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Title	Local sourcing challenge in China – some early experiences from Finnish manufacturing companies		
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Abstract

The purpose of this thesis was to study local sourcing of Finnish manufacturers in China. The aim was to find answers for the following questions: First, how Finnish manufacturers view the Chinese business environment. Second, how the technology transfer processes of Finnish manufacturing companies have succeeded. Third, how the local content of manufacturers' products has developed. Fourth, what is the structure of companies sourcing channels like – which sourcing strategies and intermediaries manufacturers prefer using. And fifth, how manufacturers rate their local suppliers' performance, especially quality performance.

The empirical material was gathered with a postal questionnaire, which was mailed to 40 Finnish companies having some manufacturing operations in China. The received empirical research data contained both qualitative and quantitative type of data and it was mainly analysed using diagrams and tables.

The special features of the Chinese culture, especially authorities' strong bureaucracy, had a strong influence on the business environment. The fierce competition in the Chinese market and employees' poor commitment were considered as threats in the future. Manufacturers had experienced troubles in different stages of their technology transfer processes to China. They also found the protection of their intellectual property to be difficult.

Cost reductions motivated manufacturers most to start sourcing locally. The local content of their products had developed fast – happened change was identified to be more significant among C and D class products. Respondents estimated to increase their local content from the current 60% to 80% in the near future.

Almost 80% of the manufacturers preferred using more than one sourcing strategy. The most commonly used intermediary was "direct sourcing". It was applied by 90% of the respondents, either with only intermediary or simultaneously among others. The performance of local suppliers was considered as average. It seemed that controlling suppliers' product quality is a challenge in China. However, the score of suppliers' quality performance was almost as high as the score of cost performance. This indicates that manufacturers had succeeded in their work on improving their suppliers' quality.

Key words	China, local sourcing, sourcing channel
Further information	