the world ranges from 16 % to 40 % (Tung, 1982). That makes the financial costs of the expatriate failure or underperformance very high, estimated from 250.000 to 1 million EUR. The cost range according to the level of the manager that has failed and the ability of a company to replace him. We also need to consider the indirect cost that can occur due to expatriate failure (Johnson, Lenartowicz & Apud, 2006).

In order to avoid expatriate failure, cross-cultural adjustment to the new culture can help. Cross-cultural adjustment is defined as the process of adaptation to working and living in a foreign culture, it is perceived as the psychological comfort and familiarity an individual has in getting acquainted with the new culture (Black, 1988). To help achieve cross-cultural adjustment and to decrease the failure rate of international expats, cross-cultural training of managers can be done. Several studies have proven that cross-cultural training of managers is critical to cross-cultural interaction and to refine the competencies that expatriate managers need to successfully work in a foreign country (Tung, 1982). The training will also improve and add to the overall performance. A manager operating in an international environment should learn about foreign approaches, and foreign cultures and also be able to interact and live with people from many diverse cultures.

Great cross-cultural differences also translate into higher marketing adaptation costs. (Doole & Lowe, 2008). Culture has a great influence on global marketing strategies such as promotional strategies, product design, branding, pricing, and distribution processes as well as organizational performance. International marketing managers need to take into account

the local cultural characteristics of consumers in their marketing strategies in order to be successful (Ocansey, 2017). Different nations perceive the same marketing campaigns differently. If a marketing campaign is successful in one country, it may not be successful in another country and may even be misunderstood or insulting. This is the consequence of cross-cultural differences because people perceive the same information from their point of view according to their culture. Furthermore, an adaptation of marketing strategies to foreign markets and creating global marketing strategies are needed when operating in countries with different cultural settings. There are a few examples where cultural differences were not taken into account when doing marketing strategies in foreign markets. Multinational corporations like KFC, Coca-Cola, and Pepsi all did a mistake with their brand slogan when they entered the Chinese market. Their slogan translated to something completely different and offensive in the Chinese language which caused their marketing campaign to fail and also made their brand look bad.

There are more costs connected to cross-cultural distance such as the cost of lost opportunity, and damaged relationships with foreign partners which can harm the profits of the company in the long term, lower productivity, and so on. Trade costs are also impacted by cross-cultural differences. Felbermayr and Toubal (2010) came to the conclusion that cultural distance can lead to informal trade costs in the case of complex differentiated goods that require more complex contracts and are harder to sell, rather than homogeneous goods. Another point that can be mentioned is that firms are less likely to invest in the culturally distant market (Shenkar, 2001). The distance between cultures also determines the mode of entry that the business is going to use when internationalizing since it also influences transaction costs. According to the empirical research of Tadesse and White (2010) about OECD countries, a one percent increase in cultural distance between the countries leads to a decrease of imports from the respective trading partner by 0.78 %, *ceteris paribus*. The higher cost of acquisition is a consequence of cultural distances (Brock, 2005).

To avoid failures when performing international business, the awareness of cultural distances and how to react to them with a strategy should be raised. Companies can choose from multiple strategies, either hiring a local manager or using the knowledge and experience that they gained when performing in similar markets. Learning about the cultural differences in a smaller market can be a good starting point for further investments in bigger markets.

On the other hand, studies have been done that state that cultural differences do not have only negative effects on the business, they can be positive as well. Cultural differences can be beneficial for companies because they complete the company's skills and abilities and consequently stabilize the company. (Magnusson, Baack, Zdravkovic, Staub & Amine, 2008).

1.4 Measurement of Culture in IB

It is complex to measure culture. There is no right and commonly accepted way to measure culture even though various research has been done. We can compare different cultures to another if we presuppose that no culture is so unique in its characteristics that we cannot compare it and draw some linkages to other cultures. The Hofstede model with its comparison of cultural dimensions between countries is most frequently used for measuring national culture, though the GLOBE model and Stuart's Hall low- and high-context cultural model are also frequently used. There are critics of all of them since there is no correct way to measure culture.

1.4.1 Hofstede's model

Gerard Hendrik (Geert) Hofstede was a Dutch social psychologist. He was the first one who explored the influence of culture in business. He developed Hofstede's model which is a framework for cross-cultural communication and includes 6 main dimensions: Power distance, Uncertainty Avoidance, Individualism and Collectivism, Masculinity and Femininity, Long - versus Short Term Orientation, and Indulgence. (Steenkamp, 2001). Hofstede collected the data for empirical analysis from researching subsidiaries in 70 different countries. (Hofstede, 1994). According to Hofstede, his model was an important step in the understanding of the global-local dilemma, or in other words, to standardize culture across all subsidiaries or to adapt to local culture.

1. Power Distance

The first dimension of culture is power distance. It describes inequality in society that can appear in wealth and power. Power Distance is defined as the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally (Hofstede Insights: Country comparison). Each country has its score in the power distance index. If the culture has a high-power distance index, that means that it gives a great defense to a person of power. People in power are seen as superior to others. If the culture has a low power distance index, it means that this culture values equal treatment. The hierarchy in countries with low power distance index is the arrangement of convenience rather than existential hierarchy in countries with high power distance. Every society is unequal, but some are more than others (Hofstede, 2001, p. 121–137).

2. Uncertainty Avoidance

Uncertainty Avoidance describes the degree to which people are comfortable with risk, uncertainty, and unpredictable situations. It reflects a human search for truth, and it shows how accepting are people in comfortable or uncomfortable situations. It is also a common term used in economics and finances. If a culture is uncertainty-avoidant, people try to minimize the possibility of unknown, surprising situations happening by having strict laws,

rules, and safety measures. People in these countries are normally more emotional. On the opposite side, cultures that are uncertainty-accepting are more tolerant towards different opinions and try only a few rules. People from uncertainty-accepting countries are normally not expected to express emotions and are more phlegmatic (Hofstede, 2001).

2. Individualism and Collectivism

The third cultural dimension is Individualism and the opposite of collectivism. This dimension describes the degree of interdependence a society maintains among its members. Individualism and Collectivism are opposed to each other. They explain the level to which people in certain cultures are integrated into groups and how they perceive their obligations and dependence on that groups. If a culture is individualistic, it means that people give greater importance to attaining personal goals. People in individualist countries are not so likely to ask for help because it is expected that they achieve goals by themselves. On the other hand, if the culture is collectivist, people are integrated into groups in which they can achieve goals together. Groups often form in extended families and society in general (Hofstede, 2001).

3. Masculinity and Femininity

If cultures differentiate themselves based on masculinity and femininity, it refers to the distribution of roles between gender. or in other words, what is the social role of gender. If a culture is more masculine, it has different expectations for men and women. A high score for masculinity also means that society is driven by success, competition, and achievements, and success is determined by the best in the field, the winner. An important speckle in this dimension is what gives people motivation. Are people motivated by wanting to be the best - masculine, or do they need to like what they do – feminine? According to Hofstede, feminine values are caring for the home, children, and people in general, while men are supposed to be assertive, competitive, and tough (Hofstede, 2001).

4. Long Versus Short Term Orientation.

To continue, the next cultural dimension is long versus short-term orientation. Long Versus Short Term Orientation is a dimension that presents how different cultures maintain links with their past and deal with present and future challenges. If a culture scores low on this dimension, it means that society prefers to maintain time-honored traditions rather than adapting to social change. Furthermore, long-term orientated culture respect values like tradition, fulfilling social obligations, and protecting one's face. The cultures which score high are encouraging efforts and thrift in modern education to prepare for the future. on the other hand, if a culture is a short-term oriented, it values stability, protecting your face.

5. Indulgence Versus Restraint

The last cultural dimension is indulgence. Indulgence describes the extent to which people try to control their desires and impulses according to how they were raised according to Hofstede. If a culture has relatively weak control of its desires and impulses, the culture is described as Indulgent, if it has strong control, it is called Restraint. The cultures that are indulgent value having fun and enjoying life, while on the other hand, restraint societies suppress gratification of needs and have strict social norms.

1.4.2 GLOBE Model

The GLOBE model is an acronym for Global Leadership and Organizational Behavior Effectiveness, and it represents an extended type of Hofstede's cultural model in terms of depth, scope, and sophistication (Grove, 2005). It is a result of research conducted from 1993 until today, collected from more than 200 research from 62 cultures. The researchers focused on three specific industries and examined 17,300 middle managers from 951 organizations. The examined managers worked an average of 12, 2 years in their organizations and were all full-time employed. The purpose of the research is to gain knowledge of national and organizational culture and traits of successful leadership in 62 cultures (GLOBE Project, 2020).

GLOBE defines culture as “shared motives, values, beliefs, identities and interpretations or meanings of significant events that result from the common experience of a member of collectives and are transmitted across age generations” (Javidan, Stahl, Brodbeck & Wilderom, 2005, p. 61). GLOBE has nine cultural dimensions, six of them are similar to Hofstede's dimensions, and three of them are new. Dimension power distance and uncertainty avoidance are the same in GLOBE and Hofstede's model, long term orientation is named future orientation in GLOBE. The Hofstede's dimension of individualism is in GLOBE's model divided into institutional collectivism and in-group collectivism. The dimension of masculinity and femininity were in GLOBE's model replaced by assertiveness, performance orientation, gender egalitarianism, and humane orientation.

Opposite to Hofstede's dimensions, GLOBE dimensions are tested in two contexts, “as it is right now- cultural practices” and “as it should be – cultural values” (Grove, 2005). Cultural practices show the perceptions of each society, cultural values show the feelings of respondents toward the development of their culture in the future. If two different cultures have different cultural practices and similar cultural values, it will be easier to share experiences and knowledge as they both have comparable goal perceptions. In Table 1 below the dimensions of GLOBE's model and their definitions are presented.

Table 1: GLOBE's cultural dimensions and their definitions

Dimensions	Definitions
Power Distance	The degree to which members of an organization or society expect and agree that power should be shared unequally.

Uncertainty Avoidance	The extent to which members of collectives seek orderliness, consistency, structure, formalized procedures, and laws to cower situations in their daily lives.
Institutional Collectivism	Level at which a society values and rewards “collective action and resource distribution”.
In-Group Collectivism	Level at which a society values cohesiveness, loyalty, and pride, in their families and organizations.
Humane Orientation	Ideas and values and prescriptions for behavior associated with the dimension of culture at which a society values and rewards altruism, caring, fairness, friendliness, generosity, and kindness.
Performance Orientation	Level at which a society values and rewards individual performance and excellence.
Assertiveness	A set of social skills or a style of responding amenable to training or as a facet of personality.
Gender Egalitarianism	Level at which a society values gender equality and lessens role differences based gender.
Future Orientation	The extent to which members of a society or an organization believe that their current actions will influence their future, focus on investment in their future, believe that they will have a future that matters, believe in planning for developing their future, and look far into the future for assessing the effects of their current actions.

Source: Shi & Wang (2011).

1.4.3 Hall's High/Low Context Model

In the business world, the effect of culture can be seen in different areas of business, Hall studied the effect of culture on communication. Hall's context theory shows that different cultures have different ways of communication, some explicitly (low-context culture), and other cultures communicate implicitly (high-context culture). An individual's cultural background affects how well they are capable of comprehending messages (Hall, 1976).

In low-context cultures, communication is direct and explicit, and most of the pieces of information are given in words. The interpretation of communication is low since the information given is clear and direct, communication is mostly written and verbal. The relationships between people are usually formal, decisions are made based on facts. Business relationships are short, everything needs to be written formally since there is no trust. Hierarchy in groups is not visible, the individuals have low responsibility for their mistakes.

Lawyers have significant importance in low contexts and societies. Examples of explicit countries are Switzerland, Germany, USA, and Scandinavia countries.

The implicit countries communicate with fewer words with which a significant amount of information can be told, so the selection of words can have a big meaning. Nonverbal communication, the social class of a person, the historical context, and the context of communication needs to be taken into account because communication is implicit. The level of interpretation of communication is high so the place and time of communication, the speed of conversation, the tone of voice, the facial expressions, and the gestures also needs to be taken into account. Decisions are made based on intuition, business relationships are long-term and friendly. Business agreements are verbal since there is a lot of trust in business relationships. The hierarchy in a group is clear and the individual has high responsibility for his mistakes. Lawyers do not have significant meaning in high-context cultures. Japanese and Arabic cultures are examples of high-context cultures (Hall, 1976).

1.4.4 Fons Trompenaars and Hampden-Turner

Trompenaars' model of cultural dimensions is one of the theories that differentiates the country's cultures. In the research of Fons Trompenaars and Hampden-Turner, they studied and analyzed the preference and values of over 46.000 participants from 40 different countries (Trompenaars, 1994). The results were published in 1997 in the book "Riding the Waves of culture" (Trompenaars, 1994). Fons Trompenaars and Hampden-Turner think that there are important cultural differences between countries that are affecting the business and leadership of companies. From this point of view, culture can be understood as »the way people are solving their problems (Mirzayev, 2021). The model has seven dimensions that are: Universalism versus particularism, Individualism versus communitarianism, specific versus diffuse, neutral versus emotional, achievement versus ascription, sequential time versus synchronous time, and internal direction versus outer direction (Trompenaars, 1994). From the researched data, the authors have concluded that cultures do not randomly differ from each other, but the differences are very specific and can be predictable because they rely on culture's way of thinking, beliefs, and values (Trompenaars, 1994).

1.4.5 Criticisms of Models Measuring National Culture

Even though all the mentioned models on culture are useful and widely cited, there are several criticisms that can be mentioned. No model is commonly accepted as the correct one that can be used for measuring culture.

Hofstede's model is criticized by several authors as well as Hofstede himself, who agrees that there should be more dimensions added to his original work and that four or five dimensions do not give sufficient information about cultural differences (Hofstede, 1998, p. 481). Another major criticism of Hofstede's work is the fact that Hofstede focused only on

one company and research are done with only one company cannot provide correct and comprehensive information for the whole nation. Furthermore, Joannidès de Lautour, Wickramasinghe & Berland (2012) criticized Hofstede's model because he did not consider that several different cultures and nations can live in the same country, so it is not possible to conduct cultural research on a country level. Cultures are not bounded by borders, so nations or countries are not proper units of his analysis. Harrison and McKinnon (1999) mentioned that cultural dimensions have different weights in different cultures, so we would need to research cultural dimensions according to the influence that they have on different cultures. There are also several critics of the fact that Hofstede assumed that cultural values are stable and do not change over time. With globalization and the fast-changing environment, Hofstede's dimension can already be outdated (Shaiq, Khalid, Akram & Ali, 2011). It was also criticized that the political factor influenced Hofstede's model considering that the results were obtained after the second world war, which could increase the level of uncertainty avoidance of mostly all the countries (Shaiq, Khalid, Akram & Ali, 2011). The dimension uncertainty avoidance was criticized in general as too broad.

Furthermore, the GLOBE model was also a target of critics. Hofstede argued that the GLOBE model is too similar to Hofstede's model, the only difference was in interpretation and different meanings. Critics also pointed out that the nine dimensions used in the model are redundant because of too big a correlation between them. The GLOBE's model should be an improved version of Hofstede's cultural dimension, but it is not, since Hofstede in 2006 proved that the data collected with GLOBE presents five dimensions and not nine. McCrae, Terracciano, Realo, and Allik (2007) pointed out that the GLOBE questionnaire collects answers about the descriptions of average citizens, which shows only the national stereotypes and not the truth about culture. Nevertheless, the problem with the GLOBE questionnaire is also the fact that it questions respondents about what should be important for individuals in their personal life, and what can be seen as what can be important to other people and not them. According to Smith (2006), there is a big difference between the values of individuals and the values that individuals wish for others to have. In Hofstede's model, the individuals are questioned about their values and not the values of other people.

There are also several critics of Hall's model as Hall does not define culture as values but as something social and objective, he defines it as communication. Like other researchers, he generalizes his study. Weston Le Barre criticizes Hall since he did not take into account the differences in the populations such as gender, age, and social class. That could make his research not reliable. Hall also received critics because he never clearly mentioned how his research was developed. Hall only mentioned observations and qualitative interviews.

Fons Trompenaars and Hampden-Turner also received few critics. One of them is criticizing that their model does not recognize the influence of personality on human behavior. The model only shows the differences in culture but does not give us any recommendations on how to deal with them.

1.5 Modes of Entering Foreign Markets

“International business refers to the trade of goods, services, technology, capital, and/or knowledge across national borders and at a global or transnational level” (Perker, 2020). Multinational companies are those operating in two or more countries, making some of their profits from their activities abroad, and with some assets in other countries (Sherman & Bohlander, 1992). As already mentioned, with globalization, more businesses are becoming international businesses and the global economy is becoming more integrated. There are more types of international business and a company can choose how will they enter the global market.

The easiest and often the first choice when entering foreign markets is exporting. When exporting, a business that is producing its products and services in its home country starts to sell abroad either directly to customers or indirectly by a distributor or foreign sales agent. Exporting has a minimum impact on the business risk and no major investments are needed. Common exports include raw materials, finished consumer products, energy, and natural sources, etc. Just a Corpse, one of the analyzed businesses in the thesis is using exporting as an entry mode. Since they are producing clothes, exporting is a common way to enter a foreign market. Import of goods in a foreign county is also called international trade (Schellenberg, Harker & Jafari, 2017).

Another way to enter a foreign market is by licensing. When licensing, a business that wants to enter the foreign market, or a licensor grants a foreign firm or licensee the right of protected intellectual property in exchange for a royalty. That way the business can expand internationally with minimum business risk and fewer investments than building and staffing in the foreign country on their own. Core businesses can also profit from marketing licensees. It is a common entry mode for manufacturers (Schellenberg, Harker & Jafari, 2017).

Franchising is related to licensing. When a business decides for franchising, a parent company grants another company the right of doing business in its name. Franchising usually has stricter guidelines than licensing and is preferred in service businesses such as hotels, restaurants, and rental services (Schellenberg, Harker & Jafari, 2017).

Companies that want to take full advantage of international markets decide to take a direct investment of their funds in a foreign county. This form of internationalization is called Foreign Direct Investment or FDI. There are two types of FDI: wholly-owned subsidiaries and joint ventures (Schellenberg, Harker & Jafari, 2017).

Where two companies each invest and contribute assets jointly in an enterprise, own an entity to some degree, and share risk, it is a joint venture. From a cultural point of view, a joint venture is a good option due to the cultural knowledge of the local investor. In the case of Pipistrel, the business chose a joint venture when internationalizing to China. That gained them a financial investor and also a local insight into the market. Each partner is responsible

for profits, losses, and costs, which gives joined venture the benefit of shared risks. Each company can maintain its own identity (Schellenberg, Harker, & Jafari 2017).

To continue, wholly-owned subsidiaries are fully owned by a foreign firm. The parent company foreign firm which owns 100 % of the wholly owned subsidiary can diversify, manage and reduce its risk. It is a way for a parent company to maintain operations in diverse geographic areas or separate industries. Another important factor is that wholly-owned subsidiaries have no obligations to minority shareholders, unlike other subsidiaries. The parent company has strategic and operational control of wholly owned subsidiaries. The pro of using wholly owned subsidiaries is that parent companies can use losses from one subsidiary to offset profits from another. The parent company can also inherit the subsidiary's clients and goodwill. The big con is that it is expensive to acquire another company and it can be difficult to run a subsidiary if the acquired company has different management culture (Schellenberg, Harker & Jafari, 2017).

1.6 The Effect of Culture on Entry Mode

One of the most important decisions when internationalizing and also an important topic in International Business is choosing the right entry mode. Choosing the right entry mode is a crucial decision that a company makes when internationalizing. There are two theoretical arguments when distinguishing the relationship between CD and equity or non-equity modes of entry (Harzing, 2004).

The argument based on the process school of internationalization supports that CD leads to a preference for a non-equity entry mode (Harzing, 2004). This school predicts that businesses will start entering the foreign market with low commitment entry modes because of physical distance. Once they gain knowledge of the host country's culture, businesses will more likely use equity-based entry modes such as oversea production.

On the other hand, transaction cost theory does support the relationship between CD and entry mode, since CD will increase the cost of internationalization and transaction cost according to Anderson and Gatignon (1986). Following transaction cost theory, businesses will choose equity-based entry modes in culturally distant countries, since it is difficult to monitor agents, while the latest arguments show the preference for non-equity-based entry mode.

To continue, to choose the form of internationalization, companies must consider several factors and the main resources of the company. There are three constructs known that need to be considered: strategic variables, environmental variables, and transaction variables. With environmental variables, we need to take into account the extent of national differences, extend of scale economies, and global concentration. With strategic variables, we need to consider strategic risk, location familiarity, demand conditions, and volatility of

competition. Transaction variables include firm-specific know-how and the tactic nature of know-how.

If one of the forms of international trade is used when internationalizing, knowledge of the language of the target country is desirable but not compulsory because a third language (English, French) can be used. If a foreign direct investment is used, knowledge of a third language is needed. Religion influences internationalization for a specific product like the restriction of alcohol in Arab countries or beef in India regardless of what form of entry is used. Limitation of export or production on specific days of the year also needs to be considered. The political philosophy of the target country can have an impact on the mode of transportation, and infrastructure if international trade is used. If a foreign direct investment is used, political philosophy can influence the ownership structure. The economic philosophy of the country chosen for internationalization could influence the business with countries' quotas and tariffs. When choosing a foreign direct investment for entry to a country, the education level in the country needs to be considered. It influences the structure of the workforce, innovations, and patents. The social structure of the target country can influence international trade and foreign direct investments as stakeholders can limit the import of specific groups of products or can have an influence on the foreign investments.

2 INTERNATIONAL BUSINESS BETWEEN CHINA AND SLOVENIA

2.1 Economy and Trade of China

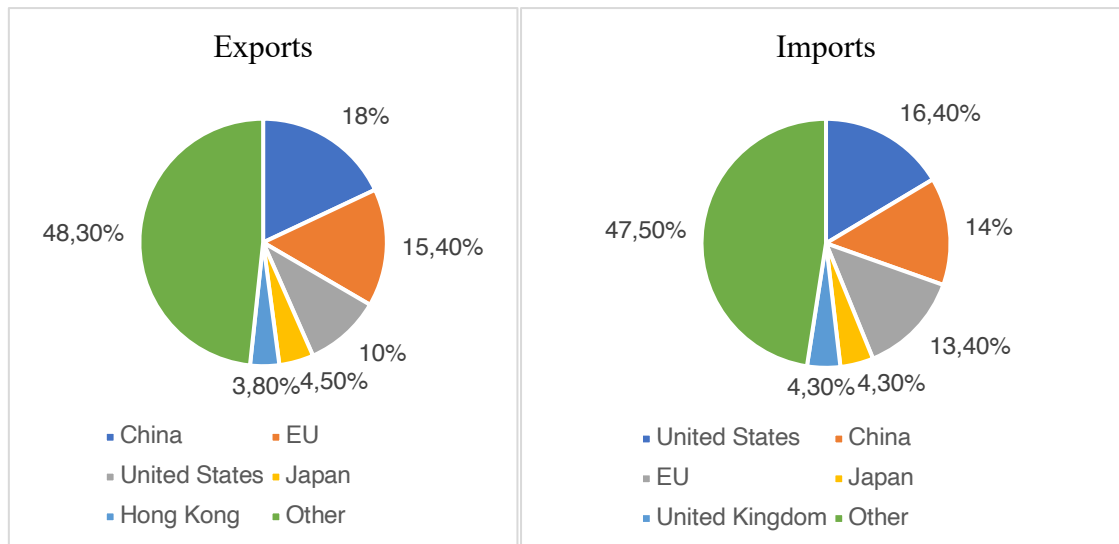
Ever since the opening-up policy and reform process started, China increased its growth rate and trade which made it the second biggest economy in the world and represents Europe's second most important business and trading partner. It is the world's biggest exporter and second-largest importer. China is the world's second-largest economy with a GDP of 17734.06 billion US dollars in 2021. China's GDP per capita in 2021 was 12.556,3 US dollars relatively low (World Bank, 2022). The reason is its large population.

China joined WTO in 2001 and has increased its trading partly due to liberating and reforming parts of its economy. As the world's biggest exporter, it plays a crucial part not only in world economics, but it is also in a major political power. As a member of the World Trade Organization (WTO), China should conform to fair trade practices, respect intellectual property rights, and meet its obligations (European Commission, 2022). Due to Europe's open market, the EU is China's biggest trading partner. China's foreign trade represents 35% of its BDP in 2022 according to the World Bank (2022). Exports of goods in 2020 were USD 2,590.2 billion and imports USD 2,057.2 billion, while exports and imports of services in 2020 reached USD 278 billion and USD 377.5 billion respectively (Moss & Bartlett, 2022).

The country's main trading partners are the United States, Japan, South Korea, Vietnam, Australia, and Germany.

To clearly show the importance and the size of Chinese trade, Figure 2 below presents the percent of trade by countries. As can be seen, China is one of the world's biggest traders.

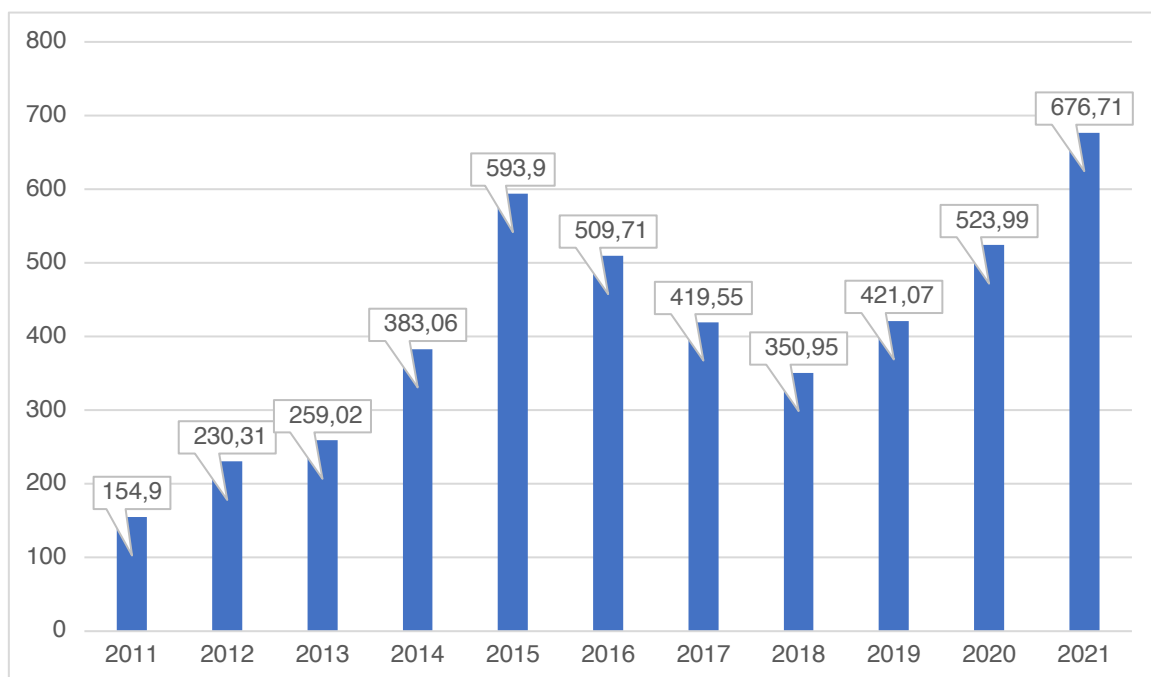
Figure 2: Exports and imports of China as % of world exports/imports in 2020



Source: Eurostat (2022).

In Figure 3 below, trade balance of China can be seen between the year 2011 and 2021.

Figure 3: China trade balance numbers in billion US dollars from 2011 to 2021



Source: Statista (2022).

China has not been as economically developed in the past as it is now. Three factors influenced the significant economic growth of China in the 90s: workforce or cheap labor, big market, and competitive manufacturing industry. China used its cheap workforce and a big market to create a competitive manufacturing industry. In the year of 1976, Deng Xiaoping took over the leadership of China and introduced economic liberalism to the current authoritarian system. He was also called the architect of Chinese reforms and Chinese economic growth. Major improvement happened with the reform of state-owned businesses, where business managers were given more authority and awards for successful managing. State-owned businesses could sell part of their products at market prices and could keep some of their profit to make investments, social programs, and rises in pay (Ferfila, 2021).

China has a population of more than 1.4 billion people, and it is the most populous country in the world. A market so big represents a huge opportunity and customer base of many international companies that chose to enter Chinese market. 35 % of Chinese population or 550 million Chinese are farmers. There are few official religions recognized by the country: Buddhism, Taoism, Confucianism, Islam, Protestantism and Catholic, they are all controlled by the state (Ferfila, 2021).

The leader of China is the communist party, and it divides the country into 23 provinces, five autonomous regions, and four city administrations. The leading communist party has 63 million members which make it the biggest in the world. It was established in 1920 in Shanghai under the communist ideology of the Soviet Union. Party follows Marxism, Leninism, and the ideology of the first president of the Chinese communist party Mao Zedong. Parliament is represented by the National People's Congress with 2989 delegates. The president and 15 members of the state council are voted by Congress. (Ferfila, 2021)

2.2 Economy and Trade of Slovenia

Since the Slovenian independence from Yugoslavia in 1991, the Slovenian economy has been improving. Slovenia joined the European Union and NATO in 2004 and gained Euro as an official currency in 2007 at the same time as most of the countries from Eastern and Central Europe, Slovenia was the only country in former Yugoslavia to do that. Prior to the year 1991, Slovenia has a history of foreign control. From the 14th century, it was a part of the Habsburg Monarchy, later the Austro – Hungarian Monarchy. After the collapse of the mentioned monarchy, Slovenia was a part of the Kingdom of Yugoslavia from 1929 to the year 1941 and after the Socialist Federal Republic of Yugoslavia. SFRY was not an isolated country in terms of trade and had many relations with western markets. Out of all the nations, Yugoslavia and Slovenia had the most contact and trade with western markets. Slovenians

made up less than 10 % of the Yugoslavian population but produced 20 % of the country's wealth and 30 % of its exports (Stanojevic, 2018).

Nowadays, Slovenia is a small open economy with strong trade relations with other European countries. In the year 2008 to 2010 Slovenia as the other economies were hit by the great recession, the financial and economic crisis.

It has a good strategic location since it is located on the crossroad between the Balkans and Western Europe. Slovenia is a high-income country, which is mainly based on services and trade. It is one of the most export-oriented economies in the EU and one of the best examples of transitional economies. According to SURS, the value of exported goods was 48.7% higher than in May 2021, while the value of imported goods was 56.7 % higher. Exports amounted to EUR 4.8 billion and imports to EUR 5.3 billion (Živec, 2022). Most Slovenian exports go to Germany, followed by Italy, Switzerland, Croatia, and Austria. Important trading partners of Slovenia are also the countries of former Yugoslavia. Slovenia has most of its trade with the EU member states, with EUR 2.9 billion of goods exported, and imported EUR 3.1 billion of goods. In May 2022, Slovenia also exported EUR 1.9 billion and imported EUR 2.3 billion value of goods from non-EU countries (Živec, 2022). The main exported goods are pharmaceutical products, cars and components for the automotive industry, and electric energy. The external trade deficit amounted to EUR 2.7 billion, while the export-import ratio was 88.2 % “The Gross Domestic Product per capita in Slovenia was last recorded at 24703.63 US dollars in 2021” Trading Economics (2022). The annual volume growth of GDP is 8,2 % (SURS, 2022).

In Table 2 below import and export trade numbers for Slovenia are shown.

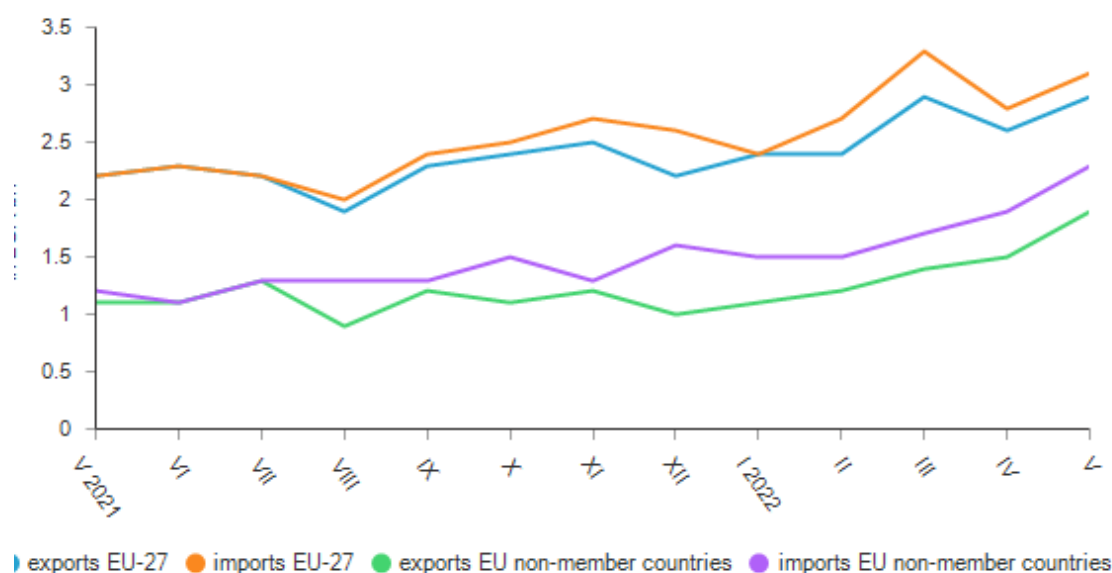
Table 2: Slovenia trade numbers with EU-27 and EU non-member countries, 2022

	V 2022	I-V 2022	<u>V 2022</u> V 2021	<u>I-V 2022</u> I-V 2021
	1,000 EUR		index	
Exports	4,790,330	20,297,434	148.7	127.4
EU-27	2,924,943	13,247,257	135.0	124.9
EU non-member countries	1,865,388	7,050,177	176.7	132.2
Imports	5,348,887	23,024,124	156.7	149.4
EU-27	3,054,915	14,111,669	136.5	134.5
EU non-member countries	2,293,972	8,912,454	195.4	181.1
Trade balance	-558,557	-2,726,690	-1)	-1)
Exports as % of imports	89.6	88.2	-1)	-1)

Source: Republic of Slovenia Statistical Office (2022).

In Figure 4 below, exports and imports from Slovenia to EU members and non-EU members are shown. As seen, imports from EU-27 member countries are the highest.

Figure 4: Slovenia trade numbers in billion EUR; 2021, 2022



Source: Republic of Slovenia Statistical Office (2022).

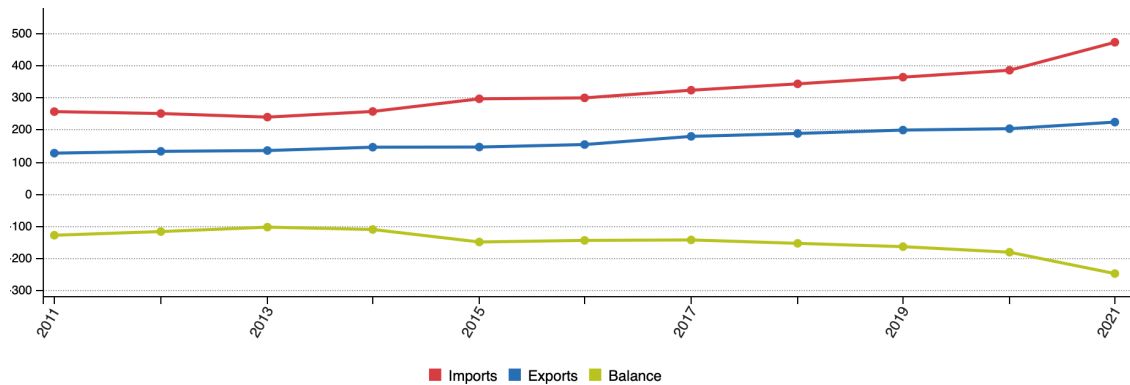
One of the largest components of the Slovenian economy is services. In recent decades, tourism has greatly increased. In 2020 in Slovenia, tourism contributed 6.5 % to the gross domestic product (GDP). In the year 2020, it employed a total of 10.6 % of all employed people, which accounts for 94,100 jobs (Economic significance of tourism, 2021). Value-added tax in Slovenia is 22 %, with a reduced rate of 9,5 % applicable for some products and services.

2.3 Trade Between EU and China

When China entered World Trade Organization in 2001, the trade between China and Europe drastically increased. In the year 2021, the EU had a trade deficit with China of € 249 billion. EU has its trade deficit in chemicals (€ 1.6 billion), other manufactured goods (€ 120.0 billion) and machinery & vehicles (€ 147.3 billion), and trade surpluses in food & drink (€ 10.4 billion), raw materials (€ 7.3 billion), other goods (€ 1.9 billion) and energy (€ 0.4 billion). 86 % of exports from the EU to China are manufactured goods, while 12 % are primary goods. The manufactured goods exports are mostly machinery & vehicles (52 %), followed by other manufactured goods (20 %) and chemicals (15 %). The biggest share of imports from China to the EU is also machinery & vehicles (56 %), followed by other manufactured goods (35 %) and chemicals (7 %). In 2021, Slovenia imported 5.871 million EUR worth of goods, while it exported 448 million EUR worth of goods to China (Eurostat, 2022).

In Figure 5 the trade between European Union and China is shown. As can be seen, imports from China are higher than exports from Europe .

Figure 5: Trade numbers between European Union and China in billion EUR from 2011 to 2021

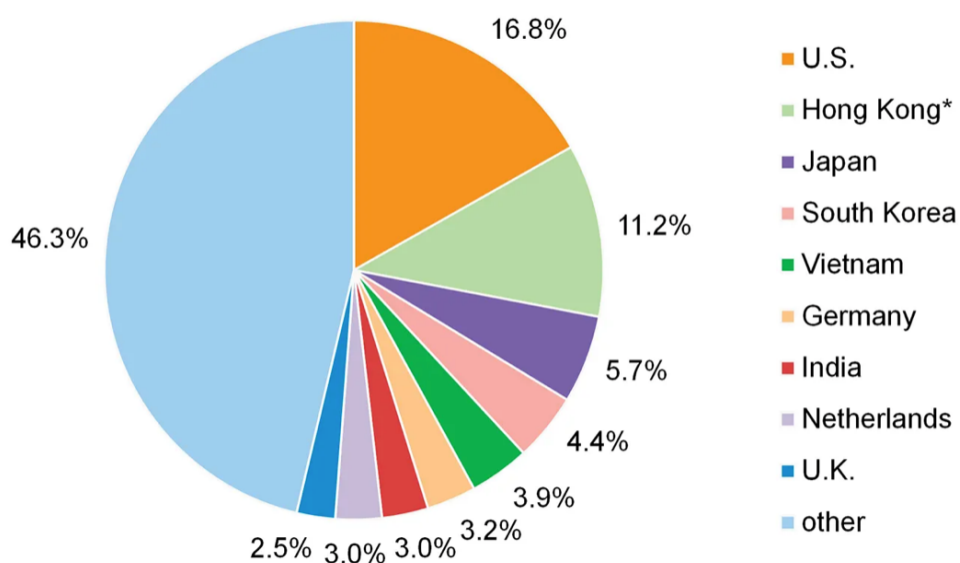


Source: Eurostat (2022).

China does not have limitations on foreign investors who want to establish representative offices or companies and it is increasingly open to foreign direct investments. The Chinese government provides benefits such as support in infrastructure and tax relief for foreign companies entering China. Foreign capital is most valuable in the areas where the Chinese lack experience or knowledge (Tseng & Zebregs, 2002).

In Figure 6, the major export destinations from China are shown. The biggest export destinations in Europe are Germany, Netherlands, and U.K .

Figure 6: China major export destinations in % of export, 2019

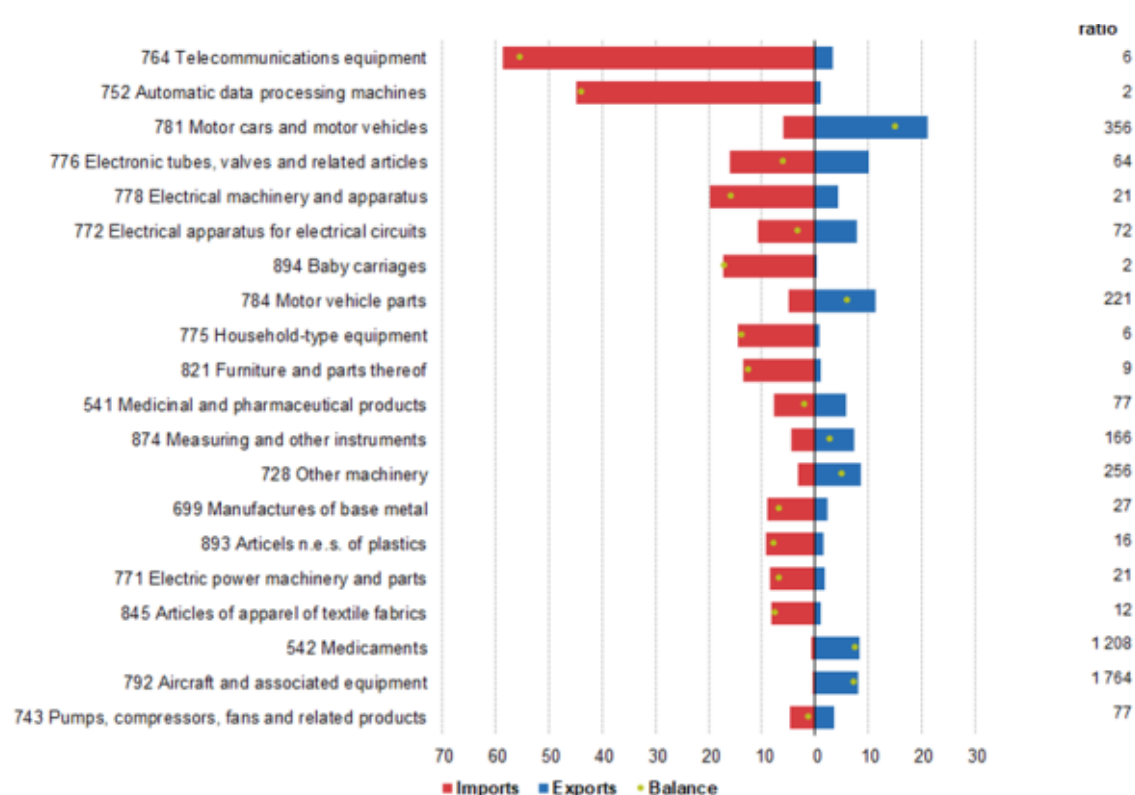


Source: China (2022).

Chinese foreign direct investment (FDI) in the European Union (EU) are declining in recent years. In the year 2019 Chinese FDI transactions in the EU-28 dropped by 33 percent last year, from EUR 18 billion in 2018 to EUR 12 billion in 2019, bringing the total back to 2013 levels. The foreign direct investments of China into the EU have also shifted geographically. Most of the Chinese capital now goes into Northern Europe, while in the past majority of Chinese FDI went into the United Kingdom, France, and Germany (Hanemann, Huotari & Kratz, 2019).

In Figure 7 below the most traded goods between EU and China are shown. As can be seen, telecommunications equipment is the most imported good.

Figure 7: Most traded goods between EU and China in billion EUR, 2021



Source: Eurostat (2022).

2.4 Chinese Culture

It is difficult to define the general characteristics of Chinese culture because of the economic separation between mainland and coastal China. I am going to describe Chinese culture without mentioning the differences between Mainland China, Hong Kong, and Taiwan.

China and its culture have a history of nearly 4000 years, and it is one of the world's oldest civilizations, but it has been significantly changing last few decades. Trading with the West, globalization, and opening to foreign investors changed the Chinese economy as well as

national cultural values. Hofstede stated: “Cultures change, but they change in formation”. Globalization did influence China, but some of the core cultural values persist, as they were there for thousands of years, and it is difficult to change them. Some individuals in China can change and adapt quickly, but not society itself because the government and political leaders in China are strongly committed to traditional Chinese cultural values (Bradley & Eberle, 2020).

Many of the features of Chinese culture come from the philosophies and practices of Buddhism, Confucianism, and Daoism or also known as Taoism (Chan & Leung, 2014). Confucianism questions human relationships and how to handle them, furthermore, Taoism deals with how to live life in harmony with nature. Buddhism has imported from India around 100 AD and focuses on the handling of relationships between mortal and immortal worlds. These three philosophical traditions represent more philosophical teaching than religion and the Chinese can follow all three of them instead of just one. Fan (2000, p 4) describes that traditional Chinese culture is a combination of these three schools, but Confucianism is the most influential one of them. He also stated that Confucianism is the behavioral doctrine based on human relations, virtuous behavior, social structures, and work ethic. Pye (1972) wrote that Confucianism is the foundation of the Chinese cultural tradition.

The main values of Chinese culture are presented in the bellow table below (Table 3). The combinations of values are presented in eight main groups: national traits, interpersonal relations, social orientation, work attitude, business philosophy, personal traits, time orientation, and relationship with nature; that we see below, and it is typical for Chinese culture. We can see that, as expected, some values are in line with Hofstede’s cultural dimensions.

Table 3: Chinese cultural values

National Traits	Interpersonal Relations	Social Orientation	Work Attitude
Patriotism	Trustworthiness	Filial piety	Working hard
Respect for tradition	Kindness	Chastity in women	Commitment
Bearing hardships	Propriety	Kinship	Thrift
Knowledge	Primary Goodness	Senior loyalty	Persistence
Governing by law	Tolerance of others	Group orientation	Patience
Business Philosophy	Personal Traits	Time Orientation	Relationship with nature
Non-competition	Integrity	Past-time oriented	The way (Tao)
Not guided by profit	Moral standards	Continuity	Fatalism
Networking	Sincerity	Long rang view	Harmony
Wealth	Sense of shame	/	Unity of Yin and Yang

Morality	Wisdom	/	Yuarn
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Source: Fan (2000).

To understand Chinese culture in depth it is necessary to have an understanding of Chinese cultural norms and values because they have a major role in society. These values are family orientation, Guanxi, Yuan, Mianzi, and Renqing. Since Chinese society is assembled around clan-like networks, family is a concept that is more than strictly biological meaning (Bond & Hwang, 1986). Through family, children are thought about the importance of loyalty, obedience, and filial piety within a role-bound network (Hsu, 1972). Guanxi is viewed as a secret in China and involves ties and relationships between two or more individuals. The individual with the largest Guanxi network has the most power since nothing can be done in China without guanxi. (Ju, 1995). To continue with Yuan, it is described as individuals' predetermined relations with things beyond one's control (Rotter, 1966). Mianzi represents the face or individual's public image which is recognized by others and is gained by performing specific social norms (Hu, 1944). Furthermore, Renqing has several meanings in Chinese culture, Gates and Yan (1998) stated that Renqing can mean either human feeling, a set of social norms, a resource, or a synonym for guanxi. Hwang (1987) described Renqing as social favors that can be exchanged in the form of goods, money, service, status, information.

To manage successfully in China, it is important to fine-tune Chinese culture and behavior at the regional level (Cui & Liu, 2000; Fang, 2005). It is crucial to mention that Chinese people conduct business formally, but often prefer to do it informally too. In addition to meetings in formal conference rooms in the office times, they like to do business in different settings like restaurants, teahouses, karaoke bars, golf courses, sailing, etc. The mentioned informal gatherings are equally as important as formal meetings for developing business relationships in China since building trust is highly valued. Managers should not dress formally, behave cautiously and speak indirectly at informal meetings if they would like to gain trust and conclude the deal. Outsiders can turn into insiders if managers approach cultural differences and clashes without being afraid of them (Fang, 2014). The secret to being successful in China is to know who the boss is and to know how to efficiently bribe the right people. Connections mean a lot in China.

2.5 Slovenian Culture

Slovenian culture, like every culture, plays an important role when doing business. The culture of Slovenia is a mix of Mediterranean Balkan culture and Austrian/German accuracy. Slovenian culture is influenced by its history, being a part of Yugoslavia and Austria-Hungary before that. Slovenians are very proud of the equality of sexes, since Slovenia ranked third in Europe in 2020 in the low gender pay gap, with a 3,1 % the difference between average gross hourly earnings of males and females according to the government

of Slovenia (Government Communication Office, 2022). One of the important values in Slovenia is modernization, as Slovenia represents a “success story from Central Eastern Europe” (Vehovar, 2009).

The gender pay gap in the same year in the EU was 13%. The workforce in Slovenia is well-educated since almost 35 % of Slovenians have a university degree while 65 % have completed secondary school, 91 % of people are bilingual, and the second language is mostly English or German (Slovenia Business, 2022).

The dominant religion in Slovenia is Roman Catholicism, with nearly three-quarters of Slovene citizens identifying as Roman Catholics; 31 religious groups are registered with appropriate Slovenian authorities (Crnic & Lesjak, 2003). In opposition to other small Slavic nations, Slovenian identity is not associated with a religious group.

Slovenian culture has changed in recent years due to the change of Slovenia’s economic system from socialism to capitalism. The main Slovenian values are impartiality, incorruptibility, transparency, profitability, obedience, and reliability the highest (Jelovac & Jelovac, 2011).

An important factor of Slovenian culture is its language. Slovene is the foundation of Slovenian national identity.

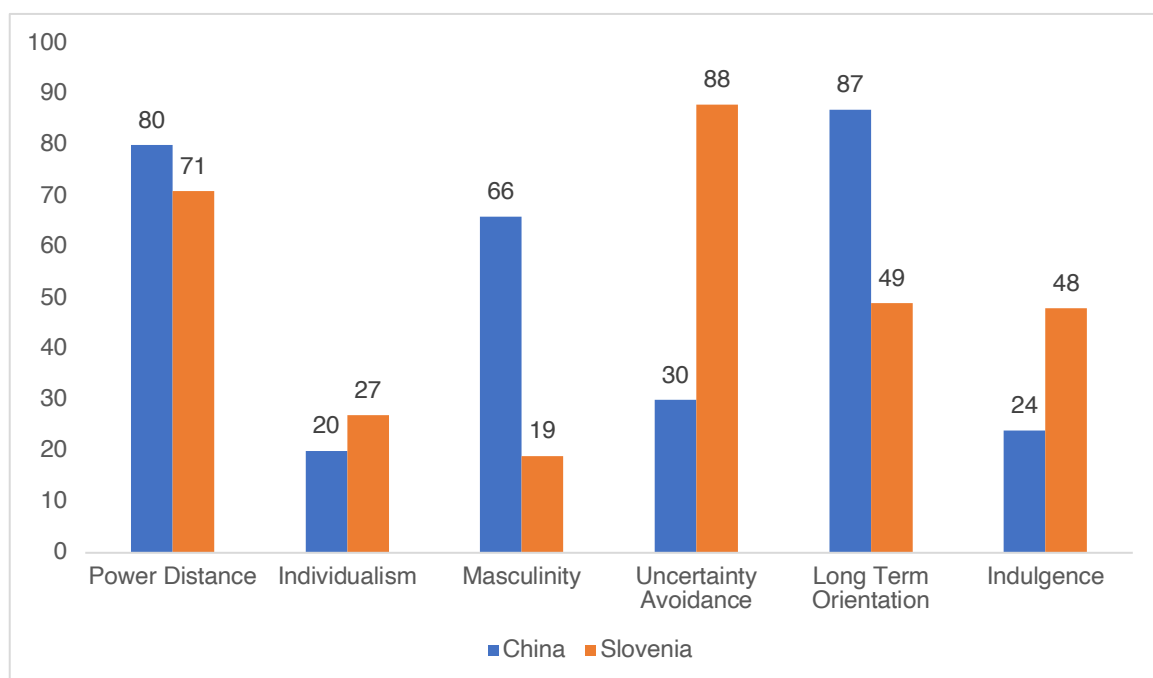
It is crucial to follow Slovenian business etiquette when doing business. Punctuality is important to Slovenian businessmen and women since being late is considered impolite and disrespectful. It is also not appropriate to arrive a lot too early for a business meeting. Slovenians usually take business meetings very seriously and get prepared carefully. They schedule business meetings in advance. If the meeting is with lunch or coffee, usually the person who invites pays the bill. At the beginning of a meeting, people usually shake hands with each other and exchange business cards. It is not common to give gifts at the first meeting, in some cases small gifts like bottles of wine are acceptable. Bigger gifts are only appropriate when a deal is already made. Clothing formal or wearing conservative business clothes are needed to be taken seriously in the business world. When negotiating and reaching a verbal agreement, a written contract with terms and conditions should follow. A lot of business is made through personal connections and personal relationships between coworkers and across higher levels are important (Passport to Trade 2.0, 2022).

Pfajfar analyzed Slovenian business culture and the results show that Slovenian managers apply feminine values in their leadership which is mostly charismatic style leadership. Managers from Slovenia are risk prone (Pfajfar, Uhan, Fang & Redek, 2016).

2.6 Hofstede Analysis of Cultural Differences Between China and Slovenia

Figure 8 shows us each of Hofstede's cultural dimensions measured and compared between Slovenia and China. As shown below in Figure 8, we can see a few cultural differences between China and Slovenia which affect international business between them. The blue color on the table presents the cultural dimension of China, the purple one presents Slovenia. In the following paragraphs, each of the cultural dimensions will be compared with each other separately to get a better insight into the effect these differences might have on doing business. Some of the dimensions of China and Slovenia are similar to each other, while others are not.

Figure 8: Comparison of Hofstede's cultural dimensions for Slovenia and China



Source: Hofstede (2022).

As shown, the closest or in other words the least different cultural dimension between Slovenia and China is Individualism or collectivism. That can happen because both societies are post-socialist/communist societies with similar views and values that influenced both countries to be collectivist. On the other hand, the most culturally distant are countries with uncertainty avoidance cultural dimension.

Power Distance

As already mentioned, power distance deals with the inequality of individuals in society. China scored 80 in the rank of PDI, which is a higher ranking, Chinese society believes that inequality between people is acceptable. People should stay in their rank and not aspire to be above it. Superiors have all the power and their defense against it. On the other hand,

low-power distance cultures believe in equality between people, inequality is not acceptable in low-power-distant countries.

Slovenia scored lower than China in the rank of PDI with a score of 71, which means that Slovenia has a lower power distance than China but is still quite high on the ranking. High power distance can be a consequence of the Communist and socialist systems that the countries were in (Terzi, 2011). This dimension should not affect international business between China and Slovenia since they have a similar score on power distance.

Individualism

Individualism deals with the degree of interdependence a society maintains among its members. In individualist society, people look only after themselves and their direct family, in contrast, in collectivist societies people belong to groups where they take care of each other in exchange for loyalty.

China scored 20 on the individualist dimension which means that China is a highly collectivist society. Chinese will act according to the interests of the group rather than the in their self-interests. In such societies, personal relationships have huge importance and employee commitment to their work organization is low, while relationships with colleagues are cooperative. Personal relationships are more important than tasks and company.

Studies have shown that China continued collectivism as an important cultural value at the same time they found a rise in individualism. Even though individualism is increasing, China still has very strong collectivist values. Research that was done by Bradley & Eberle (2020) confirmed that communist countries have low individualism or in other words, they are collectivist.

Slovenia also has a low score on individualism, which means that Slovenia is a collectivist country too, as expected, that can be a consequence of socialism/communism used in the past.

Masculinity

Opposite to the individualism level, where Slovenia and China are quite similar to each other, the level of masculinity differs significantly in the two mentioned nations. Masculinity determinist what motivates people, liking what they do (feminine society) or wanting to be the best (Masculine society). If society is driven by competition, success, and achievement it has a high score (masculine). When a society values more caring for others and quality of life when it has a low score (feminine).

China has a score of 66, which makes it a masculine society. It is success oriented and driven. Work and success are the priority, Chinese will sacrifice family and leisure for it. The

services are offered until very late at night because leisure time is not important. Chinese students care very much about their grades, as success is the main criteria.

Slovenia has a score of 19, which makes it a feminine society. Slovenians value the quality of life and caring for others. Leisure time is more important than work. Managers support their workers and involve them in decision-making. Conflicts are resolved with compromises.

Usually, masculinity is consistent with the Individualism level, if a country is an individualist, it should be masculine, and if the country is feminine, it should be collectivist. Bradley & Eberle (2020) stated that ex-socialist and communist societies usually have low masculinity, but in the case of China, we can see the effects of globalization and international trade, which made the country's values more masculine.

Uncertainty Avoidance

The next cultural dimension that is compared between China and Slovenia is uncertainty avoidance. The dimension of Uncertainty Avoidance deals with the fact that the future cannot be known and how people handle the uncertainty. The extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these is reflected in the score on Uncertainty Avoidance (Hofstede, 2001). The biggest cultural difference between China and Slovenia is uncertainty avoidance with 58 points difference.

At a score of 30, China has a low score on Uncertainty Avoidance. Chinese society is very open to ambiguity, very adaptable, and entrepreneurial. The Chinese language has a lot of ambiguous meanings that can be very hard for Western people to follow.

Slovenia has a score of 88, which gives it a high score on the uncertainty avoidance cultural dimension. Unlike the Chinese, Slovenians are not so adaptable and have a high uncertainty avoidance. Furthermore, it is expected for ex-communist/socialist societies to be highly uncertainty-avoidant since their government took full control of all the aspects of individual lives. Their survival was based on following the rules and norms of society so societies of the communist world desire a level of certainty in life that their system provides and what they are used to (Bradley & Eberle, 2020).

Managers should be careful about this dimension when doing business between Slovenia and China as the cultural difference is so high. According to the theory, if uncertainty appears, Slovenian managers would be stressed by the situation, while Chinese ones would adapt quickly.

Long Term Orientation

The dimension long term orientation describes how every society has to maintain some links with its past while dealing with the challenges of the present and future, and societies prioritize these two existential goals differently (Hofstede, 2001).

Normative societies which score low on this dimension, for example, prefer to maintain time-honored traditions and norms while viewing societal change with suspicion. Those with a culture that scores high, on the other hand, take a more pragmatic approach: they encourage thrift and efforts in modern education as a way to prepare for the future.

China scores 87 in this dimension, which means that it is a very pragmatic culture. In societies with a pragmatic orientation, people believe that truth depends very much on the situation, context, and time. They show an ability to adapt traditions easily to changed conditions, a strong propensity to save and invest, thriftiness, and perseverance in achieving results. It can also indicate the communist philosophy that the Chinese follow, as they often can sacrifice the present for a better future. (Bradley, Eberle, 2020).

To continue, Slovenia scored 49 on this cultural dimension which is a lot lower than China. It means that Slovenia is more short-term oriented compared to China. Slovenians, compared to Chinese, can often prefer enjoying the present rather than focusing on a better future. Slovenian society is not so pragmatic.

When doing business across borders, managers should take this dimension into account, since some of them may focus more on the present success of the company rather than the future success, while other managers, coming from long-term-oriented societies will focus more on the future success.

Indulgence

The last cultural dimension is indulgence. Indulgence presents the extent to which people try to control their desires (Hofstede, 2001). Huge influence and impact on being human and controlling desires have socialization of small children. We do not become human without socialization. If a society has weak control over its desires it is called an “Indulgent Society”, if a society has strong control, it is called a “Restrained Society”.

As seen in the table above, China has a score of 24 in the Indulgence dimension. This is a low score, and it indicates that Chinese culture is restrained. It can mean that the Chinese tend to be pessimists. They control the gratification of their desires and do not emphasize leisure time. That can be seen in the business world, since the working hours of Chinese workers compared to Slovenian workers are much longer. Some companies in China are known to have a 996 working hour system, which means working hours from 9:00 AM to 9:00 PM, six days a week. That is in total 72 hours per week which is a lot more than the typical Slovenian working time which is from 9:00 AM to 5:00 PM, five days a week, 40 working hours in total. Even though some protests were made against 996 working time, Chinese society still values hard work, and resistance is deeply rooted in their culture.

Chinese society perceives that actions are restrained by social norms and can think that indulging themselves can be wrong.

On the other hand, Slovenia scored 48 on this dimension, which makes it more indulgent than China. Slovenians value leisure time more than Chinese and do not necessarily feel bad for the gratification of their desires. Slovenians are more likely to prefer more vacations rather than more money, compared to Chinese.

As already mentioned above, managers should be cautious of this dimension when opening a business in a foreign country, since working culture and people's perception of working hours may differ across countries. They need to take into consideration that some nations will be willing to work longer working hours than other nations.

2.7 Main Slovenian Companies Doing Business with China

Regardless of cultural differences, successful examples of international business between Slovenia and China can be found. As already mentioned, China is one of the biggest exporters and there are a lot of Chinese businesses exporting to Slovenia. It is also important to mention that there are successful Slovenian companies that managed to enter the Chinese market. I will give examples of them, and I will research in-depth Pipistrel and Just a Corpse, successful Slovenian companies that are doing business with China. There is a saying: "If you succeed in China, you can succeed anywhere". There is also a saying: "Everything is possible in China, but nothing is easy" (Interview 2).

Company Outfit 7 is one of the main examples of Slovenian Chinese takeovers in the past decade. After the huge success of Talking Tom and friends, the mobile application game that the company has produced, Outfit 7 has gained global recognition around the world. Slovenian video game developer has been acquired in 2017 by Chinese chemical firm Zhejiang Jinke Entertainment Culture for around one billion dollars, making it the highest value acquisition of a Slovenian company. As a result of the acquisition, China became one of the company's most important markets, furthermore, it helped the company to make a good relationship with important app stores (Handrahan, 2018). The Company and its famous application Talking Tom and its friends proved their popularity in the Chinese market with the Golden Plume Awards, the most influential gaming awards in China in the year 2017, the application had a 60% increase in app downloads (Outfit7, 2022).

Another example of a Chinese takeover is Gorenje d. d, a Slovenian white goods manufacturer, which opened its first office in China in the year 2005. In the beginning, their focus was mainly on supplying main production facilities with materials produced in China. Soon, they saw an opportunity to sell the high-price segment product to the Chinese market. Having a headquarter in China, ensured them doing business was easier and better since they had the insights and connections. In 2008, Gorenje got the attention of new business partners from China, Taiwan, Thailand, and other countries by winning the prestigious reward:

“China home style award for the best brand of the year 2008. The company was acquired in the year 2018 tie with a 95.42 % stake by China's Hisense Group. Since the acquisition, the company has entered China's high-end consumer market under a newly adapted Chinese name Gu Luo Ni (Pavlova, 2020).

To continue, TAM-Dura Bus is a Slovenian company whose financial investor and majority owner is China Hi-Tech Group Corporation or CHTC Group. The Chinese owner does not provide only capital investment; the Tam-dura Bus can also benefit from the Chinese network.

Equa d.o.o. is a Slovenian company based in Ljubljana that owns three brands, Equa, Goat story, and the latest brand Equa care. Equa produces reusable water bottles, Goat story produces coffee mugs and Equa care produces cosmetic products. They are all environmentally friendly. 80 % of their sales represent exports and China is one of the main markets that they target.

One of the biggest Slovenia companies that entered the Chinese market is Pipistrel, an aircraft manufacturing company that will be studied in detail in the following chapter. It is important to mention Just a corpse which will also be researched in detail with an in-depth interview with the internationalization manager in China.

All the mentioned companies are examples that prove the importance of Chinese and Slovenian partnerships. For Slovenian companies, the vast Chinese market is a good opportunity for business expansion and growth.

3 METHODOLOGY

The number of Slovenian companies doing international business with China is increasing, therefore there will be more businesses that will be exposed to cultural differences between China and Slovenia. To understand how these cultural determinants are affecting business and to give further guidelines, suggestions for further research, and recommendations for managers, empirical research was made.

3.1 Research Framework

I have focused the research on the companies that are successfully performing international business between China and Slovenia. Since there are a lot of recognized Chinese companies that entered the Slovenian market and the fact that Chinese companies are in general famous for their profitable exports, it is not so challenging for Chinese companies to enter the Slovenian market. The real challenge is the other way around, for Slovenian companies to enter the Chinese market. Because of this challenge, I have focused my research on the entry of Slovenian businesses into the Chinese market. This can help Slovenian companies succeed in the Chinese market in the future.

3.2 Data Collection

The empirical part of the thesis relies on primary data, which was collected through qualitative research. The Hofstede model was used as a theoretical framework for semi-structured in-depth interviews. Interviews were done with one founder and former CEO and one internationalization manager of Slovenian companies that entered and are successfully doing business in the Chinese market. The first interview was with Ivo Boscarol, the founder and former CEO of Pipistrel. The second interview was with Severin Lorenčič the internationalization manager at Just a Corpse. The interviews can help us understand the effects of culture when using different models of internationalization to enter the Chinese market. One of the interviews was conducted in person and the other one was on a phone call. The interview protocol was prepared before the interviews, but the questions changed accordingly to conversation due to the fact that the interviews were semi-structured.

The interview had three main parts. The first part is about market choice, the second part focuses on cultural challenges, and the last one how to successfully operate in the Chinese market. The interviews were analyzed using thematic analysis (Hofstede, 1999) relying on Hofstede's cultural dimensions. The interviewees were informed that the interview is a part of this master thesis and that their answers represent primary data used in the empirical part of the research.

3.3 Sample Description

For the research and to get firsthand information about the influence of the cultural differences between China and Slovenia on the international businesses between them, I have decided to do two separate interviews.

The first one is with the founder and Chairman Emeritus of Pipistrel, Ivo Boscarol. He created a globally recognized company from scratch, and he has a lot of experience with the internationalization of the company that he had created.

For the second interview, I interviewed Severin Lorenčič, an internationalization manager of the Slovenian company Just a Corpse which entered the Chinese market.

They both have a lot of experience doing business in the Chinese market, furthermore, they were both personally in China when their companies decided to enter the market. The two people interviewed are one of the main reasons for the success of their companies in China.

3.3.1 Description of first researched company - Pipistrel

Pipistrel is the first researched company. It is a world-renowned small aircraft producer. It produces aircraft for private aviation and cargo aviation. The product that started as a hobby garage manufacturer has grown in 30 years to become one of the world's leading companies

in their field and had won all three NASA challenges. Currently, they own five manufacturing facilities across Slovenia and Italy and have multiple distributors across the world. Pipistrel is also offering online courses in aviation and an academy for flying.

The company Pipistrel expanded to China with their fourth company of Pipistrel Group, PIPISTREL ASIA-PACIFIC, General Aviation Technology Co. Ltd. The main founder of the company is Ivo Boscarol with 51 % of ownership, who was interviewed for this master thesis, and Danny Wu Hao (49 %), a financial partner who will provide capital investment for Jurong Project. The PIPISTREL ASIA-PACIFIC, General Aviation Technology Co. Ltd company is the general distributor of Pipistrel for China. It has five subsidiaries. In China Pipistrel is building a huge aviation center with its own airport, academy, accommodation facilities for employees, shopping center and more. Pipistrel Academy China Beijing is already operating. Pipistrel Asia-Pacific has been always committed to developing safe, energy-saving and efficient aircrafts, their direction is towards the green environmental protection.

In 2015 Pipistrel aircraft was participating in a Volkswagen marketing campaign for Chinese market that made a huge success and was viewed by one billion people. Another major event for Pipistrel in China was their attendance at the biggest global fair Nanjing Tech week, for Chinese importers in Shanghai where it represented their two aircraft models. Pipistrel has also entered a partnership with a Chinese logistics company to develop a large uncrewed commercial aircraft that will be able to carry more than 300 kg of cargo to the distance of 500 kilometres and altitude of 6,000 m (STA, 2021).

3.3.2 Description of second researched company - Just a Corpse

The second researched company that is doing international business with China is Just a Corpse. It is a luxury leisure and body-wear that is getting their inspiration from fashion and dance. It was created by Uroš Belantič, Paris based fashion designer with a history of creating Ballet clothing and top model Valerija Kelava. All the clothes are handmade. The company produces high quality clothes from high quality materials, mostly sourced from Northern Italian manufactures of fabrics. The manufacturing of high fashion clothes takes place in Ljubljna in the family run business that is specialized in production of high-quality sports clothes.

Just a Corpse clothing is exported all around the world. Their biggest customer base is in China, where the company have partnered up with retailers. The demand from China and other part of the world has majorly increased in the last five years, since they started the brand. To adjust their supply according to the high market demand, the management is opening another production facility in Bosnia and Hercegovina. Just a Corpse sells its clothing only through their online store and through its retailers, which does not get the new collection instantly, to encourage the use of the original online store. The company is also considering opening up a pop up store in their production facility in Ljubljana.

4 ANALYSIS

4.1 Result of the Interview with a Representative from Pipistrel

The start of the interview focused on the reason why Pipistrel chose to enter the Chinese market. China and that area of the world were and are still quite new to aviation. The Chinese aviation market has very big potential since aviation in China is still in starting phase. One of the main reasons for that is the fact that aviation and especially private aviation had a lot of restrictions and was not allowed until recently. Another reason why Pipistrel choose China was that a few years ago, China announced a duty-free zone for 11 countries including Australia, Taiwan, Thailand, Indonesia, and other markets that have huge aviation potential. That area of the world has bigger potential than the rest of the aircraft market world altogether, so it is only reasonable to focus on there and target them.

At the beginning of its entry into the Chinese market, Pipistrel started to look into how to enter it and got a Chinese partner. Together with the Chinese partner, they have created a joint venture, whose majority owner is Ivo Boscarol with 51 % of ownership, and his partner with 49 % of ownership. The company has five subsidiaries that are successfully operating. The company is building a huge aviation complex that will include its airport, a factory, a shopping area, the accommodations for employees. The whole project is 137 hectares big, and it will be mainly used for manufacturing two types of airplanes. Unfortunately, the whole project stopped for two years due to Covid 19 the fact so traveling there was not possible. The management of Pipistrel hopes that the project will restart again since it is still in the building phase.

To continue, the CEO of Pipistrel talked about the cultural differences between China and Slovenia and how that impacts doing international business. He stated that the cultural differences, the culture, and perception of aviation, and the legal differences between China/ the east and Slovenia/Europe/the west are enormous. Due to that, Ivo Boscarol would never choose to enter the Chinese market alone without a Chinese market. If you are doing business in China, the same way as you are doing business in Europe you will not succeed. The only way that you will be successful in China is that you adapt your mentality according to Chinese mentality and work “the Chinese way”. Mr. Boscarol strategically chose a partner that knows Chinese and Western culture and he got one that spend half of his life in Australia. That way he can combine different knowledge and cultures and it is a major factor in the success of Pipistrel in China. The only way to be successful in China is with a local partner.

Furthermore, we talked about how Pipistrel got prepared for the expansion to the Chinese market. In order to keep the quality and establish the right system in China, Pipistrel trained the Chinese instructors in Slovenia so they can further train the employees in China. The management of the company also visited China and their factory there to control the quality

and make sure that the setting up of the system is successful. PIPISTREL ASIA-PACIFIC, General Aviation Technology Co. Ltd is a big project and the preparation for it took a long. Preparation started with internal expansion such as training new flying instructors, and studying in detail the Chinese legislation about aviation and the laws of manufacturing aircraft. They have also studied the employee legislation to get to know what to expect in terms of working culture and not only in terms of salary. They focused on how to keep the employees loyal to them since this is not as common in China as it is in Slovenia. One of the main values of Pipistrel is the loyalty of employees as it takes up to two years or more to train employees. If you invest all this time and money in the employee, it is only logical that you need to create a system that will keep him. On the contrary, all the investment will be lost. Their Chinese partner helped them with all these things so together they established an efficient system.

If you are doing business in the Chinese market, you need to understand that in China, business is not done in the office, but it is done at a dinner that includes a lot of alcohol. It is also important to understand that in China there are two parallel authorities, one civil with municipality and mayors and the other one is political authority. It is mostly the political authority that is responsible for international business. The politicians and their authority change and it rotates so when you already present yourself with the one you need to repeat the story and you need to be very stubborn to be successful. There is no fast success in China. Even though it is not easy to work in China it is still ten times easier than working in India. You need to know the specifics of performing business in China.

Ivo Boscarol recommended that if you want to be successful in China, you first need to learn about the different political and civil systems that they use. He stated that the only religion in China is a success. Money does not matter as much as success. Chinese businessman does not know private equity because they always invest their money in a lot of different projects. They usually have their money spread in at least 15 different projects where they see potential and do not fully own anything because of high risks. Chinese do not know small success stories; they are interested in big success. If you want to be successful in China, you need to think big and out of the box. You will not be interesting to the Chinese if they do not see you as a big player. With a typical Slovenian narrow view of life, it is impossible to succeed in China so you need to adapt your mentality.

4.2 Results of the Interview with a Just a Corpse Company Representative

To start the company Just a Corpse, their story of entering the Chinese market was a little different than other Slovenian companies. Normally, Slovenian companies target China and at least partially adapt their products or marketing accordingly to Chinese society, but in the case of Just a Corpse, it was different. Just a corpse did not target and wanted to enter the Chinese market specifically. The company was selling its products online and Chinese

customers found them. The high fashion luxury wear clothing attracted Chinese consumers by itself. The products that Just a Corpse is selling are a good fit for the Chinese market.

The buyer group consisted of mostly Chinese women between 25 years old and 35 years old that are living in big Chinese cities. They do not follow typical Chinese social norms to get married, have kids, and create a family. Just Corpse buyers are single successful women that are focusing on their career. One of the most popular hobbies that they have is a ballet for adults. Since Just a Corpse specializes in high-fashion luxury ballet clothes it is a perfect brand for the described women. They have a lot of money, and they want something unique that they can show off in their ballet class. Customers value luxury, high fashion, and good quality. Just a Corpse products are limited edition which makes them even more precious for the customers. When a certain collection of clothes is sold out it probably will not restock. The customers enjoy wearing Just a Corpse clothes as they know that they will be the only ones wearing them and nobody else has them.

When I asked about preparations and adaptations made for the Chinese market, the manager gave me the following information. Just a Corpse did not make any specific adaptation to the Chinese market. Chinese customers were drawn to their clothes since they are “European”. This is one of the main reasons why the brand is so popular in China. If they would adapt their product and bring it closer to the Chinese, they would lose their value as a European brand. However, some clothes were culturally problematic since they were too explicit and revealing for Chinese customers. There were complaints that the cleavage was too big and too sexual. Accordingly, Just a Corpse adapted some of their clothes and also focused on creating more clothes with natural themes on them since that was popular in China. Just a Corpse also adapted business communication and started cooperating with a retailer.

The main cultural challenges when exporting to China in the case of Just a Corpse were how to adapt their business to the expectations of the Chinese market. The typical Chinese customer is used that everything being efficient and fast. The deliveries in China are usually extremely fast and even for deliveries more than a thousand kilometers away it takes only a day to get delivered. The deliveries of Just a Corpse took much longer as they got delivered from Europe to China. The Slovenian company tried to solve this problem with retailers based in China. That way, clothes were delivered a lot faster.

To find a suitable retailer for Just a Corpse, they researched the retailers that contacted them. The manager studied the way retailers are selling the products that they are offering, and the communication that they have with customers. Just Corpse management went to China to meet some of them. All the business meetings were done at lunch or dinner which took as long as four hours. A lot of food and alcohol are involved. It is important to take your time with Chinese partners and create a connection with them. When selected, a problem occurred with the retailer. The business strategy of Just a Corpse is that after a new clothes collection gets out, it is sold exclusively on the Just a Corpse website. Retailers do not sell new

collections and they wait around three months to get the latest collection in their stores. Customers and retailers are not happy with this since they would like to buy and have the latest fashion clothes. But this is a strategic move and a business strategy of Just a Corpse. Their strategy is: Always keep them wanting more. The strategy works since customers are following every collection that Just a Corpse produces.

Furthermore, the interview continued with the aspects of cultural differences between China and Slovenia and how that affects international business between them. The perception of the manager on cultural differences was that the differences are not so big. His perception was that both Chinese and Slovenian cultures are post-agrarian cultures with more similarities than differences. In Slovenia, you are most likely going to get a good job with good personal or family connections. In China, it is the same, but it is bigger and the connections and your network are even more important. Chinese people value viewing their network and who they spend their time with since that could help them get a job and succeed in life in general.

The big difference between China and Slovenia in terms of business is the working hours. Chinese have a lot less leisure time and they work a lot longer working hours. The reality is that the Chinese are one of the least productive workers since they are mainly pretending to work because of the peer pressure of society. There is also a lot of pressure on Chinese kids to be successful, but the reality is that it is really expensive to raise and well educate kids, and not every Chinese family can afford it. High schools in China are expensive. China had one child policy for many years so the pressure for the kid to succeed and continue the family name is even bigger.

In the last part of the interview, we talked about cultural dimensions. The manager of Just a Corpse agrees with high collectivism for both Slovenia and China. He also agrees that China is compared to Slovenia's long-term oriented. Society is raising kids that way. Chinese can have goals for more than ten years in the future. We continued with the masculinity dimension. The manager confirmed that Chinese society is masculine since it is one of the most materialistic societies in the world. The Chinese have to have a rich-quick mindset, which means doing almost everything to get rich. This is the consequence of fast economic growth in the past when people could get rich fastly, but also because of a great number of people living in poverty that are desperate to get some money. The manager disagreed that uncertainty avoidance is low for the Chinese. He stated that maybe the Chinese are pretending not to care about surprises to handle them in public perception, but in reality they do not deal well with uncertainty.

At the end of the interview, he recommended for all the Slovenian companies that want to enter China in any way, it is way better to do it through a Chinese company. Since you need connections and local knowledge in China, it will help you enter the market. You also need to be aware of where your product come from because Chinese society values European and

foreign products. That makes your product a lot more valuable to Chinese customers than it is to European customers.

Just a Corpse manager also mentioned Corona and the effect of Corona on business with China and business in general. The Coronavirus meant Just a Corpse even more sales than ever before. Chinese people were mostly at home and had the time to order online, also Just a Corpse ballet wear represented the better future that was ahead of them. The problem was that the production site in Slovenia did not have enough capacity to fulfill all the online orders that they got. Workers in the Slovenian site were getting sick which impacted production to slow down. Even these days, after the Coronavirus, Slovenian production can barely handle all the orders that they are receiving from China which creates delays and a bad image for the brand. Due to that Just a Corpse management is opening up another production site in Bosnia and Hercegovina and is employing more production workers and seamstresses to fulfill all the orders from China. By doing that, they will be able to increase production and make more profits on the Chinese market and also around the world.

4.3 Summary of the Main Findings

Based on the interviews and conducted research I have gained an interesting illustration of the impact of culture on the internationalization of Slovenian companies to the Chinese market. All the research questions have been answered in the master thesis and these are the main findings:

International business can be performed in several different ways. When deciding about the entry mode, businesses must take into consideration the industry in which they are operating. Based on the industry, a company can decide which form of internationalization will use. If your industry is attractive to Chinese consumers, it will be a lot easier to enter the market regardless of cultural differences. An important factor when choosing a mode of entry is also the cultural distance of countries, geographical position, and economic and legislative factors. Companies need to consider all these factors when entering a foreign market.

One of the most influential factors to consider when internationalizing is culture. Hofstede's cultural dimension is important for decision-making in international business.

Several difficulties can be caused by distance in cultures. It can decrease the profits of businesses in several ways and create losses, so companies must have a good internationalization strategy before entering a foreign market. As seen, both researched companies have faced problems connected with cultural differences, however, that did not stop them because they found a way to overcome the obstacles and make adaptations accordingly to the culture.

Due to cultural differences between China and Slovenia, it is crucial to choose a Chinese partner to help you overcome the obstacles that cultural differences bring. Both interviewed

companies have confirmed that. The network and already established connections that Chinese partners can provide in Chinese society and the business world, can also be very beneficial to your business when internationalizing to the Chinese market. Chinese partners will provide your international businesses with the knowledge that you did not yet acquire and that can have a positive impact on the business.

Since it is hard to succeed in China, success in China can help businesses to perform better on the international stage. The best way to do business in China is to personally go there, meet potential partners and create a friendly relationship with them. Business in China is not done in the office. Businesses need to make adaptations when entering the Chinese market according to Chinese culture. Nevertheless, the marketing strategy needs to be adapted for Chinese customers.

There is a gap between Slovenian and Chinese culture, but in some aspects, the two mentioned cultures are quite similar. Both cultures are collectivist and have high power distance. On the other hand, the mentioned cultures are a lot different in the other Hofstede's dimensions like masculinity, uncertainty avoidance, and long-term orientation. When internationalizing in the Chinese market, Slovenian companies need to take these dimensions into account.

Since there are already quite a few Slovenian companies successfully operating in the Chinese market, success is possible with the right strategy. The importance of entering the Chinese market is increasing. It is easier to enter the Chinese market now compared to the past.

4.4 Limitations of the Study

One of the main limitations of the study is the small sample size since only two Slovenian companies that entered the Chinese market were interviewed and presented in depth. This can be a very important limitation since the research subject is regarding the behavior and thinking of people. On the other hand, culture is perceived individually so there can also be concerns about generalization.

As there are many entry mode options that companies can choose from, companies can face different obstacles when entering the Chinese market due to cultural differences and there is a possibility that some of the findings are biased. Due to the fact that one manager chose a joint venture and the other one export as an entry mode, their answers may differ because of that. Another factor is that the studies industries are different from one to another so answers relate to the aviation and clothing industries. If the interviews would be focused on the same industry, we could get clearer general answers.

4.5 Suggestions for Further Research

The area of International Business between China and Slovenia is big and is increasing with more and more Slovenian companies that are internationalizing. The question of culture and how cultural differences affect international business is also broad. There is much more research that can be done to get a good comprehension of the influence of culture on International Business between Slovenia and China.

For further research, I would suggest analyzing and interviewing more Slovenian companies that are entering the Chinese market. I would also suggest observing Chinese companies that are entering the Slovenian market and researching if they are facing similar struggles in the aspect of adapting to foreign culture and how it influences business.

My suggestion is also to do questionnaires for the general public that is not directly involved in International Business between China and Slovenia. That way you can gain insight into another aspect of culture and how is it viewed by the broader public. I believe that doing further research would majorly improve trade between Slovenia and China and would also positively affect individual businesses that are doing business abroad.

4.6 Recommendations for Managers

I would recommend to managers be attentive to cultural differences and always take into consideration culture when making their business international. As proved in my master's thesis, culture affects business, especially when entering a foreign market. Managers should always study the culture of a market that they are entering to receive positive results.

When entering the Chinese market, they should always do so with a Chinese partner who knows the local culture and has connections. Having a Chinese partner can help companies to succeed in the Chinese market. Managers should also study all the legislation and the current authority because they will need them to operate a business in China.

Managers must realize that their product is even more special in China because it is European and should work on keeping that brand image. They should make some adaptations to fit the Chinese market more, but they should always keep the European brand image. They should adapt their marketing strategy.

Managers should research their industry in the Chinese market before entering. They should study legal and economic factors in detail.

The last recommendation for managers is that they need to be stubborn and not give up because it takes time to succeed in China. Fast success it's not a thing there. Managers need to know what to expect and cannot do business in the office but on a dinner.

CONCLUSION

In this thesis, I tried to answer the question of the impact of culture on the internationalization of Slovenian companies to the Chinese market. China is one of the world's biggest economies and it presents a big market with a lot of prospective opportunities for businesses from all around the world.

We live in a globalized world where culture plays an important factor in international business, and we need to take cultural distances into account to successfully operate in foreign markets. Culture influences the decisions that we make so it strongly influences the way we do business. If culture is not considered when internationalizing, internationalization can have negative consequences. Expat failure, marketing failure, increased trade cost, and opportunity cost are some of the negative consequences that can be avoided in most cases.

There are multiple known measurements of culture that can be used. Most used are Hofstede's cultural dimensions which describe a culture with six cultural dimensions. GLOBE's and Hall's models can also be used when studying a culture. Because there is no correct way to measure culture, all of the mentioned methods received criticism. In the thesis, the different entry modes are described. Culture affects the entry mode decision.

To efficiently perform international business in China, knowledge of the Chinese economy and trade is needed as well as knowledge of its culture and values. Chinese and Slovenian cultures are different as seen in a comparison of Hofstede's cultural dimensions. Both countries have quite a high-power distance and low individualism scores. China is a masculine country while Slovenia is a feminine country. Uncertainty avoidance in China is quite low compared to high uncertainty avoidance in Slovenia. China is a country with a long-term orientation score much higher than Slovenia. Both countries have low indulgence scores, while China scored lower.

Even though Chinese and Slovenian cultures are different, there are successful Slovenian companies that are doing business in China like Outfit 7, Gorenje, TAM Dura Bus, Aqua, Pipistrel, Just a Corpse, and more. To get firsthand information about doing business in China and the effect of culture on it, I have focused the empirical part of my master's thesis on the interviews with two people who are responsible for the success of Slovenian Companies in China.

Based on two interviews with Ivo Boscarol the founder of Pipistrel and Severin Lorenčič, the internationalization manager at Just a Corpse, I found observed the following. With the right strategy, businesses can overcome all the differences between China and Slovenia and succeed in the Chinese market. There is no fast success in China, you need to be patient. Culture is one of the most inflectional factors that affect international business but more factors are affecting a company's decision like legislation, geographical position, and economy. If you want to be successful in the Chinese market, you should find a Chinese

partner that is suitable for your company. It is hard to be successful without a partner. The country's masculinity and long-term orientation play an important role when doing business.

To conclude, Slovenia is a relatively small market, so it is advisable for companies that want to grow, expand abroad and enter the international business. China presents a good market because of its huge growth, skilled labor, and unparalleled infrastructure. China is a part of WTO which makes entry into the Chinese market and performing business there even easier. Slovenia and China are culturally distant countries so that needs to be taken into account when internationalizing Slovenian companies to China. Not being attentive to cultural distance can harm your business. Considering that many Slovenian companies are already successfully doing business in China it is possible to succeed there regardless of the cultural differences.

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APPENDICES

Appendix 1: Povzetek (Summary in Slovenian language)

V magistrskem delu sem skušala odgovoriti na vprašanje, kakšen je vpliv kulture na internacionalizacijo slovenskih podjetij na kitajski trg. Kitajska je eno največjih svetovnih gospodarstev in predstavlja velik trg z veliko obetajočimi priložnostmi za podjetja z vsega sveta.

Kultura je v mednarodnem poslovanju pomemben dejavnik, zato moramo za uspešno nastopanje na tujih trgih upoštevati kulturne razlike. Kultura vpliva na odločitve, ki jih sprejemamo, zato močno vpliva na način našega poslovanja. Če pri internacionalizaciji ne upoštevamo kulture, ima lahko ta negativne posledice. Neuspeh mednarodnih poslovnih širitev, neuspeh pri trženju, povečani trgovinski stroški in oportunitetni stroški so nekatere od negativnih posledic, ki se jim je v večini primerov mogoče izogniti. Obstaja več znanih meritev kulture, ki jih je mogoče uporabiti. Najbolj uporabljena je metoda avtorja Hofsteda, ki kulturo opisuje s šestimi kulturnimi razsežnostmi. Pri preučevanju kulture lahko uporabimo tudi GLOBE-jev in Hallov model. Glede na to, da pravilnega načina za merjenje kulture ni, so bile vse omenjene metode deležne kritik. V nalogi so opisani različni načini vstopa na tuj trg. Kultura vpliva na odločitve o vstopnem načinu.

Za učinkovito izvajanje mednarodnega poslovanja na Kitajskem je potrebno poznavanje kitajskega gospodarstva in trgovine ter poznavanje njene kulture in vrednot. Kitajska in slovenska kultura sta si zelo različni, kar je razvidno iz primerjave Hofstedejeve kulturne razsežnosti. Obe državi imata precej visoko distanco moči in nizek rezultat individualizma. Kitajska je moška država, Slovenija pa ženska država. Izogibanje negotovosti na Kitajskem je precej nizko v primerjavi z visokim izogibanjem negotovosti v Sloveniji. Kitajska je država z oceno dolgoročne usmerjenosti precej višje kot Slovenija. Obe državi imata nizek rezultat razvijanja, pri čemer je Kitajska dosegla nižji rezultat.

Čeprav sta kitajska in slovenska kultura različni, obstajajo uspešna slovenska podjetja, ki poslujejo na Kitajskem, kot so Outfit 7, Gorenje, TAM Dura Bus, Aqua, Pipistrel in Just a Corpse.

V praktičnem delu sta predstavljena dva primera uspešnih slovenskih podjetij, Pipistrel in Just a Corpse, ki uspešno poslujeta na Kitajskem. Izvedena sta intervjuja z vodstvom podjetja, ki predstavi vplive kulture na poslovanje s Kitajsko. Uspešno vodstvo podjetij je eden od glavnih razlogov za njihov uspeh na Kitajskem. Iz prve roke pridobljeni podatki nam omogočijo celovit pogled na vplive kulture na internacionalizacijo.

Na podlagi dveh intervjujev z Ivom Boscarolom, ustanoviteljem Pipistrela, in Severinom Lorenčičem, vodjo internacionalizacije pri Just a Corpse, so moje glavne ugotovitve naslednje: S pravo strategijo lahko podjetja presežejo vse razlike med Kitajsko in Slovenijo in uspejo na kitajskem trgu. Na Kitajskem ni hitrega uspeha, treba je biti potrpežljiv. Kultura je eden najbolj nepomembnih dejavnikov, ki vpliva na mednarodno poslovanje, vendar obstaja več dejavnikov, ki vplivajo na odločitev podjetja, kot so zakonodaja, geografski

položaj, gospodarstvo. Če želite biti uspešni na kitajskem trgu, morate najti kitajskega partnerja, ki je primeren za vaše podjetje. Moškost in dolgoročna usmerjenost držav igrata pomembno vlogo pri poslovanju.

Če zaključimo, Slovenija je razmeroma majhen trg, zato je za podjetja, ki želijo rasti, priporočljivo, da se širijo v tujino in vstopijo v mednarodne posle. Kitajska zaradi velike rasti, kvalificirane delovne sile in neprimerljive infrastrukture predstavlja dober trg. Kitajska je del STO, zaradi česar je vstop na kitajski trg in poslovanje na njem še lažje. Slovenija in Kitajska sta kulturno oddaljeni državi, kar je treba upoštevati pri internacionalizaciji slovenskih podjetij na Kitajsko. Neupoštevanje kulturne razdalje lahko škodi poslu. Glede na to, da je veliko slovenskih podjetij, ki že uspešno poslujejo na Kitajskem, je tam mogoče uspeti ne glede na kulturne razlike.

Appendix 2: Interview 1

Spoštovani gospod Ivo Boscarol,

Sem Sanja Gorkič, študentka Ekonomske fakultete, Univerze v Ljubljani. Za magistrsko nalogo sem si izbrala temo: Vpliv kulture na internacionalizacijo slovenskih podjetij na Kitajski trg. Z Vami bi rada opravila intervju o kulturnih vplivih na širitev Pipistrela na Kitajsko. Intervju bo sneman, če se s tem strinjate, in izbrisan, ko bo pretipkan. Intervju bo z Vašim imenom objavljen v moji magistrski nalogi, če se s tem strinjate, in bo javno dostopen. Intervju je sestavljen iz štirih sklopov vprašanj. Najlepša hvala za Vaše sodelovanje že vnaprej.

1. Izbira vstopa na trg

Zakaj ste izbrali ravno Kitajsko?

Kateri dejavniki so najbolj vplivali na izbiro, ekonomski položaj države, geografska lega, politika, pravna uredba, kulturni dejavniki?

Kaj je vplivalo na izbiro vašega partnerja?

Kakšna so bila po vašem mnenju pričakovanja partnerja, se Vam zdi, da so imeli kakšne predsodke?

Kako ste se odločili za izbrani mode of entry joint venture?

Kako ste se pripravljali na širitev, ste imeli kakšne priprave, poučevanje o Kitajski?

2. Kulturni izzivi

Ste imeli kakšne težave in izzive pri širitvi na Kitajsko in katere, mi lahko navedete kakšen primer?

Kaj je po Vašem mnenju največja kulturna razlika med Slovenijo in Kitajsko, mi lahko navedete kakšen primer ali anekdoto?

Po Hofstedu poznamo več kulturnih dimenzij (individualism vs collectivism, long vs short term orientation, power distances among people, masculinity vs femininity),

Kitajska ima izrazito kolektivistično mentaliteto, je long term oriented, je masculinity država (ego, denar, kariera, pri vas gre pa bolj za sodelovanje med zaposlenimi, vase vrednote so druge, bili ste delodajalec leta) low uncertainty avoidance in visoka distribution of power in kako to vpliva na IB?

3. Delovanje na Kitajskem

Ste naredili kakšne adaptacije, prilagoditve v Kitajskem podjetju v primerjavi s Slovenskim, in katere?

Kaj so glavne razlike pri poslovanju na Kitajskem in poslovanju v Sloveniji?

Imate kakšna priporočila?

Appendix 3: Interview 2

Spoštovani gospod Severin Lorenčič,

Sem Sanja Gorkič, študentka Ekonomske fakultete, Univerze v Ljubljani. Za magistrsko nalogo sem si izbrala temo: Vpliv kulture na internacionalizacijo slovenskih podjetij na Kitajski trg. Z Vami bi rada opravila intervju o kulturnih vplivih na širitev podjetja Just a Corpse na Kitajsko. Intervju bo sneman, če se s tem strinjate, in izbrisan, ko bo pretipkan. Intervju bo z Vašim imenom objavljen v moji magistrski nalogi, če se s tem strinjate, in bo javno dostopen. Intervju je sestavljen iz štirih sklopov vprašanj. Najlepša hvala za Vaše sodelovanje že vnaprej.

1. Izbira vstopa na trg

Zakaj ste izbrali ravno Kitajsko?

Kateri dejavniki so najbolj vplivali na izbiro, ekonomski položaj države, geografska lega, politika, pravna uredba, kulturni dejavniki?

Kaj je vplivalo na izbiro vašega partnerja?

Kakšna so bila po vašem mnenju pričakovanja partnerja, se Vam zdi, da so imeli kakšne predsodke?

Kako ste se odločili za izbrani mode of entry joint venture?

Kako ste se pripravljali na širitev, ste imeli kakšne priprave, poučevanje o Kitajski?

2. Kulturni izzivi

Ste imeli kakšne težave in izzive pri širitvi na Kitajsko in katere, mi lahko navedete kakšen primer?

Kaj je po Vašem mnenju največja kulturna razlika med Slovenijo in Kitajsko, mi lahko poveste kakšen primer ali anekdoto?

Po Hofstedu poznamo več kulturnih dimenzij (individualism vs collectivism, long vs short term orientation, power distances among people, masculinity vs femininity),

Kitajska ima izrazito kolektivistično mentaliteto, je long term oriented, je masculinity država(ego, denar, karjera, pri vas gre pa bolj za sodelovanje med zaposlenimi, vase v rednote so druge, bili ste delodajalec leta) low uncertainty avoidance in visoka distribution of power in kako to vpliva na IB?

3. Delovanje na Kitajskem

Ste naredili kakšne adaptacije, prilagoditve v Kitajskem podjetju v primerjavi s Slovenskim ,in katere?

Kaj so glavne razlike pri poslovanju na Kitajskem in poslovanju v Sloveniji?

Imate kakšna priporočila?