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Swedish and Chinese Leadership at CEVT

A case study on the cultural differences of Chinese and Swedish leadership

Degree project within the Industrial Economics & Manufacturing Processes program

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Preface

This is a 15 credits degree project within the Industrial Economics & Manufacturing Processes program at Chalmers University of Technology. This degree project has been written in cooperation with China Europe Vehicle Technology (CEVT). We want to thank Stefan Lundin at CEVT for giving us the chance to study this interesting subject of differences between Chinese and Swedish leadership. Furthermore, we would like to thank all interview participants for the valuable information they shared. We would also like to give a special thanks to our enthusiastic Chalmers supervisor and examiner Jan Lindér, who has been helpful and supportive throughout our project.

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Abstract

This report is a case study carried out at the vehicle R&D centre China Europe Vehicle Technology, CEVT, at Lindholmen, Gothenburg. CEVT is a subsidiary of the Chinese group Geely Holding, also owner of vehicle manufacturers Volvo Cars and Geely Auto. The main focus of the report is to explore the differences between Chinese and Swedish business leadership through literature studies and interviews, focusing mainly on administrative departments of Geely and CEVT. This report aims to create a comparative analysis which CEVT can use to understand how their Chinese ownership and Swedish-Chinese leadership can contribute to mutual development and learning.

The research questions of the paper are the following:

- What are the main differences between Chinese and Swedish business leadership?
- How do the differences in leadership style affect the daily operations at CEVT?
- How can CEVT managers and employees best adapt to the cultural differences in leadership style?

The main findings of this paper are the following:

Chinese leadership is authoritative, a leadership style that is unpopular and considered inefficient in the West. Due to the history of the country, Chinese managers have not had the same opportunities as their Western counterparts to develop business leadership traits suitable in a market economy. Western and Swedish leadership style is generally leaning towards coaching, with a high degree of task delegation. Swedish leadership is somewhat different from that of other western countries, as there is a high focus on employee satisfaction and collaboration to reach common goals. Although Chinese leadership is undeveloped compared to the West, Chinese management is developing fast, creating opportunities for Chinese companies to reach global success.

Leadership style at CEVT is mostly westernised, with a high focus on consensus in decision making. Many managers at CEVT have previous background from vehicle producers such as Volvo or Saab. Chinese employees have generally been well-adapted to a Western organisational culture, from working or studying abroad. Thus, they have a profound understanding of the differences between Swedish and Chinese leadership styles. Employees at CEVT, regardless of background, prefer a Western leadership style with delegation of task.

Certain friction between CEVT and the decision makers at Geely does occasionally occur, as Geely managers try to direct tasks to the managers at CEVT, who prefer taking part in decision making. Furthermore, communication difficulties, especially between CEVT and managers at Geely who are not fluent in English, occur, especially when using telephone or e-mail.

The consensus-based approach to decision making is slow and inefficient. Chinese managers have the ability to make decision fast and without involving too many co-workers in the process. By inspiring each other, decision making can be both efficient and based on sufficient evidence. Furthermore, Chinese managers are more flexible to making changes, whereas Swedes stick to a predetermined path. The ability to make changes later on in a project can be a competitive advantage, as the business environment is in constant change.

Sammanfattning

Denna rapport är en fallstudie med syfte att jämföra svenskt och kinesiskt ledarskap på forskning- och utvecklingscentret China Europe Vehicle Technology (CEVT) på Lindholmen i Göteborg. CEVT är dotterbolag till Geely Holding, även ägare av fordonstillverkarna Volvo Personvagnar och Geely Auto. Genom litteraturstudier och intervjuer på CEVT och Geely har svenskt och kinesiskt ledarskap undersökts. Fokus har till största del legat på de administrativa avdelningarna på CEVT och Geely. Syftet med rapporten är att skapa en jämförande analys som CEVT kan använda för att förstå hur företaget och dess samarbete med Geely påverkas av skillnader mellan svenskt och kinesiskt ledarskap, och vad som kan göras för att få en djupare förståelse och förbättrat samarbete.

Frågeställningarna för rapporten är följande:

- Vilka är de huvudsakliga skillnaderna mellan svenskt och kinesiskt affärsledarskap?
- Hur påverkas den dagliga verksamheten på CEVT av dessa skillnader?
- Hur kan medarbetare på CEVT bäst anpassa sig till de kulturella skillnaderna i ledarstil?

De huvudsakliga resultaten av undersökningen är följande:

Kinesiskt ledarskap är auktoritärt, en ledarstil som är impopulär och ansedd som ineffektiv i västvärlden. Till följd av Kinas historiska utveckling är kinesiskt affärsledarskap inte utvecklat på samma sätt som i västvärlden, i och med att kinesiska ledare inte har haft samma möjligheter att anpassa sig till att leda organisationer i en marknadsekonomi. Svensk ledarstil är generellt coachande, med fokus på delegering av uppgifter. Svenskt ledarskap skiljer sig något från andra ledarstilar i västvärlden, då det läggs större vikt vid samarbete, medarbetarnöjdhet och gemensam måluppfyllelse. Trots att kinesiskt ledarskap inte är utvecklat på samma sätt som i västvärlden, sker en snabb förändring, vilket skapar goda förutsättningar för kinesiska företag att nå global framgång.

Ledarskapet på CEVT är mestadels svenskt, med ett fokus på konsensus i beslutsfattande. Många chefer på CEVT har tidigare erfarenhet från fordonsproducenter som Volvo eller Saab. Kinesiska medarbetare har generellt god erfarenhet av västvärlden från studier eller tidigare arbete utomlands. Därmed har de även en djup förståelse för skillnaderna mellan svenskt och kinesiskt ledarskap. De flesta medarbetare på CEVT, oavsett bakgrund, föredrar en västerländsk ledarstil. Vidare finns det emellanåt kommunikationssvårigheter mellan CEVT

och Geely, speciellt med de chefer på Geely som inte talar flytande engelska. För att undvika missförstånd bör kommunikation över e-mail och telefon undvikas till förmån för videosamtal.

Konsensusfokus leder till långsamma och ineffektiva beslutsprocesser. Kinesiska chefer har förmåga att fatta snabba beslut utan att involvera för många medarbetare. Genom ömsesidig inspiration kan svenska ledare lära sig fatta snabbare beslut, medan kinesiska ledare kan lära sig ta in fler perspektiv. Vidare är kinesiska chefer mer flexibla under projekt, medan deras svenska motsvarighet håller sig till ett bestämt spår. Förmågan att göra förändringar under ett projekts gång kan vara en konkurrensfördel, i och med att affärsklimatet är i ständig förändring.

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1 Purpose and Aim

1.1 Purpose

The purpose of this study is to compare differences between Chinese and Swedish leadership, and study how the administrative departments of CEVT gets influenced by its Chinese ownership and Swedish-Chinese leadership.

1.2 Aim

The aim of this report is to create a comparative analysis which CEVT can use to understand how their Chinese ownership and Swedish-Chinese leadership can contribute to mutual development and learning.

2 Research Questions

The research questions for this report cover the impact of cultural differences on leadership, seen from a manager and employee perspective.

Research Question 1: What are the main differences between Chinese and Swedish business leadership?

Research Question 2: How do the differences in leadership style affect the daily operations at CEVT?

Research Question 3: How can CEVT managers and employees best adapt to the cultural differences in leadership style?

3 Scope

Research on Chinese Business leadership is mainly focused towards the Business oriented parts of China, Shanghai, Shenzhen and Guangzhou, located in the eastern part of China. With this said, certain generalisations have been made, as certain literature included in the research covers China as a whole.

The survey is limited to Chinese and Swedish business leadership CEVT and Geely. The core activities of the companies are not included in this survey, as the research is focused towards the administrative departments: Finance, Legal department, Communication & Public Relations and Purchasing. One exception to this is made, as two of the interviews were conducted at the Geely Design department in Gothenburg. Based on this selection, the focus on leadership is from a perspective of manager-employee and Geely-CEVT relations, and less on business strategy etcetera.

4 Introduction

China Europe Vehicle Technology (CEVT) is a relatively new subsidiary of Geely Holding Group, also owner of vehicle manufacturers Geely Auto and Volvo Cars. With offices in Gothenburg and Trollhättan, and headquartered at Lindholmen, CEVT is a hub where engineers from all over the world, mainly Chinese and Swedes, are gathered in an innovative environment. CEVT also has operations in Shanghai, China. CEVT's main mission is to develop technologies for both the Volvo and Geely cars in the C-segment, although the scope of the business is continuously expanding.

Since the start in January 2014, the company has grown explosively. From having employed 150 people, that figure is now approximately 1700, including consultants. As mentioned above, the main part of employees come from Sweden and China, but in total there are 22 nationalities represented at the company. Thus, diversity is a large part of CEVT's identity, which brings both benefits and challenges.

Our survey is requested as part of Geely's extensive work to create a mutual global understanding within the group. The thesis work will be used to identify areas of development for the companies to continue working within.

5 Theory

This section presents the literature findings on theory regarding leadership, followed by an introduction to the main differences between Swedish and Chinese leadership. Thereafter, theory on Swedish and Chinese leadership is presented more deeply and separately.

5.1 Leadership Theory

5.1.1 Introduction

An organisation needs management to manage the organisation and leadership to lead employees (Bruzelius, Skärvad & Hofvander, 2011). Research on leadership has evidence in several academic areas, such as philosophy, psychology, political science and sociology. A great amount of research articles and books show that leadership is important both in practice and theory. In this chapter, leadership is in general as well as some well-known leadership models and theories will be introduced.

One definition of leadership is *“the individuals who are the leaders in an organisation, regarded collectively”* (Businessdictionary, 2016a). Leadership is a process to influence, with the purpose of getting others committed and engaged, in order to reach the organisation’s goals (Bruzelius et al., 2011). Many researchers have suggested that leadership is a phenomenon that is universal, but there are only certain kinds of leadership that has been proven to be effective universally. This means that leadership styles that are suitable for one part of the world can be highly ineffective in another. One kind of leadership that has been proven effective in general is charismatic leadership (King & Zhang, 2014), which is a leadership style where authority derives from the persuasiveness and personality of the leader, simply put, a person’s charisma (ST. THOMAS University, 2016).

Historically, leadership research has been highly focused on the personal traits and characteristics of the individual leader, but more recent studies have been focusing towards the co-construction of leadership, acknowledging that it is something happening between two individuals, a leader and a subordinate (Hamrin, Johansson & Jahn, 2016 & King & Zhang, 2014). Thus, leadership is something that is happening through the macro-social events that occur, and is shaped by cultures, structures and processes. Research has shown that as much as 40% of leadership attributes are from genetic factors. This means that a person’s behaviour cannot be fully explained by its upbringing or culture, as a big part of leadership traits come from what a person is born with. Although, there are still some 60% left to be explained by cultural and situational factors, see figure 1 (King & Zhang, 2014).



Figure 1

A leader's task is to mobilize organisations' employees and motivate them by making decisions and work together. A well-functioning leadership includes earning the respect, trust and confidence from employees. Through this, leaders can strengthen their authority and gain legitimacy in return.

5.1.2 Theory X/Y

American social psychologist Douglas McGregor developed a theory about two different types of leadership, Theory X and Y (Bruzelius et.al. 2011).

Theory X is influenced by Scientific Management, which developed in the early 20th century and put high focus on productivity, control of output and reward systems for good working performance. This theory reflects on people's avoidance of work (economist, 2008). The central aspects of Theory X are the following:

- Work is neither a natural or attractive activity
- That is why people must be forced to work
- People do not want to make efforts or take responsibilities

Theory Y represents a different approach, where people can have self-control and inner motivation to achieve the organisation's goals. This gives way for a more delegating leadership style. The central aspects are the following:

- Working is not attractive by itself - people develop their attitude by early experiences
- People can choose their goals and achieve them by their own motivation, without being forced by others
- People are willing to take responsibility, because it makes work meaningful for them

There are no simple excuses for failure when managing according theory Y (M. Beddoes, 2008, October). McGregor encouraged companies to implement Theory Y, as it forces companies to “innovate, to discover new ways of organising and directing human effort, even though we recognise that the perfect organisation, like the perfect vacuum, is practically out of reach”.

5.1.3 Authoritative

Authoritative leadership is one of the most classical leadership styles. Decisions are made by the manager and employees perform what they are told to. This kind of leadership often occur in organisations that are hierarchical, and the communication take place from top manager to employees, it is a one-way communication (Bruzelius et.al. 2011).

With a long time development of society, the average employee have improved their knowledge and a lot of new ideas and ways of thinking have developed. Consequently, leadership has changed from an authoritative style into a more democratic and delegating style. In big and geographically spread out companies or companies handling a wide diversity of tasks, it is very important to use delegating leadership (Bruzelius et.al. 2011). With delegating leadership, employees have the possibility to work independently within established frameworks to reach goals.

5.1.4 Coaching

Coaching leadership is also called supportive leadership, and has its origin in the world of sports. In a coaching leadership style, managers must fully understand their employees, and ensure that employees are doing tasks in a motivated, independent and engaged way. Focus lies on coaching and supporting employees, and the manager needs to be available and good at

communicating. Employees know what they should do and how to do it, the leader's task is to encourage and ensure all employees are on their top game.

A good manager with a coaching leadership style has several essential properties such as being patient, supportive, objective, and have the ability to listen, communicate and understand other's opinions.

The advantage of coaching leadership is a higher productivity, due to the fact that managers bring out the best characteristics of their employees and their competency is used to a maximum (Bruzelius et.al., 2011). Furthermore, employees are more creative and they come up with innovative ideas. This leads to employees feeling that their competency gets used in a meaningful way and they get a good relationship with the leaders.

5.1.5 Transformational Leadership

Transformation means 'change', and transformational leadership is a leadership style where leaders acknowledge a need for change, create a vision and inspire individuals to work towards this idea. (Business dictionary, 2016b; Hacker & Roberts, 2004 & Oxfordreference, 2016b). The core in transformational leadership is, according to Hacker (2004), *consciousness*, within the leader as well as an ability to create consciousness in others. Moreover, the leader must have three different focuses: internal, external and change focus. By being charismatic and inspire, motivate and stimulate followers, transformational leaders can achieve higher performance, create loyalty and trust and contribute to the personal development of subordinates (Kendrick, 2011 & Oxfordreference, 2016b).

5.1.6 Hersey/Blanchards framework

Hersey/Blanchards framework has been used in many leadership conferences and educational settings. The framework can be used to choose a suitable leadership style according to employee's competence and motivation, and whether the employees can take responsibility and complete task by themselves (Bruzelius et.al. 2011).

Hersey/Blanchards framework has four different leadership styles: directing, coaching, supporting and delegating (Bruzelius et.al. 2011). In an early phase, when an individual has relative low competence and motivation, for example when an employee joins in a new

organisation or a new group, it is vital that the leader takes high responsibility and provides the employee with a detailed instruction on how to perform tasks.

With time, the employee will develop to the second, more mature phase where the individual can take a bigger responsibility. The leader's duty is now to inform the employee of all the conditions for doing the work and explain decisions and connections to other departments.

The third phase is a quiet mature phase, the leader does not need to focus on task orientation, and the individual has competence and high motivation to do the work. The leader is focusing on how to cooperate and solve problem together with the employee.

The delegating phase is a well-developed and mature phase. The individual makes its own decisions and take responsibility for the result, and to implement it by themselves. The leader has no need to orientate on task.

5.2 Swedish and Chinese leadership

5.2.1 Introduction

The following section is a short introduction to the main differences in Swedish and Chinese leadership and culture. The information below is gathered with help of the Hofstede Cultural Dimensions Theory, which results can be interactively examined at the website of the Hofstede Centre (2016a,b).

The Hofstede Centre has conducted extensive research on different countries culture and its impact on the countries' organizational cultures. Founder of the Centre, Geert Hofstede, has developed a culture dimension theory that is useful for comparing different countries' cultures. The theory is based on six dimensions (see figure 2 below) to which different countries' cultures are graded from 0 to 100. The theory is developed to facilitate cross-cultural communication and cooperation. The dimensions Sweden and China excels in are power distance, individualism, masculinity and indulgence. Indulgence can be explained as complacency, a kind of lack of self-control. The Swedes' high scores in indulgence indicates optimism and that they strive to create enjoyment and quality of life, while the Chinese low score indicates a culture with a higher degree of pessimism and less focus on leisure and personal satisfaction.

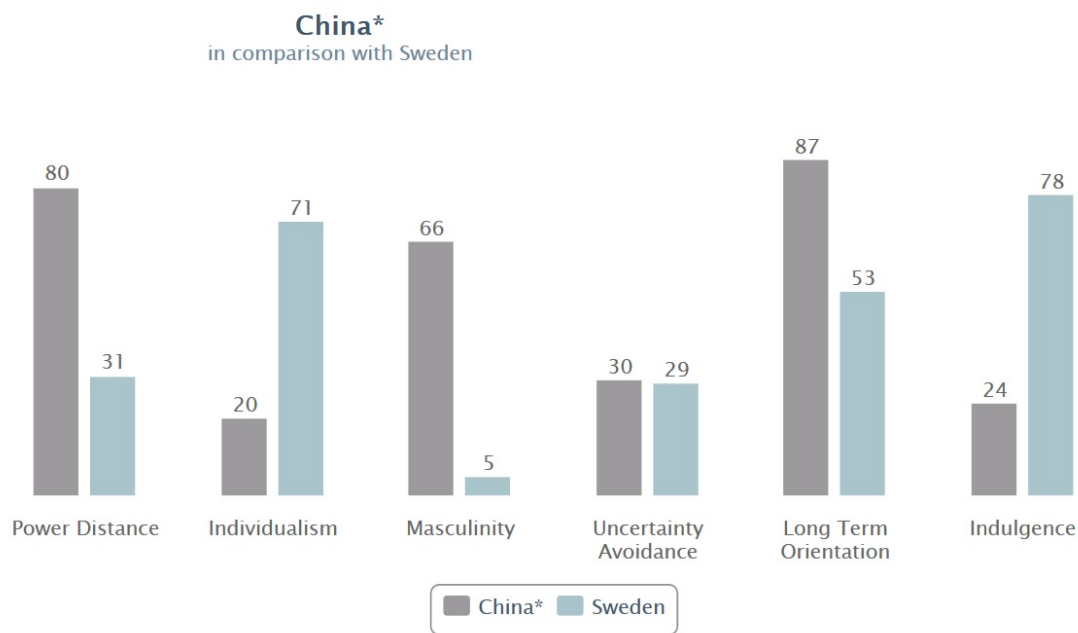


Figure 2: *itim International (cited from the Hofstede Centre website (2016a))*

Furthermore, power distance is a differentiating factor, as well as masculinity. Masculinity is defined as high focus on competition, achievement and success. Low scores mean that taking care of others and quality of life is important within the culture.

Western countries have a lower power distance, and therefore one can expect a close relationship and more equality between managers and employees. Western organizations are also more flat in their structure than Chinese.

There are also big differences in the empowerment within Chinese companies, compared to Western. In Western companies, the duties and responsibilities are clearly allocated among employees. Most managers allow employees to have their own way of working and get the chance to draw general conclusions themselves, in principle, that they get the chance to fully "own" their job. As a contrast, in Chinese companies the worker must get permission to start doing things, and all proposals must be approved to launch.

5.3 Swedish leadership

In this section, Swedish and Western business leadership is further elaborated upon including a deeper theory of history and geographical differences.

5.3.1 Introduction

According to F. Gallo (2011), there are seven values that Westerners cherish more than others: equality, independence, individualism, honesty, trust in others, freedom and risk-taking. These are central in Western cultures, and constitutes the foundation of Western business leadership.

5.3.2 History

In the later part of the Industrial Revolution, Sweden changed from an agricultural to an industrial society (Robinowitz & Carr, 2001). From the 1870's, Sweden started to build railroad by using the natural resources of steel and iron, and started to export Swedish made textiles and glass. With the development of the industry, more and more people moved from the countryside to industrial cities like Stockholm. The industrialisation lead to more job opportunities, but conditions were bad and people suffered from poverty while industry owners became wealthy.

The situation caused the union movement to launch a big strike with the hopes of acquiring more equality in society and to eliminate class differences. With time and development of society; trade unions, employers, union representatives, politicians and government all agreed to the common conception that Sweden was to become a welfare country, thus resulting in a mutual understanding. These agreements between the social partners that developed during the 20th century in Sweden, constitutes the foundation of a very unique approach to welfare and workfare policies, known as *the Swedish Model* (NE, 2016a).

5.3.3 Geographical differences

Leadership principles are not perfectly uniform in the West, as they do vary between the US and Europe, as well as within Europe. Although there are general similarities, and differences mostly vary at degree of importance of different leadership traits (King & Zhang, 2014). Historically, the US has been a great source of inspiration when it comes to business leadership in Europe, but, according to some authors, Europe's largest companies have been moving away from traditional US leadership practice since the mid 90's and started to develop their own management style (Myers, Kakabadse, McMahon & Spony, 1995). The argument is that

management in the US is focusing on finance and marketing, whereas European managers are focusing on employees and working for a common vision and collaboration with others to reach their goals.

5.3.4 Ideologies and Models

The Swedish Model

As mentioned above, the historical events in Sweden caused the social partners, employer and employee organisations, to agree upon a unique welfare model (NE, 2016a). The core of the Swedish model is regulation of rights and obligations of the social partners on a contractual basis, instead of a statutory basis. One milestone in the development of the Swedish Model was the Saltsjöbad agreement in 1938, where a wage policy was agreed upon, contributing to peace on the labour market.

The Sociotechnical System

The sociotechnical system was originally developed from Tavistock Institute of Human Relations in London (Börnfelt, 2011). After World War II, the industry had problems with low productivity, high staff turnover and conflicts between employees and employers. With help from the institute, workers started switching between various tasks and worked in cooperating teamwork. This improved employee motivation, and both absence and accidents decreased.

According to Eijnatten, Sahni and Learry (Börnfelt, 2011), the sociotechnical theory is divided in four subdivisions: Scandinavian, Australian, Dutch and North American. This report introduces the sociotechnical theory in Scandinavian style, because of its strong influence on Swedish working life.

Sociotechnical theory is based on group work and the essential point with the theory is self-governing; group members discuss how to accomplish the task together. In the self-governing group, decision are made regarding e.g. making a set of values to guide their actions, as well as coordinating their work, resource distribution and input and output of resource flow (Börnfelt, 2011). The group can make production plans by themselves, overlook how much resources and what materials they need and which pace they want to work. Leaders should give maximum freedom for group to make decisions, but also give regular feedback to the group.

In order to make decision by themselves, team members should have enough knowledge and competence for the main task (Börnfelt, 2011). Another feature in a self-governing group is that there should be a holistic understanding of the work, so that the task feels more meaningful for the member. Suitable amount of variation is necessary; if it is monotonous work, workers will easily get bored and tired, but if there is too many variations, it would be inefficient for learning.

The sociotechnical theory emanated from, the Y-theory, internal motivation. According to Trist, if a task is motivating, that will improve the satisfaction for the members, which will lead members towards better performance (Börnfelt, 2011).

With the development of the Swedish society, the working environment improved, and many jobs started becoming more advanced in the 1960's to 1970's, thus requiring more from the workers, e.g. higher participation in decision making. During this time, many strikes occurred, there was a high staff turnover and difficulties for companies to recruit employees. This seemed like a threat for employers but they came up with the idea that sociotechnical theory could be a solution for it (Börnfelt, 2011).

5.3.5 Important concepts

Consensus

A consensus is defined as an *agreement among all the people involved* (MacMillanDictionary, 2016). A consensus is reached through an open communication at staff meetings, where everybody is well informed and committed to following the company's operational directions and goals (Oxfordreference, 2014a & Myers et.al., 1995). The more consensus there is, the higher the degree of satisfaction. In this way, it is beneficial for internal relationships and the company's performance.

5.3.6 Business Leadership

Swedish management is based on trust, teams, consensus, empowerment and decentralization. Some say this has profited Sweden in global competition, especially regarding technical innovations (Isaksson, 2009). The most common leadership style in Sweden is the coaching style (Myers et.al., 1995).

5.3.7 Hierarchy

Hierarchy is relatively flat in the Western world (Monipally, 2001), and in Sweden, it is only existing due to convenience (Hofstede, 2016), meaning that a manager cannot have responsibility for too many subordinates, thus naturally building a hierarchy within the organisation. Equality is highly valued by Westerners, and Western company leaders are, according to Gallo (2011), expected to not be showing off their high position by receiving luxurious benefits such as nice company cars.

5.3.8 Empowerment

In Sweden, as well as the rest of the West, empowerment is seen as an effective way of getting the most out of your employees (Gallo, 2011 & Isaksson, 2009). Some say that the Swedish highly empowered workforce has been a competitive advantage, as it encourages innovation and creativity (Isaksson, 2009). Empowerment also requires a high degree of openness, something that is necessary to reach the level of consensus that Swedes generally require.

Independence, individualism and freedom are matters that are very important to westerners, which mean that they are appreciating being empowered in their work (Gallo, 2011 & Hofstede, 2016a). Independence is, as a matter of fact, not only important to westerners in their job, but in their lives as a whole. Gallo (2011), makes the example that parents are seen as successful if their children grow up to be independent people. Empowerment can be seen as freedom and independence at work, which shows that the values that westerners cherish the most, are reflected in their work life.

To be able to delegate responsibility, a high level of trust is needed. Managers must believe in their workforce and the abilities of their employees, and the employees must trust that the manager delegates tasks with their best, and the company's best, in mind (Gallo, 2011 & Isaksson, 2009). Sweden is referred to as a "high trust culture", and this can be seen as a formal trust, that exists initially between and within the groups of managers and employees (Gallo, 2011 & Isaksson, 2009). There are, despite a relatively small sample of respondents, several examples in the Vinnova study (2009) of the "high trust culture" that is said to be dominant in Swedish organisations. Managers did not hesitate to delegate tasks, even when dealing with challenging issues such as the financial crisis.

Swedish managers can also be honest about lack of particular knowledge without losing respect, and this is something that can become complicated when Swedish managers are in China (Isaksson, 2009). As a result, Swedish managers aren't afraid of acknowledging their employees as more proficient, as well as having better market knowledge. The gain from this approach, according to the Swedish managers, is that the company can use the knowledge of the employees to create profitability for the company. Furthermore, to reach consensus and include employees in decision-making, staff meetings are common in Sweden (Isaksson, 2009).

5.3.9 Encouragement - reward

Reward systems are common in Western as well as Chinese companies (Gallo, 2011). They can be connected to individual, team-based or company-wide KPI's (key performance indexes). In individualistic societies, such as Sweden, rewards are preferably equity-oriented and based on personal achievement (Cho & Yoon, 2009).

5.3.10 Communication

Communication is a key component in leadership. In Western organisations, transparent communication creates trust and efforts to understand the values of the employees helps create good communication and understanding. Open and ethical communication also leads to the avoidance of vengeful employees. Simply put; by recognizing the value of their employees, leaders can create a more well-functioning and trustful organisation. This is usually something that Western managers strive for (King & Zhang, 2014).

Honesty is, according to Gallo (2011), a fundamental value in Western cultures. Because of this, Westerners doing business in China can feel baffled when meeting a business culture that, compared to Western practise, they perceive as dishonest.

5.3.11 Individualism

Swedish culture is defined by high individual focus. Swedes are expected to take care of themselves, and at work, they are expected to advance based on credential basis (Hofstede, 2016b). According to Hofstede (2016b), management in individualistic societies is the management of individuals, as people generally prefer thinking of terms of "I", and set their personal goals ahead of any in-group goals (Triandis, 2001). Workplaces in individualistic countries tend to have more focus on equity, individual performance and social justice (Cho &

Yoon, 2009). Furthermore, in individualistic societies, managers are more likely to take personal credit for success of a team or department than in collectivistic ones (Gallo, 2011).

5.4 Chinese leadership

In this section, Chinese leadership theory is presented in accordance to the subject areas in the section above.

5.4.1 Introduction

China, with its widespread lands, has been the country with the largest number of citizens in this world, as well as the biggest economy, for more than 3000 years (Eklund, 2011). To this date, approximately 1.4 billion people from 56 ethnic groups live in China, and they represent a broad diversity of culture, religion and tradition (China.org, 2016).

Chinese business leadership as a field of research is relatively new, and only emerged about 35 years ago. Research from 2008 shows that Chinese leadership practices are still following traditional and long-established Chinese ideas. One of these mentioned are *moral leadership* which is deeply rooted in Chinese philosophy (King & Zhang, 2014). Other examples of Chinese philosophies influencing Chinese business leaders are Confucianism, Daoism and Buddhism, as well as quotes from long-familiar Chinese leaders like Deng Xiaoping, Mao Zedong and Sun Yetsen (Seow, 2003). Author of the famous book *The art of war*, SunZi, is another source of inspiration to leaders (Sheetz-Runkle, 2014). These are all famous for inspiring people with their words and doctrine (Gallo, 2011). According to Xu Fang, Vice President at TCL Institute of Leadership Development in China, Chinese leaders are expected to be 'jun zi', which means leaders should be tolerant, patient, humble, and patriotic and strive for harmony (Gallo, 2011).

5.4.2 History

China has been through remarkable change in the past hundred years. After its economic stagnation during the 19th century, when Western countries were firing up their industrial revolution, Chinese economics reached its all-time low in the 1970's during the Cultural Revolution initiated by Mao Zedong (Eklund, 2011). Because of the Cultural Revolution, a whole generation of business leaders missed out on their chance of gaining experience (Gallo, 2011). Instead of studying and becoming managers, many young people spent their time in the countryside, farming and working with agriculture, and business did not exist in the same way

as it does today. After the death of the Chinese communist leader, economical reformation by Deng Xiaoping in 1978 created a new China, and during the 1980's, the economy started rising. In the beginning it was up and down, but since the 1990's, the annual growth has been rather steady, approximately ten percent a year (Eklund 2011). After lagging behind the industrial development in the western world, China abandoned many of its socialist beliefs in favour of a market economy system (King & Zhang 2014). Today, China is one of the world's three leading economies.

After the Cultural Revolution, the development of China that had started in 1979 initiated so-called "catch-up initiatives", including the acquisition of Western management concepts (King & Zhang, 2014). Many Western management techniques were previously unknown in China, but have been imported through education abroad and western companies' investment in China. This has led to Chinese management principles being built upon a mix of communism, Confucianism and Western management techniques. Despite these initiatives, when the Cultural Revolution ended, the people who entered the workforce did so in a planned economy, where there was no need to learn the things that western leaders had to learn in order to keep companies successful (Gallo, 2011). This has led to an older workforce in China that was never trained to operate in a market economy in the same way as the Western counterparts. Because of this relatively recent change into a market economy the country has gone through, Chinese business leadership is in need of improvement (Gallo, 2011). Due to the historical events mentioned above, Chinese business leaders are inexperienced in operating in this new economic system. Some of the differences between operating in a planned economy compared to a market economy can be that there are not many things to focus on in a planned economy other than meeting production quotas and ensuring there is work for those who are being lobbied by the government. This system also tend to direct the focus of managers upwards to the local or provincial governments rather than downwards to the workforce.

On an average, Chinese employees are estimated to be 10 years younger than their western counterparts. This means that many people get positions where they lack experience to do a good job, as they, for example, are not well experienced in leading or being led. The lack of experienced leaders in China has led to great need for equipped business leaders, and has also had an economic impact for Chinese enterprises (Gallo, 2011). A study found that companies with a high level of trust in their leaders generated 108 percent total return to their shareholders,

whereas companies with low levels of trust and confidence in leaders generated 66 percent (Gallo, 2011). This shows a strong connection between leadership and economic success.

Despite the fast business expansion in China, there are barriers slowing down the development of Chinese business leaders (Gallo, 2011). Some of these barriers are short-term focus on result, lack of know-how and experience in developing leadership programs, lack of internal talent due to the young workforce, unwillingness to invest in leadership programs, and senior managers unwilling to try new and different programs.

According to Gao Yong, President of Career International in Beijing, different generations in China define leadership in different ways. As the older leaders never got a chance to study abroad to learn Western leadership, they rely on the traditional Chinese wisdom they are familiar with (Gallo, 2011). The younger generation has learned more about Western leadership, but not much in a practical way (Gallo, 2011). This view is supported by a literature review published in 2014, where research on Western and Chinese leadership from the past sixty years was examined (King & Zhang, 2014). According to the review, Western and Chinese leadership styles have historically been different, but are now converging.

5.4.3 Geographical differences

This project is aimed towards business leadership, and is therefore focusing on the Chinese business areas such as Shanghai, Shenzhen and Guangzhou, where leadership characteristics are similar (Gallo, 2011). According to *The Economist* (M. Beddoes, 2008, September), Hangzhou, where the Geely Holdings headquarter is situated, is the fourth best business area in mainland China.

5.4.4 Ideologies

Confucianism

Confucius is the Latin name of the teacher and philosopher *Kongfuzi*, who lived between 551-479 BCE in the Shandong province in China (BA, 2016). His doctrine has influenced eastern civilisations ever since, and is especially important in China. Confucianism explains that people should lead an honourable life, do the right things and be responsible for themselves. There are three central philosophies: Ren (benevolence), Li (concrete guide for life and behaviours) and Yi (the moral and righteousness) (Gallo, 2011). They are teaching how to deal with

relationships in one's social life. According to Xu Fang (Gallo, 2011), Confucianism takes deep root in her mind, and a lot of her leadership strategies comes from this philosophy (Gallo, 2011). Confucianism's core ideology is humanity, which brings harmony to the whole company, as people are working in a happy and peaceful environment. Within this philosophy, there rules for how to be an ideal leader, a 'Junzi', who is a gentleman; humble patriotic, patient and tolerant. Within Confucianism, there are five pairs of social roles that lay the foundation of Chinese social life; father and son; ruler and subject; older and younger; husband and wife; and between friends (Gallo, 2011). A famous quote from Confucius is "There is order when the king is king, the minister is minister, the father is father and the son is son". This creates a framework for everyone's role within the Chinese society, and it is deeply rooted in Chinese people's minds. There are also a number of offshoots of traditional Confucianism, adopted to the modern way of life, such as Neo-Confucianism, a mix of Confucianism and Buddhism, and New Confucianism, which links Confucianism with modern thinking (Gallo, 2011). Several studies have shown that Confucianism is an important factor for Chinese business leadership (McDonald, 2012). Not only is Confucian important for the Chinese, it has also influenced many people in the West. In 1988, 75 Nobel Prize winners stated that humanity must take inspiration from Confucianism to survive (Sheh, 2010).

Buddhism

The main philosophy in Buddhism is that people should self-reflect everything they do (Gallo, 2011). This teaches people to be honest, sympathetic and peaceful. The Buddhist doctrine can also be implemented in business. *Wu* is a special Chinese competence, which comes from Buddhism. It requires that you understand others fully, even when a person doesn't explain things in detail. People has to focusing on what is inbound and observe verbal and nonverbal communication to get full understanding. This will be mentioned more in later chapter, discussing direct and indirect communication.

Daoism

Daoism is also one of the most well-known Chinese philosophies, created by Master Laozi, who lived 600 BCE (NE, 2016b). Dao means *road*, and is a philosophy about the truth of people's life. Even today, Dao still has influence in the Chinese daily life. For example, Yin and Yang, a balance between opposites, is something that is also used in leadership (Gallo, 2011). Chinese leaders use this commonly when making decisions. They will consider all sides of an issue before they make a decision, with hopes to achieve a full and balanced perspective.

Westerners on the other hand, are more likely to simply focus on the present problem and a possible solution.

5.4.5 Important Concepts

Guanxi

Eklund (2011) states that two of the most important cultural differences from China and the West are “saving face” and *guanxi*. The latter, *guanxi*, can literally be translated to “relations” or, as Yadong (2007) translates it: “interpersonal relationships”, but it is important to remember that it implies much more (Gallo, 2011). Whereas Western businessmen and women might rely on Facebook or LinkedIn to maintain their business network, and only collect business cards due to a sense of duty, the Chinese ditto puts a lot of effort and responsibility into maintaining their *guanxi* (Eklund, 2011). Furthermore, the importance of reciprocity is great within *guanxi*, much stronger than in social networks in the West. Chinese keep mental notes of favours, and the expectations of giving and receiving favours within the *guanxi* is much stronger than in Western relations.

Saving Face

Face, in Chinese, *MianZi*, means reputation and self-respect. Especially in China and other Asian countries, *mianzi* has a deep meaning. In China, people will take care of maintaining each other’s face in all business issues. Giving and losing face is about respect, and in a business culture highly built upon close personal relations, respect becomes a central issue (Eklund, 2011). This is important to consider before most transactions, in order to avoid anyone losing their face (Gallo, 2011).

Patriotism

Patriotism is a special characteristic for Chinese leaders that is rarely found in Western leaders (Gallo, 2011). This unique trait within Chinese leadership shows a tight relation between business and personal love to the country. Generally, Westerner’s only focus on success within their own business, whereas Chinese leaders are thinking further, they are thinking they also represent success for China.

5.4.6 Business Leadership

King and Zhang (2014), argues that the foundation of Chinese management has long been authoritarianism. According to the authors, it is still strong, but has begun to weaken. Some research suggests that recent reforms have changed people's behaviour on the surface, but on the inside, values are still the same. Western research has shown authoritarian leadership counterproductive, but in China it is still accepted.

5.4.7 Hierarchy

As mentioned above, the social roles within Confucianism is something that set a frame for Chinese people's social life. This leads to strict hierarchies in organisations, where managers have power over subordinates, and older over younger. Breaking these power structures is hard, as they are deeply rooted in the Chinese culture. The view of China as a high-hierarchy society is also clear according to the Hofstede Centre. As mentioned above, China scores very high on "Power Distance" (Hofstede, 2016a). This means that China as a society accepts inequality, and subordinate-superior relations are very polarized. Focus is on everyone's fulfilment of their specific roles of society or organisation, thus, organisations are very hierarchical (Gallo, 2011). Furthermore, Chinese company leaders are expected to demonstrate the power of the company by keeping high material standards, by for example having a big office and a nice company car. This is not seen as unfair, but a way of showing that company is successful and powerful (Gallo, 2011).

The Swedish Institute and The Swedish Governmental Agency for Innovation Systems, Vinnova, conducted a pre-study on the subject of Swedish management, seen from a Chinese and Swedish perspective, in 2009. In the Vinnova exercise (Isaksson, 2009), Chinese managers reasoned that many managers in China are dominant and occasionally dictatorial. The cause of this is argued to be the ownership structure of Chinese companies, where often a single individual possesses leading authority. A Chinese managers refers to this person as the "one pen" – the only one who has authority to sign things off and make decisions for the company. One downside of this approach, according to the Chinese managers, is that such companies may have problem attracting and keeping talented personnel. It is also mentioned that there is an expectation on Chinese leaders to show prestige. For this reason, it is not uncommon that a new company's first investment is a nice car. One reason to why Chinese leaders are expected to be strong that was elaborated upon, was that China is still a developing country, and therefore the lack of supportive infrastructure creates a need for strong leaders. The author of the report

reason that this might be an indication of a need of strong leaders not only in companies but in the Chinese society as a whole.

5.4.8 Empowerment

Empowerment is another issue where Western and Chinese practice is very different. Due to the social roles in Confucian doctrine, where order between leader and follower must not be confused, empowerment is hard to implement in China. It is common among Chinese employees to expect close instructions to their work (Isaksson, 2009 & Gallo, 2011). Some people are put off by empowerment, thinking that it increases the risk of failure, and they will be blamed (Gallo, 2011). Historically, empowerment has been used as a way for managers to put blame on their subordinates, when faced with complicated challenges. Thus, the reaction from employees can be understood. If managers want to use empowerment as a way of motivating their employees, it is important that there is clear communication and all parties feel like they benefit from the arrangement (Gallo, 2011). Managers that implement empowerment also risk being seen as weak, as they are expected to be doers, and to show that they can do the work themselves.

Managers in China are expected to never show their weaknesses in public. The demands are high, as they also need to possess excessive knowledge in his or her field. According to both Swedish and Chinese managers in the Vinnova survey, Chinese employees want their managers to earn their respect by showing authority and strength, thus they cannot easily delegate tasks, as they need to prove that they are knowledgeable enough to take care of things themselves (Isaksson, 2009).

Chinese companies do not use staff meeting to nearly the same extent as Swedish, and if they do, employees tend to be sceptical, thinking the manager will make a decision regardless of their input.

5.4.9 Encouragement - reward

Chinese employees generally expect faster career development, they want to be promoted on a regular basis and want nicer titles (Gallo, 2011). Near all want to be called managers, and this has led to a rather liberal distribution of the title “manager”. This is a way of providing face for those who are on a career-track that will not actually let them manage other people.

In the very beginning of the 21st century, many Chinese companies would ask Western consultants for reward systems just like the ones used in the West (Gallo, 2011). Nowadays, the insight that reward systems needs to be tailored is more widespread, and many companies have developed their own reward systems. According to Gallo (2011), there has also been trouble with reward systems in China, due to the custom that employees receive the full amount of monetary award they can get, without achieving any specific goals. Changing this practice can, naturally, lead to dissatisfaction among employees.

Historically, a typical Chinese management approach has been military discipline and punishing employees for making mistakes, leading to a fear of being humiliated (Gallo, 2011). Although this is less common now, the relationship between Chinese managers and employees is very polarized, and there is little to no expectation of an actual affiliation between subordinates and superiors. For this reason, the expectation of encouragement or inspiration from the manager is generally low, and Chinese employees can see efforts to increase motivation as way for the managers to try to increase production (Gallo, 2011).

5.4.10 Communication

With a lack of expectation of a relationship between manager and employees, as well as the authoritarian standard of leadership in China, communication in the workplace differs widely between China and Western countries. *Guanxi* is another matter that plays a role for communication in the workplace, as well as formal and informal trust.

Courtesy, as oppose to what is actually the truth, is a matter that can create confusion between Westerners and Chinese. Although both Western and Chinese cultures are truthful, Chinese are more willing to compromise truth in favour of courtesy (Gallo, 2011). This has to do with the concern of people's face, and is to make sure no one has to suffer through humiliation. The avoidance of losing face is the reason why Chinese managers, by Westerners, can be seen as unclear or equivocal in their communication (Gallo, 2011). According to Hofstede, Chinese people are used to ambiguity, and the Chinese language as well, is filled with double meanings that can be hard to fully interpret, especially for foreigners (Hofstede, 2016a).

5.4.11 Collectivism

In China, the culture is based upon collectivism and individuals are expected to act with the group's best interest in mind (Hofstede, 2016a; Gallo, 2011; King & Zhang, 2014 & Lin, 2008). The history of China is a country run by rural farms and family businesses, and it has long been collectivist in its foundation (Gallo, 2011). Mao Zedong reinforced the collectivist thinking by assigning people to work in collectivist communes during his leadership of China (Gallo, 2011). The collectivist thinking goes further than family, and also applies to companies and society (Lin, 2008), but personal relationships at work are generally more important than the job itself and the company (Hofstede, 2016a). The effects that the collectivist culture may have on leadership is that Chinese employees have a lower need for a motivating manager (Lin, 2008). According to one research, collectivist cultures are positively affected by transformational, or charismatic, leadership, and that the positive impact on employee satisfaction is enhanced when transformational leadership is used (Almansour (2012); Walumbwa & Lawler, 2003).

Collectivism is not something that is unique to China, some other highly collectivist countries are India and Kenya, but the collectivism of China has its particular features that are exclusively Chinese, mostly its strong connection to Confucianism (Walumbwa & Lawler, 2003). Confucianism and Chinese collectivism are both strongly connected to family, but as mentioned above, this sense of 'family' can be present in many settings, e.g. the work life. Business teams in China are usually stronger than they are in the West, while cross-team connections are weaker compared to the West (Gallo, 2011 & Hofstede 2016a).

5.4.12 Best Practice

Chinese and Western cultures are different in what workers and leaders expect from each other, and how workers view their leaders (Gallo, 2011). Furthermore, there are fundamental differences to how people live their lives in China and the West. There are different values that, when upheld by Western leaders in China, will be frowned upon and, despite good intentions, simply will not lead to effectiveness. Therefore, the leadership principles that are successful in the West cannot simply be imported to China and be carried out successfully (Gallo, 2011). The western mind-set is different from the Chinese in such ways that western management will not have the same effect in China. In order to reach success, some of the principles must be modified, while others will never work at all.

According to Gallo (2011), it is important for foreigners that go to China to learn about the Chinese culture in order to apply the Western practices they know in a way that is suitable in China. Not only do they need to learn this themselves, but they also need to show their home offices real examples of how Chinese business culture differs from Western, only saying “it is different” will not help anyone gain understanding of these differences (Gallo, 2011).

The barriers that may be difficult for Chinese executives to overcome when encountering western traditions are the questioning of authority, being able to respect another kind of balance between work and leisure, and to take responsibility for developing future business leaders (Gallo, 2011). Westerners encountering Chinese culture must be understanding of this and modify their western leadership practices accordingly, while Chinese managers need to be open about new leadership ideas and practices. As an example, westerners need to remember to give credit to the team, and not just take it by themselves (Gallo, 2011).

The agreements between Swedish and Chinese managers in the Vinnova exercise (2009) were that aggressive and confrontational behaviour is a bad way of solving conflicts, there is a strong team-focus and neither business culture usually have the “hero managers” that can be found in big US, French and British companies. This indicates the meritocratic stance that both countries share. Meritocracy is an important standpoint in the Confucian philosophy, whereas the Swedish meritocracy also has been evolving during a long, but time without any outspoken philosophy to support it.

The best way for Chinese leaders to mix Chinese and Western practices is, according to Gallo (2011), to use the best Western practices and blend them with Chinese wisdom.

Empowerment is something that differs widely in Western and Chinese practices. As mentioned above, Western managers tend to empower their employees by letting them “own” their work and be free to make decisions, generate outcomes and take action without having to consult any superior. In China this way of handling employees is uncommon, and will most likely not be appreciated by the employees. Therefore, western managers who come to China and try to empower employees in this way, are likely to not gain positive reactions from this. Another obstacle in this situation is the general politeness of Chinese workers, and will not criticize the manager for this, although they are confused by the manager’s intention.

6 Method

This sections presents the information gathering process, including theory and information from the company, CEVT. In the end of this section, the reliability and validity of this report is discussed.

6.1 Literature research

The theory section constitutes a substantial part of this report, and provides the basis later used to formulate interview questions. Research on Chinese and Western culture and business leadership styles was mainly conducted through search in databases, provided by the Chalmers Library. Extended research was conducted via search engines online, with Google as the most frequently used. The main keywords used was: *Chinese leadership, business leadership, Chinese culture, Swedish business leadership*, as well as different variations of these. Furthermore, the Chalmers library as well as our supervisor provided physical books of relevance. The information compiled has been gathered from books, e-books, encyclopaedias, scientific articles, news articles and more.

6.2 Interviews

In the earlier stage of this work, a proposal including a brief introduction of the degree project was created and sent out to approximately 20 employees at different levels at CEVT, Volvo Cars and Geely. The aim with the proposal was to find volunteers to take part in interviews. Including our supervisor at CEVT, seven people agreed to take part in the interviews. On request from the participants, the interviewees are not mentioned by name. The position and location of the participants were the following:

- Vice President Geely Design, Sweden
- Vice President Purchasing, CEVT, Sweden
- Chief Financial Officer, CEVT, Sweden
- Communication Manager, CEVT, Sweden
- Executive Assistant & Coordinator, Geely Design, Sweden
- Legal Counsel, CEVT Sweden
- Brand Planning Specialist, Geely Holding, China

After an initial literature study had been conducted, interview questions were defined based on the theory finding as well as our understanding of the problem at question. A qualitative approach was taken due to the limited selection of participants. The majority of interviews were conducted at CEVT's office at Lindholmen in Gothenburg, and were approximately 30-60 minutes long. One interview, with a Geely employee in China, was conducted through phone.

The interview questions were slightly modified during the period of interviewing, and all participants has therefore not answered the exact same questions. However, the core subjects regarding differences in Swedish and Chinese leadership and individual leadership styles were brought up in all interviews.

The data collected from interviews was compiled and analysed to find patterns and similar experiences among the participants. The findings were divided in accordance to the theory section. Following the key findings, a discussion of issues and possible solutions were conducted, from which a number of suggestions for the company was created.

6.3 Reliability/validity

The initial aim of number of interviews was 20, although this number got heavily reduced. Theory on Swedish and Chinese leadership and organisational culture is very much built on generalisations. Due to the high level of specialisation of CEVT employees, the applicability of theory is not guaranteed. In this report, the selection is too small to be able to make broad generalisations of how Swedish and Chinese leaders and employees function, and focus is on an individual level. Furthermore, the qualitative approach in the survey adds insecurity as answers are highly dependent of the views and experiences of the individual participants. Had the selection of interviewees been different, it is possible that the answers, and thereby the findings regarding leadership at Geely and CEVT, had changed.

Another issue to keep in mind while reading this survey is that no managers with Chinese background took part in the interviews, as a consequence, there might be a lack of information regarding their influence of the workplace, as well as lack of perspective. Furthermore, no Swedish employees with a non-managerial position were interviewed, perhaps causing a further

loss of possible perspectives to take into account. There were also no female participant with a managerial role in the survey, further narrowing the perspective of participants.

6.4 Generalisability

Due to the high level of specialisation of the participants in the study, where none of them had exclusively Chinese or Swedish background, the findings of this report is not easily transferred to settings including Chinese or Swedish professionals without international experience. Furthermore, as mentioned above, the selection is too small to be able to make broad generalisations on Swedish and Chinese employees.

7 Key Findings

Below are the key findings from interviews presented, including comparison with theory.

7.1 Introduction

Through the selection of interviewees, it is suggested that many Swedish managers at CEVT have experience from other vehicle producers, such as Volvo or Saab, whereas the greater part of Chinese employees at CEVT have previous experience of working or studying in Sweden or other Western countries, thus they have learned how Western organisational cultures work differently from Chinese. In addition, the Swedish participants have gathered experience on Chinese business culture and have adapted skills to adjust their behaviour accordingly. There were opinions that the Swedish leadership style is well adapted for the Swedish culture, and vice versa for Chinese leadership, although there are still improvements to be made, and they can be inspired by the other culture.

7.2 Background

The background of CEVT employees and managers seem, according to the interviews, to be Swedish or international. The managers with a Swedish background claimed to be Swedish or Scandinavian in their leadership style, whereas participants with Chinese background put focus on themselves, or their managers, being international or mixed in their leadership style.

There was no doubt among the participants that culture and social life is highly different in Sweden and China. Every person's upbringing affects their way of being and functioning in work settings, which is something that the managers at CEVT try to take into account. This affects leadership as well, and can lead to both misunderstanding but also development, especially when learning from each other.

7.3 Business Leadership in Sweden and China

One manager brought up the exceptional environment for business development in China over the past decades as a reason to why Chinese business leadership has stayed rather undeveloped. According to this theory, many Chinese businesses have been able to grow in China thanks to the extraordinary circumstances, where leadership has played a minor role in the reach of success.

Swedish managers are generally less concerned about the exact process their subordinates use in order to fulfil their duties. As one manager mentioned, it is not important how, when or where an employee do their job, as long as it gets done. Chinese managers were said to be more micromanaging, and give clearer directions on how they want a task to be carried out.

Hersey/Blanchards

According to the results of the interviews, most participants placed themselves or their managers in either coaching and supporting or supporting and delegating leadership in the Hersey/Blanchards leadership model, indicating that CEVT has quite a well-developed organisation. This is also supported by one participant mentioning that they have long experience of the job and can take great responsibility for the tasks. It can be understood through the interviews, that many of CEVT's managers are well-experienced, and try to delegate task as much as possible. By aiming for a delegating leadership style, the managers give employees space for development and chance to make their own decisions. According to theory, this is a very typical Swedish and Western approach to leadership.

One of the leaders mentioned that they use situational leadership, meaning that which leadership style they choose depends on the person being led. If a junior employee joins in a

group, they would like to work on giving clear directives, providing the employee with all information necessary to perform the task, which is in line with the Hersey/Blanchards framework. There were also opinions regarding how leadership looks like in Geely Holding. The general view was that Geely has quite a typical Chinese management and organisational culture, where employees follow the directives of the manager. However, one participant provided the point that Geely has become more conscious about Western organisational culture after acquiring Volvo.

Highly valued leadership traits

The leadership traits that were most popular among our selection of seven was decisiveness, tolerance, humbleness and equality. The selection of leadership traits is listed in the theory part. Four of the traits chosen were classical Western leadership traits and three were Chinese, and the answers were mixed regardless of background. This shows that there might already be somewhat of a mix in practises at the workplace. Some of the participants seemed to have an analysis of Swedish and Chinese culture and replied according to what was most suitable for the mixed environment at CEVT.

Decisiveness

Tolerance

Humbleness

Equality

Individualism

Risk-taking

Patience

Regarding people's preferences of low or high key leaders, the interviewees had different opinions. Several participants showed a preference for low key leaders with a clear and present leadership style, in order to gain motivation, while others preferred high-key leaders with a clear communication and authority. One common answer was that different hierarchy levels require different leadership styles, that a low-key style of leadership is suitable for middle

managers or group managers, while a CEO or CFO in a high position is generally preferred to be high-key, because they must be visible in the organisation and clear in their communication. One participant that preferred high key leaders also mentioned that there are more important attributes such as competence as a leader, willingness to lead and being positive. As one can see, regardless of position in this question, almost all participants emphasized a clear communication and leadership.

7.3.1 Models and Ideologies

As the last chapter mentioned, Chinese and Swedish leaders have been inspired by different philosophies or models in their leadership, and they are usually connected to the cultural upbringing of the individuals. Swedish leaders at CEVT have been inspired by the Swedish model, as it sets a framework for work life in Sweden. Regarding Chinese leaders, many at CEVT and Geely are internationally experienced, although they are still influenced by Chinese wisdom such as Confucianism, SunZi and Buddhism, depending on values such as honesty, carefulness and generosity. Chinese people are, according to one participant, often give respect to people based on family background and age, something that is closely related to Confucianism.

7.3.2 Important Concepts

Guanxi

Despite not being brought up in the interview questions, a few of the participants mentioned guanxi as something to take into account when working in Chinese Environment. One participant mentioned guanxi as a reason why business information travels in a more unofficial way in China, whereas another participant said that while guanxi is an important aspect of Chinese business relations, it is not absent in Sweden, as people use contacts there as well. Furthermore, Chinese were said to take people's contacts and background into account in the business life, whereas Swedes focus more on accomplishments.

Patriotism

The idea that Chinese are feeling more as a representative of their country than Swedes when abroad, was supported by one participant as well as theory.

Saving face

Regarding the matter of saving face, the participants had different points of view. Some were of the opinion that there are big differences between how Chinese and Swedish handle 'face'. According to them, Chinese care more about 'face'. As an example, people do not say what they think openly in a meeting and refrain from pointing out what is wrong in front of others, all to avoid that people lose their face. A strategic way to communicate with Chinese that one of the participants has adapted, is to not point out any previous mistakes, but rather focus on what should be done from now on. Some of the interviewees answered that there is not much difference between Swedish culture and Chinese regarding 'face', nowadays people are open to accepting others pointing out mistakes, in order to improve and get good results. One Geely employee in China meant that the younger generation does not care about 'face' because they are inspired by Western cultures, but they still take it into account when interacting with managers and people from older generations. Another participant with Chinese background stated that losing or gaining face is not of importance, the important point to consider is showing others respect.

One manager, who also has responsibility over the correlative department at Geely, explained a problem of never hearing any bad news directly from this department. Supposedly, to save both the manager's and their own face, when problems occurred, no one in the department mentioned this directly. However, the manager would eventually get to hear about the problem, although from someone not connected to the department in question. This is, according to the same manager, something that is common in China.

Consensus

The opinion of all interview participants was in line with theory, saying that in Sweden, consensus is of great importance. This includes a generally well planned decision-making process where employees at all levels want to take part in the discussions and have their voice heard. Employees are motivated to work, but plans often take a long time to go through, as decision making lacks efficiency. During the interviews, many Swedish managers expressed their appreciation for the fast pace in Chinese organisations regarding projects and decision making. On the other hand, nothing is granted and there is a lack of communication in between departments and teams. In the theory part, it was mentioned how Chinese companies decision-making can be one-sided and lack of different perspective due to the culture of having the "one

pen”, one person that is in charge of decision making. However, quick decision making was also mentioned as a competitive advantage compared to Sweden. Furthermore, plans can be changed quickly in China, even as close as one week to deadline according to one manager, something that would never happen in Sweden. This is also something Swedes can learn from, according to the participants. Several participants explained how processes in Sweden and China can take up the same amount of time, although the Swedish process is slow and well-planned, while the Chinese process is efficient but need more changes along the way.

7.3.3 Hierarchy

Chinese organisations are viewed as more hierarchical than Swedish organisations, and leadership tend to be authoritarian and managers are expected to be the experts. Most of the participants claimed that the organisational structure at CEVT is rather flat, except for one who argued that most people will probably say this, but in reality CEVT is quite hierarchical. All participants were in agreement that Geely has a much more hierarchical structure than CEVT. The one participant from Geely in China meant that the hierarchical structure makes it hard for information to efficiently reach the right person. According to one participant, Chinese managers in China are viewed as the expert, whereas in Sweden, employees can be seen as an expert. This subscribes to the theory saying that Chinese companies in general are more hierarchical and Chinese managers are expected to possess superior knowledge, but it should be noted that all interviewees regardless of background had a preferences for flat organisational structures, reflecting a Western culture at the company. Despite the expectation for superior knowledge among managers, Chinese employees are, according to one participant, very unlikely to ask help from superiors. This is due to the fact that managers are the ones to decide over employees’ salaries, why employees avoid showing lack of knowledge or mistakes, as they want to avoid a pay cut. Another Swedish manager asserted that Chinese employees are in general happy to ask their superiors for help. In most Swedish companies, and especially at CEVT, managers are, according to most participants, considerably more available for help and discussion.

As brought up in the theory part, the Hofstede centre mentioned that Swedish companies uses hierarchy for convenience, which also was discussed at the interviews, it was said that hierarchy must be developed as a company grows, due to the fact that a manager cannot handle too many subordinates. One participant was of the opinion that the organisational structure of CEVT has been developing from “below” due to the fast expansion of the company, and this has led to a

less top-down structure than if the whole company had been structured according to a predetermined plan.

7.3.4 Empowerment

Chinese leadership is directing, employees obey the manager even if they do not agree. There is no dialogue between managers and employees, and orders that are given are not up for discussion. This style of management was referenced in the theory part. Chinese leaders generally take bigger responsibility for decision making compared to their Swedish counterpart, and employees are more focused on the leader and have faith that the leader will make the right decisions. The Chinese leadership is undeveloped, but more and more Chinese leaders are adopting western leadership models. According to research as well as interview participants, Chinese leadership style will merge with Western when younger generations today reach higher positions.

According to the theory, Chinese employees are more positive to receiving direct orders from their managers, whereas Swedes are generally reluctant towards being told exactly what to do. This is not the case at CEVT, according to the interviews. All participants meant that employees at CEVT are empowered enough to “own” their job, as opposed to constantly following direct orders. This is the typical Swedish way. One related issue that came up from CEVT is when the Geely board is using the Chinese way of giving direct orders to Swedish managers at CEVT, causing an immediate backlash. Even in stressful situations as this might be, Swedes, especially on higher manager levels, do not want to follow orders, and they easily respond with being corky and stubborn. This, naturally, does not lay a good foundation for cooperation and efficiency.

Staff meetings

The majority of interviewees were positive to empowerment in the form of staff meetings, while a few pointed out that certain decisions, such as strategic ones, should only be made by those in charge of such decisions and the trouble with having too many people taking part in meetings. One participant, with Chinese background, had no interest in staff meetings, and was of the opinion that managers can make all decisions without involving employees, whereas another was of the opinion that staff meetings are very important to create employee satisfaction. Swedish employees have a bigger need than their Chinese counterpart to take part in staff meetings. As CEVT is growing bigger, certain meetings are being cancelled and employees

lose their chair, creating some dissatisfaction among affected employees. According to one participant, less staff meetings does not have to imply less empowerment. Instead of having meetings with a big group of people, including managers, involved, tasks can be delegated to a smaller group of people who decides upon a suggestion and delivers this to the rest of the department.

As mentioned, most managers were aiming for a delegating approach to their leadership, something that according to the theory is a very Western/Scandinavian approach to leadership, and unusual in China. Although no manager with Chinese background was interviewed, all interviewees were positive to a delegating approach. One manager meant that delegation of task is the final goal, implying that there needs to be a far-gone development of both manager and employees for a well-functioning delegation of task to occur.

7.3.5 Encouragement - reward

Encouragement

Most managers were clear in their goal of giving feedback. They want to give immediate feedback, sustain dialogue and be constructive and positive in their feedback, and they admitted that there were improvements to be made. As mentioned above, a clear and present leadership style is preferred among the participants to gain motivation.

Reward

There is no individual reward system at CEVT, but a company-wide bonus that every employee takes part of, based on the success of the company. There is slight disagreement regarding the straightforwardness of Swedes and Chinese giving encouragement or criticism. Both Swedes and Chinese have their way of not being straightforward, but, as the interviewees claim, criticism can be given indirectly, which, according to some, is the more common practice in China. There were a few replying that also Swedes need to improve their ability to give and take direct criticism. It was also mentioned that Chinese leaders rarely give positive feedback. In China, as long as the employee hears nothing from the manager, all is well.

7.3.6 Career development

One of the interviewees mentioned from own experience what was also found in literature, that the expectation of a career development is different between Swedes and Chinese. As

mentioned in the theory above, Chinese might expect a faster career development. This was not included in the interview questions, but it shines light on interesting differences that can play a role in how managers and employees act, and how their expectations can differ based on cultural background.

7.3.7 Loyalty

One participant mentioned that Chinese employees are more likely to feel loyalty towards their manager or team than the company as a whole, which was also mentioned in the theory. Although another participants believed Chinese are very loyal to the company, similarly to Swedes. The question of loyalty is closely connected to the issue of collectivism, and this can be interpreted differently. According to some of the theory, Chinese employees are likely to be very loyal to the company as well, while other reports suggested what the interview participant meant, that the collectivist culture in China makes people very loyal to their closest group, but less so to any surrounding organisation.

7.3.8 Communication

Swedish and Chinese business communication

Swedish leadership style is, according to the interviewees, characterised by an open communication between the manager and the employee. This includes aspects such as everybody being able to share their opinion, discuss and exchange ideas with the managers, and all the discussions are supporting managers' decision making, which is also very much in accordance with the theory. All interviewees, including one situated at Geely China, agreed that business communication is considerably more indirect in China. However, on an individual level, both Swedes and Chinese were considered indirect in their communication, although Chinese are more indirect than Swedes.

Communication at CEVT and Geely

The majority of participants implied that communication at CEVT is typically Swedish, straightforward and two-way, meaning that people communicate directly to the person in issue and keep a dialogue. Through keeping communication open, managers at CEVT are well equipped to support their employees. Concerning communication in Geely, or in China in general, there is more deep understanding, a more critical way of communications where tactics are needed to communicate. As mentioned before, it is not polite to give away critics in front of others in China, and sometimes there is a need to go 'around' the matter to make sure nobody

loses their face. Moreover, people are sometimes expected to understand what is said indirectly. Since CEVT is a subsidiary company of Geely, communication between CEVT and Geely is frequent, and there are occasional cultural shocks as well as language barriers that, despite translators, create gaps between what is being said and what is understood. Misunderstandings happen especially often over mail and telephone, where verbal language is absent.

Information is given formally to employees at CEVT, according to what is common procedure in Sweden, through staff meetings and internal e-mails. In China, e.g. staff meetings are less common, and information spreads naturally on an informal level. According to one participant, this could be considered “gossip” in Sweden, but in China, this is common procedure in place of staff meetings, e-mail or other kinds of formal communication.

A few of the participants meant that some leaders at Geely and CEVT need to improve their communication as well as their delegation skills.

7.3.9 Individualism - collectivism

One manager mentioned that Swedes can have a self-image of being collectivist, although Swedes are in reality highly individualistic, while Chinese are collectivists to their nature, and therefore have a greater need to work in teams.

Teamwork

In the design department at Geely, the managers encourage competition between teams within the company, something that is very different to the Swedish approach. This can be connected to the masculinity mentioned in the Swedish and Chinese Leadership introduction, as well as the collective culture where in-team relations are strong and rivalry between teams is high. China is a culture with more focus on competition than Sweden, thus it is a natural approach to let teams compete in order to motivate teams and reach the best result. For Swedes, this can be seen as a waste of resources and time, as most of the work done will be scrapped.

Most of the participants were positive to team-based work. One participant had seen bigger tendencies to work in teams in China than in Sweden, which is in adherence with theory. Two of the Chinese participants also showed a more positive attitude to working in teams themselves, but the majority of interviewees also mentioned that the efficiency of teamwork is depending on the task assigned. Almost all participants agreed that the efficiency of teamwork depends on

the competence of the individuals of the team. Furthermore, communication and decision making were important factors for the participants. One person strongly believed that teamwork is important due to the limited knowledge of individuals, perhaps not surprisingly, the same person said that they were somewhat influenced by Confucianism.

8 Discussion and recommendations

This section brings up important aspects from the key findings from the perspective of the research questions, along with recommendations for managers and employees at CEVT and Geely.

8.1 Introduction

As mentioned early in this paper, leadership is something that is happening in relation between two or more people, therefore it is counterproductive to focus only on the leader, but the organisation as a whole, and the relation between leaders and subordinates, which is incorporated in the organisational culture.

8.2 Main differences between Chinese and Swedish business leadership

Chinese leaders are perceived as strong and cannot admit to having less knowledge than subordinates. This is not as big of a problem for Swedish managers, although it can be unfortunate if Swedish leaders bring their humble approach to China, as Chinese staff easily can lose respect of their superiors if they lack knowledge or authority.

Swedish leaders aim towards delegating tasks, and include subordinates in decision making, whereas Chinese leaders are directive and prefer micromanaging their subordinates. Furthermore, the paths towards reaching results are highly different between the Swedish and Chinese managers at Geely and CEVT, where Swedish managers are consensus-driven and focused on the process being planned correctly from the beginning, while Chinese managers start working without being troubled if the chosen path needs to be changed in a later stage. In the end, both approaches are equally effective, but can learn to reach further effectiveness if blended in the right ways, which will be discussed further below.

Recommendation: Swedish managers need to take caution while empowering Chinese employees, to not lose their respect or confuse the employee by being unclear with their intentions.

8.3 Differences in leadership at CEVT

8.3.1 Leadership development

According to the interviews, some leaders at CEVT and Geely need to improve their communication and delegation skills. This includes giving more direct feedback, both positive and negative. Furthermore, leaders at CEVT and Geely are requested to be decisive, tolerant and humble, while treating employees equally. The call for decisiveness is possibly a result of the frustration due to the constant consensus and slow decisions making process, whereas the need for humbleness and tolerance is due to the very different background of employees. Furthermore, managers should adapt their visibility to their position.

8.3.2 Communication

As a consequence of the backgrounds of leaders at CEVT, Chinese leadership is underrepresented, and Western leadership styles are clearly most established, resulting in an open communication. It is important that all employees, regardless of background, agrees on this setup. Chinese employees seem to have made more adaptations to fit the organisational culture at CEVT than their Swedish counterparts. Nevertheless, when interacting with Geely, Western and traditional Chinese management styles meet, causing occasional misunderstanding and communication difficulties. This is one of the most apparent difficulties, according to the information gathered. There are no clear ways of addressing this, besides creating a mutual understanding. Although there were hopeful voices from the interviews as well, saying the management at Geely is becoming more influenced by Western practices. Most likely, this is not only a question of generation, but of personal and organisational learning, as Geely gradually turns into a more globally adapted company. One way to make communication easier is to avoid phone calls and mail, focusing on video chats, as one participant said it is easier to understand one another when the communication includes body language.

8.3.3 Encouragement, Feedback and Reward

A few of the managers interviewed were rather self-critical regarding their ability to reward employees. To overcome these obstacles, managers need to see the individual needs of their employees and focus their motivational efforts differently for each individual, as well as giving more positive and immediate feedback. There might be differences in how Swedish and Chinese employees prefer receiving feedback, as Swedish employees can have a preference for personal feedback, whereas Chinese employees might prefer feedback based on team performance. Although this is on a speculative basis, leaders need to understand their employees and take the different preferences for feedback and encouragement into consideration. This is both to prevent the loss of face as well as to improve employee performance. Furthermore, career paths need to be clear and same for all, to avoid disappointment and frustration among employees, regardless of their expectation of promotion.

8.3.4 Hierarchy and Empowerment

As mentioned in key findings, Swedes, especially on higher positions, expect to be able to make decision by their own instead of following detailed orders. This follows the theory explaining that authoritarian leadership style is proven to be inefficient in the Western world. This is something that causes trouble in the relations between the board of Geely and higher level managers at CEVT, as there is a lack of understanding from Geely's side to how Swedes react on a management style they find de-motivating and perhaps a bit insulting. This reaction is probably as deeply rooted in the minds of Swedes as the authority-based leadership is in the minds of Chinese, making it hard to make one or the other back down. Chinese managers take responsibility by giving clear directions, whereas the Swedish managers in this case might feel that their authority and expertise is taken away from them. It is possibly seen as rude by to not accept orders from above. Again, the differences in how Swedish and Chinese managers appreciates the abilities of their subordinates causes friction and misunderstandings. In general, CEVT and Geely employees have shown profound understanding for the cultural differences between the countries, making it hard to believe that issues like this should lead to ongoing conflicts. One first step of overcoming these difficulties is creating an understanding of the root problem. It can perhaps be foreign for the Geely board to understand the minds of Swedish professionals. Furthermore, it is rather easy for the Swedish managers to understand, but not accept, the actions of the Chinese board. Even at stressful moments, Swedes prefer taking part in decision making. Perhaps the Chinese board needs to stay calm and have a discussion where

steps ahead are decided upon, or the Swedish managers need to put their pride aside, and follow orders. The downside of the latter is that responsibilities get shifted, as the one making the decision is responsible for the outcome, and it is unlikely that Swedish managers would happily leave their responsibilities to anyone else.

Recommendations: Avoid misunderstandings by using video calls instead of phone calls or e-mail.

Improve feedback process by giving immediate, constructive and positive feedback.

The board of Geely needs to understand the difficulties that occur when Swedish managers lose their authority. Decision making must be inclusive and thought through in order to motivate Swedes.

8.4 Adapting to the cultural differences in leadership style

8.4.1 Understanding employees

There are wide differences in what leadership style is preferred among employees. It is impossible to ask of managers to adapt their leadership style completely to each individual employee, although it can be beneficial to create awareness of how what level of empowerment or micromanagement employees from different backgrounds prefer. Although most younger Chinese are willing to take a great responsibility, this cannot always be taken for granted.

In these days of globalisation, information spreads fast, and it is easy for people to travel between different countries. As a consequence, technology and knowledge gets exchanged on a worldwide level. The younger generation in China is constantly receiving more opportunities for travelling, studying and working in Western countries. These experiences lead to widening their understanding for different cultures. What is unique within this situation is that they get Chinese wisdom from their upbringing, combined with the Western influence when they see the world. As the theory and information from interviewees concludes, many new CEVT recruits are young and have experience from studying abroad. Although they lack management experience, they keep their mind open for a modern business culture.

These younger recruits are generally not as concerned about saving face as the older generation. Although there are surely individual differences, this the general opinion of interviewees. The

problems that the issue of saving face causes is when Geely employees, and possibly also CEVT employees, avoid telling their managers about problems that occur. This can get in the way of efficiency as leaders that are uninformed of problems cannot possibly address them. To improve this situation, employees need to be assured honesty is more encouraged than keeping the lid on when difficulties occur, and penalties will not be handed out for this. Perhaps it is also a question of loyalty, where team members are holding each other's back and the one to admit these problems is letting down the team. The manager can possibly address this by winning the trust of the team, and thereby dismantle the notion that informing the manager of problems implies letting down the team.

The result from the theory and interviewees regarding loyalty was inconsistent, and in reality the loyalty of employees might vary between companies, departments and position. Many Chinese employees are loyal to the company as a whole, as they have invested their career there, whereas others might feel mostly loyal to their closest manager or team. Although Swedes are generally loyal to their company, similar differences might occur.

Recommendations: Create awareness of the differences between individual employees, everyone is influenced differently by cultural upbringing.
Take advantages of the Chinese wisdom that employees possesses.

8.4.2 Bringing out the best

In the very beginning of this paper, charismatic leadership was mentioned as a leadership style that is efficient regardless of culture. The reason charismatic leadership has not been brought up further is that charisma within an individual is assumed to be a personal trait, thus belonging to the 40% of leadership traits that are regardless of cultural background, and this paper focus on the 60% that is affected by culture and upbringing. Charismatic leaders are thought to be found in all countries and cultures, and cannot be created through models or leadership training programs, although leaders that already are charismatic can improve their leadership.

It stands clear that the Swedish management style mainly used at CEVT is regarded positively but with space for improvement. This can be done with inspiration from Chinese management, in similar means as Geely is learning from the West. One issue often brought up is the time and effort consuming decision making process. Naturally, there will be no gain in fully adapting the

“one pen” tradition from China, but leaning less towards consensus and relying more on the competence of leaders might be a road towards higher efficiency and competitiveness.

Many of the managers at CEVT have frequently travelled to China and learnt by personal experiences how the culture works. It is clear that these personal experiences differ from person to person, and it seems as if all the things learned could be somehow gathered to share the information in between everyone who is in touch with China in their work. Organisational learning. Make use of the knowledge that is gathered.

By building organisational learning regarding Chinese and Swedish cultures, it is possible to develop leadership styles by mutual learning. Swedes should try to be less consensus-focused and make changes when they need to be made, while Chinese managers can try to involve employees to build a culture where empowerment is sought after.

Consensus is an obvious character in Swedish leadership, and it can be a good way to make decisions. Nevertheless, sometimes quicker and higher efficiency on decision making is desired. This is something that all participants agreed upon, that the decision making processes at CEVT can be faster and less consensus-focused. It is still important to keep in mind that a directive approach will possibly lead to further inefficiency, as Swedes are reluctant towards following detailed direction. Decisions should still be made based on discussions and common agreements on how to reach the goal.

Flexibility for making changes along the way is another aspect to be considered. Chinese leaders see no loss of prestige when changing direction, while Swedes are very set on their way that has been discussed and decided upon during an extensive process. The Swedish setup is poorly adapted to the constant changes in business environment.

Recommendations: Swedish leaders should be more decisive and focus less on consensus.
Chinese leaders should take into account the abilities and wishes of co-workers, and listen and discuss with them to make decisions.
Develop methods for organisational learning, to gather and share the cultural knowledge of all co-workers.

9 Conclusion

There are doubtlessly major differences between Chinese and Swedish leadership, both in general and at CEVT and Geely. Although co-workers at CEVT and Geely have developed mutual understanding, and the workforce at CEVT is highly internationally experienced, miscommunication still occur. Company staff need to be aware of the differences and take them into account in their daily working life. In many cases, the Swedish department and its Chinese counterpart have different approaches to the same task, and communicate their needs differently. In order to overcome these difficulties, there are a number of improvements to be made that have been brought up in this report. Furthermore, managers at CEVT and Geely can develop their leadership in areas of feedback, flexibility and decision making. This includes mutual improvement, as Chinese leadership possesses strengths where Swedish leadership is weak, and vice versa.

10 Further studies

Below are a few suggestions of further research to expand and dig deeper into the issues brought up in this paper.

- A case study at Geely to fully understand how leadership works in a Chinese organisation.
- Research how Chinese leadership can be developed to reach a globally accepted standard while taking advantage of traditional Chinese Wisdom.
- Study the project processes at CEVT and Geely to find means of standardization
- Research how to a develop organisation learning in order to save and share the cultural knowledge among co-workers.

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