



Vaasan yliopisto
UNIVERSITY OF VAASA

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Adapting leadership to a different cultural context

Finnish business leaders in China

School of Management
Master's thesis in Economics
and Business Administration
International Business

Vaasa 2021

UNIVERSITY OF VAASA
School of Management

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Title of the Thesis: Adapting leadership to a different cultural context : Finnish business leaders in China
Degree: Master of Science in Economics and Business Administration
Programme: International Business
Supervisor: Tamara Galkina
Year: 2021 **Sivumäärä:** 92

ABSTRACT:

Several studies have shown that when leadership is taken to a different cultural context, its verbal and non-verbal communications may disrupt partly due the incorrect leadership style; therefore, achieving commonly shared objectives becomes difficult. Despite the multitude of theories examining leadership styles and generally approved explanatory models introducing cultural differences, it is yet understudied how culture influences leadership style when a leader is adapting to a different culture. This thesis aims to study the impact of cultural elements on leadership styles and the concurrent adaptation of leadership styles to match the conditions of different cultural elements.

The theoretical framework of this study consists of two main chapters on leadership and culture, that provide the theoretical standpoints needed for carrying out the research and further analysis of the findings. Specifically, the theoretical part of this thesis introduces the history of leadership styles to present, discusses on the role of communicating leadership, and examines how the motivation of employees can be observed. Further, it presents different cultural dimensions that can be used to conceptualize and compare cultural differences, heading into special characteristics of Chinese culture. The research methodology selected for this study is qualitative, as it provides suitable tools for grasping highly contextual features of the studied phenomenon.

This study has found that the most prominent cultural elements influencing leadership styles were the strong hierarchy, high competition, the importance of status and social recognition, and fear of failure. Also, the communication between Finnish business leaders and Chinese employees was found to be difficult due its complex nature, difficulty of Chinese language, and the need for highly specific instruction giving. This thesis proposes the Contextual leadership adaptation model, which covers the adaptation mechanisms of leadership style into a different culture that can be applied and studied also in different contexts. The practical implications of this study are aimed especially to future Finnish business leaders who can benefit from the specific knowledge from this thesis. Also, scholars studying leadership styles in different contexts can benefit from the derived model.

KEYWORDS: International business, leadership, culture, leadership style, adapting, context

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1 Introduction

1.1 Background

Increasing international competition is forcing companies to find better ways to operate more effectively in global markets. This trend has caused companies to expand internationally, and many experts believe that free trade and globalization continues to grow (Farber 2020; Rao 2010); under these conditions, different cultures get intertwined and overlap to an increasing extent. The business sector is not an exclusion, and nowadays international companies need effective leadership more than ever in highly competitive markets (Jackson & Parry 2018). Inevitably, leader's capability to lead effectively depends on the ability to utilize the right leadership style; hence, the success of a company depends on exercising leadership in accordance with the specific cultural conditions (Li et al. 1999). Consequently, understanding how to lead in different cultural settings has become very important in the business sector as well as a developing and influential study field (Jackson & Parry 2018). However, this area of research is still evolving, and this thesis identifies considerable theoretical and contextual gaps, which are covered further below.

1.2 Theoretical gap

Leadership and its many facets need to be researched further and developed (Mejheirkouni & Mejheirkouni 2020). There is, in fact, an ongoing debate what is the definition of leadership (Jackson & Parry 2018). Previous studies and publications have employed many different definitions for leadership (see Tuffley 2010; Wart 2011; Jackson & Parry 2018; Robbins & Judge 2013). A relevant way to encapsulate leadership is to use the comprehensive definition from Hackman and Johnson (2013: 11) who state that "leadership is human communication that modifies the attitudes and behaviors of others in order to meet shared group goals and needs". This definition recognizes that leadership is a highly interactive verbal and non-verbal behavior where two or more individuals influence each other while moving towards a commonly shared objective. Due to its

extensiveness and vague nature, leadership is difficult to grasp. This study views leadership mainly through the behavior of a leader utilizing different leadership styles. Specifically, this thesis builds on the Full Range Leadership Model (see the sub-chapter 2.1.3) that conceptualizes the behavior of a leader into different leadership styles and then classifies these styles based on their effectiveness on followers (Avolio 2005).

Additionally, several studies have shown that when leadership is taken into a new cultural context, its verbal and non-verbal communications may disrupt partly due the incorrect leadership style, and, consequently, achieving commonly shared objectives becomes difficult (for instance, Kappagomtula 2017; Ochieng et al. 2013; Weldon & Vanhonacker 1999). As nowadays company leaders move across borders frequently due to increasing internationalization of businesses and globalization of workforce (Dowlah 2020), it is essential not only to understand specific cultural elements to be aware how they influence leadership styles, but also to see how leadership styles can be adapted to a different culture.

Furthermore, there are studies that have encapsulated cultural characteristics and elements into concrete theories through which cultures can be reviewed further. Most notable studies conceptualizing cultural characteristics are Hofstede's cultural dimensions and The Globe Project, both that conducted different dimensions through which national cultures can be ranked and compared (Hackman & Johnson 2013). Although these dimensions are criticized for their simplifying nature (Javidan et al. 2006), they are widely cited (Jackson & Parry 2018) and several studies have used these dimensions as a basis to study the cultural differences of nations (de Mooij 2017; Moonen 2017; Chowdhury et al. 2020).

Despite the multitude of theories examining leadership styles and generally approved explanatory models introducing cultural differences (Gutterman 2019), it is yet understudied how culture influences leadership style when a leader is adapting into a different culture. This created the theoretical gap for the study.

1.3 Contextual gap

As world economy is combating the Covid-19 pandemic, China is one of the leading nations that has been able to grow its GDP amid the disruptions (Morgan Stanley 2020). If China can continue increasing its trade, it may be the most optimal playground for international companies to find ways to recover operations. For many companies, this would require exercising leadership in a new and foreign context. China has a massive economic potential being the most populated country in the world (Worldometer 2020), and according to the latest value calculation by The World Bank (2020), China is currently, the second largest country in the world in terms of gross domestic product of 14,342 trillion USD.

For a long period of time, China was primarily socialist and closed market environment; until in the late 1970's, China decided to open its markets and embarked the economic change from socialism towards an open market economy (Li et al. 2013). Consequently, the Gross Domestic Product (GDP) of China has raised approximately 10% annually until the COVID-19 shock, and as a result of the rapid economic growth, the buying power has increased drastically as 850 million Chinese have been lifted from poverty (The World Bank 2020). Conclusively, being the leading factor for rectifying the world economy and having many economic attractive features (such as, huge population and workforce, rising middle class and increasing consumption), China's economic environment is a pulling force for international companies to an increasing extent.

The uniqueness of Chinese culture has been researched and acknowledged among scholars years ago (for instance, Bond 1991; Chu 1991; Smith 2001). Specifically, the complex nature of Chinese corporate and business culture has been a weakness for many Western companies that are seeking expansion to the Chinese markets (Havrén & Rutanen 2010). Many of these failures could have been avoided if foreign company employees would have been prepared to confront the new context at their jobs. Hence, understanding the Chinese culture solely was not enough and that sparked the need for

further comparative studies where special characteristics of Chinese culture are described in relation to Western culture (Weldon & Vanhonacker 1999). Moreover, Romie et al. (2002) went deeper with their cultural comparison by conducting a study where they examined leadership behavior of foreign leaders in China. In their study, they specified some of the most desirable leadership behaviors that multi-cultural business leaders in China were considering to be important; they also compared these desired traits with the actual behavior exhibited by the leaders.

Furthermore, several studies have shown that countries that are exporting high shares of their manufactured products tend to have a faster economic growth than others (Amiri & Gerdtham 2011). As China is a fast-growing economy, it has also become one of the most important trade partners for a small country as Finland (The World Integrated Trade Solution 2018). Consequently, according to Finnish Business Council Shanghai (2018), Finnish companies' investments to China are only expected to grow. Also, regardless of the growing investments to China, in a globalizing world people are getting hired for leadership positions across national borders based on their competences and regardless of nationality (Dowlah 2020), which suggests that the cross-border labor mobility from Finland to China would increase alongside. It is evident that we need more knowledge on how Chinese culture influences on the leadership style of Finnish business leaders, and despite some studies have been made examining the unique characteristics of Chinese culture in comparison to Western culture, very little research can be found examining how the Chinese culture impacts on the leadership styles of Finnish business leaders, let alone how to adapt into a Chinese culture. This identified contextual gap justifies the need for this study.

1.4 The study objectives and intended contributions

Given the above-described research deficiencies, this thesis aims to study the impact of cultural elements on leadership styles and their concurrent adaptation to match the cultural conditions. Therefore, this thesis aims to answer two related research questions;

How does culture influence leadership styles of business leaders transferring their jobs from one country to another?

How do business leaders adapt their leadership styles to the new cultural context?

Particularly, this thesis will answer these questions by conducting a study of Finnish business leaders changing their work to China. Hence, this study provides an analysis describing the impact of Chinese cultural elements on a leadership style to facilitate the transition of leadership to a new context and also introducing a model that illustrates the adaptation mechanisms of leadership styles into a foreign cultural environment.

To attain a comprehensive answer to these research questions, this thesis has three objectives. The *first objective* is to define leadership and introduce different leadership styles and the Full Range Leadership Model also discussing the characteristics of Finnish and Chinese cultures in theory. The *second objective* is to interview Finnish business leaders that have leadership experience from Finland and from China to discover the cultural elements and leadership style of China in relation to Finland. Finally, the *third objective* is to analyze interview results using the theory to understand the impact and to capture the adaptation mechanisms to make Finnish business leaders' leadership style more effective in Chinese context in the future.

This thesis intends to provide several important theoretical contributions. *First*, it informs the existing literature on leadership, specifically its behavioral view (Billig 2015), by recognizing that the elements of a specific national culture have a significant impact on the leadership style thus furthering the area of leadership studies. *Second*, this study also contextualizes leadership styles through employing Full Range Leadership Model (Avolio 2005) and reviews them in respect with the cultural characteristics by using cultural dimensions from Hofstede (Hofstede et al. 2010) and the Globe Project (House et al. 2004); it examines how the leadership style of the same individual can get altered and shaped by the influence of different set of cultural elements. *Third*, this paper

strengthens the approach that leadership, in its essence, is a social interaction formed through communication (Hackman & Johnson 2013). *Fourth*, this thesis proposes a universal model covering the adaptation mechanisms of leadership style into a different culture that can be applied and studied also in different context. In addition, this thesis provides implications for practitioners.

1.5 Structure of the study

This study is divided into five main chapters. *The first* chapter of this paper introduces the background, research gaps, study objectives, and the research questions. *The second* chapter is divided into two sub-chapters that provides all the theoretical knowledge on leadership and culture for this paper. *The third* chapter discusses and justifies for all the methodological choices made for completing this study. *The fourth* chapter, then, presents the findings from the interviews while discussing and analyzing their meaning. Findings and discussions are divided into three sub chapters presenting cultural elements of China, leadership adaptation mechanisms, and based on these findings, proposes the Contextual leadership adaptation model. *The fifth* chapter concludes this paper by answering to the research questions, after which explains theoretical contributions, practical implications, limitations of the study, and makes suggestions for the future research.

2 Theoretical background

The theoretical framework of this study consists of two main chapters that cover the topics of leadership and culture. The sub-chapter 2.1 introduces the history of leadership styles into present, discusses on the role of communicating leadership, and examines how the motivation of employees can be observed. The sub-chapter 2.2 presents different cultural dimensions that can be used to conceptualize and compare cultural differences, heading into special characteristics of Chinese culture.

2.1 Leadership

Leadership theories and the vantage point for examining leadership have changed over time. Before the beginning of the 20th century and the beginning of scientific research on leadership, it was believed that one cannot learn to become a great leader but is born to be a leader. This is called “The great man theory”, and it was developed in the 1840s by a Scottish writer and philosopher, named Thomas Carlyle, who believed that great men become leaders because of the innate traits that they inherited from the birth. Carlyle advised people to study the lives and deeds of great heroes, such as Napoleon, to develop heroic leadership traits. (Carlyle 2013) Furthermore, trait theories were prevailing leadership theories until the 1940s. As the studies on leadership and trait theories developed, researchers could not identify any innate traits that would have separated those people that end up in superior positions from those who are regular employees. Consequently, leadership scholars started focusing on studying the behavior of people and different leadership styles to understand what makes a person to become a leader. (Hackman and Johnson 2013)

Although leadership has existed as long as humans have been interacting on the face of the Earth, leadership as a study began truly to develop in the mid-20th century and has been gaining increasing attention since then. In fact, there has not been as much interest towards leadership than today. (Jackson & Parry 2018) Although the concept of leadership is multifaceted term which can be examined from different perspectives regarding

the study field, Jackson and Parry (2018: 9) define the concept of leadership as “an interactive process involving leading and following within a distinctive place to create a mutually important identity, purpose and direction”. The definition is conducted by combining the different approaches recognized by Jackson and Parry (2018) to leadership, that are, leadership as a position, person, process, performance, place, and purpose. This study examines leadership as an interactive process through different leadership styles.

Moreover, leadership studies provide different approaches on studying leadership in different situations and environments. A relevant approach studying leadership in a different cultural setting is to approach it from the perspective of cross-cultural psychology to understand the relation between a leader and a follower in culturally mixed environments. Cross-cultural leadership examines how specific cultures influence on the interactive leadership process between individuals. Studying the effect of leadership in these situations has become a major interest of not only scholars, but also companies as business world has globalized to an extent where different nations, traits practices, habits, and ethnicities clashes with each other continuously. Although it is important to understand cultural differences to avoid possible pitfalls, it is at least as important to orientate finding similarities, cultural congruence, to make leadership more effective. Gutterman (2019: 41) encapsulates the importance of finding similarities between different cultures when studying leadership by stating that “the proposition of ‘cultural congruence’ argued that the cultural values in the environment in which a leader is working will determine which leadership behaviors or attributes will be most effective in that environment.” (Gutterman 2019)

However, to understand and compare how leadership works in different situations, a conceptualization of different behaviors is needed. For this reason, scholars have conducted different categorizations of leadership by developing leadership styles to capture the phenomenon.

2.1.1 Lewin's three leadership styles

In 1939, German scientist Kurt Lewin together with a group of researchers studied human behavior and distinguished three main leadership styles that are still applied during the 21st century as the basis for the latest leadership theories. Leadership styles were divided in three main leadership styles: authoritarian- (autocratic), participative- (democratic) and delegative (Laissez-Faire) leadership. (Billig 2015)

The basic characteristics of an **authoritarian leadership** style are managerial focus and hard scrutiny, good quality of work, one-way communication, exerting power, and being socially distant and offensive to employees. An authoritarian leader wants to achieve objectives at all costs, that means essentially using people as intermediaries to achieve own personal goals. An authoritarian leader knows how to use hierarchies to his own advantage and is, therefore, often very domineering and emphasizes position as a supervisor especially in occasions that require decision making. Subordinates are expected to follow, receive orders, and act accordingly without questioning. Employees are not encouraged to give their own opinions or ideas, on the contrary, it is typical that an authoritarian leader denies presented ideas without reasoning or accepts the idea but claiming it as being his/her own. In authoritarian environments, employees are surrounded by fear and resentment, and therefore, authoritarian leadership style is generally considered as a bad leadership style. (Strömmer et al. 1999) However, studies have shown that in quick decision-making and demanding situations authoritarian leadership can be the most effective way, although it is recommended for temporary use only (Wang & Guan 2018).

Participative leadership is based on cohesive respect requiring inclusive decision-making and cooperation between leaders and followers. Whereas authoritarian leader cause fear and resentment in an organization, participative leadership style creates good and trustworthy atmosphere in which employees perceive themselves important. This leadership style is used to engage employees and achieve good input from the team by democratically involving them into decision-making processes and operations of the

company. A participative leader appreciates the work input of his employees and encourages them to take initiatives. In a participative leadership style, the work atmosphere is open and information flows both ways. (Strömmer et al. 1999) However, participative leadership has got criticism being too slow and unproductive. For instance, if employees feel that their input is being ignored, this leadership style can actually lead to lower satisfaction and productivity. Managers may also be overly dependent on the expertise and the experience of their subordinates. Also, it has been recognized that quick and powerful decisions can be more difficult to implement in participative and democratic organizations in contrast to those that are authoritarian. (Gastil 1994)

In a ***delegative leadership*** style (later referred as laissez-faire), managers leave their subordinates to do the work as they please without strictly defined rules or instructions. To be successful, a laissez-faire leader must, however, closely monitor the group's performance, stay up to date on results and problems, recruit skilled and competent people, and provide feedback consistently. The positive side of laissez-faire management is that it allows experts to operate productively and take responsibility for their own achievements and failures. It motivates people to perform optimally and increases successful performance with those experts who thrive in an environment that supports creativity and independent decision-making. However, the disadvantages of laissez-faire include inefficient time management, which leads to unclear goal setting and delays in schedules. Also, if employees are not properly trained or experienced, this leadership style can lead to low performance and hinder entire organization. (Wong & Giessner 2018)

2.1.2 Transactional and transformational leadership

In 1978, James MacGregor Burns released a book called "Leadership" where he established two new ways to consider leadership. He referred the traditional leadership that is based on power and influence as being *transactional leadership* and compared it to a novel leadership style called transforming leadership. Further, in 1985 Bernard M. Bass extended Burn's study and changed the term for *transformational leadership*, as it is widely known today. Although Burns considered transformational leadership being

better than transactional, he identified transformational leadership also being more complex and requiring more psychological and behavioral research. (Burns 2003)

Transactional leadership is an extreme form of authoritarian leadership style, based on rewards and punishments, in which a leader dictates what are the goals that needs to be achieved and how. In this leadership style, followers are expected to be motivated by the rewards, for instance, a salary received by an employee for appropriate performance. However, if the performance is not appropriate nor the employee is showing improvements, the leader intervenes and takes corrective actions towards intended direction. In addition to rewards, a transactional leader can also use punishments for motivating followers. Transactional leader believes that strict monitoring and supervising leads into desired results. However, transactional leadership does not motivate followers intrinsically nor is suitable for changing prevailing situation. Although transactional leadership is effective in some environments, it is becoming obsolete in a constantly changing and dynamic business world. (Tracy 2014)

As an opposing alternative to transactional leadership, studies have proven that **transformational leadership** increases the organizational performance as well as satisfaction of followers and has become more popular due to its suitability for flexible business environment (Wang et al. 2011; Cummings et al. 2010). Transformational leaders utilize trust and confidence for visualizing an idealistic future and thus it is based on emotions more than rewards and punishments. This leadership style emphasizes the emotional needs of an individual and focus on their abilities by stimulating their intellectual development. Additionally, transformational leaders are genuinely interested in their followers thus empowering them to act in the interest of the group instead of in their own. Moreover, studies have found connection between charisma and transformational leadership. An essential element in the interaction between leader and followers in transformational leadership is equal treatment of followers. However, although charismatic leaders tend to emphasize their own specialty over others, charismatic leaders have found to be able to motivate followers, lead towards desired goals, and drive for needed

change, and thus charismatic people are able to apply transformational leadership well. (Hamstra et al. 2014)

2.1.3 Full Range Leadership Model

Full Range Leadership Model is a tool developed for classifying different leadership styles based on their effectiveness on the follower and effort required from the leader. The model is built upon previously introduced approaches on leadership styles, more precisely, this model has three different main categories that are transformational, transactional, and laissez-faire leadership. Furthermore, this model divides those main styles into smaller components describing their behavioral style that are discussed later in detail. Worth noticing is that, according to Full Range Leadership Model, a leader does not apply only one style alone but is expected use every style according to the conditions of a situation. Thus, the main purpose is to find the optimal balance and right frequency between different styles. An illustrative mapping of these styles is presented in Figure 1 (Avolio 2005).

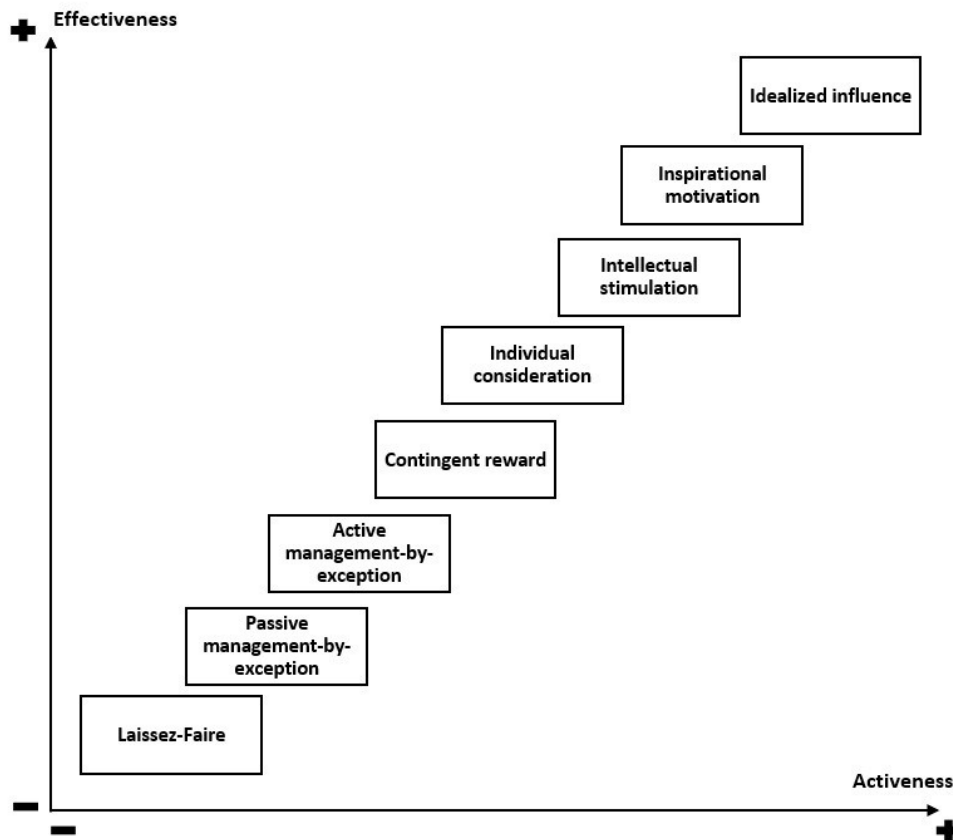


Figure 1. The Full Range Leadership model. (Own construction on Avolio 2005: 202)

The components of transformational leadership, also referred as 4 I:s, are *idealized influence*, *inspirational motivation*, *intellectual stimulation* and *individual consideration*. As seen in the Figure 1, these styles are most effective albeit regarded as requiring most activeness from the leader. (Avolio 2005)

Idealized influence describes a behavior in which a leader becomes a role model by placing the needs of the followers and interests of the group over own needs. Thus, the leader earns respect and appreciation as the result of personal sacrifices made for the benefit of a collective. Followers are empowered by the leader and believe that the leader is behaving ethically. The leader envisions the future and emphasizes shared goals. Self-esteem and charisma make subordinates believe in the shared vision, values and

ethical principles and consequently govern their own actions in accordance. (Avolio 2005; Zdaniuk & Bobocel 2015)

Inspirational motivation means that the leader actively encourages followers to independent thinking and taking the initiative. Employees are inspired and motivated to find meaning and challenges for their work and also being provided with the opportunity to develop their own work community. Team morale increases with enthusiasm and optimism. The leader strengthens the connection between employees' own work and the shared vision. Employees are encouraged to achieve goals and objectives as the leader is working hard to complete objectives. Employees are inspired by their leader and have the need for identify with their leader, although in some cases employees can also be inspired by the leader without the need for identification. (Avolio 2005)

Intellectual stimulation occurs when a leader encourages employees to question and critically view traditional practices of the company therefore intellectually stimulating them to be creative and innovative. If the prevailing values, beliefs, and basic assumptions of the company fail to solve problems in a community, these should also be questioned. The leader encourages subordinates to find new and innovative ways to work and develop themselves and to face challenges as employees' independent thinking and decision-making is supported. In problem-solving situations, the opinions of employees are listened and valued. Intellectual stimulation occurs simultaneously bilaterally between the leader and the follower and at the group level. (Avolio 2005)

Individual consideration means recognizing and utilizing the individual needs, desires, abilities, and goals of employees. The abilities of employees are developed, and the aim is to utilize them as effectively as possible and to help employees reaching their full potential. Additionally, an open dialogue and two-way feedback is used to increase transparency between leaders and follower. The leader shares responsibilities with employees and enables them to perform tasks independently while providing them with

support. The most important thing is to combine the needs of an individual with the objectives of the company. (Avolio 2005)

Transactional leadership behaviors in the Full Range Leadership model are divided into three different styles; *contingent reward*, *active management-by-exception*, and *passive management-by-exception*. (Peus et al. 2013)

Contingent reward is an interactive transaction of remuneration and work input between an employer and an employee based on a mutual agreement. Remuneration can also be positive feedback or acknowledgement, which can also be considered as transformational leadership. The leader agrees on the tasks to be performed with employees and the rewards that will be received for their successful completion of the task. Employees are clearly informed of the objectives as well as their own responsibilities regarding the task. When needed, employees receive support in return for their good work input. The leader is expected to give feedback on performance and give praise for success. (Han et al. 2015) There is, in fact, evidence that contingent reward can be more effective than transformational leadership styles, although the results can be culturally bound and thus vary between different contexts (Peus et al. 2013).

Active management-by-exception occurs when the leader monitors the activities of the employees to ensure that they are in accordance with the objectives and to prevent mistakes and failures. The leader refrains interfering in the activities of employees as long as the goals are achieved within the framework of the rules and guidelines. Corrective action will be taken immediately if the targets are not met, or the work does not go according to plan. Although this style seems distant and ineffective, in some cases this might, in fact, motivate employees to better and creative results as they are responsible for their own actions. (Robbins & Judge 2013)

Passive management-by-exception describes a behavior in which leader avoids making decisions and tasks are interfered with corrective actions only after an error or a failure

occurs. The leader believes that operations are running well and feels that things should not be addressed or changed. In this style, the leader emphasizes failures instead of accomplishments. Things are addressed by correcting failed actions, giving negative feedback and criticism. The employees of a passive leader do not develop their actions but continue to perform tasks in the old way. (Robbins & Judge 2013) Both, active and passive management-by-exception styles are found to be ineffective. (Bono & Judge 2004)

Laissez-Faire, already introduced in the Lewin's three leadership styles chapter, is an independent leadership category in the Full Range Leadership model. In principle, it means lack of leadership or avoiding interference and is found to be the most ineffective style of all. There is little interaction between the manager and subordinates, and no joint plans and agreements are made. The leader avoids problem situations and hardly communicates in any way with employees. The leader does not support employees, does not give feedback, and does not reward them for good work performance. The needs of employees are not considered, and no attempt is made to motivate them. (Furtner et al. 2013; Wong & Giessner 2018) Laissez-Faire is suggested to be avoided as being the most ineffective leadership style of the model. (Robbins & Judge 2013)

Although leadership can be divided into distinctive behavior categorizations, all of the styles are visible to others through verbal and non-verbal communication. Therefore, it is next essential to go in-depth of communicating leadership.

2.1.4 Communication process of leadership

Communication is the process of using symbols to build messages for transporting meaning. These symbols can be almost anything, written or spoken words, non-verbal gestures, expressions, or flags, just to name few. The meaning what symbols represent has been agreed upon within the group and thus the object of a symbol is understood only among those sharing and being aware of the same culture. (Gudykunst & Kim 2003) Moreover, Adler & Marquardt Elmhorst (2002) state that communication is not a single act, but a part of a dynamic and constantly changing continuous process. The

interpretation of messages is always subject to a historical review of experience, so the relationship between communicators influences on how the message is understood. Therefore, a single sentence that is taken out of its original context and without interpretation of the correct and intended recipient is difficult to interpret in the right way.

Intercultural communication is building and sending a message in one culture, that is then received and interpreted in another. Research on intercultural communication, especially in the context of organizational behavior, has become subject to interest among companies and scholars due to increasing foreign trade, cross-border labor movement and direct foreign investments (Limaye & Victor 1991). Adler & Marquardt Elmhorst (2002) argue that many of the problems caused by cultural differences in communicating are mostly caused by ignorance. Translating the message from a language to another inevitably change and thus can be distorted and perceived incorrectly. Communicational misperceptions create blocks and hinder organizational performance. They introduce examples of communicational misunderstandings caused by cultural differences and state that that they are common especially between Western and Eastern cultures.

Furthermore, Lewis (2006) points out there are other communicational barriers that goes beyond the difference in used language, that is the communicational behavior, for instance, a leadership style. He created a model that divides people into three cultural categories based on their way of communicating: linear-active, multi-active and reactive. *Linear-active* people prefer getting things done and are task oriented and highly-organized planners. It is normal to do one thing at a time which illustrates in communicating by being polite and talking half of the time. *Multi-active* people are comfortable by doing multiple things at the same time and show emotions when communicating. Additionally, multi-active people like to talk most of the time and interrupt the counterpart often. Subsequently, emotional confrontations and arguments are normal. *Reactive* people seek harmony by listening carefully and giving space for counterpart. Confrontations are avoided at all costs and considered as being untrustworthy. Moreover, it is rare that reactive person initiates action or discussion. Naturally, like all cultural models that divide

groups into classes, no group belongs unequivocally in only one Lewis' dimension but is a mixture of at least two categories to different extent.

Jackson and Parry (2018) describe that leadership is an interactive process of individuals influencing each other verbally and non-verbally towards a common goal. Hackman and Johnson (2013) have studied leadership from a communicational perspective and present an idea that leadership is formed through communication. They argue that leadership, also in an organizational context, is an interactive and social process regulated by a leader influencing the awareness and emotional life of the employees as well as the outputs of the organization. They also describe communication being a process rather than a thing, and that "communication is not constant; it is dynamic and ever changing." (Hackman and Johnson 2013:6)

Dachler and Hosking (1995) discuss the interactive leadership process being a constructive, ongoing process of creating meaningfulness through communication and dialogue. To make shared communication possible, those who are involved in that communication must be committed to ongoing process and agree on the topic of the dialogue. Participants speak the same language and agree with each other thus together creating their own social structure. Additionally, Uhl-Bien (2006) states that organizations change as a result of the collaboration of people's communication and actions, that occur at many levels throughout an organization's wide and ever-changing socioeconomic environment.

In general, relationship-based communication theories have focused more on the relationship between superior and subordinate and the social exchanges that occur between them. However, there are many more connections and relationships in an organization than the direct bilateral supervisor-subordinate relationship. Uhl-Bien (2006) introduces the social network theory by stating the importance for theories that focus on examining other relationships than just the relationship between leader and follower. Social network theory seeks to describe how networks, either positively or negatively, affect the performance of individuals operating in a social network. This theory thus seeks to

describe all communication between people in an organization that is a social network. Furthermore, this theory focuses on examining, for example, who speaks and to whom, and who is a friend with whom. Mainly, the theory seeks to map all the social network connections, that is, to study the relationships between people in an organization and to understand the nature of these relationships.

2.1.5 Theory X and Theory Y

Previously introduced theories described the behavior of a leader, that is different leadership styles and how they are communicated. This following theory builds on that examining the reasons why leaders behave as they do towards their employees by studying how leaders perceive the motivation of their employees.

Douglas McGregor was an American professor studying organizational behavior and management who is famous for introducing two contrasting theories, called Theory X and Theory Y, that explain what managers believe that motivates their employees. These theories are based on Maslow's hierarchy of needs as McGregor argues that the highest step of Maslow's hierarchy of needs, that is self-actualization, is also the biggest ambition for employees. Moreover, managers who embrace Theory X seek to emphasize rules, scrutiny, and rigorous managerial control over employees. According to McGregor, the traditional organization represents this human conception: decision-making is centralized, and the operations are managed externally. Further, Theory Y does not view people as unreliable and lazy but suggests that the role of manager is to support and encourage employees to reach their full potential thus being creative and self-driven. (Noland 2014)

Theory X views work as an inherently disgusting to most people and that people want to avoid working whenever possible. Due to the resistance towards working, most people need to be managed, directed, and forced to act at the risk of punishment towards the goals of an organization. This theory acknowledges that, in fact, generally people want and need to be led as many people want to avoid taking responsibility, have relatively little ambition, and have the urge to feel secure and seek for comfort above else.

Consequently, employees are only motivated for fulfilling their physiological and safety needs. In addition to this, Theory X argues that most people have little capacity to creatively solve problems in an organization. McGregor proposes that there are two different approaches implementing Theory X: the hard approach involves careful supervision, intimidation, and punishments, whereas the soft approach utilizes lenient supervision and more relaxed rules that seek to increase employees' morale. (Robbins & Judge 2013)

According to **Theory Y**, on the contrary, working under proper conditions should be a constant because, in general, people are driven and seek responsibility under right conditions. Avoiding responsibilities and lack of ambition are seen as a result of an environment more than as an inherent trait. Therefore, people can be self-directed and creative in their work if they are motivated by the right work environment. Thus, this approach shifts the role of a manager from being a dictator to being a servant. Additionally, employees do not view working as inherently disgusting and are capable of self-direction and self-control to achieve the goals to which they are committed to. External control and the threat of a punishment are not the only ways to reach the goals of an organization because a satisfied employee is committed to the goals. Although this theory gives employees more room to be creative and express themselves, it can also cause errors in terms of the quality of the work due to its inconsistent nature. However, Theory Y encompasses healthy interaction between leader and follower and creates positive atmosphere. It is suggested that an organization can apply the Theory Y the best by placing the interests of employees and the goals of an organization correspondingly. (Robbins & Judge 2013)

Now the leadership styles, communication, and examining the motivation of employees are all introduced. Next, it is relevant to discuss reasons why differences in leadership styles, communication and motivation exist in the world.

2.2 Culture

Culture has been studied for a long time by sociologists and anthropologists and consequently many different models and definitions have been created to describe this complex and intangible concept. Landers (2007: 6) summarizes culture as “the customs and beliefs, art, way of life and social organization of a particular country or a group”. Furthermore, Schein (2004) suggests that culture should be examined through evolution; what people as a collective group have learned as they strive to survive, to grow, and managing their external environment. Therefore, culture is something that is in the subconscious of an individual within a group and thus has a strong influence on the behavior of a group. Every social group has a shared history, although to varying extents, and has gone through an evolutionary learning process developing its culture. Although the world is filled with different cultures and their sub-cultures, the strength of a culture depends on the length of time of its existence and on the stability of belonging to a group as well as on the emotional intensity of group’s shared learning experiences. Hence, on an individual level, culture is not inherited in the genes but is learned from the social environment where a person grows up.

In the context of organization culture research, one name seems to rise above others, a Dutch researcher Geert Hofstede. Hofstede divides the concept of culture into two parts. The first definition considers culture in its narrowest sense, that is, the civilization, art, literature, and the mind in general. The first definition is how culture is generally understood in many Western societies. The second definition, however, considers culture in its broader concept: as the collective programming of an individual’s mind which separates members of a group from others. The programming of mind manifests itself in values, symbols, heroes, and rituals of a group. Therefore, the second definition covers mundane activities of an individual and considers them as a fundamental quality that can be shared among socially and geographically divided groups. (Hofstede et al. 2010)

2.2.1 Cultural onion

Another way of examining a culture is to consider it in a form of an onion. The cultural onion model suggests that just like an onion, culture is also formed of several layers (Figure 2). On the surface of the onion are symbols including words, gestures, pictures, and objects. Additionally, status symbols, hair- and dress styles and flags are included in this same category. Although symbols are on the surface layer of the onion, they are recognized only among those who share some of the same cultural background. Furthermore, the second layer of the onion consist of heroes, regardless of are they living or dead. A common nominator for heroes is that all heroes demonstrate those traits that are highly valued within that specific group. Further, rituals are on the third layer of cultural onion. This level comprises of the collective activities exercised by the group, such as greeting, respecting others, and social and religious events. All these aforementioned three levels can be seen and interpreted by an outsider, although their real cultural significance is fully understood by only those in the group. Finally, in the core of the onion are the values that are not visible albeit most essential cultural factors for a group. Values consist of perception of good and evil, beautiful and ugly, normal and abnormal, as well as logical and illogical. Values are the first things that a newborn learns unconsciously after birth and are so deep in the human behavior that they are difficult directly to observe or change, although some observations can be made on how people behave in different situations. (Hofstede et al. 2010)

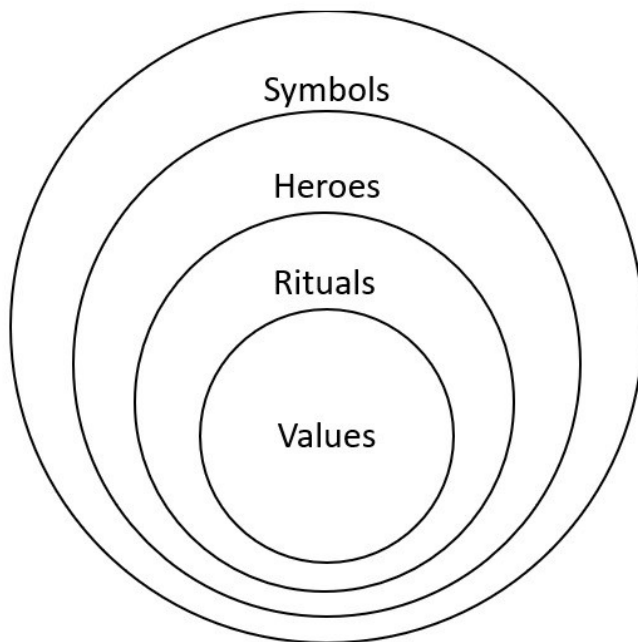


Figure 2. Cultural onion. (Hofstede et al. 2010: 8)

2.2.2 Analyzing corporate culture

Furthermore, culture can be examined within an outlined and specific environment in where people do not necessarily share the same background, for instance, in an organization. The word culture derives from Latin word “cultura” which essentially describes an action of taking care of the soil now to grow crop later. The same fundamental idea applies also when discussed about corporate culture: laying a fertile foundation for the business that it needs to succeed. A prevalent culture in a company has a direct effect on its strategy; ideally the corporate culture supports the strategy but at its worst it can be a hindrance. Thus, understanding the organizational culture, that is the norms, values, and practices of a company, is paramount as it influences company’s strategy formulation and development. Practical examples of visible corporate culture are, for instance, greeting, verbal interaction, formal and informal hierarchy, leadership style, meetings, and information policy. The development of corporate culture is based on the history of its employees and continues to develop within the daily interactions. It is important to consider corporate culture as a dynamic and constantly changing phenomenon that

cannot be perfectly described as the factors affecting to corporate culture might have become different that on the day before. (Schein 2004)

Furthermore, to operate successfully in a globalized and highly competitive markets, companies must be able to formulate effective and efficient strategy, and more importantly, implement it accordingly. A viable tool for analyzing corporate culture is the cultural web (Figure 3) which essentially is a map of a corporation including different organizational factors affecting on its culture that explains why and how things are done in the organization. Additionally, mapping out the culture helps company to highlight possible barriers for successful operating but also to distinguish supporting factors that are aligned with the corporate strategy which, in turn, facilitates planning for the future actions. In practice, in the center of the web is the cultural paradigm which is surrounded by six cultural influences: stories, symbols, power structures, organizational structures, control systems, and rituals and routines. Analyzing all these six factors enables company to comprehend the bigger picture of the company culture, what is working and what is not. (Johnson 1992)

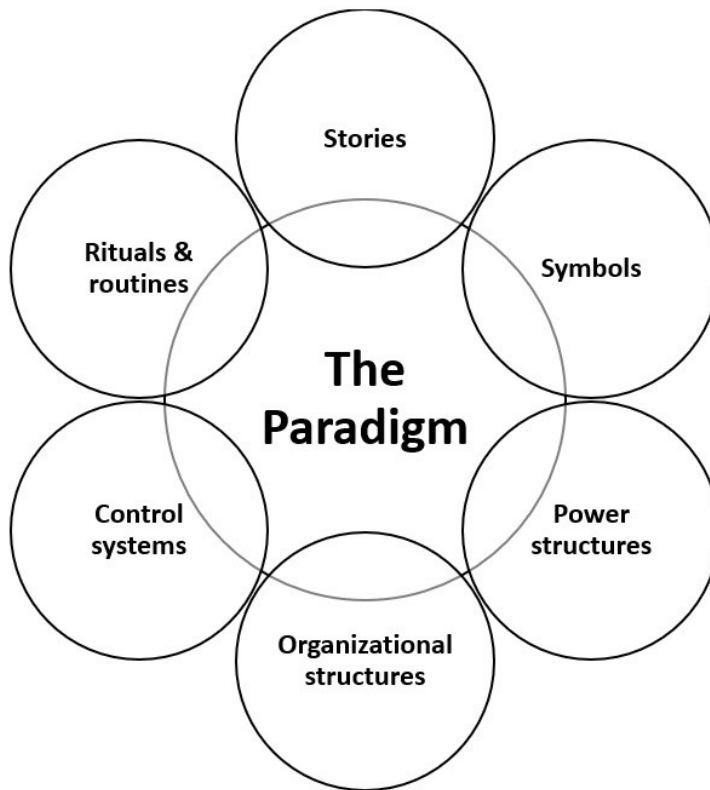


Figure 3. The Cultural Web. (Johnson 1992)

2.2.3 Hofstede's cultural dimensions

A popular way of evaluating and comparing national cultures is using Hofstede's cultural dimensions paradigm. Geert Hofstede was a Dutch social psychologist who in the 1960's and 1970's conducted a study about the corporate culture, more specifically, how national cultures impact people's thinking, emotions, behavior, and corporate culture, in different countries. He created the cultural dimensions model using his abundant interview and questionnaire material from studying corporate cultures in different countries. (Hofstede et al. 2010) Although the dimensions are widely used and recognized among scholars and business managers, the model has gotten critique also. For decades, many scholars have criticized the model being inaccurate and unreliable by trying to oversimplify diverse and culturally bound concepts. Also, it was said that Hofstede's paradigm considers national cultures uniform, although many studies have shown that the

behavior of individuals may differ drastically within the same culture (Javidan et al. 2006). Additionally, some scholars have challenged the suitability of Hofstede's data collecting methods questioning the reliability of questionnaires to study cultural characteristics objectively (Bardhan, N & Weaver 2010). However, Hofstede's cultural dimensions are not meant to be objective truth on national culture, but to provide a direction and general overview of nation's collective behavior acknowledging that the paradigm will not necessarily describe a particular individual precisely (Hofstede et al. 2010).

In practice, each of Hofstede's cultural dimension is a scale from 1 to 100. There are several different cultural dimensions and one can create an own dimension based on different factors for evaluating specific characteristics of a particular culture. However, there are five most essential and widely used dimensions, that are power distance, individualism, masculinity, uncertainty avoidance, and long-term orientation. (Hofstede et al. 2010; Hofstede Insights 2021)

Power distance dimension acknowledges that all individuals within the national culture are not equal. The dimension seeks to describe how those who are in a weaker position in society considers the unequal distribution of power. In high power countries, everyone has a role in a hierarchy and that role will not be questioned. On the contrary, in societies with a low power distance, people question the division of power and have a desire to equalize the distribution of power. (Hofstede et al. 2010)

China scores high (80) in power distance, which is visible in the culture by Chinese's acceptance of inequality and polarized supervisor-subordinate relationship which often has an emotional load. In China, employees are used to obey all commands by their superiors even in case where commands are perceived unequal or wrong. In contrast, Finland's power distance index is much lower (33). Finnish employees are more independent and do not prefer rigid hierarchical structures in companies. Supervisors generally trust their subordinates which gives more freedom for employees to decide their way of

working. Moreover, equal rights and decentralized power are valued, whereas privilege and prestige are disliked. (Hofstede et al. 2010; Hofstede Insights 2021)

Individualism dimension describes how much interdependence society maintains among its members. In individualistic societies individuals are not dependent on each other and everyone is expected to take care of themselves and their families. In collectivistic societies, on the other hand, all the members have strong ties with each other, and the cultural integration begins right from the birth. Moreover, in individualistic cultures people speak more honestly and openly, take responsibilities for their actions and value personal incentives, for instance, in working life. In collectivistic cultures it is normal to avoid confrontations, disagreements, and diversity. (Hofstede et al. 2010)

China scores 20 points in individualism dimension which make it as a collectivist culture. Some characteristics of Chinese collectivism is, among other things, the concept of face and guanxi. Finland is much more individualistic culture with 63 points. Unlike in China, Finnish identity is based more on the individual than on the collective group. Regarding organizational behavior, tasks are considered more important than relationships, which contradicts the Chinese concept of guanxi. Also, employee recruiting process and company promotions in Finland are based on rules and personal skills more than on relationships like in China. (Hofstede et al. 2010; Hofstede Insights 2021)

Masculinity dimension essentially measures what motivates people more and into what degree; competing for being the best or enjoying doing together. Masculine societies have strong gender roles that emphasize man's self-confidence, hardness, and success, whereas women are expected to be caring, emotional and life oriented. Additionally, masculine societies emphasize competition, challenges, and recognition. On the contrary, in feminine societies both, man and female, are expected to be emotional and to show care, affection and to take care of the quality of life. Also, in feminine societies cooperation and consensus are sought after over competition and relationships are valued greatly. (Hofstede et al. 2010)

China is a masculine country scoring 66 in masculine dimension. Some of the prevailing values in China are visible success and progressive growth in status. Money and goods are considered important and therefore Chinese dedicate themselves to work which harms family and leisure time. Additionally, Chinese are driven to compete against peers so performing well at school and work is very important whereas failure is perceived as a disaster and disgracing the family. Finland, on the other hand, is strongly feminist country scoring 26 points in masculinity. In general, Finnish people work for providing living for themselves. Social focus is on equality, solidarity and on the quality of life. Finland is recognized having a narrow sexual gap in comparison to the rest of the world and thus Finnish women have good career opportunities and earn almost as good as men. (Hofstede et al. 2010; Hofstede Insights 2021)

Uncertainty avoidance dimension measures the extent of people's tolerance to face ambiguity and unknown situations. Nations that rank high on uncertainty avoidance tend to be threatened and feel very uncomfortable on the verge of new situations. These nations seek to control the unknown by developing strict legislation, formal rules, and governmental instances that provides long-term economic and health safety. In some cultures that score low on uncertainty avoidance, however, members have settled in uncertainty and let future happen without worrying. Some members might even enjoy the unprecedented events which may provide excitement and meaning to life. (Hofstede et al. 2010)

China's score in avoiding uncertainty is 30, which means that Chinese culture tolerates uncertainty very well. Ambiguous situations and new risks are tolerated, and aggression and emotion are not displayed. Chinese people perceive that truth is always relative to some frame of reference and view time as indicative measure. Finland's score is 59, according to which Finnish culture seeks to avoid uncertainty more than average. Finnish people perceive uncertainty as a threat and fight it by making efforts, such as strong

public healthcare and educational systems. Additionally, Finnish people perceive time as money and being active as obligatory. (Hofstede et al. 2010; Hofstede Insights 2021)

Long term orientation dimension describes how a nation retain links to its own past meanwhile working on present and preparing for the future. Nations that are long-term orientated, it is common to work hard and for a long time to achieve desired goals. Thus, in these countries people expect to be rewarded later and leisure activities and indulgence are not prioritized. In short-term cultures, however, people are working efficiently and expect quick result thus receiving quick rewards to indulge themselves as much as possible. In short-term cultures traditions are kept in high value whereas in long-term cultures people tend to value the circumstances over traditions, for instance, directing efforts on education and maintaining health care. (Hofstede et al. 2010)

China is a highly long-term oriented country scoring 87 points. In China, traditions are adapted to changing circumstances and obligations regarding social statuses are valued. Furthermore, Chinese believe in building a strong and sustainable market position which shows perseverance in waiting for slow results and a willingness to yield for a purpose. Finland, however, is a shorter-term oriented country with 45 points which means that traditions are preferred to keep unchanged. Finnish people like to consume a lot, have desire for quick results which can be seen in the relatively low saving rate. Finnish people have social pressure to live like others, which sometimes demonstrates by maintaining living standards over financial capabilities. (Hofstede et al. 2010; Hofstede Insights 2021)

2.2.4 The GLOBE project

The GLOBE (Global Leadership and Organizational Behavior Effectiveness) project was a wide scope, multi-phased and multi-method project involving more than 17 000 middle level managers from 951 different organizations from 62 countries. The project began in 1991 when Professor Robert House founded a GLOBE research program. In this research, 170 researchers studied how culture and leadership influence on social, organizational and managerial effectiveness. The purpose of this empirical study was to find if there are

some leader behaviors, attributes and organizational practices that are effective and accepted universally across cultures. Additionally, the research made an endeavor to understand what behaviors, attributes and practices work only in some specific cultures. As a result of the project, nine dimensions scaling from 1 to 7, were created to conceptualize different cultures. (House et al. 2004)

Furthermore, the nine dimensions do not only conceptualize the studied cultures, but also measure practices and values. Measuring practices means how things are in the culture in practice, whereas measuring values tells how things should be in the culture (House et al. 2004). It is common that the scores differ, sometimes drastically, between representatives' view on how things are and how things should be. According to Brewer (2011), each culture's practice and value ratios should be examined individually within a country's certain dimension and there is no sole reason that explain the differences between the scores. Moreover, it is evident that the GLOBE project has a strong connection to Hofstede's cultural dimensions and both dimensional models are commonly used worldwide to interpret cultures. However, Brewer (2011) states that the GLOBE project is considered to be more credible of these two as it is more advanced, extensive, and recent.

As with Hofstede's cultural dimensions, criticism has also been expressed towards the GLOBE project. Smith (2006) has questioned the methodology of the project for making too many assumptions and generalizations. For instance, in the project all the representatives evaluated their own perception on how they can exert power over others, and the study assumes that one's expectation on his/her own power corresponds with another person's view on his/her power. Additionally, the project has been criticized for its definition of culture and basing questions too heavily on generally accepted but inaccurate stereotypes.

Performance orientation describes the extent to which the community encourages and rewards innovation and the improvement of results. According to House et al. (2004), in

contrast to low performance orientation countries, high-performance countries tend to value those individuals and groups who produce better achievements. As a result, in these countries tend to focus more on tasks than on people-to-people contacts. Also, a company's performance orientation reflects the extent to which the organization focuses on goals and outcomes and seeks to continually improve innovation and performance through competition and winning.

Uncertainty avoidance reflects the extent to which members of an organization or society seek to mitigate the unpredictability of the future events through social norms, rules, rituals, and bureaucratic procedures. This dimension measures a culture's approach on tolerating uncertainties parallel to Hofstede's identically named dimension. However, House et al. (2004) have recognized more detailed characteristics of this dimension than Hofstede did. In societies that score high in uncertainty avoidance use formalities when communicating. Additionally, organizations have strict policies and take only carefully calculated risks. Subsequently, organizations in high uncertainty avoidant cultures have a strong resistance to change which can be a disadvantage in constantly changing globalized world. In low uncertainty avoidance cultures, on the contrast, people and organizations are dependent on trust over formal rules, do not calculate risks too carefully, as well as are more acceptable towards changes.

In-group collectivism is described by House et al. (2004: 454) as "the degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families". This cultural dimension is regarded as a solid predictor for creating good leaders as the characteristics are in accordance those of generally accepted to be exhibited by good leaders. High in-group collectivism cultures people are devoted in social groups, whether they are families or organizations. The pace of life is generally moving slower than in low in-group societies. An apparent difference in this dimension that separates cultures is the perception on what are the most important determinants of social behavior. In high in-group collectivism cultures people feel obliged and regard duties highly, whereas in low scoring cultures value individual needs and personal attitudes.

Power distance determines the extent to which community members expect and accept the fact that power is unequally distributed. Hofstede's power distance dimension reviewed the power distribution across the society whilst GLOBE shifts the discussion to the viewpoint of organizations and leadership. High power distance societies are typically separated into different classes that are usually based on income and status. In these societies, people are considered to be born into a specific class and social mobility upward is very rare. Moreover, employees are not provided with good opportunities for debate, discussion, or dissent, and therefore, questioning an opinion or behavior of a superior in an organization is considered criticism or accusation and thus it is not accepted. In low power distance cultures power is associated with coercion and corruption. A common nominator for these cultures is that these societies help companies to create innovative solutions by providing opportunities to participate education and also helps companies to resolve problems relating to coercion and corruption. (House et al. 2004)

Gender egalitarianism measures the extent to which gender roles between women and men are divided in the community. The difference from Hofstede's Masculine vs. Feminine dimension is that Gender egalitarianism is not focused on an individual level but concentrates to study how well a group is able to lessen gender inequality. In societies that score high on gender egalitarianism it is common to have women in authorized positions as occupational sex discrimination is typically low. However, in low gender egalitarianism cultures women are not provided with same educational and occupational possibilities as men and consequently it is common for women to face sex segregation in organizations and not be able to be in a decision-making role. (House et al. 2004)

Humane orientation describes the extent to which the community encourages and rewards fair, friendly and benevolent behavior of individuals towards another person. In high humane orientation societies people place other group members' interest as important. In these societies people are motivated by the well-being of the group and feeling of togetherness. Additionally, racial discrimination in all forms is highly despised. In

low humane orientation societies, conversely, the state is being responsible for providing well-being for the group and the need for power and material possessions are a driving motivator for people. Low human orientation is typical in countries that are economically developed and urbanized. (House et al. 2004)

Institutional collectivism measures the extent to which organizations or social institutions encourage the collective distribution of resources as well as the sharing of internal information among employees within the organization. In high institutional collectivist societies, members perceive to be interdependent with the organization. Moreover, one prominent trait is that loyalty towards the group is valued over the personal needs and goals of an individual. In these cultures, employees tend to show loyalty towards employer even during difficult times. On the contrary, in low collectivism societies, company representatives perceive themselves independent from the organization and people prioritize individual goals over collective goals, such as company objectives. In these societies, employees recognize their value, and it is normal to change companies on a regular basis. (House et al. 2004)

Future orientation dimension measures the relation of a culture to different time frames: the past, present and the future. This dimension has its emphasis on the future and therefore cultures that score high in future orientation have the tendency to encourage and reward future-oriented behavior, such as planning and investing. According to House et al. (2004), in high future-oriented countries, companies are developing long-term strategies and investing in the future. These companies are also considered to be adaptive and flexible. However, being too focused on the future might cause a company to make long-term decisions at the expense of short-term and thus neglect the most important time clause; present. On the other hand, cultures scoring low on this dimension tend to live in the moment and might be incapable or even unwilling to plan on the future. In these cultures, companies are more rigid and do not adapt well in the global competitive and dynamic markets.

Assertiveness measures the degree to which community members are determined, persuasive and demanding for other people. This dimension has its roots on Hofstede's masculinity versus feminine dimension. In high assertive countries, it is normal to show masculine and aggressive behavior in business world, for instance in business negotiations. In low assertive countries, in contrast, people show concern for others by valuing cooperation over competition and emphasizing sustainable relationships. In situations where people from high and low assertiveness cultures interact, misinterpretation are likely as dominant party seeks to control the situation by direct communication, consequently the other party might become threatened of the situation. (House et al. 2004)

	China		Finland	
	Practice score	Value score	Practice score	Value score
Performance orientation	4.45	5.67	3.81	6.11
Uncertainty avoidance	4.94	5.28	5.02	3.85
In-group collectivism	5.80	5.09	4.07	5.42
Power distance	5.04	3.10	4.89	2.19
Gender egalitarianism	3.05	3.68	3.35	4.24
Humane orientation	4.36	5.32	3.96	5.81
Institutional collectivism	4.77	4.56	4.63	4.11
Future orientation	3.75	4.73	4.24	5.07
Assertiveness	3.76	5.44	3.81	3.68

Table 1. GLOBE-project scores China and Finland. (Globe project 2020)

2.2.5 Special features of Chinese organizational culture

Arho Havrén and Rutanen (2010) have studied special organizational behavioral characteristics of Chinese culture and found that leadership in China is very hierarchical, masculine, and authoritarian which means that managers do not delegate their power. Formal titles are valued and important role in hierarchy must be shown in appearance with dressing but also by exhibiting superior behavior. Chinese style of organizational management resonates more with management than with leadership as they value supervising and controlling over motivating and empowering. Furthermore, a leader is an absolute superior whose commands should not be questioned even if tasks given are wrong. Chinese employees expect that responsibilities are clearly distributed, and tasks are individually specified. Moreover, they take pride on hard work and are accustomed on accomplishing all the tasks given without negotiations. However, employees will not do anything extra so independent work caused by intrinsic motivation is foreign to them, and consequently, some seemingly small work may not be done for a long time if it is not clearly designated for someone's responsibility.

The Chinese concept of "face" represents the social value of a person in China. Losing face refers to a situation in which a person loses his respect, dignity, and honor in front of others. At worst, losing face can lead to the loss of business or personal relationships. Face can be lost, for example, if a person accuses another being ignorant or a liar. (Bond 1991) Furthermore, Arho Havrén and Rutanen (2010) discuss about the concept of face from the Finnish perspective, and the negative consequences that losing face may cause not only for a person but also for the whole family. Therefore, foreigners must be extremely subtle and sensitive when interacting with Chinese avoiding situations where counterpart can become humiliated. In Finland, for instance, small disagreements are part of a daily business life and being wrong is acceptable. In China, however, being wrong is disgraceful and will lead to a face loss, which may cause animosity between parties. Saving face, an opposing act to "losing face", will be done by polite behavior and thus discretion and being cautious is advisable for foreigners as it is considered as good behavior.

Guanxi is another Chinese multi-faceted concept that depicts a network, relationships and connections formed by people, companies, or the state. In the business world, guanxi refers to the relationship between two parties, which is not binding itself, but is a moral obligation in which a favor from a party will eventually be paid back. Guanxi emerges automatically as a network of favors and counter-favors. Understanding the role of guanxi is important in international business for ensuring fluent business flow. In China, the network of favors and counter-favors is prevailing everywhere between organizations and people. Relationships are generally bilateral, albeit they can be long chains of favors also. Knowing the right people will result getting the needed information and facilitates moving in the bureaucracy. Due to guanxi, China can be an extremely hostile environment for a foreign person or a company or even for another Chinese person, as nepotism is often a part of guanxi. (Luo & Yadong 2007)

3 Research methodology

This chapter presents the research methods used in the study and justifies the reasons for their selection. The chapter also explains how the research was carried out in practice and describes specific techniques employed for data collection.

3.1 Rationale for qualitative study

Research methods are generally divided into two main categories: qualitative and quantitative methods. Qualitative research method is mainly used for collecting information in situations where the studied phenomenon is understudied and secondary data on the subject is not yet available. Quantitative research method, instead, is used in situations where there is already enough information and data on the research topic that, then, can be measured. In general, qualitative research seeks to describe data using words, while quantitative research can be used to study the cause-and-effect relationships of different factors in a phenomenon as well as present and measure data numerically. Conclusively, qualitative methodology fits better to answer to “how” and “what” -type of questions. The premise for this research is to understand a contextually bounded phenomenon of leadership, that is, how the culture influence leadership styles and how leaders adapt when the contextual setting changes. For this reason, the research method selected for this study is qualitative, as it provides suitable tools for understanding the impact and allows to grasp the contextual features of the phenomenon. (Kumar 2011)

Furthermore, qualitative research focuses on respondents’ personal experiences as well as subjective knowledge that emerges from their views. Some of the most important features of qualitative research are the personal perspective and individual experiences of the research subjects. The aim of qualitative research is to create a holistic and contextualized interpretation of the studied phenomenon. Moreover, the characteristics of qualitative research include acquiring new information, describing the phenomenon, and deepening the understanding. (Silverman 2013) Generally, qualitative research seeks new information as well as unexpected phenomena by examining the study

materials carefully from different perspectives. Therefore, unlike in quantitative research, the basis is not to prove pre-established hypotheses to be true or false, but rather to uncover the experiences and perceptions of the study subjects. (Kumar 2011)

The choice for using a qualitative method as a research method was made, in particular, because of the nature of the information that can be obtained by it. Specifically, this thesis aims to study how the culture influence leadership styles and how leaders adapt when the contextual setting changes in detail and as deeply as possible collecting information from those Finnish business leaders that have transferred their jobs to China. Thus, the qualitative research method was seen as the best option to fulfill the aim and objectives, as it made it possible to build the necessary understanding from the business leaders' personal perspective for establishing an analysis on the subject.

An important aspect of a research is to understand the amount and nature of knowledge at status quo, and then select a suitable mode for reasoning. The modes of reasoning are divided into three different approaches: deduction, induction, and abduction. *Deduction* is a process of reaching a logical conclusion from factual premises. *Induction*, on the other hand, means making broad generalization from individual experiences and specific examinations. *Abduction* combines both former styles to reach the most probable conclusion from the studied subject. (Flick 2013) The mode of reasoning for this study is inductive as it enables researcher to create new knowledge from individual examinations. In this thesis, the aim is to study the experiences of Finnish business leaders that have been in a leadership position in Finland as well as in China, and then find similarities that can then be generalized and extended into knowledge on the culture's impact on leadership styles and the adaptation into different context.

Furthermore, this thesis provides a comprehensive theoretical framework introducing all the relevant theories, models and studies that guides the research. Kumar (2011) explains that the purpose of the theoretical framework is to delimit the research topic. The theoretical framework describes what information is available in the existing literature

on the research topic, as well as what previous research on the topic has been made. The theory presented in the research must provide a comprehensive knowledge base for the reader. Additionally, the theoretical framework also directs the researcher to focus on the most important things for the research and to demarcate irrelevant information. In inductive research, however, the theory chosen in advance can also limit the researcher's capability to interpret subsequently collected data.

3.2 Interview technique and interviewees

The data for this study are collected by using semi-structured interviews to gather in-depth perceptions of interviewees. Edwards and Holland (2013) discuss that a semi-structured interview is one of the most used qualitative data collection tools. In a semi-structured interview, the studied phenomenon is divided into different themes, or discussion topics, that provide a structure for the interview session. The themes to be discussed are selected to capture the studied phenomenon as comprehensively as possible. In order to select relevant themes, researcher must have some prior knowledge of the studied phenomenon. Using detailed pre-defined questions is impossible in qualitative research as the researcher does not possess enough information on the studied phenomenon to be able to prepare accurate close-ended questions in advance. The aim of the semi-structured interview is to ask pre-determined but open-ended questions on the selected themes thus gradually moving into more specific questions depending on the conversation to create a better picture of the studied phenomenon. (Edwards & Holland 2013)

As a data collection tool, the interview is flexible and can be built from several different starting points. Flexibility can mean, for example, explaining the questions more thoroughly to make sure that the question is understood and the opportunity to ask more specific questions in an interview situation to get in-depth information. The flexible nature of the interview enables to grasp the deep perceptions and personal experiences of the respondents. However, the quality of the collected data from the interviews depends on the quality of the interaction between interviewer and interviewee, therefore the

quality of the collected data from each interview can vary. This is considered by providing enough information on the researcher and the aims of the research to increase transparency and therefore making the interviews more comfortable. Additionally, collecting objective data is impossible using interviews because each interviewer is biased. Thus, the quality of the data also depends on how well the researcher is able to hide emotions, bias, and prejudice. (Kumar 2011)

Interviewees for this study were selected using expert sampling method, meaning that respondents are selected purposefully and judgmentally based on their expertise on the study field having experience being in a leadership position in a company in China (Kumar 2011). Specifically, all the respondents are Finnish nationalities that have been in a leadership position in Finland, and then transferred their work to China. Moreover, as all the interviewees, along with the researcher, are Finns and speak Finnish as their first language; hence, all the interviews were made in Finnish to further interviewees ability to express themselves and narrate their experiences in the most genuine way.

Having decided what the features of the studied sample are, a researcher then must carefully consider and decide the adequate sample size. Thompson (2012) discusses that the size of the research material is always depending on the research and the extent of the sample is determined by the purpose and aims of the research. The number of interviews must be enough that they provide all the information necessary for the purpose of the study. The scientific nature of qualitative research depends more on the researcher's ability to produce high-quality observations and generalizations from the data than to collect high quantities of data. For this research, the interviewees were carefully selected in prior, and the quality of each interview was carefully considered. Therefore, interviewing four highly relevant individuals fulfilled the purpose for this study.

The names of the interviewees are not revealed in this study due to the sensitiveness of their personal experiences in the companies they have worked in. However, general information of the interviewees is presented in Table 2 to provide an understanding of the

industries they have worked and introducing their leadership experience in years. Moreover, all the interviewees have been leading different teams in terms of size and other diversity factors; therefore, only the industries where they have worked is introduced but all the different tasks and projects are deliberately left out.

Acronym	Gender	Industry in China	Leadership experience overall (approx. years)	Leadership experience from China (approx. years)
Leader A	Male	Electronic components	15	5
Leader B	Female	Education	20	15
Leader C	Male	Finance and banking	30	3
Leader D	Male	Legal consulting	20	15

Table 2. Interviewees' characteristics.

3.3 Data collection and analysis

For the interviews, three topics were distinguished to cover leadership styles in Finland and in China also examining and comparing the cultures. Before the first interview, the interview guide was tested with a person who has been in a leadership position abroad for several years, yet the results of this interview were not included in the analysis. This pilot helped to restructure some of the questions and make the topics and questions more precise. One of the most prominent changes was to emphasize that this study focuses mainly on the leadership style of the interviewee and not on management in terms of organizational structures. Consequently, 11 main questions were formed to cover all the topics that were presented to each interviewee. The order of the questions, however, varied depending on the flow of the conversation. Also, the deepening sub-questions were different in each interview.

Due to the prevailing COVID-19 pandemic, all the interviews were done online using video calls. The interview guides were sent via email to every interviewee in prior, so they had a chance to get familiar to the topic and grasp the perspective of this research. The duration of each interview session varied from an hour to 1.5 hours depending on the flow of the conversation. All the interviews were done within the same week and transcribed on the same day verbatim into the text. For transcribing the data afterwards, all the interviews were recorded and permission for recording were asked at the beginning of each interview. After the transcripts were made, all the recordings were deleted.

The interviews took place right before, during and right after the interviewees' workdays, and therefore, the interviewees' mental shift from work to the interview topics was considered in planning for the execution of each interview. Each interview meeting started with general small talk gradually gravitating towards the topic to create a relaxed atmosphere. The first topic was created to capture a summary of the respondent's career thus orienting the thoughts and mind of each interviewee for the next topics that focus on analyzing leadership and adaptation into the Chinese culture through interviewees' own experiences. Using open ended questions allowed each respondent to elaborate around the topic and sub questions were used to go in-depth and to find exemplifying stories.

Collecting data through open ended questions leaves researcher with several pages of data in a form of text. For this thesis, the interview transcripts resulted in 69 pages (font Calibri, size 12, line spacing 1,5). Therefore, researcher needs to go through another process to analyze the data and classify it into relevant themes. This process is called content analysis method that, according to Kumar (2011), is one of the most common method for analyzing data in qualitative research. In content analysis, the data is examined in detail, looking for similarities and differences, and identifying patterns from repeating keywords therefore obtaining the most essential knowledge from the data. The aim of this process is to find emerging themes and create an abstract of the collected material. After the essential material was obtained, the findings were translated in English.

Researcher is fluent in English and therefore was capable to translate quotes without decreasing the quality of the data.

The data analysis was done based on the theory, although some themes emerged from the data. Notably, the presentation of the findings and discussion is organized around three chapters, of which chapter 4.1 and 4.2 are based on the theory covering culture and leadership. These chapters consist of more specific sub-chapters that have emerged from the interviews. These sub chapters have emerged to identify the most important cultural elements of Chinese culture and also the leadership styles that have found to be most effective in China. By identifying these cultural elements and adaptation mechanisms of leadership styles, the findings are analyzed and discussed with respect to the theories of culture and leadership, that are presented in theoretical framework. Consequently, the analyzed data provided the opportunity to derive a model in the chapter 4.3, which proposes the Contextual leadership adaptation model, which is built from the data emerged from the interviews.

3.4 Ethical considerations, validity and reliability of the study

From the ethical point of view, the quality of a study can be increased when an interviewee is informed by the course of the interview and the objectives are clearly introduced (Byrne 2017). Hence, the researcher's background was introduced for all the participants along with the purpose and the goal of the interview. In addition, interviewees were asked for permission to record the interviews. Interviewees were also informed that the study will be conducted anonymously and therefore will not mention the names of the respondents nor the companies they have represented. The aim of anonymity was to lower the threshold for expressing genuine perceptions on their experiences about leadership and cultures, and, in general, for participating in the study. Participants will also be provided with the final version of the study so that they can ensure that the anonymity has occurred.

The quality of a study is often assessed through the concepts of validity and reliability, both of which are related to the reliability of the study. The premise for conducting a study is that the research should be accurate, reliable, and impartial. Regardless of the nature of a study, the results should not be random, and the whole process should be able to verify afterwards. Therefore, accurate documentation of the various steps facilitates the assessment of validity and reliability. (Kananen 2015)

Validity indicates how well the selected research methods in the study measures exactly the property of the phenomenon that is intended to measure. Validity can be interpreted to be good when the selected target groups as well as the questions are correct. It is essential when assessing validity to examine how well different research methods that were utilized correspond with the studied phenomenon. *Reliability* indicates how a measurement or research method used reliably, meticulously, and reproducibly measures the studied phenomenon. Reliability can be assessed, for example, by repeating the study. Repetition can occur either between different researchers or between different studies. The reliability is desirable when the study has been executed in a way that the same results can be obtained if the study would be repeated under the same conditions. (Kumar 2011)

Furthermore, Kananen (2015) notes that the reliability analysis of a qualitative research differs from a quantitative research. The concepts of reliability and validity are examined in a quantitative research but cannot be transferred as such for judging to the reliability of qualitative research. In qualitative research, evaluation involves more concepts and terminology varies depending on the source, but the purpose of judging the soundness of a study remains the same. Kumar (2011) addresses the unique nature of qualitative research and introduces four alternative criteria for judging the solidity of qualitative research: *credibility*, *transferability*, *dependability*, and *confirmability*.

Credibility means the correctness of the research results measuring how well the results correspond to the real situation (Kumar 2011). In this study, the data, methods, and

analysis steps are documented and justified as accurately as possible so that there is no conflict with the results in the reasoning path derived from the data. However, the path of reasoning is different for each individual, so small differences in detail could occur with another researcher.

Transferability refers to how well research findings can be transferred to another situation (Kumar 2011). This study deals with the unique situation of a specific context of Finnish business leaders that have transferred their jobs to China. Therefore, the contextual result of this study is unique in a sense that it describes exactly how a culture influences leadership styles and adapting a leadership styles in this particular context. Transferability is enhanced by detailed description of this particular setting therefore letting the judgement for transferring the result for the reader. The proposed model in the findings, however, can be transferred to different context.

Dependability refers to how dependent research is on the researcher (Kumar 2011). In this study, the researcher has made the interpretations of the material himself, so the research result could differ from the current one by another researcher's interpretation. However, the research process is documented, and the methods used are justified as accurately as possible to reduce the dependability and increase the repeatability of the study.

Confirmability means confirming the researcher's interpretations derived from the collected data by others to minimize researcher's own bias or false interpretations (Kumar 2011). In this study, the researcher's interpretations of the interviews are not checked by other people. However, researcher has put effort in minimizing his own bias by addressing his prior knowledge and attitude towards the topic to find an objective approach for each interview.

4 Findings and discussion

This chapter presents the findings from the conducted interviews and discusses them against the existing theories used in chapters 2.1 and 2.2. This chapter is divided into three main-chapters; cultural elements of China described by Finnish business leaders, leadership style adaptation mechanisms by Finnish business leaders, and Contextual leadership adaptation model. The first chapter seeks to answer the question “*How does culture influence leadership styles of business leaders transferring their jobs from one country to another?*” and the chapter presents the solution for the question “*How do Finnish business leaders adapt their leadership styles to the new cultural context?*”. The third chapter proposes a model that captures the mechanisms of adapting leadership into a different culture.

4.1 Cultural elements of China described by Finnish business leaders

This chapter consists of three of the most prominent cultural elements influencing leadership styles of Finnish business leaders. All the elements set conditions for the right leadership style. These elements emerged from the interviews; environmental elements (hierarchy and competition), individual elements (status and social recognition, and fear of failure), and complex communication.

4.1.1 Environmental elements

It was found from the interviews that the first prominent factor when a business leader goes to another country, is the different conditions set by the change of the environment. In the context of this study, the most prominent elements of environment were the strong hierarchy and competitive climate of China, that sets certain conditions for the leader to respond.

4.1.1.1 Hierarchy

The interview started by asking the interviewee to describe his/her journey to China from the eyes of a business leader and to elaborate on the experiences. The most prominent contrast was the strong hierarchical conditions of China.

“Perhaps one of the biggest differences between Finland and China is the heavy hierarchy that when you go there as a leader from Finland, you have a clear place in the hierarchy of the workplace, but also in the hierarchy of society. And this hierarchy is a big deal in China because people learn it at a young age, and you have to understand that environment when you get there because that environment changes the way how you need to do things in there.” – Leader A

The strong hierarchical structures were perceived as a challenge specifically for Finnish business leaders, as they are coming from very flat and democratic environment into hierarchical. Also, Leader A brings out clearly that leader needs to understand the hierarchical structures in the workplace, but also in every place and in situation in the society. It became apparent from the interviews that hierarchies are not formal structures that rank people in different places, but it is a perception of an individual at certain situation, therefore it was agreed that it is difficult to change how Chinese observe the world. As Leader A states, the hierarchies at people’s minds and in the society forces a leader to adjust leadership style to lead successfully.

The perception of strong hierarchical structures is in accordance with the cultural dimension. According to the Hofstede’s study, China scores 80 in power distance whereas Finland’s score is 33 (Hofstede Insights 2021). Similarly, The GLOBE project recognizes the difference, although the practical score is not as drastic between China’s 5.04 and Finland 4.89 (Globe project 2020). Nevertheless, the unequal distribution of power is notable for Finnish business leaders in this context. Furthermore, the notion that hierarchies lies in the minds of people thus difficult to be changed can be confirmed by the cultural onion model by Hofstede (2010). According to the cultural onion, values are the first things that a newborn learns unconsciously after birth and are so deep in the human behavior that they are difficult directly to observe or change.

“You have to understand your role and your position in that hierarchy. You are probably not used to that but once you go there, the attitude of your subordinates changes, and you just take that and act accordingly. [...] This does not rule out the “soft values” of your leadership, like concern for others, but you know, when in Rome.” – Leader D

Additionally, it was unanimously perceived by all the respondents that leadership in China, in general, is very totalitarian and authoritarian. People are accustomed to an environment where they are not allowed to question anything but to obey rules in school, work or in the society in general. It was stated that Chinese do not have the possibility to individual thinking and most importantly, the culture does not have any room for mistakes. The authoritarian leadership environment described by interviewees correspond with the description by Strömmer et al. (1999); an authoritarian leader expects subordinates to follow, receive orders, and act accordingly without questioning. This has led to point that people are not encouraged to innovate nor introducing their own opinions. The perception of restricted individual thinking is according to the description by Hofstede (2010) of China and by House et al. (2004) of high power distance countries in general. However, it was noted in the interviews that creating a caring and secure environment was important for both, Chinese and Finnish employees.

“My leadership when I went to China changed drastically due to the strong hierarchy. In a way it was quite simple for me because you do not have to buy the followership from your employees, but you can say what you want to get and subordinates will deliver. [...] It is a whole another story whether the quality of the work and if the requirements are met, but when you as a leader tell people to start working, they will do so.” – Leader D

Similarly, Leader D addresses the impact of hierarchies on leadership. Although the change in the nature of hierarchies was commonly perceived as a challenge for Finnish leaders, Leader D pointed out the advantage of a pecking order; it makes managing more easier because nobody will object. Same perception was shared by other respondents as well, although as the last sentence implies, the outcome is not necessarily ideal. The authoritarian leadership style is generally considered as bad (Strömmer et al. 1999),

however Wang and Guan (2018) have agreed upon it being effective in quick decision-making and demanding situations, which was noted especially by Leader D also.

4.1.1.2 Competition

Wherever hierarchies of any kind exist, there is an imbalance of equality which consequently drives people to compete in the hierarchy. The competitiveness of Chinese culture came up several times in the interviews, and as seen in the following the quotes, the competition manifests itself in different ways.

“Chinese have learned to take their space, and this is seen on the kindergarten playgrounds. Employees think themselves and their own benefit in China more than in Finland. One reason is the social system. If you fall in Finland, the society takes care of you, but in China, if you fall, you are out of the game. This is probably why Chinese are so much more competitive than Finns.” – Leader A

Chinese grow into hierarchical environment and learn to take their space and thus competing against each other from the young age. Similarly, the unanimous perception of a highly competitive environment of China by all the interviewees is also seen in the Masculinity dimension scores by Hofstede; China’s 66 and Finland’s 26 (Hofstede Insights 2021). As Leader A notes, this is later seen in the workplaces as thinking their own benefit over company’s or work groups benefit. However, in the quote it is pointed out that the reason for such behavior might be the weak social care in comparison to Finland. Therefore, people learn to compete to survive and provide for their families and securing the future as they cannot rely on the social system carrying them during difficult times. For example, Leader A mentions salary negotiations that are drastically different than in Finland. Chinese can be very persuasive using different techniques to higher their salaries.

“Employee turnover in China is huge. They are not really loyal towards the job if they can get more money from elsewhere. Chinese compete in every environment, at workplaces and at school, but the motivation for the competition seems to be money and status.” – Leader B

“Someone wrote that Chinese have a special order for loyalty. First is myself, then there are the family and close friends, after which comes the state, and eventually comes the interests of the company. You as a leader need to comprehend this.” – Leader B

It was unanimously agreed by all the interviewees that employee turnover is huge in China. In general, a Chinese employee is not seen as very loyal towards a workplace nor the leader, if more money can be obtained from elsewhere. This causes business leaders difficulties to manage their teams if employees are on a continuous move over the company borders. The high turnover rate contradicts the fact that China is a high long-term oriented country scoring 87 on Hofstede’s dimension (Hofstede Insights 2021). Nations that are long-term orientated, it is common to work hard and for a long time to achieve desired goals and in these countries, people expect to be rewarded later (Hofstede et al. 2010). Furthermore, according to the GLOBE project, China scores higher on institutional collectivism dimension than Finland, on both, value and practice score (Globe project 2020). In high institutional collectivist societies employees tend to show loyalty towards employer even during difficult times (House et al. 2004). However, the perception of the respondents contradicts these scores and suggest that China should score low in this dimension. Additionally, China scores 4.73 on the future orientation dimension on the GLOBE project (2020). The high employee turnover rate does not correlate with the scores of these dimensions and the idea of expecting to be rewarded later. However, the China’s practice score in the GLOBE project of 3.75 indicates that people do want to be rewarded quicker than it is generally thought.

“In January, when Chinese celebrate the Chinese New Year, we were always watching that who comes back to work and who does not. We called this time of a year as ‘employment changeover weeks’” – Leader C

Addressing the high employee turnover rate and focusing on employee retention is essential in China, especially for Finnish business leaders as the volume of competition changes drastically. For a leader it is hard to get full potential out of employees who are driven by achieving their own individual goals. Thereby, Leader D also suggested that the challenge can be overturned by adjusting company objectives and individual employee

incentives to support each other. Another option, highlighted by Leader C, is to manage employee retention through competitive salaries.

“Teamwork works the best when you have one person doing one task, and all the tasks in the project is divided individually so that they will not overlap. [...] There is no unhealthy competition against each other when there is nothing where you can be directly compared. I think that this would also prevent employees from leaving the company.” – Leader B

Moreover, the competitive nature was also seen within the teams; therefore, team leaders need to prevent unhealthy competition and retain good employees. Leader B suggests that arranging tasks and responsibilities clearly and individually preventing them to overlap will prevent unhealthy competition among team members. Also, by doing this, employees would focus improving only their own performance and could be more satisfied and thus retained. The tendency of competing within a team was also recognized in the Hofstede’s Masculinity dimension, where it was noted that performing well is important in China at all areas of life, therefore Chinese are grown to compete against their peers (Hofstede et al. 2010).

“It [competition] is also same in Finland, but for a leader I found it harder to understand my employees and to see who wants and what, and who is about to leave your company so you could be proactive.” – Leader D

Likewise, Leader D recognizes the challenge of retaining good employees but mentions that people change jobs in Finland as well. However, he notes that it is difficult for Finnish business leaders to understand Chinese employees and their aspirations, so the differences in values and challenges communication seems to be the most essential problem.

Chinese competitiveness in contrast to Finland was well established in the interviews, as well as in the Hofstede’s Masculinity dimension. Interestingly, there is a contradiction on the GLOBE project score on the Assertiveness dimension, which is similar to Hofstede’s Masculinity dimension. According to the GLOBE project, China scores 5.44 and Finland 3.68 as a value score, meaning that Chinese consider themselves as very competitive

whereas Finnish as cooperative. However, when comparing the practice scores of these countries, China scores 3.76 whereas Finland scores 3.81, which suggests that Finns would be more competitive than Chinese in practice. (House et al. 2004) The findings of this study support the difference seen in the value scores, but not the practical scores.

4.1.2 Individual elements

As already established, the environment sets certain conditions that shapes the behavior of an individual. In the context of this study, the environment sets conditions for a foreign leader. However, the environment has shaped the behavior and values of local Chinese for their whole life, therefore, these individuals have, as a result of the environment where they have grown, certain conditions that need to be considered by the leader. The most prominent cultural individual conditions for a leader are status and social recognition, and fear of failure.

4.1.2.1 Status and social recognition

It was already established that Chinese compete their ways higher in the hierarchy not only for the sake of money, but for status and social recognition as well. Consequently, the obtained position in the hierarchy constitutes a status, which is expected to show with material possessions, as the example from Leader C confirms:

“I remember going to China and I did not have a nice car. I figured not to use company money for a vehicle but using it on building the company branch. My subordinates were upset that their boss did not have a nice car and a driver. It would have been so weird. Imagine if I would have hired a driver and a car for myself here in Finland. Just imagine the outrage. [...] The importance of looking good and important is huge.” – Leader C

In China, superior position in hierarchy, whether it is at workplace or society in general, is expected to be shown in physical appearance and behavior. For instance, using driver can strengthen the respect of a leader in followers' eyes. As it becomes clear in the previous comment, this is opposite to Finnish culture where such behavior is interpreted as

arrogant. Additionally, in China people in high positions show their status having latest gadgets other apparel as status emblems.

The desire for achieving certain status and more importantly, showing it with material is corresponding with the description by Hofstede et al. (2010) on the values in Chinese culture; some of the prevailing values in China are visible success and progressive growth in status, therefore money and goods are considered important. Additionally, House et al. (2004) discuss that high power distance countries, such as China, are typically separated into different classes that are usually based on income and status. This drives people to seek money and compete for status.

“Although I have worked there for 20 years, I still have not got an answer for that how a country can be ruled by a communistic party and still be so capitalistic in terms of values. Money motivates Chinese people. Of course, there are other values as well, like family and the state, but money is the main motivator for choosing a job.” – Leader D

Social status and physical appearance are highly emphasized in Chinese culture and thus money plays a critical role in it. Leader A compared the difference in approach to money between Chinese and Finnish cultures by saying that talking about money is almost considered taboo in Finland, whereas in China it dictates all the decisions people make and gives meaning for the work. However, the perception that Chinese tend to consume more than Finns and put monetary effort on material is contradictory with the long-term orientation dimension by Hofstede, which suggests Finland being short term oriented country (Hofstede Insights 2021). In fact, according to Hofstede et al. (2010), Finnish people like to consume a lot, have desire for quick results which demonstrates by maintaining living standards over financial capabilities. This is contradictory to the perception by the respondents.

Additionally, every interviewee pointed out the controversy of a country being ruled by communistic party and still having extremely capitalistic consuming habits. This perception of capitalistic market environment and communistic political climate resonates with

the image by Li et al. (2013); China has embarked the economic change from socialism towards an open market economy. This suggests that the communistic political playground could be shifting towards capitalistic in the wake of economic movement.

“Once we were building a wall at our company and I took a power drill and got my hands dirty. Chinese were astonished of this behavior but it seemed that they were proud that their boss can use a power drill.” – Leader A

People in high positions, especially in China, do not do any manual labor by themselves, such as changing light bulbs or even batteries. It is also expected that leader show its position by avoiding dirty hands and therefore in Chinese society white- and blue-collar tasks are distinctly divided. However, showing willingness to do manual labor and humility could, in fact, increase the respect from subordinates thus increase the team morale. This example resonates with the Idealized influence leadership style from the Full Range Leadership Model; leader earns respect by placing the needs of the followers and interests of the group over own needs. Regardless of the hierarchy and status, the leader earns respect and appreciation as a result of personal sacrifices made for the benefit of the collective (Avolio 2005; Zdaniuk & Bobocel 2015).

“It was so weird at the beginning. You go there as a rookie but then you have this superior position in the hierarchy, and then you have your business card. It was weird to see everyone being so polite and humble in front of you gently rubbing and admiring your business card with their fingers.” – Leader D

One important aspect of showing status and respecting others, especially in the business world, is the exchange of business cards. It is expected from every business leader to have a fine business card that represents the importance of its owner and position in the hierarchy. In the interviews, business card in China was considered as a sign of existence and its importance in business world is comparable to an identification card. Moreover, the behavior, giving and receiving business cards, is important to comprehend as it is a sign of respect when meeting people. Likewise, Arho Havrén and Rutanen (2010) confirm that formal titles are valued and important role in hierarchy must be shown in

appearance with dressing but also by exhibiting superior behavior, such as exchanging business cards.

“This one time we had a great engineer who wanted to work with us, but his parents told him not to work here because this was not a Fortune 500 company.” – Leader A

Appearing valuable in the society and increasing the status of the family subdues the genuine desires of a person. Additionally, Chinese tend to put a lot of effort on looking important in the eyes of a leader. What leaders usually see and hear directly from subordinates might not be the reality of the situation as Chinese want to appear valuable in the eyes of their leader. Therefore, as the following example from Leader C points out, it is useful to get information of the situation from other leaders as well.

“I remember once telling my employees that we are finished for the day and everybody can leave home early because I knew that there was not anything to do for the day. They told me that they cannot leave because they have so many things to do still. I left home and on the next day I asked my Swedish colleague that were they really working till 6pm on that they, and my colleague said that ‘no, they all left right after you’. This just shows how important it is to create an image that you are paramount for the company.” – Leader C

This example of showing distorted reality to superior correlates with the Uncertainty avoidance dimension by Hofstede et al. (2010). China scores 30 on the uncertainty avoidance dimension, which means that Chinese tolerate uncertainty well, and that the truth is always relative to some frame of reference and view time as indicative measure; in this case the truth is relative to the nature of a relationship between an employee and a leader. (Hofstede et al. 2010, Hofstede Insights 2021).

4.1.2.2 Fear of failure

Another important cultural element that was discussed in every interview was the fear of failure, that was considered deriving from the Chinese concept of losing face. Every interviewee recognized the face loss yet describing its manifestation a bit differently. In

every interview the fear of failure and the concept of losing face were linked together, therefore, are introduced conjointly in this chapter.

“For a western person, the concept of face loss can be very difficult or very easy to grasp, which way you want to approach it. [...] Sometimes you wonder why your employee does not just say that he or she did not understand, or report for something going wrong. But it is because they are afraid to lose their face.” – Leader B

From all of the interviews, it became evident that the fear of failure and face loss cause difficulties for Finnish business leader. The propensity for neglecting any negative incidents may lead into the point where leader needs to monitor very closely all the performance as Chinese avoid revealing any unfavorable information. This style of communicating is recognized being typical for reactive people (Lewis 2006), and is also in tune with the fact that Chinese tolerate uncertainty well (Hofstede Insights 2021) meaning that truth is always relative to some frame of reference (Hofstede et al. 2010). Additionally, it was stated by the leader C that the strict hierarchy and authoritarian leadership culture is maintained so well because Chinese are afraid to challenge any prevalent circumstances where the outcome may lead into face loss. Moreover, regarding the willingness to compete and occupying space in the crowded society, Chinese have learned not to challenge their own leaders and thus they accept pecking order. It seems that Chinese avoid confrontations with their superiors at all costs.

Likewise, Arho Havrén and Rutanen (2010) discussed the concept of face representing the social value of a person in China, therefore being paramount to grasp by foreign leaders. Also, they suggest that a leader must be extremely subtle and sensitive when interacting with Chinese avoiding situations where counterpart can become humiliated. As the findings and theory suggest, face loss is one of the reasons why Chinese avoid confrontations. Additionally, China is described as a collectivistic culture scoring 20 points in individualism dimension (Hofstede Insights 2021) and in collectivistic cultures it is normal to avoid confrontations and disagreements (Hofstede et al. 2010).

“I, by the way, find this interesting because Chinese are used to compete, but it seems that only against their peers, but not against their superiors. At least not face-to-face. The willingness to compete but being afraid of challenging hierarchies is, to some extent, a bit contradictory.” – Leader C

Apparently, fear of failure lies in the deep of Chinese value system and is seen in the behavior in everyone learns to avoid making mistakes at a very young age. Similarly, the cultural onion by Hofstede et al. (2010) confirm the view that values are difficult to change. For several generations, people are accustomed to a position where they do not have the possibility for individual thinking or questioning anything, let alone making any mistakes. This is typical for authoritarian cultures (Strömmer et al. 1999). Therefore, it may be difficult to encourage you employees to make mistakes and innovate, especially in front of the leader.

“People are not encouraged to take risks, try, and innovate, but to perform. There is no room for mistakes in Chinese culture. People march forward like sheep and take orders.” – Leader B

Furthermore, Leader A was the only respondent who had successful experiences on changing company culture in China. This did not mean that the fundamental values of Chinese employees were changed, but the environment was readjusted to accept mistakes. The change was initiated in a particular situation where an employee was encouraged to make a presentation as an example for others to express themselves and take bigger role in a company.

“I once asked one of my employees to make a presentation for a meeting about this thing, and he was terrified for getting fired if he did something wrong. I encouraged him just to be himself and speak. It went really well and, obviously, he did not get fired. This changed the culture within our company, and from that point on, more and more employees did not fear that much expressing their opinions and having presentations in front of their superiors.” – Leader A

The previous quote seems to describe a situation in which, in contrast to lose face, the leader was able to save an employee’s face. Arho Havrén and Rutanen (2010) explain

that saving face, an opposing act to losing face, will be done by polite behavior, and recommends this polite behavior for foreigners.

It was paramount to clearly inform Chinese employees with the importance of making mistakes so that the company can learn from them thus developing their operations. Using the Cultural web (Johnson 1992) facilitates transferring a certain company culture into a different national culture. Further, all the respondents struggled to understand how the face can be lost in certain situations, for example, what it means to embarrass yourself in front of others. The reason for this was stated to be different ways of perceiving embarrassment between Finns and Chinese.

“For instance, in certain company occasions and fests you see adults dancing and playing around. They are not even drunk! This is something that a western person would consider losing face but Chinese this is not the case. Actually, it is the opposite, if you do not attend to this you might lose your face.” – Leader B

“On another hand, it is easy for you as a western person because you do not have a face to lose so you really do not experience it yourself. They think you are stupid either way, so you have nothing to lose. I have found that in some situations it can, in fact, help you to play stupid. Not in a managerial position though.” – Leader B

From another perspective, face loss can be used as an advantage for a Finnish person in certain situations. For instance, Leader B revealed that showing unfamiliarity towards Chinese language could, in fact, help you with some bureaucratic errands. It seems that face loss only concerns local people hence foreign people are outside this sociological reputation scale. However, it was noted that showing incompetence as a leader is not recommended.

4.1.3 Complexity of communication

In addition to environmental and individual cultural elements has certain conditions for a leader, the verbal and non-verbal communication has also certain conditions for how the leadership styles should be communicated.

All the respondents found it difficult to communicate in China. Not only the spoken language with its diverse tones and written language with its various characters is difficult, but also the non-verbal delivery was considered problematic. Chinese tend to be very ambiguous with their messaging which is very demanding to interpret by a Finnish person who is used to another way of communication.

“I found that communication in China became verbally very simplistic. [...] Behind their simplistic verbality there is a whole another realm of communication with different dimensions. Once you think you get a hang of it and can interpret it, you really do not. It is very complex.” – Leader C

As Leader C notes, the verbal communication with Chinese can be very simplistic in terms of words, however, it is different story to interpret the meaning behind the words considering the context. The complexity of communication is difficult and takes time to understand, if it can ever be fully understood by a foreigner. These findings show that Chinese tolerate uncertainty well. As confirmed in the Hofstede’s (et al. 2010) and The GLOBE project (House et al. 2004), in cultures that tolerate uncertainty well, truth is always relative to some frame of reference which is displayed as inconsistent and ambiguous communication.

“I remember once asking if this solution was alright and my subordinate just replied me ‘maybe’. Then, I introduced another solution and got an uncomfortable ‘yes’. I figured out that this was not a good solution either and explained another solution and got ‘perhaps’. [...] It all comes down to fear of failure and losing your face if the proposition is not right.” – Leader C

According to the value scores, yet not according to the practice scores, China is a high assertive country and Finland is a low assertive country (Globe project 2020). It was said that in situations where people from high and low assertiveness cultures interact, misinterpretation are likely as dominant party seeks to control the situation by communication directly and unambiguously, and consequently the other party might become threatened and uncomfortable of the situation (House et al. 2004). Previous example by

Leader C contradicts these scores and, in fact, supports the practice scores of China (3.76) and Finland (3.81), that were the other way around (Globe project 2020).

In China, the word 'no' is often perceived as rude and they say saying it leads to an uncomfortable situation and reason to avoid saying a word. The Chinese usually use other expressions instead of outright refusal, for example by saying "I will think about it" which is usually a sign of a refusal. The Chinese "yes" is also very ambiguous, as it does not necessarily mean the same as in the West. The main purpose of the word is to express that the other person is being heard. The ambiguous communication was regarded irritating especially in decision-making situation, in which the leader very rarely gets any support from employees. Hence, the decision making differs drastically as the support that leader receives from subordinates is poor.

According to Lewis (2006) no group belongs unequivocally in only one Lewis' dimension but is a mixture of at least two categories to different extent. Against these findings, it seems that Chinese, in terms of communication style, are mixture of linear-active and reactive.

"You just try interpret the body language and how the things are said and try to figure out the meaning." – Leader A

Therefore, it is not enough to understand what is said but how things are said in China, especially when the message comes from the lower level of hierarchy, but to interpret the way things are said. This will take some time and understanding that you as a foreigner will never understand Chinese the same way they understand each other helps a lot. Ultimately, understanding the written and spoken language facilitates the adaptation to the Chinese culture. Nevertheless, the vague means of communicating and indirect messages are considered challenging to interpret. Therefore, it was suggested in the interviews that a foreign leader should prepare him/herself to be patient, have good nerves, and being flexible.

“I found that you need to be extremely specific when giving instructions. In every little detail; what is required and why. Little by little I learned that even this was not enough, but you need to go through the instructions again, just to make sure that they are understood. Then you get a ‘yes’ answer. After that you go through them once more and you are likely to get the desired result.” – Leader A

Furthermore, it was found from the interviews that all the respondents experienced change in the way instructions should be given in China in contrast to what they were used in Finland; all the information in China needs to be specified in an extremely detailed manner. A leader should not assume anything but carefully explain all the necessary steps; what needs to be done. Additionally, all the steps need to be clarified by explaining how they should be done also justifying the reason why they are to be done. Lastly, the starting time and intended ending time for the tasks should be specified. The need for specific instructions does not apply only on the bigger projects, but for smaller tasks as well. Moreover, another challenge when giving instructions is the fact that Chinese employees do not say ‘no’ to their bosses. It can be difficult to recognize whether the instructions are fully understood or not and thereby Leader A suggests that repeating the instructions helps and brings comfort for Chinese employees.

The unanimous perception of need for specificity from the respondents correlates with the interpretation by Arho Havrén and Rutanen (2010), who described that Chinese employees expect that responsibilities are clearly distributed, and tasks are individually specified.

4.2 Leadership style adaptation mechanisms by Finnish business leaders

From the interviews, it became evident that culture does have an impact on a Finnish business leaders’ style of leading; in particular, all the respondents experienced that when they went to China, they needed to adapt their leadership style to match with the new culture. The reason for the adaptation was due the different environment, that is, the practices and expectations. Regardless of the preparations made, the transition into Chinese culture can be dramatic and it was stated in every interview that the leader is

the one who needs to adapt, and not the other way around. This notion makes it important to understand what are those cultural elements that needs to be addressed and influence leadership style, but also, how the leadership style adjusted. The quotes below provide the evidence:

“Do not try to go there and change their culture. You need to adapt. Do not assume anything. You need to adjust and adapt your leadership style into Chinese culture.”
– Leader A

“When you go there, you are a guest. Hopefully a welcomed guest. You do not go there to display your own agenda and change their culture, but you need to adapt into theirs.” – Leader D

In China, a leader was seen as an omnipotent and dictator whereas in Finland leadership position was considered to be more democratic. This was perceived to be case especially when a foreign leader comes to China; Chinese admire foreign leaders and regard them profoundly intelligent. People are afraid to open their mouth even if they know something important because if it turns out that they are not absolutely correct, they would look foolish in front of their leader and used to be punished. For this reason, employees prefer to remain silent which makes leadership more difficult. For instance, Leader C explained this as follows:

“The biggest surprise for me was that in China leadership is heavily based on the position and not so much on the competence. You can be incompetent but if you are a leader, they will adhere what you say and do not question anything.” – Leader C

However, there is a discrepancy in the interview findings on how much the leadership position is based on the actual competence of a leader. In general, it was agreed that in China, leader is expected to know everything. Meanwhile, it was discussed that promotions in Chinese organizations is often based on relationships more than competence. It seems that the position in in the social networks seems to be the major factor that governs who get promoted and advance in the hierarchies.

The notion of the importance of relationships is, in fact, very typical for Chinese culture. Luo & Yadong (2007) introduces the Chinese concept of Guanxi, that depicts a network, relationships and connections formed by people, companies, or the state. Due to guanxi, China can be an extremely hostile environment for a foreign person or a company or even for another Chinese person, as nepotism is often a part of guanxi. Therefore, the collectivistic nature of China and existence of guanxi, promotions are made more often based on relationships than competence.

The conducted interviews allow to grasp several emerging themes depicting three main adaptation mechanisms that Finnish business leaders employed to adjust their leadership styles to the new context. Namely, this thesis identifies transition 1) from democratic leadership to control, 2) from natural relationship to building rapport, and 3) from inspirational motivation to individual consideration, that are all discussed in-depth next.

4.2.1 From democratic leadership to control

As the Chinese culture does not teach nor support individual thinking, it was observed that a Finnish leader must use more managerial and controlling leadership style in order to be effective. In Finland, interviewees were used that if someone did not understand the instructions, this person would ask for more information. In China, contrarily, employees continue working until the tasks is finished incorrectly, or ideally if a leader would intervene before.

“For this reason, you need to control and monitor that the instructions, regardless of how specific and clear, are completed as you wanted. You need to monitor the progress by regular checking.” – Leader C

“My job as a leader is to keep projects going on and monitor the performance. I also need to monitor the progress. I need to make meetings and conduct very specific tasks. If I would have a stakeholder to whom I would need to present something, I would need to give the presentation because usually Chinese do not grasp the entity, they usually do not have the desire to see the big picture, they prefer more little details.” – Leader B

“Finnish employees have better understanding of the big picture.” – Leader D

One outstanding difference between Finnish and Chinese employees is the ability and willingness to understand the essence of the work and the broader perspective of organization’s mission. It seems that Chinese find comfort from specified tasks but also, they do not have the interest beyond their own responsibilities, which is on the contrast to Finnish employees who were found to like being responsible for the whole team and wider scope of things. Additionally, whereas Finnish employees, in general, were found to be motivated by diverse assignments and opportunities to learn and develop, Chinese seem to like repeating very specified and narrowed tasks.

“Chinese learn the best by repetition. Give them specified and simple tasks, and unlike in Finland, Chinese employees seem to enjoy repetition. Maybe it provides safety or something.” – Leader D

“Chinese like rules and feel comfortable when instructed and monitored, whereas in Finland, people appreciate freedom and responsibilities.” – Leader A

The interviewees felt that they were not used to hard monitoring and giving orders in an authoritarian way because in Finland such a leadership style might create an apprehensive thus unproductive culture. In China, contrarily, employees seem to find comfort and safety from strict rules and monitoring.

“I am just so tired of it that I do not get any help from the team. I am expected to make all the decisions and know everything although I do not even know the language as well as the natives. We are a group of ten people, but nobody uses their own brain and I try to tell them that I cannot solve this problem on my own. So even today, you as a leader do not get much support from the team.” – Leader B

Working in a team in China is difficult, especially for a foreign leader. Chinese employees expect the leader to make all the decisions and have all the knowledge for everything even though in some cases they have more knowledge of the situation than the leader. Therefore, leader must be determined, confident and have solution for everything. It seems that it is irrelevant whether the solution is right or wrong, but it needs to come

from the leader. The expectations and lack of help was considered challenging and consuming. Although the powerful position in hierarchy makes managing employees easier, it also can be more demanding for a leader. As Leader B states, the responsibility for making decisions falls almost solely on the leader. This was considered as a hindrance in comparison to Finland in cases, for instance, where a team is expected to find a creative solution together.

It seems that Finnish business leaders have grown in an environment where transformational leadership styles, the four I:s (Avolio 2005), have been more effective. Consequently, moving into hierarchical and competitive environment where people are afraid of failures, Finnish leaders have been forced to use transactional leadership styles; contingent rewards and active- and passive management-by-exception. The data from the interviews suggests that contingent reward, in specific, was effective in China. In contingent reward, the leader agrees on the tasks to be performed with employees and employees are clearly informed of the objectives as well as their own responsibilities regarding the task (Han et al. 2015). Although transformational leadership styles are considered more effective in general (Burns 2003; Wang et al. 2011; Cummings et al. 2010), there is evidence that contingent reward can be more effective than transformational leadership styles in some contexts (Peus et al. 2013). According to the interviews, this seems to be the case in China.

“I felt that it is a lot easier to be a leader in a company in China. In Finland, you have to take everyone’s opinion into account and in some situations, you just do not have time for that, so in that regard I feel that implementing decisions is lot easier in China than it is in Finland.” – Leader D

Although the consensus among interviewees was that leading became more difficult once they went to China, Leader D provides a new approach introducing the benefits of the authoritarian environment. In China, the word of a leader is the law and Chinese are extremely conscientious when it comes to obeying law. From the interviews it was found that very rarely, if ever, someone questioned instructions of any kind, even if they

seemed difficult to achieve. Also, it was noted that the willingness to take initiatives in China is drastically lower than leaders are used in Finland.

Against these findings, it seems that there is a clear difference on the perception of Finnish business leaders on what motivates Chinese and Finnish employees. Chinese employees relate more with the Theory X, whereas Finnish with Theory Y. According to theory X, most people need to be managed, directed, and forced to act at the risk of punishment towards the goals of an organization; people want and need to be led as many people want to avoid taking responsibility. According to the Theory Y, people are driven and seek responsibility under right conditions. Therefore, people can be self-directed and creative in their work if they are motivated by the right work environment. Thus, this approach shifts the role of a manager from being a dictator to being a servant. (Robbins & Judge 2013)

4.2.2 From natural relationship to building rapport

Although it was perceived that the personal distance between a leader and an employee is wider in China than it is in Finland, all the interviewees emphasized the importance of knowing employees personally also. The problem, however, is that all the respondents felt that Chinese are reluctant becoming personally close with their superiors. Regardless, building rapport with an employee was seen to have many benefits; showing genuine interest to care for employees seems to comfort Chinese employees and to increase their work motivation.

“I feel that in Finland employees expect me to coach and care for them. I like to be genuinely close to personnel and communicate them on a personal level. In China, you really did not know your employees that well on a personal level. One thing might be the language, but in general they did not expect their bosses to be personal friends outside the work.” – Leader A

A general perception among interviewees was that a leadership position in China is based relatively little on influencing emotions or developing employees. This view is supported by the fact that China is a high power distant country, which makes supervisor-

subordinate relationship polarized (Hofstede et al. 2010; Hofstede Insights 2021; Globe project 2020). Regardless of the difference in language, Chinese are not comfortable letting their superiors personally close whereas Finns employees were recognized to be more open on their personal life. However, it was also noted that the leader's ability to treat employees' problems and help others during crises is valued in China as well. However, Leader B notes reflecting on a lengthy experience that, although China is very hierarchical, the threshold of sharing personal life is lowering. 20 years ago, it was common that a Chinese employee would not share any information on personal life, whereas now as camera phones are common, employees like to show pictures of their families.

"I remember this one employee who started to arrive late at work all the time. It was very unusual of her. It needs a lot of effort to start digging the true reason for that, whether there is something going on in their personal life or is it just due the lack of competence and capability." – Leader B

As the previous quote from Leader B shows, building a rapport enables the leader to understand situation in the team better, which consequently facilitates managing teams. Although Chinese do not show any need for personal relationships with their foreign superior, it seems that utilizing transformational leadership styles, at least to some extent, can be beneficial for the leader as well as makes Chinese feel more comfortable. Specifically, individually considering one's emotions seems to have positive effect (Avolio 2005).

"I believe that importance of trust is universal. It is important that Chinese have also the need for trust their leader and it definitely does not harm." – Leader C

Regardless Chinese employees' inclination to hold themselves distant from their superiors, it was perceived that establishing a rapport is beneficial. The major element for establishing the rapport was perceived to be trust, as the previous quote from the leader C shows. Building trust was also seen to help retain employees, make them feel more comfortable, but also it helps leader to get personally close which, in turn, enables understanding employees and the situation in the team.

4.2.3 From inspirational motivation to individual consideration

Leader A noted that regardless of the country where a leader is working or the nationality of an employee, the best result is achieved when the leader can motivate employees. The motivators, however, seem to be culturally bound. Finnish employees were considered to get motivated by the perception of autonomy in their work and possibility to make difference by changing and improving present conditions. This suggests that inspirational motivation and intellectual stimulation are effective in Finland (Avolio 2005). In China, however, the essential motivator was considered to be money. Nevertheless, there was found to be other ingredients for motivating in addition to monetary remuneration. For instance, Leader D found it useful to provide opportunities for Chinese people to develop themselves by setting new, although niche and specified, tasks for employees that are attainable. However, it is important that the nature of these tasks does not jeopardize the face.

“I found that Chinese workers as well as Finnish workers are motivated by setting attainable challenges and giving responsibilities. [...] You always need to specify responsibilities when given and explain what it is for them.” – Leader D

Likewise, Leader B admits that Chinese want to further their careers thus develop themselves, but points out that it usually happens by changing employer. Therefore, one way for capitalizing the potential of the employees is to get them intrinsically motivated by developing their careers inside the company by accurately set assignments. Also, this has found to be helpful for retaining employees as well. However, it is crucial to clearly explain the requirements and justify the rewards and how accomplishing the assignment furthers the career of an employee in this company. This suggests that using individual consideration by setting carefully arranged assignments to help employees to fulfill their potential works in China (Avolio 2005).

The finding that Chinese employees could get motivated intrinsically by the leader is somewhat on the contrary to Arho Havrén and Rutanen (2010) view on the motivation

of Chinese employees. They discuss that the intrinsic motivation does not drive Chinese to take initiatives, however, according to the findings of this study, leader can induce intrinsic motivations with the right actions, such as, helping Chinese to further their careers in-house.

4.3 Contextual leadership adaptation model

Based on the findings and discussion above, this thesis derives the model (Figure 4) to capture how leaders adapt to a new cultural context.

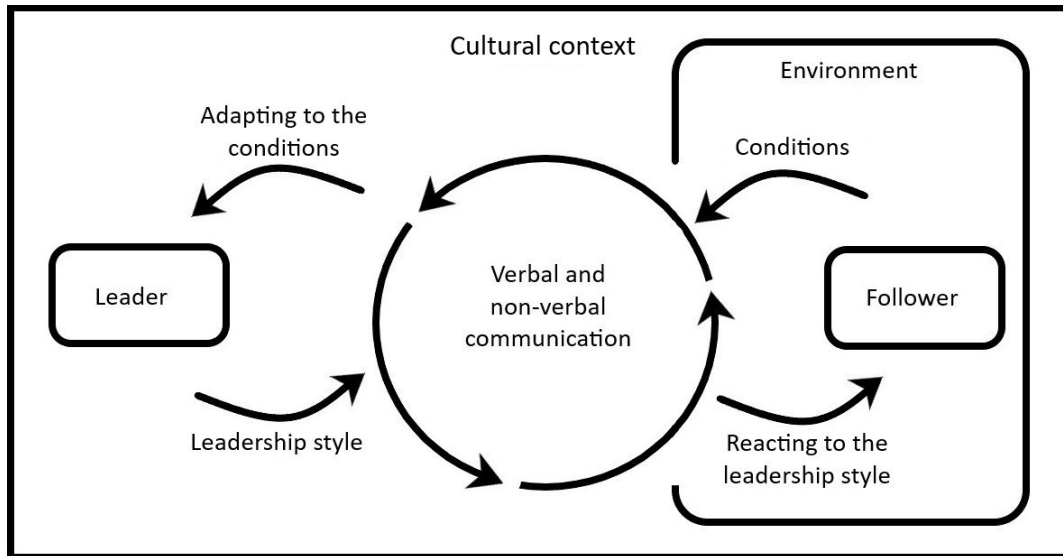


Figure 4. Contextual leadership adaptation model.

The outlying frames of this model is the cultural context, that comprises of smaller components. At the core of this model is the ongoing verbal and non-verbal communication through which a leader interacts with the environment and follower by talking and behaving. Placing the ongoing communication process in the core of the model is in-tune with the view of Hackman and Johnson (2013), who have studied leadership from a communicational perspective and presented an idea that leadership is formed through communication. In the context of this study, the nature of communication was perceived difficult by Finnish business leaders mainly due its complex nature, difficulty of Chinese

language, and the need for extremely specific instruction giving. Additionally, the communication of a leader is not only bilateral exchange of information between a leader and a follower, but as Uhl-Bien (2006) introduces in the social network theory, leader has other relationships as well and thus communicates with the environment.

On the left side of the model is the leader, who has transferred from country to another and consequently starts communicating with the new environment and with the follower. As discussed in the previous chapters, the environment and individual set certain conditions for the leader, therefore the upper right arrow, that depicts conditions, comes from the follower through the environment. The first conditions are set by the environment in this study were the strong hierarchy and highly competitive nature of China. The environment sets certain conditions to the follower also, with the distinction that the follower has grown in the environment thus embracing its specific conditions whereas the leader has transferred from another environment having learned how to lead under different conditions. Important to note, unlike the follower, the leader in this model is not completely inside the environment, as he/she has transferred from his/her home environment which has different set of conditions. Therefore, the leader communicates with the new environment, but has not grown in it, seeking to understand the conditions.

The second conditions of the model consist of cultural elements on the individual level displaying individual conditions, that in this study are the values of seeking status and fear of failure that are learned as a result of being exposed to the hierarchical and competitive environment. The leader then, through communication, starts adapting to these conditions and alters leadership style accordingly. Finally, the leader communicates the adapted leadership style to the follower through the communication cycle. The final arrow in the bottom right corner represents the final leadership style, to which the follower reacts.

The components of this model are created to illustrate the forces that influence leadership style of a leader when the cultural context changes, regardless of the country of

origin nor the target country. Therefore, this model can be applied and studied in different cultural contexts. Essentially, a leader who is transferring and adapting to another culture starts communicating with the environment and with the follower. Therefore, the nature of the communication, and the conditions set by the environment and the individual must be all comprehended. Only after understanding the communication, environment, and individual, leader can start adapting his/her leadership style effectively.

5 Conclusion

This chapter reviews the main results of the study and presents the answers to the research questions. Also, this chapter introduces the theoretical contributions and practical implications for the future Finnish business leaders. Finally, the limitations of the study will be discussed and suggestions for the future for furthering this research area will be given.

5.1 Conclusion to the research questions

The research questions of this thesis were *“How does culture influence leadership styles of business leaders transferring their jobs from one country to another?”* and *“How do Finnish business leaders adapt their leadership styles to the new cultural context?”*.

Answering to the first question, this study has found that every culture has its own cultural elements that has explicit conditions for operating effectively. In this context of Finnish business leaders transferring their work to China, the most prominent environmental cultural elements influencing leadership styles were strong hierarchical structures that exist in every situation in the society, but most importantly, in the minds of people. As the result of hierarchical structures, high competition prevails in every situation in China. The hierarchy made dictating and managing easier, but on the other side, it made cooperating with employees more difficult. Additionally, the individual cultural elements were the importance of status and to be socially recognized, and fear of failure. Lastly, the communication between Finnish business leaders and Chinese employees was found to be difficult due its complex nature, difficulty of Chinese language, and the need for highly specific instruction giving. The competition caused high employee turnover that needs to be addressed by developing careers in-house and being up to date with providing competitive salaries. Also, Chinese was seen to compete against each other within the team, therefore every employee needs to be instructed by giving extremely detailed tasks and assignments that does not overlap with peers.

Regarding the second question, as a result to these specific cultural elements that induce conditions for effective leadership, Finnish business leaders adapted to these conditions by changing their leadership from democratic and participative leadership into controlling and managing. This was found to be more effective as the Chinese was perceived not willing to take initiatives and also it seems that Chinese find comfort and feel secure under control. Additionally, the nature of the relationship between a business leader and an employee shifted to be more distant, which requires more effort from the leader on building rapport. The emphasis on building rapport was found useful as it increases the motivation of an employee, which consequently facilitates retaining good employees and provides insight on the situation within the team. Lastly, although the effective leadership style in China was considered to be transactional, transformational leadership style was found to be beneficial as well. Specifically, in terms of Full Range Leadership Model, the utilized styles shifted from inspirational motivation and intellectual stimulation to individual consideration. This enables to create more accurate assignments for individuals which increases the effectiveness of employees, motivates them, and helps retaining employees as well.

From the findings of this study, the researcher has developed a model called Contextual leadership adaptation model, which represents the mechanisms of leading in a different cultural context. Specifically, the model illustrates the factors that influence a leadership style when the context changes. The model facilitates understanding better what needs to be considered when transferring to another culture thus enables adapting leadership style more effectively.

5.2 Theoretical contributions

The main theoretical contribution of this study is informing the existing literature on leadership, specifically its behavioral view (Billig 2015), by recognizing that the elements of a specific national culture have a significant impact on the leadership style thus furthering the area of leadership studies. Although researches that provides information on the behavioral differences that are culturally bound, and requires different type of verbal

and non-verbal communication, this paper was able to find concrete evidence on the difference between Finnish and Chinese leadership also providing solution for adapting.

This study also contextualized leadership styles through Full Range Leadership Model (Avolio 2005) and reviewed them along with the cultural characteristics by using cultural dimensions from Hofstede (Hofstede et al. 2010) and the Globe Project (House et al. 2004); it examined how the leadership style of the same individual can get altered and shaped by the influence of different set of cultural elements. Full Range Leadership Model is a tool developed for classifying different leadership styles based on their effectiveness on the follower and effort required from the leader, however, this study found that the effectiveness of these styles can be culturally bound as the effectiveness of these styles were viewed differently between Finland and China.

Additionally, this study strengthened the communicational approach on leadership; it is a social interaction formed through verbal and non-verbal communication (Hackman & Johnson 2013). The importance of communication, especially in the case when a business leader goes to another culture, is recognized in the proposed model. Moreover, the peculiarity of Chinese way of communicating was analyzed through the perception of Finnish business leaders and conceptualized utilizing Lewis' (2006) communication behavior categorization.

Finally, this thesis introduced the Contextual leadership adaptation model, covering the adaptation mechanisms of leadership style to a different culture that can be applied and studied in different context also. This model furthers the knowledge on cultural differences and leadership styles depicting which forces influence the adaptation of leadership styles to different culture.

5.3 Practical implications for the Finnish business leaders

The practical implications of this study are aimed to future Finnish business leaders that are transferring their work from Finland to China. Noting that Finland and China have

very different cultures that have different conditions is the first step that makes transferring job to China easier. Specifically, in terms of the most prominent environmental and individual elements, understanding the hierarchy, competition, status and social recognition, and fear of failure enables future leaders for preparing themselves better. Moreover, by utilizing Full Range Leadership Model, this study introduces concretely how the leadership style changes from democratic and transformational styles into controlling and transactional when a Finnish business leader goes to China. Then, showing how the communication differs drastically, beyond the difference in language, between these countries helps to prevent misunderstandings.

5.4 Limitations of the study and suggestions for further research

This study was completed utilizing qualitative methods, which means that these findings does not provide statistical generalizations on the studied subject. Further, this study is completed as a master's degree thesis thus placing limitations especially in terms of resources available for the research. The most significant limitation of this study is the relatively small number of interviewees available for studying a huge environment of China. Although the interviews were done in-depth and the quality of the collected data is good, the small sample of four respondents contributes only knowledge of Chinese culture from the perspective of Shanghai and Beijing. For these aforementioned reasons, a more diverse sample with the same characteristics could be interviewed to cultivate the findings of this study.

From the findings of this study, the Contextual leadership adaptation model was created to capture the forces that need to be understood when a leader is transferring to another country and the context changes. However, the role of a follower was studied only from the leader's perspective, therefore the principles of this model could be studied further from the follower's perspective. Additionally, with this model, scholars could go forward applying the model in different context finding ways to further the model, probably finding additional factors or sharpen existing ones.

Furthermore, it would be interesting to study how Chinese employees could be led using more transformational leadership styles as they seem to be more effective in general. One of the biggest difficulties was retaining good employees as it was unanimously agreed by all the interviewees that employee turnover is huge in China. The high turnover rate contradicts the fact that China is a high long-term oriented country and does not resonate with the idea of expecting to be rewarded later. Nevertheless, all of the respondents provided some evidence that transformational leadership styles could increase the motivation of Chinese employees. Still, which styles, and how should they be used needs more research.

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Appendices

Appendix 1. Interview guide in Finnish

Haastattelurunko

Haastateltava

Päiväys

Teema 1: Sinä johtajana

- Esittelisitkö itsesi ja kokemuksesi johtajana lyhyesti Suomesta ja Kiinasta?
 - Millä toimialalla ja minkälaisia tiimejä?
- Minkälainen johtaja olet?

Teema 2: Johtajuuden ja kulttuurin vertailu Suomen ja Kiinan välillä

- Minkälainen johtaja olet Suomessa?
 - Mitä sinulta odotetaan omien esimiestesi, vertaistesi sekä alaistesi puolesta?
- Minkälainen johtaja olet Kiinassa?
 - Mitä sinulta odotetaan omien esimiestesi, vertaistesi sekä alaistesi puolesta?
- Kuinka kulttuuri eroavat Suomen ja Kiinan välillä?
 - Samankaltaisuuksia?

Teema 3: Kulttuurin vaikutus johtamistyyliin ja syyt johtamisen muutokseen

- Miten ja miksi jouduit muuttamaan johtamistyyliäsi Kiinassa?
- Mitkä kiinalaisen kulttuurin erityispiirteet vaikuttivat johtamiseesi? Miten?
- Minkälaisia haasteita koit?
- Mikä oli mielestäsi helppoa?
- Miten kommunikaatiosi muuttui?
- Miten kuvailisit työntekijöidesi motivaatiota Suomen ja Kiinan välillä?
- Minkälaiset taidot ja luonteenpiirteet ovat arvokkaita suomalaisille johtajille, jotka siirtyvät Kiinaan?

Appendix 2. Interview guide in English

Interview guide

Interviewee

Date

Theme 1: You as a leader

- Could you please briefly introduce yourself and your experience as a leader in Finland and in China?
 - Industry and team you have led?
- Could you please describe yourself as a leader?

Theme 2: Comparison of Finland and China in terms of leadership and culture

- Could you, please, describe yourself as a leader in Finland?
 - What is expected from you by your superiors, peers, and inferiors?
- Could you, please, describe yourself as a leader in China?
 - What is expected from you by your superiors, peers, and inferiors?
- In your opinion, how does the culture differ between Finland and China?
 - Any similarities?

Theme 3: Cultures impact on leadership style and reasons for the change

- How and why did you have to change your leadership style in China?
- What special characteristics of Chinese culture influenced your leadership style?
- What kind of challenges did you experience?
- What did you find easy?
- How did the communication change in China?
- How would you describe the motivation of employees between Finland and China?
- What kind of skills and characteristics are valuable for Finnish business leaders that are going to China?