

Cite This Article:

Kryvoruchko L. B., Krukhmal O. V. Economic backgrounds, strategic guidelines and cross-cultural specificity of business relations ukrainian enterprises with chinese partners [Online] // *Economic Processes Management: International Scientific E-Journal*. 2015. № 4. Available: http://epm.fem.sumdu.edu.ua/download/2015_4/2015_4_5.pdf

Received
November 26, 2015

Accepted
December 1, 2015

УДК 339.92(477:510):339.167:174.7:005.574:008(510)
JEL Classification: F15, F23, F51

ECONOMIC BACKGROUNDS, STRATEGIC GUIDELINES AND CROSS-CULTURAL SPECIFICITY OF BUSINESS RELATIONS UKRAINIAN ENTERPRISES WITH CHINESE PARTNERS

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The article is devoted to issues economic cooperation between Ukraine and China. The substantial expansion potential supplies of Ukrainian products to the market of China have been proved, the main directions of export have been outlined. The basic obstacles of establishment and development of reciprocal relations with Chinese partners have been discovered, cultural differences between the two countries have been investigated and recommendations for successful negotiations proceedings have been formulated.

Keywords: *international relations, international economic activity, cross-cultural relations, distance power, high-context culture, business ethics.*

Introduction. China is a large country with a long history and rich culture. Economic growth of this state, trends of social, economic and technological development transform China on promising partner in international economic activity both at state level and at the level of the individual enterprise.

On the other hand, international business cooperation becomes more and more important for Ukraine due to improving the efficiency of the one's economy development. Joining to the global market of resources, labor, technology, production orders significantly expands the opportunities for development of individual enterprise and economic growth of the country as a whole. Ukrainian external economic policy based on the search for foreign partners, cooperation with which could be the impetus for the modernization of domestic economic system. One of Ukraine's strategic partners is China. Economic cooperation foundation is a huge capacity of the Chinese market, which continues to grow, herewith consumption

growth rate is far ahead of the development of production, which leads to dependency on imports and the need to expand the geography of suppliers. Ukrainian companies have significant opportunities for occupation share of the Chinese market, but the difference between the cultures of the two countries makes difficulties and sometimes excludes a successful cooperation.

Analysis of recent researches and publications. The bases of researching cross-cultural relations is works of renowned scientists Hofstede, Trompenaars, Hall and others who have identified the main cultural dimensions, based on the value system of substitutes of individual cultures. Afterward, particular specific theoretical and practical issues of cross-cultural relationships were investigated by domestic and foreign scientists. Thus, work Stegnyy A. [1], Petrushenko J. [2] are dedicated to development of the methodology of cross-cultural research. Aspects of development of partnerships between entities of international economic activity are investigated by Zaharchyn G. [3], Vasilenko N. [4] and others.

Previously unsettled problem constituent. At present the potential for economic cooperation of Ukrainian enterprises and Chinese companies considering culturally sensitivities is studied insufficiently.

Main purpose of the article. The article aims to explore the possibilities and directions of economic cooperation of Ukrainian and Chinese enterprises, and the impact of cross-cultural differences on the success of international economic activity.

Results and discussions. Over the past two years, Ukraine's position in the Chinese market increased significantly. According to the General Administration of Customs of China trade turnover between Ukraine and China in 2014 reached to 8.594 billion USD. Herewith the export of goods from Ukraine amounted to 3.486 billion USD, import – 5.108 billion USD. Bilateral trade balance in favor of China constituted 1.622 billion USD [5]. The main components of Ukrainian exports were:

- mineral products (ores, slags, energy materials) – 65,9%;
- fats and oils of animal and vegetable origin – 12,9 %;
- herbal products (mainly cereals) – 8,7%;
- wood and wood products – 7,0%;
- mechanical equipment, machines, and mechanisms – 2,0% [5].

The result of the first half of 2015 was reducing of the trade turnover between the two countries by 21% as compared to the same period of 2014, however balance of bilateral trade has turned in favor of Ukraine and amounted to 400 million USD [5]. Herewith was observed an increase in exports (3.8%), which was achieved by increasing the supply of plant products, mainly cereals, nearly 8 times (727%), mechanical equipment, machines, and mechanisms by 23%, fats and oils animal or vegetable origin by 14%.

The data of State Statistics Service of Ukraine differ from the similar data of the Embassy of Ukraine in China. According to information of the Ukrainian statistics, in

2015 kept negative balance of bilateral trade, but the trends described by Chinese party are confirmed [6].

The main factor of the growth of exports to China in the 2014-2015 biennium is a record volume of export of grain and oil. Today, China exports sunflower oil Ukrainian production only, our companies have monopolized the export of corn to China, displacing US exporters from the market. Nevertheless, the export potential to China is used by only 10%, it means availability of the substantial resource for Ukraine export development.

Considering the above data, it can be determined the priority areas of cooperation between Ukraine and China. First, it is Ukraine's exports of agricultural products, especially oil, beer and meat. Revenue growth of Chinese consumers causes shortage of domestic products and increased interest in imports. Today China is the world's largest consumer and importer of vegetable oil and can become a strategic market for sunflower oil Ukrainian production.

The level of satisfaction of the needs of Chinese consumers in the meat, including chicken, is insufficient. The demand for this product in China is growing rapidly, and the estimated volume of imports coming years will reach to 3 million tons of chicken [7].

China is the second largest beer market after the United States, growing demand for it could be useful for Ukraine.

Second, scarce component of Chinese imports is the production of technology industry – engineering, space industry, aviation, shipbuilding, energy. An important area of cooperation between Ukraine and China is the cooperation in the defense sector, namely in the field of military education and military-technical sphere. Development cooperation between the two countries in this area will allow Ukraine to transfer foreign trade from low income selling raw materials to the supply of highly profitable high-tech products and improve its own technological capacity.

Despite the clear advantages of the Chinese market, the attempts by some Ukrainian producers use them have failed. The reasons for this failure may be some mistakes of domestic enterprises.

1. Ignoring the macroeconomic performance of the partner country or restriction with macroeconomic indicators only.

2. The absence of a detailed analysis of the competitive environment in the partner country [8].

3. Lack of knowledge in field of the legislative and regulatory basis of the partner country, including requirements of licensing, certification and standardization.

4. Lack of funding and specialists in the field of the organization of international economic activities.

5. Ignoring of cross-cultural characteristics of the partner country.

Thus, one of the foundations of the establishment of strong business links and further effective cooperation domestic enterprises with Chinese partners is a clear understanding of the cultural characteristics of the Chinese people, which certainly affect the behavior of business entrepreneurs.

Ukrainian and Chinese cultural traditions have certain similarities, but much different. Then we present a comparative analysis of the differences between these two cultures, based on the measurement system offered by such renowned scientists as Kluckhohn, Strodbeck, Hall, Hofstede, Trompenaars [9].

Ukrainians are more aggressive, active in their attitude to the human and nature, more rely on technology and progress. Chinese culture is more passive and pessimistic. Chinese avoid open conflict, independent decisions and radical changes in the organization. Their decisions are largely based on experience, intuition and personal wisdom.

For China, is typical a high level of teamwork, while Ukraine is undergoing a transformation from a collectivistic culture, which was formed by ideology of the Soviet Union, to individualistic culture. Today, individualist values inherent mostly to owners of private businesses in Ukraine, while employees still retain collectivist features.

Ukrainians in their activities are mainly oriented to the present, which manifests itself in the unwillingness and inability to form long-term plans. Chinese treat with great respect to the previous history, the experience of the relationship, age partner.

Moreover, these cultures differ in their perception of time and space. Contemporary Ukrainians are in a state of permanent shortage of time, the rhythm of life and work is very fast, in business is valued skill to make decisions quickly. China, like other eastern countries, is polychrome culture, considers the time and nature as boundless flow, independent from human. According to tradition of this country, beginning of business negotiations immediately with the discussion of business matters that are the subject of the meeting is unacceptable. Furthermore, it is normal to put off the discussion to the second, third meeting, to change repeatedly the plans previously approved. Signing a business contract is perceived as a demonstration of intents, which will later be refined repeatedly over long time. Domestic businessmen regard the signing of the contract as the approval of its final version and of start of fulfillment of obligations under the contract.

Unlike Ukraine China – one of the most typical representatives of high-context culture. Communication has implicit character by using non-verbal signals, sounds, facial expressions, which the Chinese rely to a greater extent than information provided explicitly. Accordingly, oral agreements are valued much more than writing.

A very important feature of Chinese culture is a clear distinction between "us" and "them." Family members, relatives enjoy unconditional confidence, while

foreigners are perceived with suspicion, and even dishonest act against the foreigner may be perceived as normal and justified. Doing business is based solely on personal acquaintances. Therefore, in order to establish effective partnerships is advisable to respect the efforts of the Chinese side to enter into informal relations, which can help to form the relevant detailed image of the potential partner.

High level of power distance, typical for China, causes the Chinese need to create and maintain its image carefully. Direct refusal is acceptable for the Ukrainians, but the Chinese perceive it as insult, humiliation of personal dignity.

The common negative feature in the tradition of doing business for the two countries is the lack of business integrity. According to testimonies of entrepreneurs Ukraine and other European countries, the Chinese make every effort to manufacture a test sample or a first batch of products by foreign trade contract perfectly, while further batches differ significantly and their quality is much lower. Ukrainians, for their part, tend to exceed one's real capabilities at the signing of a contract, therefore commitments are not fully carried out, products do not meet the prescribed quality and deadlines of contract are violated.

Considering the cross-cultural analysis of the two countries we can make recommendations, which can help Ukrainian businessmen avoid fatal mistakes and facilitate the establishment of strong, mutually beneficial business relationship:

1. At the making of the contract should be prepared for the ambiguous, long-term process. Moreover, rapid acceptance of the contract of the Chinese side may indicate about dishonest intentions.

2. In order to speed up negotiations is expedient to preliminarily provide representatives of Chinese company of information about one's enterprise, capacities and business history, proposals concerning contract.

3. Keep the emotional restraint in the process of negotiations with Chinese partners.

4. In order to establish mutual trust should maintain informal relations with representatives of the Chinese side.

5. Should be able to interpret and use nonverbal signals in order to decode the information by the relevant way.

6. Refrain from direct refusal, explicit expression of disagreement or other action that Chinese partners can be regarded as a sign of disrespect.

Conclusions and further researches directions. Thus, the negotiation with Chinese companies is a lengthy and complex process. Significant barriers are caused by cultural differences the two countries. To ensure the efficiency of business-communications with Chinese partners must be taken into account the specifics of the Chinese approach to doing business: teamwork, focus on the past tense, high power distance, high-context type of culture, high level of using informal relations. China today is a huge market for a number of Ukrainian goods. Using of its potential will

allow not only attract investment for Ukraine economic growth, but also to modernize the economy, to increase research intensity of domestic products, to strengthen the military and economic security.

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**ЕКОНОМІЧНЕ ПІДґРУНТЯ, СТРАТЕГІЧНІ ОРІЄНТИРИ ТА КРОС-КУЛЬТУРНА
СПЕЦИФІКА ДІЛОВИХ ВІДНОСИН УКРАЇНСЬКИХ ПІДПРИЄМСТВ З
КИТАЙСЬКИМИ ПАРТНЕРАМИ**

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Стаття присвячена питанням економічного співробітництва між Україною та Китаєм. Обґрунтовано наявність істотного потенціалу розширення поставок української продукції на ринок Китаю, викладені основні перспективні напрямки експорту. Висвітлені основні перешкоди встановлення і розвитку взаємовигідних відносин з китайськими партнерами, досліджені культурні відмінності між двома країнами та сформульовані рекомендації для успішного ведення переговорів.

***Ключові слова:** міжнародні відносини, зовнішньоекономічна діяльність, крос-культурні відносини, дистанція влади, висококонтекстні культури, ділова етика.*

**ЭКОНОМИЧЕСКИЕ ОСНОВЫ, СТРАТЕГИЧЕСКИЕ ОРИЕНТИРЫ И КРОСС-
КУЛЬТУРНАЯ СПЕЦИФИКА ДЕЛОВЫХ ОТНОШЕНИЙ УКРАИНСКИХ
ПРЕДПРИЯТИЙ С КИТАЙСКИМИ ПАРТНЕРАМИ**

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Статья посвящена вопросам экономического сотрудничества между Украиной и Китаем. Обосновано наличие существенного потенциала расширения поставок украинской продукции на рынок Китая, изложены основные перспективные направления экспорта. Освещены основные препятствия установлению и развитию взаимовыгодных отношений с китайскими партнерами, исследованы культурные различия между двумя странами и сформулированы рекомендации для успешного ведения переговоров.

***Ключевые слова:** международные отношения, внешнеэкономическая деятельность, кросс-культурные отношения, дистанция власти, висококонтекстные культуры, деловая этика.*