Get digitalized or die trying
A qualitative study of how digitalization affect Swedish SMEs with Chinese business partners

Author: Emma Rasmussen
Author: Erza Zylfijaj
Author: Lisa Vilhelmsen
Supervisor: Per Servais
Examiner: Clarinda Rodrigues
Date: 23/5 2018
Subject: International Business
Level: Bachelor
Course code: 2FE51E
Summary

Title: Get Digitalized or Die Trying- A Qualitative Study of How Digitalization Affect Swedish SMEs with Chinese business partners

Authors: Emma Rasmussen, Lisa Vilhelmsson, Erza Zylfijaj

Supervisor: Per Servais

Examiner: Clarinda Rodrigues

Course: Business Administration III - Degree Project with specialization in International Business (Bachelor) 15 credits

Problem: The digitalization has changed the world in many aspects with rapid developments. However, little is known about how digitalization affect international business relations and how it influences crucial cornerstones such as trust and communication. There is also limited research of countries business cultures impact on the adaption to digitalization.

Purpose: The aim of the study is to explore how the digitalization has affected international business relations, with a focus on Swedish and Chinese relationships. This will be studied through a qualitative study of Swedish SMEs with Chinese partners within the manufacturing industry, but also through interviews with Business Sweden and Swedish Chamber of Commerce for an objective approach.

Research Questions: The main research question is: How does digitalization affect Swedish SMEs business relations with Chinese partners in the manufacturing industry? The subquestion is: Which positive and negative aspects does the digitalization bring?

Methodology: This thesis is a qualitative study conducted with an abductive approach. A multi-case study design was applied, researching four Swedish SMEs and two objective organizations.

Conclusions: After accomplishing this research, we were able to draw the conclusion that Swedish SMEs with Chinese business partners are affected by the digitalization on many levels. Areas mainly affected by the digital development are the communication methods and work tasks. The positive outcomes are opportunities to save money and time, as well as maintaining frequent communication which can increase trustworthiness. The negative outcomes are the decreased personal interactions and the risk of sharing sensitive information, because of the fact that information is stored on digital devices.
Keywords

International Business Relationships, Digitalization, Swedish SMEs in China, Business Culture, Trust, Communication
Acknowledgments

We owe our gratitude towards those that with their kind support and assistance made the writing of this thesis possible. All of you that have challenged, assisted and been a part of this thesis, have been a great support for us along the way.

First of all, we would like to extend our sincere gratitude to our supervisor Per Servais for his valuable guidance and support during this research project. We would also like to express our enormous gratitude and appreciation to our examiner Clarinda Rodrigues, for contributing with valuable feedback and kind advice, always aiming at moving us forward in the process of writing.

Our special appreciation to Tapflo AB - Mats Wilhelmsson, Liljas AB - Frida Granstrand, Business Sweden China - David Hallgren, Kvaser AB - Sven Sandén, Swedish Chamber of Commerce China - Sofia Norén and the anonymous participant, in no particular order. Thank you for participating in our interviews and for taking your valuable time to answer our questions. This thesis would not have been written successfully without your support.

Last but not least, a huge thank you to the opponents that provided insightful help and advice with constructive feedback given to us, we appreciate your input.

Kalmar, Sweden 23th May 2018

__________________________  __________________________  __________________________
Emma Rasmussen  Erza Zylfijaj  Lisa Vilhelmsson
# Table of Content

1 Introduction .......................................................... 1
   1.1 Background ...................................................... 2
       1.1.1 Digitalization ............................................. 2
       1.1.2 Chinese market ........................................... 2
       1.1.3 Business relations ....................................... 3
   1.2 Problem discussion ........................................... 4
       1.2.1 Research gap ............................................. 5
   1.3 Research questions ......................................... 6
   1.4 Purpose ...................................................... 6
   1.5 Delimitations ................................................. 7

2 Literature review .................................................. 7
   2.1 Digitalization .................................................. 7
       2.1.1 Internationalization .................................... 7
       2.1.2 Digitalization as a phenomenon ....................... 8
       2.1.3 Communication .......................................... 10
   2.2 Managerial Impact ............................................ 11
   2.3 International business relations ............................ 13
       2.3.1 The development of buyer-seller relationships ...... 13
       2.3.2 The Salo model .......................................... 15
       2.3.3 Trust .................................................. 16
       2.3.4 Business culture ........................................ 18
   2.4 Conceptual Framework ........................................ 19

3 Methodology ........................................................ 20
   3.1 Research approach ............................................ 20
   3.2 Qualitative Research .......................................... 21
   3.3 Research Design .............................................. 22
       3.3.1 Multiple-case study design ............................. 23
       3.3.2 Purposive sampling .................................... 23
       3.3.3 Choice of case companies .............................. 24
   3.4 Data Collection .............................................. 25
       3.4.1 Primary Data ............................................. 25
       3.4.2 Secondary data .......................................... 26
       3.4.3 Structure of interviews ................................ 26
   3.5 Operationalization ............................................ 27
   3.6 Method of Data Analysis ..................................... 30
   3.7 Quality of Research ......................................... 30
       3.7.1 Validity ................................................ 30
1 Introduction

The upcoming chapter provides an introduction and a background to the topic that we decided to study. Further, a problem discussion of the main issues is presented in which the thesis has its basis. A research gap is identified to argue the relevance for deeper studies. Based on the problem discussion, one main research question and one sub-question are shaped which highlights the focus of the thesis. Lastly, a purpose is formulated and together with the research questions it will be used as a platform for the design of the thesis and will be further applied to the analysis and conclusion.

The development of technology is one of the most important factors behind rising living standards in Sweden and Europe (Willstedt & Snellman, 2016). The world economy is obviously affected as well and is currently going through a structural transformation on the occasion of the digitalization. The increased digitalization permeates the society on multiple levels (Kättström, 2016). Mobile devices have a constant presence and everyday tasks are often handled through modern digital solutions. Also in the labor market digitalization is taking over in some areas, many core systems are becoming digital and are not dependent on human force in order to run. This has undoubtedly created some questions and disputes on whether the digitalization threatens future jobs. A common perception is that because of the digitalization’s automation of work tasks, it might lead to technological unemployment for many employees (Willstedt & Snellman, 2016). However, the dominant perception within the world of economics is that the digitalization, on the contrary, creates more jobs than it removes.

The digitalization has efficiencted work tasks in professions that require a higher academic level. Because of that, the digitalization currently increases the demand for high qualified jobs. However, there are jobs with lower requirements which still has work tasks that cannot be replaced by digital solutions. In the manufacturing industry, the digitalization is constantly present and is mainly referring to machines and systems becoming integrated (Hedberg, 2018). However, the rapid development of digitalization results in difficulties for manufacturing companies to take a break to acknowledge which transformation they are in need of, in order to take advantage of the digitalization (Westergård, 2017). New digital strategies that grows from the development contributes to problems for companies to identify themselves, since the digitalization requires products with integrated systems. Therefore manufacturing companies have difficulties in marketing themselves, if
they still are manufacturing companies or if the development of the digitalization transforms them into service companies.

The digitalization is not the only factor which is important for companies to affirm, but even their international business relations needs to be taken into consideration in order to succeed in this new fast developing business climate. However, digital questions should not be solved separately, but instead companies can benefit from integrating the solutions in other parts of the company (Goude & Öberg, 2016). The digitalization allows companies to grow globally and to broaden their international network. This implies for companies to build new international business relations which hopefully will help them to increase their sales.

1.1 Background

1.1.1 Digitalization
Digitalization within a business context could be defined as a concept of operations becoming more automatic and digital. All the data is transferred into computers and it becomes more accessible. In this thesis there will be a focus on digitalization, which should not be mixed together with digitization that is the actual process of making things digital. Digitalization is not a new phenomenon, it has occurred due to the digital revolution which began at the end of the 1950s (Pariona, 2017). Since then the increased level of digitalization has affected the world in a faster way than ever and it develops rapidly. Individuals can see the impact of it in their daily lives by for instance increased mobility, which makes it easier to interact with authorities and can always be connected (van Dijk, de Haan & Rijken, 2015).

However, since the digitalization has a large impact on most happenings that occur in the society, media writes about it frequently, they do also discuss the negative outcome with the new digitalization trend. Lanng (2017) writes about the power of digitalization, while Kristoferson-Sandström and Forslund (2018) discuss the negative aspects of it. Digitalization is a subject which everyone is involved in and it is a relevant topic. Berg (2015) states how important it is for companies to follow the digitalization trend. If they fail to follow there is a risk that they will fall behind their competitors which eventually could lead to liquidation.

1.1.2 Chinese market
The science and technology have developed rapidly in China since the 1990s, and China is sometimes referred to as the digital world leader (Woetzel, Seong & Wang, 2017). In 2016, China had 731 million internet users which are more than the
European Union and the United States combined. The opportunities for technology in China are huge and growing. China is classified as the leader in e-commerce where the country accounts for over 40% of the worldwide e-commerce transactions. China is also top three in the world for venture capital investments in digital technology, for instance: autonomous vehicles, robotics, artificial intelligence and virtual reality. Another reason of China’s immense success in digital technologies is that their government invests and supports digitalization. Their next big move is to invest in what is predicted to be the world’s largest 5G mobile network during the coming years.

1.1.3 Business relations

Business relations could be defined as connections between all entities that are engaged in the process of business, for instance all the companies a firm associate with (Ford, Gadde, Håkansson & Snehota, 2011). As a result of digitalization, the business relations have become more digital. It is easier for companies to contact each other and the relations have become more digital than previously. For instance, many companies use Skype and email business partners in order to mediate information. It is also easier to build relations with new business partners all around the world.

The way of managing businesses in Sweden is rather casual (Porter, 2018). Hierarchy is not common, but instead companies often are structured in a lateral way, which means that a managing director is more openly available towards the employees. Equality is of huge importance for Swedish companies and this structure results in reaching a decision can take time, since solutions and ideas are discussed across all the company levels before making the final decision. To rush to a conclusion or to try to force an agreement is not optional and will considerably reduce the possibility of doing business. Swedish business individuals are open and direct when discussing an agreement with a potential business partner, since they do not want to waste valuable time on unimportant subjects (Business Culture, 2014). An underlying factor is that Swedes keep business and private life segregated. All though Swedish companies prefer informal business meetings, one should avoid becoming too personal in a conversation, since personal space is prioritized and should not be discussed too much in a business context.

The way of managing businesses and business relations within China differentiates from the Western European approach, including Sweden (Verstappen, 2008). Chinese business individuals decision of starting a new partnership is made by whether they connect with the potential partner on a personal level. For a Swedish firm considering an expansion within China or to develop a partnership with a
Chinese actor, the level of adaption decides if the firm will be successful or not (Kleen, Moberg & Palm, 2006). It is crucial to be engaged in order to gain an understanding of the business culture in the new country and to realize it will take time and a lot of effort to build business relationships with a Chinese partner. The relationship Chinese individuals have with their family and friends reflects their business relationships as well (Ambler & Witzel, 2000). The Chinese word for describing this type of relationship is ‘guanxi’ and can broadly be translated into ‘connections’. Trust is of huge importance for Chinese business individuals, hence before even initiating a partnership mutual trust must be developed through for instance dinners, where suitable topics for the conversation are sports, music or family (Verstappen, 2008). Mutual benefits are another crucial factor, which the potential Chinese partner will take into consideration during the development of the relationship. Only after an establishment of a personal relationship the conversation can move on to the next stage; negotiations and discussions about business. Although ‘guanxi’ could be seen as a game containing risks and efforts, it is an obligation a foreign company cannot refrain from, if the goal is to be successful on the Chinese market.

1.2 Problem discussion

Digitalization has shaped and reformed new ways of business handling as well as created new features of communication worldwide (Lenka, Parita, Rönberg Sjödin & Wincent, 2016). The world becomes smaller through digital developments, which makes communication more efficient and the shared information available at a larger extent. Businesses can now interact with each other effortlessly as well as the relationship and business can be managed through new digital solutions and systems. However, the digitalization of interaction between business partners results in less personal face-to-face relations (Leek, Naude, & Turnbull, 2003). In that sense, digitalization has impacted international business partners on many levels. It has also created debates between policy-makers and industry leaders on its impact on the society. The more digitalization becomes relevant and continues to grow, the share of information which sometimes can be sensitive, becomes easily targeted internationally. In that way digitalization has not only been a resolving ability, it has also created new vulnerabilities. The trust aspect becomes even more central when business relations are managed through digital communication such as e-mails, Skype and social media (Madsen Kollberg, 2017). In a business environment digital communication can have different definitions, such as promotion of the company through social media, marketing on websites and digital tools to reach out to the existing networks (Singal, 2015). However, in this thesis the concept digital communication only refers to digital tools for multipath
communication between business partners as for instance on Skype, Facetime and through email. To build trust in this matter requires a higher level of clarity in comparison to a face-to-face meeting. Companies must put a lot of effort into presenting themselves as competent, without exaggerating. Personal meetings from time to time can confirm reliance of a company. The problem international business partners may face due to the digitalization is to maintain strong, long-term relationships based on mutual trust.

1.2.1 Research gap

Previous research on this field stresses that digitalization is a very powerful way to cope with problems within businesses both on an internal and external level. According to Khan, Khan and Aftab (2015) digitalization allows networks and companies to share and have their documents viewed from anywhere as well as it can save the working team a lot of reference time by answering frequently asked questions on the web. The research discusses briefly the impact of digitalization on employment, society and economy. It does mention the benefits of digitalization and how digitalization has influenced different sectors and reformed them as well. However, this thesis will be focusing on Swedish SMEs with Chinese business partners which is something that has not been studied previously in accordance to our knowledge. The limited research that exists on this subject with a focus on China, does not bring up Swedish SMEs at all which leaves space and opportunity for this research.

There has in general been a large amount of focus and contribution devoted to understand the impact of technology in our society. Previous research focuses on digitalization composed and how it has shaped our society in different ways. The problem with the challenges of digitalization has been studied previously with different approaches and concentrations. Taking previous research into account, there is a gap in research when it comes to how increased digitalization affect international business relations between Swedish and Chinese companies, that is operating on a market where the digitalization is very active. Since the already existing research does not answer what this thesis aims to understand, it makes this research potentially valuable.

Developments in new technologies are growing rapidly just like the Chinese market (Fursov & Kadyrova, 2017; Woetzel, et al., 2017). Therefore, what was relevant one year ago is not considered to be as relevant at the current time. It is presumed that the same rule applies to digitalization since it is a part of technology. Thus, the already existing research on digitalization is not relevant or lacks information due
to its rapid nature of change. This creates an opportunity for new research to be conducted within this area.

1.3 Research questions

In order to gain knowledge about how the increased digitalization affect international business relations, there will be one main question and one sub-question. The main research question is:

How does digitalization affect Swedish SMEs business relations with Chinese partners in the manufacturing industry?

In order to be able to answer the main research question, the following sub-question has been developed:

Which positive and negative aspects does the digitalization bring?

1.4 Purpose

The aim of the study is to explore how the digitalization has affected international business relations, with a focus on Swedish and Chinese relationships. This will be studied through a qualitative study of Swedish SMEs with Chinese partners within the manufacturing industry, but also through interviews with Business Sweden and Swedish Chamber of Commerce for an objective approach.
1.5 Delimitations

The focus of the study is not to involve the digitalizations affect on business relationships all over the globe, but only between Swedish and Chinese companies. This thesis will not study the digitalization process of multinational companies, but instead examine small and medium enterprises, and how they cope with the challenges of the digitalization with fewer resources. This study will neither refer to the impact within several industries, but the focus will be on the manufacturing industry. The research is taking the approach of investigating business-to-business companies and will not review the B2C relationship, even if the affect are of importance in that matter as well.

2 Literature review

This chapter presents theories and two concepts chosen with reference to the background and the research questions. The first concept is the digitalization and the second is international business relations. Both main concepts have been divided into sub-concepts, in order to identify crucial elements regarding the thesis. Furthermore, they will be used to formulate the interview questions and analyze the answers of the participants. Lastly, a conceptual framework is provided to receive an overview of the crucial theories and how they are connected to each other.

2.1 Digitalization

2.1.1 Internationalization

Digitalization has increased the speed of internationalization and created opportunity recognition for partners globally, which is recognized by the trends of using digital media to promote and reach out as well as communicate with partners. Internet companies also occur as a result of technological development (Oviatt & McDougall, 2005). According to Mahnke and Venzin (2003), the technological change was perceived at the beginning of 2000’s as the new foundation of a refined theory of internationalization. The communication technologies through digitalization allowed small companies to become internationalized through a website and remarkably reduced the costs within international operations. Further, the authors also acknowledge that one of the main opportunities that followed through technology was the provision of digital information goods. The decreased costs that occurred as a result of digitalization had an impact on the transportation
costs and it became cheaper to share and transport information, goods and value. The digital online services offer higher speed and lower costs of transporation in comparison to physical goods. For instance, the digital information goods are shared more straightforwardly than they used to before digital media was relevant. The providers of digital information goods started to enter the foreign market more rapidly than those that offered physical goods due to the reason that the costs were low. Advantages of digitalization and technology overall became important for firms and did clearly have an impact on their entry mode choices and international paths in the future of the firm. Important to note is the common information and digital goods such as books, media, data and designs have because of technology been able to be transformed into digital form.

Chetty, Johansson & Martín (2014) state that the speed of internationalization, which has been an indirect result of digitalization, is a significant challenge that companies are facing. However, it is important for companies to follow and decide their internationalization processes in order to be successful. Waiting too long could lead to companies missing out on opportunities. According to the authors, this is especially important for SMEs due to their small amount of resources at hand. They should have a clear goal and plan whether they need or aim to internationalize. With the recent technological advances, including the digitalization, many doors are open for SMEs in foreign markets.

2.1.2 Digitalization as a phenomenon
According to Cöster and Westelius (2016) to digitalize something is to bring it from a physical format to a digital. Nowadays, all sorts of information becomes digitalized and since the digitalization has had a rapid growth the last couple of years it has taken upon many aspects of information sharing. The consequence of the digitalization is that individuals become undependable of the physical form of time and space. With that being said the authors state that nowadays individuals normalize and make virtualization a part of their daily lives by conducting virtual meetings, virtual organizations as well as virtual machinery. Virtualization itself is a result of the digitalization according to the authors. During the virtual meetings individuals are able to successfully work, communicate and hold conferences without the need of being in the same physical space. The communication has become simplified through different virtual meeting tools and softwares; Skype, Google Hangout and FaceTime are only a few to mention in this category.

According to the authors, the virtual organizations are a result of multiple companies using digitalization through either computers or telecommunications technologies to communicate with each other, customers and suppliers. The
individuals communicating through digital media are necessarily not located in the same area or do not use the same physical facilities. Instead, virtual teams are based on different locations and represent the same unified organization. In short, a virtual organization has its employees spread geographically but they handle the communication through digital communication tools and representing the same company. The authors estimate that virtualization is an important aspect and consequence of digitalization composed, whereas it shows how firms are affected by digitalization on daily basis. Virtual teams usually rely on technology-mediated communication while crossing boundaries of geography, organization and time (Mukhejri & Arora, 2017). Email, video and voice conferencing are common digitalization tools among virtual teams. With the help of virtual teams, companies are able to access to the most qualified individuals for a particular task despite the location of both parts.

An additional important concept within digitalization is IT which stands for information technology. IT is the kind of technology that is aimed to help organizations maintain their information (Cöster & Westelius, 2016). History wise different techniques of maintaining information have been a part of the human life for a long time. Humans have used stones and different kind of methods in order to restore information. In the 1800’s the founding of electric telegraphic solutions came to possession, in late 1800’s these machines became popular among organizations which eventually created a trend. However, with the help of digitalization, individuals are now able to retain the data as well as to share it easily. More advanced systems have been presented and established along with the development of our societies which makes the process of sharing and keeping data easier than ever. Cöster and Westelius (2016) present different historical events of how IT and technology overall have shaped societies and came to possession throughout the history with the computer being a revolutionary creation.

The authors state that IT eventually would become so comprehensive that the IT-support will end up in becoming integrated and essential fragment of the everyday life, especially from a company point of view. The continuously development of digitalization resulted in the stage that companies could not rely on the IT-support as the main operational core. To endure the developments and complexities the digitalization had brought up, companies started to look outside the box and were suggested by experts to develop IT-strategies within their own sectors that were adapted to the organization’s needs. The authors later convey that these consequences of digitalization have created many job opportunities throughout the years, at the same time a demand for educated individuals within the sector of IT and technology has increased.
2.1.3 Communication

Murphy and Sashi (2015) define digital communication within business-to-business companies as individuals exchanging communication through electronic devices. According to the authors, the digital communication as a result of the digitalization increases in the business-to-business sector. It allows the sender and the receiver to control the timing of response and feedback. The internet, where the digital communication occurs, is on another hand an environment that allows the sender and receiver to create a dialogue and a conversation without the need of any physical presence. The conversation that takes place achieves the similar purpose as it would through a traditional meeting or traditionally written communication. Above all, communication through digital media has also made it cheaper for companies to communicate and keep the updates regularly. The internet has increased the speed of communication as well as it has made it easier to reach out to potential partners, customers and the outside world. It has also increased the number of interactions beyond to what previously could be accomplished with face-to-face meetings. The digital communication allows the users to share messages and maintain the context of the conversation over time. The communication through digital media is used effectively within the workfield on a daily basis (Mukhejri & Arora, 2017). It does not require highly educated or technologically savvy individuals in order to take advantage of the modern communication tools. The ability to use a smartphone enables working teams to operate through a mobile device regarding work -functions.

According to Ihator (2001), the presence and development of modern technology that has created a newer corporate communication scene have affected communication channels. It has affected the way information is shared, how the message is interpreted, as well as how information is gathered and stored. This according to Ihator (2001) creates a need to adequately investigate how information is being handled and if communication that occurs through digital tools is secure enough. A common concern among critics of digitalization or digital tools being used as a communication method is that it might generate difficulties in communication. However, communicative difficulties in both traditional and virtual teams have been found to be a result of poor performance by the teams and not a consequence of the communication method (Anderson, McEwan, Bal & Carletta, 2007)

With the support of efficient and accessible communication a company can ensure to have committed and trustful relationships (Ellis, 2011). Communication can be used as a way of handling relationship management tasks such as to create a discussion of relationships, adaptations and of investments. Communication is also
a way of showing commitment. The building of trust, exercising power as well as managing dependence, are additional relationship management task that companies can take advantage of with the use of communication. Effective communication is assumed to moderate as well as control the behavior of business partners.

According to Ananda (2010), the communication has changed during recent couple of years due to the use of digital communication tools. The author also stresses that all forms of digitalization have been affected by the evolution of digital tools, previously communication was more dependent on the physical meeting. The special aspects of communication through smartphones, messages, emails and several other electrical tools have changed the way messages are being delivered both on personal and professional levels. Ananda (2010) discusses several forms of communication that have been significant for human beings, such as ‘real space’ communication which refers to individuals communicating and being close physically, for instance through face-to-face meetings. Meanwhile, the author also mentions that the interpersonal communication occurs as well when individuals are at a different location with the help of smartphones or the internet. Using the digital media tools to communicate is an example of communicating in real time, it allows individuals to be electrically connected to each other at the same time despite the physical distance.

In their research Murphy and Sashi (2015) realize that digital communication is mainly preferred for many contacts involved. If the information is aimed to reach a larger group or requires a larger meeting then the digital communication is preferred before the face-to-face communication. The authors also state that the digital communication has a stronger and improved impact on rationality and is the most preferred when it comes to the sharing of task information. However, the authors also found that in many cases it remains important to maintain the personal communication, which they refer to as face-to-face communication, in order to receive reciprocal feedback and social interaction. It is a matter of situation and depends on what kind of service that is being questioned, also what the companies are trying to achieve with the communication.

### 2.2 Managerial Impact

Today’s technology is often complex and can quickly change direction, which affect companies that constantly have to develop themselves to stay relevant (Vey, Fandel-Meyer, Zipp & Schneider 2017). However, the term technology is wide and is often referred to in different contexts (Ford, et al., 2011). From a managerial point of view, technology is mainly referred to as the digitalization of information,
meaning information is accessible on digital devices with integrated business systems. The digitalization creates dependence, because of enormous costs a single company cannot develop all the new technologies that they need to fulfill their offerings.

In order to manage a digital transformation, the company first has to do an internal investigation, to get an understanding of how well-prepared the company is to also implement digital solutions in the external environment (Bendor-Samuel, 2017). This type of process requires patience and accuracy and it is in this process many companies fail, by not doing a full-scale evaluation. To digitalize a company further requires commitment from all involved employees and managers and the commitment must continue throughout the whole process of implementation. Since the digital changes most likely will affect the business culture and organizational structures, and depends upon changes in these areas as well, a research can help to identify eventual obstacles or disagreements already before the outbreak of those. Managers, employees and even partners in the business network can be either a catalyst or an obstacle for the transformation (Meffert & Swaminathan, 2018). Obstacles are crossed by presenting strong arguments of the need of digitalization, together with a vision. Also, the companies innovation approach is of great importance to cope with the challenges of digitalization. New digital resources require new innovative tools, and therefore an avoidance of traditional change management tools is crucial in order to have a successful transformation (Bendor-Samuel, 2017).

Accordingly, the managers role in the digitalized transformation is crucial and the whole process is dependent on their management. Thus, it is important to acknowledge that technologies are not the same as knowledge, although it is based on it (Ford, et al., 2011). Companies can gain the knowledge that is needed for the digitalization from their business network, which constitutes business relationships as a crucial resource to succeed with technological and digital development. However, primarily the internal resources should be investigated.

The top management of a company are the only ones who can demonstrate the importance of digital change and convey the message to other employees (Meffert & Swaminathan, 2018). After the top management’s investigation, it is the strengths that primarily should be transferred to the digital world. However, digital solutions should be integrated as much as possible, in order for the whole company to follow the digital development (Goude & Öberg, 2016). When top managers have the comprehension of how the company can digitalize in order to benefit it the most, it is only then they will retain the lead (Meffert & Swaminathan, 2018).
2.3 International business relations

The concept business relationship can be difficult to define because different business relationships have different appearances and come in large variations (Håkansson & Snehota, 1995). In fact, due to previous observations, there are not two relationships that are alike. However, the basic meaning of a business relationship is by Håkansson and Snehota (1995 p. 26) defined as “a result of an interaction process where connections have been developed between two parties that produce a mutual orientation and commitment”.

2.3.1 The development of buyer-seller relationships

As early as in 1980 Ford (1980) recognized that business relations experience a development process and go through five different phases depending on the length of the relationship.

![Diagram of relationship stages: Pre-relationship, Development, Early, Long-term, Final stages.](image)

*Figure 1 Own Figure With Information Collected From Ford (1980)*

The first stage in the model is named ‘Pre-relationship stage’. In this stage, the buyer and the seller have not begun to interact with each other, but the buyer is evaluating potential new suppliers. A factor of relevance in the buyer’s evaluation is its existing suppliers and the outlook of their business relationships. The buyer
can be unsatisfied with a current supplier and is because of that reason exploring new potential suppliers with different characteristics. Three factors are the main focus of the buyer’s evaluation; experience, uncertainty and distance. The buyer’s previous and existing relationships are the base for judgment of the potential new supplier’s performance, hence the lack of experience in this matter. The uncertainty aspect involves costs and benefits that the buyer cannot have knowledge of in advance, furthermore the distance could be recognized between the buyer and the seller and includes the five aspects social distance, cultural distance, technological distance, time distance and geographical distance. Especially social and cultural distance will be evaluated when the two potential partners will be dealing across national borders. The technological distance is crucial in the evaluation of companies with an innovation approach or an innovative product.

The second stage is the ‘Early Stage’ and within this stage the potential partners interact with each other, negotiate and develops an agreement. The buyer can also in this stage order samples to review the quality of the product to see if it obtains its expectations. In this second stage, there are high risks involved for both the buyer and the supplier, because of little experience with each other’s way of handling business and at which level they can trust their potential partner. Both parties’ commitment can therefore be low and is mainly influenced by the other party’s outside factors, such as the quantity and the importance of currently developed business relations.

The ‘Development stage’ is the third stage and occurs when there is an increasement of delivered purchased goods, where more frequent contact also matters. Both companies have at this time an enhanced experience of how the other company operates, together with gained knowledge about each other’s norms and values. Establishing personal relations results in an establishment of trust as well, but it is also based on the performance of both companies, and not alone on social relationships. Getting along on a personal level together with a high level of performance is what creates mutual trust. The mutual trust leads to adaption and flexibility, which is beginning to occur in the third stage as well, to meet the other companies needs.

The fourth stage is called the ‘Long-term stage’ and is reached when both companies are dependent on each other after several accomplished large-scaled purchases on a continuous basis. At this point, the level of commitment is high from both companies and the operating procedures have been standardized, which means that recurring actions follow the same pattern. Furthermore, the formal and the informal adaption is more extensive in comparison to the earlier stage. The formal
adaption is written in the contract and the informal adaption is the adaption that arises at the same moment that dissensions emerge. All though the commitment is high in the fourth stage, it might appear as the commitment is lower due to the stabilized business between the two companies. It is also at this stage that a company might look for other partners that can offer new opportunities, which brings us back to the first stage again, the evaluation of potential new partners.

The fifth stage is called the ‘Final stage’ and is reached when the two companies have developed a long-term relationship. The final stage is only achievable when the companies are operating on stable markets. The standardized patterns have been extended and reached a point where they are referred to as industry codes of practice (Ford 1980).

2.3.2 The Salo model

According to Salo (2006) antecedents, accelerants and inhibitors are three phenomenon’s which can explain how a business relationship is affected by the digitalization (see figure 2). In the model, antecedents are explained as the characteristics the relationship had before the digitalization. These characteristics could for instance be existing trust and level of commitment, close business relationship and willingness within the relation to adopt digital tools. All of these characteristics could be positive or negative, though in the end they could lead to different factors which may be able to ease or prevent for the relationship when going through the digitalization.

Accelerants are the factors which will help the business relationship during the digitalization. These factors could for instance be: company and relationship-specific capabilities and skills, simple adopted technology solutions and fit between existing and adopted technologies. If it is easy for a relationship to adapt and adjust to the digitalization, the better and stronger the relationship will become. Accelerants are the positive factors, while inhibitors are considered to be negative factors. Some of these negative factors are missing mutual benefits, lack of trust and commitment and radical organizational and environmental changes. If there are many negative factors, inhibitors, within a business relationship, it will most likely make the relationship between the different parts weaker.

Salo (2006) explains that the accelerants and inhibitors together will lead to a digitalization of the business relationship, which later on will lead to changes in the relation between the parties. If the outcome of the case is positive and there are more accelerants than inhibitors, it could lead to increased performance and behavioral changes. Changes in behavior include increased trust and commitment,
which in the end means that the relationship will become stronger. However, if there are too many inhibitors which prevent the digitalization to succeed the outcome will become negative for the business relationship. Some negative factors which can occur when there are many inhibitors are decreased trust between the involved parts, but also decreased commitment within the business relationship. Salo (2006) states that an outcome with many inhibitors which contains decreased trust and commitment, could be a reason for why a business relation is dissolved in the end.

2.3.3 Trust

In a business relationship, trust refers to the fact that the parties involved are perceived as reliable and will fulfill their promises (Newell, Wu, Leingpibul & Jiang, 2016). Trust in a business-to-business relationship is frequently connected to gaining competitive advantages by observers (Husted, 1998). Loyalty between business partners often creates long-term relationships, in which the outcome is a better comprehension for each other (Newell, et al., 2016). Long-term relationships evolve when both parties see the association as valuable and are gaining from it. It leads to difficulties for competitors to imitate or replace a business developed by such partnership, thus it can be seen as a competitive advantage.

In a business-to-business relationship, there are two types of trust that can be built; interpersonal trust and firm-specific trust. Interpersonal trust is developed when
representatives from each firm interact with each other. The main reason trust emerges in interacting situations is strongly related to the involved parties shared values (Netra, Kunte, Gupta & Bhattacharya, 2016). Firm-specific trust is on the other hand based on experiences (Wang, 2016). This type of trust relates to the buyer’s perception of the seller and is not based on the individual personnel. On the contrary, it refers to the behavior of the selling company and the buyer’s sense of trust dependent on that behavior, even if the personnel are not the same. Firm-specific trust is associated with the reputation of a company, which is affected by whether the company maintain their loyalty to buyers or not. This can have further affection on potential new buyers and potential partnerships in a business-to-business relation.

Through expertise, trust in a business relationship can be achieved as well (Newell, et al., 2016). Expertise refers to skills, knowledge and competency relevant for the business and the branch. Company expertise is important for the production and transportation, since previous studies suggest that the buyer will consider such expertise as product quality and delivery management, when evaluating potential business partners. A salesperson with relevant and specialized knowledge that has the ability to solve the buyer’s problem effectively, will create a solid ground for a strong business-to-business relationship, which makes expertise a key component in trust-building.

Since relying on a business partner involves risk-taking, especially in the digital world, it has from an e-business context been studied in order to gain information about whether the digitalization has a positive or negative effect on the subject business relations (Banerjee & Ma, 2014). In the matter of risks in an e-business relationship, previous research agrees that sensitive information might reach competitors easier and the issue of lost money is impending in an exchange where the web is used as a channel of delivery. Although a positive outcome of the internet is that it has contributed to bring the seller and the buyer closer to each other no longer limited by location, the physical distance still exists and it results in that the seller and the buyer must find other paths in order to gain each other’s trust (Warrington, Abgrab & Caldwell, 2000). Oftentimes the only action a buyer and a seller can make in a digital business relationship in order to find out about the other partner’s trustworthiness is to participate in an exchange. Only after such participation, it is possible to evaluate the trustworthiness, hence the e-business relationship is mainly based on experience. It requires risk-taking from both business partners in order to identify a potential long-term relationship built on mutual trust.
2.3.4 Business culture

Culture plays a huge role for international business relationships (Newell, et al., 2016). In line with the progression of globalization, international business relationships become more common (Weck & Ivanova, 2013). Trust is therefore an even more crucial factor for business partners across national borders, due to the fact that uncertainties and risks are increasing. When businesses are handled by partners with different cultural backgrounds, misunderstandings can arise due to variant perceptions (Piricz & Mandjak, 2016). At the beginning of the development of an international business relationship, it is due to that reason important to have an exploring phase, to intercept knowledge of each other’s cultural background that can be of relevance (Weck & Ivanova, 2013). The output of undergoing an exploring phase is often resulting in a deeper understanding for both parties and a bigger comprehension for communication, which can lead to a development of cultural adaption that will benefit the evolvement of the relationship and the building of mutual trust.

Samaha, Beck and Palmatier (2014) investigated several countries by using Hofstede’s four dimensions of culture, in order to understand where cultural differences might create obstacles for potential international business partners. To make a comparison appropriate for this study, their study showed significant differences between Sweden and China for instance in the dimension of individualism/collectivism, where the culture of Sweden is strongly based on individualism, while China’s culture is highly collectivistic. As Newell et al. (2016) demonstrate one can suppose that ‘guanxi’ has built the foundation for a collectivistic culture in China, prioritizing connections that are personal or tied to the family. The philosophy helps to create loyalty between business partners, but is not convincing in a dynamic industry where advanced technology is well utilized since it is time-consuming.

However, according to Chua (2012), the business culture in China is changing, which will affect Western business partners such as Swedish companies. To prioritize the actual competence of the company is increasing among Chinese businesses, rather than focusing on personal connections. According to Chua (2012), this is encouraging news for companies in Europe that is planning to expand to China or is already existing on the Chinese market, because business relationships could now be developed with the same intention; successful partnerships that are fulfilling each other’s needs with an existing confidence in the capability of both parties.
2.4 Conceptual Framework

The conceptual framework demonstrates that international business relationships are affected by the digitalization. Concepts as culture, managerial impact and communication will affect the level of the company’s adaption to digitalization. Further on, depending on how the communication is maintained, trust is affected as well. Trust can be built in different ways, which is presented by ‘Salo’s model’ and ‘The development of buyer-seller relationships’.

*Figure 3 Conceptual Framework*
3 Methodology

The methodological chapter contains the methods for collecting and processing data, as well as the formation of this thesis. It presents the most suitable approach, research method and sampling of data. It will also include arguments of choices and which type of data that has been collected. A presentation of the companies and organizations participating in the interviews will also be found in the methodology. Finally, two operationalizations will be presented followed by method criticism and ethical considerations.

3.1 Research approach

Induction and deduction are the two most common approaches to use when conducting a thesis, where inductive research originates from empirical data and deductive research originates from logic (Edling & Hedström, 2003). In other words, an inductive approach is when the researcher makes observations in order to identify patterns and form explanations that will end up in theory improvements (Ghauri & Grønhaug, 2010). While a deductive approach, on the other hand, derives from theory to empiricism (Bryman & Bell, 2015). Based on the theory and knowledge the researcher has, the hypotheses are formulated which then is tested against reality through observations.

Another approach which can be applied to a thesis is the abductive approach, which can be explained as a combination of elements from both the inductive and deductive approach (Alvesson & Sköldberg, 2009). An abductive approach will allow the researchers to alternate between their empirical findings and theoretical framework, though it will also make it possible to add additional theories when needed. The researcher will receive a deeper understanding of both theory and empirical data by using an abductive approach. It is important to know that the abductive approach cannot be reduced into either inductive or deductive, though it presents new perspectives of the research process. Dubois & Gadde (2002) states that the main logic behind the abductive approach is that theory cannot be understood without what is observed in empirical data and vice versa.

The researchers of this study found the abductive approach as the most suitable approach due to the fact that they combine theory and empirical findings in order to receive the most accurate result as possible. Since the authors did not have knowledge about the topic, the abductive approach allowed them to learn about their topic along the way, which also made it possible for them to complete missing
components. Further on, the authors of the thesis want to gain a deeper understanding of how the digitalization affect business relations, which the abductive approach will allow them to by being able to discover new patterns and interpret various phenomenon. The thesis starts with already established theories, which later on will evolve due to the fact that empirical data is collected throughout the progress of the work. When the data collection is done, the researchers will have the possibility to go back to their already chosen theories and change them if they find it necessary in order to evaluate their empirical finding another way which may be more suitable for the thesis.

3.2 Qualitative Research

Research methods are commonly divided between qualitative and quantitative research, according to Corbin and Strauss (2008) the research question should determine the methodological approach that will be used to conduct the research itself. Holme and Solvang (1996) mention that one of the most common differences between the quantitative and qualitative method is the fact that quantitative method converts the information to statistics and quantities, based on that it is possible to further conduct statistical analyses. Meanwhile, in regards to qualitative research, Holme and Solvang (1996) states that it is exploratory research, in which the researchers own interpretation and perception based on the information gained, are of importance. According to Merriam (1998), the main goal of qualitative research is to understand how to interpret their own experiences. When explaining the differences between qualitative and quantitative method, Merriam (1998) states that basic definition of qualitative would be that the research uses words as data instead of numbers. Merriam (1998) further mention that due to lack of theory within the subject of interest, it is rather common that the researcher is going to use a qualitative method. However, according to the Corbin and Strauss (2008), other reasons given to select qualitative method are among the fact that qualitative research allows the researcher to obtain an inward experience of the participant.

An overall and general objective of a qualitative research is to gain insight of experiences related to human perspective and the social reality these individuals are experiencing in regard to the subject that is being researched. Due to that preferred methods in qualitative research are interviews (Dalen, 2011). Corbin and Strauss (2008) stress the fact that the researcher is able to “discover rather than test variables” through qualitative research. Further, it is stated that in qualitative research there is an appreciation of serendipity and discovery, leaving more space for a natural curiosity (Corbin & Strauss, 2008). A few of the common characteristic among qualitative researchers is the ability to recognize diversity and regularity, as
well as a willingness to take risks and use a sense of logic. Other characteristics that qualitative researchers share with each other are curiosity and a humanistic approach.

Based on upon the depreciation and information we have gained on qualitative method and particularly the differences between the methods, we believe that qualitative approach is by far the most appropriate research method for this thesis. We aim to be able to describe and explain analytical objectives through a qualitative approach such as describe experiences and variation, as well as use a more open-ended question format. The collection of data on this thesis will be on a personal level, through different interviews, which is proper for a qualitative research and it makes the qualitative approach most suitable for this thesis (Corbin & Strauss, 2008).

3.3 Research Design

According to Kumar (2014) research design is a map which should be followed through the whole thesis in order to receive as valid, objectively, accurately answer to the research question as possible. The research design will help to connect the research question with the empirical findings. The main research design within the qualitative research approach is divided into the five following categories: experiments, histories, surveys, archival analyses and case studies (Yin, 2014). They are all suitable for different studies depending on which research approach is used.

Kumar (2014) argue that case studies provide an accurate and holistic understanding of the aspects that are being researched. According to Kumar (2014), one of the advantages of a case study design is that the researchers can receive more details than they would have by only studying a large sample. Further on, Yin (2014) states that the case study method is most suitable when the purpose of the thesis acts to understand a present phenomenon.

We argue that the design of a case study will be the most suitable approach for this thesis, due to the fact that the case study method provides a real-life understanding which also allows deep analysis. The focus of this thesis is to study if the digitalization has had any impact on international business relations and the case study design has an analytic focus on how and why-questions, which is suitable for the thesis. Further on, the qualitative case studies can be divided into single-case studies and multiple-case studies, depending on if the research seeks to study one or more cases.
3.3.1 Multiple-case study design

As mentioned earlier, there are two different methods which can be used when doing qualitative case studies. Single-case studies only focus on one case, for instance they study one company. Multiple-case studies include several different cases and according to Yin (2014), this is a better method due to the fact that analytical conclusions that can be drawn from multiple cases are usually more accurate and more valid than conclusions are drawn from studying only one case.

For this thesis, a multiple case study is necessary in order to receive perspectives from different companies about their perception of how the digitalization has affected them. Multiple observations can bring up several explanations to the problem which is discussed. All companies have a different experience of the digitalization and its impact, therefore they can provide us with information that is more reliable than if only one company was being studied. The analytical conclusion will benefit from several companies input, which further on can lead a more consistent result.

3.3.2 Purposive sampling

In order to gather data which can answer the research questions for the thesis, the researchers need to select cases to analyze which is explained by Merriam (2009) as the sampling. There are two different sampling techniques: probability and non-probability sampling. The first technique is referred to when the researcher has the need to draw statistical generalizations of samples and is also described as the most common method of sampling to use within a quantitative research. Non-probability sampling is the most common technique to use within a qualitative research, since the aim of the research is to understand, discover and obtain insight of the researched problem. This method is also referred to as purposive sampling, which allows the researcher to choose the different samples from relevant criteria connected to the problem definition of the thesis.

A non-probability purposive sampling method was considered to be the most suitable technique for this thesis, due to the need of being able to investigate and understand a certain phenomenon. Merriam (2009) explains that when deciding which cases to research in the thesis, the purposive sampling needs to have a selection of criteria. The criteria need to direct the researcher towards cases suitable for the thesis in order to be able to answer the research questions. Since the researchers of this thesis wanted to receive an objective view of the discussed problem, there was a need to conduct different criteria for the organizations and the companies. Based on the purpose and research questions, the companies, organizations and respondents were chosen from the following criteria;
The companies were required to:
1. Be Swedish.
2. Be an SME.
3. Have experience of doing business in China.

The organizations were required to:
1. Be Swedish
2. Have knowledge and insight of companies doing business in China.

The respondents were required to:
1. Have a position where they managed the contact with their business partners in China.
2. Have knowledge and insight of the company’s operations in China.

3.3.3 Choice of case companies
After the formulation of criteria, the process of finding suitable companies for the interviews started. By making use of our network we found two companies which met the criteria, and the four others were found through a google search.

3.3.3.1 Liljas Plast AB – Frida Granstrand
Liljas Plast AB manufactures injection molds and is specialized in high-temperature material. The company is a Swedish SME based in Hillerstorp. The company has done business with China since 2005. Frida Granstrand is the owner of Liljas Plast AB which gives her an insight of how their businesses are being managed. The interview was conducted via email.

3.3.3.2 Tapflo AB – Mats Wilhelmsson
Tapflo AB is a company which produces pumps for industry companies. The company is a Swedish SME based in Kungälv, Sweden. Mats Wilhelmsson is the area manager of Tapflo AB and is in charge of their office in Wuxi, China. The interview was conducted via email.

3.3.3.3 Kvaser AB – Sven Sandén
Kvaser AB supplies advanced CAN solutions to engineers designing and deploying systems in areas as wide-ranging as trucks and buses, petrol-driven and electric cars, industrial automation, avionics, construction equipment, marine, medical, military, railway, telecoms, textiles and more. The respondent for the interview with Kvaser AB was Sven Sandén which is the executive vice president and head of sales of the company. The interview was conducted via telephone.
3.3.3.4 Anonymous company – Person X

This is a company which produces electrical hot water boilers and steam boilers, however they wanted to be anonymous if there would be any questions regarding sensitive information. The respondent of the interview works as the sales manager at the company and handles most of his work in China. The interview was conducted via email.

3.3.3.5 The Swedish Chamber of Commerce in China – Sofia Norén

The Swedish Chamber of Commerce in China is an independent, non-profit member organization, network and platform for Swedish businesses and decision-makers in China. The Chamber offers information, networking opportunities, networking groups and advocacy as main services, all to help Swedish and Swedish-related companies do better business in China. Sofia Norén is the chairwoman of the organization. The interview was conducted via email.

3.3.3.6 Business Sweden China – David Hallgren

Business Sweden China is a Swedish company based in Beijing. They answer questions and offer consultancy services to Swedish companies and government about trade, investments and challenges of doing business in China. Their purpose is to help Swedish companies grow on the international market, but also to help companies from foreign countries to invest and expand in Sweden. They have a lot of insight into what is going on in the business world of China. The respondent for the interview with Business Sweden China, was David Hallgren which is the official trade secretary and has the responsibility of Business Sweden in Beijing. The interview was conducted via telephone.

3.4 Data Collection

Gathering information is required when undertaking a research study (Kumar, 2014). Because of the existence of several research techniques, there are obviously several options of methods on how to gather adequate data (Zikmund, Babin, Carr & Griffin, 2010). In most situations, the researchers themselves need to collect data that is acquired for the study, but occasionally that information is already available and is only in need to be extracted (Kumar, 2014).

3.4.1 Primary Data

Primary data refers to the data collected by the researchers themselves from primary sources (Kumar, 2014). In a qualitative study the primary data is often
collected through interviews, since the gathered information from this approach tends to be more consistent. The researchers can through interviews obtain a deeper understanding of the participating individuals’ behavior and their feelings. The interviews can be executed in different conformations, for instance through e-mail, phone calls or meetings on skype or face-to-face. In this study the authors have chosen to collect primary data through interviews by e-mails, sending the interview questions to companies that in advanced were asked if they had the possibility to help in this study through answering questions about the topic. However, some of the participants had a request for executing the interview via phone call and Skype meeting. We have been meeting the demands of the participants since it in our opinion will add value to the research. Interviews through emails will help to distribute the time to accomplish this study in an efficient proceeding, but to have two interviews from a different approach will not obstruct the study, on the contrary it will help to obtain a wider view. All companies have had the time to prepare themselves since the questions were emailed in advance.

### 3.4.2 Secondary data

Secondary data refers to the data collected by previous researchers and concerns online data sources, books and journal articles (Kumar, 2014). In this thesis, secondary data has been used in the introduction chapter, literature review and methodological chapter. Secondary data has been collected from scientific articles, books, and official web pages, in order to obtain crucial information regarding the topics relevant for this study.

### 3.4.3 Structure of interviews

When a research interview is conducted, the researchers can structure the interviews in three different ways; **structured, semi-structured or unstructured** (Denscombe, 2010). In this thesis the research interviews are **semi-structured**, because it was perceived as the most appropriate choice. Semi-structured interviews allow the respondent of the interview to answer as much or as little as he or she wants to (Zikmund, et al., 2010). The interviewer develops an interview guide in advance, in order to be prepared. The interview guide provides a clear structure of the questions and the topics they concern. The respondent has in a semi-structured interview the freedom to use own words to describe their perception, which forms an open interview (Denscombe, 2010). The interviewer follows the interview guide, but is able to stray from the guide if other subjects arise that is still appropriate for the research (Zikmund, et al., 2010). The researchers can through a semi-structured interview obtain a deeper understanding of the topic, which is valuable for the study. Since the respondents will not be able to give yes or no answers, the researchers in this thesis will receive detailed information which is valuable when
analyzing the results. Due to this factor, the analysis can adopt a more in-depth discussion. Semi-structured interviews often provide reliable qualitative data, that is appropriate in a qualitative study, because the research of such study often concerns complex issues.

3.5 Operationalization

An operationalization is accomplished by the researchers in order to define concepts from the literature review (Zikmund, et al., 2010). By doing so, the researchers are able to translate the abstract into concrete concepts applicable to the topic which is being investigated. An operationalization converts the concepts to be measurable in the researcher’s empirical investigation, so that the researchers through interview questions can intercept the information relevant for the study. In this study, the concepts presented in the literature review therefore has been operationalized and has laid the foundation for the interview questions. In this thesis, there will be a need to have two different operationalizations due to the fact that there will be interviews with individuals which work at companies which are directly affected by the digitalization, but there will also be interviews with organizations which can provide the thesis with an objective perspective of the digitalization.

<table>
<thead>
<tr>
<th>Concepts</th>
<th>Interview questions</th>
<th>Reasoning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Background Information/Position</td>
<td>1-3</td>
<td>These questions was asked with the intention to get an insight of the respondent.</td>
</tr>
<tr>
<td>Company’s adaption to digitalization</td>
<td>4</td>
<td>This question was asked in order to receive information about how the interviewees companies have implemented the digitalization in their business.</td>
</tr>
<tr>
<td>Perception of digitalization</td>
<td>5</td>
<td>This question was asked with the intention to receive information about which advantages and disadvantages the interviewees finds with the digitalization.</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>---</td>
<td>----------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Business relations</td>
<td>6</td>
<td>This question was asked in order to receive information about the differences within business relations as a result of the digitalization.</td>
</tr>
<tr>
<td>Trust within business relations</td>
<td>7-9</td>
<td>These questions were asked with the intention to obtain knowledge about if the digitalization leads to stronger and more trustworthy business relationships.</td>
</tr>
<tr>
<td>Addition</td>
<td>10</td>
<td>This question gave the interviewee the opportunity to add further information they might find valuable for the thesis.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Concepts</th>
<th>Interview questions</th>
<th>Reasoning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Background Information/Position</td>
<td>1</td>
<td>This question was asked with the intention to get an insight of the respondent/organization.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------------------------</td>
<td>---</td>
<td>---------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Company’s adaption to digitalization</td>
<td>2</td>
<td>This question was asked in order to receive information about how the interviewee's perception of Swedish SMEs adaption to digitalization.</td>
</tr>
<tr>
<td>Perception of digitalization</td>
<td>3</td>
<td>This question was asked with the intention to receive information about which advantages and disadvantages the organization experience.</td>
</tr>
<tr>
<td>Business relations</td>
<td>4</td>
<td>This question was asked in order to obtain knowledge about how the organization experience differences between Swedish and Chinese business relations as a result of digitalization.</td>
</tr>
<tr>
<td>Trust within business relations</td>
<td>5-6</td>
<td>These questions were asked with the intention to obtain knowledge about if the organizations believe the digitalization leads to stronger and more trustworthy business relationships.</td>
</tr>
<tr>
<td>Business relation differences between countries</td>
<td>7</td>
<td>This question was asked with the intention to find out if the organization believes there are any differences within business relations dependent on which country Swedish SMEs do business with.</td>
</tr>
<tr>
<td>Addition</td>
<td>8</td>
<td>This question gave the interviewed organization the opportunity to add further information they might find valuable for the thesis.</td>
</tr>
</tbody>
</table>
3.6 Method of Data Analysis

In a qualitative research, the researchers will collect a large amount of data. Ghauri and Grønhaug (2010) explain that the researchers need to analyze the collected data in order to be able to understand the content and it will also provide them with an insight of the topic. Further on the collected data will be the basis of the researchers answers to the research questions. The method of qualitative data analysis is a process of structuring and bringing order and meaning to the collected data (Flick, 2014). According to Ghauri and Grønhaug (2010), there is no universal method of analyzing qualitative data. However, the authors argue that to divide the collected data into constituent parts will benefit the researchers. Miles and Huberman (1994) identifies three elements common in the procedure of analyzing qualitative data; data reduction, data display and conclusion drawing/verification. Data reduction refers to the fact that the researchers transcribe the collected data and select and focus on the most relevant parts for the research. By presenting the reduced data, the researchers are able to draw adequate conclusions for the thesis.

When the interviews were conducted, the first thing to do was to transcribe them which means that the researchers convert the interview-records into written text (Bryman & Bell, 2015). The transcriptions eased the process of deciding which of the collected data to use and present in the empirical findings chapter. This thesis has an abductive approach, which has made it possible for the researchers to go back and analyze the theories during the time of the study. This allowed the researchers to choose which data was relevant and interpret it in order to analyze it from a theoretical point of view. The collected data analyzed in this thesis have been divided into concepts relevant for this study, in order to present a structured conclusion.

3.7 Quality of Research

3.7.1 Validity

*Validity* refers to the degree of which the researchers have measured what was intended to be measured, together with the extent of equivalence in the presented data (Kumar, 2014). Those who determine if the study is valid are the researchers, experts within the field, but also the readers of the report. The judgment of establishing validity is based on either a logical link between the questions and the objectives, or on statistical evidence. However, it is an ongoing debate whether this concept is applicable to a qualitative research or not. It has been argued that the freedom and flexibility in a qualitative research results in difficulties in the attempt
of establishing standardized research tools. Despite that discussion, there are similar ways to measure the validity of a qualitative research, namely by using the two indicators credibility and transferability (Lincoln & Guba, 1985). Credibility refers to the fact that respondents are in the best position of deciding whether the research findings accurately reflect their opinions (Trochim & Donnelly, 2007). It is therefore valuable for the study’s validity for the researchers to return to the participants for confirmation, to eliminate potential misunderstandings. Transferability refers to which extent the definitive results can be transferred to other contexts, which requires an extensive description of the adopted process to make it possible.

In this thesis, validity is enhanced because of the authors access to the respondents’ answers in their own words. In the email interviews, the respondents have had the time to carefully describe their opinion in own words so that the answer suits their perception. On the ground of the existing recorded audio of the phone interviews, it results in valid content due to the fact that the authors can go through the interviews repeatedly and listen to potential differences in the respondent’s tone mode, or if any particular emphases are made. Both methods make it difficult for the authors to somehow misinterpret any participant’s opinion.

3.7.2 Reliability
The concept reliability refers to consistent and stable results when a certain research instrument is used repeatedly under similar conditions (Kumar, 2014). The more consistent and stable results a research instrument provide, the higher is the reliability of the results. In a qualitative research it is difficult for an outcome to be completely reliable, because of the behavior of individual’s huge role in the research instrument, such as in interviews. The human behavior is not considered persistent and naturally which affect the reliability. A qualitative research can instead be measured from its dependability and confirmability. The meaning of dependability is that an extensive record of the process is crucial since this indicator refers to the ability to obtain the same information if the study was conducted again. Lastly, confirmability is an imaginative process that enables the reader of the study to judge to what extent the outcome of that particular study is applicable to other comparable outcomes (Denscombe, 2010). To enhance the reliability in a qualitative study, researchers can provide the reader with a full presentation of the methodological procedure, which will help in obtaining a deeper understanding of how the results of the study were acquired and how the researchers came to the conclusions based on these results.
To enhance the reliability of this thesis the methodological procedure is presented thoroughly. It will be a guide for the reader to understand how the empirical findings were gathered and how those sources lead to a conclusion. The interviews conducted via phone call and skype meeting were recorded, in order to create the ability for the authors to transcribe the interviews word by word. Together with the interviews conducted by email, empirical data exists in both audio and text.

3.8 Method Criticism

There are several aspects to consider when using a method, the authors have to decide which method is most suitable for the aim of the thesis to begin with. However, there is per general both advantages and disadvantages with both qualitative and quantitative method. According to Bryman (2016), the qualitative research approach is criticized for being impressionistic and subjective. It is often criticized by quantitative researchers as they tend to describe the findings based on qualitative research as it completely relies on the researchers’ unsystematic views about what is significant. Quantitative research is based on the ingenuity and the perception of the researcher him- or herself which means that researcher is the main instrument of the research. Whatever is collected and gathered tend to be products of the researchers preferences. For instance, Bryman (2016) mentions that in some cases there is a risk that the researcher only highlights and emphasize what strikes them to be of importance, whereas important parts of the response by respondent might be left out. Other disadvantages and consequences of qualitative research that Bryman (2016) stresses include the impact it might have on the respondent. For instance, the respondent is likely to be affected in their response by some characteristics of the interviewer, such as age, gender, race, personality and so on. An additional disadvantage that concerns qualitative research is the problem of generalization, critics argue that it is nearly impossible to know how to generalize qualitative research methodology e.g. an interview where a small number of individuals are participating. Bryman (2016) argues on how it could be conceivable for researchers to generalize all cases by letting two cases be representative in the subject.

3.8.1 Ethical Considerations

When using qualitative approach numerous of ethical considerations occur according to Miller (2012). One of them is concerning the data that is being gathered as well as how this data collection is being interpreted by the authors. Miller also states that there has been a change in the research environment during the last ten years since the book’s first edition was published in 2002. With these changes, the author indicates that the need for thinking more ethically during a
qualitative research has become more necessary for researchers, due to the changing landscape that has presented new borderless technologies and regulations. The technological changes have not only affected the way the data is being gathered, it has also had an impact on how the information is being handled. The increased use of technologies has created opportunities for newer and “richer” data sources that easily can be shared, however, it raises the concern regarding how this data being neglected as well. For instance the risk of data being shared to multiple sources without the awareness of the respondent, or the data being accessed by a third-party that could not have been foreseen by either the researcher or the respondent. These are all aspects that need to be taken into account, especially when information of sensitive nature is being shared. The researcher should be able to guarantee that data is being treated confidentially. There should be a clear vision about who owns the data and to what circumstances individuals are permitted to use it (Bryman & Bell, 2015).

Within all kind of qualitative research, the researcher must take into consideration the ethical fundamentals aspects and be transparent with the conduction of the research (Ghauri & Grønhaug, 2010). For instance, a significant step is informing the respondents about the research and its objective. An essential aspect to consider when doing a qualitative research is the maintenance of respondents confidentiality, it is important to take anonymity into account as well as offer anonymity to the respondents. Silverman, Gobo, Gubrium & Seale (2008) state that research subjects have the right be informed about the nature of the research as well as the right to withdraw at any time. Obtaining informed contents and protection of research participants are two general and prominent principle that should be agreed on. The relationship between the researcher and the respondents is discussed by the authors, according to them trust is the key to building a good field relations within a research. As stated above primary data in this thesis will be collected through interviews with companies that are suitable for our criteria. Throughout the interviews that will take place in order to gather data for this thesis, the participating correspondents will be offered and assured anonymity if so wished. When doing a research within business one important consideration is the respect for intellectual property if such is being studied or included. Ethical dilemmas are hard to predict in relation to interviews that have not been made yet, however the researcher should be aware of the sensitive issues or potential conflicts of interest that may occur as a result of the interview (Orbs, Eisenhauer & Wynaden, 2001).

The ethical consideration that will be focused on in this thesis is primary the mentioned above, the respondents will be given anonymity, they will also be informed of the research and the purpose of the interviews. This research does not
concern any sensitive questionnaire or subject of sensitive information, for instance, questions about fraud or internal corruption within organizations. Instead, the focus is understanding the digitalization both from an objective and a company approach.

4 Empirical Findings

The following chapter contains the empirical data gathered from the interviews. The collected information is presented case-wise. Only the relevant data for this thesis is presented, in order to apply a valuable analysis.

Four of the interviews are with individuals who work at different manufacturing companies which can provide the thesis with an inside-out perspective of how they have been affected by the digitalization. The other two interviews are with organizations which can provide the thesis with an objective view of the digitalization.

4.1 Liljas Plast AB - Frida Granstrand

Frida Granstrand is the owner of Liljas Plast AB, which was expanded to Suzhou in China the year of 2005. She describes the adjustments to digitalization as facilitating for the production as well as for the administrative work. Examples of areas where the digitalization has simplified work is supervision of production, measurements and handling of documents. Even business meetings are now handled on digital platforms and payments are transferred through digital methods, which increases the speed of processes in general. The advantages of the progress of digitalization results in savings of resources, such as time and capital. However, the speed of digitalization and the constant development requires prudence, or else it can result in unexpected costs and difficult situations.

Despite the rapid development of the digitalization, Grandstrand stresses the fact that the personal meeting should not be underestimated. However, Grandstrand does not notice any particular differences in trust building, due to the digitalization. In general, Grandstrand’s opinion is that the business relationship is not as important as the price. This means that companies in some situations prefer reduced prices rather than strong relationships. However, that is not the opinion of Liljas Plast AB. They prioritize strong relationships when doing business and uses the digitalization to strengthen already existing relationships, with even more frequent communication. In countries with similar development of digitalization as Sweden,
it eases the process of doing business. Granstrand’s conclusion is that the digital meeting never can replace the personal meeting.

4.2 Tapflo AB – Mats Wilhelmsson

Mats Wilhelmsson is Tapflo AB’s area manager and is in charge of their office in Wuxi, China. Since the year of 2005, he has had business connections to China. Wilhelmsson explains that the company has adapted to the digitalization by managing work tasks on digital devices with programs as tools for accounting, customer data and payments. Also, Tapflo’s catalogs have been transformed to digital and are sent out through emails. Wilhelmsson states that the digitalization generates several advantages. In general, the process of making business has become much faster and more efficient. The company does not need to handle too much printed papers with information, since the information already exists on the computer.

All though the digitalization brings forth advantages, disadvantages are still present. According to Wilhelmsson one disadvantage is that employees constantly are required to possess back-ups files of the information on the computer, in case of a breakdown. Another inevitable risk that the digitalization generates is hackers, that could steal sensitive information.

Wilhelmsson stresses that a noticeable difference in business relations between Swedish and Chinese companies is the simplified communication. To communicate through emails and Skype rather than through fax, leads to faster response if there would be questions or prevailing uncertainties. Wilhelmsson’s opinion is that trust in business relations is not affected by the digitalization, as long as business relations begin with personal meetings. When becoming partners, companies should arrange meetings face-to-face, in order to build trust. Digital resources can later help to develop the business relation further, through for instance more frequent communication on Skype. Depending on the industry, the digitalization can contribute to both stable business relations or short-term relations. In the manufacturing industry stable and long-term business relations are common, in comparison to for instance a business-to-customer relationship, where it is easier to return a product if the individual is not satisfied; without any particular relation to the seller.

Since Wilhelmsson only has Chinese business connections, he can only assume that the effect of digitalization on business relations is different depending on the country, because of cultural differences.
To conclude Wilhelmsson states that to shop for personal goods as clothes and food through e-commerce is popular in China, but when it comes to business the digital approach is still not dominant, at least not regarding communication at an early stage. It is yet of huge importance to establish personal connections face-to-face before doing business, to gain mutual trust.

4.3 Kvaser AB – Sven Sandén

Sven Sandén is the sales director and executive vice president of Kvaser AB and has been in charge of the sales in China since 2015, though he has worked for the company since 2013. Earlier in his life, Sandén has worked at different companies where he has been in charge of the sales to China but also to Europe. Sandén expresses that he has much knowledge about working together with partners and customers in China.

An interesting fact Sandén states is that Kvaser AB has adapted to the digitalization by handling most of the communication through different digital devices. He explains that in China they have an application called WeChat, which most Chinese use even in business situations. He also explains that they use different versions of Skype in China. Sandén highlights the fact that some companies which Kvaser AB has as customers will not allow the employees to use the intranet on their public computers. However, Sandén also states that the digitalization makes it easier to understand each other’s language, for instance they can use Google Translate if they need to translate a document to Chinese and vice versa.

Sandén continues to express that one of the biggest advantages from the digitalization is the new form of communication. He explains that it is much easier now to send pictures on their products, but also to send proposals. Everything goes much faster than what it used to do. Since individuals in China are not allowed to visit international web pages, Kvaser AB has made their own Chinese webpage so potential customers will be able to find them. Sandén does not really find any major disadvantages with the digitalization, however he believes that they receive a lot of spam and also that it now could be a bit easier to copy their products. Since Kvaser AB is an SME, he believes that it would not be profitable for other companies to steal information about them because of the fact that they are a small company. However, other companies can find information about them and their products faster, which they can get influenced by.
Sandén mentions the fact that it has always been important, especially in China, to have a personal meeting with a new business partner, but also to get to know them personally. The first face-to-face meeting is still important, however the digitalization has helped to keep the business relation alive after the first meeting. Now it is easier to have a continuous discussion with them, which in the long run will make the relationship stronger. Sandén states that he does not believe that trust in business relations if affected by the digitalization. Though he stresses the fact that the first personal meeting is important, while the digitalization then can help to make the relationship stronger.

Sandén believes that the impact of the digitalization is different depending on which country it is. For instance, he mentions that in India it is necessary to have a three-year-long friendship before you do business with each other. He states that it is important to have knowledge about the country’s culture in order to start to do business with them.

Kvaser AB’s e-commerce in China is not widespread yet, however he states that Chinas internal e-commerce is huge and much bigger than ours in Europe. In China you can buy everything online. They do also have an advanced payment-system where you can almost only pay with your card or mobile phone. Sandén adds that in order to succeed in China you cannot use a Swedish approach, it is necessary to have a local approach which is built on their culture and even their language. However, because of political aspects it is easy to send goods to China, but it is very difficult to send money out from China. This is due to the fact that the Chinese government insist on money earned in China, should stay within Chinese borders.

4.4 Anonymous Company – Person X

X works as after sales manager on a Swedish SME in China, which produces electrical hot water boilers and steam boilers. X has worked for the company for over a year, but has experience from working with Chinese companies before from other jobs. X explains that in China there is a huge demand for receiving heat from non-fossil fuel.

X states that since the company he works at is an SME, they have digitalized all documents internal through proprietary databases. They have also done this in order to keep down the costs. Another interesting fact he mentions is that nowadays all of their communication is done through email and WeChat. X believes that one of the main advantages with the digitalization is the new handling of history and audits. In an industry like this, it has eased the process of follow-ups of design and
storing. A reason to why follow-ups are important is due to the fact that without a system for it, many problems can occur connected to this. However, X states that a big disadvantage with the digitalization is that new systems may not be adapted to the work. Companies can be forced to change their normal procedures in order to be able to use the system. That can lead to a subculture of unofficial procedures and the system can be hard to handle, which eventually can make the company stop using it.

X explains that the main difference within business relations to Chinese companies as a result of the digitalization is that they now receive better answers in a smaller amount of time. For instance, it could be issues concerning changes in design or a new price for spare parts. He once again mentions that they work a lot in order to improve systems. On the question about if the trust between them and Chinese business partners has changed due to the digitalization, X says that there have been some issues related to this. In China, within this industry, there is often a short amount of time from when the contract is signed until the production will start. However, the new digital way of handling everything has led to inadequate updates, which later on has led to incorrect production grounds which has been costly to change in the middle of the process. Therefore X states that there have been some trust issues which can be traced back to the digitalization. However, X thinks it is difficult to state if relations nowadays are longer and more stable or if they are shorter and shallower.

X adds that he has worked in many different organizations with different demands on planning, verification of engineering and follow-ups of processes, documents and sales. All of the different operations X has worked at have had similar problems: they do not see the process of their own operation and that ends up in the digitalization being a product from the product, and not from the organization and their way of working. Therefore it is necessary to evaluate the system by three terms; shall, should and desirable.

4.5 The Swedish Chamber of Commerce in China – Sofia Norén

Sofia Norén is the chairwomen of the Swedish Chamber of Commerce in China and she was interviewed in order to give an objective view of the digitalization’s impact on business relations. She believes that Swedish SMEs adaption to the digitalization varies a lot and it is also dependent on which industry you focus on. However, Norén perceives that there is a higher pressure from consumers and employees to adapt to the new digitalized society we live and work in. Norén also states that from a company’s point of view there are many advantages with the digitalization, for
instance how much easier it is now to collect and process information and data. However, she stresses the fact that consumers in China do not have a critical attitude towards sharing data, which gives companies and the government even bigger power.

Norén stresses the fact that China is a closed country with laws and regulations which forbids international companies to transfer data outside the borders. She believes that could be one reason to why business relations between Swedish and Chinese companies still are relatively limited. However, Norén does not perceive any differences in trust between Swedish and Chinese companies, as a result of the digitalization.

Norén though it was difficult to understand the questions and to formulate appropriate answers, which resulted in limited information. We have tried to contact her again to explain the questions further in order to receive more comprehensive information, but she has not answered. However, the limited information we received is still useful for the thesis.

4.6 Business Sweden China – David Hallgren

On this thesis we sought to have an objective assessment as well, therefore we contacted Business Sweden, a global organization owned by Swedish Trade Council (Business Sweden, 2018). We contacted and interviewed David Hallgren, who is the official trade secretary and responsible for Business Sweden in Beijing, China. According to Hallgren, the digitalization has simplified different tasks in the everyday life within the workplace. Hallgren mentions that email is nowadays a common form of communication, another example are the smartphones individuals bring with them everywhere. In that way, communication has become faster and more accessible in general. Hallgren continues by stating that this is the case for both companies that only have Chinese local partners, as well as the ones that have their own offices located in China. In addition to how Swedish SMEs have been working and adjusting to the digitalization Hallgren also mentions that digitalization in China is bigger, as well as it is developing faster than in Sweden, which has created more opportunities and challenges at the same time for the Chinese market. For instance, he refers to the E-commerce that has been increasing and dominating in China lately, everything can nowadays be ordered online at the Chinese market. An example that he brings up when comparing to Sweden, is food and groceries that are commonly ordered online in China. This itself has created tons of opportunities for Swedish companies when attempting to sell through e-commerce. However, before the Swedish companies can start to sell through e-
commerce they have to learn a new environment. They face tough competition by the Chinese companies that already are established at the e-business market. The Chinese companies can benefit from the fact that they already are located there and possess market knowledge. Furthermore, Hallgren highlights another digital trend that has increased in China which is the mobile payments. When establishing there one must be prepared to offer this method.

In terms of communication, Chinese companies use WeChat when communicating with each other. It is certainly an important and dominant communication tool in China that is used for both professional meetings and private sessions. It is a communication method that Swedish companies are not familiar with, but are required to utilize in order to succeed.

When discussing the advantages and disadvantages of the digitalization, Hallgren states that the advantages of digitalization include the creation of new business opportunities. Another advantage is that it simplifies the ways companies can reach out to their target groups. It is also very cost efficient, which he states is a huge advantage for companies. There are a few disadvantages of the digitalization in China as well, he mentions that the environment is dynamic and does not remain similar most of the time, which is something that investors have to keep in mind and be aware of. Another aspect that should be recognized is that China has unique limitations that investors must adjust and relate to before establishing a business there. As a result of the digitalization the companies have been brought closer to one another, they can cooperate and work with fewer limitations than before. However, in some cases it may also create more direct competition between companies that primary use e-commerce, the Chinese companies are becoming dominant and are challenging Western companies. The digitalization also allows companies to work with each other with less trust, business partners are able to follow the business in real time and get started sooner than they would if there was no digitalization involved. Previously, companies had to send representatives to the physical place in order to meet and build relationships, it could be a long process depending on the situation. The need of traveling and the amount of physical meetings has decreased due to the digitalization, primary because it is used as a communication tool, also a faster way of sharing information and getting started. Currently, the trust barrier has become smaller due to the factors that were mentioned above according to Hallgren. Today companies are at times expected to maintain the discussions simply through digital tools, which sometimes could be a challenge because it clearly changes the way of human contact. The digitalization has also increased the risks of online scam, companies receive a lot of emails on a daily basis that is hard to tell if these are serious requests or simply scam. Important
to note is that this problem has existed before, however not in the same amount or reached out in such a fast and easy way.

Hallgren believes that the digitalization could lead to both long-term oriented and stable relations, and short-term and shallow relationships. Closer and more frequent communications through digital media could result in more trust and stable relations in the long term. However, the digitalization and e-commerce have resulted to what previously would require a face-to-face meeting now, could be conducted through a message or email, which could lead to a more distant relation in the long term.

When discussing the importance of building strong and physical relationships in China, Hallgren stresses that one should not exaggerate the need of this in China primarily, while it is important it is dependent on the situation itself. To build and form relationships is equally important elsewhere, for instance in India this matter might sometimes be more significant than it is in China. Thus, the importance of relationships and how these are built is something that is gradually changing. The business partners are becoming more used to the new ways of communicating and handling their business relations, through methods that are a result of the digitalization. The attitude towards digital media nowadays is also changing towards a positive direction, since it creates many new opportunities for businesses all over the world. Digitalization has a different impact on relationships depending on the country and sometimes even the region. In China, for instance, the climate is slightly different especially when considering that they do not have Google, Amazon and some other digital services that exist in Sweden and in the rest of the Western world. This means that companies entering the Chinese market need to perform differently and learn how the market works in term of digital media.

Finally, Hallgren adds that Swedish companies must maintain their development and understand the change that occurs in countries like China considering that the digitalization is bigger there. China is globally seen as the strong opposition of Silicon Valley and therefore Swedish companies should take the opportunity and establish there instead of pulling out due to the differentiations. Investors should be reminded that there are several existing innovative Swedish companies that have managed to establish and remain successful.
5 Analysis

This chapter presents an analysis of the empirical findings, and how the answers are connected to the concepts and theories from the literature review. Similarities and differences will be highlighted, along with a comparison. The structure of the analysis is based on each concept from the literature review.

5.1 Adaption to Digitalization

Based on the empirical findings, all of the participating companies are adapting their business well to the increased digitalization on the international market. Chetty et al. (2014) mention the importance for SMEs to follow the development of digitalization on international markets, in order to not miss out on opportunities, which the respondents of this thesis have succeeded to accomplish. The main driving factors behind the companies’ adaption to the digitalization are that it eases the procedure of maintaining international business relationships and performing works tasks, and also because of the pressure from external parties. It is difficult to ignore the fact that the digitalization brings forth transformations, and to not participate in the development will lead to devastating consequences such as liquidation.

The majority of the respondents of the research have made similar adjustments in order to transform analog work into digital. The most common adjustments are for instance digitalizing administrative work and changed tools for communication. The companies have adjusted their payment methods, because of the digitalization which has implemented new methods of payment. For instance, the respondents mention that cash payments are unusual, and credit card or payments through a smartphone is more common between business partners. The fact that payment methods are handled through digital solutions, are even more common in the Chinese market. According to Banerjee and Ma (2014), the increased digital payments methods results in risks of disappeared money. It is a statement the respondents do not mention, instead they demonstrate the efficiency of it. Sandéns statement regarding the fact that SMEs are not exposed to risks at the same level as multinational corporations, is an explanation of why they have not experienced this threat.
When adjusting to the development of digitalization, the respondents are automatically a part of the increased share of information. Wilhelmsson, Sandén and Hallgren mention the risks of sharing information, which is a statement strengthened by Cöster and Westelius (2016). A possible outcome of the increased share of information can be a more competitive business environment, due to the fact that competitors can discover valuable information. Norén states that Chinese laws and regulations forbids international companies to transfer data outside the borders. This could be an advantage for Chinese companies, however it is a statement not confirmed by the theory and concepts used in this thesis.

Bendor-Samuel (2017) states that a manager or a CEO has an important role in the process of transforming a company to follow the digital development. This argument is strengthened by the fact that all of the respondents in the research for this thesis holds a high position in a company that has succeeded to adapt and implement digital solutions. Due to the respondents’ positive attitude towards the digitalization, we can notice a clear pattern that an employee which holds a high position is able to influence the whole company to affirm the digital transformation and to turn it to their advantage. A statement of the importance of integrating the digitalization in the whole company and not just in certain actions, emerged in the empirical findings. It is a statement strengthen by Goude and Öberg (2016), who emphasizes the significance of involving digital transformations on several levels, in order to not fall behind in the digital development.

5.2 Communication

Ellis (2011) emphasizes that relationship management tasks are handled through ongoing communication. In order to maintain a strong relationship, the communication between partners is of importance as it leads to commitment. By previous research, it is stated that digital communication is the new form of communicating within a business context. Moreover, Ananda (2010) states that different methods of communicating are present nowadays. Individuals are able to communicate through messages, smartphones, emails and other modern communication tools. In the empirical findings, the communication was one main highlight that our respondents discussed.

The empirical findings demonstrate that the digitalization has clearly presented new ways of communicating with business partners, regardless the location. As a result of the digitalization, time is no longer a communicative barrier. The digitalization has made everything, including the communication, move faster. It has also made it easier to practically communicate as the language barriers can be solved thanks
to translating tools according to the empirical findings. In the empirical data, a participant refers to the digitalization as the new form of communication that has simplified and speeded the way of communicating. The evolution of communication is strengthened in the literature review by Ananda (2010) that mentions how digitalization has changed the communication in the recent couple of years. Digital resources have been introduced and function as communication tools in order to make the communication faster and more accessible. For instance, some of our respondents mention and highlight the communication tool WeChat when discussing the impact of digitalization in terms of communication in China. The respondents that mention WeChat, state that the application is used to communicate within the work field in China and has become a very popular communicative tool. A further opinion among the respondents is that WeChat is an application that investors and the companies planning to expand to China should utilize. None of the respondents that mention WeChat, could recall any negative aspects of the application being used as the primary communicative digital tool within the work field.

An emerging opinion among our respondents is that the digitalization is used through communication in order to strengthen the already existing relationships between business partners. By having a more frequent conversation, the international business partners can develop a stronger relationship, with an overall comprehension. This is strengthened as well by the author Ellis (2010) that highlights the importance of frequent communication from a company’s point of view. Frequent communication ensures committed and trustworthy relationships in the future as well. However, Hallgren mentions that nowadays the communication through digital tools could at times be a challenge companies have to face, because the human contact loses its value. Ananda (2010) stresses the fact that ‘real space’ communication which indicates face-to-face dialogue, is important as it allows individuals to be psychically close to each other which sometimes is crucial. This is strengthened by Murphy and Sashi (2015) that emphasizes that face-to-face meetings and the personal communication should be maintained in order to generate the social interaction between the involved individuals. A majority of the interviewees agrees upon the fact that the personal face-to-face meeting remains important at different occasions. For instance, an opinion in the empirical findings states that the personal face-to-face meeting remains important especially in the beginning of a business relation, in order to build and strengthen a relationship.

Communication through digital devices helps companies to keep track on their production and make it easier to share information with one another. According to Cöster and Westelius (2016), digital communication is the reason why virtual teams are able to succeed in their communication and work despite the distance. It has
simplified the way of following up with projects and communicating with individuals that are not necessarily geographically close. The above-mentioned statements are strengthened by Ananda (2010) that indicates that the communication nowadays easily occurs despite the time and physical distance individuals might be facing, which is possible due to smartphones and the internet.

Additional positive outcomes of communication through digital devices that was gathered through the empirical findings indicate that the communication is managed faster than before. We argue that it also makes it easier to keep an ongoing dialogue within an international business context, the communication is not only faster but also cheaper. Cöster and Westelius (2016) support this statement since they mention that the digitalization has speeded communication and decreased the costs for companies. The empirical findings further demonstrate that the need of traveling has decreased as a result of the digitalization. The messages about changes and progress of the product are easily shared with business partners despite the geographic location.

The negative aspects of communication being driven through digitalization are that it leaves space for misunderstandings since the personal human contact is evaded. Person X stresses that difficulties concerning digital communication are that the messages that are delivered could be interpreted incorrectly and create further complications, which is a statement defended by Ihator (2007). However, the authors Anderson et al. (2007) argue that the digital communication is not to be blamed for difficulties in communication between individuals within companies. The authors argue that it is a matter of poor performance by the teams involved that stands behind difficulties in communication. This is not mentioned by any of the respondents in the empirical finding. It might be the case that it is too sensitive to be open about as it is more of an internal issue.

5.3 Trust

According to Ford (1980), the second and third stage of developing a buyer-seller relationship is when the different parties start to interact with each other and establish personal relations. The personal meeting and relation is valued high, something which a majority of the respondents agrees with. Most of them refer to the importance of the personal face-to-face meeting, which is valued high in the beginning of a relationship. The respondents state that even if there is a decreased need for face-to-face meetings, the first personal meeting still plays a big role. According to Ford (1980), there are high risks involved for the parties and they need
to trust each other without much knowledge and security. Compared with the respondent’s answers, we state that more frequent communication, which is a result of the digitalization and the new ways of being able to communicate with each other, increases the level of trust between business partners in an early stage.

Wilhelmsson, Sandén and Hallgren all mention the fact that they receive more spam and scam emails nowadays, and they also stress the fact that there is an increased risk of hackers. Banerjee and Ma (2014) mentions the increased risk of sensitive information leaking out to competitors. This leads to some uncertainty from the company’s side about the communication-tools, which can be compared with inhibitors in Salo’s model (2006), for instance changes in the business environment. An inhibitor will decrease the level of trust between the company and their business partners, due to the fact that they need to focus on creating more trustful and safer ways of communicating, instead of building trust with their business partners. The decreased level of trust will weaken the business relationship. However, according to a majority of the respondents, they have not found it difficult to adapt and adjust to the digitalization, which can be explained as an accelerant in the Salo model. The easiness the companies have had in order to adjust their business to the digitalization, has led to increased trust between them and their business partners. We can discover a pattern when comparing the empirical findings with the Salo model that the number of accelerants and inhibitors are the same. The number of factors which leads to decreased levels of trust is the same as the number of factors that increases the level of trust between business partners, which in the end can be described as the digitalization has no major impact on the trust in a business relationship. This argument can also be strengthened by a majority of the respondents which states that they do not perceive that the digitalization has affected the level of trust between them and their business partners.

Newell et al. (2016) discuss the fact that high levels of trust between partners lead to stronger and long-term relationships, a statement strengthen by a majority of the respondents which states that they believe that the digitalization has made it possible to create stronger business relationships. The respondents explain that nowadays it is possible to remain a strong business relation because of the new communication tools. This statement is strengthened by Warrington et al. (2000) which also discusses that business partners have been brought closer to each other as a result of more frequent communication. According to this, we state that a more frequent communication can increase the trust between business partners since they are not required to meet face-to-face whenever a discussion of business-related topics is needed. Instead, the business partners can call each other on Skype or use another similar digital communication tool. The trust is also increased since the
business partners can keep track of each other via the internet and their web pages, something which is stated in the empirical findings.

5.4 Culture

All of the individuals from Swedish SMEs participating in the interviews stress the fact that personal face-to-face meetings are still highly valued. Mainly because of its importance in the Chinese business culture, but also because of the opportunity to obtain a greater overall impression of a business partner. Weck and Ivanova (2013) are of the same opinion. The authors point out the advantages of exploring for instance through personal face-to-face meetings before becoming business partners, since it will help international business partners adapt to each other’s cultural differences. Hallgren, with an objective point of view, is of a slightly different opinion. He has a general insight into the Chinese business environment and states that it is adapting to a Western approach. It is obviously depending on the situation, but more often Chinese businesses tend to relinquish the ‘guanxi’ approach, which has been the foundation of how Chineses do business. Instead, the digitalization brings an approach with a focus on other parts such as competence, the quality of a product or the price. This is a statement strengthened by Chua (2012). He also argues that the business culture in China, to establish personal relationships before even discussing the subject business, is going through a transformation phase. He continues by stating that the Chinese approach’s transformation closer to a Western approach will favor Chinese and Western business partners, since it will lead to both partners discussing a cooperation with the same intention.

Due to divergence in opinions when comparing empirical findings and previous research, we establish that differences in situations are the underlying factor to disagreements about the importance of personal face-to-face meetings. Hallgren, with an objective assessment, base his opinion on a view that includes a major part of the Chinese market, and with cooperations with various Swedish companies in China. The interviewed individuals actually working in a Swedish SME with Chinese business partners can have a different opinion because of another approach in the manufacturing industry. They are observers on a different level compared to individuals with an objective assessment, and are present to witness the actual atmosphere, to obtain an understanding of what is still prioritized by their Chinese business partners, and which elements that should not be disregarded. It is certainly the reason behind the differences in perceptions.
A statement that also emerged in the empirical findings was that compared to other Asian countries such as India, personal relationships are not as important in China. It has come to our understanding during the research that based on the individuals’ knowledge of various countries’ business culture, their perception is different. The responding individuals with experience from several international business partners do not persect Chinese business partners as prioritizing exclusively personal relationships, while the individuals that only have experienced Chinese business relations or international business relations similar to their own Swedish approach, which is resembling to the Western approach, percepts a greater difference. The last-mentioned individuals can only compare the Chinese business culture with the Swedish business culture, or similar international business cultures in nearby countries, and therefore the dissimilarities expose at a larger extent. Individuals familiar with international business cultures similar to the Chinese business culture does not perceive it as extreme, due to recognition.

The importance that the participating individuals from the Swedish SMEs emphasize of personal face-to-face meetings can be interpreted as an exploring phase, which is a critical phase according to Weck and Ivanova (2013). The reason of why it is critical is because by experiencing such phase, it gives the opportunity for both parties to obtain a comprehension for expressions, demands, the way of communicating, which is factors that differ in an international business relationship. To obtain a comprehension for these factors during a face-to-face meeting will lead to avoidance of misunderstandings and misinterpretation, since it is easier to notice differences in a meeting conducted in such way. In case of an emergence of dissimilarities during a face-to-face meeting, a discussion and suggestions of possible solutions can take place right away. It is not as easy when communication takes place digitally, as for instance on Skype or through email. Misunderstandings can, in that case, result in defective orders or inaccurate dates of arrivals for delivered goods. It is difficult to discuss through digital text messages, which can lead to ignoring to ask a business partner twice, if a situation of uncertainty arise. If problems or inaccuracies occur, it can affect the international business relationship itself, such as uncertainty of the other business partners’ loyalty and competence.

The Chinese business culture, to establish personal relationships before business relationships, helps to create loyalty according to Chua (2012). Since the majority of the interviewed individuals value this method, one can assume that what Chua (2012) states are adequate. In that matter, the Chinese business culture has a positive effect on international business relationships, since Newell et al. (2016) argue that in many cases loyalty creates long-term international business relationships. Newell
et al. (2016) also state that long-term international business relationships often can create competitive advantages due to a deeper understanding, therefore it can be another factor behind the individuals from the Swedish SMEs perception of the importance of personal face-to-face meetings. It is possible that these individuals experience competitive advantages, and therefore continue to value the personal connections.

However, Newell et al (2016) also state that the Chinese business culture is time-consuming, which can be problematic in the rapid digital development. An opinion that also was presented during the empirical findings of this thesis is that time is money. To affirm digital solutions simultaneously as valuing personal face-to-face meetings can be perceived as a contradiction. Since digital solutions become a more comprehensive part particularly in the manufacturing industry, it can be difficult to maintain long-term international business relationships as a competitive advantage at the same time. Competitors that affirm the digitalization at a larger extent might catch up on the companies prioritizing and utilizing long-term relationships as competitive advantages. Based on the previous research and the empirical findings of this thesis further competitive advantages is reached by balancing international business relationships and the integration of digital solutions in order to be successful.

Both previous research and the answers of the interviews in this research indicates that adaption is a critical element in order to be successful beyond national borders. The Chinese business culture is different from the Swedish, and it is important for Swedish SMEs to be prepared and to adapt to their Chinese business partners. As long as their Chinese business partners, as they rely on, prefer occasional face-to-face business meetings, the Swedish SMEs should agree on such terms in order to be successful and maintain as attractive international business partners.

6 Conclusion

The last chapter contains the authors conclusion based on the analysis in the previous chapter. Answers to the research questions will be presented, followed by theoretical and practical implications of the study. The chapter will conclude by reviewing limited conditions, as well as suggesting recommendations for further research.

6.1 Answering the research questions
How does digitalization affect Swedish SMEs business relations with Chinese partners in the manufacturing industry? Which positive and negative aspects does the digitalization bring?

The main research question together with the sub-question concerns how Swedish SMEs perceive the impact of the digitalization and if they have been affected in a positive or negative way. The literature explains that the communication is affected by the digitalization while the trust is not affected (Cöster & Westelius, 2016). In the literature, the culture is explained to be affected by the digitalization in most cases. The empirical findings correspond with the literature.

Most transformations are noticed in the communication area, where digital tools dominate the personal face-to-face meetings. The digitalization often results in more frequent contact via digital solutions, in comparison to an international business relationship that is only managing communication through face-to-face meetings (Weck & Ivanova, 2013). From previous statements in the literature review, empirical findings and analysis, we draw the conclusion that the positive outcomes of digital communication are frequent contact and cost- and time efficiency. Business individuals are no longer required to travel around the world to do business with international partners, but instead maintain the business relationship from their main office in the domestic country. However, the negative outcome is that the personal interaction is currently not prioritized since companies are expected to manage all of their communication through digital devices. This engenders pressure on companies, that have to embrace the rapid development of digitalization in order to continue to stay attractive on the market. The lack of personal interaction can also result in misunderstandings, due to differences in managing businesses.

According to previous research and the empirical findings of this thesis, trust in an international business relationship is not affected by the digitalization (Newell, et al., 2016). However, we believe that the more frequent communication, which is a result of the digitalization, can increase the trust between international business partners. Due to new communication methods, the trust is affected indirectly, which can be a reason for why the respondents do not experience changes in trust building. The trust is affected by the digitalization, though it is difficult to understand for companies how it is affected. Our conclusion is that trust building is affected positively, due to the fact that companies with international business partners can maintain active discussions. If the trust building was affected negatively, we believe it would be noticeable at a larger extent, because such opinion would have appeared in the empirical findings.
Due to different opinions regarding if business cultures can affect international business partners digital development, both in the literature review and the empirical findings, we draw the conclusion that the situation plays an important part (Weck & Ivanova, 2013). Different situations will lead to a different level of importance of the business culture. Due to the fact that the research of this thesis is investigating the manufacturing industry, we value the answers of the Swedish SMEs higher, because these individuals are present in another way to witness the importance of business culture, in comparison to individuals with an objective assessment. Our conclusion is therefor that face-to-face meetings are still valuable for Swedish SMEs trying to enter the Chinese market.

In general, an impending risk of the digital development is the increased spam and scam, as well as sensitive information being shared and ending up in the possession of individuals that are not supposed to have or to know about the information. However, we apprehend that this matter does not prevent companies from utilizing digital solutions. On the other hand, it creates an even further development of digital solutions, to secure valuable information from leaving the company.

6.2 Theoretical implications

The study started by identifying a research gap, because of the limited amount of previous research regarding our subject, how digitalization’s affect on international business relations. Since the previous research was limited, we chose to study the changes in business relations between Swedish SMEs with Chinese business partners as a result of the digitalization. The findings from our research can contribute to theories of digitalization and business relation, and how they can be connected to each other and highlight crucial parts of a business relation which can be affected. Previous research has had the focus on the digitalization as a phenomenon and not how it is connected with international business relations. This thesis provides important input that should be considered by Swedish SMEs with Chinese business partners, to ensure to take advantage of the digitalization.

6.3 Practical implications

During the process of our thesis it has come to our understanding the importance to affirm digital developments or else the risk of failure is impending. Our empirical findings suggest that companies and partners internationalizing and expanding their business to China should adapt to their speed of digitalization and use the digital
solutions that are applicable in that specific market, such as in the communication area and solutions for digital payments. By adapting to the digital development and the Chinese business culture, it is suggested that the Swedish SMEs can cope better with potential challenges, since they will be prepared for an environment with dissimilarities. The Swedish SMEs will benefit from prioritizing occasional face-to-face meetings with Chinese business partners, since it can build a foundation for a long-term business relationship with trust as a cornerstone.

We strongly recommend Swedish SMEs to do research of the targeted industry in the Chinese market, to obtain crucial information of challenges they may face. Due to the fact that the Chinese business culture still differs from the Swedish business culture, Swedish SMEs must consider how much they need to adapt in order to become successful. SMEs have to cope with fewer resources, and because of that, an internal evaluation is highly recommended in order to understand if an expansion is possible. Our final suggestion is that the personal face-to-face meeting never can be replaced by a digital meeting.

6.4 Limitations

During to process of the thesis we faced several limitations that did influence our thesis and final findings in a way we could not have identified or foreseen before. A major limitation was the limited prior research on the subject digitalization connected with business relations, since we were not educated on the subject we found difficulties in how to find relevant information. The second limitation that we could identify was in the way the interviews were conducted. Two of the interviews were conducted through a phone meeting which involved more discussion and space for additional questions. However, the four remaining interviews were conducted through emails which created difficulties when participants faced unfamiliarity with what was being asked for, since they were not able to ask us directly to elaborate or explain better.

Whilst the qualitative method remains the most suitable choice of research method for our thesis it limited the number of answers and empirical data received. Since we were interested in particularly studying Swedish SMEs operating in China, we had to define our choices and attempt to get in touch with companies with the profile and background we were searching for.
6.5 Suggestions for future research

Research regarding the connection between the digitalization and international business relations is relatively unexplored and since there is a rapid development in the digital world, the need for new research is high. This research has provided the readers with knowledge about how the digitalization has affected international business relations, with a focus on Swedish SMEs with Chinese partners. During the process of the research we have been able to distinguish relevant topics in addition to further research:

1. *To investigate multinational corporations and how they perceive the digitalizations affect.* By investigating MNCs the research can receive more in-depth information as well as compare if the outcome is different for larger companies than for SMEs.

2. *To investigate individuals with positions at different levels.* By investigating how individuals at different levels in companies perceive the digitalization, an understanding can be obtained regarding if there are different opinions in a company about the digitalization and its affect on business relations.

3. *To investigate other business environments and cultures.* By investigating other cultures a deeper understanding can be obtained regarding if the digitalization has a different impact depending on which country and culture is researched.

4. *To investigate other industries than the manufacturing industry.* By investigating other industries, a different kind of knowledge will be obtained. By doing so, a comparison between industries can be made and analyzed in-depth.
7 References

Interview participants

1. Granstrand, Frida; Owner of Liljas Plast AB; email-interview; 2018-04-20
2. Wilhelmsson, Mats; Area manager of Tapflo AB; email-interview; 2018-04-19
3. Sandén, Sven; Sales director and executive vice president of Kvaser AB; phone-interview; 2018-04-18
4. Person X; Sales manager at an anonymous company; email-interview; 2018-04-19
5. Norén, Sofia; Chairwomen of the Swedish Chamber of Commerce in China; email-interview; 2018-04-25
6. Hallgren, David; official trade secretary and responsible for Business Sweden in Beijing, China; phone-interview; 2018-04-20


Ananda, M. 2010. Digital Communications: From Email to the Cyber Community 1. ed. Chelsea: House Pub


Miller, T. 2012. *Ethics in Qualitative Research.* SAGE publications


[Accessed 8 May 2018].

[Accessed 14 April 2018].

Appendices

Appendix A Interview Guide

Questions for companies

1. Do you want to be anonymous?

2. Which is your position in the company?

3. For how long have you been operating in the/a company with business relations with China?

4. How has the company adapted to the digitalization?

5. Which advantages and disadvantages does the digitalization bring in your opinion?

6. Which differences do you notice in the business relationships with Chinese companies as a result of the digitalization?

7. Has the trust between you and your Chinese business partners changed as an effect of the digitalization?

8. Does the digitalization lead to long-term and more stable business relationships or short-term and shallow? Develop further if possible.

9. Has the digitalization different impact depending on which country you make business with? If yes, develop further.

10. Do you have anything to add that can be valuable for the discussion of this thesis, that you believe you have not got the chance to answer to in the previous questions?

Questions for objective organizations

1. Do you want to be anonymous?

2. How do you perceive that Swedish SME’s in China has adapted to the digitalization?
3. Which advantages and disadvantages does the digitalization bring in general in your opinion?

4. Which differences can you see between Swedish and Chinese business partners as a result of the digitalization?

5. Is your perception that trust between business partners has changed due to the digitalization? Develop further if possible.

6. Does the digitalization lead to long-term and more stable business relations or short-term and shallow? Develop further if possible.

7. Does the digitalization have a different impact on business relations depending on which country Swedish SME’s make business with? If yes, develop further.