Business Risk for Irish Companies Exporting to China

By

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Signed Statement

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Abstract

As an outward economy, Irish economy is largely driven by the performance of its export sector. The performance of the export sector crucially impacts on the quality of the Irish economy. Despite a long period of recession, Ireland has maintained a strong business relationship with non-EU countries. Ireland’s total exports to Brazil, Russia, India and China increased nearly fivefold since 1997 in terms of value. (National Competitiveness Council, 2014). Especially, several literatures have highlighted the importance of China for Irish export. Enterprise Ireland states that exporting to China can expand Irish export base (Enterprise Ireland, 2013). Asia Trade Forum highlights the huge potential of the Chinese market for Irish export sector (Asia Trade Forum, 2011). Along similar lines, HSBC Bank predicts China to be the fastest growing export destination country for Ireland and the fifth biggest Irish export destination by 2030 (HSBC, 2015). As the second largest economy in the world, it is expected that China will overtake the United States in 2026 in nominal GDP in US dollar terms and maintain its position as the largest economy to 2050 (Economist Intelligence Unit, 2015).

However, doing business with China is challenging. The Chinese economy is cooling down. This has already largely impacted on European business in China. As a result, an increasing number of European companies in China identify the economic risk as their top three business risks. In addition, an anti-corruption campaign has been set out since the new leadership of China took over the government. This movement has led to arising concerns of the political risk in China.

Overall, the nature of Irish economy (export driven) and the significance of the Chinese market (for both Ireland and the world) have determined that there is no reason to ignore the business activities between Ireland and China. In addition, the changing business environment in China combined with economy slowdown and political uncertainty continues to pose new challenges and threats to European business who has to reconsider their approaches to ensure their profitability in China. It is nearly impossible to help Irish companies succeed in such an attractive but challenging country without understanding how Irish companies can successfully cope with the risks posed by the Chinese market. Therefore, the necessity of this research emerges. Therefore, this research has been carried out to investigate the unique business risks that Irish exporters have encountered in export business in Mainland China and the available risk management approaches for
Irish exporters to successfully cope with these risks. Though out the research 46 responses have been collected via interviews and questionnaires. Consequently, export risks including the most common export risks, the most frequent export risks and the relative solutions have been identified.
Chapter 1 Introduction
1.1 Introduction
This research investigates the changing and growing phenomenon of business risk. Business risk refers to an uncertain event that, if occurred, would damage the profit of a business. Hence, a deep understanding of how to manage business risks is crucial for every business.

After an extended economic recession, Ireland’s economy is once again growing (Central Statistics Office, 2015). The strong performance coming from the export sector is one of the key factors that insure the growth of the Irish economy (National Competitiveness Council, 2014). The significance of China, as the second largest economy, is increasingly acknowledged worldwide. It is forecasted that the Chinese market is going to play a more important role to Irish export business (HSBC, 2015). Therefore, it is necessary to ask what business risks have Irish exporters encountered in China and how Irish exporters can manage these business risks.

1.2 Research Aim
The aim of this research is to investigate the unique business risks that Irish exporters have encountered in export business in Mainland China and the available risk management approaches for Irish exporters to successfully cope with these risks.

1.3 Research Objectives
There are four research objectives set out to reach the research aim:

1) To investigate the common business risks that Irish companies might encounter when exporting to foreign markets.
2) To investigate the business risks that Irish companies might encounter when exporting to Mainland China.
3) To identify the unique business risks posed by Mainland China in comparison with those posed by other countries.
4) To investigate the available risk management approaches for Irish exporters to manage the risks identified by objective 3.

1.4 Research Rationale
The rationale for this research was inspired by the author’s personal interest in export business and the eagerness to acquire the knowledge of the business risk management in export business.
As a Chinese national, the author is currently living and studying in Ireland. With a strong intention to work in the export sector in the future, the author firmly believes that this research will not only benefit the Irish export industry, but also enable himself to get an insight into export business.

1.5 Background to Research

As a highly outward economy, Irish economy is largely driven by the performance of its export sector. The performance of the export sector crucially impacts on the quality of the Irish economy. According to the CSO, a significant jump has been witnessed since 2002 on Irish goods exports. In addition, Irish goods imports have decreased since 2007. Fortunately, both goods exports and imports are growing again after a long time of recession. But neither goods exports nor imports have reached their historical records ever since (Central Statistics Office, 2015).

Despite the recession, Ireland has maintained a strong business relationship with non-EU countries. More than 20% of Ireland’s GDP and nearly 30% of its GNP were created by exporting merchandise to non-euro countries in 2013. The most surprising aspect of the data is that Ireland’s total exports to Brazil, Russia, India and China increased nearly fivefold since 1997 in terms of value. (National Competitiveness Council, 2014). Further, several literatures have highlighted the importance of China for Irish export. Enterprise Ireland states that exporting to China can expand Irish export base (Enterprise Ireland, 2013). Asia Trade Forum highlights the huge potential of the Chinese market for Irish export sector (Asia Trade Forum, 2011). Along similar lines, HSBC Bank predicts that Irish exports to China will grow around 11% annually, which enables China to be the fastest growing export destination country for Ireland in the decade to 2030. It is also forecasted that China is going to become the fifth biggest Irish export destination by 2030 (HSBC, 2015). As the second largest economy in the world, it is expected that China will overtake the United States in 2026 in nominal GDP in US dollar terms and maintain its position as the largest economy to 2050 (Economist Intelligence Unit, 2015).

However, it does not necessarily mean that it is going to be easier to sell in China. The Chinese economy is cooling down. This has already largely impacted on European business in China. The concern that the Chinese economy downturn will deepen is rising. As a result, an increasing number of European companies in China identify the economic risk as their top three business risks. One contributing factor to the Chinese economy
slowdown is that the Chinese economy is experiencing a ‘paradigm shift’. In the past years, Chinese economy was driven by investments and exports, ‘which created unprecedented overcapacity levels and debt burden in most industrial segments’. Nowadays, China is trying to move up its position in the global value chain. To reach its goal, China is prepared for the ‘new normal’ which means a lower growth rate but much higher quality of economy growth in the foreseeable future (European Chamber, 2015).

In addition to a range of economy reform policies, an anti-corruption campaign has been set out since the new leadership of China took over the government. This movement has led to arising concerns of the political risk in China. David Shambaugh, a professor of Political Science and International Affairs at George Washington University, is one of the authorities on contemporary Chinese affairs and international politics and security of the Asia-Pacific region. He published an essay named ‘The Coming Chinese Crackup’ in the Wall Street Journal on March 6, 2015 arguing that the Chinese Communist Party’s rule in China is beginning to fall. In his essay, Shambaugh argued that the communist political system would end up in mess and violence for a long period of time (Shambaugh, 2015). In contrast, Daniel A. Bell argues that the collapse of the Chinese Communist Party is not likely to happen in the short term (Bell, 2015). In his article published in the Financial Times on June 21, 2015, he predicted that the Chinese Communist Party would still rule China in 2035 (Bell, 2015).

Overall, the nature of Irish economy (export driven) and the significance of the Chinese market (for both Ireland and the world) have determined that there is no reason to ignore the business activities between Ireland and China. In addition, the changing business environment in China combined with economy slowdown and political uncertainty continues to pose new challenges and threats to European business who has to reconsider their approaches to ensure their profitability in China. Therefore, the necessity of this research emerges. It is nearly impossible to help Irish companies succeed in such an attractive but challenging country without understanding how Irish companies can successfully cope with the risks posed by the Chinese market.

1.6 Key Definitions

1.6.1 China

The term China refers to the Mainland China in this research.
1.6.2 Risk, Business Risk and Export Risk

In this research, the term risk has come to be used to refer to business risks which are uncertain events that, if occurred, would damage the profit of a business. Further, business risk occurred in the process of export is termed as export risk.

1.6.3 Export

The term export refers to a process where all means are utilised by a business to sell goods, services or transferring technology from one country to another.

1.7 Summary

In this chapter, a brief introduction of the research has been presented along with the outline of the research aim and four research objectives. The importance of the research has been justified. The rest of this research will be presented in the following chapters:

- Literature review
- Methodology
- Findings
- Discussion and analysis
- Conclusions and recommendations
Chapter 2 Literature Review
2.1 Introduction

The aim of this literature review is to offer sufficient secondary information for investigating the business risks for companies exporting to foreign markets, especially China. The scope of the literature review includes topics as following:

- Business risk definition
- Types of business risk
- Business risk management
- Business risk in international business
- Foreign market entry modes
- Importance of export for Ireland
- Export risk

Business risk section defines what business risk is in general. Business risk management section offers a logic way to understand what risk is in general and how to manage it. Further, we look into different types of business risk, especially those existing within international business context.

2.2 Definition of Business Risk

Business risk is defined as "the possibility that a company will have lower than anticipated profits, or that it will experience a loss rather than a profit'. Factors influencing business risk include:

- Sale volume
- Per-unit price
- Input costs
- Competition
- Overall economic climate
- Government regulations

(Investopedia, 2015)

BUSINESS.GOV.IN term business risk as risk which means 'uncertainty of profits or danger of loss due to some unforeseen events in the future'. (Business Portal of India, 2015)
2.3 Types of Business Risk

Business risk is mainly divided into strategic risk, compliance risk, financial risk and operational risk.

- Strategic risk is the risk that occurs in operating in a certain industry, for example, the risk of emerging of new competitors in the market.
- Compliance risk is the risk related to politic environment, for example, the risk of regulation change.
- Financial risk occurs in the financial system of a business, such as non-payment by a customer.
- Operational risk is considered as the one associated with the operational process, for example, the risk that may occur in a supply chain.

In addition to these four main business risks, the introduction of the term market/environmental risk is identified. It occurs in the external environment where a business is operating, such as the risks of natural disasters and global financial crisis. (Small Biz Connect, 2010)

The government of India classifies business risks into two major types: Internal Risks and External Risks.

Internal Risks are caused by events emerging within the business and can usually be controlled. These events include:

- Human factors

  ‘They may result from strikes and lock-outs by trade unions; negligence and dishonesty of an employee; accidents or deaths in the industry; incompetence of the manager or other important people in the organisation, etc. Also, failure of suppliers to supply the materials or goods on time or default in payment by debtors may adversely affect the business enterprise.’

- Technological factors—changes in the technologies of production or distribution.
- Physical factors—such as damage or loss of goods during transport.

External Risks are caused by factors taking place outside of the business:
• Economic factors—such as changes in the demand for the product, price, and customer preference.

• Natural factors

‘They result from events like earthquake, flood, famine, cyclone, lightening, tornado, etc. Such events may cause loss of life and property to the firm or they may spoil its goods.’

• Political factors

‘They result from political changes in a country like fall or change in the Government, communal violence or riots in the country, civil war as well as hostilities with the neighbouring countries. Besides, changes in Government policies and regulations may also affect the profitability and position of an enterprise.’

(Business Portal of India, 2015)

Ducket and Gregory argue that there are ten categories of critical business risks:

1. **Financial** – ‘a type of risk that would be financial in nature...However, the financial area is not where the majority of the risk resides in most organizations, and as such Financial would be last on the list of key risk areas to be visited’

2. **Legal liability** – this includes anything a business can be sued for, also, legal liability constitutes a large part of the business risk

3. **Regulatory compliance** – risk caused by the change of regulations

4. **Corporate image** – risk may damage the company’s image

5. **Industry specific** - ‘Any type of risk that can be incurred by an organization that relates specifically to their ability to compete and to manage their market share effectively. In addition, it deals with any particular risks that are inherent in the industry itself’

6. **Data integrity and reliability** - ‘Risk that has far-reaching implications within any organization. It impacts information services and technology, everyday decision making within the business, the investing public’s confidence in its financial reporting, and numerous other aspects of the organization’

7. **Confidentiality of data**
8. Safeguarding proprietary data – the risk which caused by the failure of protecting business information such as 'formulas, designs, patent secrets, merger and acquisition information, strategic initiatives, customer lists, product cost structure, research and development, military tactics and manoeuvres, and so on'

9. Disaster recovery/contingency planning – situations in which the business cannot function

10. Operations - ‘Any risk that prevents a business or organization from delivering high quality products and services to its customers in a timely and cost-efficient manner’.

   (Duckert & Gregory, 2010)

2.4 Business Risk Management

Risk itself is a form of uncertainty which may lead to both positive and negative outcomes. Business Risk Management consists of understanding risk, risk mitigation and risk sharing. It is described as a method of effective management in the context where the future is unknown. The purpose of risk management is to optimize the outcomes of our decisions. Links between relevant events are termed as causal chain. In one causal chain, risk events (things that are possible to take place) and risk drivers (causes of risk events) can be identified. Not all risk events are under our control, and they are called external risk, such as change of government regulations and change of exchange rates. Those that can be controlled are called internal risk, such as operational risk and issues with supply. (Anderson & Edward, 2014)

Business Risk Management is conducted by the following steps:

- Identifying risks in business and assessing the possibility of these risks
- Designing solutions to react to risks and systemically responding to the consequences
- Measuring the outcome of business risk management methods and adjusts

   (Board of Trade of Metropolitan Montreal, 2009)

However, Anderson and Edward argue the entire process of Risk Management includes the following:

- Understanding risk so to identify risk drivers and risk events
11

- Risk mitigation so to reduce or eliminate the probability and the impact of risk events
- Risk sharing so to share the risk with another party, using tools such as insurance and contracts

(Anderson & Edward, 2014)

Once managers have identified risks in their businesses, the next stage of risk management is to evaluate the implications of the risks. According to the consequence and probability of each risk, managers can rank the risk as high, medium, low or even more detailed. Risk map is suggested as a risk management tool to help managers evaluate risks. The map has two dimensions: significance and likelihood/probability.

After understanding the most important risks, managers need to build systems and controls in their businesses to meet the challenges introduced by changing environment. This may include defining a decision making procedure when facing risks (Board of Trade of Metropolitan Montreal, 2009).

2.5 Business Risk in International Business

When operating in a foreign country, managers may face risks such as natural risk, legal risk, societal risk, political risk and governmental risk. (Hill, 2012) Risks involved in doing business internationally include political risk, legal risk, bribery and corruption risk, quarantine compliance risk, exchange rate risk (Corcoran, 2012) and non-payment risk. (Australian Trade Commission, 2015) Common risks encountered by exporters include currency risk, non-performance/delivery risk, credit risk, transfer risk (HSBC, 2014), country risk and transport risk. (Suncorp-Metway Ltd, 2014) Importers are facing the same categories of risks, but the details of the risks may be different. (Suncorp-Metway Ltd, 2014)

2.5.1 Business Risk in Doing Business in China

Due to the significance of the Chinese market, certain risks are introduced to businesses when trading with or operating in this market. These risks include culture difference, due diligence, high cost of doing business, inadequate infrastructure, government intervention, Chinese law and negotiation. (King, 2015) The UK government suggests the following areas to consider in term of risks that may occur when running a business in China: political and economic situation, human right, corruption, terrorism threat, cyber security, commercial disputes, intellectual property and organised crime. (Foreign
and Commonwealth Office, 2014) In addition, the risk of committing corruption is highlighted by many researches. Jim Barratt and Jimmy Ko state that foreign companies in China are exposed in front of the corruption risk. Especially, companies that have business ties with the UK and the US are emphasized. It is because these companies may be subject to the anti-corruption laws including the US Foreign Corrupt Practices Act and the UK Bribery Act. Other reasons include the Chinese business culture which means Guanxi and Giving face (Guanxi is termed as relationship building based on exchange of favours while Giving face refers to paying respect and sometimes it may lead to bribery actions); tax evasion; weak internal controls; and the use of third party agents (Barratt & Ko, 2013). Similarly, it is suggested by the Canadian Trade Commissioner that Guanxi is often the factor that increases the likelihood of a business committing corrupt practices in China, and foreign companies in China are more likely to be exposed in front of three risks which include fraudulent reporting, misappropriation of assets and lack of management integrity (Canadian Trade Commissioner, 2015).

**Case Study: The business risks that PM Group has encountered in China.**

Established in 1973, the PM Group is a leading engineering design, architecture, project and construction management company based in 18 locations having 2,100 members worldwide. It is doing projects in 30 countries (PM Group, 2011).

Due to the technical restriction on its licence posed by the Chinese regulations, PM Group cannot enter certain areas in the Chinese market. As a consequence, PM Group has to change its business model in China and the business it operates here is different from that in Singapore, India or Ireland. Despite these restrictions PM Group is able to execute a whole process of projects by building firm relationships and partnerships with both local and multinational entities.

Chinese culture in general is another potential risk for PM Group. Unlike most of its multinational clients, PM Group’s local team in China speaks Chinese instead of English. PM Group pays special attention to certain cultural aspects such as showing respect, being decent and polite to minimise their risk. (Enterprise Ireland, 2013)
Case Study: The business risks that Wilson Architecture has encountered in China


Frank O’Mahony, the managing director of the company, suggests that Chinese banking and legal systems are different from Irish ones, language barrier requires more attention because some important information can be easily mistranslated, market demand might be different and there is a risk of not getting paid in some cases (Enterprise Ireland, 2013).

2.6 Foreign Market Entry Modes

When a business considers expanding into a foreign market, it needs to choose a certain market, entry time and entry scale. Six basic entry modes can be used when a business decides to expand into another country:

- **Exporting** – ‘Manufacturing the product in a centralized location and exporting it to other national markets.’
- **Turnkey Projects** – ‘In a turnkey project, the contractor agrees to handle every detail of the project for a foreign client, including the training of operating personnel.’
- **Licensing** – ‘An agreement whereby a licensor grants the rights to intangible property to another entity (the licensee) for a specified period, and in return, the licensor receives a royalty fee from the licensee.’
- **Franchising** – ‘A specialized form of licensing in which the franchiser not only sells intangible property to the franchisee, but also insists that the franchisee agree to abide by strict rules as to how it does business.’
- **Joint Ventures** – ‘Establishing a firm that is jointly owned by two or more otherwise independent firms.’
- **Wholly Owned Subsidiaries** – Establishing a wholly owned subsidiary can be either setting up a new company in a host country or acquiring a local company. Either way, the parent firm owns all the stock.

(Hill, 2012)
When entering the Chinese market, Enterprise Ireland suggests following approaches:

- Direct export – Selling products directly to end-users, which is not recommended because of the high cost of the process in both time and effort.
- Distribution – Building partnerships with local companies to utilise their existing sales network and their up-to-date information of local market, policy and regulation.
- Selling online – Selling through China’s well developed online market. Driven by the development of mobile device usage and social media platforms, China’s online market reached 145 billion euro worth of transactions in 2012, which was 6.1% of total retail sales of consumer goods of the year.
- Joint ventures and mergers – Establishing joint ventures with Chinese partner to entry sectors that are restricted to wholly foreign owned entities and/or to utilise the resources and assets of Chinese partner (Enterprise Ireland, 2013).

EU SME Centre’s argument in favour of Enterprise Ireland runs as follows: there are three main ways of getting into Chinese market – direct exporting, indirect exporting and investing directly. Figure 2.1 provides an overview of the structure of board methods of Chinese market entry.

- Direct exporting refers to ‘to the shipment of goods, provision of service across borders or transfer of technology from one country to another directly to the end customer.’
- Indirect exporting refers to ‘selling goods to an intermediary based in your target market, who in turn sells your products to customers. Such intermediaries may include agents, distributors, licensors, franchisees etc.’
- Investing directly refers to ‘the establishment of a legal entity in another country for the purpose of expanding operations and/or production. Such entities may include wholly foreign-owned enterprises (WFOE, commonly known as WOFE), joint ventures (JV) and partnerships’.

Further, a distinction between agent and distributor. An agent is ‘a direct representative and is normally paid a monthly management fee and/or a commission to help represent and sell your product’ while a distributor ‘buys your products and then sells them on to customers through a third party or directly. Their income comes from the difference between their buying and selling price’.
Representative office is considered as an overseas liaison office of a company. It is not a legal entity. Thus, a representative office is not allowed to engage directly with any commercial activities for profit. However non-profit making activities are within the main scope of representative office work. For instance, such non-profit activities mainly include conducting market research and surveys, managing existing relationship, and facilitating communication between a headquarter and local contacts.

The term partnership refers to a foreign invested partnership which is 'an unlimited liability business entity without minimum requirements on registered capital'. It consists of: 'two or more foreign enterprises or individuals, or foreign enterprises or individuals and Chinese natural and legal persons or other organisations.'

(EU SME Centre, 2015)
2.7 Process of Exporting to China

According to EU SME Centre, ‘exporting refers to the shipment of goods, provision of services or transfer of technology across national borders’. The process of exporting to China depends on the product (goods, services or technology) itself.

2.7.1 Process of Exporting Goods to China

The process of exporting goods to China is shown in the figure 2.2.

Figure 2.2 Exporting goods to China; Source: EU SME Centre

2.7.2 Process of Exporting Services to China

The process of exporting services to China is shown in the figure 2.3.
2.7.3  Process of Exporting Technology to China

As explained by the EU SME Centre, ‘a technology transfer is the process of transferring patent rights (ownership of patent), rights to apply for patents, licences for the exploitation of patents (patent licence), technological know-how, technical secrets, as well as the provision of technical services and technology transfers in other forms.’ The process of exporting technology to China is shown in the figure 2.4 (EU SME Centre, 2013).
2.8 Importance of Export for Ireland

As a highly open economy, Ireland largely relies on the export sector. The performance of the export sector crucially impacts on the quality of the Irish economy. In addition to its traditional export markets, Ireland has a strong business relationship with non-EU countries. More than 20% of Ireland’s GDP and nearly 30% of GNP were created by exporting merchandise to non-euro countries in 2013. It can be seen from the data in the figure 2.5.

*Figure 2.5 Exports of goods, intra-EU and extra-EU (% GDP), 2013; Source: Ireland’s Competitiveness Scorecard 2014*

The major trade partners of Ireland are the US and UK. However, Ireland has a significant link with emerging markets including Brazil, Russia, India and China (BRIC). Ireland’s total exports to BRICs increased nearly fivefold since 1997 in terms of value. Irish exports, as a percentage of GDP, to BRICs has increased from 0.7% to 1.6%. This is illustrated in the figure 2.6.
'For a small open economy like Ireland, generating export-led growth is the only sustainable strategy to secure long term growth and prosperity. Our ability to export successfully represents one of the key indicators of competitiveness. At the same time, the growth in trade which accrues through strong international competitiveness offers the opportunity to expand our enterprise base and grow incomes on a sustainable basis.'

(National Competitiveness Council, 2014)

The CSO offers detailed statistics on Ireland’s annual goods exports and imports. A significant jump has been witnessed since 2002 on Irish goods exports. Similarly, Irish goods imports have decreased since 2007. Fortunately, both goods exports and imports are growing again after a long time of recession. However, neither goods exports nor imports have reached their historical records ever since. It is shown in the figure 2.7 and 2.8.
Figure 2.7 Goods exports and imports €m; Source: CSO

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
<th>Trade Surplus</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>18,204</td>
<td>15,832</td>
<td>2,372</td>
</tr>
<tr>
<td>1991</td>
<td>19,070</td>
<td>16,317</td>
<td>2,753</td>
</tr>
<tr>
<td>1992</td>
<td>21,260</td>
<td>16,754</td>
<td>4,506</td>
</tr>
<tr>
<td>1993</td>
<td>25,179</td>
<td>18,900</td>
<td>6,279</td>
</tr>
<tr>
<td>1994</td>
<td>28,891</td>
<td>21,945</td>
<td>6,946</td>
</tr>
<tr>
<td>1995</td>
<td>35,330</td>
<td>26,181</td>
<td>9,149</td>
</tr>
<tr>
<td>1996</td>
<td>38,609</td>
<td>28,479</td>
<td>10,130</td>
</tr>
<tr>
<td>1997</td>
<td>44,868</td>
<td>32,863</td>
<td>12,004</td>
</tr>
<tr>
<td>1998</td>
<td>57,322</td>
<td>39,715</td>
<td>17,607</td>
</tr>
<tr>
<td>1999</td>
<td>66,956</td>
<td>44,327</td>
<td>22,629</td>
</tr>
<tr>
<td>2000</td>
<td>83,986</td>
<td>54,960</td>
<td>29,026</td>
</tr>
<tr>
<td>2001</td>
<td>92,730</td>
<td>56,455</td>
<td>36,275</td>
</tr>
<tr>
<td>2002</td>
<td>94,059</td>
<td>55,106</td>
<td>38,953</td>
</tr>
<tr>
<td>2003</td>
<td>82,585</td>
<td>48,515</td>
<td>34,070</td>
</tr>
<tr>
<td>2004</td>
<td>84,949</td>
<td>51,557</td>
<td>33,392</td>
</tr>
<tr>
<td>2005</td>
<td>87,173</td>
<td>58,463</td>
<td>28,710</td>
</tr>
<tr>
<td>2006</td>
<td>87,497</td>
<td>63,833</td>
<td>23,664</td>
</tr>
<tr>
<td>2007</td>
<td>90,580</td>
<td>65,939</td>
<td>24,640</td>
</tr>
<tr>
<td>2008</td>
<td>88,503</td>
<td>59,336</td>
<td>29,168</td>
</tr>
<tr>
<td>2009</td>
<td>87,586</td>
<td>48,203</td>
<td>39,382</td>
</tr>
<tr>
<td>2010</td>
<td>90,924</td>
<td>48,695</td>
<td>42,229</td>
</tr>
<tr>
<td>2011</td>
<td>93,191</td>
<td>53,035</td>
<td>40,155</td>
</tr>
<tr>
<td>2012</td>
<td>93,507</td>
<td>55,061</td>
<td>38,446</td>
</tr>
<tr>
<td>2013</td>
<td>89,182</td>
<td>54,772</td>
<td>34,409</td>
</tr>
<tr>
<td>2014</td>
<td>92,469</td>
<td>60,607</td>
<td>31,862</td>
</tr>
</tbody>
</table>
In its report, the Asia Trade Forum suggested that Ireland should focus on the Asian market in addition to the EU and the US markets. China was recommended as one of the five priority Asian markets that Ireland needed to focus on. The other four markets were India, Korea, Japan and Malaysia.

‘No other country represents this simple truth better than China. Having overtaken Germany earlier this year to become the world’s biggest exporter, it has also recently out produced Japan to become the world’s second biggest economy. Recent reports forecast it overtaking the US to become the world’s largest economy by as early as 2020. The potential for Irish exporters is huge. Along with India, China will continue to be the single most important driving force of the region. To date, Irish goods exports increased by over 22% from 2003 to 2008, services exports by 87% over the same period.’

(Asia Trade Forum, 2011)

Enterprise Ireland also highlights the importance of the Chinese market. The trade between Ireland and China reached €8 billion in 2011, an 8.6% increase over 2010. (Enterprise Ireland, 2013) Increasing the export income from emerging markets such as China can help Ireland to expand its export base in the future. HSBC Bank predicts that Irish exports to China will grow around 11% annually, which enables China to be the
fastest growing export destination country for Ireland in the decade to 2030. China is also forecasted to become the fifth biggest Irish export destination by 2030. It is shown in the figure 2.9. China is forecasted to hit the fourth position of the most important import regions of Ireland by 2030 as illustrated in the figure 2.10.

\textit{Figure 2.9 Irish exports destinations; Source: HSBC Bank}

<table>
<thead>
<tr>
<th>Rank</th>
<th>2013</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>USA</td>
<td>USA</td>
</tr>
<tr>
<td>2</td>
<td>UK</td>
<td>UK</td>
</tr>
<tr>
<td>3</td>
<td>Germany</td>
<td>Germany</td>
</tr>
<tr>
<td>4</td>
<td>France</td>
<td>France</td>
</tr>
<tr>
<td>5</td>
<td>Japan</td>
<td>China</td>
</tr>
</tbody>
</table>

*Ranking among the 24 trade partners covered in the HSBC Trade Forecast

\textit{Figure 2.10 Irish import regions; Source: HSBC Bank}

<table>
<thead>
<tr>
<th>Rank</th>
<th>2013</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>UK</td>
<td>UK</td>
</tr>
<tr>
<td>2</td>
<td>Germany</td>
<td>USA</td>
</tr>
<tr>
<td>3</td>
<td>USA</td>
<td>Germany</td>
</tr>
<tr>
<td>4</td>
<td>France</td>
<td>China</td>
</tr>
<tr>
<td>5</td>
<td>China</td>
<td>France</td>
</tr>
</tbody>
</table>

*Ranking among the 24 trade partners covered in the HSBC Trade Forecast

\cite{hsbc, 2015}
2.8.1 China’s European Trade Partners

China’s top 10 biggest European trade partners in 2013, in terms of total value of imports:

1. Germany (USD 94.15569 Billion)
2. Switzerland (USD 56.07631 Billion)
3. Russia (USD 39.66783 Billion)
4. France (USD 23.10969 Billion)
5. United Kingdom (USD 19.07879 Billion)
6. Italy (USD 17.57379 Billion)
7. Belgium (USD 9.84807 Billion)
8. Netherlands (USD 9.82493 Billion)
9. Sweden (USD 6.98710 Billion)
10. Spain (USD 5.97183 Billion)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Total Value (USD Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Germany</td>
<td>94.15569</td>
</tr>
<tr>
<td>2</td>
<td>Switzerland</td>
<td>56.07631</td>
</tr>
<tr>
<td>3</td>
<td>Russia</td>
<td>39.66783</td>
</tr>
<tr>
<td>4</td>
<td>France</td>
<td>23.10969</td>
</tr>
<tr>
<td>5</td>
<td>United Kingdom</td>
<td>19.07879</td>
</tr>
<tr>
<td>6</td>
<td>Italy</td>
<td>17.57379</td>
</tr>
<tr>
<td>7</td>
<td>Belgium</td>
<td>9.84807</td>
</tr>
<tr>
<td>8</td>
<td>Netherlands</td>
<td>9.82493</td>
</tr>
<tr>
<td>9</td>
<td>Sweden</td>
<td>6.98710</td>
</tr>
<tr>
<td>10</td>
<td>Spain</td>
<td>5.97183</td>
</tr>
<tr>
<td>12</td>
<td>Ireland</td>
<td>4.19258</td>
</tr>
</tbody>
</table>

Table 1 China’s top 10 biggest European trade partners, 2013
As shown in the table 1, Ireland was ranked twelfth with the total value of exports to China at USD 4.19258 Billion. (National Bureau of Statistics of China, 2014)

2.9 Export Risk

Exports are known as supplying merchandises and/or services to customers in overseas markets. Therefore, export risks are defined as events that may occur in the process of exporting and the likely impact on the profitability of the exporting business. From the Swiss perspective, Lehmann, Hauser and Baldegger suggest 9 types of export risks:

1) Economic risks – ‘These occur if the currency in the home market strengthens in comparison with the currencies in the target markets, which reduces the value of earnings from foreign business.’

2) Legal risks – The risks related to law changes, uncertainty of the law and corruption in a host country.

3) Sales risks – The risks of change of customer needs and non-payment.

4) Political risks – ‘Political risks cover disturbances, strikes and conflicts which paralyse the business life of a country, cause sales to plummet and endanger staff.’

5) Competition risks – The greatest competition risk is product copying by competitors in a host country.

6) Staffing risks – The risks of low loyalty of employees in a foreign market.

7) Product risks – ‘Product risks occur in export business if products have to meet widely diverging needs and operate under greatly differing conditions.’

8) Natural risks – The risks like earthquakes, epidemics, volcanic eruptions, floods, landslides and storms.

9) Distribution risks – The risks of merchandise transportation, such as goods delayed, damaged and lost.

In this research, the respondents were asked about the risks that Swiss companies had faced in export business. The results from this can be seen from the data in the figure 2.11.
The Australian Trade Commission suggests that the following are the major export risks facing Australian businesses:

- **Political risk** – a politically unstable environment of an export destination country can disrupt or even stop export activities.

  *This type of sovereign risk might include defaults on payments, exchange transfer blockages, nationalisation of foreign assets, confiscation of property, changes in government policies or, in extreme instances, revolution and civil war.*

- **Legal risk** - this is mainly caused by the differences in Australian law and the law of export destination country.

- **Bribery, graft and corruption risk** - illegal in most countries such as the US, the UK and EU countries.

- **Quarantine compliance risk** - quarantine laws of import can differ from country to country.

- **Exchange rate risk** - changing exchange rates may enhance or erode profit margins for export business.
Non-payment risk - payment default may occur in different situations thereby damaging the cash flow of export business.

(Australian Trade Commission, 2015)

New Zealand Trade & Enterprise also list risks that a business may encounter when exporting to other countries, they include:

- Non-paying or late paying customers
- Damage to, or loss of your goods in transit
- Compliance with foreign regulations and standards
- Cultural and language differences
- Compliance with New Zealand and in-country tax laws
- Customs and quarantine clearance issues or unforeseen tariffs
- Foreign exchange and interest rate changes
- The need to increase capacity to handle unexpected demand
- Neglecting your New Zealand customers while you develop export markets
- Property ownership rights, including intellectual property protection
- Problematic relationships with contractors, distributors and agents
- Political instability and security concerns

(New Zealand Trade & Enterprise, 2015)

2.9.1 Political Risk in China

Political risk is mentioned by all the export risk researches above.

The United States Department of Commerce refers the term political and security risks to ‘political or criminal forces or events that can interfere with a business’ normal operations. Examples of political and security risks include expropriation, capital controls, breach of government contract, and adverse regulatory changes, as well as war, terrorism, and civil disturbance’.

Further, political and security risks are the combination of:

- **Transfer Risk** – ‘the risk of a government imposing restrictions on the movement of funds out of a country by private agents; these essentially are capital controls’
- Expropriation Risk and Government Action - ‘not only covers the risks of expropriation and breach of contract by the government, but also risks related to the (dys)functioning of the judiciary system and the risk of a possible negative change of attitude towards foreign investors’ (Delcredere | Ducroire, 2015)

- Risk of War and Crime – concerns of firm’s employees’ physical safety

- Disaster Risks – in this content, the term disaster risks is slightly different from natural risks suggested by Lehmann, Hauser and Baldegger. Disaster risks cover both natural risks and the concerns of if the country is able to handle these natural disaster.

By analysing the data from Delcredere | Ducroire (ONDD) and the Economist Intelligence Unit, the United States Department of Commerce assesses and evaluates different countries in the following figures.

*Figure 2.12 Political Risk Rating in Selected Countries, 2015; Source: the United States Department of Commerce*

Note: 1 to 7, with 7 being the highest risk

In comparison with the other six selected countries, China ranks the highest on war risk (3), the second on expropriation risk (5) and the third on transfer risk (2). It is described in the figure 2.12 above.
Note: Political Stability Risk refers to the ability a host country has to provide a stable political environment to protect the interests of businesses and investors.

Under political stability risk, China scores 55-70 (less stable) while the majority of Europe, the North America and Oceania scoring the lowest (most stable). It is shown in the figure 2.13 above.

Under transfer risk, China has the lowest level of risk. It can be seen in the figure 2.14 above.
Under security risk, China has second lowest level of risk. As shown in the figure 2.15 above.

(United States Department of Commerce, 2015)

David Shambaugh, a professor of political science and international affairs at George Washington University, is one of the authorities on contemporary Chinese affairs and international politics and security of the Asia-Pacific region. He published an essay named ‘The Coming Chinese Crackup’ in the Wall Street Journal on March 6, 2015 arguing that the Chinese Communist Party’s rule in China is beginning to fall. In his essay, Shambaugh argued that the communist political system would end up in mess and violence for a long period of time. However, he didn't predict when this demise would take place. He provided five ‘telling indications of the regime’s vulnerability and the party’s systemic weaknesses’:

First, affluent Chinese were prepared to leave China whenever the authority was trying to retrieve a large number of financial assets overseas transferred by ‘alleged financial fugitives’.

Second, under the leadership of Chinese President Xi Jinping, the political domination in areas ranging from the Internet to universities became more intense. Western values such as ‘constitutional democracy, civil society, a free press and neoliberal economics’ were not allowed to be advocated in public.
Third, people including loyalists and the public began to lose loyalty to the authority.

Fourth, the severest anticorruption movement led by Mr. Xi was risky because it targeted the political force of the former Chinese President to date and it did not solve the systemic problem which the author termed as ‘the single-party system, patron-client networks, an economy utterly lacking in transparency, a state-controlled media and the absence of the rule of law’.

Finally, China’s economy was trapped in several problems. Despite the launch of the economic reforms, it endangered many stakeholders including state-owned enterprises and local party officers. As a consequence, those stakeholders would not be the true advocators of it.

Overall, Shambaugh identified the previous five factors as signs of people lacking in confidence in the Chinese Communist Party, and the anxiety and insecurity of the Party itself. Based on this logic, the author argued that China’s political system was damaged and the Chinese Communist Party was fully aware. (Shambaugh, 2015)

Daniel A. Bell’s argument against David Shambaugh is as follows:

The collapse of the Chinese Communist Party is not likely to happen in the short term because the party’s rule is robust, the President has a good reputation among the public and so far there is no politician publicly challenging him. (Bell, 2015) In his article published in the Financial Times on June 21, 2015 Daniel A. Bell argued that the Chinese Communist Party was ‘neither communist nor a party’ but a meritocratic organisation. Further, he predicted that the Chinese Communist Party would still rule China in 2035. However, the name of the party would not be the same. (Bell, 2015)

2.9.2 Culture and Language Risk in China

Much of the current literature on exporting pays particular attention to culture and language risk management. Methods of managing this export risk, therefore, are introduced. Recent study suggests that it is crucial to understand Chinese business culture for an export business who is or will be exporting to China. It is argued that to be aware of a foreign business culture, a company should at least have basic knowledge of the business style, the language and the way of communications in that foreign country. (Export Start Guide, 2015) How to develop and maintain relationships with whom you are going to dealing with is a
key issue in Chinese business culture. Giving face (Xiao, 2011), which means showing respect to another party, is introduced as the most important way to manage a relationship in China. There are many ways to give face, such as avoiding public conflict, being humble, and giving toasts. It can be very time consuming to develop relationship in China, and drinking at Chinese banquets is a normal way to develop relationships with Chinese businessmen. Another thing should be noticed is that business meetings in China are also time consuming and sometimes with unclear goals. This is because the purpose of business meetings in China is to develop relationships. The language difference is highlighted as well. Due to the attribute of the Chinese language, the Chinese name (for both people and businesses) should be selected very carefully. A second translator is, therefore, recommended. (Enterprise Ireland, 2013) To help foreign companies select appropriate Chinese names, a naming framework is introduced by Marc Fetscherin, Ilan Alon, Romie Littrell, and Allan Chan by conducting a study on 100 multinationals. In this framework, four approaches are introduced for foreign companies to select their Chinese names: no adaptation, sound adaptation, meaning adaptation, and dual adaptation. (Marc Fetscherin, 2012) Other aspects of Chinese business culture are also paid attention. There are some common areas that a foreign company should fully aware: the hierarchical order in China, punctuality, and the Chinese Communist Party membership. Many firms in China hire Chinese Communist Party members to keep a good relationship with the Chinese government (ECOVIS, 2014).

2.9.3 Foreign Exchange Risk in China

When trading with countries outside of the EU, it is common to encounter foreign exchange risk for Irish companies. According to Corcoran, hedging is a solution to cope with the foreign exchange risk. A company can set the foreign exchange rate in advance, regardless of other market events. Depending on the level of the foreign exchange risk, a wide range of hedging solutions are available – a company can choose to completely hedge the risk or to partly hedge the risk. The most common way of hedging the risk is termed as Forward Contract. In a forward contract, a company reaches an agreement with their bank on the exchange rate of a pending international transaction. Also, building a good relationship with a banking partner is suggested as helpful. ‘Working closely with
a banking partner with strong correspondent banking relationships across the globe and sound trade finance capability, can help companies establish an international business network and crucially, facilitate payment for their services.’ (Corcoran, 2012) Similarly, Australian Trade Commission suggests hedging as one way to manage the foreign exchange risk. It also claims that accepting payment in the currency of a business’s home country is another way to manage this risk. However, it notes that this approach may not be accepted by customers, therefore, it may limit the number of customers a business can attract. (Australian Trade Commission, 2015) The disadvantage of using a foreign currency in China is also noticed by the EU SME Centre. It argues that comparing with companies who accept Chinese currency transactions, those who use foreign currencies are less competitive in China. Therefore, using Chinese currency RMB is encouraged. (EU SME Centre, 2014) Driven by export and import activities, RMB became the second most used currency overtaking Euro in 2013. More recently in 2015 the European market attitude has become more positive regarding RMB transactions. (HSBC, 2015) A much stronger confidence on RMB comes from the Asian market. Recent research shows that RMB has already become a ‘de facto regional trade currency’ in Asia. The usage of RMB of non-Chinese firms is increasing. 18% of firms in Asia claim that they will use RMB to settle 20%-50% of their transactions in the next five years (Economist Intelligence Unit, 2015).

2.9.4 Staffing Risk in China

In comparison to Europe, keeping a qualified employee is more difficult in China. Therefore gaining a strong loyalty from employees in China has led to much discussion. There are several ways to enhance an employee’s loyalty:

- Offering deferred bonus payments, housing allowances and mortgages for loyal employees
- Offering early promotions, external training programmes
- Working closely with local Chinese team
- Showing Chinese employees a clear vision
- Creating a good work environment.

(Enterprise Ireland, 2013)
2.10 China’s Market Geography

According to Enterprise Ireland, ‘China is an incredibly heterogeneous country, with vast geographic variations in language, peoples, industrial specialty and development level.’ One common mistake for many foreign SMEs is that they think of China as a singular market. It is recommended to focus on the ‘particular regions, provinces and/or second/third/fourth-tier cities’ that offer better opportunities for foreign SMEs to grow. The first tier cities have higher average salaries and disposable incomes than other cities (as a consequence, the first tier cities are more capable of purchasing foreign products), however these are also the locations where many international businesses have been competing within for years. In contrast, other regions, provinces and cities offer less competitive business environments.

Figure 2.16 Chinese first-, second- and third-tier cities; Source: Enterprise Ireland
The concept of classifying Chinese cities into different tiers is not an official system nor a clear concept. ‘First tier cities generally include China’s largest cities with the largest urban populations, including Beijing and Shanghai, Guangzhou, Shenzhen and sometimes Chongqing. Second-tier cities are often defined as the 23 provincial capitals and special administrative cities, and third-tier cities generally include prefecture level or county-level capitals.’ It is demonstrated in the figure 2.16 above.

A rank of emerging Chinese cities is suggested by the Economist Intelligence Unit. This rank aims at identifying the Chinese cities where business opportunities will emerge ‘as a result of rapid increases in populations, incomes, infrastructure and economic activity’.

It can be seen from the data in the figure 2.17 below, there has been a big shift on Chinese city development trend since 2010. Only 6 cities who were identified as emerging Chinese cities in 2010 remain in the top 20 in 2015. Also, it is obvious that at present more and more emerging cities are located in southwest in comparison with the 2010 data.

*Figure 2.17 Top 20 emerging Chinese cities; Source: Economist Intelligence Unit*
Further details of the top 20 emerging Chinese cities in 2015 is demonstrated in the figure 2.18 while the shifts in emerging cities index ranking from 2010 to 2015 is illustrated in the figure 2.19. (Economist Intelligence Unit, 2015) It is also suggested that Chinese cities are growing very fast and China has more urban centres in comparison with most western countries. (Stalk & Michael, 2011)

Figure 2.18 Emerging city rankings: top 20 cities, 2015; Source: Economist Intelligence Unit

<table>
<thead>
<tr>
<th>Overall ranking</th>
<th>City</th>
<th>Real GDP</th>
<th>Metropolitan population</th>
<th>Disposable income per head</th>
<th>Consumption expenditure per head</th>
<th>Fixed-asset Investment</th>
<th>Urban built area</th>
<th>Fiscal revenue</th>
<th>Foreign direct investment</th>
<th>Merchandise exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Guiyang (Guizhou)</td>
<td>1</td>
<td>46</td>
<td>16</td>
<td>7</td>
<td>19</td>
<td>5</td>
<td>22</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>Xiangyang (Hubei)</td>
<td>33</td>
<td>60</td>
<td>30</td>
<td>41</td>
<td>1</td>
<td>10</td>
<td>1</td>
<td>19</td>
<td>11</td>
</tr>
<tr>
<td>3</td>
<td>Hengyang (Hunan)</td>
<td>38</td>
<td>40</td>
<td>21</td>
<td>25</td>
<td>2</td>
<td>11</td>
<td>3</td>
<td>37</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>Chongqing</td>
<td>3</td>
<td>60</td>
<td>8</td>
<td>3</td>
<td>40</td>
<td>14</td>
<td>28</td>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>Suqian (Jiangsu)</td>
<td>16</td>
<td>1</td>
<td>5</td>
<td>5</td>
<td>79</td>
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Source: The Economist Intelligence Unit.
Similarly, Silverstein argues that Chinese rural areas are places where big business opportunities arise, just like Chinese cities. He claims that rural areas in China are not currently well developed, but this situation is improving at a fast pace. It is predicted that $1$ trillion consumer markets will arise among Chinese rural areas by 2020. Due to the fact that Chinese government is putting significant effort on developing rural areas, there is abundant room for further growth. (Silverstein, 2013) In contrast, the OECD highlights the gap of the living standards between urban areas and rural areas. To support its argument, the following factors are introduced as negative barriers for Chinese rural area development: average farm size, limited access to finance, low percentage of arable land per capita, abusing chemical fertilisers, low water efficiency, degradation of grassland, poor social welfare and lacking of health services.

‘In the agricultural sector, average farm size is very small, limiting the potential for mechanisation and economies of scale in production. Many smallholder farmers have difficulty accessing finance and there is scope for improvements in farmer education and technical assistance. China’s arable land per capita is low relative to other countries and the sustainability of farming is threatened by the overuse of chemical fertilisers, poor water efficiency and degradation of grassland. Rural residents aspiring to move to cities continue to face policy impediments. For those who remain in rural areas, social
welfare coverage is incomplete and health services lag significantly behind those in urban China.’

(OECD, 2015)

2.11 Conclusion

This literature review is carried out to offer sufficient secondary information for investigating the business risks for companies exporting to foreign markets, especially China. The following findings emerge from the current discussion:

- Business risks are uncertain events that, if occurred, would damage the profit of a business. Therefore, business risks are different from risks in general sense which can possibility lead to both positive and negative consequences.
- Based on different bases, business risks can be classified into many sub-groups.
- Business risk management is a process conducted for the purpose of optimising the final outcome of a business. It mainly consists of three steps: identifying business risks, assessing business risks and manage business risks.
- Foreign market entry strategy can be various. However, it is interesting that the concept of export can also be interpreted with different understandings.
- Export risk is a kind of business risk that occurs during the process of exporting. It can differ from country to country. Every country has its own understanding of export risks.
- Arising attention is paid to other areas apart from the first-tier cities in China. The other cities and rural areas may be another market where offers big opportunities for foreign businesses.

Overall, these studies highlight the need for investigations on questions including:

1. What export risks have Irish exporters encountered when exporting to overseas?
2. What export risks have Irish exporters encountered when exporting to China?
3. Is there any difference between the risks encountered by Irish exporters in China and in other countries?
4. How can Irish exporters manage these risks?

This study aims to provide answers to these four questions.
Chapter 3 Methodology
3.1 Introduction

This chapter describes the methods adopted to approach the research aim. This is to investigate the unique business risks that Irish exporters have encountered in export business in Mainland China and how Irish exporters can successfully cope with these risks. In this chapter, the author will outline the research methods used in this research, and detail the answers to why and how the certain methods are used in this research. In addition, the author will justify a range of aspects of the research. These aspects include research validity, reliability and ethics, and the concerns of the methods taken.

3.2 Research Philosophy

The aim of this research is to investigate the unique business risks that Irish exporters have encountered in export business in Mainland China and how Irish exporters can successfully cope with these risks. To reach this research aim, four questions have to be answered. Firstly, what are the common business risks that Irish companies have encountered when exporting to foreign markets in general? Secondly, what business risks have Irish companies encountered when exporting to Mainland China? Third, what business risks are posed by Mainland China in comparison to other countries? Lastly, what risk management approaches are available to Irish exporters to successfully cope with these risks in Mainland China? During the process of the research, it is important to consider what the nature of reality is and what knowledge is acceptable.

The underlying research philosophy adopted in this research is pragmatism. According to Mark Saunders, Philip Lewis and Adrian Thornhill, ‘the importance of an idea are its practical consequences’ (Saunders, et al., 2012). In this pragmatist research, the author wants to understand the phenomena of business risks in China and thereby provide practical recommendations to Irish exporters to manage these risks. All the intention of the research is for the purpose of practice. Further, there is no single point of view can give the full picture of the research questions. This is determined by the nature of business risk. The factors that cause business risks are complex and various. In a dynamic business environment, different factors may lead to a same risk, and there is usually more than one solution to manage it. For instance, product loss can be caused by transport issues or theft issues, and it can be managed by choosing another delivery method or by purchasing theft insurance.
3.3 Research Type

This research is descriptive in that it illustrates the business risks for Irish companies exporting to Mainland China and the approaches that Irish companies can adopt to engage with. According to Martyn Denscombe, ‘a description can provide the basis for research in its own right’ and a descriptive research is ‘to portray particular cultures or experiences in depth and in detail, allowing the texture and subtlety of the situation to become visible’ (Denscombe, 2014). The emphasis of this research is on providing details about what the business risks in China are, and how often it happens. It has no intention to investigate the acute reason why certain risks would occur nor the detailed process of how certain risks arises. Again, this is determined by the nature of business risk. The factors that cause business risks are complex and various. In a dynamic business environment, different factors may lead to a same risk. Therefore, it is more realistic to adopt a descriptive method in this small-scale research. The main methods adopted in this descriptive research are: questionnaires, interview and documentary research.

3.4 Research Approach

The approach adopted in this research is induction. There are three research approach options: deduction, induction and abduction. To choose the most suitable approach, it is necessary to understand the different directions that different research approaches will lead us to.

In a deductive research, the conclusion comes along logically when all the assumptions are examined to be true and there is no logical gap between the assumptions (KETOKIVI & MANTERE, 2010). Existing theory is evaluated or tested through a deductive research progress. It is suggested that ‘if your research starts with theory ..., and you design a research strategy to test the theory, you are using a deductive approach’ (Saunders, et al., 2012). However, there is no existing theory on what specific business risks are for Irish companies exporting to Mainland China, nor how Irish companies can manage these risks. And this research is not carried out for the purpose of testing an existing theory. Thus, deduction is not a suitable approach for this research.

In abduction research, a fact is usually observed first and a set of premises that can explain this fact are generated. Specifically, data is collected to “explore a phenomenon, identify themes and patterns, to generate a new theory, or modify an existing theory which you subsequently test through additional data collection”. (Saunders, et al., 2012)
However, the aim of this research is to investigate the unique business risks that Irish exporters have encountered in export business in Mainland China and the available risk management approaches for Irish exporters to successfully cope with these risks. Questions such like why do different risks occur is not necessary to be answered to reach the research aim. Therefore, abduction is not suitable for this research neither.

In an inductive research, there will be gaps between the logical arguments, but the conclusion is justified by the observations made (KETOKIVI & MANTERE, 2010). In such a research, data are collected to explore a phenomenon and untested theory is built. ‘If your research starts by collecting data to explore a phenomenon and you generate or build theory, then you are using an inductive approach’ (Saunders, et al., 2012). In this research, specific data is collected from a number of Irish exporters to generate a conclusion on what unique risks have been encountered by Irish exporters in China. Therefore, the research approach taken in this research is induction.

3.5 Research Methodological Choice
The methodological choice of this research is multiple methods research. To justify this choice, it is necessary to understand the differences among quantitative, qualitative and multiple methods.

One of the differences between quantitative and qualitative is the type of data used in research. Quantitative research uses numeric data, such as numbers, to test or develop theories. It is usually conducted through highly structured data collection methods, for example, closed-ended questionnaires. In contrast, qualitative research uses non-numeric data such as words or images. Qualitative research can be conducted through various methods such as interviews, observation or documents.

Multiple methods research is a combination of both quantitative research and qualitative research. It usually uses two or more techniques to produces and analyses data. Therefore, multiple methods research is likely to overcome the disadvantages caused by using single method.

In this research, the researcher uses questionnaires (consisting of both closed-ended questions and open-ended questions), interviews and documents to investigate how Irish exporters can manage business risks when they export to Mainland China. Quantitative research is unlikely to provide the researcher with a deep understanding of the real
business world neither can qualitative research provide objective and comprehensive insight of the topic. It is therefore necessary to adopt multiple methods research to enhance the research.

3.6 Research Strategy

Research strategy is a link between the research philosophy and subsequent methodology choices (Denzin & Lincoln, 2005). It is also understood as a plan to reach a specific research ambition. The strategy used in this research is survey.

Multiple methods is termed as a research design ‘using more than one data collection technique and analytical procedure to answer your research question’ (Saunders, et al., 2012). In this research, more than one data collection technique is adopted for the purposes of the research:

- The first questionnaire referred to Questionnaire One was distributed to relevant experts (such as consultants, academics, etc.) who are working in the export relevant industries but do not directly take part in export business.
- The second questionnaire referred to Questionnaire Two is distributed to Irish companies in export sector.
- Interviews are set out with two Irish export companies.
- A range of secondary data are used to enhance the research. It should be noted that the use of secondary data in this research are not included in an archival research strategy. According to Hakim, the data used in an archival research strategy are day-to-day record (Hakim, 2000).

3.7 Sample

Due to the time and budget constraints, it would be impractical for this research to survey the entire possible research population which, in this research, refers to the full set of Irish export business. A non-probable sample of Irish export companies has been chosen while the author uses purposive sampling as the sampling technique.

Purposive sampling is be used for Questionnaire One, Question Two and the interviews to both the Irish export companies and the relevant experts. Purposive sampling enables the author to use his judgement to select suitable cases. More specifically, maximum variation sampling is used.
3.8 Use of Secondary Data

Secondary data is referred as ‘data that have already been collected for some other purpose’ (Saunders, et al., 2012). Various pieces of secondary data are used in this research. These data include documentary data and multiple source data. The secondary data used in this research include organisation’s databases, newspapers, government publications, journals, organisation’s reports.

3.9 Interview

Two interviews have been set out with two Irish companies who export to other countries. The first interview was conducted on Saturday 18th July 2015 face-to-face with Edward Egan, Business Development Manager at KC Sports & Leisure. Initial contact was made in person.

The second interview was conducted on Wednesday 5th August 2015 face-to-face with Joe Connaughton, CEO at Townapps. Initial contact was made via phone. It was explained in advance that the participation was not compulsory; all information collected would be confidential and for academic purposes only. The permission of recording was granted by the interviewees, therefore the two interviews were recorded by phone. The first interview lasted around 35 minutes while the second lasted approximately 20 minutes. The two interviews offered much richer and comprehensive insight into export business and business risk management in relation to export business. Both interviewees had an opportunity to give their own opinions on the export risk.

3.10 Questionnaire

As explained previously, two questionnaires have been distributed to experts and Irish exporters to collect their opinions on export risk. The Questionnaire Two distributed to Irish exporters were used to gain the crucial information. The Questionnaire One distributed to Xiaojing Yue was used as an alternative way instead of interview to gain a richer information.

This method enabled the research to collect data from a larger group of Irish exporters cross various industries and locations.
3.10.1 Questionnaire Design

To design the questionnaires properly, there were some considerations that were kept in the author’s mind. The questionnaires were designed closely related to the research objectives. Further, the questionnaires were designed to collect data effectively. Therefore, a mixture of various questions were used in the questionnaires. These questions included open, closed, list and rating questions. Before the questionnaires were distributed, a pilot study had been conducted to test the questionnaires in terms of accuracy and few corrections had been made to enhance the quality.

3.11 Participants

The participants of the Questionnaire Two and interviews were selected by following criteria:

- The participants must be based in Ireland.
- The participants must have experience with exporting goods, service or technology from Ireland.

3.12 Distribution

There were a range of options on how to distribute the questionnaires. The author distributed the questionnaires through the Athlone local office of Enterprise Ireland, and online via web page and email. The interviews were both carried out face-to-face. However, the author offered a range of choices to participants, which included face-to-face, email, telephone, social networks and skype. Eventually, the distribution of interviews was determined by participants.

3.13 Validity & Reliability of Data

There are weaknesses in each research method, therefore, triangulation is necessary. Triangulation is termed as the use of multi data collection techniques within one piece of research to ensure that the data makes sense (Saunders, et al., 2012). The data collected include both quantitative and qualitative data and it offers a good way to understand and explain the findings.
3.14 Ethical Considerations

Various methods have been taken to ensure the research would not cause any negative consequence regarding the participants through the following:

- All participants were provided full details of the research.
- The investigation was conducted in a voluntary manner.
- The confidentiality and anonymity was fully protected.
- All the findings of the research were presented honestly.

3.15 Researcher Bias

The author has paid intense attention to personal bias. The author has lived in China for a long period of time and therefore has his own view on many aspects of China. Hence, the author believes that triangulation offers a good way to reduce this bias.

3.16 Limitations

The author was aware of the limitations of the research:

- Response rates could be higher. The author has sent emails and made phone calls to enhance the response rate. However, this research was carried in a voluntary manner. 44 questionnaires have been collected. There room to improve the research with a higher response rate would enhance the quality of the research.
- More interviews are needed to enhance validity. The author attempted to interview more industry professionals, unfortunately only 3 agreed to take the interview. In addition, Xiaojing Yue from Enterprise Ireland eventually chose to do a questionnaire instead.

3.17 Summary

This chapter clearly outlines and justifies the philosophy and the chosen methodologies used in the research. The ethical considerations and the limitations of the research have been discussed while a range of actions have been take to ensure the quality of the research.
Chapter 4  Findings
4.1 Introduction
In this chapter, the research findings of the primary research are presented. According to the methodology chapter, this research is conducted through two interviews and two web-based questionnaires. All the findings are categorised under two types—qualitative analysis and quantitative analysis respectively. The findings of the two interviews and open-ended questionnaire are presented under qualitative analysis section while the findings of the closed-ended questionnaire is presented under quantitative analysis section.

4.2 Qualitative Analysis
The findings of the two interviews and questionnaire are presented in this section. The full transcripts of the interviews are available in the appendix. All the qualitative findings are categorised under varying topics.

In the interviews, export refers to both direct export and indirect export, and China refers to Mainland China. The two interviewees are Joe Connaughton, the CEO of Townapps and Edward Egan, the sales executive of KC Sports & Leisure.

Townapps exports phone apps to the UK, the US and Canada. KC Sports & Leisure exports clothing to Germany, Italy and Romania while importing raw material from the UK, Germany and China.

One open-ended questionnaire was distributed to Xiaojing Yue, the China Market Advisor in Enterprise Ireland.

4.2.1 Foreign Market Entry Modes Adopted by Irish Exporters
The two interviewees were asked how their companies entered the foreign markets. According to the two interviewees, these two Irish companies entered their foreign markets by modes including the acquisition of a foreign business, building partnership with a local agent and using the already existing business network of the company’s current client.

Townapps entered the UK market by acquiring a British company. “How we managed to get into the UK market was the acquisition of an app development company. We were using the services of the app development company in the UK that had a number of apps. We basically bought them out” said Joe Connaughton.
Townapps entered Canada and the US by building partnership with a local agent. According to Joe Connaughton, “That was through a guy, an Irish guy was based in Canada ... We kept him abreast of what was going on and then we offered him shareholding in our business and in return he’s delivering of the market”.

KC Sports & Leisure entered other European markets by using the existing business network of its client. “Through a client that was based in Dublin. The main point of contact is its Dublin office. But they have offices through Europe. We started to deal with the first office which was in Dublin and then we started to deal with other offices within the company and other companies”, said Edward Egan in the interview.

4.2.2 Presence in the Foreign Market
Presence in this research refers to representative offices, local agents and employees, etc.

In the interviews, the two interviewees were asked whether they had any presence in their foreign markets and their opinions on the necessary of having a foreign presence. Both interviewed companies claimed that they did not have any physical presence in their foreign markets and they did not think this situation affected on their business at current circumstance.

Townapps does not have any physical presence in the UK, but it has the UK phone number and address as the indication of a presence and it has online presences in its foreign markets including the UK, the US and Canada. Joe Connaughton stated “when we took over the UK business, they allowed us to use their address. So we have their address and we have a UK phone number that is ported to our number here, our business here, in Ireland” and “we have invested heavily in .CA website, .CO.UK website and .US website. We have a social media strategy to connect, on LinkedIn, with people as best as we can”.

Joe Connaughton did not think having a physical presence in the foreign market is critical for the business. However, he thought having an indication of presence in a foreign market was important. “It’s online business but it does have to have an indication of presence”. “I suppose having a very good online presence is hugely important”.

KC Sports & Leisure does not have any presence in its foreign markets. As Edward Egan claimed, “it’s just shipping”.
Having presence in a foreign market for KC Sports & Leisure is not attractive because of the cost of the expansion, according to the interview. “At the moment, it wouldn’t be cost-effective to expand to other countries. Because it’s not like we have a unique product that nobody else can do. There are already companies probably in Europe and all other places that would do the same. So we just end up, probably, not able to compete on price because it has to charge extra for shipping”.

4.2.3 Business Risks for Irish Exporters
Business risk, in this research, refers to any possible event that if occurred would negatively impact on a company’s profitability.

The two interviewees were asked what risks had they encountered when exporting to foreign markets to date. A few risks were identified by the two interviewees during exporting to other countries:

Lacking of the knowledge of local business and trust issue – ‘I suppose the risks are not knowing the physical business or person, or not having a local trusted person on the ground. So you have to...say when we are doing business in Ireland, we know, for example, some part of Ireland, we know what’s the area is and we may be able to communicate with that better because we could immediately start our conversation regarding we know about them and they know about us. When you are dealing with somebody in the UK or Canada, you just do not know who they are. It is really a trust issue’, stated Joe Connaughton from Townapps.

Protecting the intellectual property ownership – “The only thing is probably you are trying to protect your image”, claimed Joe Connaughton. In addition, Edward Egan stated that “very rarely we get intellectual property issue. But we have got some problems like we’ve done some works for students in some colleges and some colleges have said that we haven’t got the permissions to use their logos. That was the problem that we had to give 50% of what we took on that sales back to college for using their logo without permission. That would be one issue, but very rarely it happens”.

Lacking of the brand awareness – “A big market means a lot of people competing from business to business. For customers, they think ‘okay, who is this Irish company’”, answered Joe Connaughton.
Foreign exchange rate risk – “Another risk is dealing with different currencies, especially sterling and dollar. You are going to invest in their currency and accept the payment whatever the way your customer needs, whatever suits them”, stated Joe Connaughton.

Along similar lines, Edward Egan argued “if the rates change, we can end up potentially have a lot of revenue, a lot of money tied up”.

Issues with local partners or agents – “When we appoint a local partner, the local partner is tasked of things to do, including getting the app downloaded and used in the area. If they are not really willing to put their effort in, they do not succeed which means our apps won’t succeed. It is partnership and you rely very much on that”, claimed Joe Connaughton.

Non-paying or late paying customers was one of the export risks identified by KC Sports & Leisure. “There is always a possibility”.

Cultural and language differences – “We deal, sometimes, with Germany and France. So they would have (this risk)”, claimed by Edward Egan.

4.2.4 The Most Frequent Risk in Export Business

Further, the two interviewees were asked which risk was most likely to happen.

Townapps stated that brand awareness in a foreign market took place most frequently. “Most likely is that you do not get noticed”.

KC Sports & Leisure claimed that “non-paying and late paying customers” was common to take place.

Similarly, both companies argued that risk related to foreign exchange rates often occurred. According to Joe Connaughton, “another risk is dealing with different currencies, especially sterling and dollar. You are going to invest in their currency and accept the payment whatever the way your customer needs, whatever suits them”.

Edward Egan stated “for us is the foreign exchange rate because we deal so much with the UK”.

4.2.5 Factors that Impact on Irish Exporter’s Decision on whether to Export to China in Next Five Years

The two interviewees were asked if they would increase their export to China in next five years and what concerns they had with exporting to China.
Both interviewees claimed that they would like to export to China in the future. In comparison with Townapps, KC Sports & Leisure was less interested in exporting to China.

According to the interviews, there were certain concerns for the two companies:

- **Issue with finding a reliable local partner** – “The biggest one would be building trust from both sides”, claimed Joe Connaughton.
- **Issue with intellectual property ownership** – “That local Chinese company could say ‘we’ve learned everything from them and now we can do it ourselves’”, said Joe Connaughton.
- **Issue with strong competition in China** – “The product like clothing in China it can be bought and made for much lower price”, stated Edward Egan.
- **Issue with export cost** – “You really need an office, staffs and to set up in China, which again you nearly need a new factory over there and produce from China. It won’t be a smart business to move there. You need to invest a lot of money to have it in China”, claimed Edward Egan.

One open-ended questionnaire was distributed to Xiaojing Yue, the China Market Advisor in Enterprise Ireland. In the questionnaire, Xiaojing Yue was asked about the trend of Irish exports to China in the next five years and the factor(s) that would impact on an Irish companies' decision to export to China.

Xiaojing Yue claimed that the export from Ireland to China would increase in next five years. “Yes, according to the CSO, for example in 2012 China was Ireland’s 7th largest trading partner (biggest in Asia), and is predicted to become Ireland’s 4th largest trade partner globally by 2030.”

Xiaojing Yue explained the factors that would impact on Irish companies' decision on whether to export to China:

“Irish companies saw the market opportunities, - China is 2nd largest economy in the world with GDP growth of 9.6 (2008), 9.2 (2009), 10.04 (2010), 9.3 (2011), and 7.8 (2012). - To share the ‘big’ pie - potential market & sales - Globalization, barriers become narrower i.e. cultural, language, distance, time differences.”
4.2.6 Business Risks for Irish Companies When Exporting to China

Several risks were identified by Xiaojing Yue who also claimed that all of these risks were serious.

“1) To sell the product/service/technology with a clear USP and good reference within Europe and/or US. 2) Do the homework, market research. 3) To find a right Chinese partner(s). 4) To expect the different business culture 5) set up a legal entity in China. 6) To get the right staffs”

4.2.7 The Most Frequent Risk When Exporting to China

Further, Xiaojing Yue was asked which risk occurred most frequently and which risk occurred least frequently in China market.

Xiaojing Yue stated that risks related with “find a right Chinese partner” and “set up a legal entity in China” took place most frequently while “economic, natural disaster etc...” occurred least frequently in China market.

4.2.8 The Uniqueness of the Business Risks Posed by China

According to Xiaojing Yue, business culture is the most unique risks posed by China. “Business culture, to build up a trust relationship first before doing business in China”, argued Xiaojing Yue.

4.2.9 The Risk Management Methods for Irish Exporters When Exporting to China

Xiaojing Yue stated that “to understand Chinese business culture and to have the right expectation and commitment”. Xiaojing Yue also suggested that “due diligence check on the partner need to be done via third party research company in China” and “a third party/ professional service company in China could help” with setting up a legal entity in China.
4.3 Quantitative Analysis

The findings of Questionnaire Two are graphically presented in this section. All the findings are grouped for each question, and presented under varying themes.

The second questionnaire was distributed to Irish exporters online. As per the methodology chapter, the questionnaire was distributed via email to 30 Irish exporters who were exporting to China, and via social network website (LinkedIn) to Irish exporters. 43 responses were collected and the findings from these are as follows.

4.3.1 Percentage of Irish Exports to China

35% (N=15) of respondents are currently exporting to China while 65% (N=28) of respondents are not. Based on whether they were exporting to China, they are asked different following questions. It is illustrated in the figure 4.1.

4.3.2 Irish Exports to Non-China

28 respondents who are not currently exporting to China were asked the following questions.

4.3.2.1 Export destination countries of Irish companies who do not export to China

Among 28 respondents who do not currently export to China, they are exporting to countries including the UK, France, the US, Canada, Germany and 22 other countries and regions. It is shown in the figure 4.2 below.
4.3.2.2 Business risks for Irish companies exporting to these foreign markets

The 28 respondents were asked what risks they encountered when exporting to foreign markets excluding China. As described in the figure 3.3, the risks encountered by Irish exporters in foreign markets including: 71.4% (N=20) of respondents have experienced problematic relationships with contractors, distributors and agents, 57.1% (N=16) of respondents have experienced the issue with non-paying or late paying customers, 46.4% (N=13) of respondents have experienced the foreign exchange and interest rate changes risk, 42.9% (N=12) of respondents have experienced the cultural and language differences risk, 25% (N=7) of respondents have experienced the risks including damage to, or loss of their goods in transit and the need to increase capacity to handle unexpected demand, 21.4% (N=6) of respondents have experienced the risk of property ownership rights, 17.9% (N=5) of respondents have experienced the risk of compliance with foreign regulations, laws and standards, 14.3% (N=4) of respondents have experienced the risks including neglecting your domestic customers while you develop export markets and political instability and security. Only 7.1% (N=2) and 3.6% (N=1) of respondents have experienced the risks including customs and quarantine clearance issues or unforeseen tariffs and other (lacking of market awareness) respectively.
4.3.2.3 The degree that Irish companies intend to export to China in next five years

The 28 respondents were asked to which degree they intend to export to China in the next five years. 46% (N=13) will export to China in next five years. 32% (N=9) are not sure about whether they will make the decision to export to China. In contrast, only 11% (N=3) are absolutely sure to export to China in the next five years and similarly 11% (N=3) will not do so. No respondent completely rejected the possibility of exporting to China in the next five years. It is illustrated in the figure 4.4 below.

Figure 4.3 General business risks for Irish companies exporting to foreign markets

- Problematic relationships with contractors, distributors and agents
- Non-paying or late paying customers
- Foreign exchange and interest rate changes
- Cultural and language differences
- Damage to, or loss of your goods in transit
- The need to increase capacity to handle unexpected demand
- Property ownership rights, including intellectual property protection
- Compliance with foreign regulations, laws and standards
- Neglecting your domestic customers while you develop export markets
- Political instability and security concerns
- Customs and quarantine clearance issues or unforeseen tariffs
- Other
4.3.2.4 Factors that impact on Irish companies’ decision on whether to export to China in the next five years

Further, the 28 respondents who do not currently export to China were asked what would concern them if they were going to export to China. 9 have cost concerns. 7 have concerns regarding the laws, regulations and standards difference. 6 have concerns about market research, entry and competition. 5 have concerns about local partner issues, language and culture difference, and marketing and demand issue respectively. 3 have concerns about foreign exchange rate changes and transport issues. In contrast 2 have concerns about intellectual property ownership and only 1 has concerns about staffing.

It is shown as the figure 4.5 below.
4.3.3 Irish Exports to China

For the 15 respondents who are currently exporting to China, they were asked the following questions.

4.3.3.1 Chinese market entry modes adopted by Irish companies (apart from direct exporting)

To enter the Chinese market, multi entry modes are adopted by Irish companies. 6 established wholly owned subsidiaries in China. 3 established joint ventures. 2 licensed the rights to intellectual properties to Chinese companies. 1 entered the Chinese market by turnkey projects. 1 adopted franchising. 5 adopted other modes with 4 establishing representative offices in China and 1 finding local agents and distributors.

It is described in the figure 4.6 below.
4.3.3.2 The percentage of turnover created by exporting to China for Irish companies

8 (54%) respondents have 10% - 29.99% of their turnover created by exporting to China. 2 (13%) respondents have 30% - 49.99% of their turnover created by exporting to China. 2 (13%) respondents have 50% - 80% of their turnover created by exporting to China. 1 (7%) respondent has less than 10% of their total turnover created by exporting to China. No respondents’ turnover created by exporting to China is above 80% of their total turnover. 2 (13%) respondents did not answer.

It is shown as the figure 4.7 below.
4.3.3.3 The presence of Irish companies in China

11 (73.3%) respondents have a physical presence in China with 4 (26.7%) respondents not having so.

It is illustrated as the figure 4.8 below.
4.3.3.4 The location of Irish presence

According to the 11 respondents from the Irish companies who have a presence in China; 5 are located in Shanghai, 2 are located in Beijing and the rest are located in other cities including Kunming, Shenzhen, Suzhou, Guangzhou, Dalian and Chongqing.

It is described in the figure 4.9 below.

![Figure 4.9 The location of Irish presences](image)

4.3.3.5 The degree that Irish companies intend to increase their export to China in next five years

The 15 respondents who export to China were asked to what degree they intend to increase their Chinese exports in the next five years. 11 (73.3%) respondents are absolutely going to increase their exports to China. 2 (13.3%) respondents will increase their exports to China. 2 (13.3%) respondents are not sure on whether to increase their exports to China. In contrast, no one definitely will not increase their exports to China.

It is shown as the figure 4.10 below.
4.3.3.6 Business risks for Irish companies when exporting to China

12 (80%) respondents have experienced the cultural and language differences risk. 10 (66.7%) respondents have encountered the risk of compliance with foreign regulations, laws and standards. 9 (60%) respondents have encountered problematic relationships with contractors, distributors and agents. 8 (53.3%) respondents have had issues with foreign exchange and interest rate changes. 6 (40%) respondents have had issues with non-pay or late paying customers, and the need to increase capacity to handle unexpected demand. 5 (33.3%) have encountered the issues with property ownership rights. 4 (26.7%) have experienced the damage to, or loss of their goods in transit. 3 (20%) have encountered the customs and quarantine clearance issues or unforeseen tariffs. Only 1 (6.7%) has had the issues of political instability and security concerns, with another one (6.7%) neglecting Irish customers while developing the Chinese market respectively. 3 (20%) have experienced other risks including marketing, brand awareness, and staffing.

It is demonstrated in the figure 4.11 below.
4.3.3.7 The risk occurs most frequently when exporting to China

5 (33.3%) respondents claim the risk of cultural and language differences happens most frequently. 2 (13.3%) respondents claim compliance with foreign regulations, laws and standards, or the need to increase capacity to handle unexpected demand happens most frequently. 1 (6.7%) respondent claims each of the risks including non-paying or late paying customers, damage to, or loss of goods in transit, foreign exchange and interest rate changes, property ownership rights, problematic relationships with local businesses.
and other (brand awareness). No claim occurred for any of the risks regarding customs and quarantine clearance issues or unforeseen tariffs, neglecting the domestic customers while developing the Chinese market, and political instability and security concerns.

It is shown as the figure 4.12 below.

*Figure 4.12 The risk occurs most frequently*
5 (33.3%) respondents claim political instability and security concerns occurs least frequently. 2 (13.3%) claim each of the risks including non-paying or late paying customers, compliance with foreign regulations, laws and standards, the need to increase capacity to handle unexpected demand, neglecting the domestic customers while developing the Chinese market, and other (staffing and marketing) to occur least frequently. No respondent claims the risks including damage to, or loss of goods in transit, cultural and language differences, customs and quarantine clearance issues or unforeseen...
tariffs, foreign exchange and interest rate changes, property ownership rights, and problematic relationships with local businesses.

It is shown as the figure 4.13 above.

**4.3.3.9 The most serious risk that if occurred would impact on the profitability of Irish companies**

*Figure 4.14 The most serious risk that if occurred would impact on the profitability of Irish company*  

3 (20%) respondents claim the risks including the compliance with foreign regulations, laws and standards, and foreign exchange and interest rate changes would be the most serious impact on the profitability of Irish company. 2 (13.34%) respondents claim that each of the risks including non-paying or late paying customers, damage to, or loss of your goods in transit, cultural and language differences, and problematic relationships with contractors, distributors and agents would be the most serious impact. Only 1
(6.66%) respondent claims the need to increase capacity to handle unexpected demand to be the most serious impact. No one claimed any of the risks including customs and quarantine clearance issues or unforeseen tariffs, neglecting your domestic customers while you develop export markets, property ownership rights, including intellectual property protection, political instability and security concerns and others to be the most serious impact. It is illustrated in the figure 4.14 above.

4.3.3.10 The risk tolerance

8 (53%) respondents cannot tolerate any risk; 6 (40%) respondents can tolerate some certain risks including nature disaster, problematic relationships with contractors, distributors and agents, exchange rate, Chinese culture and branding. 1 (7%) respondent did not answer this question.

It is described in the figure 4.15.

![Figure 4.15 The risk tolerance](image)

4.3.3.11 Other export destination countries of Irish companies

Figure 4.16 reviews the export destination countries of respondents. 5 (33%) of respondents only export to China whereas 10 (67%) export to other countries or regions. These countries or regions include: Cyprus, Central Asia, Uzbekistan, Korea, Vietnam, worldwide, the UK, Brazil and Thailand (1 respondent for each); the US, Australia, India,
Japan and Russia (2 respondents for each) and 1 respondent who did not specify the destination country.

Figure 4.16 Other export destination countries of Irish companies

4.3.3.12 The unique risks posed by China

10 respondents were asked whether China had posed any unique risks in comparison with other foreign markets. 8 (80%) think that China poses unique risks whereas only 2 (20%) do not think there is any unique risk posed by China.

It is illustrated in the figure 4.17 below.

Among the 8 respondents who believe China poses unique risks; 6 specified the unique risk to be the business culture and language difference, 1 specified it as the wrong market target and strategy and 1 said the company’s image could be used by other local business.

It is shown in the figure 4.18 below.
Figure 4.17 Does China pose any unique risks?

Figure 4.18 The unique risks posed by China
4.4 Summary

So far the paper has focused on presenting the key findings from the primary research under two main sections including qualitative analysis and quantitative analysis. 46 responses have been collected in the primary research through questionnaires and interviews. Further details of the interviews and questionnaires are available in the appendices. In the following chapter, the findings of the primary research will be discussed by combining and comparing them with the findings of secondary researches introduced in the literature review chapter.
Chapter 5 Discussion and Analysis
5.1 Introduction
The main focus of this chapter is on the interpretation of the results presented in the previous chapter containing the findings. This research has been conducted to investigate the unique business risks that Irish companies have faced in export business towards Mainland China and how Irish companies can manage these risks. 46 responses have been collected in the primary research through questionnaires and interviews. The findings of the primary research will be discussed under different themes together with the author’s own view. Also other secondary research findings will be used to facilitate the discussion.

5.2 The Importance of Export for Ireland
The available evidence seems to suggest that it is critical for Ireland to enhance its export performance. Ireland is one of the most open members in the EU with more than 50% (€89,182 million) Ireland’s GDP (Central Statistics Office, 2015) and around 65% of Ireland’s GNP were created by exporting goods in 2013. In more specific terms, more than 20% of Ireland’s GDP and nearly 30% of Ireland GNP were fulfilled by exporting merchandise to non-euro countries in 2013. Ireland has a significant link with emerging markets including Brazil, Russia, India and China (BRIC). Ireland’s total exports to the BRIC countries increased nearly fivefold since 1997 in terms of value. Irish exports, as a percentage of GDP, to the BRICs has increased from 0.7% to 1.6%. (National Competitiveness Council, 2014)

5.2.1 The Importance of Export to China for Ireland
The results of both the primary and secondary researches provide confirmatory evidence that the Chinese market should be given special attention. As the biggest exporter and the second largest economy in the world (Asia Trade Forum, 2011), China has a remarkably high growth rate regarding imports from Ireland. (Enterprise Ireland, 2013) It is also expected to be the fifth biggest export destination and fourth biggest import region for Ireland by 2030. (HSBC, 2015) As found in the primary research, nearly one third (N=15) of 46 respondents are currently exporting to China. More than a half of these (N=8) 15 participants have made 10%-29.99% of their total turnovers by exporting to China. The vast majority of them are going to further increase their exports to China in the next five years. For the rest of the two thirds (N=30) of participants who are not currently exporting to China, a very positive result has been found – more than a half
(57%) of these participants are going to export to China in the next five years. There are certain concerns considered by Irish exporters when making decisions on whether to export to China. These concerns include:

- Finding a reliable local partner
- Intellectual property ownership
- Export cost
- The laws, regulations and standards differences
- Market research, entry and competition
- Language and culture difference
- Marketing and demand issue
- Foreign exchange rate changes
- Transport issue
- Staffing

Overall, it is reasonable to believe that China is becoming one of the most important export destinations for Ireland and the importance of the Chinese market should never be underestimated.

5.3 Strategies to Enter a Foreign Market

One interesting finding is that there seems to be a confusion on the definition of exporting. Hill claims exporting as a separate foreign market entry mode coming along with five other foreign market entry modes including turnkey projects, licensing, franchising, joint ventures and wholly foreign owned subsidiaries. (Hill, 2012) In contrast, the EU SME Centre argues that licensing and franchising are included in exporting while joint ventures and wholly foreign owned subsidiaries are included in investing. Particularly, the EU SME Centre classifies exporting into direct and indirect exporting. (EU SME Centre, 2015) Enterprise Ireland intends to see direct export, distribution, selling online and joint venture as different ways to export in general. (Enterprise Ireland, 2013) A clear definition should be drawn on exporting.

On the basis of the evidence currently available, it seems fair to suggest that there are three different levels of concept regarding how exports are defined. The first level, which is also the narrowest, refers to the shipment of goods, services or transfer of technology from one country to another directly. The second level, which is wider than the first level
but narrower than the third level, can be defined as selling goods, services or transfer technology directly or indirectly without involving any forms of investment in export destination countries including representative offices, foreign invested partnerships, joint ventures or wholly foreign owned entities. The third level, which is the widest, takes into account all activities that are utilised by a business to sell goods, services or transferring technology from one country to another. Unless otherwise stated, in this research, the term export is used in its broadest sense to refer to all activities that are utilised to sell goods, services or transferring technology from one country to another. The figure 5.1 offers an overview of the difference among the three levels of export.

*Figure 5.1 The three levels of export*

This study suggests that multiple strategies are adopted by the participants to enter Non-China foreign markets. Analysis of the findings in this study has identified the following strategies adopted by Irish exporters:

- Mergers and acquisitions. Townapps entered the UK by acquiring a local business.
- Local agents and distributors. To enter the US and Canada, Townapps offered shareholding to a Canada based agent.
• Partnership with existing clients who have presence overseas. KC Sports & Leisure export to European countries by using the overseas offices of its current client. After reaching these overseas offices, more overseas customers are found.

5.3.1 Strategies to Enter China

Referring to the findings of the primary research, the participants entered China by using the following strategies:

• Wholly owned subsidiaries. To establish a legal entity in China and own 100% stock of it.
• Representative offices. To establish a representative office in China.
• Joint ventures. To establish a joint venture with a Chinese partner.
• Turnkey projects. To set out a turnkey project in China by contracting a local business to handle a project for an Irish exporter
• Licensing. To grant the rights to intellectual properties to a company based in China.
• Franchising. To franchise a China based company.
• Direct exporting. To sell goods and service or transfer technology directly from Ireland to China.

What is surprising is that no Irish exporters surveyed export to China through the online market which is recommended by Enterprise Ireland (Enterprise Ireland, 2013). The EU Centre claims that China overtook the US to become the world biggest digital market in 2013. (EU SME Centre, 2014) Currently there is no further evidence to explain why there is no Irish exporter exporting to China through the online market. However, a possible hypothesis are considered by the author as shown below.

According to the EU SME Centre, there are four basic modes for European exporters to sell online to China. However, there are some certain problems for European exporters that they may face in each of the four modes.

• Independent website outside of China. The possible issues for European exporters include designing a tailored website for Chinese customer in terms of language and credit card payment system; long delivery time and high delivery cost; compliance with Chinese law.
Independent website in China. The possible issues for European exporters include high cost of website maintenance; compliance with Chinese law; need for an importer.

Third-party e-commerce website outside of China. The possible issues for European exporters include weak customer preference; localisation.

Third-party e-commerce website within China. The possible issues for European exporters include unfamiliarity with Chinese e-commerce websites; language barrier; specific requirement posed by different Chinese e-commerce websites.

(EU SME Centre, 2015)

As an EU country, exporters in Ireland are also likely to be exposed to the same problems as discussed above. Therefore, these factors may be a possible explanation for the fact that no Irish company surveyed in this study exports to China through the online market.

5.3.2 Irish Presence in China

Most (73%) Irish exporters who are currently exporting to China have a local presence. The locations of these Irish presences are all in the first-tier and second-tier Chinese cities (Enterprise Ireland, 2013). Only 2 cities with an Irish presence (Kunming and Chongqing) have been identified as the top 20 emerging cities with significant increases in populations, incomes, infrastructure and economic activity (Economist Intelligence Unit, 2015). Therefore, more Chinese cities with a huge economic potential have been left untouched by Irish exporters. There is abundant room for further progress in determining whether Irish export businesses should get into these untouched emerging Chinese cities.

5.4 Overview of the Export Risk for Irish Exporters

Referring to the literature mentioned in the literature review chapter (Business Portal of India, 2015), it is clear that business risks are uncertain events that, if occurred, would damage the profit of a business. Therefore, business risks are different from risks in general sense which means the possibility to both loss and win. The scope of the studies on business risks is very broad. In the primary research, the scope of business risks is limited within export business. Considering the definition of export risk introduced by Lehmann, Hauser and Baldegger (Lehmann, et al., 2013), it is reasonable to argue that any business risk occurred during the export process is export risk. The findings of the
primary research provide confirmatory evidence that certain export risks have been encountered by Irish companies in their export business. In no particular order, these export risks identified in the primary research are:

- Lacking of the knowledge of local market (This risk include lacking of the knowledge of local business, and lacking of local market research)
- Marketing risk (Due to the fact that brand awareness is mainly associated with brand marketing, this risk may be classified into marketing risk)
- Non-paying or late paying customers
- Cultural and language differences
- Problematic relationships with contractors, distributors and agents (The issue of trust mentioned in the interviews can be classified into this risk, because trust with local business is one aspect of the relationship between Irish exporters and foreign businesses)
- Foreign exchange and interest rate changes risk
- Damage to, or loss of their goods in transit
- The need to increase capacity to handle unexpected demand
- Property ownership rights
- Compliance with foreign regulations, laws and standards
- Neglecting domestic customers while developing export markets
- Political instability and security
- Customs and quarantine clearance issues or unforeseen tariffs
- Staffing risk
- Entering a foreign market with unclear unique selling points

The risks occurred during the process of setting up a legal entity in a foreign country, as Xiaojing Yue suggested, may be divided into the specific risks listed above.

In comparison to the literature discussed in the literature review chapter, some export risks identified in the primary research are different from those encountered by exporters in other countries:

- Lacking of the knowledge of local market
- Marketing risk
- Entering a foreign market with unclear unique sell point
In contrast, certain export risks not identified in the primary research include: economic risks, product risks, natural risks (Lehmann, et al., 2013), and bribery, graft and corruption risk (Australian Trade Commission, 2015).

The figure 5.2 below offers an overview of the identified export risks encountered by Irish exporters in this research. It can be seen from the data that there are four risks which are most common in terms of the times of being mentioned:

- Problematic relationships with contractors, distributors and agents. 31 participants claim they have experienced this risk.
- Cultural and language differences. 26 participants have encountered the risk of cultural and language differences.
- Non-paying or late paying customers. This risk has been identified by 23 participants.
- Foreign exchange and interest rate changes risk. Similarly, foreign exchange and interest rate change risk has also been identified by 23 participants.

Four risks are identified to be less common. Their frequencies of being mentioned range from 15 to 11 times.

- Compliance with foreign regulations, laws and standards
- The need to increase capacity to handle unexpected demand
- Property ownership rights
- Damage to, or loss of their goods in transit

By contrast, seven risks are rarely mentioned by the participants. The frequencies of these being mentioned range from 1 to 5 times. These risks include neglecting domestic customers while developing export markets; political instability and security; customs and quarantine clearance issues or unforeseen tariffs; marketing risk; lacking of the knowledge of local market; staffing risk; and entering a foreign market with unclear unique sell point.
Figure 5.2 Export risks overview

- Problematic relationships with contractors, distributors and agents
- Cultural and language differences
- Non-paying or late paying customers
- Foreign exchange and interest rate changes
- Compliance with foreign regulations, laws and standards
- The need to increase capacity to handle unexpected demand
- Property ownership rights, including intellectual property protection
- Damage to, or loss of your goods in transit
- Neglecting your domestic customers while you develop export markets
- Political instability and security concerns
- Customs and quarantine clearance issues or unforeseen tariffs
- Marketing risk
- Lacking of the knowledge of local market
- Staffing
- Unclear USP
5.4.1 The Common Export Risks for Irish Exports to Non-China Countries

30 Irish exporters who are not currently exporting to China have been surveyed in the primary research. The findings of primary research suggest that 13 certain export risks are posed to the 30 participants who export to overseas markets excluding China. The figure 5.3 gives an overview of these 13 risks.

Figure 5.3 The Export Risks for Irish Exports to Non-China Countries
Therefore the most common export risks for Irish exports to Non-China countries are identified in the order of the number of occurrences with the most common first:

- Problematic relationships with contractors, distributors and agents. The risk of have problematic relationships with contractors, distributors and agents has been mentioned by 21 (70%) participants.
- Non-paying or late paying customers. The risk of non-paying or late paying customers has been named by 17 (56.7%) participants.
- Foreign exchange and interest rate changes risk. This risk has been posed to 15 (50%) participants.
- Cultural and language differences. 13 (43.3%) participants have encountered the risk of cultural and language differences.

The findings of the primary research also suggests that the export destination countries for the participants are mainly European countries and the North America. Unsurprisingly, the traditional Irish exports destination countries such as the UK and the US, are still attractive to the participants.

5.4.2 The Common Export Risks for Irish Exports to China

16 respondents including Xiaojing Yue (the China Market Advisor in Enterprise Ireland) and 15 Irish exporters who are currently exporting to China have participated in the primary research. The findings of primary research suggest that 16 certain export risks are posed to the participants when exporting to China. The figure 5.4 below gives an overview of these 16 risks. Therefore the most common export risks for the participants are identified in the order of the number of occurrences with the most common first:

- Cultural and language differences. This risk has been named by 13 (81.3%) participants.
- Compliance with foreign regulations, laws and standards. 10 (62.5%) participants have had the experience with the risk of compliance with foreign regulations, laws and standards.
- Problematic relationships with contractors, distributors and agents. This risk has also been mentioned for 10 times.
- Foreign exchange and interest rate changes risk. 8 (50%) participants have talked about the foreign exchange and interest rate changes risk.
It has been suggested that China is performing poorly in terms of political stability (United States Department of Commerce, 2015) however according to the research this does not appear to be the case.
5.4.3 The Unique Export Risk for Irish Exporters Posed by China

10 of the 15 Irish exporters who export to China also export to other countries. The vast majority (80%) of them believe the Chinese market poses unique risks to their business. 6 specified the unique risk being the business culture and language difference, 1 specified it as the wrong market target and strategy and 1 claimed the company’s image could be used by other local business. Xiaojing Yue also suggested the Chinese business culture as a unique risk posed by China. These risks can be classified into three risk categories:

- Culture and language difference
- Lacking of local business knowledge
- Intellectual property ownership rights

In addition, a comparison has been made between the common risk in other countries and the common risk in China to examine if there are extra unique risks. Two risks have been identified as unique export risks in China. These risks are:

- Staffing
- Entering the Chinese market with unclear unique selling points

5.4.4 Export Risk Evaluation for Irish Exports to China

The next stage of risk management is to evaluate the implications of the risks. According to the consequence and probability of each risk, it can be ranked as high, medium, low or even more detailed. Risk map is suggested as a risk management tool to evaluate risks. (Board of Trade of Metropolitan Montreal, 2009)

5.4.4.1 The frequent export risks for Irish exports to China

It is necessary here to clarify the difference between common risks and frequent risks. Common risks, in this research, are considered as risks that have been encountered by a large proportion of Irish exporters whereas frequent risks are those who have high probabilities to occur in an export business. If an earthquake occurred, for example, it would impact on numerous companies in that certain area, but it might only occur once in a long period of time. In that case, an earthquake may be a common risk rather than a frequent risk. On the other hand, a frequent risk may occurs every day but it does not necessarily occur in every business. For instance, the risk of language difference may occur every day in an export business who does not have a good translator, but for an
export business who have a good translator, it will not be a problem. In this case, the risk of language difference is considered as a frequent risk.

*Figure 5.5 The most frequent risks*

![Bar chart showing the most frequent risks]

So far the discussion has been discussing the common risks. A further research focus has been put on investigating the frequency of the export risk occurred when Irish companies exporting to China. According to the primary research, the most frequent risks have been identified. The figure 5.5 above provides a summary statistics for the most frequent risks. The least frequent risks have been identified as well. The figure 5.6 below gives an overview of the least frequent risks.
What is interesting in this data is that some risks have been identified as both the most and the least frequent risks. For example, risks like compliance with foreign regulations, laws and standards, and the need to increase capacity to handle unexpected demand have been found as both the most and the least frequent risks. However, it is not as conflicting as it can be seen from the data. This is because of the attribute of the frequent risk that it may occurs every day in some certain businesses but it does not necessarily occur in every business. The reasons why a certain risk occurs in a business much frequently than in others can be various depending on the nature of a business itself. For example, whether the risk of foreign exchange rate changes would be a frequent risk for a business are highly depending on whether this business accepts foreign currency payments. If this business does not accept foreign currency payments, then the risk of foreign exchange rate changes is much less likely to arise. To develop a full picture of the frequent export risks for Irish exports to China additional studies on this topic will be needed. For the
purpose of this study, the further discussion will not focus on the risks that are identified as both the most and the least frequent risk.

Figure 5.7 The frequency of export risks

To make it clearer, a comparison of the frequencies of export risks for the participants is presented in the figure 5.7 above. As discussed in the literature review chapter, the frequency of each export risk can be ranked from low to high on a risk map (Board of Trade of Metropolitan Montreal, 2009). Therefore, the rank of the export risk in terms of frequency is:

- High level for culture and language differences;
- Medium-high level for problematic relationships with local businesses; foreign exchange and interest rate changes; damage to, or loss of goods in transit; and property ownership rights;
- Medium level for customs and quarantine clearance issues or unforeseen tariffs;
- Medium-low level for staffing; economic risk; nature disaster risk; neglecting your domestic customers while you develop export markets;
• Low level for political instability and security concerns.

5.4.4.2 The significant export risks for Irish exports to China

The significant risks are those if occurred would seriously impact on a business in a negative manner. The available evidence shows that not all risks are considered significant. There are 4 risks which have been paid particularly attention by the 16 participants. The figure 5.8 provides a summary statistics for the topic.

Again, each of these risk can be ranked on a risk map in terms of significance (Board of Trade of Metropolitan Montreal, 2009):
- High level for compliance with foreign regulations, laws and standards; culture and language differences; foreign exchange and interest rate changes; and problematic relationships with local businesses.
- Medium level for non-paying or late paying customers; and damage to, or loss of goods in transit.
- Low level for the need to increase capacity to handle unexpected demand; entering Chinese market with unclear unique selling points; Lacking of the knowledge of local market; and staffing.

5.4.4.3 The risk map
Risk map is introduced as a risk management tool to evaluate risks in order to optimise the risk management strategy. Combining the significance level with the frequency level, the location of a risk on a risk map can be identified (Board of Trade of Metropolitan Montreal, 2009). At this stage of, four risks which are clearly identified on both frequency and significance can be drawn on the risk map. It is shown in the figure 5.9 below.

- Both problematic relationships with contractors, distributors and agents, and foreign exchange and interest rate changes have been ranked as medium-high level of frequency and high level of significance.
- The risk of damage to, or loss of goods in transit has been ranked as medium-high level of frequency and medium level of significance.
- The risk of staffing has been ranked as medium-low level of frequency and low level of significance.
According to the discussion above, it is reasonable to suggest that the risks including problematic relationships with contractors, distributors and agents, and foreign exchange and interest rate changes Irish exporters should be fully aware of whereas the risk of staffing is not a major risk for Irish exporters who are exporting to China.

5.5 Implications of Findings for Irish Exporters who export to China

So far, the findings of the primary research provide an overview of the export risks encountered by Irish exporters. The unique export risks posed by the Chinese market are also identified. Irish exporters, especially who are or who will be exporting to Mainland China, should be prepared for these export risks. In the following discussion, the focus will be put on how Irish exporters can successfully cope with the most common risks and the unique risks identified previously.

The risk caused by culture and language differences between Ireland and China is exceptional. It occurs in the most (81.3%) of Irish export businesses. To successfully cope with this risk, Irish exporters need to gain a basic understanding of the Chinese business style, Chinese language and the manner with which the Chinese communicate (Export Start Guide, 2015). As mentioned in the literature review chapter, “relationship” is a highly valued phenomena in the Chinese business culture. It is one of the key factors to success in China. Xiaojing Yue suggests that Irish exporters should develop a trusting
relationship with Chinese businesses before conducting business in China. Building a trusting relationship with a Chinese business is very time consuming. Irish exporters should expect a long process of relationship development. Enterprise Ireland suggests that common ways of relationship development are gift giving, favours and sharing meals. In addition, there are other aspects of Chinese business culture that Irish exporters should pay attention to.

Giving face (Xiao, 2011), which means showing respect to another party, is introduced as the most important way to manage a relationship in China. To give face, Irish exporters should: avoid open conflict with another party; be humble in front of others; politely tolerate some mistakes; and give toasts in occasions such as Chinese banquets. For future business partners, Chinese banquet and business meeting are two common ways to communicate (Enterprise Ireland, 2013). Sending email as the sole communication medium is not encouraged with Chinese partners. Other aspects of Chinese business culture that Irish exporters should be aware of: the hierarchical order in China, punctuality, and the Chinese Communist Party membership (ECOVIS, 2014).

Chinese language is another major concern for Irish exporters. Due to the attribute of Chinese, the Chinese name should be selected very carefully. A second translator is usually recommended as some important information may be left untranslated or wrongly translated (Enterprise Ireland, 2013). Irish exporters can adopt four approaches to select Chinese names for their businesses: no adaptation, sound adaptation, meaning adaptation, and dual adaptation (Marc Fetscherin, 2012). They are presented in the figure 5.10 below.

Compliance with Chinese regulations, laws and standards is another major (62.5%) risk for Irish exporters. China’s legal system is still developing at a fast pace. Inconsistency of the legal system exists between local level and national level. It can easily cause confusion for Irish exporters. EU SME Centre provides three detailed processes to help European exporters to cope with this risk. Three processes apply to goods export, service export and technology transfer (EU SME Centre, 2013). These processes clearly identify the relative requirement needed in each step. In addition, ownership rights protection, especially intellectual property protection, is closely related with China’s legal system. It is highly suggested that before getting into the Chinese market Irish exporters should register their intellectual property rights in advance. According to the EU SME Centre,
Irish exporters should make sure that their intellectual property rights are registered in Ireland first, and then China. To manage the risk of ownership rights, more approaches are recommended: establishing presence in China to monitor the infringement of intellectual property; allowing local businesses to monitor infringement by setting relevant legal terms; getting assistance from professionals; and applying for an OHIM industrial design application (Enterprise Ireland, 2013).

Figure 5.10 Four naming approaches Irish exporters can take; Source: Harvard Business Review
The risk of problematic relationships with contractors, distributors and agents is the third major common risk for Irish exporters. It has a high level of significance and medium-high level of frequency. According to the primary research, Irish exporters are advised to build a trusting relationship with a future partner before doing business in China. Also, due diligence that checks on the partner needs to be done via third party research company in China. Due diligence is an action which is used to get information of another party, usually a potential business partner, to access whether a future business decision should be made. The information here include financial, legal, operational and reputational information. By doing due diligence, Irish exporters are able to check their potential partners’ situations including administration status, legal condition, company finance condition, operation condition and reputation record.

The risk of foreign exchange and interest rate changes plays an important role in export business. Similarly, it has a high level of significance and medium-high level of frequency. As discussed in the literature review chapter, solutions available for Irish exporters to manage this risk are: hedging the risk, accepting Euro transaction, or RMB transaction. To hedge this risk, most common way is to set a forward contract with a bank. This forward contract enables an Irish exporter to complete an international transaction in an already settled exchange rate (Corcoran, 2012). Accepting Euro transaction is an option for Irish exporters, but it has an obvious disadvantage. Normally this is not accepted by international customers (Australian Trade Commission, 2015). According to the primary research, both companies interviewed are not using Euro to make international transactions. It is suggested to use RMB in export business in China. Accepting RMB transactions can make Irish exporters more competitive in China and lower the transaction cost (EU SME Centre, 2014). HSBC also suggests that RMB is increasingly internationalised and foreign businesses can use third-party professional services to manage their RMB accounts both within and outside of Mainland of China (HSBC, 2015).

The primary research suggests another unique export risks in the Chinese market: lacking of local business knowledge and entering the Chinese market with unclear unique selling points. If a business is ill-prepared in terms of market research, it is more likely to fail in China. According to the findings from the primary research, it is very important for Irish exporters to enter the Chinese market with a good reference within Europe and/or the US. Doing sufficient market research before getting into the Chinese market is a must.
Enterprise Ireland recommends that seeking local advice in China is essential. Having a local team on the ground and conduct market research locally are also recommended (Enterprise Ireland, 2013).

*Risks including damage to, or loss of goods in transit, and staffing risk are not identified as high level risks in terms of frequency and significance. However, it does not mean they should be underestimated. The EU Centre provides an analysis of three available modes of transport (EU SME Centre, 2014). It is presented in the figure 5.11 above. Adequate transport mode should be choose to reduce the risk of damage to, or loss of goods in transit. Using insurance is another way to manage the risk during transport. To cope with the staffing risk, several ways are available to enhance an employee’s loyalty: offering deferred bonus payments, housing allowances, and mortgages for loyal employees; providing early promotions, external training programmes; working closely with Chinese market side; showing Chinese employees a clear vision and creating a good work environment (Enterprise Ireland, 2013).*

### 5.6 Limitations

It is important to keep in mind is that this research has been carried out to investigate what unique business risks the Chinese market pose to Irish exporters and how Irish exporters can successfully cope with these risks. Some limitations have been encountered during the process of this research.

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The amount of participants is one of the limitations of the research for practical reasons. 46 responses in total have been collected though questionnaires and interviews. However, it is not representative enough of the whole population of Irish exporters. Another limitation is that the sample used for questionnaire survey is not specified into a specific industry. The export risks encountered by Irish exporters may differ depending on the industry where they are competing within. Lastly, the author has been fully aware of personal bias and effort has been made to keep the whole work objective.

5.7 Recommendations for Future Research

It has been discussed previously that certain limitations have been encountered during the process of this research. This research does not provide a deep insight into specific industries. Therefore, future research would be recommended to investigate the export risks occurred in a specific industry for Irish exporters and how Irish exporters can successfully cope with these risks.

During the process of this research, new questions are also emerging. These questions include why no Irish exporter surveyed is exporting to China through the online market; and whether Irish export businesses should explore emerging Chinese cities market. Further studies, which take these variables into account, will need to be undertaken.

5.8 Summary

The results of this investigation show that Irish exporters have encountered various export risks when exporting to overseas markets. As a highly attractive export destination country, the market in Mainland China is still involving at a very fast pace. It poses unique export risks for Irish exporters. Combining the findings of both primary research and secondary researches, risk management methods have been introduced for the outstanding export risks.

The majority of the findings from the primary research share a similarity with the findings in the literature review. All previous researches suggest that there are certain export risks for exporters. Although these export risks may differ from country to country, exporters nowadays still share many of the same export risks. In this research, Irish exporters surveyed have shared most of same export risks with exporters from New Zealand.
There are some variations have been found in the research. No Irish exporter surveyed has adapted to selling in an online mode to enter the Chinese market even though this mode has been identified as an important way to export to Mainland China. A possible explanation has been given to this variation. Political risk in China is another debate in the literature review, however, it does not appear to the primary research. Most Irish exports surveyed have not been effected by political risk in Mainland China.
Chapter 6 Conclusions and Recommendations
6.1 Conclusions

This research has been undertaken to investigate the unique business risks that Irish exporters have encountered in their export business to Mainland China and how they can successfully cope with these risks. In this chapter, conclusions will be given under each of the research objectives set initially. Also, key recommendations will be summarised.

6.1.1 Objective 1

**To investigate the common business risks that Irish companies might encounter when exporting to foreign markets.**

As a highly open economy, Ireland depends on international trade. The performance of export business crucially impacts on the quality of the Irish economy. The literature review has illustrated a range of export risks for exporters from other countries. The primary research has been carried out to investigate the export risks for Irish exporters. As discussed previously, the results show that Irish exporters have encountered 15 different export risks:

- Lacking of the knowledge of local market (This risk include lacking of the knowledge of local business, and lacking of local market research)
- Marketing risk (Due to the fact that brand awareness is mainly associated with brand marketing, this risk may be classified into marketing risk)
- Non-paying or late paying customers
- Cultural and language differences
- Problematic relationships with contractors, distributors and agents (The issue of trust mentioned in the interviews can be classified into this risk, because trust with local business is one aspect of the relationship between Irish exporters and foreign businesses)
- Foreign exchange and interest rate changes risk
- Damage to, or loss of their goods in transit
- The need to increase capacity to handle unexpected demand
- Property ownership rights
- Compliance with foreign regulations, laws and standards
- Neglecting domestic customers while developing export markets
- Political instability and security
• Customs and quarantine clearance issues or unforeseen tariffs
• Staffing risk
• Entering a foreign market with unclear unique selling points

6.1.2 Objective 2

To investigate the business risks that Irish companies might encounter when exporting to Mainland China.

The literature review has shown that China is one of the highest potential export markets for Ireland and it will play an increasingly significant role in the foreseeable future. The primary research has found that Irish exporters have encountered certain export risks in China, and some of these risks are more common. These common risks include:

• Cultural and language differences.
• Compliance with foreign regulations, laws and standards.
• Problematic relationships with contractors, distributors and agents.
• Foreign exchange and interest rate changes risk.

6.1.3 Objective 3

To identify the unique business risks posed by Mainland China in comparison with those posed by other countries.

A distinction between the export risks in China and in other countries has been discussed in this research. By combining the findings from both qualitative and quantitative analysis, five export risks have been identified as unique export risks posed by the Chinese market.

• Culture and language difference
• Lacking of local business knowledge
• Intellectual property ownership rights
• Staffing
• Entering the Chinese market with unclear unique selling points

6.1.4 Objective 4

To investigate the available risk management approaches for Irish exporters to manage the risks identified by objective 3.
Risk evaluation has been introduced as a basic part of risk management. After identifying the unique risks for Irish exporters in the Chinese market, a risk evaluation has been carried out to access each risk in terms of its probability and significance. Four risks have been accurately accessed. The primary and secondary research have also highlighted practical risk management approaches to deal with these unique export risks in the Chinese market.

### 6.2 Recommendations

The final objective has been set out for providing practical recommendations regarding risk management to Irish exporters who are or will be exporting to China. The research has identified a range of risk management approaches to help Irish exporters cope with the common and unique export risks in China.

The risk caused by culture and language differences between Ireland and China is exceptional. To successfully cope with this risk, Irish exporters need to gain a basic understanding of the Chinese business style, Chinese language and the way with which the Chinese communicate. Irish exporters should develop a trusting relationship with Chinese businesses prior to conducting business in China; pay attention to giving face to another party; understand Chinese banquet and business meeting to communicate and ensure that sending email is not the sole method to communicate with Chinese partners. A second translator is also recommended as important information may be left untranslated or wrongly translated. Irish exporters can adopt four approaches to select Chinese names for their businesses: no adaptation, sound adaptation, meaning adaptation, and dual adaptation.

Compliance with Chinese regulations, laws and standards is another major risk for Irish exporters. EU SME Centre provides three detailed processes to help European exporters to cope with this risk. In addition, ownership rights protection, especially intellectual property protection, is closely related with China’s legal system. Irish exporters should make sure that their intellectual property rights are registered in Ireland first, and then China. Other approaches are also available: establishing presence in China to monitor the infringement of intellectual property; letting local businesses to monitor infringement by setting relevant legal terms; getting assistance from professionals; and applying for an OHIM industrial design application.
The risk of problematic relationships with contractors, distributors and agents is the third major common risk for Irish exporters. It has a high level of significance and medium-high level of frequency. Irish exporters are suggested to build a trust relationship with a future partner before doing business in China. Also, due diligence that checks on the partner must to be done via a third party research company in China.

The risk of foreign exchange and interest rate changes plays an important role in export business. Solutions available for Irish exporters to manage this risk are: hedging the risk, accepting Euro transactions, or accepting RMB transactions. To hedge the risk, the most common way is to set a forward contract with a bank. Irish exporters can also use third-party professional services to manage their RMB accounts both onshore and offshore Mainland China.

The primary research suggests another unique export risks in the Chinese market: lacking of local business knowledge and entering the Chinese market with unclear unique selling points. It is very important for Irish exporters to enter the Chinese market with a good reference within Europe and/or the US. Doing sufficient market research before getting into the Chinese market is a must. Seeking local advice in China is essential. Having a local team on the ground and conduct market research locally are also recommended.

Risks including damage to, or loss of goods in transit, and staffing risk are not identified as high level risks in terms of frequency and significance. However, it does not mean they should be underestimated. Adequate transport mode should be choose to reduce the risk of damage to, or loss of goods in transit. Using insurance is another way to manage the risk during transport. To cope with the staffing risk, several ways are available to enhance an employee’s loyalty: offering deferred bonus payments, housing allowances, and mortgages for loyal employees; providing early promotions, external training programmes; working closely with Chinese market side; showing Chinese employees a clear vision and creating a good work environment.
6.3 Summary

The aim of this research is to investigate what unique business risks that Irish exporters have encountered in their export business to Mainland China and how they can successfully cope with these risks. Four specific research objectives have been set out to reach the aim. By conducting the primary and secondary research, all research objectives have been reached and a summary of the key recommendations has been presented.
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Chapter 8 Appendices
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Appendix 1 Interview I

Date: 18/07/2015

Interviewee: Edward Egan

Position: Business Development Manager, KC Sports & Leisure

Q: Where does your company export to?

A: Mostly in Europe. We’ve exported stuffs to Germany, Italy and Rumania. Just depending on where clients (are). It’s usually, we say, where our client has an event, we can get shipped to that country. Like one of the companies that we deal with would have office based though Europe. So if they have an event in Germany, they might want us to send out 1,000 printed T-shirts and they use them as promotional T-shirts for the event. No countries outside of Europe.

Q: Is there any issue related to different regulations, laws and standards?

A: No, it’s fair trade mostly in Europe and obviously the big concern would be if, at the moment, economic conditions in Greece and also in Great Britain. They are talking about possibly leaving the European Union. There’s a bit of risk that if that happen, it might unsettle the valuation of the Euro. Because we deal a lot with the UK and the sterling rate at the moment is very poor for us to buy. We buy a lot of our supply from the UK. So at the moment the sterling rate is not good. It means when we buy raw materials, the cost of raw materials is affecting on our price, our margin of our product and it also affects our retail price for our customers as well. Pushes it up.

Q: Do you outsource those materials from other countries?

A: Because it’s so close, for shipping, it’s only two days. While if you buy stuff from other countries, this can take a week, shipping, unless you pay Next day (service) or Express. But when you are buying on a regular bases, you don’t want a higher cost, you want to keep it as cost-effective as possible.

Q: How did your company get into these foreign markets?

A: Through a client that was based in Dublin. The main point of contact is its’ Dublin office. But they have offices through Europe. We start to deal with the first office was in Dublin and then we started to deal with other offices within the company and other
companies. They are a gaming company. They have Internet online games. Mostly what we sell them is promotional merchandise stuff.

Q: You’ve said that you sell (the product) to League of Legends, right?

A: Yes, League of Legends. The creator of League of Legends is the Riot Games. It is one of our main contacts, main clients, and key accounts. Predominately all of our stuff that we export is for Riot Games.

Q: Does your company have any presence in these foreign markets?

A: No, it’s just shipping.

Q: Does it affect your business?

A: Not really. If we are bigger. But at the moment, it wouldn’t be cost-effective to expand to other countries. Because it’s not like we have a unique product that nobody else can do. There are already companies probably in Europe and all other places that would do the same. So we just end up, probably, not able to compete on price because it has to charge extra for shipping.

Q: What’s your USP?

A: Three things: our price, our product quality and our service. We are very good on reliable times. From the day you place your order, we guarantee that we will deliver the product within 10 days. In a lot of cases, people can’t be let down. Because most of people here buy the product for their promotional product for events, like a sports clubs that are buying gear for a team, they’re maybe buying that for a specific event or final match. It might be due to arrive on Thursday or Friday, and they might need it for Saturday or Sunday. But in some cases it can happen that you might be let down by some suppliers and we will look at our suppliers. So we never let our customers down.

Q: There must be a huge effort put on the management behind all of this success, isn’t it?

A: Yes. Within our company, we have a very good paper trail. I’m working on the sales. From the point of me make a contact with customers building up relationship and gaining their trust and showing them some samples that what we can do till when they place the order, it goes through a chain of the office. I send it to one person of customer care, and once the customer account gets approved, the next step is to goes to the warehousing and all the product is pulled out from our stock. Then it goes into production. So we have
three divisions look up for the production. Depending on where it needs to go, the paper trial continues on and it ends up back at the start point in the office. It comes back to the customer care person who makes contact with clients saying their order is completed and will soon be delivered tomorrow.

Q: What risks have you encountered so far?

A: Non-paying or late paying customers, there is always a possibility. In most cases, we will take a prepayment to avoid risk. We can provide 30 days credit for clubs or teams that we would deal with regularly and we know that they’ve got a good record for payment. But if you are a new business and you just start dealing with us, you order thousands euro of products, we wouldn't take the risk. Because we are customising clothing, if you decide you won’t pay for it, then we used thousands euro of our stock, it’s a lost, it’s no good. That’s a big risk.

Q: Do customers have to pay the full price first?

A: It depends. It’s case by case. In some cases we look for 50% deposit of the full price. In other cases, we look for full price. If it’s a fairly reliable company that we are happy enough to take 50%, but if it’s just some people come into the factory placing their order (we will take the full price). When deal with some college students who wanted to get class hoodies, we generally take the (full) payment. Because what happens is you might think you would get hoodies for everyone who agrees to get them and then when it comes to gather the money, they don’t have the money or they don’t want to pay the money, all of a sudden that becomes a big problem.

Damage to, or loss of goods in transit. It would be covered by insurance. It won’t be a problem.

Foreign regulations, again, because it’s mostly through the EU. (We are) The same thing. It’s not going to be (a problem).

Cultural and language differences. This can happen. We deal, sometimes, with Germany and France. So they would have (this risk). But we are lucky that most countries have a good level of English. So it’s not a massive barrier.

Foreign exchange and interest rate changes is the biggest risk of our business. One of the biggest. Because we invest in a lot of stock. It could be set in our warehouse. If the rates
change, we can end up potentially have a lot of revenue, a lot of money tied up. It’s probably not the biggest risk but it is a risk to decide to invest in maybe 15, 20 thousand euros in some clothing, and then, maybe next week you could get the same amount of clothing for couple of thousand euros difference in price. Maybe it’s not a massive risk, but it’s just an example of risk that would be.

We are doing increase of capacity. We have part-time workers around summer. Our work force can vary from 16, 18 people up to maybe 25 people. It’s a small group of people but it’s a very smooth running the operation and everybody knows their roles very well.

We have our own website and we don’t have the shop online at the moment because we want to talk to people face to face or make a point with people.

Q: Is there any intellectual property issue like the design or the trademark involved?

A: Generally no. Mostly customers will give us their own designs or their own logos that we will use. Very rarely we get intellectual property issue. But we have got some problems like we’ve done some works for students in some colleges and some colleges have said that we haven’t got the permissions to use their logos. That was the problem that we had to give 50% of what we took on that sells back to college for using their logo without permission. That would be one issue, but very rarely it happens.

Q: How about other risks like natural disaster?

A: No. We have a lot of stock in our own warehouse where we do the production. Because we have ten days from the time the order is left to the delivery, we can order from the UK from Wednesday and have it in our factory on Friday. So you will have extra days to get work done on the clothing. …We have 1,000 to 2,000 euros of stock in our warehouse, that’s our basic range. But if you want to get something that’s not within our range, we will have to buy it in to meet your order.

Q: Which risk is most likely to happen?

A: For us is the foreign exchange rate because we deal so much with the UK. Another one is non-paying and late paying customers. They are really two big ones.

Q: Which risk is least likely to happen?
A: Damage to, or loss of goods in transit. Because we have our own deliver system and we also deal with national carrier. They come and collect and deliver next day. We’ve negotiated a very good rate, so it is easier for us to do it in that way. So this one is definitely not big one because if they damage any goods, it’s insured, they will replace the value.

Q: Do you pay for the insurance or do they?

A: No, they would have their own insurance. Because they would carry different variations in values, they could carry fragile goods as well. We are lucky enough that our products generally is clothing, so unless get stained or dirty, our box opens in the van. But….so it’s least likely to happen.

Q: In your opinion what is the most serious risk that if occurred would impact on the profitability of your company?

A: It’s probably the same. The biggest risk and damage is exchange rate. Our building is paid for. It’s our own building. But if the sterling gets much worse, we have to increase our prices. And when we start increasing our prices, we loss competitive edge. Our price of the product is quite competitive. We are probably 1 of 10 businesses in Ireland alone. And we are trying to be very competitive and aggressive on the pricing to generate the revenue and we have a high turnover. So foreign exchange rate can seriously damage our business.

Q: How do you manage this risk?

A: We’re trying to buy a lot of stuff from Germany. But the problem that we have with Germany is it takes longer, the deliver time. The UK for us is so handy - the short deliver time for turnover. Like I said, we can put an order on Monday and before Wednesday morning it arrives in Ireland or in Westmeath. While we order on Monday from Germany, it won’t be with us until the following Monday. It means we get a smaller window of time.

Q: So you rarely order from Germany and other countries.

A: Yes. Aside from the deliver time, Germany market is still in Euros. It’s a big advantage for us. Because obviously, in Euro, you pay a price and you know what you are paying. It’s not going to change or fluctuate like sterling.
Q: Has your company considered about exporting to China in next five years?

A: If we could we would. I don’t know if we would have the demand. Because the product like clothing in China it can be bought and made for much lower price. So for our business model it probably won’t work. We import a lot from China but export. We can import from China in book. But the problem, for us, is that import from China needs to be a big book of order. Smaller orders we would import from the UK and Germany.

Q: Is big order from China much cheaper?

A: Yes, factories in China will constantly make and design customer clothing for our own branding. So if we want to launch a new brand of KC Sports & Leisure, then we can go to China to look and buy 3,000 tops. But if we want to buy 300 or 100, the price in China wouldn’t be good.

Q: Please explain other factor(s) that impact on your decision on whether to export to China in the next five years?

A: You really need an office, staffs and to set up in China, which again you nearly need a new factory over there and produce from China. It won’t be a smart business to move there. You need to invest a lot of money to have it in China.
Appendix 2 Interview II

Date: 05/08/2015

Interviewee: Joe Connaughton

Position: CEO, Townapps

Q: As far as I know, Townapps is currently exporting to the UK, the US and Canada. Is there any other country that Townapps exports to?

A: No. Our focus is the United Kingdom, the US and Canada.

Q: How long have you been in export business?

A: 12 months. We launched our product, the Townapps, in Ireland first of all trying to get the model right, the platform right, and the technology right. We used Ireland as a test base with the idea that we would launch in the other countries.

Q: How did Townapps get into the UK market?

A: How we managed to get into the UK market was the acquisition of an app development company. We were using the services of the app development company in the UK that had a number of apps. We basically bought them out.

Q: How did Townapps get into the North America market?

A: That was through a guy, an Irish guy was based in Canada was home here a year and a half ago and he downloaded our app. He liked the idea and he rang the office. I said “come and meet”. He happened to be retiring from his position in a couple of years after that. We kept him abreast of what was going on and then we offered him shareholding in our business and in return he’s delivering of the market.

Q: What percentage of the turnover for Townapps was created by exporting?

A: At the moment I will say about 50% percent is the export. It’s a lot.

Q: Does Townapps have any presence in these countries?

A: No. Officially no. But unofficially yes. When we took over the UK business, they allowed us to use their address. So we have their address and we have a UK phone number that is ported to our number here, our business here, in Ireland.
Q: So, no presence overseas?

A: No. It’s online business but it does have to have an indication of presence.

Q: What risks has your company encountered so far in the process of exporting?

A: I suppose the risks are not knowing the physical business or person, or not having a local trusted person on the ground. So you have to…say when we are doing business in Ireland, we know, for example, some part of Ireland, we know what’s the area is and we may be able to communicate with that better because we could immediately start our conversation regarding we know about them and they know about us. When you are dealing with somebody in the UK or Canada, you just don't know who they are. It is really a trust issue.

Q: Would you put a lot of effort on building relationships?

A: Yes, we would. I suppose having a very good online presence is hugely important. We have invested heavily in .CA website, .CO.UK website and .US website. We have a social media strategy to connect, on LinkedIn, with people as best as we can.

Q: Is there any issue like business culture involved when dealing with people from these countries?

A: With people from the UK, not really. We can arrange a skype. Our model is we find a local agent in a region and we allow the agent to own the territory and sell the product in that area. They get a percentage. So we invest a lot of time in training up that local agent.

Q: How about intellectual property, legal issues or transport issues?

A: Not really. No, there is no such real IP in app development. The only thing is probably you are trying to protect your image. We have a logo, a name Townapps, Your town in the palm of your hand. So somebody just couldn’t start using that as we are. But apart from that, no.

Q: What risk is most likely to happen?

A: Most likely is that you don’t get noticed. A big market means a lot of people competing from business to business. For customers, they think “okay, who is this Irish company”. This can work to your advantage but it can also be sometimes disadvantage.
Another risk is dealing with different currencies, especially sterling and dollar. You are going to invest in their currency and accept the payment whatever the way your customer needs, whatever suits them.

Q: In your opinion what is the most serious risk that if occurred would impact on the profitability of your company?

A: If the apps themselves don't deliver, we have a specific outline of the apps do. When we appoint a local partner, the local partner is tasked of things to do, including getting the app downloaded and used in the area. If they are not really willing to put their effort in, they don’t succeed which means our apps won’t succeed. It is partnership and you rely very much on that.

Q: Is there any risk(s) your company can tolerate?

A: Yes, you have to. Our main sales and marketing is trying to find local agents to sell our apps. We (probably) will find an agent says “Oh yes, I’d like to get involved inside of the business” and suddenly it start to research other apps. And then there’s cheaper apps out there, agents will think why don’t they use these. They don’t really understand the difference between our apps and cheaper apps. You have to accept if that doesn’t work out the best.

Q: Have you considered about exporting to China in next five years?

A: Yes, because of the market dominance. If there was somebody in China likes our product and says “we could do for you in China like your other agents do in the UK and the US”, we would (consider to export to China). There would be a language issue, but, yea, we’ll be open for that.

Q: Let’s suppose there was one agent, what issues would concern you most?

A: The biggest one would be building trust from both sides, because that local Chinese company could say “we’ve learned everything from them and now we can do it ourselves”. The way to deal with this is face to face, to establish relationships and set some ground rules before start.
Appendix 3 Questionnaire One
Appendix 4 Questionnaire Two