

The background of the entire page is a photograph of a modern building's interior. Several people are silhouetted against a large, curved glass wall that looks out onto a city skyline. The people are sitting or standing on a reflective floor, and their reflections are visible. The lighting is soft, suggesting a bright day outside.

YUZHUAO CAI

Understanding employers' perceptions of international graduates

An investigation of the employment prospects of
Finnish-educated Chinese graduates
in Finnish companies operating in China

UNDERSTANDING EMPLOYERS' PERCEPTIONS
OF INTERNATIONAL GRADUATES

Yuzhuo Cai

UNDERSTANDING EMPLOYERS' PERCEPTIONS OF
INTERNATIONAL GRADUATES

*An investigation of the employment prospects
of Finnish-educated Chinese graduates
in Finnish companies operating in China*

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FOREWORD

The rise of China as a world economic power is having a huge influence on economies around the world. European enterprises, and these include higher education institutions, are steadily increasing their levels of engagement with China. This engagement involves a mutual coming to terms with cultural, social and linguistic differences, and is a particular challenge where – as in Europe – it is starting from a relatively low base. One important linkage between Europe and China, highlighted in this book, is the educating of Chinese students in Europe with the view that many will return to their home country with widened perspectives and capabilities.

This book examines, through detailed interviews with key executives in Finnish enterprises based in China, the experiences of Chinese students educated in Finland as they seek employment back in their home country. These students, with their experience of both European and Chinese culture are in a particularly good position to exploit their knowledge in the interests of bridging between cultures that are different and at times possibly in conflict. However, the potential of experiencing different cultures is weakened if, for example, Chinese students ‘retreat’ into a Chinese community in Europe rather than exploit what their European experience has to offer.

Acknowledging human capital and signalling theories, the book points out that employers’ recruitment decisions are dependent on

their existing belief systems, and develops a conceptual framework for understanding employers' perceptions of graduates' educational credentials. The 'message' for higher education institutions is that they need not only to pay attention to developing students' employability but also to engage with employers in order to gain a grounded understanding of how their beliefs about graduates' capabilities are evolving.

The book argues that, with relatively little prior experience on which to base recruitment of foreign-educated Chinese students, Chinese-based enterprises are to some extent feeling their way, adopting a pragmatic 'trial and error' approach which will be refined as their experiences build up. Recruitment is not straightforward, since the various interested parties' expectations differ – for example, some graduates from Europe have an exaggerated view of their potential earning power back in China.

Home-educated Chinese students have an advantage over their foreign-educated peers in that they have had a greater opportunity to build up the networks that make them effective as salespersons, whereas the balance of advantage lies the other way where communication capabilities are concerned. A graduate's employability, therefore, is to some extent a function of the kind of position being sought: one matter that is of general importance, and valued in recruitment, is work experience.

This book points, in some places explicitly and in others implicitly, to many challenges that globalisation throws up for higher education and its relationship with enterprises. Although it focuses on Chinese students in Finnish universities, the issues it raises are of far wider relevance. Anyone with an interest in the transnational mobility of graduates should find in it considerable food for thought.

Mantz Yorke

Visiting Professor, Lancaster University, UK

PREFACE

Since 2009, I have been engaged in research on marketing Finnish higher education in international markets. On the basis of my studies, I am convinced that high quality of education is not sufficient for Finnish higher education institutions (HEIs) to succeed in the international student market. Rather, the attractiveness of Finnish higher education depends on how the quality is perceived by prospective students. As the quality of higher education cannot easily be measured and judged by students, in practice they are inclined to judge the quality of a higher education system or a particular institution by its international reputation and the career success of its graduates.

Recently, the stakeholders of Finnish higher education have indeed paid increasing attention to the employment of international graduates, but they face a challenge of finding concrete information regarding the subsequent employment of international graduates from Finnish HEIs. Especially there are notably few in-depth analyses of international graduates' employment from employers' perspectives. In the research literature, there is even a lack of appropriate conceptual frameworks for understanding employers' perceptions of graduate employability.

This book is a response to these demands and challenges, aiming to fill gaps in both theoretical understanding and empirical

knowledge regarding international graduates' employment from employers' perspectives. It takes as an example the investigation of the employment prospects of Chinese graduates from Finnish HEIs in Finnish companies operating in China. The main focus of the study is: how do employers in Finnish companies operating in China assess the employability of Chinese graduates of Finnish higher education, and how are such assessments developed? To approach this research problem, an analytical framework using insights from institutional theory is developed to understand how employers make recruitment decisions based on their beliefs. Through interviewing employers in 16 Finnish companies operating in China, the study reveals how the recruitment processes take place in these companies, how the recruiters assess the employability of Chinese graduates from Finland, and what influences the employers' beliefs, etc. It also provides suggestions for Finnish employers, Chinese students and Finnish higher education institutions on how to strategically play their roles in promoting a positive loop between attracting gifted international students to Finnish higher education and the career success of the graduates.

The fieldwork of the study was conducted during November and December 2010. After that, I made the analyses in spring 2011 and completed the first draft by June 2011. Since then, it has taken me more than one year to revise and improve the text. Before the release of the final report in its present form, two articles based on the research were published in international journals. One is a short summary of the main findings of the interviews with Finnish employers (Cai, 2012b) and the other is about a conceptual framework for understanding employers' perceptions regarding graduate employability (Cai, 2012a).

The book is intended for multiple groups of readers, namely managers of Finnish companies operating in China, Chinese students in Finland, Finnish stakeholders and actors involved in international

higher education, as well as researchers and practitioners interested in the employability of international graduates and marketing of international education.

As regards managers of Finnish companies operating in China, many of them may encounter difficulties in understanding the Chinese labour market, particularly how to recruit capable and loyal employees. Reading the stories told by their counterparts as well as the corresponding analyses can provide them with a shortcut to enrich their knowledge in the field and even resolve some of their practical problems in recruitment.

One of the major concerns of Chinese students in Finnish HEIs is how to find a job after graduation. While most of them are mainly looking for job opportunities in Finland and/or with Chinese employers at home, they may be not aware that there are some 300 Finnish companies operating in China and most of these companies are positively disposed to these Chinese graduates from Finland. However, getting a job in these companies is by no means easy. As the book explains, not only is there an information barrier between graduates and employers, but also what may inhibit the Chinese graduates' job applications is their unclear understanding of the companies' concerns. This book will help Chinese students to understand how their potential employers think and what is important in the recruitment process. The book specifically provides advice for students on how to smooth their path to finding a job in general and in Finnish companies operating in China in particular.

Finnish HEIs and stakeholders at both governmental and institutional level will also benefit greatly from the book, as it is closely related to the marketing of Finnish higher education in international markets. It fills a knowledge gap for them — the lack of understanding of employers' perceptions of their graduates. Knowing the employers' reflections as well as the suggestions provided by the book, Finnish policymakers, institutional leaders, international programme coordinators and teachers will be better able to develop

appropriate strategies and plans to organise Finnish international education activities and promote the links between international education and the labour market. The findings regarding the graduates' employment prospects *per se* can be utilised directly by Finnish HEIs in their marketing activities, as such information will be of interest to prospective students to make decisions on whether or not to study in Finnish HEIs and what kinds of outcomes to expect.

Although this study is confined to the context of Finnish companies operating in China and Chinese graduates from Finland, the lessons to be drawn here will hopefully be useful for other international companies operating in China as well as universities and international students in similar contexts: namely where the host country is small in size and the first language is not English.

In spite of its specific empirical focus, the book is indeed a scholarly work. When it comes to understanding employers' perceptions of graduate employability, especially how the beliefs of employers evolve, researchers face challenges in finding appropriate theoretical frameworks and methodological approaches. This book provides a conceptual framework for understanding employers' beliefs about graduate employability. The framework has not only been proved useful by the empirical case in this book, but can also hopefully be applied in other contexts due to its generic characteristics. The methodological approach detailed in this book will be particularly useful for graduate students and junior researchers in their research designs.

Those readers not interested in the theoretical framework and methodological approach can skip Chapters 2, 3, 4 and 10. However, reading the short passage in Section 3.5 is recommended, as it provides a basic guideline for understanding the links and coherence between Chapters 5 and 9 (mainly about empirical findings). Section 4.5 also deserves special attention, as it describes how the interviews were conducted, and also the companies and the interviewees. Chapter 11 presents suggestions for different targeted readers.

I have made efforts in this project. However, it would not have been possible without the kind support and help of many individuals and organisations.

I am deeply indebted to Professor Seppo Hölttä, the head of my research unit namely the Higher Education Group (HEG), School of Management, University of Tampere, for his strong encouragement for me to engage in the research area of employability of international students. He provided me with a flexible work arrangement in autumn 2010, so that I could stay in China for three months to conduct interviews for this research on the employment of Finnish-educated Chinese graduates in Finnish companies operating in China.

I am grateful to the Graduate School of Education (GSE), Peking University for inviting me as a visiting scholar there. GSE provided me with a base in China to carry out my empirical study and a good academic environment where I continuously received inspiration and support for my research. Prof. Yan Fengqiao's contribution was especially significant. He not only encouraged me to apply for a visiting scholar's position at GSE, but was also always accessible whenever I had any practical problems and academic puzzles during my stay at GSE.

My special thanks go to the "Huang Teng" Fund at Peking University, established by the generosity of Mr. Huang Teng, President of Xi'an Foreign Affairs College. It was the "Huang Teng" Fund which enabled my international travel to China and certain financial aid for my research at GSE.

I would like to gratefully acknowledge Juha Tähkämaa of the Centre for International Mobility and Eija Tynkkynen of the Finpro Beijing Office. With them I discussed my initial research ideas and got positive feedback. They also helped me establish contacts to many Finnish companies in China, which was essential to my field research in China.

I want to express my deepest gratitude to each of my interviewees in the 16 Finnish companies in China. The time I spent conducting the interviews was one of the most fantastic periods of my life; everyone was so honest and warm, generous both in spirit and in the time they took to share their experiences.

Ms. Huang Jieqiong also deserves a special word of thanks. She helped me find competent persons to transcribe my interview records. I also want to thank Mr. Wang Cong, who so ably transcribed most of the interviews conducted in English.

I would like to thank the anonymous reviewers of my book manuscript for their valuable comments and suggestions to improve the quality of the book. The same appreciation goes to my colleague Yulia Shumilova, who was the first reader of my early versions of the manuscript and always provided me with useful and timely feedback. Virginia Mattila should be thanked for her help in editing and improving the English text of the book.

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My final thanks I express to my wife Wang Wei for all the support that she gave me during the period of conducting the research and writing the book, especially the time she spent taking care of our lovely baby girl. This book is dedicated to my wife and my precious daughter Cai Yixuan.

Cai Yuzhuo
University of Tampere

LIST OF ABBREVIATIONS

CEO: Chief Executive Officer

CIMO: Centre for International Mobility,
Finnish Ministry of Education and Culture

EU: European Union

FDI: Foreign Direct Investment

FECG: Finnish-educated Chinese Graduate

Finpro: Finnish Trade Centre

GSE: Graduate School of Education

HEI: Higher Education Institution

HEG: Higher Education Group

HR: Human Resources

R&D: Research and Development

RMB: Ren Min Bi

(the official currency of the People's Republic of China)

WTO: World Trade Organization

Chapter I.

INTRODUCTION

I.1 Statement of research problem

Although this book mainly deals with graduates' employment prospects, the initial ideas for conducting this study derive from the author's recent research on marketing Finnish higher education (Cai, 2011; Cai & Hölttä, 2006; Cai, Hölttä, & Kivistö, 2012; Cai, Hölttä, & Lindholm, 2012; Cai & Kivistö, 2011; Hölttä, Pekkola, & Cai, 2009), particularly the consideration of how to make Finnish higher education institutions (HEIs) attractive to prospective international students. Finland has a long tradition of free higher education, but the recent Finnish higher education policies (Finnish Ministry of Education and Culture, 2009; Finnish Universities Act, 2009) have encouraged Finnish HEIs to develop a market oriented approach to international higher education by implementing fee-based educational programmes for students coming from outside the European Union (EU) and the European Economic Area (hereafter referred to as international students). For instance, the government

has announced two objectives for exporting education by 2015: 1) the number of international degree students will increase considerably, and 2) international education will be developed as an export industry (Finnish Ministry of Education and Culture, 2009, pp. 10, 40). However, the two policy goals may be contradictory. As the majority of current international students chose to study in Finland because of its free education (Kärki, 2005, p. 21; Shumilova, Cai, & Pekkola, 2012), charging for tuition could have a negative impact on the enrolment of international students in Finnish higher education. This has been the experience in Denmark and Sweden (Tse, 2011). To ensure successful achievement of both objectives at the same time, Finland needs to strategically develop the image of Finnish higher education, by which the attractiveness to international students will go beyond a “free lunch”.

Although it is believed in Finland that the high quality of education and research will continue to attract international students to study in Finland even after tuition fees are introduced (Finnish Ministry of Education and Culture, 2009, p. 10; Takkinen, 2010), the image of higher quality education may not be so perceived by prospective international students. As the quality of education can hardly be measured and perceived by students (Marginson, 2006), in practice they are likely to judge the quality of a higher education system or a particular institution by its international reputation (Marginson, 2006) and the career success of its graduates (Teichler, 2009, p. 15).

Institutional reputation is closely associated with university rankings. In this respect, most Finnish HEIs may be disadvantaged due to their relatively small size and less comprehensiveness. The University of Helsinki is the only Finnish HEI in the top 100 of international university rankings. In spite of often being criticised for their idiosyncratic nature (Bellon, 2006), rankings have become inevitable indicators for international students when considering their choice of study destinations (Lawrence, 2009).

Moreover, there is a global tendency to use the employability as a benchmark to measure the quality of higher education (Teichler, 2009, p. 15). Employability can be understood in three ways, namely 1) the skills and abilities to find employment, 2) the skills and abilities to remain in employment, and 3) the skills and abilities to obtain new employment when required (Crossman & Clarke, 2010, p. 602). In this research, the understanding of employability emphasises the first aspect. In this regard, Yorke (2004, p. 8) defines it as “a set of achievements – skills, understandings and personal attributes – that make graduates more likely to gain employment and be successful in their chosen occupations, which benefits themselves, the workforce, the community and the economy”. Due to the disadvantage of Finland in the world university rankings, when promoting Finnish higher education in international education markets, it is crucial to convince the students of a promising employment future. However, this is a problem for Finland.

There are a very few studies on the employment of international graduates of Finnish higher education. All these studies mention certain common challenges for international students to find jobs in Finland. In 2005, the student unions of five Finnish universities conducted a survey to investigate how international degree students perceive Finland as a place to study, work and live (Kärki, 2005). Although it is assumed that due to population aging in Finland, highly educated and skilled foreigners can be the future labour force to ensure the country's economic growth, the survey shows that international students face great challenges in finding a job in Finland, mainly because of the language barrier and the relatively small Finnish labour market. The other factors that affect foreign students' employment in Finland as identified by the survey are discrimination, access to job information searching, lack of right contacts, lack of relevant work experience, wrong field of study and residence permit restrictions.

Säpyskä (2007) carried out an investigation project entitled “*Taking Foreigners’ Skills into Use in Pirkanmaa Area*” in which the goal of the investigation was to ascertain how the public sector could help Finnish employers and foreign employees find each other in the recruiting market and make Pirkanmaa area a more international, multi-cultural and open working and living environment. The tone of the report as well as the attitude of the Finnish employers interviewed is generally positive. Nevertheless, the Finnish language is often a major obstacle to foreigners’ employment in Finland. However, the report presents constructive solutions and suggestions. It states that if foreign workers’ Finnish language skill is sufficient, their work scope can be broadened. It also suggests that foreign workers should be more active and courageous in contacting employers, and that by doing so they might end up discovering those “hidden vacancies”.

A recent report (Vehaskari, 2010) on the employment of foreigners graduates in Finland found that the language barrier was not the only challenge for foreigners to be employed in Finland. The other challenges include a restrictive bureaucracy regarding residence permits, closed professional networks, difficult family integration and limited career options. The author also indicates that the Finnish employers’ attitudes towards foreigners generally play a negative role, and changing of attitudes is hard and takes time.

Research on the employability of international graduates from Finland has very recently been carried out by the VALOA Project, which, as a national project funded by the EU, promotes the employment opportunities of foreign students in higher education in the Finnish labour market. One of its research reports (Ciulinaru, 2010) investigated the factors that affect the adaptation and integration of international students in Finland through interviewing eight international students in two HEIs in the Helsinki area. The findings show that the need for proficiency in Finnish and a net-

work of contacts, in particular with Finns, affect the international students' integration and employment in Finland.

Nevertheless, there is little concrete information on how international graduates from Finnish HEIs have been employed. Studies in this area are only beginning to appear. In Majakulma's (2010) study on the employment of international graduates of Finnish universities of applied sciences, the author reports that the employment rate of international graduates from English programmes is only 58%, while the rate for Finnish graduates is 81.9%. Comparably, those international graduates who have studied on Finnish or Swedish programmes were better employed. A research team (including the present author and his colleagues) contracted by the VALOA Project undertook a survey of the employment of international students graduating from 15 Finnish HEIs during the period 2009-2010. The report was (just) released in August 2012 and shows fairly positive results regarding these graduates' employment in general, for example, with an overall employment rate of 70%, in spite of a number of challenges and problems (Shumilova, et al., 2012). Moreover, there is a lack of in-depth analysis of international graduates' employment prospects from employers' perspectives, and particularly in the overseas labour market.

Despite the scarcity of research on the employment of Finnish-educated international graduates, a considerable amount of literature has been published on the relationship between international education attainment and labour market outcomes. It has been demonstrated that educational attainment abroad helps students' employment either in the host countries (Baker & Benjamin, 1994; Borjas, 1995; Bratsberg & Ragan Jr., 2002; Chiswick & Miller, 1995; Krahn, et al., 2000; Zeng & Xie, 2004) or in their home countries (Blaug, Layard, & Woodhall, 1969; Demetriades & Psacharopoulos, 1979; Norris & Gillespie, 2009; Pang & Clark, 1970; Teichler, 2007). Some studies (Krahn, et al., 2000; Støren & Wiers-Jenssen,

2010) also suggest that when employers recruit foreigners, it is easier for them to recognise the educational credentials from their own countries than foreign credentials.

In this light, it seems likely that international students' education experience in Finland is likely to be valued by Finnish employers. Given that there are many practical barriers faced by international students in the job market in Finland, it may be more realistic to assume that international graduates may have better employment prospects in the Finnish companies operating in their home countries.

This study takes Chinese graduates from Finnish higher education as an example and investigates how they are perceived by employers in Finnish companies operating in China (hereafter referred to as Finnish employers). With respect to the Finnish-educated Chinese graduates (FECGs), a case study (Kultanen, 2010) suggests that they would be attractive to Finnish companies operating in China, because the graduates' understanding of both Chinese and Finnish cultures may help the Finnish companies solve cultural conflicts and, hence, improve work efficiency. However, there has been little thorough research on this matter. The employment situation of FECGs in Finnish companies operating in China, and how the FECGs meet the expectations of Finnish employers remains unknown.

Currently there are more than 2,000 Chinese students studying in Finland (CIMO, 2010), and it is estimated that every year 300–400 Chinese graduates leave Finland for China after completing their studies. In recent years, a growing number of Finnish companies and individuals have established their businesses in China. By 2011, there were almost 300 Finnish companies in China (Heimonen, 2011), employing around 30,000 people (Helsingin Sanomat, 2011).

By investigating 16 Finnish companies operating in China, using qualitative approaches mainly based on open-ended interviews

with the employers in these companies, the study aims to explore the Finnish employers' beliefs regarding the value of FECGs as their potential employees. In so doing, an analytical framework is developed, based on a review of the literature on education and labour market relations, and insights from institutional theory. Beliefs in this study is understood in a broad sense, as shown by terms such as "perceptions", "expectations", or even "the image that the individual presents" (Bailly, 2008, p. 963). Employers are understood as "those responsible for recruitment in employing organisations [who] effectively act as gatekeeper[s] to the labour market" (Maguire, 1992, p. 80), and their attitudes towards job-seekers are crucial in the final recruitment decisions.

The findings of this study will help more Finnish companies operating in China to understand their challenges and opportunities with respect to employing FECGs. By knowing the expectations and beliefs of Finnish employers, Chinese students studying in Finland could strategically develop their skills and plans for job hunting. With the suggestions provided by this study, Finnish policy-makers, HEIs and practitioners involved in the field of international education would be able to develop appropriate strategies for organising their international education activities and promoting the links between international education and labour market.

So far there have been no satisfactory theories or well-established methodological approaches to studying the development of employers' beliefs regarding certain graduates as (potential) employees. This research also makes special contributions to developing both a theoretical framework for and a methodological approach to exploring the issues in question.

Before moving on to the main research question, some background information will be presented here, that further helps understand the relevance and importance of the topic under investigation. These topics are: 1) uncertainty of graduates' employment as a key challenge for Finnish HEIs to recruit Chinese students, 2) employ-

ment of returned overseas-educated Chinese in China, 3) relevance of FECGs to Finnish companies operating in China.

1.2 Uncertainty surrounding international graduates’ future employment as a key challenge for Finnish HEIs to recruit Chinese students

In 2007, more than 350,000 mainland Chinese students were studying for degrees at overseas universities and the number is predicted to rise to 645,000 within 20 years (Maslen, 2007). Now students from China represent the largest international student group in the world (OECD, 2009). Their primary study destinations are America (32.1%), Europe (27.9%) , Asia (25.2%) and Oceania (14.2%) (H. Wang, 2009, p. v).

To the Finnish government, China, among other countries such as Russia and Brazil, is considered to be a priority in their higher education internationalisation strategy (Finnish Ministry of Education, 2006; Finnish Ministry of Education and Culture, 2009). As the global education market matures, students from China are increasingly looking away from the traditional study destinations to those countries with certain price or lifestyle advantages. Finland, with its tuition free education and safe environment, has become an attractive study destination for many international students. In the past decade, Finnish HEIs have been fairly successful in recruiting Chinese students for degree studies, the number having doubled from 1,029 in 2001 to 2,105 in 2009, accounting for 15% of all international degree students in Finland (CIMO, 2010).

However, this situation is set to change. The current legislation has allowed Finnish HEIs to charge tuition fees from international students under two conditions. First, the 2007 amendments to both the Universities Act (1997/645) and the Polytechnics Act

(2003/351) allowed Finnish HEIs to charge fees for their degree education programmes when the fees are paid by a third organisation rather than individual students, which is called the “made to order” (*tilauskoulutus* in Finnish) model. Second, according to the new Universities Act (558/2009) and the additional amendments to the Polytechnics Act (2003/351), both effective from the beginning of 2010, Finnish HEIs are able to charge foreign students tuition fees on a five-year trial basis for separate Master’s programmes, provided that the arrangements include a scholarship scheme. If the 5-year experiment yields positive results, it is likely that all international degree students will pay tuition fees after 2015.

For instance, if Chinese students have to pay for their studies, Finland may lose its traditional attractiveness — education without tuition fees. In a market oriented environment, how to attract and recruit Chinese students is becoming an urgent question for Finnish HEIs. For those institutions that want to promote themselves in China and enter the Chinese higher education market, they should be aware of a few things.

First, entry to the Chinese higher education market is often more difficult than is imagined. Recently there have been a growing number of delegations of Finnish HEIs coming to visit Chinese universities and to participate in international education fairs in China. Some Finnish HEIs even try to directly sell some educational services to China. However, their ambitious goals can hardly be achieved by such simple approaches, and especially in a short period. Even Australian HEIs, which entered the Chinese market as early as in the 1990s, had to admit that “the opportunities are there, but the entry costs will be high” (Adams, 2007, p. 414). A similar observation was made by the Netherlands Education Support Office in China (NESO, 2010, p. 37): “Institutional cooperation is not established overnight ...it requires a substantial amount of planning, exchange and commitment”.

Second, before developing marketing strategies and doing marketing, the Finnish HEIs should learn the unique characteristics of Chinese higher education market and the ways of working with Chinese people. In a study on training Chinese administrative officials in Finland, Hölttä, Pekkola and Cai (2009, p. 40) suggest some essential elements concerning marketing in China:

For the marketing, a wide range of actors may be mobilised, such as Finnish governmental [agencies] and representatives in China, universities' partners and even individual academics' personal connections in China, and Finnish companies doing business with China. The understanding of Chinese networks is essential in marketing and in the creation of trust. The Chinese way of thinking is quite hierarchical compared to Finnish thinking. Reputation and rankings really matter as the Chinese make their choices. Strong, reliable and effective Finnish providers are needed.

In addition, it is important to know the motivations driving Chinese students to study abroad and especially for choosing a study destination. According to a recent survey conducted by a consulting agency in the UK (INTO, 2009), the first three key motivations for Chinese students to study abroad include: to enhance overseas experience (59% of survey respondents), to improve employability (46.9%) and to improve their language skills (38.6%) . When it comes to the choice of specific study destination, another survey by Bodycott (2009) shows that Chinese students and their parents have different priorities regarding the key factors influencing decision-making. The parents rated “employment prospects on graduation” the most important among a total of 24 factors, while the students ranked the “employment” factor only 15th. Bodycott argues that given the particular cultural context of China—a Confucian heritage society characterised by filial piety, the students normally honour

and respect their parents and their wishes. Therefore, it is usually the parents' opinions that lead to the final decisions.

Given these survey results, if Finnish HEIs want to attract Chinese students (particularly high quality ones) after tuition fees are introduced, they must provide evidence that a Finnish higher education can lead to positive employment opportunities. As such, the targeted Chinese students may believe that studying in Finland is worth their investment.

But what is the employment situation of international graduates of Finnish HEIs, and the FECGs in particular? Who are the potential employers for the graduates? How can Finnish international education programmes help international students to improve their employability? All these issues need to be explored.

1.3 Employment of returning overseas-educated Chinese graduates in China

From the perspective of the Chinese government, overseas training is regarded as an effective approach to developing human resources with advanced knowledge, technology and managerial skills. Consequently, a series of policies regarding Chinese students studying abroad has been launched in the last three decades. What underlines the current policies is the principle established by the Central Communist Party Committee in 1992, namely to support students and scholars studying abroad, to encourage them to return to China after completion of their studies, and to guarantee them freedom to come and go. Since the 1990s, China has also made extensive efforts to encourage Chinese overseas graduates to work in China (Pan, 2010). According to the recent statistics by the Chinese Ministry of Education (2010), from 1978 to 2009, 1.62 million Chinese students

studied abroad, and 497,400 already returned to China. In 2009, one year alone, the number of overseas returnees exceeded 10,000, a 56.2% increase from the previous year (D. Zhang, 2010).

Regarding the studies on the employment of returned overseas Chinese graduates in China, Tian (2003, pp. 33–36) deplored that there were few scholarly research works. She found that most of the literature was either in the form of journalists' reports or opinion/position papers without empirical evidence. There were only a very limited number of scholarly studies, but the topic was mainly job hunting intentions rather than the employment situation.

There have recently been more reports and academic studies on the labour market situations of overseas-educated Chinese graduates in China, but with disparate findings. Since 2004, there has been a growing consensus among Chinese and even international media (see for example: Chang, 2004; Melik, 2012; M. Zhang, 2007) that the employment situation of returned overseas Chinese graduates is becoming dire and the Chinese returnees are losing their advantages in the labour market in China. There is even a saying in Chinese: *haigui bian haidai* (turning from sea turtle to seaweed). It means that the returned overseas Chinese returnees are no longer regarded as the cream of the crop and, instead, have changed their status to being unemployed.

Many Internet sources and even magazine articles in Chinese (see for example: Li, 2009) have often cited a report entitled "*The Current Situation of Chinese Overseas Returnees and the Perceptions of Chinese Enterprises*". The report investigated 452 Chinese enterprises and 1,216 returned overseas educated Chinese. Most Chinese companies participating in the study had negative attitudes towards employing overseas-educated Chinese. When the employers answered the question: "why they avoid employing returned overseas-educated students", over 50% of respondents considered that it was not necessary, and 39.7% thought that the students asked too high salaries. The report also shows a continuous decrease in the first job salaries of overseas returnees.

However, the study conducted by Cui and Han (2009) tells a different story. They investigated the employment in China of Chinese returnees with foreign degrees based on both a nation-scale survey of Japanese-educated (1,381) and Canadian-educated (529) Chinese graduates who returned to China in 2006, and a survey of returnee overseas-educated Chinese graduates in Guangzhou (276) during the period 2006–2007. According to the surveys, over 50% of overseas returnees found a job within three months of returning to China, and after six months 93% were employed. According to the responses from the Japanese and Canadian educated Chinese graduates, only 5% rated the job-seeking very hard. When it comes to the salary in the first job, only the second survey is concerned. It shows that the average salary of returnees was RMB 5,704 *yuan*, higher than the average salary in Guangzhou (2848 *yuan*). For those working in foreign companies the salary was much higher. The results of this study do not support the prevailing argument by the media that there is a serious problem with the employment of overseas-educated Chinese graduates in China. It also demonstrates a positive correlation between the level of foreign degrees and the level of salaries. This study corroborates the *Report on Chinese Talented People* (Chinese Ministry of Personnel, 2005), which points out that China has a gap of 20 million talented people during the period of 2006–2010. Therefore, the overseas returnees are not excessive but largely scarce in the Chinese labour market (Liu, 2007, p. 50).

1.4 Relevance of FECGs to Finnish companies operating in China

In spite of the above debates on the employment situation of returned overseas Chinese in the Chinese labour market, there is a convergence among both Chinese journalist reports and scholarly

articles that returned Chinese with foreign degrees have better employment opportunities in foreign companies operating in China. An investigation on overseas Chinese returnees conducted by the Huibo Research Institute (2007), affiliated to a consulting company, reports that those Chinese with foreign education experiences are highly appreciated and needed by foreign companies operating in China. Around 70% of foreign companies reported constant recruitment demands for overseas Chinese returnees. Meanwhile, the returnees are often inclined to choose to work in foreign companies. A recent survey of overseas-educated Chinese graduates in Jinan City during the period 2006-2009 showed that 27% found jobs in foreign companies, while the figure in 1998 was only 8.2% (Y. Cui, 2010).

Why do foreign employers favour Chinese returnees? Liu (2007) summarises four advantages of returnees, namely 1) broad and intercultural perspectives, 2) advanced technological skills, 3) fluency in foreign languages, and 4) independent problem solving skills. These capabilities are useful in solving the unique problems faced by most foreign companies in China mainly in the cultural dimension. In his doctoral dissertation entitled “*Research on the Core Employees Trans-culture Management Issues of Joint Venture Companies in China*”, Zhang (2008) surveyed over 200 core employees in joint ventures with investors from North America, Europe, Japan, South Korea, Hong Kong and Taiwan. He found that when people from different social systems, cultures and educational backgrounds work together in Sino-foreign joint ventures in China, cultural conflicts and communication barriers are inevitable. These cultural differences and conflicts result in negative impact on productivity.

Similar cultural challenges have also been observed in Finnish companies in China. Kultanen (2010) in his Bachelor's thesis analysed quality concepts in the production process of a Finnish company in China. He also discusses how to develop the company's existing quality system to better match the local quality culture. He

suggests that integrating Chinese and Finnish culture or a mutual understanding of cultures of both sides is a starting point to solve the company's problems.

In his Master's thesis, Meriläinen (2008) investigated the intercultural adjustment challenges faced by Finnish expatriates in China. He found that the unique features of Chinese culture and communication problems were the most important factors behind the adjustment challenges. Meanwhile, he claimed that support from the company and colleagues as well as the expatriate community are crucial in promoting the intercultural adjustment, "the young international Chinese professionals with university degrees and experience from abroad, even from Finland, are valuable mentors".

In a recent report published by the Finnish Business and Policy Forum (EVA), the writer points out:

Language skills, knowledge of the new market, contacts to businesses and institutions, and an understanding of foreign political, business and cultural conventions are among the advantages available to Finnish enterprises when they opt to hire a foreign national. And when that foreign national is a Finnish resident, the company also gets someone with knowledge of Finnish life and the ability to create bridges between business cultures. (Vehaskari, 2010, p. 15)

She further stresses that foreign employees with these skills "can significantly increase a company's ability to step into foreign markets on a more comfortable footing". Those Chinese who have studied at Finnish HEIs are expected to have an understanding of both Chinese and Finnish cultures. Such cross-cultural skills can help the Finnish companies operating in China to overcome cultural challenges and to improve work efficiency. Therefore it can be assumed that FECGs may bring added value if they work in Finnish companies operating in China.

1.5 Research questions and structure of the book

Against the above background, the main questions of this study are: What are the China-based Finnish employers' beliefs regarding FECGs as their potential employees? How have the employer's beliefs or perceptions been evolved?

The main research questions can be broken down into several subquestions as follows.

- 1) What is an analytical framework to understand the development of employers' beliefs regarding the employability of international graduates?
- 2) What are the recruitment processes in Finnish companies in China?
- 3) What are the employers' beliefs regarding the employability of FECGs?
- 4) What factors affect the employer's beliefs?
- 5) What are the implications and suggestions for relevant stakeholders?

The book seeks to answer these questions and comprises five sections. The first section is the introduction. The second section, including Chapters 2 and 3, seeks develop an analytical framework for guiding the data collection and analyses, dealing with research question one. The third section (Chapter 4) describes the research strategy and method applied in this research, and discusses the underlying rationales. The fourth section (Chapters 5–9) presents the results of the interview analyses and reports the main findings. Chapter 5 provides answers to question two, while Chapters 6–9 address research questions 3–4. The last section (Chapters 10 and 11) discusses the theoretical and practical implications of the study. The answers to question five are presented in Chapter 11.

Chapter 2.

THEORIES ON RELATIONS BETWEEN EDUCATION ATTAINMENT AND LABOUR MARKET OUTCOMES

This study, by and large, deals with the relationship between a Finnish higher education attained by Chinese students and their employment prospects in Finnish companies operating in China. With respect to the relations between education attainment and labour market outcomes, the majority of studies tend to apply human capital theory (Becker, 1964; Schultz, 1961) or job market signalling (screening) theory (Arrow, 1973; Spence, 1973; Stiglitz, 1975). Although both theories imply a positive relation between investment in education and labour market return, their explanations differ as to how the mechanisms concerning education affect employment. Human capital theory argues that education increases individuals' productivity, which consequently enhances job performance. In contrast, signalling theory argues that education only serves as a tool for job-seekers to signal their inherent ability to employers. In other words, it is the innate ability, not the education itself that increases productivity. This chapter is a review of studies applying the two theories for understanding the relationships between international

education experiences and employment outcomes, with special attention to the employers' perspectives. Particularly, Bailly's (2008) model of employers' beliefs regarding educational output will be highlighted. It finally calls for a more comprehensive theoretical framework.

2.1 Human capital theory

Human capital theory (Becker, 1964; Schultz, 1961) holds that education provides marketable skills and abilities relevant to job performance, and thus the more highly educated people are more successful in labour markets in terms of both incomes and work opportunities. Accordingly, the skills acquired from education tend to be general and transferable across employers, whereas specific skills are learnt at the workplace.

To better understand the differences between foreign and domestic education, a distinction is made between country-specific and general human capital (Chiswick & Miller, 2003; Duvander, 2001; Wiers-Jenssen, 2008). Country-specific human capital theory assumes that certain aspects of human capital, normally acquired when individuals study abroad, are more useful in some labour markets, these are typically "language skills, cultural skills, and professional skills adapted to national requirements" (Støren & Wiers-Jenssen, 2010, p. 31; Wiers-Jenssen, 2008, p. 106).

Salisbury et al. (2009, p. 120) argue that a wide range of skills can be developed during the period of study abroad, such as "a deeper understanding and respect for global issues", "more favourable attitudes toward other cultures", "stronger intercultural communication skills", "improved personal and professional self-image", "better foreign language skills", "self-confidence", "ability to handle

ambiguity”, “insight into their own value systems” and “overall maturity”.

Human capital theory assumes that there is a direct link between education/schooling and productivity, and the consequences of investment in education can be examined in monetary terms. This hypothesis has been tested in many empirical studies dealing with the role of international education experience in labour market outcomes, showing that education acquired abroad helps graduates to have better labour market returns either in the host countries or in their home countries.

With respect to the host countries, a range of studies (Baker & Benjamin, 1994; Borjas, 1995; Bratsberg & Ragan Jr., 2002; Chiswick & Miller, 1995; Krahn, et al., 2000; Zeng & Xie, 2004) suggest that international education experience (especially in the West) can improve graduates’ labour market returns. These studies have shown that the graduates’ linguistic, cultural and professional skills adapted to national requirements are valued by the employers in the host countries.

However, some studies in Sweden (Duvander, 2001) and Norway (Støren & Wiers-Jenssen, 2010) yield contradictory pictures, where there is no evidence to show that the education as well as country specific skills acquired in these countries help immigrants reduce the risk of unemployment there. The authors also evince some reasons for this. First, for some segments of the labour market, proficiency in the local languages is not decisive for employment opportunities, as a good command of English language may compensate for lack of local language skills. Second, the employment opportunities of immigrants may be more dependent on their societal reception than their country-specific skills. Third, as in these countries education has traditionally been free, unemployed immigrants are motivated to study at educational institutes while retaining their unemployment benefits.

When it comes to home countries, the international literature shows that international education experience is also useful, particularly in workplaces with international profile. Some studies indicate that those having studied abroad have higher incomes and better employment opportunities than those with only domestic education, such as in India (Blaug, et al., 1969), Singapore (Pang & Clark, 1970), Cyprus (Demetriades & Psacharopoulos, 1979), and the USA (Norris & Gillespie, 2009). Some survey studies in the EU countries proved both strong “horizontal” and “vertical” links between international learning and international work. The horizontal dimension refers to the “links between subjects and operational categories”, while the vertical dimension is concerned with “the appropriateness of the level of education to the structures of occupation” (Teichler, 2009, p. 282).

One exception is in Malaysia. A comparison of Malaysian graduates educated abroad and those trained domestically in the 1990s finds no difference in employment outcomes (salary levels) between the two groups. The reasons were that during the economic expansion period (early 1990s) all graduates whether educated at home or abroad, were in great demand and thus they were all paid a high rate (Ball & Chik, 2001).

While the human capital theory becomes a popular tool explaining the relationship between educational attainment and labour market outcome, it has been criticised for paying less attention to the measurement of human capital components. As Rosenbaum (1986, p. 164) put it,

It is ironic that human capital theory views the assessment of ability as trivial problem. It makes ability central to its explanation, but it does not attempt to define or operationalise it, conveniently assuming managers can easily assess it. The personnel literature on the assessment of managerial and professional ability makes it plain that managers do not know how to measure it, and the statements of managers confirm their confusion on the matter.

This quotation implies that the premise of the human capital hypothesis is based on perfect foresight, meaning that the employers are able to make objective and rational assessments of the employees' or job-seekers' ability. However, in practice the situations are often associated with uncertainties, including imperfect knowledge of individual exogenous characteristics, uncertainty of the quality of schooling, and imperfect knowledge of future demand and supply conditions (Levhari & Weiss, 1974).

2.2 Signalling theory

Unlike human capital theory, job market signalling theory (Arrow, 1973; Spence, 1973; Stiglitz, 1975) deals with situations of uncertainty. It is based on the premise that for employers hiring is an investment decision. Employers often lack information about the capabilities of job applicants. When making recruitment decisions under uncertainty, they tend to take into account signals and indices. Signals are characteristics that individuals have some degree of control, like education attainment, and indices are unalterable attributes such as gender and height (Bailey, 2008, p. 962). Signalling theory is in some places called screening theory, but the core ideas of both theories are the same. Job seekers send signals about their ability level to employers by acquiring certain education credentials, while employers screen the job applications according to the signals they receive.

Signalling theory deals with principal-agent relationships where asymmetries of information exist and are not easily resolved. As such, education credentials become a kind of surrogate measure of quality or ability. While the theory assumes the level of education as an indication of behavioural traits that employers are looking for, little specific attention has been paid to international education credentials.

Only very few studies deal with the screening/signalling of international education in the labour markets. In her investigation of the early career of Norwegian graduates who have studied abroad, Wiers-Jenssen (2008) discusses the signalling effects of foreign education by arguing that a foreign education experience generally signals certain country-specific skills and characteristics of job seekers. She asserts that the signalling effect of foreign education is weak if it is less known by the employers.

2.3 Employers' perspectives

Although both human capital and job-signalling theories seem to verify the intuition that schooling has a positive effect on individuals' labour market outcomes, they also have shortcomings. First, it remains unclear what really matters in the recruitment process, human capital or signal? There is no simple answer, as there has been a long existing debate among many empirical studies on which theory works in practice (Kjelland, 2008, pp. 71–73). The situation may be more complicated in a cross-border context. Second, the studies applying either human capital theory or signalling theory mainly investigate the relations between education and salary. They tend to take job start as the point of observation. It has been argued that little attention was paid to the processes of transition from education to employment until the 1990s (Teichler, 2009, p. 15). When it comes to the transition from education to workplaces, employers' perspectives are more relevant.

Although employers' beliefs and perceptions are important, relatively little attention has been paid to employers' perspectives in studies on relations between education and labour market outcomes (Bailly, 2008, p. 963; Söderqvist, 2005; Söderqvist & Aaltio, 2009), particularly with respect to international education. Only a few

studies have attempted to explore employers' views on the relevance to work of international education experience.

In a study on the impact of international study experience (Tempus Program) on Hungarian students' employment, Bremer (1998) interviewed representatives from business and industry. The study concludes that the language and communication skills, multi-cultural understanding, practical aspects of knowledge, as well as flexible and open attitude acquired by the students during their studies abroad (in Western Europe), are highly valued by employers.

Bikson et al. (2003), based on interviews with 135 human resource managers and senior managers from 75 organisations with global missions in the United States, found that the competences and skills needed for international leaders are: 1) substantive depth (professional or technical knowledge) related to the organisation's primary business process, 2) managerial ability with emphasis on team work and international skills, 3) strategic international understanding, and 4) cross-cultural experience. They also concluded that studying or working abroad during college is one of the best ways to develop cross-cultural understanding and communication skills, strengthen country-specific skills, and cultivate an interest in further contact with other culture and people.

Thompson (2004) studied American employers' recognition and acceptability of an overseas qualification through interviews and surveys of human resource directors and CEOs. He established that the most important selection criteria in work recruiting are interpersonal skills. The employers believe that these skills are likely to be strong in a candidate with overseas education experience.

Hermans (2007) observes that there is an emerging shift from the emphasis on employability to competition for talent people. Her interviews with three CEOs in the Netherlands in the business areas of life sciences, banking and financial investment indicate that finding candidates with high potential is one of the major challenges for both society and higher education. The employers mentioned

five characteristics of a potential employee expected by the employers, meaning: “the ability to approach issues and problems from multidisciplinary perspectives”, “creativity — being able to think outside the box”, “awareness of customer needs and being able to translate this knowledge into innovation and service”, “the ability to make independent value judgments relating to social and ethical responsibility of programs, products, and companies in relation to society as a whole”, “the ability to function in a complex organization: cooperate in diverse and international teams, handle power issues and resistance to change, manage (personal) disappointments, and practice self-management and discipline”. The employers also believed that the international study experience was essential for cultivating talent.

Crossman and Clarke (2010) investigated the relations between international experience and graduate employability in Australia. They interviewed a number of employers, middle and senior managers from both private and public sectors. The employers showed clearly positive attitudes towards graduates with international experience. It was thus concluded that international experience can enhance graduates’ initial employability. The findings are consistent with a similar report by the Australia Government, Australian Education International (2010).

In 2005, the Centre for International Mobility (CIMO), affiliated to the Finnish Ministry of Education, conducted a study on the relevance of international student mobility to work from the point of view of employers in Finland (Garam, 2005). Among the employers under investigation there was a strong belief that studying abroad enhanced students’ capacities for handling difficult situations, gave them a broader perspective and a sense of proportion, improved their language skills, and provided them with opportunities to understand different cultures and to work with people from other countries. However, the international experience would only bring the graduates advantages in initial employment in work related to

international operations. Rather, in workplaces where cross-cultural and language skills are not required, employers often consider those with international education background to be overqualified.

Söderqvist (2005) explored what enhanced and hampered recruiting foreigners in Finnish companies from the employers' perspectives. Based on 27 interviews with employers in companies of different sizes, she found that in general Finnish companies had not oriented their human resource strategies towards foreigners, although most employers did see that diversity is important to business development. She concluded that Finnish employers did not know or even think of how to benefit from foreign employees.

2.4 Bailly's model of employers' beliefs

The above studies focus mainly on the expected skills that individuals gain from their education in the employers' estimation. In this regard, they have not gone beyond either the human capital or signalling hypothesis, seeing educational output as a substance that can be identified and quantified objectively. In contrast, Bailly (2008) takes a "non-substantialist" approach to conceptualise educational output with a strong emphasis on employers' beliefs. One key aspect of educational output is concerned with employability. For Bailly, educational output, instead of being a substance, is susceptible to multiple interpretations. As he states,

One of the consequences of emphasising the role of beliefs is that educational output, as one element in that environment, no longer has the characteristics of a substance. Rather, it becomes dependent on economic agents' beliefs and representations and on the (potentially multiple) evaluations to which they give rise. Educational output is, in this conception, what economic agents evaluate as such.

According to both human capital theory and signalling theory, regarded as a substantialist approach by Bailly, the importance of education in labour market outcomes is that it either increases the students' productivity-enhancement skills or signals to employers the graduates' certain innate abilities. However, Bailly argues that the validity of both the human capital and signalling hypotheses depends on the employers' belief systems. His conceptualisation is in line with social and cognitive psychologists' argument that individuals use schemas, frames, cognitive frameworks or belief systems to select and process information (Simon, 1957). As belief systems become part of individuals' unconscious, and as these belief systems control that unconscious, they also govern employers' decisions regarding employment.

Accordingly, Bailly describes the development of employers' belief systems in three sequential stages. In the first stage (Figure 2–1) an employer has no experience of hiring job applicants with a certain type of educational credentials. The employer makes recruitment decisions based on his/her initial beliefs regarding the applicants, or “conditional probabilistic beliefs” to use Spence's (1973, p. 359) term. Specifically, the employer tends to attribute an anticipated level of productivity to these people depending on the information conveyed by job-applicants' educational credentials, and then recruits based on that. The information conveyed by the educational credentials can be understood as initial signals.

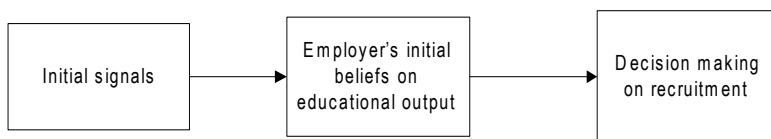


Figure 2–1. Development of an employer's beliefs: stage I

The second stage (Figure 2–2) commences when the applicants have been recruited. When the employer has more experience of hiring holders of certain educational credentials, the initial signal effects tend to become less influential. By observing the quality of these recruited employees, the employer's initial beliefs are adjusted. If the employees' performance is the same as assumed by the employer before recruitment, the employer's beliefs will be confirmed. Otherwise, the employer will revise his/her beliefs. "When he next comes to recruit, an employer will rely on his (new) beliefs, which he will adjust again depending on the difference in productivity observed after recruitment" (Bailly, 2008, p. 962). The third stage commences when the process continues until equilibrium is reached. This means that the employer, through these successive learning processes, has accumulated enough experience to appreciate the candidates' 'true' value.

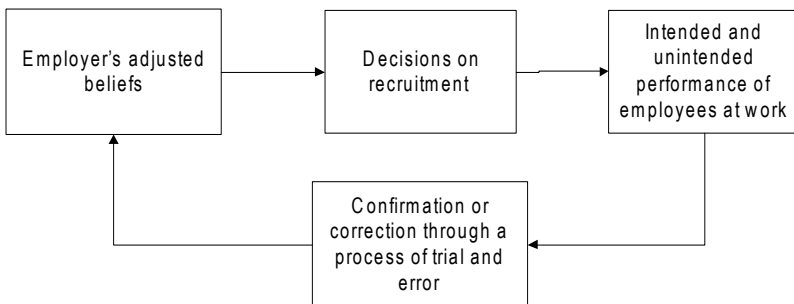


Figure 2–2. Development of an employer's beliefs: stage II

2.5 Comparison of Bailly's model to others

Some other studies (Altonji & Pierret, 2001; Farber & Gibbons, 1996) develop similar frameworks, which distinguish the initial information about a worker's ability signalled by education and employers' learning from subsequent observations of the worker's output, likewise deriving Spence's (1973) model. In these frameworks, education serves as a tool for workers to signal their unobserved ability to their employers. In Farber's and Gibbons' (1996, p. 1007) words, "When a worker enters the labour market, the worker's education level and other characteristics observable by employers seem likely to convey only partial information about the worker's productivity ability". When employers gather more information about the ability of a worker in the course of the employment process, they rely less on education, but more on information through observation in determining the wages. Nevertheless, these studies mainly focus on the impact of schooling and employers' experience regarding wages. A hypothesis derived from these frameworks is that the role of education in determining wages decreases with labour market experience, indicating that educational credentials only have a signalling role. This hypothesis has been challenged by an empirical quantitative study (Arcidiacono, Bayer, & Hizmo, 2010), reporting that the estimated effect of schooling on the level of wages is independent of labour-market experiences.

Do educational credentials merely transmit a signal or directly reveal the ability of an employee? To give a satisfactory explanation, Bailly's conceptualisation is applied. Compared to the aforementioned frameworks (Altonji & Pierret, 2001; Farber & Gibbons, 1996), the uniqueness of Bailly's model lies in its explicit attention to the employer's belief systems according to which recruitment decisions are made. In other words, information signalled by an education experience influences recruitment decisions through employers' beliefs. Following such a train of thought, the employer's

beliefs may either be adjusted or confirmed by subsequent observations of a worker's performance after employment. If the employers' beliefs have been largely modified or corrected due to their experience of observing those workers with certain educational credentials at work, their decisions on employment or wages will be mainly based on their evaluation of the workers' performance outcomes. Hence, the role of education in determining wages decreases with experience. In contrast, if the employers have not found much difference between the initial beliefs signalled by their educational credentials and the performance output of workers observed at the workplace, the educational credentials do indeed indicate the real ability of the workers.

In Bailly's model, employers' beliefs are forged through a trial and error process. Farber and Gibbons (1996, p. 1008) name this process "private learning", in which the employers adjust their perceptions through observing the performance outcomes of the employees. According to Farber and Gibbons, employers' beliefs are also influenced by the other process — "public learning" (Ibid.). In this process, the employee's performance outcomes are observed not only by the current employers but also by all market participants. Both public and private learning processes explain how the signalling effects of educational credentials can be developed with labour market experience. The processes are set out in Figure 2–3.

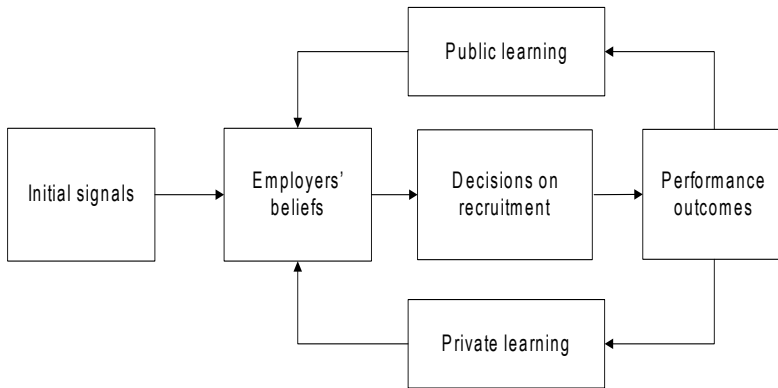


Figure 2–3. Public and private learning processes

2.6 Theoretical limitations

This framework has extended Bailly’s (2008) model, but it still suffers from the following limitations. First, it remains a black box as to how the original signals are developed and perceived by the employers. Second, it does not theoretically explain the mechanisms underlying the public learning process. Third, it is unclear whether there are other factors affecting employers’ beliefs.

I pay special attention to Bailly (2008), because his position that employers make recruitment decisions based on their belief systems reflects one central idea of sociological institutional theory or institutionalism (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 2001) on the relationship between actors and institutions, holding that human actions are driven by institutions. Institutions can be generally understood as social orders (Berger & Luckmann, 1967) or social rules (Burns & Flam, 1987), or a logic of appropriateness (Olsen & March, 2004), composed of appropri-

ate rules and exemplary behaviour. Social orders, rules and exemplary behaviour become institutions when they are seen by actors as natural, appropriate, expected, and legitimate. In other words, they are “institutionalised” (Dacin, Goodstein, & Scott, 2002, p. 48). Bailly’s model has strength in understanding the mechanisms by which individual employers mature their beliefs on educational output. From the perspective of institutional theory, Bailly neglects the role of social institutions in the process of developing employers’ belief systems. His model also offers a limited understanding of the institutionalisation of shared beliefs among employers, and does not take possible exogenous factors into consideration. All these gaps are expected to be filled with the insights of institutional theory.

Chapter 3.

ANALYTICAL FRAMEWORK: AN INSTITUTIONALIST VIEW OF EMPLOYERS' BELIEFS REGARDING EDUCATIONAL OUTPUT

Using insights from institutionalism, this chapter seeks to extend Bailly's conceptualisation into a more comprehensive framework for understanding how employers make recruitment decisions based on their beliefs. The framework will serve a guiding tool for the analyses of the interview data.

3.1 Definitions of actors and institutions

Institutional theory has become a popular and powerful explanatory tool for the actions of both individual and collective actors (Dacin, et al., 2002, p. 45). It mainly stresses the dependency of actors' actions on institutions, such as wider environmental contexts, rules and norms (Meyer, et al., 2007, p. 188). Actors may be individuals, groups, organisations or communities (Burns & Flam, 1987, p. 2). Among those actors, the individual ones are important subjects,

because “[o]utcomes at the system level are thought to be determined by the interactions of individuals acting consistently in terms of the axioms of individual behaviour” (March & Olsen, 1989, p.5).

Institutions can generally be understood as social rule systems, or taken-for-granted norms, structures and practices. Scott (2008, p. 61) distinguishes institutions by “three pillars”, namely regulative, normative and cultural-cognitive elements. The regulative processes involve the capacity to establish rules and the power to exercise control over others’ compliance with the rules. The main ingredients of regulative institutions are force, fear and expedience tempered by the existence of rules. In the normative pillar, social obligation is central to social life, and the building blocks are values and norms which form the basis of social obligation. Values can be simply interpreted as what people deem important or right. Norms derived from values directly influence people’s actions by specifying how people are supposed to behave. The cultural-cognitive pillar emphasises basic assumptions, which determine how realities are perceived and how things should be done. These assumptions are so taken for granted that, within the cultural unit, other types of behaviour are inconceivable. Thus the basic building blocks in cultural-cognitive systems are meanings and common frameworks of references.

Bailly’s (2008) conceptualisation of employers’ beliefs on educational output focuses primarily on the individuals’ cognitive frames and also to some extent their shared norms and values. According to him, how employers make decisions on recruitment is based on their beliefs, which “enable economic agents to evaluate their environment, that is to give it a meaning and thus reduce uncertainty” (Bailly, 2008, p. 963). Such understanding involves ontological assumptions similar to those theorists emphasising the cognitive pillar of institutions that reality is subject to the actor’s subjective views, and the actor’s choice is oriented by the ways in which knowledge is constructed. In Scott’s (2008, p. 57) words, “to understand or

explain any action, the analysis must take into account not only the objective conditions, but actor's subjective interpretation of them". Employers' beliefs are their cognitive frames, which "enter into the full range of information-processing activities, from determining what information will receive attention, how it will be encoded, how it will be retained, retrieved, and organised into memory, to how it will be interpreted, thus affecting evaluations, judgements, predictions, and inferences" (Scott, 2008, p. 57).

3.2 Framework of employers-institutions dynamics

According to institutionalism, individuals' internal interpretive processes or private beliefs are shaped by external institutional frameworks, in which the three pillars of institutions are intertwined. The development of employers' internal beliefs as well as their external institutional frameworks can in turn be explained by "actor structuring" and "system structuring", the concepts developed in Burns and Flam (1987)'s book — *The Shaping of Social Organisation: Social Rule System Theory with Applications*. Social rule theory is fundamentally an institutionalist approach to social sciences, both in its giving primacy to institutions and in its use of sets of rules to define concepts in social theory.

In their theorisation of actor-system dynamics, Burns and Flam (1987, pp. 2–3) identified three levels of a social system: "actors, their roles and positions; (2) social action and interaction settings and processes; and (3) endogenous constraints: material, institutional and cultural". All these elements and their interrelationships are captured by two loops, namely actor structuring and system structuring. With respect to the development of employers' beliefs, actor structuring is comparable to the process of private learning, while public learning is a part of system structuring. The other

element in system structuring is concerned with the formation of the initial signals transmitted by education credentials. Burns and Flam (1987, pp. 2–3) also argue that some exogenous factors conditionally structure actors, social action and system development. These factors are called exogenous because they are not influenced by actors themselves and their social actions. The exogenous factors possibly affecting employers' beliefs can be, for instance, wider cultural environment faced by employers, specific market conditions and specific characteristics of the companies. All these factors (and mechanisms) affecting employers' belief systems can be described in Figure 3–1.

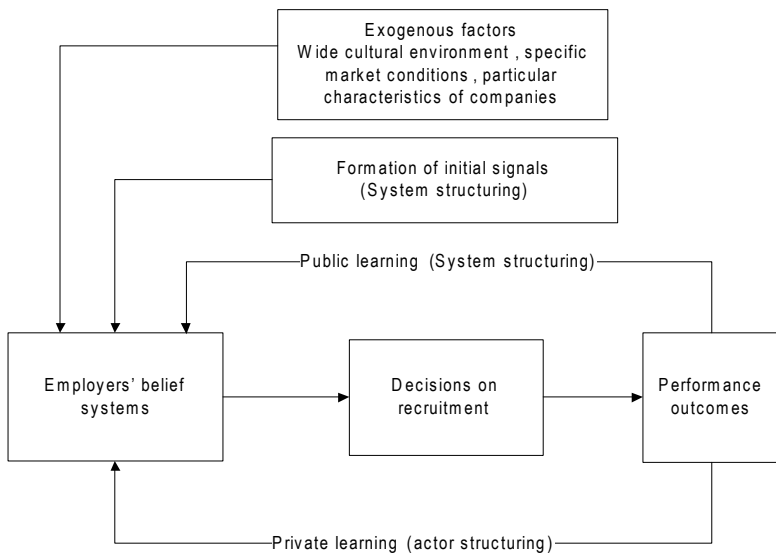


Figure 3–1. Framework of employers-institutions dynamics

3.3 System structuring

While private learning (actor structuring) has been discussed earlier in Bailly's model (See Chapter 2.4), the discussion here focuses on system structuring. From the perspective of institutionalism, employers' beliefs are developed within institutional frameworks. What affects the creation of institutional framework is a process of system structuring. Compared to actor structuring, system structuring takes a longer time. It takes place at the level of the entire group, or in an organisational field. An organisational field is defined as "those organisations that, in the aggregate, constitute a recognised area of institutional life" (DiMaggio & Powell, 1983, p. 148). For instance, a job market for international graduates in a national context may be an organisational field, including employing organisations and other stakeholders. Burns and Flams (1987, p. 7) state that "social action and its outcomes may be directed toward maintaining, modifying or transforming norms, institutions, and socio-cultural elements". This structuring of a social system represents a process of institutionalisation. It occurs through interaction and information exchange, generating structures of prestige and dominated by certain organisations and shared norms and practices within an organisational field (DiMaggio & Powell, 1983, p. 148).

DiMaggio and Powell (1983) claim that institutionalisation is characterised by three mechanisms of isomorphism, namely coercive, mimetic and normative. Coercive isomorphism stems from political influence and the need for legitimacy. Mimetic isomorphism occurs when actors face uncertainty and try to emulate successful organisations as a solution. Normative isomorphism arises primarily from professionalisation. Professionalisation involves two aspects: one is the homogenising influence of established norms, and the other is the growth and elaboration of professional networks.

To specify how institutions are created, Scott (2008, p. 95) distinguishes two models, naturalist and agent-based. From a naturalist

perspective, “institutions...emerge from the collective sense-making and problem-solving behaviour of actors confronting similar situations” (Ibid.). By agent-based accounts, institutions are created by the purposeful actions of interest-based actors. In the process of system structuring, both models may co-exist, in that institutionalisation can be either result of purposeful actions of social agents or an unintended consequence of human activities.

3.3.1 Public learning

When some employers start to recruit international graduates with similar educational credentials, the performance outcomes of the employees will become benchmarks for the employers to adjust their beliefs. This has been described as a process of private learning. The consequences of private learning may also have an impact on the reproduction of institutions in the organisational field through public learning. For instance, some employers may imitate other companies that have been successful in recruiting international graduates in terms of enhancing productivity. As such, the collective sense-making is developed through mimetic learning. According to DiMaggio and Powell (1983), the extent of mimetic isomorphic effects on an organization depends on the degree of uncertainty and ambiguity of its goals. As the international job markets are often characterised by uncertainties, the employers tend to imitate or learn from those with successful recruitment experience. Within an organisational field, some other actors may facilitate the public learning process by creating opportunities for information sharing among the employers or directly disseminating information concerning the performance of the international graduates at workplaces among actors in the field.

3.3.2 Formation of initial signals

Some initial signals already exist, before both private and public learning processes. Where are these signals from? How do the employers perceive these signals? Such signals are also developed within the institutional framework through a process of system structuring but involving different actors and mechanisms than those in the public learning process. The system structuration related to the development of initial signals can be seen in the form of normative isomorphism. While mimetic isomorphism occurs when actors are unclear on what to do and therefore emulate successful organisations, normative isomorphism arises when professions feel capable of mapping their own policy but do so based on their socialization of dominant norms (Levy, 2006, p. 145). If the employers in an organisational field are connected through professional networks, certain norms regarding the value of international graduates are possibly developed through their networks and professionalisation in a naturalistic way.

Normative isomorphism concerning initial signals can also take place in an agent-based model. From an agent-based perspective, institutions can be created by the purposeful actions of interest-based actors (Scott, 2008, p. 95). Some studies (Cai, 2010, p. 232; Chien, 2008) suggest that isomorphism takes place through consultancy involvement, in which actors make similar decisions when they are guided by the same professional consultancies. If there are some individuals and organisations that engage these consultancies when employers make recruitment decisions, then consultant information may convey certain signals to the employers. In other words, the consultancy organisations may be the agents that purposefully create institutional norms.

In an extreme form of the agent-based model, the agents can be understood as institutional entrepreneurs. DiMaggio (1988) introduced the idea of institutional entrepreneurship, whereby

agents deploy the resources at their disposal to create and empower institutions. Institutional entrepreneurs serve as agents of legitimacy supporting the creation of institutions that they deem to be appropriate and aligned with their interests. These agents have the resources and hence the power to shape the character of institutions and institutional change. What underlies such institutionalisation process is normally associated with coercive mechanism. Coercive isomorphism results from other organisations on which an organisation is dependent and from the expectations of the social surroundings in which the organisation is embedded. The chief coercive force includes a legal environment, governmental mandates and funding. The extent of the structural impact on organisations depends on the resources received from powerful or central organisations (DiMaggio & Powell, 1983). Usually employers in the private sector are unlikely to be dependent on any authorities and public funding. Nevertheless, there may be some agents, such as governmental and professional organisations, that intentionally lay down rules or disseminate information that gradually formulates institutionalised rules in the field.

3.4 Understanding the three evolution stages of employers' beliefs in the employers-institutions dynamics framework

How can the three stages of employers' belief evolution be interpreted by the new framework based on institutionalism? The first stage refers to the situation that an employer has no experience of engaging recruiting job applicants with one kind of educational credentials (for example FECGs), and thus the employer will make recruitment decisions based on his/her initial beliefs. In this stage, the employer's beliefs will primarily be influenced by exogenous factors and initial signals. The situations are illustrated in Figure 3–2.

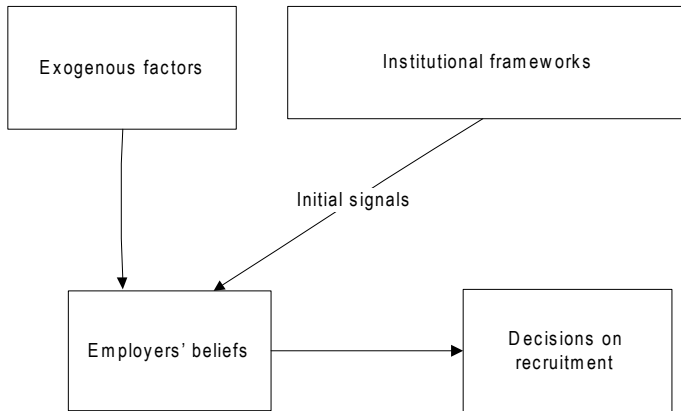


Figure 3–2. Factors affecting employers' initial beliefs in stage I

The second stage starts when an employer has recruited FECGs. By observing and evaluating the employees' performance, the employer's initial beliefs will be either confirmed or corrected. The belief adjustment takes place through actor structuring. Previously employed FECGs may influence the employer's perceptions of future candidates. The more experiences the employer has of recruiting FECGs, the more mature his/her beliefs will be. The consequences of the employer's employment of FECGs will also have an impact on public learning. When the institutional frameworks are constructed and institutionalised through public learning, they will directly guide and drive the employer's beliefs and actions. However, when there are only a small number of FECGs employed in Finnish companies operating in China, employers mainly adjust their beliefs through private learning processes. It should be mentioned that exogenous constraints and initial signals still play certain roles in the second stage. With more experience from both private and public learning processes, their influences become less important. The interactions of these elements are described in Figure 3–3.

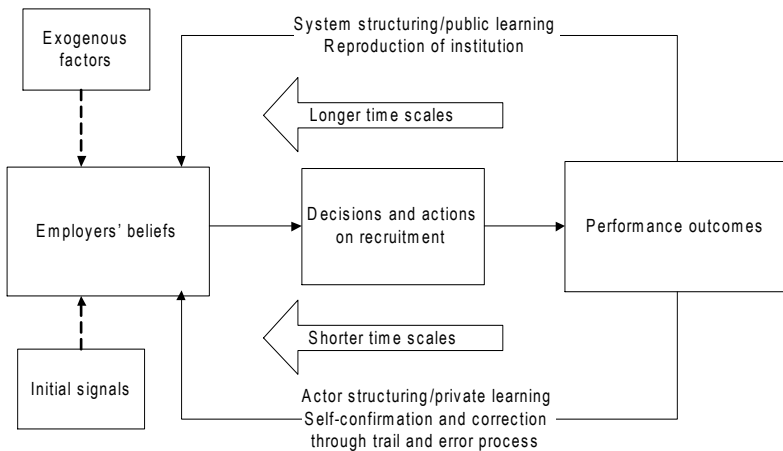


Figure 3–3. Factors affecting employers' beliefs in stage II

In the final stage, equilibrium will be reached, where the employer through successive private learning processes (actor structuring) has accumulated enough experience to ascertain the candidates' 'true' value. Bailly (2008) pays special attention to how the employer's private belief systems are internalised. Internalisation can be understood as the process whereby specific cultural elements or cultural objects are adopted by actors (Clark, 1968). Here, the internalisation emphasises the actors as individuals, referring to the process by which, through private learning, the individuals come to believe in, or profess the value. However, Bailly (2008) ignores the effect of system structuring (public learning).

As the system structuring continues, shared norms may also reach an equilibrium stage. In other words, the shared norms and beliefs are institutionalised. Regarding institutionalisation, it has been explained as follows (Kraatz & Moore, 2002, p. 120):

Once established within organisations and fields, institutionalised standards, practices, and understandings tend to perpetuate themselves

through processes that can be deliberate and political, or unintentional and cognitive, or both. Institutionalisation can normatively prescribe certain responses or adaptations to new conditions, formally and explicitly mandate the maintenance of the institutional status quo, and perhaps even prevent the recognition of altered circumstances and the very contemplation of institutional change.

The equilibrium stage will not be reached until both institutionalisation and internalisation have been achieved. This stage is rather an idea than a reality. Nevertheless, this stage represents the convergent ends for the changes.

As described in Figure 3-4, the equilibrated state of affairs is twofold. One is the internalisation of individuals' beliefs through individuals' private learning, and the other is the institutionalisation of social rules and norms through public learning. As the two processes interact with and influence each other, the ideal equilibrium also requires a balance between the two loops. Only in this stage can a signal fit be achieved, which is defined as the extent to which the signal corresponds to the sought-after quality of the signaller (Connelly, et al., 2011, p. 52). The effectiveness of signalling effects depends on the signal fit.

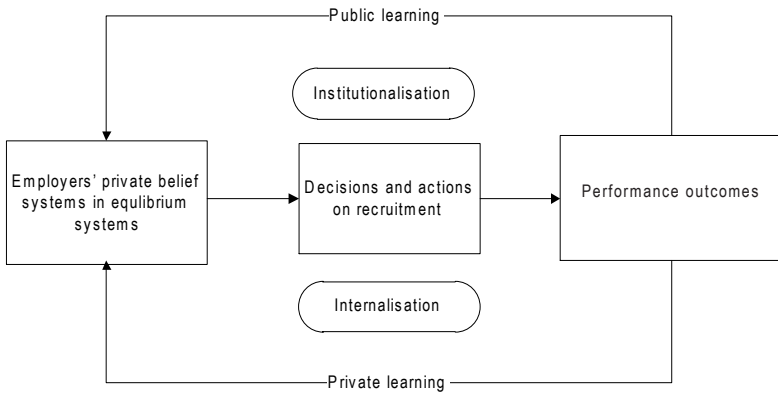


Figure 3-4. Factors affecting employers' beliefs in stage III

3.5 Summary of the analytical framework

According to the framework of employers-institutions dynamics (Figure 3-1), there are four categories of factors/mechanisms affecting the Finnish employers' beliefs regarding the employability of FECGs, namely exogenous factors, initial signals, performance factors and institutional factors. The first consists of exogenous factors, which are outside either public or private learning processes. These factors are, for example, the wide cultural environment faced by the companies, the market conditions for Finnish companies and the companies' special characteristics. The second category is concerned with initial signals transmitted by a Finnish education experience to the employers when they have not yet directly observed the performance outcomes of the FECGs. The factors in the third category are based on the employers' evaluation of the performance outcomes of their Chinese employees with Finnish education background though private learning. The last category

includes institutional factors (shared beliefs or norms) involved in the process of public learning.

In the first stage of the progress of employers' beliefs, the employers are mainly influenced by exogenous factors and initial signals. In the second stage, employers' beliefs tend to be modified by the performance factors. In the last stage, employers primarily conform to institutional factors. As it will be addressed later that the Finnish employers' beliefs on the FECGs are mainly in the first and the second stage, the empirical data do not reflect much on public learning. However, the perspective of public learning sheds light on the further development of the theoretical understandings. The analyses between Chapters 5 and 9 correspond to different elements and factors in the framework, as shown in Figure 3–5.

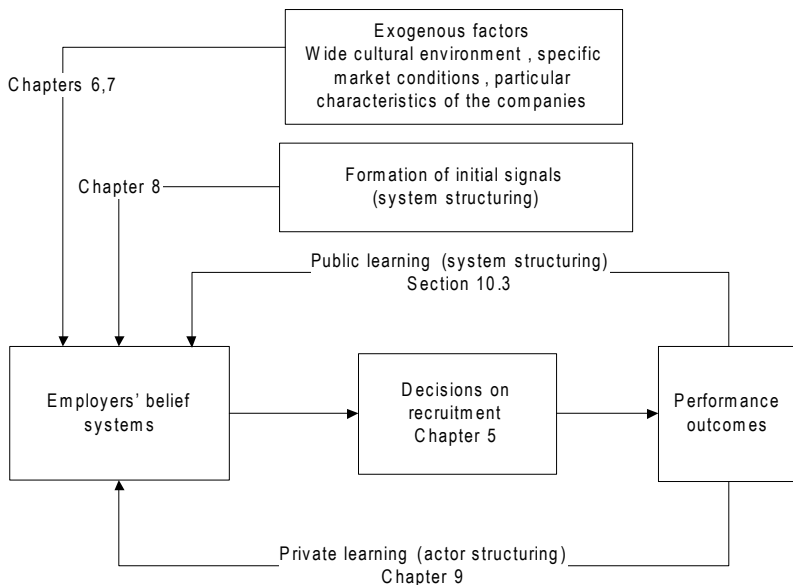


Figure 3–5. Correspondence between theoretical framework and data analyses

Chapter 4.

RESEARCH METHODOLOGY AND DATA

This chapter introduce the research strategies, designs and data used in this study. It provides the reader with an overview of the research, particularly of how it was methodologically conducted and of the underlying philosophical rationales.

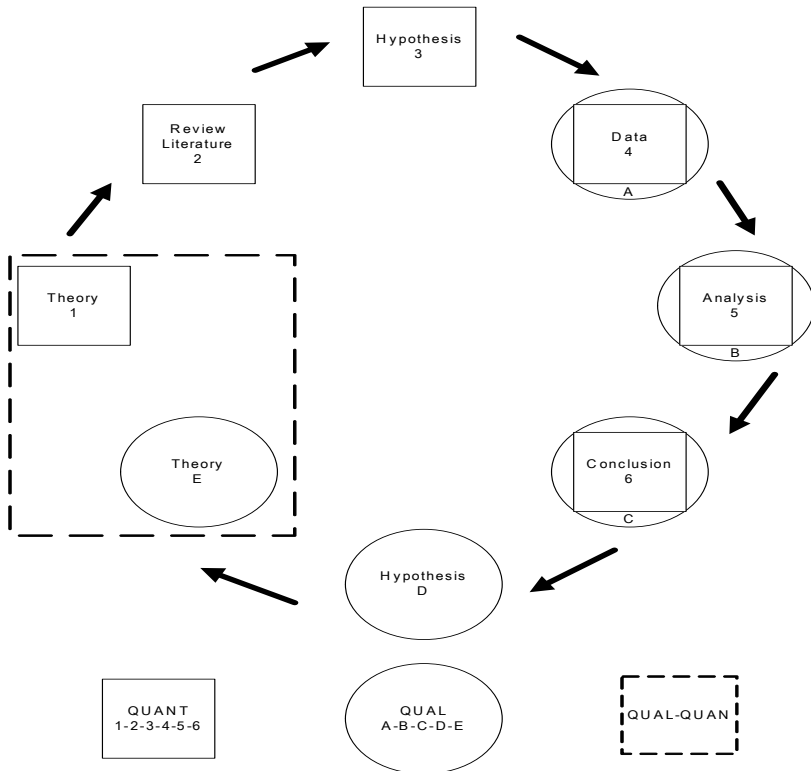
5.1 Choice of research method

The research methodology literature tends to indicate a correspondence between research question and methodological design. The research purpose together with the assumptions of the research question often determine the choice of either a quantitative or a qualitative approach (Newman & Benz, 1998, p. 24) or mixed methods (Johnson & Onwuegbuzie, 2004). Quantitative studies emphasise the measurement and analysis of causal relationships between variables, often for the purpose of population generalisation. Qualitative methods allow for the articulation of many truths in

meaningful social actions, stressing how social experiences are created and given meanings (Denzin & Lincoln, 2003, p.13). Since the late 1990s, the legitimacy of such a dichotomy between qualitative and quantitative research strategies has been challenged by a growing interest in using both in social science research (Creswell, 2003b; Creswell & Plano Clark, 2007; Newman & Benz, 1998; Tashakkori & Teddlie, 1998). Newman and Benz (1998, p. xi) assert that “the two philosophies [underlying qualitative and quantitative methods] are neither mutually exclusive (i.e., one need not totally commit to either one or the other) nor interchangeable (i.e., one cannot merge methodologies with no concern for underlying assumptions)”. It follows that studies at operational level are located at different points of a continuum between qualitative and quantitative. This is consistent with Creswell’s (2003a, p.4) vision that while traditional paradigms of social science research exist on two opposing stances requiring either quantitative or qualitative approaches, “the situation today is less quantitative *versus* qualitative and more how research practices lie somewhere on a continuum between the two”.

Therefore, the two methods are complementary to and compatible with each other. For instance, Newman and Benz (1998) illustrate that mixed methods have strength by reason of their self-correcting feedback loops (Figure 4–1). The qualitative research in general follows the inductive logic. It begins with data collection (Circle A), and then after the analysis of the data (circle B) conclusions are drawn (Circle C). The conclusions can be used for generating hypotheses (Circle D) and later for developing theory of the phenomenon being studied (Circle E). In contrast, quantitative research is deductive in nature for testing a theory. Therefore, it starts from theory (Box 1) and then the related research literature is reviewed (Box 2). Based on the theoretical framework and existing studies, hypotheses are created (Box 3). These hypotheses lead to a strategy for theory testing and data collection (Box 4). Then the data are analysed to test the hypotheses (Box 5). Finally the conclusions

(Box 6) are drawn, either confirming or challenging the theory. The cycle is thereby completed.



Source: Newman and Benze (1998, p. 21)

Figure 4–1. The Qualitative-Quantitative continuum

The qualitative research procedure (A-E) described by Newman and Benze only reflects one extreme type of qualitative research approach known as the grounded theory method, which is a rigorous research approach to the systematic generation of theory

from data acquired from participants involved in a phenomenon (Glaser & Strauss, 1967). When doing a grounded theory study, the researcher should be prevented from being influenced by previous theoretical constructs and ideas. The other requirement for using such a method is that the researcher has the opportunity to visit the field repeatedly. However, these conditions are seldom met in social science research.

Besides grounded theory, there are also other qualitative research methods. What constitutes qualitative research? There is no unified genre of qualitative research (Denzin & Lincoln, 1994, p. 2). In general, qualitative research suffers from a “lack of consensus about the rules to which it ought to conform” (Sandelowski, 1986, p. 29). Silverman (2001, p. 38) states that “unless we use the negative criterion of being “non-quantitative”, there is no agreed doctrine underlying all qualitative social research. Nevertheless, some qualitative research textbook writers have tried to propose some common features of qualitative research. In terms of the purpose of research, for instance, Marshall and Rossman (2006, pp. 33–35) have classified four types of qualitative research, namely exploratory, descriptive, explanatory and emancipatory. Many qualitative studies are exploratory and descriptive. Exploratory research is for investigating little understood phenomena in order to identify or discover important categories of meanings, and to generate hypotheses for further research. The purpose of descriptive research is to document and describe the phenomenon of interest. An explanatory study deals with relationships between events and factors, often seen in the area where the theory is well developed. In this respect, it is similar to the logic of quantitative methods, but there are differences. While quantitative studies tend to precisely show the relationship and test a theory, explanatory qualitative research emphasises giving meanings to the relationship and expanding the existing theory. The purpose of emancipatory research is to create opportunities and the will to engage in social action, with a special focus on critique, advocacy or empowerment.

The aim of this study is to understand Finnish employers' beliefs regarding FECGs — a phenomenon that is under-researched and poorly reported. To shed light on this obscure issue, an exploratory approach will be applied. As stated by Creswell (2005, p. 45), in cases where the literature has yielded little information about the phenomenon to be studied, the researcher needs to learn more from participants through exploration. To conduct exploratory qualitative research, there are two options under my consideration. One is to use a very conventional approach predominant in student essays and many scholarly articles, in which the empirical work is located in theory or in a theoretical framework (Thomas, 1997, p. 87). In other words, the research is inspired and guided by a readymade theory or conceptual framework in the work of other researchers (Marshall & Rossman, 2006, p. 27). The other option is to use a grounded theory approach (Glaser & Strauss, 1967), which questions the traditional way of using theory (Thomas, 1997, p. 77). The primary objective of grounded theory research is to explain a phenomenon by identifying the key elements concerned, and then categorise the relationships between these elements within the context of the phenomenon. In such an approach, no review of the literature on theoretical constructions will be conducted until the theory is generated grounded on the data (Chiovitti & Piran, 2003, p. 432).

The choice between the two approaches lies in a philosophical debate on whether theory structures or constrains thoughts (Thomas, 1997, pp. 85–87). While those using conventional approaches adhere to the structure of established and respectable theories, grounded theorists share the view that once theoretical frameworks exist they constrain thoughts within their boundaries.

In this study, an analytical framework was already constructed (in Chapter 3) before data collection. It indicates that I have not tried to avoid being influenced by theories. I am doing so for four reasons. First, I have been deeply immersed in institutionalism

thinking through years of using institutional theory in my research. It is unavoidable to apply the insights from institutionalism when I understand the phenomenon under investigation. Second, when the research was being initiated, I read some literature (as shown in Chapter 2) which provided me with some sort of theoretical guidance and assumptions. Third, my purpose in using a conceptual (analytical) framework in agreement with Marshall and Rossman (2006, pp. 31–32) is that when doing qualitative research, the framework is used to help the researcher narrow down its research focus, identify useful and creative lines of enquiry, and connect the literature to real-life observation. Regarding case study, Yin (1994, p.32) has also pointed out the importance of using a theoretical framework irrespective of explanatory, descriptive or exploratory functions; “the use of theory... not only is an immense aid in defining the appropriate research design and data collection but also becomes the main vehicle for generalising the results of the ... study”. In addition, a pure grounded theory approach is not suitable here because I had only a short period to conduct interviews in the field. Therefore I could not afford to come back and forth between data collection and theory generation as required by the approach. Nevertheless, as explained later in Section 4.3, the data collection and the data analysis stages of my research are not clear-cut and some tactics of grounded theory were applied.

Thus this research starts by reviewing the literature and building an analytical framework. However, one may claim that this approach is contradictory to what is described in the qualitative-quantitative continuum (Figure 4-1), where only quantitative research starts from theory. To respond to this, we need to bear in mind that the continuum has two limits. First, as has been mentioned earlier, the continuum only demonstrates one extreme type of inductive reasoning (grounded theory) there, while other options for doing qualitative research are not presented. Second, Newman and Benz (1998) have not explicitly explained what the theory is. They treat

the theory as if there were a unified understanding of theory among researchers using different methods. However, it has been argued that the concept of theory has often been poorly understood and defined, such as in the field of education research (Kezar, 2006; Thomas, 1997). To better understand how the method used in this study links to the qualitative-quantitative continuum, we need first to know what theory is and what the role of theory is in the research.

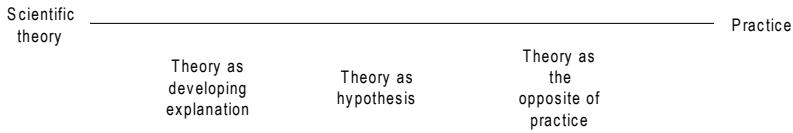
4.2 Research design and the role of theory

Theory is generally understood as one of many ways to represent knowledge (Kezar, 2006). As people understand and describe knowledge differently, it is no surprise to see divergent schools of thought on theory. Drawing on an extensive examination of classic text book, Thomas (1997, p. 82) summarises four meanings of theory in education research:

1. Theory as the opposite of practice. Theory is thinking and reflecting (as opposed to doing). This encompasses personal theory...and ...practical theorising....
2. Theory as hypothesis. Theory is an idea that may be followed up, embracing looser or tighter hypothesising, modelling, heuristics, and thought experiments....
3. Theory as developing explanation. This category embraces the broadening bodies of knowledge developing in particular fields....
4. Scientific theory. In line with the expectations of most rationalist epistemologists, theory here exists as ideas formally expressed in a series of statements.

The four uses of theory can be located on the following horizontal continuum (Figure 4–2), in which the left extremity end represents

the purest form of theory (scientific theory) and the right extremity point is practice or doing.



Source: Adapted from Thomas (1997, p. 83)

Figure 4–2. Theories on a continuum

Thomas (1997, p. 83) also proposes another vertical continuum to distinguish between theories that “comprise broadening bodies of knowledge or collations of cognate knowledge” and those that “are single formally stated ideas or loosely stated hypotheses...or have the precise succinct character of scientific theory”. He marks the two extreme ends respectively as plural and unitary.

In a similar vein, Kezar (2006) distinguishes between four vertical levels of theory, namely meta-theory, grand theory, middle-level theory, and low-level theory. Meta-theory is called a research paradigm, such as positivism, interpretivism, critical theory. Grand theory seeks to explain a large segment of society, organisations and human experiences. It is for understanding a vast area of study, and represents a total range of phenomena. Therefore, a grand theory is not easily tested empirically (Polit-O’Hara & Hungler, 1999, p. 107). Examples include Marxism, Weberism, and system theory. Middle-level theory explains “a broader topic area across a range of settings and contexts” (Kezar, 2006, p. 291) and is a way of connecting grand theory with empirically observable patterns. It is normally empirically testable (Merton & Storer, 1973, p. 22). Low-level theory explains “a specific phenomenon or case at hand” (Kezar, 2006, p. 291). While the higher level theories guide and

influence the theoretical development at the lower level, the lower level theories build up to higher level theories.

My understanding of theory in this study can be first placed in the interpretive paradigm, and for this reason a qualitative research strategy is chosen. Within this paradigm, my study deals with several levels of theories. I will illustrate this by conflating both Thomas' horizontal and Kezar's vertical categorisations of theory in Table 4-1. In terms of using and developing theories, my research basically follows 5 steps: 1) $A \rightarrow B$, 2) $B \rightarrow C$, 3) $C \rightarrow D$, 4) $D \rightarrow E$, 5) $E \rightarrow B$.

Table 4–1. Categories of theory within the interpretive paradigm

	Theory as developing explanation	Theory as hypotheses	Theory as the opposite of practice	Practice
Grand theory	A: Institutionalism (Chapter 3)			
Middle-level theory	B: Theoretical framework (Chapter 2-3)			
Low-level theory		E: Hypotheses (Chapter 10)	D: Results of data analysis (Chapters 5-9)	C: Data collected from the field (Chapter 4)

In the first step ($A \rightarrow B$), I start by introducing the explanation of institutional theory for the relations between actors and institutions (social rules). Institutional theory is a grand theory. My use of the theory is specifically to develop understandings of the interactions between employers (as actors) and institutions in the middle level.

In the second step ($B \rightarrow C$), with the analytical framework as a guiding tool, I will collect data from the field. The data gathered here are mainly concerned with individual employers' practices at the lowest level, such as the employers' perceptions of FECGs and their experiences of working with FECGs. In the third step ($C \rightarrow D$), the data will be analysed with the aim to generate knowledge on understanding the phenomenon — Finnish employers' beliefs on FECGs and factors affecting their beliefs. The analysis is typical inductive reasoning, moving from specific observations to more general rules in the low level where they are strictly bounded by the context of the study. In the fourth step ($D \rightarrow E$), the study will induce hypotheses (in the low-level) pertaining to the phenomenon based on the findings. In the last step ($E \rightarrow B$), hypotheses can be further utilised for identifying concepts and mechanisms suitable for understanding the phenomenon. The aim is to further develop the conceptual framework at the middle-level. However, this is mainly considered as a direction for future research.

In this research design, it starts from theory and ends up with theory, but the theory in the initial stage and that at the end are on different levels. The former is grand theory with higher abstraction, and the latter is more concrete at the lower level. Therefore this research is not located in a closed continuum loop, but in a “research spiral”, a concept used by Engel and Schutt (2005, p. 46) in a study on a Minneapolis domestic violence experiment. The spiral circles in this research are described in Figure 4–3.

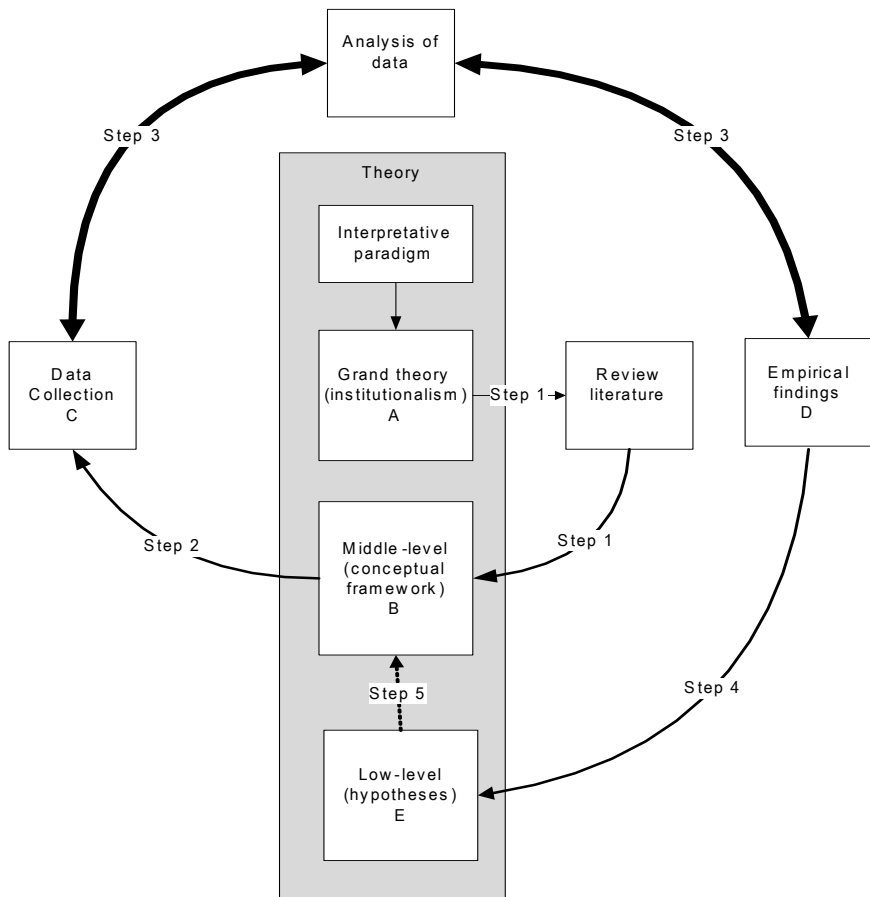


Figure 4–3. Research spiral

4.3 Non-linear research process

Despite the linear process (through this spiral) in Figure 4-3, there are many rounds of going back and forth between the stages of C and D in step 3, partially underlined by the logics of the grounded theory approach. Creswell (2007, p. 64) vividly calls data collection

in grounded theory a “zigzag” process: “out to the field to gather information, into the office to analyse data, back to the field to gather more information, in the office, and so forth”.

The data collection method in this study is interview. Although the conceptual framework guided me in developing the first interview schedule, when I started fieldwork I paid attention primarily to the data. Once I completed an interview or two, I started to make preliminary analyses by making notes about discoveries, and even coded the data with Nvivo 8. By coding I formed categories of information about the phenomenon being studied. Through the analysis I sometimes realised that there would be more information to be collected. Then I tried to find the new information element in the next interview. After obtaining interview data, I came back to the analysis for categorisation. The process can be illustrated in Figure 4-4. The interactive data collection and analysis enabled me to find more relevant and important information without being constrained by the conceptual framework. In sum, the study is not designed to strictly follow the conceptual framework throughout the data collection process. Rather, the framework only serves as a starting point, helping to narrow down the research focus and identify useful lines of enquiry.

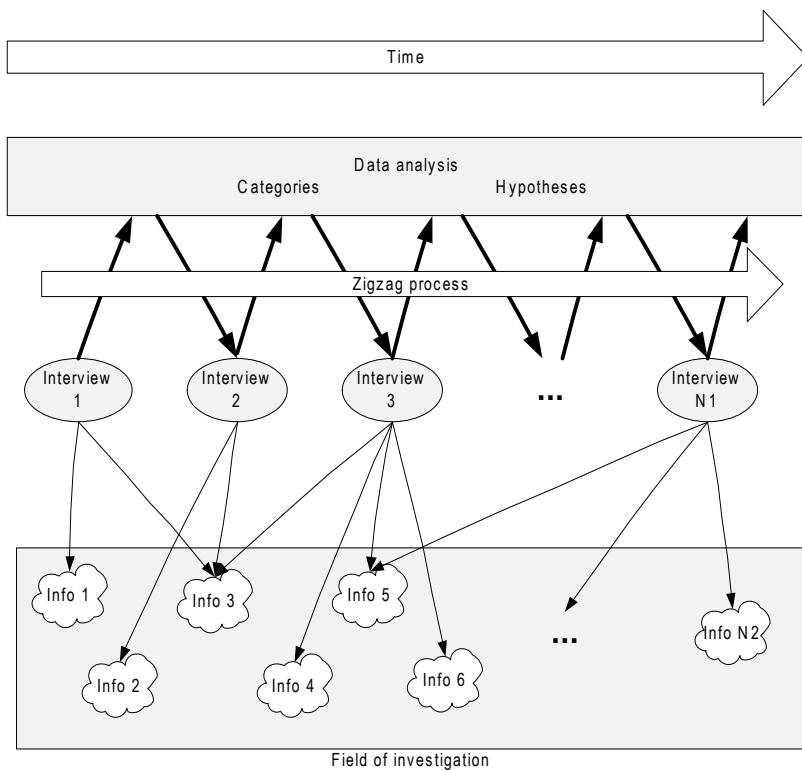


Figure 4-4 Process of data collection

4.4 Interview design

Interview is the primary information source for the empirical analysis in this research. The interviews try to “capture some of the richness and complexity of their subject matter and explain it in a comprehensible way” (Rubin & Rubin, 1995, p. 76). The interview questions were designed to be semi-structured and open-ended. On the one hand, it is easier for the researcher to identify different

interpretations and opinions among the participants. On the other hand, the flexible design permits the interviewer to react promptly to emerging important issues.

The interview questions here are designed specifically according to three principles. Firstly, they should provide interviewees with the opportunity to give information that was not anticipated by the interviewer. Secondly, the information from the interviewees should cover the major subjects of this study following the conceptual framework constructed. Finally, the interview topics were expected to evoke “deep”, “detailed”, and “vivid” responses.

The final interview questions are listed in the Appendix. It should be noted that the questions listed in the appendix are not the same as those developed before the interview commenced. Rather, the questions were modified continuously and elaborated throughout the process of the interviews. Also, not all questions in the list were asked in an interview. What questions were asked depended on the specific interview context. The interview design follows Rubin and Rubin’s (2005, p. 43) strategy, characterised as “flexible”, “iterative” and “continuous”:

In a qualitative interviewing study, design takes shape gradually, as the researcher listens and hears the meaning with the data. Concerns that appear important at the beginning of the research may seem less vital later, and points that seemed unimportant when the study began may turn out to be valuable. To adapt to what you are learning, your design has to be flexible. ...Doing so involves an iterative process during which the final design slowly emerges. At each stage of the interviewing, you gather information, analyse, winnow, and test; then, based on the analysis and testing, you refine or change your questions, and perhaps choose a different set of interviewees and repeat the process....Doing design is continuous in the sense that you have to redesign the work at different points in the research.

4.5 Interview companies and interviewees

Rubin and Rubin (1995, p. 65) state the plain rules for choosing interviewees as “whom you choose to interview should match how you have defined as the subject of your research”. The subject of this study was employers in Finnish companies operating in China. According to a list of around 300 Finnish companies operating in China, most of them are located in Shanghai and Beijing. In order to contact the maximum number of companies, the investigation was conducted in these two cities. The companies were categorised mainly according to their business scopes. In each category, a few companies were selected representing different ages (duration of operations in China) and sizes. The selected companies were contacted by email between October and November 2010. In Shanghai, with the assistance of CIMO’s liaison in Shanghai, the emails were sent directly by the author to the companies’ CEOs (representing a variety of top management positions, such as Presidents, Vice Presidents, General Managers, and Managing Directors) of the companies. The email included an introduction of the research purpose and a request for an interview with the company’s CEOs or HR (Human Resources) directors on their premises. They were also informed that each interview would take around one hour and in the final report the details of the respondents (and companies) will be withheld to protect the anonymity of the organisations and individuals concerned. In Beijing, the contacts to the CEOs of selected companies were initiated by the head of Finpro’s Beijing office with an email introducing the aim of the research and the request for interviews. After that, the author contacted these companies for confirmation and further arrangements.

As a result, 16 companies (9 in Shanghai and 7 in Beijing) invited the author to conduct an interview during the period between 15 November 2010 and 6 December 2010. In some companies the CEOs (top leaders) agreed to talk with the author, while others ar-

ranged for assistants to the CEO or HR directors to be interviewed. In total, 20 employers were interviewed as shown in Table 4-2. All these interviewees played an essential role in making decisions on recruitment. Among them, there were 10 CEOs (9 male and 1 female), 7 HR directors (1 male and 6 female), 2 assistants to CEO (female) and 1 subsidiary manager (male).

Table 4–2. Interviewed companies and interviewees

No.	Company	Location	Interviewees	Language of interview
1	A	Shanghai	A1: Former CEO	Chinese
2	B	Shanghai	B1: HR Director; B2: HR Manager	Chinese
3	C	Shanghai	C1: CEO	English
4	D	Shanghai	D1: Assistant to CEO	Chinese
5	E	Shanghai	E1: CEO	English
6	F	Shanghai	F1: HR Director	Chinese
7	G	Shanghai	G1: CEO	English
8	H	Shanghai	H1: HR Director; H2: Assistant to CEO	Chinese
9	I	Shanghai	I1: HR Director	Chinese
10	J	Beijing	J1: HR Director	Chinese
11	K	Beijing	K1: CEO, K2: Subsidiary manager	English
12	L	Beijing	L1: CEO, L2: HR Director	Chinese
13	M	Beijing	M1: CEO	English
14	N	Beijing	N1: CEO	Chinese
15	O	Beijing	O1: CEO	English
16	P	Beijing	P1: CEO	English

Except for one participating company owned by a private Finnish person, the rest all have headquarters in Finland. The characteristics

of the companies are described in the following figures respectively in terms of business area (Figure 4–5), duration of operation in China (Figure 4–6), number of employees (Figure 4–7) and the CEO’s nationality (4–8).

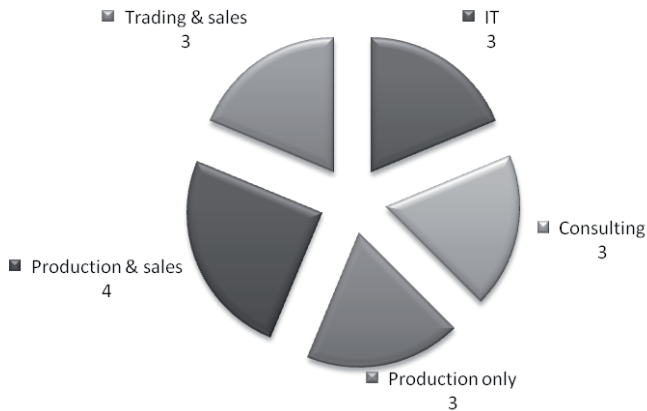


Figure 4–5. Companies by business area

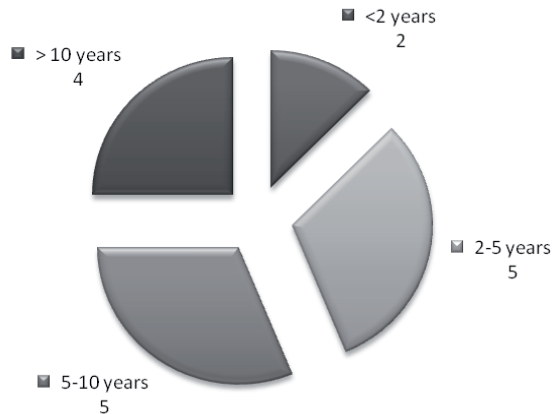


Figure 4–6. Companies by duration of operation in China

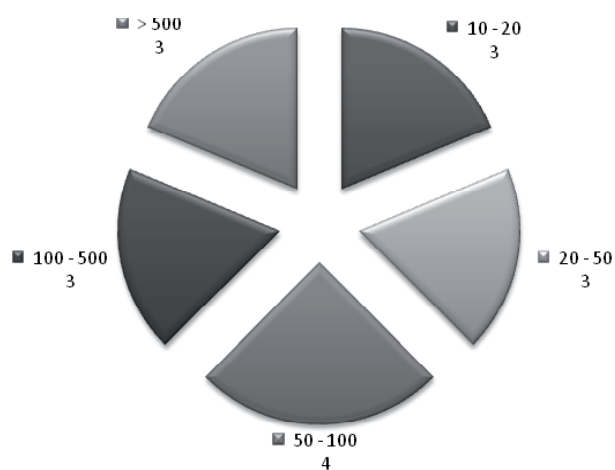


Figure 4–7. Companies by employee population (numbers of employees)

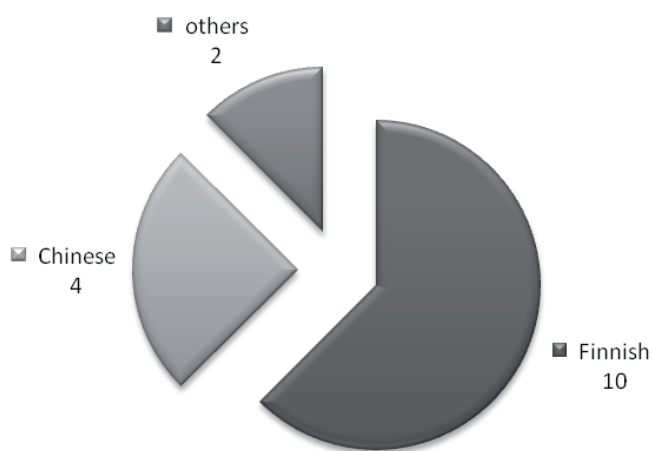


Figure 4–8. Companies by CEO's nationality

4.6 Reliability and validity

Reliability and validity as positivist notions are commonly used in quantitative research, indicating the extent to which a study is objective and of good quality. In quantitative research, reliability is defined “as the extent to which it is free from random error component... Validity is the extent to which a measure reflects only the desired construct without contamination from other systematically varying constructs” (Judd, Kidder, & Smith, 1991, p. 51). There is no validity without reliability, but a highly reliable measurement may not necessarily guarantee high validity because it may measure the wrong construct.

As this study is a qualitative research, can these concepts be used here to evaluate the quality of the research? While some argue that positivistic terminology is “a defensive measure that muddies the waters” (Ely, 1991, p. 95) or “misleading” (Stenbacka, 2001, p. 552) in qualitative research, many qualitative textbook writers (e.g. Creswell, 2007; Hammersley, 1992; Kirk & Miller, 1986; Silverman, 2001) try to apply the two concepts in qualitative methods.

4.6.1 Reliability

Hammersley (1992) considers reliability as a universal term also useful in qualitative research, and defines it as “the degree of consistency with which instances are assigned to the same category by different observers or by the same observer on different occasions”. While not using the term reliability, Sykes (1991) suggests that the quality of a qualitative study depends on whether the researcher makes the whole process visible, namely through research preparation, data collection and analysis. Kirk and Miller (1986, pp. 41-42) identify three types of reliability in quantitative research. These relate to:

(1) the degree to which a measurement, taken repeatedly, remains the same, (2) the stability of a measurement over time, and (3) the similarity of measurements within a given time period. In a similar vein, Silverman (2001, pp. 229–230) claims that reliability can be enhanced in an interview study in several ways, through

- pre-testing interview schedules
- training interviewers
- as many as possible of fixed-choice answers
- inter-rater reliability checks on the coding of answers to open-ended questions
- tape recording all face-to-face interviews
- carefully transcribing these tapes according to the needs of reliable analysis
- presenting long extracts of data in the research report — including the questions that provoked any responses.

Creswell (2007) focuses particularly on how to improve the reliability of coding interview data through developing inter-coder agreement. In this regard, reliability “refers to the stability of responses to multiple coders of data sets”. He further suggests procedures of conducting inter-coder agreement checks according to his experience on a research project at VA Ann Arbor Health Care System. The key issue in the process is to determine what exact the codings are agreed on among several research team members.

Having more researchers involved in the coding and data analysis process is certainly one way to enhance reliability. However, in this research the coding and analysis were done only by one researcher — the author, because the limited research budget did not allow hiring other researchers for coding purpose. Nevertheless the research has tried to improve the reliability in the following ways.

- The author (interviewer) is an experienced interview researcher.
- Although no pre-testing of interview schedules was arranged, the interview questions had been developed through a trial and learning process.
- Except for one interviewee who refused to be recorded, all other interviews were recorded.
- All the interviews were transcribed by employing competent transcribers.
- The interview transcripts in Chinese were translated into English by the author before being analysed.
- The coding and analysis was conducted using Nvivo 8 qualitative analysis computer software.
- Many extracts of original interviewee responses have been presented in the research report to illustrate the points in question.

4.6.2 Validity

The concept of validity is described by a wide range of terms in qualitative studies. For instance, Creswell (2007, p. 203) has summarised a number of different terms used in qualitative validation by reviewing qualitative methodological literature. In contrast to many others who regard validity as verification in terms such as “trustworthiness”, “authenticity”, “credibility”, Creswell insists on using the term “validation” in qualitative research. For him, validity is “an attempt to assess the ‘accuracy’ of the findings, as best described by the researcher and participants”. He further puts it, “I also view validation as a distinct strength of qualitative research in that the account made through extensive time spent in the field, the detailed thick description, and the closeness of the researcher to participants in the study all add to the value or accuracy of a study”. Creswell

(2007, pp. 207–209) proposes eight strategies for improving the validity of qualitative research.

- Prolonged engagement and persistent observation in the field include building trust with participants, learning the culture, and checking for misinformation that stems from distortions introduced by the researcher or informants....
- In triangulation, researchers make use of multiple and different sources, methods, investigators, and theories to provide corroborating evidence....
- Peer review or debriefing provides an external check on the research process....
- In negative case analysis the researcher refines working hypotheses as the inquiry advances in light of negative or disconfirming evidence.
...
- Conceding researcher bias from the outset of the study is important so that the reader understands the researcher's position and any biases or assumptions that impact the inquiry....
- In member checking, the researcher solicits participants' views on the credibility of the findings and interpretations.... This approach, in most qualitative studies, involves taking data, analyses, interpretations, and conclusions back to the participants so that they can judge the accuracy and credibility of the account....
- Rich, thick description allows readers to make decisions regarding transferability....
- External audits allow an external consultant, the auditor, to examine both the process and the product of the account, assessing their accuracy.

All in all, validity is about how to reduce the risks in data interpretation. As a strategy to avoid these risks, this study tries to provide the reader with a comprehensive picture of the data, not only facts and interpretations of findings but also with a rich description of

the settings and the authors' assumptions. Moreover, the analysis of data is guided by an analytical framework to avoid a biased interpretation. The verified coherence between the findings and the analytical framework can further prove the validity.

Chapter 5.

RECRUITMENT PROCESSES IN FINNISH COMPANIES OPERATING IN CHINA

From this chapter until Chapter 9, the analyses of the interview data will be presented. Chapter 5 is an introduction of recruitment processes in Finnish companies operating in China, including an overview of Finnish companies operating in China, recruitment procedures, general recruitment criteria, and challenges in recruiting FECEs. Such information is expected to facilitate the readers' understanding of the analyses in Chapters 6 to 9.

5.1 General review of Finnish companies operating in China and the employment situation

China as the fastest-growing economy in the world has been attractive to many Finnish companies. By 2011, nearly 300 Finnish-owned companies had set up operations in China (Heimonen, 2011). The business opportunities in China for Finnish companies were mainly in the sectors of energy saving, environmental protec-

tion, pulp and paper, IT and telecommunications (D. Wang, 2008). In 2011, Finnish companies employed about 30,000 people in China and two years ago the number was estimated at about 20,000, indicating a fast rate of growth (Helsingin Sanomat, 2011).

The employment situation in the Finnish companies operating in China has rarely been reported. The interviews with the 16 companies may shed light in this regard. The vast majority of employees in the Finnish companies interviewed were of Chinese nationality. Meanwhile, the Finnish headquarters also send expatriates to work mainly in certain key managerial and engineering positions. Especially for the companies just starting up operations in China, the headquarters are more inclined to send executives and professional experts to work in their branches in China. Sometimes the expatriates sent to China are Chinese employees at the Finnish headquarters. However, the Finnish companies acknowledge that sending expatriates from Finland to China is very expensive. Even though the interviewees did not indicate the real cost, it has been reported in another context that “the direct cost of maintaining an expatriates overseas may exceed four times normal salary” (Leopold & Harris, 2009, p. 316). In addition, one recent case study shows that Finnish expatriates often encountered a number of challenges in China concerning psychological adjustment and cross-cultural conflicts (Meriläinen, 2008).

To reduce the cost and adapt the subsidiary companies to the local context, Finnish companies gradually replace the expatriates with local employees when their business in China becomes stabilised. For instance, four out of 16 companies interviewed had Chinese CEOs. All these companies had more than 5 years or even 10 years operation in China. In some cases, the initiation of establishing business operation in China was through long cooperation between Finnish companies and their Chinese local collaborators. Consequently the Chinese collaborators were entrusted by the Finnish companies to start and run the business in China.

The professions in these companies vary among business fields. For instance, the majority of employees in production companies are technical workers, while in IT companies the main labour force are engineers. Salespersons are the key staff in sales and trading companies. Despite the differences, all companies have some common positions for the company's strategic management, human resource development, routine administration and accounting. In terms of education, the Chinese employees (except technical workers) in the companies normally have higher education degrees.

Most of the Finnish employers expressed a clear interest in international education experience, particularly a Finnish education background. Regardless of their preferences, the fact is that the vast majority of the Chinese employees are domestically educated. Only six out of the 16 companies interviewed had hired a few Chinese employees with Finnish education background. It should be noted that in some cases the FECGs had first been employed at Finnish headquarters and then sent to the Chinese branches. One HR director (B1) considered that sending from the Finnish headquarters was one way of having the FECGs in their company in China. However, the focus of this research is on the independent recruitment of FECGs by Finnish companies operating in China.

5.2 Recruitment in Finnish companies operating in China

5.2.1 Recruitment procedure

According to the Chinese legislation, only the registered foreign companies are legally authorised to recruit local employees directly in China. For instance, a foreign company's representative offices in China are not allowed to recruit local staff directly and must engage an authorised employment agency to procure talented people for

their human resource needs. The companies I interviewed all have registered legal status in China. Therefore they are able to engage people directly in China.

The companies normally have HR professionals to deal with staff recruitment. Bigger companies typically have HR departments, while the smaller ones have individual HR experts. In some start-up small firms, the CEOs take (full) responsibility for recruitment. Sometimes head-hunters are contracted to find and recruit key personnel for managerial, technical and marketing positions. Based on the recruitment practices of the companies interviewed, the general recruitment procedure in Finnish companies operating in China can be illustrated in Figure 5-1.

The plans for recruiting new staff are usually raised by lower level management such as a functional department, given their needs for business development. Then the plans for vacancies and job descriptions are submitted to the higher level of management, including HR departments, HR managers or CEOs depending on the size and organisational structure of the companies. The majority of the companies interviewed (N=9) have more than one subsidiary in China. In these companies, they have China headquarters either in Shanghai or in Beijing for administrating the operations of other entities. In some of these companies, such as company H, it is required that its subsidiaries make their own HR recruitment plans and submit them to the headquarters in China for approval. Then the headquarters will organise the first selection round. As the HR director of the company's China headquarters noted,

According to their (subsidiaries') plans, we will look for potential candidates and interview them in the first round. Then we will communicate the results to their managers to make further decisions. The business HR in the subsidiaries may also be involved in the first stage of selection. (H1)

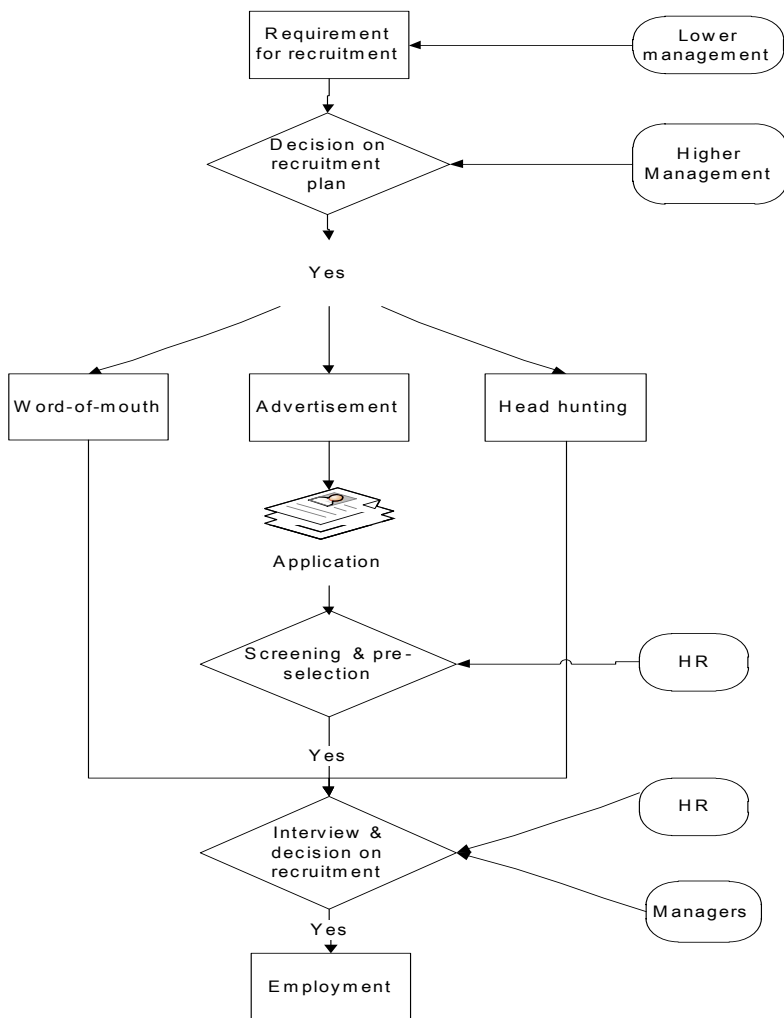


Figure 5–1. Recruitment procedure

In other companies, such as company B, the procedure is different. “The regional companies organise the whole recruitment processes for themselves, but the final decisions will be made by headquarters” (B1).

5.2.2 Recruitment model

Recruitment models may be either formal or informal. The informal model is associated with “word-of-mouth” methods, which involve asking current employees or friends for referrals or accepting “walk-ins”. Formal methods are mainly “advertising and soliciting referrals from various employment agencies” (Devaro, 2005, p. 265). Both methods are reflected in the practices of the companies interviewed, as exemplified by some responses of interviewees: “We recruit people mainly through the Internet, but sometimes we also use head-hunters and personal recommendation” (B1); “We get people through word-of-mouth, personal relationships, and if needed we insert advertisements” (P1).

The companies usually use head-hunters when they are recruiting for senior and managerial positions (D1, I1, O1), or need fill some positions very urgently (L1). Start-up companies normal prefer to use head-hunters, as one CEO (C1) stated: “As we have only a couple of recruitments ongoing, we use a lot of headhunting services and then I just decide”. He further explained, “We use headhunting companies because we need good salespersons and experts but I know that there are few available in China”. In addition, “using head-hunters is very expensive” (J1). This partially explains why companies only use head-hunters for key positions and in emergencies.

For advertisements, the Internet is the most important channel. The most cited national recruitment online platforms are *51job.com* and *zhaoping.com*. Some production companies, needing local

technicians and workers also use local online media and newspapers. Recruiting through advertisements is a predominant model of recruitment among the companies. When a vacancy is announced through an advertisement, there are normally one hundred and even several hundred applications for the position. One exception is at the beginning of the year (before the Chinese New Year) when fewer people try to change jobs; “it is very difficult for us to recruit people at the beginning of the year, since every company pays the staff the 13th month’s salary and people will be ready to leave only after they get the bonus” (P1).

Although in general the companies could get enough job applicants from the local job market, they complain about the poor quality of the applications. As stated by some CEOs of IT companies:

Typically we got a lot of applications, but the challenge is the quality of applications. We receive a high volume of CVs that are not exactly we are looking for. Only a few are qualified for interview. This situation is opposite to Finland. In Finland, we only get a few CVs, but all are typically very good; as many as 95% of CVs or even 99% are just brilliant. (M1)

When you look at the CVs, you wonder why these people apply for this position. One nurse may apply for IT job. So most people are not very qualified or fit for the position. (Q1)

Another challenge faced by IT companies was hardly getting an accurate picture of a candidate by checking his or her CV.

If you put minimum five years’ work experience as a requirement, fresh graduates still submit their applications. Even though they don’t have any work experience, they just put five years there. So it takes a long time to go through all these applications. (O1)

The most difficult thing in recruiting Chinese people is to check their résumés. You should really check what people say...Reading 100 résumés is always difficult. (K1)

In many cases the CV and the person whom I met in the interview doesn't match up at all. (K2)

5.2.3 Role of HR professionals

Due to these difficulties, the Finnish employers stressed the important role of HR professionals. All the HR directors interviewed were Chinese. None of them had a Finnish education background, but one common characteristic was that they normally had work experience in other foreign companies operating in China. When receiving job applications, they first made the pre-selection by screening the CVs as well as other application documents. In some small companies without HR professionals, normally it is the Chinese assistants or other Chinese colleagues who help the Finnish CEOs to go through the applications and do the pre-screening (C1, O1).

After the pre-selection for one vacancy, an HR department or the equivalent would, for example, shortlist 2-3 candidates for the section manager needing the people. The manager then interviewed the candidates and consequently made the recruitment decision. In this process, HR professionals would participate in the interview but mainly to assist the decision-makers. As one interviewee said: "Our HR department just makes the pre-selection and the final decision will be made by section managers" (D1). The CEOs would interview the candidates and be directly involved in decision-making only for those senior positions or the positions which need to report directly to them (F1, K1). In some cases the financial managers were also involved in the final selection (K1). It should be noted

that the recruitment process described above was a general picture. In some companies, for example, there was more than one round of interviews for selection.

In the recruitment decisions, the HR professionals and managers play different roles. The HR professionals filter out those who do not fit the job description in terms of both education and technical background. They also check the motivations of the applicants and see if the conditions of the companies can meet their expectations. Furthermore, they report their evaluation of the candidates' generic characters, including personalities, to the managers. The managers mainly evaluate the candidates' professional qualifications and also how they may fit the team spirit. The selection process can be summarised in one interviewee's (H1) words:

First the candidates must fit our company and this will be checked by the HR department. Second, the candidates must fit the position and this is to be checked by the department managers who need people.

5.3 General recruitment criteria and employers' preferences

By what criteria did the HR professionals and managers select candidates? The criteria varied among companies and work positions. Nevertheless, some common criteria can be identified among the responses of the interviewees. First, the CVs of job applicants must fit the requirement in the job description. As stated by some HR directors: "The principal criterion of our recruitment is the fit between qualification and requirement" (B1); "Professional match is very important for our technology industry" (F1). Therefore, if the skills and qualifications are not listed in the CV, the applicants will be filtered out in the pre-screening process. It seems most job

applicants are well aware of this, so that they just write whatever is required. This, to some extent, explains why Finnish employers complain that the CVs often do not match the person in the interview. As one interviewee put it, “be prepared for cheating in their CVs” (K1).

Second, when it comes to the education levels, normally the companies require mainly Bachelor’s and sometimes Master’s degrees, while a PhD is basically considered unnecessary. Even in IT companies, it is rare for them to hire PhDs in China. The CEO of an IT company (M1) commented:

We do have doctors here as well, but actually not that many. We do less research work and most of our workers are software and hardware engineers. For engineering work, I guess technical background is more important. But I think in some other companies, who do more research work, will need more PhDs. In Finland, we do have, but not in China.

This interview passage reflects a general situation in Finnish technology companies operating in China that they move engineering, production and sales functions to China, while the R&D remains at home.

Regarding the attitudes to locally educated job applicants, differences can be found between Finnish and Chinese employers. Chinese employers favour graduates from key Chinese universities, such as the “985 project (top 39) and “211 project” (top 112) universities. As one interviewee said: “The education in these universities can guarantee the graduates’ capacity and quality, and the graduates also have better learning ability and adaptability” (L1). In contrast, some Finnish employers have different viewpoints. This topic is not the main focus inquiry of this research, but I am quite curious: When Finnish employers recruit Chinese university graduates how they could distinguish their education background as there are over 2,000

HEIs in China. Once I raised this question with one Finnish CEO (M1), when the interview spontaneously ended up in a friendly discussion. Here I quote his comment.

We do recruit people from different Chinese universities and we have taken a few hundred. I cannot make generalisations, but I have found that some prestigious universities' students are, I can't use the word "arrogant", but they have a little bit higher expectations of themselves. And from "small" universities, people are maybe a little bit humble. And we want that humble attitude. Because typically I think that helps to do team-work. But if you come from a very famous university, you basically don't have that humble attitude. It's more difficult for us to lead.

Third, overseas experience is generally regarded as a plus, except in sales positions. Most companies consider work experience in foreign companies operating in China an advantage, which helps develop foreign language skills and cross-cultural perspectives. When responding to the question on what factors he used to select people in a job interview, one Finnish CEO (P1) said:

The factors are technical competence and good background. For example, if they have studied abroad, that is a very good point. The overseas experience provides much wider perspective and opens the eyes of the people. They change their perspectives while studying abroad, and become aware of cultural differences as well as different approaches.

Fourth, proficiency in English is required or much preferred. As the Finnish managers in China all speak good English, they do not expect that the Chinese employees to communicate with them in Finnish. However, many interviewees noticed that it is very difficult to find professionally competent people who also spoke fluent English.

Sometimes there are people with both good English and IT skills, but they are too expensive to hire (O1). Therefore, they often end up with compromised solutions. As one CEO (M1) explained:

We take some engineers whose English is not that good if their technical background is very strong and they are very good at software. It is enough for us if they can read and write in English. If their writing is good, we don't require their fluency in speaking English.

Nevertheless, if the Finnish CEOs could not speak Chinese, they think speaking English is a must for those who need to report directly to them. "If he is super skilled but doesn't speak English, I cannot employ him" (C1).

Fifth, personality is an important factor in employers' recruitment decisions. It is especially emphasised in the consulting and services business. One HR director (I1) said: "Our basic idea is that we first look at the candidate's characteristics and then his skills". The characteristics she was looking for included flexibility, good personality, and the ability to acquire new knowledge. The importance of personality was clearly pointed out by another interviewee (D1):

In the recruitment, our executive first considers the personality fit. For example, he hopes that the team members have the following characteristics: straightforward, sharing organisational identity, high sense of responsibility, technically qualified, suitable experience and proper education. Personality is the most important, while the degree diploma will be the last to be considered by him. But for those from Finland, their personality is normally more straightforward. He does not like mealy-mouthed people.

Relatively the personality issue is less prioritised for technical work. One HR director's (F1) explanation of their company's recruitment criteria makes this point clear:

As we are a technology enterprise, we mainly emphasise the fit of the field of education and work experience. The fit is the criterion to filter out applicants and select candidates for interview in the next round. Of course, there are variations. For some positions we also pay attention to personality. In most positions, the technical skills are the most important.

Sixth, the companies need people who are motivated for the work and are loyal to the company. “Without good motivation he or she cannot perform well even if his or her technical background is very good” (F1). When the personnel have motivation to work in the company, they are more likely to stay longer. One challenge faced by the companies is the high personnel turn-over rate. One HR Director (F1) described the situation in their company.

The personnel turnover rate is a bit high. This year so far we have recruited 143 employees and meanwhile 140 left our company. Among the 140, 53% are those who chose to leave our company. The main reason is to pursue a higher salary elsewhere.

The Finnish employers really expect absolute loyalty from their employees. Thus, they are not interested in recruiting job hoppers. One company interviewed even initially provided employment contracts lasting at least three years as an incentive to retain people (D1).

Finally, work experience is highlighted by the employers. For small and start-up companies, work experience is essential. For sales positions, local work experience and networks in the business field are considered extremely important. Nevertheless they would like to recruit fresh graduates when their business grows.

We haven't got people directly from university. When we get a little bit bigger, we will need to do that. That's a reserve of talent. That's bringing people from the bottom back up straight. At the moment

we are growing, so we wanna buy Masters of Science with four years' experience. (K1)

Some bigger companies, having operated in China for a longer period, have differentiated strategies. They need both experienced personnel, mainly in senior or key positions, and fresh graduates. Because Finnish companies normally have different business concepts and organisational cultures from those in the Chinese business environment, they want to recruit some young people without any work experience so that they can train them and inculcate the company's values. The Finnish employers believe these people would become more loyal to the companies.

5.4 Challenges in matching Finnish employers and Chinese graduates from Finland

5.4.1 Information barrier

When I started to plan my interviews, I tried to find registered Finnish companies operating in China. I assumed that this kind of information could be easily retrieved from the Internet or other open sources, but it was not easy. Luckily my research received support from CIMO's liaison in Shanghai and Finpro's Beijing office. With their help, I got a list of Finnish companies in China. They also helped me in initiating contact with many companies to set up interviews. Due to the difficulties of searching for Finnish companies in China, it may hamper the FECG's job hunting in Finnish companies operating in China. They do not even realise that finding a job in a Finnish company in China is an option. One clear message I got from the companies is that they rarely received job applications from FECGs. Some Finnish employers also think

that there are information barriers between Finnish companies in China and the FECGs. On the one hand, the graduates could not find the companies. On the other hand, the employers did not know where to find the FECGs either. As one interviewee said:

I can find them if they send a résumé, and there is no other way ... The companies can put their vacancies in newspapers in Finland, but how can they read Finnish newspapers? (G1)

and another:

I also think that, for instance, Chinese people who studied in those universities are good people, very promising and good for us. ... But for us it's complicated to access that kind of information. (M1)

5.4.2 The graduates' intentions

Besides the information barriers, another challenge for the employers to employ FECGs is that many competent FECGs do not want to work in Finnish companies operating in China as their first choice. Rather, they want to work for Finnish companies only in Finland. Some Chinese students have done their internships in Finnish companies operating in China, but eventually they find jobs in Finland. As some employers reported:

We have recruited three [Chinese trainees from Finnish universities] for a factory. They don't want to come here now. (K1)

I remember one Chinese student from Finland. He did an internship at our company in Finland and came to us through a personal recommendation. When he visited us, he had not decided whether he would

come back to China or not. But eventually he did not come to us.
(F1)

We have received some FECGs but not many. Normally they requested internships first, but eventually they did not stay with our company. On the one hand, they ask too high salaries that we cannot pay, and on the other they are not satisfied with the work environment here.(A1)

Chapter 6.

CULTURAL CHALLENGES AND THEIR INFLUENCES ON EMPLOYERS' BELIEFS

As explained by the analytical framework (in Chapter 3), among many other factors employers' beliefs are influenced by exogenous conditions. One aspect of the exogenous conditions is concerned with wide cultural contexts. It has been realised that culture is a crucial factor affecting foreign companies' business development in China (Gregory E. Osland, 1990; Zhao, 2005). The unique characteristics of Chinese business culture are mainly concerned with trust (Child & Möllering, 2003) and network (Dunfee & Warren, 2001). This chapter explores particularly the cultural challenges faced by Finnish companies operating in China, as well as the ways in which the companies overcome the challenges. Finally, it discusses how the cultural challenges affect the employers' attitudes and expectations regarding the skills of potential employees with respect to FECGs.

6.1 Cultural challenges

Among the interviewees the cultural challenges are mainly described in two aspects, namely the difficulties in doing business with Chinese clients and the communication problems within the companies.

6.1.1 Difficulties in doing business with Chinese clients

Most Finnish companies experience difficulties in working with Chinese clients because of the different traditions and models for doing business. In the engineering industry, many Chinese companies are operating in quite narrow field, while sometimes a Finnish company's business scope is wide. As noted by the CEO of one IT company, "Chinese companies could not understand why we are in such wide operation" (G1).

When it comes to the sales business in China, it has been considered a rather grey area by many Finnish companies. Some interviewees talked about the hidden rules and traps in the sales business in China. However, "it is a general rule in Finland that you could not bribe people to do business with you", as emphasised by the CEO of a sales company (C1). He continued, "One thing is very strict that we will skip the business if somebody wants bribes". For this reason, the company did indeed lose some business.

In the service industry (consulting), difference in business models between China and Finland often cause difficulties for Finnish companies to make offers and provide services to Chinese clients. "In Finland the service fees are calculated by working hours, but Chinese people don't document the work hours and only pay attention to what has been finally achieved" (D1). It was claimed by the CEO of a service provider (E1) that there was almost no profit in providing services to Chinese clients based on a Finnish business model. The Finnish model is based on trust, as indicated by another CEO (K1):

If you contract me to do the work, you need to trust that I am committed and will use all my time for the project. However, the Chinese clients could not possibly understand why we agree with this and why you are doing it.

The trust issue is also a concern in business negotiation. The CEO of an IT company (O1) contemplated the difference between Chinese and Finnish business people. He thought that Finnish people trusted each other rather too much, while in China it was not always easy to trust people in business. For him, this was a big problem. He had to think very carefully every time he met a Chinese client and tried to figure out whether the person really wanted to buy something or just wanted to have their information. Although he had been doing business in China for eight years, it was still a challenge for him to understand Chinese business people.

One HR director (I1) of a production company told a story, illustrating the challenges in business negotiations. After overcoming a number of difficulties in negotiating with a Chinese client on a business project, the company was finally heading for a final deal. However, the company encountered dilemmas in drafting and signing a business contract.

When Finns and Chinese negotiate a business contract, they have two different attitudes. Finnish people respect the law very much and are very strict about to the contract text. For them, every item must be unambiguous, because it is a matter of liability. They think everything written on the paper must be accordingly implemented. However, the Chinese people tend to develop a very rigorous contract on paper, but are not very serious in implementation. For instance, regarding delay in delivery, the Chinese side may insist on putting into the contract the fines for the delivery delay of every single week. Nevertheless, they know that the item written in the contract will rarely be taken seriously. However, the Finnish people think that once it is put down

in black and white, it must be enforced. Although 99% of the contract has been agreed, but Finnish people won't sign the contract because they could not take the risk in the item concerning delay of delivery.

Due to the difficulties of doing business with Chinese clients, two thirds of the Finnish companies interviewed were primarily doing business with foreign companies or joint ventures. However, many of them intended to have more Chinese clients in the future. This is consistent with the observation made by the former Finnish Ambassador to China in an interview with *China Daily* that Finnish companies' operations mainly supply their overseas customers, though there is a tendency towards serving Chinese clients (Chen, 2008).

6.1.2 Cultural challenges within the company

The Finnish companies face internal cultural challenges too. First, there are differences in work behaviour between Chinese and Finnish employees. Compared to Finnish employees, Chinese workers need more instructions from their superiors. This is clearly seen in an example provided by one Finnish manager (K2).

Basically the way you give tasks to a Chinese engineer and a Finnish engineer is very different. In China you need to give guidelines to your workers, and they follow the instructions. Quite many times in Finland I have led a group of people on a production site. It's totally different in Finland, where basically I don't have to give instructions. You just tell them this is the task and ask them to implement the task and show the results. Here you have to give a bit more instructions on how to do it.

However, he added:

My team here is really willing to learn and they have the capability to learn. Now I don't have to give such detailed instructions any more as at the very beginning.

The similar reflection was made by a Finnish CEO (O1):

In Finland, I give you a task and it takes one month to do it. After one month I come and ask how it is. ...Here...once in a while I go to check the team.

The second challenge lies in the mentality differences between Chinese and Finnish people. As commonly acknowledged by the interviewees, Finnish people are relatively straightforward while Chinese people tend to be in the opposite style. Some employers commented:

When we are talking about if a customer pays or not, I expect the answers like 'yes' or 'no'. However, I often get the answers from our Chinese employees, such as "I think..." or "I assume" or something like this" (C1).

Sometimes Chinese people will not directly say "yes" or "no" though they do try to express their views indirectly. Especially, they think it is impolite to refuse or say something negative. This often confuses the Finnish colleagues, as they could hardly interpret what the Chinese have said. (N1)

The impression for Finnish managers is that Chinese people will never say no and they are unlikely to ask a question either. Although they say yes in the meeting, eventually they do not follow what has been agreed in the meeting. The Finnish managers don't know if they could not understand the instruction or they refuse to comply with it. (H1)

In general, when the CEO in a company is Chinese, there are fewer communication difficulties within the company. Among the companies interviewed, four had Chinese CEOs. The interviewees in these companies did not experience cultural conflicts within their companies operating in China (A1, B1, L1, N1). However, the challenge for some of them was how to communicate with their Finnish headquarters. One Chinese CEO said that the problems in communication with Finnish colleagues at headquarters was unavoidable, which sometimes had a negative impact on business operations (L1). Another former Chinese CEO (A1) pointed out that when the Finnish company moved the business to China they just transferred the administration system directly from Finland, without adapting to the local context. "Being positioned as the CEO of the company in China, I felt I was working in the middle of two cultures" (A1).

Third, Chinese people are very flexible with work schedules and other things, while Finns tend to strictly follow what they have planned. This cultural difference has largely affected the communication and coordination between the Chinese managers in Finnish companies operating in China and their Finnish colleagues at headquarters in Finland (L1). It also caused difficulties in the communication between Finnish managers and their Chinese colleagues in Finnish companies operating in China. Some Finnish employers complained that Chinese people had a different sense of time. Finnish people are quite punctual and the concept of time is precise, while for most Chinese people time is not very clear-cut. When I asked one CEO (C1) for some examples of cultural differences, he answered as follows.

Time, once again. If I want something now, I really mean I want it now. You do it now and nobody is going for lunch ...The description of time or the definition of time is different here....This is one thing.

And the other thing is that some people just jump into my office and start talking, which is a shock for those who are used to doing things in Finnish ways.

Finally, some cultural conflicts are not directly related to work, but concerned with other related matters. When one Chinese interviewee (H2) replied to my question: Can you give some examples to illustrate the cultural barriers and misunderstandings?” she said,

For example, when Chinese go out to eat, they pay more attention to the quality of the food rather than the environment of the restaurant, but for Finns, the environment is more important than the taste of the food. Sometimes this resulted in conflict when organising company parties. The place selected by Finns had an elegant atmosphere but the food was awful. It was very dark in the restaurant though the music was nice. However, it served Vietnamese food or South East Asian food, and the Chinese colleagues complained about the food. If the food was prepared for the Chinese employees, you should consider their expectation instead of the ideas of the boss.

The aforementioned cultural challenges were also explained by several employers (A1, B1, D1, F1) as factors causing the high staff turn-over rate in their companies. Next, the solutions of the Finnish employers to these challenges will be analysed.

6.2 Solutions to cultural challenges and the role of FECGs

Despite the cultural challenges faced by Finnish companies operating in China, they have managed to continue their business operations in China by adapting to the local cultures and practices. As one Finnish employer said, “it is either that way or it is no way” (O1).

How have they solved the cultural problems in China? Meriläinen (2008) conducted a study on Finnish expatriates in China by interviewing five Finnish managers and professionals working in three Finnish companies operating in China. The study is aimed to shed light on the intercultural adjustment challenges faced by the Finnish expatriates in China, as well as the factors facilitating their cultural adjustment. He concluded with some of the most commonly mentioned suggestions by the interviewees on how to help Finnish expatriates to overcome the cultural challenges as follows.

- “get to know the Chinese culture beforehand and respect it”
- “be patient and persistent – things take longer than [anticipated]”
- “study Chinese and the basics of customs”
- “be open-minded and get involved with the culture, the people and the environment right away”
- “proactively find help and mentors”
- “not to get hostile against the locals”

In addition, he summarised what was recommended separately by individual interviewees and I quote here at length.

To begin with be proactive in getting cross-cultural training, as the company [may]not automatically provide any. There [may] also be commonalities between the Finnish and the Chinese culture, as for example the Chinese are a bit earnest and socially careful [like] the Finns, at least according to one of the expatriates. It is also recommended to be cautious in new environments and drink wisely, as there may be some people that are trying to con you. Moreover you have to tolerate stress and uncertainty, and you should not be too strict, because in China everything takes time and too much strictness causes conflicts. In addition you should have a good personal support network, as you [may] end up in a situation you cannot handle by

yourself. Furthermore fellow citizens [may] not be the best mentors because of the Finnish [envy] In other words, the Finns may concentrate more on their personal benefits instead of helping others in need. In addition perseverance and patience [are] crucial in teamwork as well as is public relations, in other words persistence is crucial in all social relationships. Moreover, familiarise yourself with the schooling issues beforehand, as the schooling does not work the same way in China as we have [become] used to in Finland. Additionally the younger the children the better they adjust. It is not recommended to sign too long tenancy agreements either, because there [may] emerge some sort of problems [with] the housing which you would like to get rid of. Finally, irrational preconceptions on life in China are dangerous, as you may end up heavily disappointed and shocked about the reality of life in China. (p. 109)

Due to the different research focus, the interviews in my research deal mainly with cultural adjustment from the company management perspective. Nevertheless, many interviewees' responses have confirmed the findings of Meriläinen's study. First, cultural awareness has been considered important by Finnish employers in China. To live in China they should first be aware of the cultural differences, and then try to reach mutual understanding.

"Solving the cultural conflict is not a very difficult thing, the problem is they [Finnish managers] could not realise that some serious problems are fundamentally caused by cultural differences....when they notice that this is a matter of culture, then it is close to a solution " (D1).

Sometimes it is not easy for Finnish employers to discover the cultural differences. As acknowledged by the CEO of an IT company, who had five years' experience of doing business in China:

I will probably never understand Chinese culture. I feel I live in a bubble, as I am working on specific tasks without exposure to Chinese people....but, I accept that there are differences and I am tolerant of cultural differences ” (P1).

Many Finnish employers mentioned that it was their Chinese colleagues who often helped them identify cultural differences and deal with them. Regarding the example presented early on the challenge in reaching a business agreement (Section 6.1.1), the interviewee (I1), an FECCG, recalled how he helped his Finnish colleagues to resolve the problem.

How to solve the problem then? When you have more experience of doing business with foreign companies, you would know that they certainly want to minimise the risk. So we just transferred the “opening risk” to a “closing risk”. When we made clear that the fine for one week delivery delay was 5000 yuan and also set the maximum fine in the contract, there was less uncertainty then. In this way, both sides easily made the deal. ...When you face these kinds of situation a few times, you will know how to handle it.

The interviewee (I1) understood both Chinese and Finnish ways of doing business, as well as their attitudes, worries and expectations regarding business contracts. With his advice, such problems could be easily resolved.

Second, a humane management style helps the communication and understanding between Finnish and Chinese people within the company. Several interviewed HR directors expressed their positive views of organisational culture in Finnish companies operating in China compared to those in other foreign companies operating in China. What have been commonly praised are human style management, less bureaucracy and team spirit. As one noted, “Comparing to Japanese, Korean, German and even American companies, I feel

Chinese employees feel easier working with Finns” (J1). One Chinese HR director commented on her boss—A Finnish CEO:

His management style is very human oriented. He respects people and is rather willing to listen to others’ opinions. I think this helps him to adopt others’ ideas, suggestions and cultures.

Third, according to most Finnish interviewees, the common approach for them to adapt to the local culture is to “localise” the management. As the rules, social cultures and business traditions are different in China, Finnish companies understand that they should adapt to the local context. The adaptation of management to the local context is much harder for Finnish managers to operate in practice than in their imaginations. Some companies try to use Chinese people to do managerial work. For instance, the HR directors among the companies interviewed were all Chinese nationality. Many section managers were also Chinese. In four companies interviewed, the CEOs were Chinese. Among them, two CEOs had been in the positions since the companies were established over ten years ago. Both companies were doing sales business in China.

However, one problem for many foreign companies operating in China is to find competent managers (Moody, et al., 2011). A survey conducted by an international HR company in China shows that “skills shortages in China are most severe among senior managers, so to win over scarce local talent, foreign companies have to pay local senior managers at least as much as those from overseas” (Manpower, 2010, p. 5). This situation is also seen in Finnish companies operating in China. Most Finnish companies operating in China are especially keen to have local managers who could maintain the local employees and operate business in the Chinese market. As one interviewee (M1) stated:

Typically I would say China is still lacking the kind of people, who have both overseas experience and good leadership skills or management skills. There are a lot of jobs for them in China. So it's very difficult to find such people. (M1)

These competent people are available, but too few and too expensive.

There's a limited pool of people who can do the job. And every company is competing for them. So when demand exceeds supply, the price will increase. So sometimes they just send some [Finnish] experts there to replace the local guys if they are too expensive.... In some [Finnish] companies, the fact is that over a certain management level, the local employees are more expensive than Finnish people. This is kind of silly. It is cheaper to send a guy from Finland here than hiring a local guy to do the job. (P1)

Even though the Finnish companies could find competent Chinese people, having a local manager to run the company in China is not without problems. One Finnish interviewee (O1) who used to work in a different Finnish company in China made his observation based on his previous experience:

I noticed that there are more Finnish experts in the company at the time when the business is in the developing stage. When it functions well, they start to localise the positions. After a while, the company runs into problems and they start to send more experts again. And after that they start to localise. It goes like in this kind of loops and you cannot find the balance. It's always like this.

He continued:

I think it's a mistake hiring a purely local team in China at the beginning. ...Basically, I still think they should send Finnish guys to manage the project. Otherwise you don't know what is happening and also it's not just the local people's fault if something goes wrong. If the communication doesn't work, what would you do? Yeah. Lose control. They [the Chinese team] get bored. They start to do some other things. I also see this kind of foreign companies' offices in China.

Nevertheless, he suggested, "It might make the mistake smaller if they hired some people who were educated in Finland or who had worked in Finland before". His words imply the importance of hiring FECGs.

Based on the above analysis, one preliminarily inference is that cross-cultural skills are urgently needed in Finnish companies operating in China. Regarding the understanding of both Chinese and Finnish cultures, FECGs certainly have the advantages. Therefore, recruiting them for Finnish companies operating in China is expected to help these companies solve cultural problems. In practice, the FECGs are more likely to be shortlisted for interview out of a large number of applicants. An HR director (H1) gave the following description.

As an HR director in a Finnish company, am I in favour of an applicant with study experience in Finland? Yes, I think I would. My consideration is not simply because of her Finnish education background, but for the sake of our matrix organisational structure [including both administrative and functional lines]. The functional line has global links. On this line, we have many meetings with our Finnish counterparts. Therefore, if you have Finnish educational experience, you may understand the Nordic culture or Finnish culture. ...If the job requires much international communication, I certainly think the [Finnish] educational background is a plus. ...For instance, we are now recruiting accounting staff, who need to communicate with the European side not only by

emails but also by telephone. If you have studied in Finland with same levels of English skills, I would select you because you know Finland and people there.

Sometimes emotional factors also matter. When the assistant to the CEO of one company replied to my question concerning what a Finnish diploma meant to her boss, she said,

At the first impression, our boss may consider it a plus for emotional reasons. Then I think he will more carefully examine other aspects, such as the fit between the work requirement and the applicant's qualification, as well as the salary match. (D1)

Chapter 7.

INFLUENCE OF MARKET CONDITIONS AND COMPANY CHARACTERISTICS ON EMPLOYERS' BELIEFS

Besides the cultural environment, the exogenous constraints also include material factors, such as market conditions and company characteristics. This chapter will present how the employers' beliefs are subject to these factors.

7.1 Nature of work

The employers' attitudes towards FECCGs depend on the fields of business in which their companies engage. In this respect, five categories are used to distinguish the business lines of the 16 companies interviewed, namely IT, consulting, production only, production and sales, and trading and sales. Although most employers' beliefs regarding the employability of FECCGs are positive, some interviewees (L1, N1) clearly stated that the FECCGs did not have advantages in sales business, because the sales work required both rich experience

and a network in the field. The Finnish employers tended to believe that FECGs normally have little work experience in China, and the long stay in Finland even makes it rather difficult for them to adapt to the local Chinese business environment. Work experience is more valued than educational credentials in sales companies (J1).

Even in the same company the employers' attitudes towards FECGs vary between positions. The interviews show that for managers, administrative staff, junior engineers and consultants, the Finnish educational background is considered a plus by employers. One HR director (H1) indicated that the Finnish employers particularly need the FECGs in the jobs that require communications with Finland. In contrast, the FECGs are not considered suitable for sales positions.

When responding to my question: What work positions are suitable for FECGs? The HR director of a production company (I1) suggested that they could start as engineers. The CEO of a trading company (G1) also considered certain technical work suitable for them. He said:

Maybe I would say that an FECG, who has technical background and who knows anything about the areas we are doing, may be technically supportive. That would be good because he or she communicates all the time to Europe or Finland anyway. And they can be good if they know the Chinese laws and regulations.

Again, the CEO of an IT company (P1) thought that technical positions were more suitable for FECGs. Meanwhile, he talked about the challenges for them to work for sales.

If people have been studying abroad, they don't have much work experience. There is a network building in China. It is required much experience in this business. For sales, if you don't have existing relationships, it's ... Well you can build them, but it will take time.

Some others thought that the FECGs were best for the administrative and managerial positions. As one HR director of a production company (F1) noted,

For some positions, such as project engineer, internal sales, site service, and assistant to managers, who need to communicate with Finnish headquarters. Therefore, the Finnish educational background would be important.

Similar views were also expressed by another production company's HR director (B1), who considered that administrative positions were suitable for FECGs. The CEO of one IT Company (M1) said that he would like to have Chinese people in managerial positions, and "leadership skills are easier to find among those people who have worked or lived or studied abroad".

Regarding my question on what kind of jobs he would like to offer to FECGs, the CEO of an industry consulting company (G1) replied,

It depends on their working experience. If they are fresh graduates, you can't put them in positions in sales and project arrangement.

He later implied that the FECGs would be suitable for project managers and sales managers if they had work experience in China.

7.2 Nationality of the company CEO

In the initial stage of my interview, one HR Manager (B2) shared with me her observation that if the CEO of a company was a Finnish person the company normally held positive attitudes towards FECGs, whereas when the big boss was a local Chinese, the com-

pany tended to recruit local people. This proposition was echoed by another HR director; “Normally Finnish managers prefer those with a Finnish educational background, while Chinese managers prefer locally educated ones” (F1).

This “hypothesis” seems to be tenable. Although there are some variations among Finnish CEOs, they generally acknowledge the value of FECGs. I interviewed three Chinese CEOs, and all of them stated that the FECGs had no advantage in their recruitment processes. Two (L1, N1) had been running companies in the sales field for their Finnish headquarters in China for over a decade. They explained that their reluctance to recruit FECGs was partially because of the nature of their business — sales oriented. They needed more local people experienced in marketing and selling in the Chinese business environment. The other one (A1) was the former CEO of a production company, who graduated from a Finnish university. He had just left the CEO’s position shortly before the interview was conducted. He said: “The quality of young Chinese who have studied in Finland is poor. I don’t think that the FECGs have more advantages than those educated in China.” (A1). He later added “Of course, Finnish headquarters may think they are more useful, but it is hard to say”.

The disparate views on the merits of FECGs were not solely between Chinese and Finnish bosses. One CEO (K1) from a Western European country also found that his Finnish colleagues appreciated FECGs more than he did. When I asked, “if there are applicants with a Finnish educational background in the screening process, would they be easily selected for the shortlist?”, he replied:

They would get through the first easy screening. That’s true. Of course Finnish colleagues are trying to push these people because they got experience in Finland. But experience here suggests that is not such an advantage because they have less experience in China.

He further stressed,

My experience of one or two guys ... When they came here, they were not so successful. Yes to their Finnish bosses, there was a very plausible advantage. The reality was something different.

7.3 Affordability of salary

Among many reasons, one drive for many Finnish companies' moving their operation to China is to reduce the cost. Therefore, it is not their intention to offer too high a salary for their employees. They often perceive that the FECGs demand excessively high salaries. This can be illustrated in one interviewee's reflection:

So why are we in China? We are not in China to have Finnish salaries. Rather we are in China to take advantage of lower labour costs and the market position. But the brutal truth is that the guys that come from Finland want to maintain their high status in salary. So this is always difficult balancing. We need to balance between local salaries, experience and the expertise we need to fill the gap. ...If we pull back people from Finland, we have to pay 40%-50% more than we pay local guys. (K1)

Even if the Finnish or overseas-educated Chinese graduates accept a "local" salary, the employers still worry that they are unlikely to stay for long. As stated by one HR director (B1), "when we balance between the returnees and local people, one consideration is salary and the other is concerned with how they can be retained at workplaces". For this reason, the company is inclined to hire domestically educated people rather than those with foreign qualifications, because they are afraid that they cannot retain them.

The employers believed that “for those who have studied abroad, they want to get the investment back, and therefore they have a high expectation for salary” (D1). Actually, the employers do consider paying more salary, but definitely not a “Finnish salary” (G1).

One bad experience is that the salary expectation is high. We are here in a local market with a local salary. It may be higher than that of local Chinese, but the level should be reasonable. (G1)

It should be noted that for some positions for which the companies cannot (easily) find suitable local employees, they are willing to pay much more salary (B1, D1, H1, M1). As one HR director stated, “If one position really needs a foreign education background, the salary cost is not a crucial factor” (B1). In one company, the FECGs had twice the salary of local people with similar qualification (D1). However, the number of such positions was very small.

The challenge for us is to take a lot of [Finnish-educated] students. If the salaries they want much more than average here, then we have a certain challenge. There are always such positions, but the number is small. If people are happy with the local salary, they have clearly much better chances of getting it. (M1)

7.4 Tensions with local Chinese employees

When recruiting FECGs, some Finnish employers also considered how to maintain the balance between them and the locally trained employees. In one interviewee’s words (D1), “one disadvantage of our employees with Finnish qualifications is that when other local employees know that they have higher salary and better career de-

velopment opportunities, they may feel unfairly treated”. Another interviewee touched upon this issue by telling a story.

Actually I have one Chinese friend, a very good friend, who studied in Finland. He told an interesting aspect you might consider in your research. He studied in Finland, and he also did consulting in China. Company Y [The real name is omitted] was one of his customers. Some foreign people in the company noticed him, thinking of hiring him for the company. But local people in the company were against it. Because it seemed they felt that somebody knew their boss's culture better than they did. Then they were a little frightened by that person who would come to the organisation and socialise better with the Finnish people. (O1)

If the employers feel that it is tough to balance the two sides, this may become a factor affecting their beliefs in the FECGs and hence affect their recruitment decisions.

Chapter 8.

EMPLOYERS' INITIAL BELIEFS ABOUT THE EMPLOYABILITY OF FECGS

In the analytical framework, the employers' beliefs about FECGs can be distinguished in two situations, one when the employers have no experience of hiring these people and the other when they have. The former can be understood as employers' initial beliefs, while the latter is concerned with the employers' adjusted beliefs after evaluation. Most of the companies interviewed did not have Chinese employees with Finnish qualifications. Among the six companies employing Finnish educated Chinese, one had three and the rest had either one or two. Therefore, in general, the Finnish employers do not have many chances to evaluate the output of these people through private learning. This chapter focuses on the employers' initial perceptions and beliefs regarding FECGs by analysing the responses of those interviewees with no experience of employing FECGs.

8.1 Positive assumptions

The interviews generally show that the Finnish qualifications did transmit positive signals to the Finnish employers. The vast major-

ity of the interviewees had positive perceptions of FECGs; they considered the Finnish qualifications a plus.

8.1.1 Cross-cultural perspectives

The Finnish employers commonly believed that the FECGs had good cross-cultural skills. As native Chinese, they know the system of their home country. Having studied in Finland, the FECGs also understand Finnish culture and how Finns behave. As such, the FECGs are supposed to be able to facilitate the communication between Finnish managers and Chinese employees. Furthermore, the cross-cultural skills may add value to technical production. The CEO of one computer software company (P1) believed that in general the FECGs had broader perspectives than those locally trained.

The overseas experience provides a much wider perspective and opens the eyes of the people. They [FECGs] change during their studies abroad, and become aware of cultural differences as well as different approaches in development. (P1)

To him, the computer software engineers with broader and cross-cultural perspectives can easily understand the clients and the society, and thus the products designed and coded by them are likely to be appreciated by the clients, having a long life cycle in the market. In contrast,

If they don't understand the bigger picture and how it affects other things, and don't care what is happening in the outside world, then they are just doing simple things. For example, when there are some problems to be fixed, they just fix the symptom or the appearance. They don't care about the root of cause. ... Unfortunately, I have plenty of those examples here (P1)

Despite the importance of cross-cultural skills in the company, such skills alone will not ensure employment. Technical or professional skills are expected as well.

8.1.2 Professional capabilities

Finnish employers share a common belief that Finnish higher education is advanced in developing students' practical skills and ability to solve problems. When it comes to the professional or technical skills of the FECGs, many employers tended to compare the differences between Finnish and Chinese education in general. Some observations were given by some interviewees:

Chinese education probably has more problems than Finnish education. One problem of Chinese graduates is their low ability. The education at (a Chinese) school is all about dealing with exams, and they don't know how to work. In Finland, for example, people are much more productive and efficient. (L1)

After interviewing one guy (educated in China), I asked him to do some programming on computer. He didn't know anything about programming. He just had the diploma. I was just wondering how he made it. And this made me even more worried. Here you really need to check if somebody can really do something on a computer. I ask the job applicant to use specific program tool to do programming for me. Or I print out some programming code for example, and ask the person to read and tell me what it does or where the mistake is. ... In Finland when you hire people, if they say they know C++ with three years's study, they can already show me the details when you ask them to do actual tasks. (O1)

I think Finnish universities are more practical. I am not sure but I assume the education in Chinese higher education is more theoretical. Graduates from Finland may have wider knowledge than those who studied in China. (G1)

The last interviewee's responses also indicate that Finnish higher education provides students with broader knowledge. Regarding the broader knowledge learnt in Finnish universities, another interviewee commented:

They may know more tools than just one. The Chinese guys might be good at Java. But if I have them do something with Linux, they have no idea about that. The Finnish graduates may build their knowledge base not just on one thing but on many different technologies. (O1)

One Finnish employer (K2) believed that "the ability to learn new things can be something of the merits from the Finnish education" and in Finnish higher education, students have more flexibility.

Some interviewees regarded certain academic fields in Finnish higher education as advanced. One Chinese HR director (I1), who graduated in Finland, acknowledged that in some fields, such as IT, automation and machinery, Finnish higher education had more advantages than Chinese higher education. A Finnish CEO confirmed this point:

I believe in Finland, for example, there are high-tech companies like Nokia. Universities can have very close cooperation with them. So they can adapt to the changes in the world, and the needs on the market. Therefore, up-to-date education can be available. (P1)

8.1.3 Language skills

In Finnish companies operating in China, the working language is normally English and in some cases both English and Chinese. The Finnish managers do expect their employees to speak good English. The vast majority of Chinese students in Finland participate in programmes taught in English, and only a very few of them have mastered Finnish language to a satisfactory level. The Finnish employers were aware of this. As such, they did not expect the FECGs to speak Finnish fluently. Of course, if someone has good Finnish language skills, it would be preferred.

I know that Finnish language is impossible to learn, but to speak Finnish language is a big plus... It opens up possibilities. It's also a social commitment to our culture. So ...when you speak good Finnish and you have the right technical skills in those technical companies, if you want to become a manager, you have a much better opportunity. ... The Finnish companies will trust you much more if you speak Finnish. (G1)

This message implies the importance of mastering Finnish for those Chinese who want to become managers in Finnish companies operating in China. Nevertheless, speaking Finnish is not alone enough for most positions in Finnish companies. I discussed with one Finnish CEO (O1) about the employment prospects of graduates from the Finnish language programmes of Beijing Foreign Studies University, he replied,

We don't need people who only speak Finnish language. We also need technical background. HR positions may be more suitable for them.

8.1.4 Other soft skills

In addition, many interviewees believed in other merits of FECGs, such as independent ability (B1, CI), capability to adjust to a new environment (C1), straightforward way of communication (D1), initiative (F1, O1), good work motivation (F1), team spirit (M1, P1), leadership skills (M1), and responsibility (K1). Besides these skills, one Finnish CEO (M1) believed that those educated in Finland tended to be more loyal to Finnish companies. As he said:

Finland is really something in their hearts. I know that many people who have studied in Finland, if they quit one Finnish company, they go to another Finnish company. So they like to work with our culture and they are used to our culture.

8.2 Negative assumptions

Although the positive attitudes towards FECGs are predominant, there are also voices representing negative assumptions regarding FECGs or overseas Chinese returnees in general.

8.2.1 Overqualified for work requirement

The HR director of a production/sales company (B1) considered their company's work in general to be very basic and lacking in challenges. Therefore she assumed that FECGs might be overqualified for working in her company. "Even though they are recruited, they are seldom retained". She further illustrated her point as follows.

When we did recruitment for administrative positions before, there were many applicants with foreign qualifications. When I looked at their CVs and applications, I paid more attention to their job-seeking intention. If the position could not offer them better career development opportunity, this would cause me concern. As a recruiter, this might be a bias, but this is really my concern. If the job is boring, I won't consider those candidates. Unless the job is very challenging and innovative, I won't consider those guys. (B1)

Nevertheless, she believed that those Chinese with overseas degrees had high ability. She was simply afraid that their high expectations could not be met with the work offered by the company.

8.2.2 Cultural disadvantage

One Finnish CEO (P1) thought that there were some elements in the Chinese mentality and culture, which facilitated the entrepreneurial spirits and high achievement motivation. However, his concern was whether the Chinese students would lose these “good” characteristics after studying in Finland:

In Finland, it can be seen there are people who don't do anything. It's much easier just to stay there and get the money from the government. That's very sad. If Chinese people go to study in Finland, I don't know which way it goes. Will they become more relaxed or laid back? Can they still have the hunger and passion to grow? But here [in China] you have to work hard. Probably it depends on the people. Some people accept that you have to work very hard to proceed and make a living.

8.2.3 Poor quality

One HR director had a negative perception of the quality of some overseas graduates.

There is now a fashion for studying abroad, and it is not necessary that a foreign qualification must be good. We all know that some students could not enrol in good universities in China, and then consider of studying abroad. Of course, some of them are very ambitious. We cannot make judgements simply based on a diploma. We need to further examine their study experience and major. It is hard for me to know what the quality of the foreign universities is. However, it is easy for me to know the universities if they graduated in Finland. Normally, I don't feel anything special with Finnish diploma. Rather, I will check their experience and then make a judgement. (F1)

When talking about how to distinguish between those who are gifted and who are not, she emphasised the background of the Chinese high school in China from which they graduated.

I can sense something there but of course the precondition is that they are from Shanghai. I am not clear about high schools in other cities. I know which high school is good or bad in Shanghai. However, this is not important. They will show their talent at work. The high school background is one way to know the person, but is not the one to judge their potential. (F1)

8.2.4 Lack of work experience

In many companies, the employers prefer those job applicants with work experience. For instance, one CEO (P1) stated that FECGs

could only make a contribution to their business when they had some practical experience. As he further explained,

In our company, we don't have anyone who doesn't have any previous experience. ...Work experience is a must. Somehow you can start with very low experience like six months. When we start to do full devices, there has to be eight or ten years' experience.

One HR director (J1) articulated a similar view:

The scale of our company in China is small, only a few dozens employees. Let's first put aside the Finnish education background. When we recruit people, all the work positions require at least three to five years' work experience, not to mention the manager level. For ordinary service engineers and sales engineers, we need three to five years' work experience. Therefore, we never attend any campus recruitment activities.

The general impression of most Finnish employers is that the FECGs normally do not have work experience.

Chapter 9.

EMPLOYERS' EVALUATIONS OF FECGS AT WORK

In the previous chapter the interviewees' opinions used to illustrate the Finnish employers' both positive and negative assumptions of FECGs are basically from those Finnish employers with no experience of recruiting FECGs. Although a couple of interviewees from the companies with Finnish-educated Chinese employees are quoted there, their opinions only reflect their perceptions of FECGs at a time when they had not yet recruited any FECGs. This chapter analyses the views of those employers with experience of employing FECGs. Among the companies interviewed, only six had employed FECGs. In each company, the number of FECGs was between one and three. Due to the small number of FECGs in these companies, it was hard for the employers to draw sound inferences based on limited observations of FECGs' performance outcomes at work. Indeed, there were divergent views among these employers.

9.1 Satisfaction with professional skills

In general, the employers were satisfied with their Finnish-educated Chinese employees' work performance, especially their professional skills. In the company, employing the biggest number of Finnish-educated Chinese employees, the HR director (H1) was positive about their performance. As she said: "I think their performance is indeed not bad, actually very good, and they have good potential".

To the question—"Do you think the people educated in Finland may have better skills than those educated in China?" The CEO of a production company (K1) replied,

Professionally, the answer is yes. Because the Chinese education system in general is still a bit of byroad; large classes of people need to pass the exams, so they don't get so much what I call experiential learning. They are quite immature and theoretical.

One Finnish manager (K2) made a more comprehensive evaluation of a Chinese female student from one Finnish technology university, who did her internship at his company for almost one year. As he said:

Let's start from the basics. One thing is of course her attitude towards work. That's always one thing. At least I attach a lot of importance to what kind of attitude the employees have towards work. The second is her capability to complete the given tasks. ... If you have this kind of Finnish education, for example in electric engineering, it definitely means that you are professional in some certain field of industry. ... Also, it's really important that people are willing to learn more, because you can never say you know everything. Those are the things that come to my mind first.

When we continued talking about how the student adapted to the Finnish way of working, he commented,

Let's say ok she was not so experienced. Anyway, she needed some guidelines but I think she had a quite good understanding of our working methods, because she had worked for Finnish companies already. She had some kind of advantage.

Even the Chinese former CEO (A1), who was generally sceptical of the quality of FECGs, admitted that “the FECGs have more hands-on skills” though he could not see other merits. Nevertheless, many employers have realised that the quality of FECGs depends on persons (D1, G1, K2, P1). For some employers, a Finnish education experience is not necessarily an advantage. As exemplified by the following observation.

I have seen some cases where the Chinese graduates were hired by Finnish companies in Finland and then were sent to China. A Finnish education does not guarantee anything. The individual capacities and skills are more crucial. (E1)

9.2 Various opinions on cross-cultural skills

There are divided views among the Finnish employers concerning the cross-cultural skills of FECGs. Some saw apparent advantages of the FECGs in this regard. As one interviewee noted,

I think the communication would be smoother. He or she could transfer the message from the Finnish manager to local employees from a Chinese perspective, so that the Chinese recipients could easily understand and be committed. (D1)

Through “smooth communication”, the FECGs are able to help the Finnish managers overcome many cultural challenges within the company. Moreover, their cross-cultural skills help Finnish companies to operate in the Chinese market. As revealed by a Finnish CEO (M1):

Typically for Finnish companies, it is very complicated to do business in China. Many of us are not very integrated into the Chinese market. Because in China business goes in networks, for Finnish companies it is much more difficult to get into the network than Chinese companies do. Therefore, FECGs can certainly help to do better negotiations with Chinese partners and clients. Basically that’s the skill we need.

One example of how the FECGs help Finnish companies’ business negotiation in China was provided by one interviewee.

Ms. D (the real name is omitted) who graduated in Finland ... Her boss is a Finn. So in implementing projects she can easily understand what is meant by her boss in terms of both business operation and the underlying logics. The business traditions are rather different between Finland and China. For example, in Finland the service fees are calculated by hours, but in China people don’t document the working hours, but only see the beginning and the ending time of a project. This causes difficulties for us to communicate with clients and provide them with suitable offers. However, Ms. D understands this very well and knows how to handle it. (D1)

In contrast, several employers criticised the cultural skills of FECGs. It was noted by one Chinese HR director (H1) that the FECGs had disadvantages in working with local clients compared to locally educated people, mainly because of their lack of work experience in China. This point was further explained by one CEO (K1):

They [FECGs] tend to forget how hard they live here [in China]. You understand it's tough here. It's very competitive. It's tough. Maybe they come from Finland, thinking they have an unfair advantage. Of course, when they meet local people and are working in foreign companies, suddenly they gonna be embarrassed, cause their market strength is not as much as they thought. (K1)

Isolation from the Chinese business environment can become a weakness of the FECGs. In the worst case the Chinese students have not really understood Finnish culture and do not even have adequate English language skills. As the CEO also mentioned,

There are some guys I have interviewed who have been in Finland for four or five years and have very poor English skills because they have managed to find a way of being educated, being able to write English quite well. But they lived in a Chinese community in Helsinki. (K1)

A former Chinese CEO (A1) who graduated in Finland and had experience of working with FECGs in his company, pointed out that a deep cultural understanding cannot be achieved in a short period of studying in Finland and not all graduates can acquire such cross-cultural skills. This opinion was somehow echoed by another Chinese CEO (N1), when he talked about his experience of working with some Chinese students in Finland.

When we organised an auction in Finland, we hired a few Chinese students from Finnish universities. Some of them worked as sample presenters, who took samples to the audience. Some worked as assistants. Sometimes they provided me with some local stories and background information, which were quite helpful for me. Based on my observation, they did understand Finnish culture. They had two perspectives, one Chinese and the other Finnish. However, they could not

integrate the two together. For example, the Chinese and Finnish perspectives may be contradictory, but they didn't know how to resolve the cultural conflict. Therefore, they didn't have cross-cultural skills. Possibly this is a matter of work experience. When they have more work experience, they may know how to integrate the two cultures.

9.3 Concerns of work experience

One crucial weakness of FECGs identified by most interviewees is that they did not have much work experience. When responding to my question on what are the weaknesses of FECGs, one HR director (I1) noted,

The problem of the FECGs is that they faced many challenges when communicating with our clients. This is a matter of experience. Compared to those who have years of work experience, they are weak in this regard. This is a problem for anyone having just graduated from schools.

The CEO of a headhunting company (E1) summarised some general attitudes of Finnish employers towards overseas Chinese returnees as follows.

“These companies value overseas experience, including both study and work experience. Compared to education experience, the work experience in foreign companies is considered more valuable.

Nevertheless, this does not mean that the FECGs without work experience would have no chance of being employed in Finnish companies operating in China. First, their internship or summer job

during their study in Finland is considered as real work experience by some companies. As stated by some interviewees:

Yes I do value the experience of the summer job. Because in China when people just graduate they don't have any work experience. In Finland, some students started to work in Finnish companies after one or two years of their study. Some even work several summers in our company. When they graduate, we already know them and it is a good opportunity to recruit them. We have many cases of employment like this. (G1)

Work experience is always good. There are some students, who have worked in China, then go to Finland to study, and finally come back to China. I think of course they are much better than those without any work experience. But how a big plus is it? We are always recruiting individuals. It so much depends on the individuals. It's really difficult to say. I appreciate very much that one who has studied and has worked as a summer trainee, especially someone who has worked two or three summers in the same company. That helps. (M1)

When they studied in Finland, I hope they would have found some summer jobs. But anyway, that's very difficult. ... I think the summer job experience is good. Because some companies hire people to do summer jobs, they would still ask them to do real work. ...For example, when I had a summer job, I had to learn some programming tool and to do some tasks. You learn something. At least you learn how to work, probably also some technical skills. ... I think for foreign students going to study in Finland, if they can anyway find this kind of job, like a summer job, it will be a big advantage after graduation with trying to find a job in Finland or in China. I think it's very good. (O1)

In spite of the importance of internship experience to employers, some of the companies interviewed were reluctant to offer internship opportunities to Chinese students studying in Finland, mainly due to their concerns about the high management cost while supervising the trainees. Nevertheless, some employers also appreciated fresh graduates if they had some other distinctive merits. Although one CEO (K1) clearly stressed that both work experience and overseas education were needed, he admitted that he would like to take fresh FECEs if they showed responsibility in their work. As he put it,

I need both and this is the truth. The experience here plus the overseas education, then the guy's got more techs. Merely graduating in Finland? Unless he's got a level of responsibility, then that's a different turn. Young Chinese guys are not given responsibilities. In Finland they could get the chance to take responsibility. Those guys are much more employable. But they don't come to apply for a job very often. They know how to go and get jobs.

Finally, for some companies, which are either big or operate for a long time in China, they recruit both experienced people and fresh graduates. As it was suggested,

We take, of course, experienced engineers through open recruitment. But of course we have to supplement our team by taking people from campuses. And we have a very good experience of campus recruitment. Some students joining from school are absolutely very good. (M1)

9.4 Perceptions of graduates of universities and universities of applied sciences

Although the Finnish managers are normally familiar with Finnish higher education, most of them know little about Chinese students in Finland. Only a few interviewees have had opportunities for contact with Chinese students in Finland. They made evaluations of these students. One interesting phenomenon is that some Finnish employers distinguished between those graduating from universities and those graduating from universities of applied sciences. One Finnish CEO (O1) said that he preferred to recruit university graduates rather than graduates from universities of applied sciences. This was based on his observation. He used to teach at a university of applied sciences and knew the quality of the students. As he said,

A few years after graduation, the difference between the two types of graduates will be a slight, because finally graduates learn the skills at work. About our techniques, the students learn very little in the school. Perhaps it's more important in the recruitment what kind of person he (or she) is. In general I would perhaps trust university people. Or I trust their quality.

One interviewee (A1), who used to study in a Finnish university, expressed similar opinions:

Many come to Finland because they cannot gain access to good universities in China and are from rich families. My feeling is that the number of top individuals among FECGs is very small. When I studied in Finland, I had already worked many years in China and I had very clear aims that I would learn the society and after study I would develop business by myself or find a job in Chinese state-owned companies doing trade with Nordic countries. Though I did not think about working in a Finnish company when I was studying in Finland, I had my career

goals. However, the young Chinese in Finland usually do not have a clear objective.

By Chinese young people, he meant those high school graduates coming to study in Finnish universities of applied sciences.

9.5 Comparison between employers' initial beliefs and their evaluations

The employers' evaluations of FECGs at work take place through the process of private learning. According to the analytical framework, employers will confirm or adjust their initial beliefs with experience of private learning. In the context of this study, what are the differences between the employers' initial beliefs (presented in Chapter 8) and the adjusted beliefs after evaluation as presented in this chapter? In general, the initial beliefs are to a large extent confirmed by the employer's evaluations. In both the employers' initial beliefs and their evaluations, the professional skills were considered a plus of FECGs, while lack of work experience was deemed a major weakness. Similarly, in both stages, there existed different views concerning the FECGs' cultural skills. Studying in Finland can result in either cultural advantage or disadvantage depending on individual cases.

There are differences between the two stages. First, compared to the unanimous agreement on strong professional skills among those employers without experience of employing FECGs, some employers with experience of working with FECGs have suspicious views. Second, there are more negative voices on the cultural disadvantage of FECGs based on evaluations. Finally, some employers with more contact with Chinese students in Finland found a difference in the

quality of Chinese graduates from Finnish universities and those from Finnish universities of applied sciences.

This chapter focuses primarily on private learning. The influence of the process of public learning may be minimal for Finnish employers for two reasons. First, the number of FECGs employed in Finnish companies seems to be very small as indicated by the case companies examined. Second, the interviewees did not specify how they had acquired experience elsewhere.

Chapter 10.

REVISITING THEORIES

The analytical framework (Chapter 3) used to guide the empirical data collection and analysis has its roots in Spence's (1973) signalling theory, which explains how education is used as a signal for both job seekers and employers. Facing information asymmetry, the employers tend to use the signal transmitted by the job seekers' educational credentials as a surrogate measurement of quality. Following Bailly's (2008) position that what signals received by the employers depend on the employers' beliefs, this study has developed a theoretical account by applying institutional theory for understanding what factors affecting the employers' beliefs regarding the employability of FECGS. This chapter will discuss how the analytical framework is useful in explaining the empirical findings. Meanwhile, some hypotheses will be developed. In the end, it indicates directions for improving the framework.

10.1 Human capital theory and signalling theory

As discussed in Chapter 2, both human capital and signalling theories assume a positive relationship between schooling and labour market outcomes, but their explanations for the relationship are different. Let us examine how the empirical findings confirm the two theories.

10.1.1 Human capital theory

The premise of human capital theory is that education enhances individuals' skills and abilities relevant to job performance. With respect to the role of international education, country specific human capital theory is applied, which states that certain aspects of skills are acquired when individuals study abroad. Basically, it can be concluded that there are certain country specific skills that can be acquired through higher education attainment in Finland, such as strong professional skills, good inter-cultural communication skills, better language skills and a number of soft skills. With these skills, relevant and important to Finnish companies operating in China, FECEs may have advantages for working there. However, in practice, most Finnish employers do not have direct information concerning the skills and quality of the FECEs. Only six out of 16 companies investigated had employed FECEs, but with a small number (1-3). In such a situation, the Finnish employers are unlikely to measure the actual productivities and potentials of FECEs, and consequently to make recruitment decisions based thereon. Rather, the theory on signalling effect better explains how employers' make recruitment decisions.

10.1.2 Signalling theory

Signalling theory deals with the situation where two parties have access to different information. In the labour market, the job-seekers have information about their own quality and productivity, of which the employers can hardly get a full picture. To maximise their benefits, the job seekers tend to send certain signals to the employers while hiding some other information against their interests. An overseas education experience is often information about which job-seekers want to inform employers. According to Spence (1973), a valid signal requires two conditions. First, the cost for a signal is not the same for all persons. For instance, pursuing a university degree is associated with high cost, and the cost is even higher when the studies are taken abroad. However, the cost is relatively smaller for those students with high capacity compared to those whose learning capacity is low. The second condition is that those competent people want to send the signal. Certainly, an educational experience has been commonly used by graduates as a key signal to potential employers. As the two conditions are met, schooling does have a signalling effect in the job market.

The employers often have difficulties in comparing and distinguishing the job-seekers' productivity and potential, and thus they use signals received to reduce the uncertainties caused by information asymmetry. The interview analyses implied that the Finnish employers tended to select those with overseas (particularly Finnish) qualifications, because it normally signifies certain merits in job-seekers, such as good professional skills, cross-culture perspectives and language proficiency. As such, a Finnish higher education has a more positive signalling effect on employers' decisions in recruitment. For instance, a Finnish degree often guarantees the job applicants being shortlisted for a job interview out of hundreds of competitors. However, signalling theory does not shed enough light on when and how a signal is generated and why one kind of educational creden-

tials has different effects upon employers. Therefore, an expanded analytical framework is expected.

10.2 From Bailly's conceptualisation to an institutionalist perspective

To resolve this theoretical limitation, Bailly (2008) introduced a substantialist approach, in which he maintains that what signals an employer receives depends on his/her belief system. According to Bailly, an employer develops his or her beliefs on educational output in three stages. In the first stage, an employer has no experience of hiring job applicants with a certain type of education credentials. The employer tends to attribute an anticipated level of productivity to these people depending on the information transmitted by job-applicants' educational credentials, and then recruits on that basis. The second stage commences when the applicants are recruited. By observing the quality of these recruited employees, the employer's initial beliefs are adjusted. The third stage can be found when the process continues until an equilibrium is reached. This means that the employer, through these successive learning processes, has accumulated enough experience to perceive the candidates' 'true' value. In most companies interviewed, the development of employers' beliefs was in the first stage, as they had never recruited any FECGs for their companies. Only a small number of companies (6) were just entering into the second stage.

Bailly's model helps us to understand the development of employers' beliefs, but some factors may be omitted from his conceptualisation. By identifying such limitation, Chapter 3 extended Bailly's model to a more comprehensive framework by using insights of institutionalism. According to this analytical framework, employers' beliefs regarding the value of FECGs are subject to four categories of

influences, namely initial signals, exogenous factors, private learning and public learning. In the first stage, the employers' beliefs are primarily influenced by exogenous factors and initial signals. The second stage sees a decrease in the influence of exogenous factors. Instead, private and public learning exert greater influence.

10.2.1 Initial signals

The discussion in chapter 8 shows that most Finnish employers have a positive impression of FECGs, although they have little experience of employing these graduates. It can be hypothesised:

- Cross-cultural skills, professional skills, language (English) proficiency and other soft skills do bring FECGs advantages in job hunting among Finnish companies operating in China.

Nevertheless, some employers reported negative impressions of the FECGs, which lead to the following hypotheses.

- FECGs are overqualified for production or sales business.
- Some FECGs may not be able to adapt to the severe competitive work environment after spending a few years in Finland.
- The quality of some Chinese high school graduates who choose to study in Finland is poor.
- Most FECGs lack work experience.

How have Finnish employers developed their beliefs as mentioned above without even actually seeing the performance of FECGs? As discussed in Chapter 3, the employers' beliefs are influenced by initial signals derived from the professionalisation of Finnish employers and the actions of other possible institutional creators. The Finnish companies in China have their own professional and social networks,

often regionally based. For instance, in Beijing and Shanghai, there are Finnish business councils. They often organise events with information sharing among Finnish employers and experts on China. The majority of the members of the networks are native Finns. As most of the Finnish employers have graduated from Finnish higher education, they know the Finnish higher education system well. When they replied to the interview questions concerning the value of FECGs as potential employees in their companies, they tended to draw inferences based on their understanding of the difference between Finnish and Chinese higher education. What they expect from the FECGs sometimes is often based on their perceptions of Finnish university graduates. One hypothesis can be developed:

- The initial beliefs of Finnish employers regarding FECGs are based on their perceptions of Finnish higher education and even of Finnish university graduates.

The initial signals can also be developed and facilitated by other actors. For example, those organisations and individuals who study and promote Finnish-educated international students to Finnish employers may play an important role in creating signals affecting employers' initial beliefs. For instance, currently Finland has two projects, VALOA and Workplace Pirkanmaa, performing such functions.

10.2.2 Exogenous factors

The analyses in Chapters 6 and 7 have discussed how a number of exogenous factors influence the employers' beliefs and their recruitment decisions concerning FECGs. These factors include the cultural environment, nature of the work, nationality of the CEO,

financial conditions and local employee's attitudes. Accordingly, the following hypotheses can be set out.

- The more employers face cultural challenges in China, the more they need FECGs as their employees.
- FECGs are more suitable for managerial, administrative and technical positions.
- FECGs are not suitable for sales positions.
- When the CEO of a company is a native Finnish person, the Finnish education background of Chinese job-seekers is considered as an advantage, and vice versa.
- FECGs expect more salary than the Finnish companies operating in China can offer.
- There are tensions between Finnish-educated Chinese employees and locally trained Chinese employees when it comes to salary and career opportunities.

10.2.3 Private learning

The influence of initial signals becomes weaker when the Finnish employers have more experience of employing FECGs. Many Finnish employers accumulate experience in the process of private learning. For the Finnish employers with experience of hiring only very few FECGs, they are not yet able to mature their beliefs without further rounds of trial and error processes. Their evaluations of the FECGs' work performance are mainly based on the first few cases of employment. Because of the differences between individuals, it is no surprise to see variations in the employers' perceptions. It can be hypothesised that

- The first few FECGs employed by a Finnish company make a crucial impact on the employers' beliefs.

The empirical findings also lead to the following hypotheses:

- FECGs in general have good professional skills satisfying Finnish employers in China.
- The work experience of FECGs is in general considered important by Finnish companies operating in China, and is more important for start-up companies and in companies whose clients are local Chinese.
- FECGs generally lack work experience.
- In more mature and bigger companies, there are more opportunities for fresh FECGs to be recruited.

10.2.4 Public learning

Public learning occurs when the workers' characteristics and performance outcomes are not only evaluated by the current employer, but also observed by other participants in the field. Certainly the Finnish employers are the major participants. Because there is a very limited number of Chinese employees with Finnish degrees currently working in the companies interviewed, there are no adequate cases to examine the public learning process. In my investigation, the employers did not talk much about how they utilise experience of other companies. Only one CEO (G1) noted that "I have not heard any negative rumours about hiring a Finnish educated Chinese guy". Therefore it can be hypothesised that:

- Public learning process is weak among Finnish companies operating in China. Particularly, the Finnish employers could not get much direct information concerning the performance of FECGs in other companies.

If the employers are isolated from each other, it is unlikely for them to know how the employees perform in other companies. Finnish companies operating in China have close connections through regionally based social and professional networks. Through the networks it is possible for them to share information about the work performance of FECGs. Even some members of the networks are FECGs, and thus they can directly show their characteristics through participating in the networks. As discussed earlier, some organisations and individual researchers may produce or promote initial signals. They could also facilitate the public learning process through reporting and disseminating some employers' experience on hiring FECGs. Hopefully this book will also play such a role.

10.2.5 Confirmation vs. adjustment

According to Connelly et al. (2011, p. 53), “the extent to which the signal is correlated with unobservable quality” is understood as “signal fit”. According to the analytical framework developed in this study, the signal fit is associated with the processes of both public and private learning. Through both public and private learning processes, employers may either confirm or adjust their initial beliefs regarding the value of FECGs. The interview analyses show that most employers' initial beliefs have been confirmed by the observation of performance outcomes of the employees. Such process can be roughly divided into three stages.

Stage I

When the Finnish employers have no experience of hiring FECGs, they rely mainly on the signals indicated by Finnish higher education credentials to make recruitment decisions. Using educational signals to select job applicants is an expedient solution for employers dealing with information asymmetry. When there are no alterna-

tives to know the real productivity ability of the job applicants, the employers have to use educational credentials as a kind of surrogate measurement of talent or ability.

Stage II

When Finnish employers have more experience of employing FECGs, the initial signal effects become weaker. Rather, the employers' beliefs tend to rely on the real quality observed at the workplace. The observation takes place in both public learning and private learning processes. The more FECGs are employed, the more of their actual productivity abilities will be discovered by the employers.

Stage III

Public learning and private learning can be understood respectively as processes of institutionalisation and internalisation. When the employers' beliefs are both institutionalised and internalised, the final (ideal) stage begins where the employers believe that they know the true value of the FECGs. In other words, in this stage the educational signal represents a valid and reliable measure of the underlying quality of FECGs. When their beliefs regarding educational output are institutionalised, the employers tend to believe that they can see the true productive abilities. This means that the employers do not think that there are unobserved qualities among the job-seekers. As such, there is no information asymmetry in the eyes of Finnish employers. Only in this case is there a perfect signal fit and human capital can mostly be applied to understanding the relations between schooling and labour outcome. Otherwise signalling theory can explain most situations in the recruitment practices.

10.3 Directions for improving theoretical understanding

This study has only a narrow focus on employers. According to the analytical framework, there are other actors who may influence the employers' beliefs through their activities in two institutionalisation processes. One is the development of an institutional framework that affects how the employers perceive the initial signals transmitted by Finnish educational qualifications. The other is the public learning process, which helps the employers to understand the actual productivity potential of FECGs.

To specify how institutions are created Scott (2008, p. 95) distinguishes between the naturalist model and the agent-based model. From a naturalist perspective, "institutions...emerge from the collective sense-making and problem-solving behaviour of actors confronting similar situations". By agent-based accounts institutions are created through the purposeful actions of interest-based actors. With respect to other actors, their influences on creating institutions may be either through their purposeful actions or the unintended consequences of their activities.

Based on the above description, the actors affecting employers' beliefs can be assigned to the following four categories (Table 10-1). To identify the concrete actors that can be located in the table is beyond the scope of this research, but it is an important area for further study.

Table 10–1. Categories of actors affecting employers' beliefs

	Deliberate	Unintentional
Shaping initial beliefs		
Facilitating public learning		

Chapter 11.

CONCLUSIONS AND IMPLICATIONS

This research developed a theoretical account/or analytical framework in Chapter 3 to understanding the FECGs' employment prospects from the perspectives of Finnish employers, based mainly on Bailly's conceptualisation and the insights of institutionalism. The empirical analyses have proved the usefulness of the analytical framework, as shown in Chapter 10. The framework proposes four categories of factors affecting Finnish employers' beliefs on the value of FECGs, namely exogenous factors, initial signalling effects, the private learning process and the public learning process. The analyses of interview data were basically organised accordingly to the categories, and presented in Chapters 5 to 9. However, so far there is a lack of overall summary of the findings. Thus this chapter first synthesises the separate analyses and provides an overview of the employment prospects of FECGs in Finnish companies operating in China. Then it mainly yields practical implications or suggestions for relevant stakeholders and actors in the process of placing FECGs in workplaces in Finnish companies operating in China, such as Finnish companies, Chinese students and Finnish HEIs.

11.1 Employment prospects of FECGs in Finnish companies operating in China

What are the employment prospects of FECGs in Finnish companies operating in China from the employers' perspectives? Generally, the employers have positive attitudes to FECGs as they tend to believe that the FECGs are easy to communicate with due to their proficiency in English and understanding of Finnish culture; they could help the companies to overcome the cultural challenges through cross-cultural perspectives. They moreover have good professional knowledge and hands-on skills. In addition, some other skills of FECGs are deemed an advantage by different Finnish employers. These skills include the ability to work independently, adaptability, outspoken character, initiative, good work motivation, team spirit, leadership skills and responsibility. For these reasons, most employers would like to offer job interview opportunities to Chinese job applicants with Finnish degrees.

Meanwhile, some employers also pointed out disadvantages of FECGs. Among these, the most crucial one was a lack of work experience. Moreover, the quality of FECGs varies between individuals. For instance, not all FECGs have sufficient cross-cultural skills. Another barrier to FECGs' employment is that they reportedly asked high salaries that the employers cannot afford.

In addition, the attractiveness of FECGs to a Finnish company also depended on the company's business area, particular challenges, the nature of the work, the nationality of the CEO, and even the feelings of locally educated employees in the company. As hypothesised in Chapter 10:

- The more employers face cultural challenges in China, the more they need FECGs as their employees.
- FECGs are more suitable for managerial, administrative and technical positions.

- FECGs are not suitable for sales positions.
- When the CEO of a company is a native Finnish person, the Finnish education background of Chinese job-seekers is considered as an advantage, and vice versa.
- FECGs expect more salary than the Finnish companies operating in China can offer.
- When there are tensions between Finnish-educated Chinese employees and locally trained Chinese employees, the employers have to balance the benefits and costs of recruiting FECGs.

Some Finnish employers were concerned about the uncertain quality of young Chinese who had graduated from Finnish universities of applied sciences. To some employers, many Chinese students enrolled in these institutions were not high-quality individuals. Often they came to Finland to study because they could not access good universities in China.

It can safely be concluded that the Finnish employers cordially welcome those Chinese job applicants who have both Finnish education and work experience, and are willing to accept a “local” salary. Regarding the salary, the Finnish employers are willing to offer the FECGs higher salaries than the local average, but not “Finnish” ones.

It is also worth noting that the number of FECGs working in the Finnish companies interviewed is small, regardless of the Finnish employers’ positive attitudes. This situation is to a large extent due to information barriers between the two sides. It is difficult for the FECGs to search for Finnish companies operating in China as potential workplaces. They are not even aware that there are so many Finnish companies operating in China. Meanwhile, similar challenges are faced by Finnish companies in finding FECGs. The other reason for the difficulty in matching FECGs and Finnish employers is that many competent Chinese students want to stay in Finland after graduation.

Besides the paradox of Finnish employers' positive attitudes towards recruiting FECGs and fewer FECGs being employed in Finnish companies operating in China, other dilemmas concerning the employment of FECGs in these companies in China are noted as follows.

- Employers expect FECGs have more internship experience during their study but some employers are reluctant to accept students as trainees.
- Finnish companies come to China to utilise the low-cost labour but FECGs expect good salaries.
- Some competent FECGs do meet all the expectations of Finnish employers and are also attractive to other companies.
- Studying in Finland may offer Chinese graduates a cultural advantage but the long absence from home may result in their having difficulties in adapting to the Chinese business environment.
- Employers have high expectation regarding the quality of FECGs but the Chinese students studying in Finland are not always the top quality.

11.2 Implications for Finnish employers in China

11.2.1 Towards signal fit – getting to know true value of FECGs

The Finnish education experience of Chinese job applicants does have strong signal effects on Finnish employers. The signals received by the employers are subject to their beliefs. Do the signals reflect the true value of the FECGs? According to the analytical framework, signal fit will not be achieved until the development of employers' beliefs comes to the third stage (Section 10.2.5). However, as

discussed earlier, the development of Finnish employers' beliefs is still in the very early stages. Most Finnish employers do not have any contact with FECGs, and therefore their initial perceptions of FECGs are mainly derived from indirect information or initial signals. The initial beliefs of Finnish employers regarding FECGs are mainly based on their perceptions of Finnish higher education and of Finnish university graduates. The minority of employers with some experience of hiring FECGs have opportunities to adjust their initial beliefs based on their evaluation of the employees' performance outcomes. However, their experience is far from enough to help them find the true value of the workers. Therefore, a signal fit has not yet been achieved.

The analytical framework indicates that achieving the signal fit involves a process of maturing the employers' beliefs. In the process, three factors can facilitate the maturing of beliefs, namely the accuracy of initial signals, experience in private learning and participation in public learning. First, the Finnish employers could intentionally and actively get more information of FECGs. For instance, participating in activities involving Finnish universities and international students is one efficient way to make close contact with them. Reading reports concerning international students (and the Chinese in particular) is also useful for the employers' understandings. Second, the employers need to have more experience of hiring FECGs, but learning through trial and error (private learning) is expensive. Third, a cheaper alternative for the employers to learn more about the quality of FECGs is through public learning. They should utilise the professional and social networks of Finnish companies operating in China more and organise focused discussions on FECGs in Finnish companies operating in China.

11.2.2 Meeting more FECGs

Among the Finnish employers there was more praise for the FECGs' advantages than criticism. However, some minor weakness may become critical for final recruitment. When it comes to the employers' recruitment decisions, the FECGs' advantages (professional abilities and cross-cultural skills) are often counteracted by their weak points, such as little work experience and high salary expectations. Some employers even tend to believe that such a dilemma is irresolvable, meaning that it is impossible to find Chinese job applicants with all the characteristics expected, namely Finnish qualifications, work experience, and willingness to accept a local salary.

However, this may be an illusion for two reasons. First, based on the author's informal discussion with a number of Chinese students in Finland, some of them do have work experience before coming to study in Finland and some also have realistic expectations regarding their incomes in the Chinese labour market. Of course, for more accurate information, further investigation is needed. Second, the employers have developed their assumptions based only on a very small number of cases. Among the interviewees, few reported meeting more than five FECGs in job recruitment processes. No conclusions drawn from a small "N" can be sound. The problem is not that there are no prospective candidates available, but there are too few FECGs in the job market for Finnish companies operating in China. In other words, the Finnish employers have not had opportunities to meet enough FECGs. Although the percentage of those FECGs who meet all aspects of employers' expectations may be low, if the population is large it is not impossible to find suitable candidates.

Currently there are more than 2000 Chinese students studying in Finland. Every year around 300–400 students return to China after graduation. It seems that the Finnish companies operating in China have only met a very tiny segment of the cohort. As mentioned

earlier, there is an information barrier between Finnish employers and FECGs. If the information channel could be improved so that the two sides could meet each other easily, then the Finnish employers would definitely have more opportunities to find potential good employees. If a Finnish company operating in China really believes in the value of FECGs and considers hiring some competent ones, they should first raise their company's profile, particularly to the Chinese students in Finland, so that the prospective applicant would notice the company and hence possibly include it in their list of potential employers.

11.2.3 Beyond a match between skills and requirements

One key element in the recruitment process is about a match between skills and requirements. It is believed that a good match will result in higher production and job satisfaction, while a mismatch will lead in the opposite direction. However, according to the OECD's (2011) *Skills Strategy*, a good match is only a starting point, and what is more important for improving the productivity is how to make the fullest use of the workers' skills. The extent to which workers' skills can be optimally used depends on a number of organisational and managerial factors, such as flexible working practices, high training commitment and improved communication channels.

Agreeing with these arguments, I want to further point out that the workers' skills are not always accurately observed or predicted by their (potential) employers. As the Finnish employers face information asymmetry, many characteristics of the employees might be uncovered by the employers. Therefore, the employees can demonstrate some unexpected (hopefully positive) skills after recruitment. This is especially the case for FECGs. When an employer designs job requirements and puts them in a job advertisement, it is normally

addressed to the general job market without special attention to FECGs as a target group.

My argument is that FECGs may make a greater contribution than that expected through a simple match between special skills and technical requirements. In the last decade, China has become an important destination for Finnish business investment, with an intention of moving the two end points of the value chain to China. However, most Finnish companies mainly utilise the advantage of China at the beginning of the value chain, such as cheap material and workforce. They have not really entered into the local market at the end point. As it was indicated by the companies interviewed that the majority of them mainly conduct business with foreign companies or joint ventures in China rather than local clients. The FECGs may have a potential role in helping the companies to localise their business at the other end of the value chain.

11.2.4 Retaining good workers through training

The interviews show that one of the challenges faced by Finnish companies operating in China is a high staff turnover rate. Normally newly recruited employees need some time to adapt to the working environment and to accumulate more work experience before they can maximise their performance in their employer's company. However, the problem for the company is that many workers do not stay long. After gaining experience in the companies, they hop to other places pursuing higher incomes and better career opportunities. For companies training employees on the job is quite expensive. The cost increase as the staff turnover rate increases. The Finnish companies seem to have no good solution to their problem.

The high turnover rate also affects many other multinational corporations in China. A recent report (Warton, 2008) shows that

although people leave companies for salary reasons, most companies have found that a pay increase does not lower the turnover rate. The report suggests that the fundamental reason for the high turnover rate is the gap between supply and demand. In spite of an oversupply of new college graduates in the Chinese labour market, there is an increasing shortage of experienced and/or competent workers. As noted by one interviewee in the report:

Most enterprises are continuously expanding in China. Last year there was on average, a 10% to 20% increase in [company workforces]. When companies are expanding, the whole market is recruiting but supply is not catching up fast enough. Demand for certain functions, like sales and marketing, is even bigger. For people in some key positions, the opportunities are huge, and there might be headhunters chasing after them every day.

Regarding solutions, the report advocates a long-term strategy, which is in contrast to the short term solution — salary increase. The long term strategy comprises the following elements, namely management skills, a positive organisational culture, effective brand alignment with employee and staff training. Among those, training is crucial. For example, many leading international companies operating in China recruit a large portion of fresh graduates every year and train them gradually. In so doing, the companies are able to build up a dynamic supply of talent which may result in huge cost savings in the long run. However, there is a warning in the report: “it could only happen if your company is able to endure the hardest times and is willing to spend time and effort to train people” .

Most Finnish companies operating in China are small in terms of employee population and financial strength. Many of them have just started their business in recent years. Except for a few big and long established Finnish companies operating in China, few others could afford the investment in training. This explains why the

majority of the employers in the interviews stressed the importance of work experience when recruiting people. That means they prefer to acquire talent from the market rather than training people internally. Unfortunately the people they recruit are often active job hoppers.

According to the interviews, training in the Finnish companies serves two purposes: one is to enhance the employees' professional skills and the other is to increase the employees' loyalty. As training is an expensive investment, many companies cannot afford to have systematic training. Therefore the training in most companies is fragmentary. Some companies mainly provide professional training; in some companies the CEOs are the trainers in Finnish culture; others outsource training from international training organisations for specific needs in the companies.

11.2.5 Training at a lower cost?

Is there a possibility for the companies to organise systematic training at a lower cost? The answer is yes, if the companies can utilise the Finnish universities for training their prospective employees. There is a convergent view among the Finnish employers that Finnish higher education has done a good job in equipping the students with sufficient professional and practical skills in line with the requirements of Finnish companies operating in China. In spite of divided opinions on whether Finnish education experience could necessarily guarantee the students' profound understanding of Finnish culture, certainly studying in Finland is the best way for them to acquire cross-cultural skills. It is also believed that those employees with experience of studying and living in Finland are likely to be more loyal to Finnish companies than those without such experience.

Thus the training at Finnish HEIs can apparently meet the expectations of the Finnish employers in terms of developing the nec-

essary skills and emotional ties to Finland and Finns. The question is how Finnish HEIs can better perform such a function, becoming places for training prospective employees for Finnish companies operating in China. Two measures are suggested.

First, Finnish companies can contact and develop partnerships with Finnish HEIs. Under the partnership, the former informs the latter of the skills needed in potential employees, so that the latter can adjust their curricula and training methods to meet the demand from the labour market. Meanwhile, the companies can directly participate in the educational activities of Finnish HEIs by offering lectures and providing internship positions for students. In so doing, the Finnish companies could motivate the students to see the potential of working in their company after graduation, and how the companies function. This would lead the students to a better commitment and motivation when they are employed in the companies.

Second, Finnish companies can select talented employees in China and send them to study in Finland. Specifically, a Finnish company may have an agreement with a potential employee, which provides that the company will offer financial support for the person to study in Finland, and the student must serve the company once he or she graduates. Among the companies interviewed, one had already applied this model. The CEO found one Chinese student studying in a Finnish HEI through her internship in the company and considered her as a potential employee. To attract the student to eventually work in the company, it was agreed that the company would finance her studies on a Finnish Master's degree programme and she would work in the company in China after graduation.

When Finnish HEIs train Chinese students as potential employees of Finnish companies, they also share a big portion of the training costs with the Finnish companies. Although the new legislation has allowed Finnish HEIs to charge international students tuition fees under certain conditions, the majority of international education

programmes are still publicly funded. Since the Finnish companies usually pay tax to the Finnish state through their headquarters in Finland, utilising Finnish HEIs as training bases for them is also a way to enjoy the public service provided by the Finnish state.

11.2.6 Attractiveness of Finnish companies to FECGs

While the employers expect to have those highly competent and experienced FECGs to work in their companies, but on “local” salaries, they should ask themselves: Why should FECGs want to work in Finnish companies operating in China? Some interviewees reported some merits of Finnish companies, such as the humane organisational culture. Also, the FECGs working in Finnish companies are likely to have better career opportunities. The Finnish employers need to further explore this issue and after that purposefully promote the attractiveness of their companies in the job market.

11.3 Implications for Chinese students in Finland

11.3.1 Challenges in finding a job in Finland

One central concern of Chinese students studying in Finland is about their future employment. It has been reported that for international students, pursuing gainful employment in Finland often meets with a lot of setbacks, and the reasons for this are as follows (Vehaskari, 2010).

- The Finnish employers tend to have unrealistically high expectations of proficiency in Finnish.

- The bureaucracy surrounding residence permit is complicated and time-consuming and often leaves foreigners in legal limbo.
- The employment market is heavily network based and foreigners can hardly break into the professional network circles.
- Some foreigners move away from Finland, because their spouses cannot find a job and face integration difficulties.
- Highly desirable employees will often choose to move abroad if they feel that career advancements here are closed off to them because they are not Finns.

These factors can also explain the difficulties for Chinese students in working in Finland. Besides looking for jobs in Finland, the Chinese graduates also have other alternative plans: 1) to continue to study in Finland, 2) to become self-employed in Finland by establishing companies, 3) to work or study in other countries, 4) to (re)start a career in China, and 5) to stay in Finland if they are married or have Finnish boyfriends or girlfriends. It can be estimated that the majority of Chinese students in Finland return to China after graduation.

11.3.2 Enhancing skills

Some Finnish employers point out that some Chinese students studying in Finland are less academically gifted; some still lack an understanding of Finnish culture after years of studying and living in Finland; and they tend to overestimate their value (by asking for high salaries) in the workplaces. Although these may not be generalised, the fact is that these criticisms by employers of FECCGs are to some extent based on their contact with and observation of the individuals in the group. At least, Chinese students should be aware that gaining a Finnish diploma without actually increasing

their knowledge and skills will not make them successful in the labour market.

According to the expectations of Finnish employers, Chinese students in Finland are expected to develop the following skills: professional knowledge, abilities to solve practical problems, language skills, cross-cultural perspectives, and work experiences. The Chinese students in Finland should pay special attention to developing these skills and experiences.

A report on international students' adaptation to a foreign study environment (Zimmerman, 1995) indicates that communication is crucial for international students' cultural adaptation. It also reveals that international students often lack opportunities to communicate with local students, academics, or even other international students from different countries and cultures. For many Chinese students in Finland, due to poor Finnish language skills and the great distance between the original and host cultures, they tend to retreat socially into the Chinese community. Staying in the Chinese community does make their life easier in Finland, but does not help them to enrich their understanding of Finnish culture. This has probably hampered their development of cross-cultural skills. If the Chinese students want to gain advantages for working in Finnish companies operating in China, this is the challenge they need to overcome.

If some Chinese students have already worked in China before coming to Finland to study, this would definitely be a plus in the job market. Those without prior work experience should try to find any kinds of work opportunities during their studies in Finland, as in recruitment internship and summer jobs are considered by many Finnish employers to be real work experience.

11.3.3 Transmitting strong signals

When the Chinese students have developed sufficient skills in line with the requirement of the Finnish employers, they also need to send corresponding signals to their potential employers. In the recruitment process, a student can send signals to potential employers by acquiring a Finnish education diploma. How the potential employers receive the signals depends on their beliefs regarding the output of Finnish higher education. According to the analytical framework, the students can affect the employers' beliefs in two ways. First, when some FECGs are employed by Finnish companies operating in China, their actual performance outcomes will directly influence the employers' beliefs through private learning. Second, the students or graduates can be actively involved in the processes of influencing employers' beliefs through purposeful and collective actions. For instance, they can develop alumni associations. Through the associations' activities, such as seminars, information delivery etc., they promote their skills to Finnish companies operating in China and even to other employers.

11.3.4 Towards an entrepreneurial approach to pursuing employment

What was discussed and suggested above is mainly about how to make a match between the skills of FECGs and the demands of Finnish employers. Here, I propose an approach that goes beyond the traditional perspective. It is an entrepreneurial approach. With the skills needed by Finnish companies operating in China, the graduates often have a good basis to start their own companies for doing business between Finland and China. However, being an entrepreneur also requires financial and mental conditions. To pursue self-employment is relevant, but is not the emphasis of this

study. The entrepreneurial approach here is about how a job-seeker could strategically and innovatively create and optimise employment opportunities in the job market. In a traditional model of finding a job, a job-seeker normally looks for a job advertisement, reads the requirements and then submits an application. The entrepreneurial approach is different. In this model, job-seekers go through the following steps when seeking a job opportunity.

- 1) Discover and develop own (preferably unique) advantages.
- 2) Accordingly, identify potential employers and understand their needs and interests.
- 3) Develop plans or proposals on how the potential employers can achieve new economic growth points by utilising the job-seekers' special skills and advantages.
- 4) Try to promote and sell these ideas to the potential employers by all kinds of means.
- 5) When the employers accept the ideas, the job-seekers are likely to have roles in the employers' companies.

This approach is based on two assumptions. First, though having similar educational experience in Finland, each individual may have his or her own unique personal characteristics and merits. Second, as the Finnish employers' knowledge about FECEs is in general quite limited, it is possible that some skills of the graduates could have not been discovered by the employers. The employers are therefore unlikely to be aware of some potential business opportunities by utilising these skills.

The use of this approach in the employment market is beneficial for both sides, but there are also challenges. On the one hand, it requires the job-seeker to discover and develop their potential in active and creative ways. On the other hand, more communication channels need to be established between Chinese students in Finland and Finnish employers. Normally, those who tend to use such an

entrepreneurial approach often have clear motivations and objectives at the beginning of their studies or at least during their studies.

11.3.5 Investment vs. return

The empirical findings of this study indicate that the Finnish employers basically need people from different segments of the job market. One simple division can be made between the upper end of the labour market, where there is a shortage of talent, and the lower end, where there is an oversupply of labour. This reflects a common situation in the Chinese labour market. Although the Chinese state and regional governments still launch programmes to attract overseas Chinese, the emphasis is only on highly qualified individuals. Foreign companies face severe competition in attracting those competent and experienced workers at the upper end of the job market (Manpower, 2010; Moody, et al., 2011). In some Finnish companies operating in China, hiring a local manager costs more than sending an expatriate from Finland.

In most part of the job market (particularly the lower end), the supply of overseas educated Chinese is rising up as more Chinese have obtained overseas diplomas (Zhong, 2011). The overseas returnees have been increasingly encountering competition from graduates of local universities (Melik, 2012). It has been reported that jobless returnees are usually quite young and have been studying abroad for a short period of time and have no working experience at all (M. A. Zhang, 2007).

The FECCGs should evaluate themselves objectively as to whether they are at the upper end of the job market or the lower one. If they are indeed in the former group, they could have higher expectations and even be able to choose their employers due to a shortage of supply. Conversely, if they have no work experience at all, they are

more likely to be at the lower end, and it is hard to get high salary due to the surplus of labour force.

Most Finnish employers complained that the FECGs usually ask for too high salaries. The tendency that foreign educated Chinese graduates often expect high incomes can be explained by human capital theory, which focuses on the economic value of education. For individuals, levels of education can have a direct and measurable impact on productivity, and in turn on the labour market outcomes (Harris & Jarrett, 1990). Although the motivations driving students to study abroad are complex and diverse, one expectation is often to gain added value through studying abroad so that they will become competitive in the job market. For this purpose, individual students are willing to invest in human capital development, specifically developing country-specific skills. They hope for a return on their investment by higher income in future work.

In general Finnish employers understand the expectations of FECGs, being aware that, compared to locally educated Chinese, those who come to study in Finland have made a bigger investment. Therefore they are willing to pay more for FECGs. However, the extra money is not paid merely for their investment in education in Finland but for their unique skills developed in Finland. The problem is that FECGs often ask more than the Finnish employers can afford.

If some Chinese students studying in Finland are at the lower end of job market, they would be well advised not to expect too much as a starting salary. Instead, they even need to prepare for a situation where their potential is under-estimated by their employers. They should realise that personal career development is a long-term project. Getting a job is only the very first step. Employers will reassess their employees' value after recruitment based on their real performance. Based on the adjusted beliefs, the employers will adjust the employees' incomes to a more appropriate level.

My advice to students is that getting a relevant job with an opportunity to accumulate work experience is more important than how much is paid. As a lack of prior work experience becomes a major barrier to many FECGs' employment, they might be well advised to consider their first job as a continuation of their investment in enhancing their employability through gaining work experience instead of as a turning point, where they are starting to recoup on their investment. Regarding the investment and return, Chinese returnees from Finland also have a price advantage compared to their counterparts from the UK, the US and Australia, etc, because so far all graduates from Finnish higher education have not paid any tuition fees in Finland.

11.4 Implications for Finnish HEIs

Recently Finnish HEIs have been increasingly keen to know about the employment situation of their international graduates and the skills needed in the labour market. This study only contributes to their understanding with respect to Chinese graduates and from the perspectives of Finnish employers in China. The results of the empirical analyses can be an encouragement for Finnish HEIs, as the Finnish employers have to a large extent affirmed the quality of Finnish higher education in spite of some negative views. However, only a very few FECGs are currently working in Finnish companies, mainly due to a lack of an information channel between education and workplaces. In other words, both the employers and students do not know how to find each other. Finnish HEIs need to think about what they can do to facilitate the information exchange between their graduates and potential employers. They need to provide the employers with information on their graduates and also to let the graduates know who the possible employers are.

Another challenge concerning information transfer is about how to inform both prospective students and their potential employers about the true value of Finnish higher education and the quality of their graduates in order to succeed in both student recruitment and graduate employment. Finnish HEIs need to further develop their functions in career services for international graduates and activities for promoting their graduates to employers.

It was stressed early that to bridge the gaps between the skills/ characteristics of FECEs and the demands from the Finnish employers requires students' commitment. It is also the Finnish HEIs' responsibility to equip students with the skills needed in the labour market. So far, Finnish HEIs have not paid sufficient attention to improving the international students' employability. In a tuition free system, the Finnish HEIs mainly deal with three tasks with international students: recruiting them, educating them and graduating them. However, after the reform, Finnish HEIs will be under more pressure to re-think their strategies on international education. To succeed in the international student markets, Finnish HEIs should pay more attention to employers' voices. As Bailly (2008, p. 963) has argued, the educational output becomes dependent on employers' beliefs and representations and on potentially multiple evaluations. For purposes of both improving the relevance of education to the labour market and promoting information exchange between students and employers, the HEIs need to partner with potential employers in their education and training activities. This is an aspect that has been overlooked and underdeveloped in Finland. With more dialogue and interaction with the employers, Finnish HEIs can easily learn how to enhance the relevance of their degree programmes to the labour market, what kinds of international programmes need to be developed, how to equip students with relevant skills, and what particular training and services for students' career development should be organised.

In addition, the Finnish HEIs need to plan whom to recruit. To be competitive in the labour market, the quality of student intake is also important. Currently some of the Chinese students who come to study in Finland, as indicated by some interviewees, are those who cannot gain access to good Chinese universities, though the general quality of Chinese graduates from Finland was confirmed by the majority of employers. To avoid a situation in which less gifted students apply to Finland, the Finnish HEIs must be active and invest in student recruitment. At the moment, Finnish HEIs are still quite passive in this respect. To improve the employment possibilities of the Chinese graduates, work experience is often crucial. Therefore in some programmes the Finnish institutions could consider the applicants' work experience when making the selection for recruitment. This is already the case in the Master's programmes of Finnish universities of applied sciences. More importantly, the Finnish institutions need to provide effective help for their students to find internship placements in Finland, as the internship experience in Finland is regarded as work experience by many of the employers interviewed.

11.5 Future research

The empirical investigation focused only on the Finnish employers in China and FECGs. It should be noted that Finnish employers are very unique cases, as they know Finnish higher education quite well and many of them are graduates of Finnish HEIs. Thus it is relatively easy for them to appreciate the added value of FECGs in workplaces. It can be much harder for most Chinese employers and other international employers to be familiar with the quality of Chinese graduates from Finland, because Finnish higher education is not well known. To promote the employment of Chinese (or

international) graduates in the international labour markets, there is thus still a long way to go.

In the Finnish HEIs there is a desire to build up a “positive loop” between attractiveness to gifted international students at the input end and career success of the graduates at the output end. In other words, the success of Finnish international education depends, to a large extent, on how international graduates are valued by their (potential) employers. To achieve such a goal is by no means easy. When Finland develops education export, the successful experience from the English-speaking education exporting countries may not always apply to Finland. Finnish HEIs need innovative ways of thinking and innovative approaches. Nevertheless, the HEIs could hardly achieve this objective by themselves alone. The input and involvement of other sectors (such as industry) and national coordination are needed.

From an academic perspective, the author calls for an enhanced dialogue between three research areas, namely marketing international education, development of employability at school, and employers’ perceptions of graduate quality and performance at work. The studies on each dimension have so far been mainly conducted separately, but they are all interrelated in terms of developing the positive loop. Meanwhile, effective national (even trans-national) cooperation and coordination are required. In this regard, two central questions will be explored in future studies: 1) who are the stakeholders of international students’ transition from Finnish higher education to labour market? 2) what are suitable cooperation models and mechanisms? The second question can be broken down into the following inquiries: How to develop an information platform with the cooperation of several stakeholders for facilitating the match between international graduates from Finnish HEIs and Finnish employers? How to develop the partnership between Finnish companies and Finnish HEIs in training potential labour force for the needs of Finnish business development? How to utilise and

cooperate with the local education institutions in training human resources for Finnish companies abroad?

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Appendix. Interview questions for Finnish employers

- **Basic information on your company**

1. What is your position? Have you been to Finland? Have you studied in Finland?
2. Where is your headquarters in Finland?
3. When did your business start in China? Where is the headquarters in China? In what city (cities) does your company have operations in China?
4. What are the major business areas of your company in China? Who are the customers (Chinese or foreign companies)?
5. How many employees in China? And in the current company?
6. Do you have many employees with overseas study experience? And employees with work experience in a foreign company?
7. What is the working language in your company?
8. If you have employees with international education experience, are their salaries on average higher than those who graduated from the local higher education system? Or if your company intends to offer higher salaries to those returned overseas Chinese?
9. Who makes decisions on recruitment? What is your role in the personnel recruitment process?
10. How long have you worked in the company?
11. What is the nationality of the Managing Director (General Manager) in your company? How well does he/she understand Chinese language and culture? How long has he worked in China?
12. How is the staff turnover in your company?
13. How do you assess your company's position in the competing global markets and the Chinese market?

- **General Recruitment Process**

1. What are the forms of recruitment? For instance: through newspaper or internet advertisement? Recommendation by colleagues or friends? Recruitment fairs? Head-hunting companies etc.
2. What kinds of professions or work positions (managerial or administrative positions, technology experts, engineer, sales persons, consultants, technicians, secretary and supporting staff, manufactory workers) are available in your company?
3. What are the criteria (values) of your recruitment? What are the major factors you consider in the recruitment process? For instance: Is saving salary costs a priority in your recruitment policy? What level of education is an entry requirement? Relevance of work experience, field of study, personality etc.
4. What's the selection rate?
5. When you make the first round of selection (by checking CVs) what are the factors helping you to sort out the candidates for the next round?

- **Cultural conflicts**

1. Have you experienced cultural differences, misunderstandings, or conflicts between people from different countries in your company? Can you give some examples?
2. What are your company's solutions to solve these cultural problems?

- **Recruitment of Chinese people with Finnish qualifications**

1. Have you ever received Chinese job applicants with Finnish qualifications (or other international qualifications)? Why did your company select or not select these applicants?
2. Are you more interested in those applicants with Finnish (Western qualifications)?

3. What kinds of jobs are more likely to be suitable for those Chinese with study experience in Finland?
4. When you are screening the job applications, how does a Finnish educational background distinguish a job applicant from others?
5. Do you think hiring a person with Finnish qualifications entails less risk in recruitment than one with local qualifications?
6. Do you prefer university of applied sciences graduates or university graduates?
7. What fields of study are you more interested in?
8. From a professional perspective, in the same academic field, do you think students having studied in Finland have more advantages than those educated in China?
9. How do you consider the advantages and weaknesses of Chinese students with Finnish (or Western) qualifications in your company?
10. What advantages or skills do you expect Finnish education has given them? For instance: cultural knowledge, language skills, special courses (training) on some special thing only available in Finland, etc. How long a stay in Finland may be sufficient to understand Finnish culture?
11. Do you think there are information barriers in matching between Chinese students educated in Finland and Finnish employers in China.

- **Training of employees**

1. How and where are the Chinese employees trained while working?
2. What are the subjects of training? Are country-specific skills included?
3. Do the Finnish HEIs have any role?

- **Evaluation of Finnish higher education**

1. How do you evaluate the international higher education in Finland, for instance, in terms of its relevance to labour markets?
2. What are your suggestions for Finnish HEIs as regards improving their international education programmes?

Short biography of the author



Yuzhuo Cai is a university lecturer and adjunct professor at the Higher Education Group, School of Management, University of Tampere, Finland. He is also the research coordinator of the Chinese Education Research & Exchange Centre, University of Tampere. He completed his Ph.D. in Administrative Science at the University of Tampere, Finland in 2007. He also received a Master's degree in Comparative and International Education from the University of Oslo, Norway in 2002, a Master's degree in psychology from Hebei Normal University, China in 1999. Before his academic career, he worked as a university administrator and civil servant in China for 9 years. His main research areas are higher education policy and management, institutional theory, internationalisation of higher education (employability of international graduates and education export) and transformation of higher education in innovation systems. His publications include five books/monographs and around 30 journal articles and book chapters. He was the leader of a research team conducting the first nationwide survey of employment of international graduates from Finnish higher education commissioned by the VALOA project, and the result was published in August 2012.



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This book reports one of the few studies on understanding international graduates' employability from the perspective of employers. It specifically explores the beliefs of employers in Finnish companies operating in China on the employability of Chinese graduates from Finnish higher education, and how the beliefs evolve. It not only provides first-hand information about China-based Finnish employers' perceptions of the value of Finnish-educated Chinese graduates, but also makes special contributions by developing a theoretical framework and a methodological approach to understand employers' perceptions of graduate employability.

On the basis of the empirical findings, the book provides suggestions for Finnish employers, international students and Finnish HEIs on how to strategically play their roles in promoting a positive loop between attracting gifted international students to Finnish higher education and the career success of these graduates.

The book will be of particular interest to managers of Finnish companies operating in China, actors involved in Finnish international higher education, as well as Chinese students in Finland. It is also intended for researchers and practitioners interested in the employability of international graduates and the marketing of international education.

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