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# Leadership in Foreign owned Subsidiaries

Master's thesis within Business Administration

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## Master's Thesis in Business Administration

<b>Title:</b>	<b>Leadership in Foreign owned Subsidiaries</b>
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### Abstract

- Background** In 1993 the Swedish stock exchange opened up for foreign buyers. Since then, more and more Swedish companies have become foreign owned, which in turn means that more and more employees are getting foreign employers. The ongoing globalization process is indicating this trend will continue. The question is if the foreign investor will prioritize development in Sweden or if the research and development departments will be moved out from Sweden. A common effect of foreign acquisitions of Swedish companies has been the move of head offices out from Sweden, which can cause Sweden to lose competences in how to lead a large organization. Moreover, most foreign owned companies are controlled by a foreign company or investor from any of the countries Norway, the USA, United Kingdom or Denmark.
- Purpose** The purpose of this study is, from a management perspective, to investigate and discuss if and how a manager's role and leadership style is influenced by having a foreign owner. As a part of the discussion the study will also examine which impact a foreign owner has on a Swedish subsidiary according to its leader.
- Method** To accomplish the purpose of the study a qualitative approach has been applied. Telephone interviews of a semi structured character have been conducted with six managers with leading positions within middle-sized and large-sized companies.
- Conclusion** Foreign owned subsidiaries tend to be managed rather independently from within the parent companies. In general, the subsidiaries have autonomy to a certain degree decided by the frames which have been set up by the parent company. Any larger cultural differences have not been found, which appear to be a result of the subsidiaries' independency. To summarize, having a foreign owner do not seem to have a direct influence on the managers' role and leadership style.

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# 1 Introduction

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*In this chapter a presentation of the background to the study will be given. The background will include overall information about foreign owned subsidiaries in Sweden.. After the background a discussion about the actual problem will follow, including a discussion about what impact a foreign owner might have on a leader within a subsidiary. This will finally lead to the purpose of the study. In this chapter also delimitations and definitions of central concepts will be given together with an outline for the study.*

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## 1.1 Background

The last decades have been characterized by an ongoing globalization process. Borders and barriers for trade between countries have disappeared or decreased (Ohmae, 1995, cited in Thomas<sup>1</sup>, 2002). As a consequence, national boundaries can not longer define the world of organizations (Connerley<sup>2</sup> & Pedersen<sup>3</sup>, 2005). According to Robertson (1995) cited in Thomas (2002) the world more or less can be seen as a single place. As a part of this globalization process, the amount of foreign owned companies in Sweden has increased.

In 1993 the Swedish stock exchange opened up for foreign buyers. This was the start off for foreign companies acquiring Swedish companies (Jonung<sup>4</sup>, 2002). During the recent years, the amount of foreign companies acquiring Swedish ones has increased; more Swedish companies are becoming foreign owned (Torp<sup>5</sup>, 2007). As a consequence of this, more companies and industries today are dependent upon decision making taking place outside Sweden (Lundmark<sup>6</sup> & Malmberg<sup>7</sup>, 2000). Also, more Swedish employees are getting foreign employers (Torp, 2007). The amount of employees in Sweden working in a foreign owned company has constantly increased during the last ten years, with an exception for the year 2004. This trend can be seen in Appendix 1. In total 2005, there were 10 435 foreign owned companies employing 557 496 people, a number equivalent to 23 percent of the total amount of employees (ITPS<sup>8</sup>, 2006).

An important force behind the growing number of foreign acquisitions in the Swedish market is the Swedish tax system. The Swedish tax system is a great disadvantage for the Swedish companies in comparison with the foreign buyers. As the Swedish companies have to pay higher taxes, the Swedish companies cannot bid as much as the foreign buyers for a

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<sup>1</sup> Thomas - an associate professor and Area Coordinator of International Business at Simon Fraser University, Canada

<sup>2</sup> Connerley - an associate professor in the Department of Management, Pamplin College of Business at Virginia Tech

<sup>3</sup> Pedersen - a visiting professor in the Department of Psychology at the University of Hawaii

<sup>4</sup> Jonung - a professor in economics at Handelshögskolan in Stockholm, a researcher in Brussels and also a free-lancing columnist at Dagens Nyheter

<sup>5</sup> Torp - a journalist working for Civilekonomen

<sup>6</sup> Lundmark - a docent in ethnogeography working at the Ethnogeographical institute at Uppsala University

<sup>7</sup> Malmberg - a professor in economic geography working at the Ethnogeographical institute at Uppsala University

<sup>8</sup> ITPS - Institutet för tillväxtpolitiska studier (Swedish Institute for Growth Policy Studies)

company. The Swedish owner taxation is around 80 percent higher than the average in EU. As long as this substantial difference in tax exists, the traffic of the owners will go in one direction; out from Sweden (Jonung, 2002).

Whether this is good or not has been debated. According to some people, the most important aspect is whether the owners are efficient and rational or not, independently of the national belonging. However, there is always a risk that ineffective foreign buyers buy out effective Swedish owners due to the distorted tax system (Jonung, 2002). According to Heyman<sup>9</sup>, cited in Goksör<sup>10</sup> (2006) are foreign owned companies often more profitable and productive. Generally, they also pay higher salaries. The main question in the discussion is often about whether the foreign investor will prioritize development in Sweden or if the research and development departments will be moved out from Sweden (Lundmark & Malmberg, 2000).

A common effect of foreign acquisitions of Swedish companies has been the move of head offices out from Sweden. The head office has economical effects on the country, and when this is moved out from the country, a labour market for educated people will disappear. Moreover, this will cause Sweden to lose competence in how to lead a large organisation (Jonung, 2002). It is sometimes argued that multinational companies are investing abroad in order to tap knowledge from different parts of the world (Canwell, 1990; Dunning, 1996 cited in Holm, Malmberg & Sölvell<sup>11</sup>, 2003).

Most foreign owned companies are controlled by a foreign company or investor from any of the countries Norway, the U.S., United Kingdom or Denmark. The ten most common nationalities controlling Swedish firms are visualized in Appendix 2. With the exception for the U.S., there are only European countries represented in the chart. It is also evident that a great increase of the amount of foreign owned has taken place since 1990. Companies controlled from Luxembourg stands for the highest increase between the years 2004 and 2005. Companies owned by companies or investors from the U.S. employs most people, but also the proportion of employees in companies with an owner from United Kingdom, Finland and the Netherlands is relatively large (see Appendix 3). Overall, European countries dominate the ownership of Swedish companies by employing 59 percent of all people employed in foreign owned companies (ITPS, 2006).

Most foreign owned companies are service companies (73 percent). Among all employees working within a foreign owned company are 53 percent employed in the service sector, 42 percent within the manufacturing sector and 4 percent within the construction sector. Moreover, foreign owned companies tend to be small; 86 percentages employs less than 50 people. However, these small companies are only equivalent to a small amount of the total amount of employees working within a foreign owned company (11 percentages). The large companies with more than 250 employees stands for 4 percent of all foreign owned companies but employs 68 percent. 10 percent of the foreign owned companies are middle-sized companies, which employs 21 percent. Most foreign owned companies are situated in the regions around the larger cities (ITPS, 2006).

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<sup>9</sup> Heyman - a researcher at Institutet för näringslivsforskning (Research Institute of Industrial Economics)

<sup>10</sup> Goksör - a journalist working for TT

<sup>11</sup> Holm, Malmberg & Sölvell – affiliated with the Centre for Research on Innovation and Industrial Dynamics (CIND) at Uppsala University

## 1.2 Problem

Due to increased amount of foreign direct investment (FDI) there is a substantial share of economic activity under foreign control. Consequently, this seems to make industrial development more dependent upon strategic decisions made at corporate head quarters (HQ) located elsewhere (Holm et al., 2003). What function does a foreign owned subsidiary in Sweden tend to have and how dependent is it on its owner?

Working for a foreign employer often involves a new way of working which might include new ways of reporting and more hierarchical organization structures. Moreover, control tends to be increased, which leads to a decreased freedom of action. New reporting routines may also cause culture clashes, which will be most palpable among white collar workers (Torp, 2007).

Similarities as well as differences do exist between managers around the world, and their aspects of roles and behaviours. Differences in these aspects are often a result of cultural issues as culture has a direct- as well as an indirect influence on behaviour and organizational context (Thomas, 2002). The same behaviour can be interpreted in different ways across cultures at the same time as different behaviour can be interpreted in the same way. Culture can thus serve as a metaphor for understanding similarities and differences across boundaries (Connerley & Pedersen, 2005).

50 percent of all foreign owned companies have been established through an acquisition. Acquisition is hence the most common form of establishment among the foreign owned companies. Moreover, acquisitions are more common among manufacturing companies than service companies. The second most common form of establishment among foreign owned companies is new establishments. 28 percent of all foreign owned companies have been established in this way. This form of establishment is however more common among service companies than manufacturing companies (ITPS, 2006).

Mergers and acquisitions are often associated with difficulties related to cultural differences. Experience has shown that deep cultural differences are based upon nationalization processes, education, social structure, organisation structure and managerial tasks (Lane 1989, cited in Tollgerdt-Andersson<sup>12</sup>, 1996). Attempts of standardising management development or selection criteria can create problems. The characteristics of an ideal leader are not necessarily the same in every country (Tollgerdt-Andersson, 1996). The result from a study accomplished by Crouch and Wirth (1991) cited in Cartwright<sup>13</sup> and Cooper<sup>14</sup> (1993) showed that merger and acquisitions often resulted in heightened managerial confusion and stronger feelings of hopelessness. The study accomplished by Cartwright & Cooper (1993) demonstrated that the middle managers in both companies involved perceived the merger as stressful. The results which were found were particularly evident in the smaller company (Cartwright & Cooper, 1988).

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<sup>12</sup> Tollgerdt-Andersson – a fil dr and assistant professor at the department of Business Administration at Lund University. She runs research and consultancy activities within the areas successful leadership, company climate and work motivation.

<sup>13</sup> Cartwright- (PhD) is Research Fellow in the Centre for Business Psychology in the Manchester School of Management (UMIST) and author of numerous articles on mergers and acquisitions

<sup>14</sup> Cooper- (PhD) is Professor of Organizational Psychology in the Manchester School of Management (UMIST). He is the author of many books.

As acquisition is the most common form of establishment among foreign owned companies (ITPS, 2006), it can be assumed that many leaders working in a foreign owned company, do perceive cultural differences. What cultural differences does a manager face when having a foreign owner; do these cultural differences create any problems or difficulties?

Leadership style plays a major role when managing successful international and global businesses (Byrne<sup>15</sup> & Bradley<sup>16</sup>, 2007). According to Pfeffer (2002) cited in Byrne and Bradley (2007) the leadership style is the single most important antecedent to maintain competitive advantage and to support firm performance. Therefore, it is crucial to understand personal and cultural values in order to understand the effectiveness and influence on management leadership style, particular in cross-cultural settings (Byrne & Bradley, 2007). Multinational firms are often dependent upon flexibility and adaptability to local markets. Hence, the managers needs to possess appropriate leadership style in order to cope effectively with different value systems and cultures (Fahy, 2002; Coviello et al., 1998 cited in Byrne & Bradley, 2007). Moreover, national cultural values and characteristics of where the firm operates may have a greater influence on management leadership style than managers' personal values and situational variables (Byrne & Bradley, 2007). Is there a need to adapt the leadership style when having a foreign owner?

### 1.2.1 Research questions

Clearly stated, the research questions of interest in this study are as follows:

- What function does a foreign owned subsidiary in Sweden tend to have and how dependent is it on its owner?
- What cultural differences does a manager face when having a foreign owner; do these cultural differences create any problems or difficulties?
- Is there a need to adapt the leadership style when having a foreign owner?

### 1.3 Purpose

The purpose of this study is, from a management perspective, to investigate and discuss if and how a manager's role and leadership style is influenced by having a foreign owner.

As a part of the discussion the study will also examine which impact a foreign owner has on a Swedish subsidiary according to its leader.

#### 1.3.1 Delimitation

The study only concerns managers in subsidiaries which have been foreign owned through an acquisition.

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<sup>15</sup> Byrne – holds a Master of Business Administration from Dublin University (Trinity College) and a PhD from University College Dublin (National University of Ireland)

<sup>16</sup> Bradely – R & A Bailey Professor of International Marketing and Head of Department

## 1.4 Definitions

**Foreign owned company-** According to the Swedish institute *Institutet för tillväxtpolitiska studier*, a company is defined as foreign owned when a foreign investor owns shares with a value equivalent to more than half of the total value. A company is also classified as foreign owned if it belongs to a Swedish company group which has a foreign parent company. In cases where a company has several owners, the parent company, the company which is not controlled of another company, determines the nationality. If a company has several owners with different nationalities which together have more than 50 percent of the total share value, it is categorized as shared ownership (ITPS, 2006).

## 1.5 Outline

- Chapter 1** The first chapter is an *introduction* which introduces the reader into the topic and gives a picture about what is to be expected from the thesis. The chapter ends with the purpose of the study.
- Chapter 2** In the second chapter the *frame of reference* is presented, including relevant theories for the study.
- Chapter 3** In the third chapter the chosen *method* for the study is presented and motivated. Also, the chapter is describing the selection of target group and the process for collecting information.
- Chapter 4** The fourth chapter presents the *empirical findings* based on the material collected from the six conducted telephone interviews.
- Chapter 5** The fifth chapter constitutes an *analysis* of the empirical findings and the frame of reference.
- Chapter 6** From what have been said in chapter five, a *conclusion* is drawn in chapter six.
- Chapter 7** The final chapter gives a *discussion* about observations which not have a direct relation to the purpose. In addition, it gives suggestions for further studies.

## 2 Frame of reference

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*In this chapter relevant theories for the study will be presented. First, some leadership theories will be introduced. Second, theories regarding the strategy and structure at the subsidiary will be presented, followed by a part about culture. The chapter will end up with a comprehensive literature- and analyze model.*

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### 2.1 Leadership

Many researches have noticed the trickiness of leadership research. What makes it a complicated endeavor is the non-consistently agreed definition of leadership and the no clear understanding. Adding a cross-cultural element to the mix in leadership research makes it even more complex (Dickson<sup>17</sup>, Den Hartog<sup>18</sup> & Mitchelson<sup>19</sup>, 2003). The handbook of leadership (Bass, 1990 cited in Elmuti<sup>20</sup>, Minnis<sup>21</sup> & Abebe<sup>22</sup>, 2005) defines leadership as [...] *an interaction between members of a group. Leaders are agents of change; persons whose acts affect other people's acts affect them. Leadership occurs when one group member modifies the motivation or competencies of others in the group* (Gibson et al., 2003 cited in Elmuti, Minnis& Abebe, 2005 p.2).

#### 2.1.1 Leadership theories

Leadership is a complex area; a completely satisfactory theory describing the topic does not exist. Neither is it possible to exactly predict who is going to be a successful leader. However, theories which have tried to explain the concept have been based on following presented theories (Tollgerdt-Andersson, 1996):

Gibb (1966) cited in Tollgerdt-Andersson (1996) was one author who introduced *personality characteristics/traits theories* as a way of explaining leadership. Leadership theories based on personality traits generally tends to explain who is becoming a leader and also to explain how the leader has succeeded in relation to his/her personality characteristics and behaviour. The theories have turned out to be quite limited in its usage although personal traits can be seen as one of many factors explaining who is going to be a leader and how the leader succeeds (Tollgerdt- Andersson, 1996).

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<sup>17</sup> Dickson – Professor and director of the doctoral program in Industrial and Organizational Psychology at Wayne State University in Detroit, Michigan

<sup>18</sup> Den Hartog – Professor of organizational Psychology at the Faculty of Economics of the Erasmus University Rotterdam, the Netherlands

<sup>19</sup> Mitchelson – working at the department of Psychology, Wayne State University, Detroit MI, USA

<sup>20</sup> Elmuti – holds a PhD degree and is a Professor in Management, School of Business, Lumpkin College of Business and Applied Sciences, Eastern Illinois University. Further, he is a Professor in Master in Business Administration Program, School of Business, Lumpkin College of Business and Applied Sciences, Eastern Illinois University.

<sup>21</sup> Minnis – holds an PhD from Saint Louise University. Further, he is a Assistant Professor in Management, School of Business, Lumpkin College of Business and Applied Sciences, Eastern Illinois University. He also has a Master in Business Administration program, School of Business, Lumpkin College of Business and Applied Sciences, Eastern Illinois University

<sup>22</sup> Abebe – Doctoral Student, College of Business and Administration Department of Management

*The situation- and follower theories* presented by Herold 1972; Stogdill 1974 cited in Tollgerdt-Andersson (1996) have some similarities with the personality traits theories in the sense that both kinds of theories tries to explain who is going to be a leader and how the leader is going to succeed. The difference is that the situation based theories tries to find the reason in the situation or in the intrapersonal process between the leader and the follower. The main criticism against these theories is that the situation alone cannot explain why a person becomes a leader or how the leader will succeed (Tollgerdt- Andersson, 1996).

*The transaction theories* (Tichy & Devanna, 1986; Kouzes & Posner, 1990 cited in Tollgerdt-Andersson, 1996) can be seen as something in between personality traits theories and situation- and follower theories, since both theories consider both intrapersonal relations and processes and the leader's ability to create it (Tollgerdt-Andersson, 1996).

*The Interaction theories* try to explain the leadership process using a broad perspective. The underlying view is that leadership is too complex to be explained through simple causal relations and therefore, several aspects must be taken into consideration when studying the topic. There are many different theories belonging to this group. However, none of these theories can explain the leadership process in a completely satisfactory way (Tollgerdt-Andersson, 1996).

*The Spontaneous leadership theories* claim that the manager's attitude, values and demand on leadership and the company climate influence the company's economic result. The theories have developed from studies which have shown a relation between successful companies and managers with high demands and ambition together with energy, enthusiasm, tolerance and creativity. Unsuccessful managers on the other hand, emphasized social fit, control and punctuality (Tollgerdt-Andersson, 1996). Leadership emphasizing creativity, tolerance and to some extent risk taking can be argued to fit in today's changing environment. Managers who inform the employees how a task should be solved had a negative influence on performance and job satisfaction, whereas managers who gave information about the background to different decisions had positive influence on the performance and job satisfaction (Alexander et al., 1989, cited in Tollgerdt-Andersson, 1996).

Aspects as attitudes, values, demands and expectations are generally accepted and agreed upon as having a role in leadership- both in affecting the happiness of co-workers and in affecting the manager's behaviour in the leadership role (Tollgerdt-Andersson, 1996). Top manager's picture of the reality has a great impact on the company's success (Finkelstein & Hambrick, 1990, cited in Tollgerdt-Andersson, 1996). According to Tollgerdt-Andersson (1996) do leadership today contain more aspects than before by including environmental- and people oriented tasks. Moreover, values play a central role when trying to create change, motivation and efficiency. Leadership is a process influenced by external- and internal factors as well as personality, co-workers, company climate, culture, situation etc.

### **2.1.2 Leadership style**

The literature gives wide consideration on how leadership efficiency, in the field of management, is influenced by personal and national cultures. Schwartz (1992) and Schwartz and Sagiv (1995) cited in Byrne and Bradley (2007) describe leadership style as different strengths of universal robust sets of personal and cultural values. Krober (1952) cited in Byrne & Bradley (2007) also argues that leadership style is selective with reference to personal values. Thus, there is a relationship between a manager's personal values, its leadership style and the culture of the organization (Sackmann, 1991; Schein, 1991; Deal and Kennedy, 1982; Selznick, 1957 cited in Byrne & Bradley, 2007).

Bass (1985) sees leadership either as transformational or transactional. According to Walumbwa<sup>23</sup> (2002) Bass (1985) was first to apply transformational leadership theory to business organizations who summarizes the difference between the two leadership styles as follows:

*“Whereas transformational leaders uplift the moral, motivation, and morals of their followers, transactional leaders cater to their followers’ immediate self-interests. The transformational leader emphasizes what you can do for your country: the transactional leader, on what your country can do for you”* (Bass, 1999 cited in Walumbwa, 2002, p. 13).

In *transformational leadership*, the leader becomes a role model for the follower (French & Raven, 1959 cited in Walumbwa, 2002). The leader always shows concern for the organization and the followers, which in turn makes the followers to give their acceptance and trust to the leader (Podsakott, Mackenzie, Moorman, & Fetter, 1990 cited in Walumbwa, 2002). Further, transformational leaders recognize the existing needs of the followers, and encourage them to seek new ways to approach their jobs, this through charisma, inspirational motivation, intellectual stimulation and individual consideration (Bass, 1985 cited in Walumbwa, 2002). The main technique to inspire the followers to perform as good as possible appears to be the vision (Kirkpatrick & Locke, 1996; Berson, Shamir, Avolio, & Popper, 2001 cited in Walumbwa, 2002). Moreover, transformational leaders tend to motivate and inspire the people around them by providing meaning, mutual understanding, and challenges (Bass, 1998 cited in Walumbwa, 2002). Hence, the followers are willing to sacrifice their self-interests (Bass, 1985; Shamir et al., 1993 cited in Walumbwa, 2002). Moreover, high level of transformational leadership has been found to generate for example creativity, extra effort, quality performance and productivity (Avolio et al., 2000; Avolio et al., 2001; Bass, 1995; Bass & Avolio, 1997; Walumbwa & Kuchinke, 1999 cited in Walumbwa, 2002).

*Transactional leadership* is based on a relationship between the leader and the followers which are strengthened by a sequence of agreements (Burns, 1978 cited in Walumbwa, 2002). Hence, the followers are likely to follow the leader since it is in their best interest, given that the leader helps them to achieve their goals. Thus, the relationship is based on a mutual agreement of the leader’s expectations and rewards associated with successful task accomplishment (Jung & Avolio cited in Walumbwa, 2002). Further, the leader discusses requirements and clarifies how the outcomes should be achieved, this in exchange for follower’s satisfactory effort and performance. If the leader is satisfied with the outcome, followers may receive compensation in return. On the other hand, if there is a failure, the followers may receive punishment in return (Bass, 1985 cited in Walumbwa, 2002).

Transactional leadership has three components; contingent reward, active management-by-exception and passive management-by-exception (Bass, 1985 cited in Walumbwa, 2002). Contingent reward is based on the assumption that reward is the best way to achieve effective performance. As mentioned above, the leader and the follower discuss what is to be exchanged for the satisfied outcome (Bass, 1985, 1998 cited in Walumbwa, 2002). By practicing active management-by-exception, the leader only takes action when something is going wrong, and specified standards are not met (Bass & Avolio, 1990 cited in Walumbwa, 2002). Further, this means that the manager takes an active role by continuously monitoring the performance of the followers in order to avoid possible errors that might appear.

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<sup>23</sup> Walumbwa – holds a master degree and a PhD from University of Illinois in Human Resource and Organizational Development

By practicing the passive management-by-exception leadership, the leader instead intervenes and takes actions only *after* problems have occurred (Walumbwa, 2002).

It has been found that transformational leadership have stronger positive relationships with subordinate ability, satisfaction, performance and motivation than transactional leadership (Avolio, Kahai, & Dodge, 2000; Avolio, Kahai, Dumdum. & Sivasubramaniam, 2001; Bycio et al., 1995; Howell & Avolio, 1993; Walumbwa & Wu, 2001 cited in Walumbwa, 2002). Until the 1980s transactional leadership was the most prominent one (Bass, 1998; Yukl & Van Fleet, 1992 cited in Walumbwa, 2002) but today the focus instead is on the transformational leadership (Bass, 1998, 1999; Behling & McFillen, 1996; Pawar & Eastman, 1997 cited in Walumbwa, 2002).

### **2.1.3 Leadership education**

In today's competitive and extremely dynamic business environment, the success or failure of an organization is often highly influenced by the leader (Buhler, 1995 cited in Elmuti, Minnis & Abebe, 2005). Due to this dynamic environment; the continuous change in the economy and technology, as well as the speed of change, managers need to be engaged in a constant learning and education process (Elmuti, Minnis & Abebe, 2005).

It has long been argued that leadership skills and ability is something a person is born with (Connaughton et al., 2003; Rosenbach, 2003 cited in (Elmuti et al., 2005). Hence, whether leadership can be taught or not have been one of the most debated leadership questions in our times. However, there is no doubt that leadership has its roots in genetics, early childhood development and in adult experience (Mc Cauley & Velsor, 2004 cited in Elmuti et al., 2005). Even if there are some natural talents, many researchers argue that there are other significant aspects of knowledge, skills and abilities that can be taught (Rosenbach, 2003; Doh, 2003; Connaughton et al., 2003 cited in Elmuti et al., 2005). According to Buhler (1995) cited in Elmuti et al. (2005) a leader is considered effective if he or she possesses the ability to develop and articulate a vision, honesty, energy, commitment, integrity, internal locus of control and a passion for continuous improvements.

There has been an emerging demand for leadership education (Crawfor, Brungardt, Scott & Gould, 2002 cited in Elmuti et al., 2005), and increasingly more business schools have been focusing on special leadership training and education programs. The problem though, is the tacit dimensions such as; empowering employees, building relationships and demonstrating confidence with humanity that never can be addressed by formal classroom training (Doh, 2003; Gosling & Mintzberg, 2004 cited in Elmuti et al., 2005). Hence, what is missing in the leadership education is the holistic education. Instead of teaching students accounting, marketing, finance and production, Milter and Stinson (1995) and Nirenberg (2003) cited in Elmuti et al. (2005) mean that the students should be taught in how to run a business. This in order to be prepared to be transformational leaders that effectively can communicate the organization's mission and vision to the followers (Stone, Rusell & Patterson, 2004 cited in Elmuti et al., 2005). Also, there should be a global perspective of the leadership education (Elmuti et al., 2005). A new management development framework is required in order to deal with familiar problems taking place in unfamiliar cultures and contexts. The need for this global management education is of importance due to the increasing level of interaction between people from different cultural backgrounds. Hence, there is a need to learn from other cultures in order to become more cross-culturally competent. Furthermore, international education exchange is good, and the most efficient way to

achieve global management competencies is by living in other cultures and travelling abroad (Townsend<sup>24</sup> & Cairns<sup>25</sup>, 2003).

## 2.2 Strategy at the subsidiary

There has been much debate in the strategic literature area about the causal relationship between strategy and structure. Also in the case of national subsidiaries there are ambivalent thoughts of which of them that are at the head of the other. The conventional wisdom indicates however, that corporate top management defines a cultural context for the subsidiary consistent with its strategic objectives, which in turn shapes a strategy for the subsidiary (Birkenshaw<sup>26</sup> & Morrison<sup>27</sup>, 1995).

When premising that each subsidiary has a unique role to play in a multinational corporation, the subsidiary strategy can be seen as a function of local environment and the subsidiary's unique capabilities (Birkenshaw & Morrison, 1995). The literature gives some example of different typologies for subsidiary strategies; the local implementer, the specialized contributor and the world mandate (Jarillo & Martinez, 1990 cited in Birkenshaw & Morrison, 1995). A subsidiary that is using *the local implementer typology* has, as can be understood by the name, a limited geographic scope; typically a single country, and severely limited product or value-added scope. If the subsidiary has limited functional scope as well, the subsidiary's role is to adapt global products to the needs of the local market. A Subsidiary that uses *the specialized contributor typology* indicates that it has a considerable expertise in certain specific functions or activities. It is however tightly coordinated with other subsidiaries (Birkenshaw & Morrison, 1995). *The world mandate typology* on the other hand works with headquarters to develop and implement the strategy (Roth & Morrison, 1992 cited in Birkenshaw & Morrison, 1995). The subsidiary has worldwide or regional responsibility for a product line or entire business. Hence, activities are integrated worldwide, but managed from the subsidiary, not the headquarter (Birkenshaw & Morrison, 1995).

Some local business environments help the subsidiary to increase and create new competitive advantages, in form of new skills and technologies. To enhance this competence development, the subsidiary will need some independence. Hence, when a subsidiary acquires additional (some times unique) competences, the possibilities of headquarter control tend to diminish. This also implies that the subsidiary can act in accordance with local needs. To summarize, in more dynamic local environments headquarters tend to exercise less centralized control over the subsidiary's strategic decisions, and vice-versa, in weak local environments headquarters exercise tighter control (Holm et al., 2003).

Moreover, the mandates of foreign units have tended to become more diverse. In general, there are increased numbers of units that are capable to contribute to the overall development of the multinational corporation (MNC). One of the most prominent classifications of subsidiaries makes a difference between *strategic leaders* and *contributors*. Strategic leaders

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are granted formal responsibility to develop, manufacture and market specific products on a world-wide basis, whereas contributors are seen as inputs into projects of corporate importance (Barlett & Ghosal, 1986 cited in Holm et al., 2003). However, research emphasizes the natural development towards more sophisticated and independent subsidiaries (White & Poynter, 1984; Gupta & Govindarjan, 1991; Taggart, 1996, 1997; Birkinshaw & Hood, 1998 cited in Holm et al., 2003).

## 2.3 Structure at the subsidiary

At the beginning of the 80s it became apparent to a number of researchers that the hierarchical model was unable to reflect the full complexity of a multinational corporation. Three basic assumptions of the hierarchy model can be taken together; coordination costs are economized, critical resources are held at the centre in order to ensure the most efficient use of scarce resources and the use of an appropriate monitor- and control system (Chandler, 1962; Williamson, 1975 cited in Birkenshaw & Morrison, 1995). During the 80s, top management began to delegate authority and responsibility. A consequence from this was that subsidiaries acquired recourses and expertise of their own and therefore reduced the dependence on its parent. The heterarchy started to replace the hierarchy model. Three different aspects distinguish the heterarchy model from the hierarchy model. First, resources, managerial capabilities and decision making are dispersed throughout the organization rather than concentrated at the top. Second, lateral relationships exist between subsidiaries in terms of product, people and knowledge flows. In the hierarchy model this is avoided in order to keep the coordination costs low. Third, activities are coordinated along multiple dimensions, typically geography, and product and function (Birkenshaw & Morrison, 1995).

### 2.3.1 The Matrix-structure

Multinational corporations need to develop specialized product expertise as well as broad-based customer solutions, global co-ordination as well as local responsiveness, and economies of scale as well as focused resources for specific target segments. Hence, multinational corporations are facing more and more challenges with their complex, multinational organizations. It has therefore been a need to set up independent matrix structures to solve the problems (Goold<sup>28</sup> & Campbell<sup>29</sup>, 2003). The matrix structure intends to combine the efficiency of the functional structure (similarities in working activities forms one function, for example production, sales, purchasing, human resource management) with the flexibility of the divisional structure (a set of separate functional structures reports to the head quarter, for example a subsidiary can be a division) (Hatch<sup>30</sup>, 1997). Since brands are being stretched across categories, it is important to have a brand management function for example. Also activities like manufacturing and purchasing need to be managed not only across brands but also across countries. Although a matrix structure seems to be logical, managers tend to struggle with it. They have for example struggled with ambiguous responsibilities and reporting relationships. Moreover they have found it hard to get all the different units

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<sup>29</sup> Campbell – a Director of the Ashridge Strategic Management Centre and Visiting Professor at City University, London

<sup>30</sup> Hatch – Professor of Organization Theory at Cranfield School of Management, UK

to work together. Clarity is therefore of great importance (Goold & Campbell, 2003). Goold and Campbell (2003) have found that the fundamental purpose or role of each unit is the most important aspect to take into consideration when structuring the organization. Furthermore, the authors have noticed that managers often felt clearer about their responsibilities and their relationships with other parts of the organization when they were told that their unit was a business unit, because this term was recognized as having important implications for the unit (Goold & Campbell, 2003).

Business units are the fundamental building blocks in most corporate structures and they are responsible for serving selected product markets. The business units typically have relatively high level of power and autonomy about how to serve the market. Moreover, business units do report to the parent manager, but the parent management leaves most decisions to the management at the business unit. Hence, the business unit is not facing any day-to-day issues from the parent managers. They are only there to support them if there would occur any problems. Finally, it is the business unit managers that are accountable for the performance and profitability of their units (Goold & Campbell, 2003).

## 2.4 Culture

According to Schein (1985, 1992) cited in Walumbwa (2002) neither leadership nor culture can be understood in isolation. While cultural differences may hinder or support leadership effectiveness, it is also through leadership cultures are changed and formed (Hennessey, 1998 cited in Walumbwa, 2002). Also Bass and Avolio (1993) cited in Walumbwa (2002) argues that the leader's behavior shapes the culture, and the resulting culture is in turn shaping the leader's behavior, it is thus an ongoing process. Moreover, analysis has shown that the first dominant factor of problems and failures abroad is because of cultural differences (Miroshnik<sup>31</sup>, 2002). Hence, it is important that managers within international organisations have the ability to understand and handle foreign cultures. The manager needs to be responsive for changes occurring both inside and outside the organisation (Tollgerdt-Andersson, 1996).

There are plenty definitions of culture, the most widely accepted definition is however the one offered by Kroeber and Kluckholm (1952):

*Culture consists of patterns, explicit and implicit of and for behavior acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiment in artifacts; the essential core of culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other hand as conditioning elements of future action. Culture is something that is shared by almost all members of some social group; that the older members of the group try to pass on the younger members and something (as in the case of morals, laws and customs) that shapes behavior (Kroeber and Kluckholm, 1952 cited in Miroshnik, 2002, p. 6).*

Managers normally see culture as *"the collective programming of the mind which distinguishes the members of one human group from another ... the interactive aggregate of common characteristics that influences a group's response to its environment"* (Hofstede, 1980a cited in Miroshnik, 2002, p. 6). Laurent (1983) cited in Miroshnik (2002) found that employees working within the same MNC maintained and even strengthen their cultural differences. Hence, when working for

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a MNC it appears that Americans become more American and the Swedes become more Swedish and so on (Miroshnik, 2002).

Since culture is fundamental to organizations, it has been argued that the degree of “culture fit” between two combining companies is equally important as the strategic fit (Hall & Norburn, 1987 cited in Cartwright & Cooper, 1993).

### **2.4.1 Communication**

Besides difficulties in understanding and dealing with a new culture, managers also need to communicate, perhaps by using a foreign language (Risberg, 1997). Hence, the language seems to be the most difficult cultural element for a manager; it is more than the ability to speak a foreign language, also idiomatic interpretations needs to be recognized (Miroshnik, 2002). For example vocal pitch, gesture, posture and eye contact are important parameters to take into consideration when communicating. Only 30 percent of a message is argued to be communicated verbal. Moreover, all behavior contents a message, intentionally or not. There is neither an exact beginning nor end of a communication; the verbal communication has but the overall process of communication does not (Neuliep<sup>32</sup>, 2000). Furthermore, communication is an important tool in order to get things done; it is the source for understanding, cooperation and action (Bjerke<sup>33</sup>, 1998). Thus, to effectively interact with someone from a different culture, one must be able to predict how the other person is likely to behave, and based on this prediction, select an appropriate verbal and nonverbal message. Hence, knowledge of other cultures is needed (Neuliep, 2000). Moreover shared information is important in order to create meaning and avoid uncertainty and ambiguity. Communication is also important when managing change within an organization and when making employees less resistant to change (Risberg, 1997).

## **2.5 Hofstede’s four dimensions**

Research has shown that differences do exist in company culture between countries (Joynt & Warner, 1985, cited in Tollgerdt-Andersson, 1996). Two frequently cited authors who have classified cultures in relation to one another are Geert Hofstede and Fons Trompenaars (Gooderham<sup>34</sup> & Nordhaug<sup>35</sup>, 2003). In this study, the framework of Hofstede will be presented and used. His study is one of the most well-known studies about culture and leadership (Tollgerdt-Andersson, 1996; Dickson, Den Hartog & Mitchelson, 2003). He is a central figure when it comes to the development of literature on cultural variation and the dimension-based approach to assessing and classifying cultures (Dickson, Den Hartog & Mitchelson, 2003).

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<sup>34</sup> Gooderham – Professor at the Department of Strategy and Management, Norwegian School of Economics and Business Administration and Research Director at the Foundation for Social Science and Business Research in Norway

<sup>35</sup> Nordhaug – Professor at the Department of Strategy and Management, Norwegian School of Economics and Business Administration

Between 1967 and 1973 Hofstede did carry out a survey in 40 different nations about management style and work environment. This study was based on a survey among IBM managers and employees. Hofstede separates between culture, personality and the human nature; culture is something that has developed from the individual's social surrounding, whereas personality and the human nature is respectively individual/universal and inherent. According to Hofstede, leadership styles should be compared by leadership culture (Tollgerdt-Andersson, 1996). Hofstede originally found four culture dimensions; power distance, uncertainty avoidance, individualism-collectivism and masculinity-femininity (Gooderham & Nordhaug, 2003).

### **2.5.1 Power distance**

The first dimension presented by Hofstede is power distance. Power distance is an indicator of to what extent a society expects and accepts a high degree of inequality in institutions and organizations (Gooderham & Nordhaug, 2003). Moreover, to what extent less powerful employees accept the unequal distribution of power (Miroshnik, 2002). Appendix 4 is presenting the differences between countries power distance.

Leadership involves unequal influence, and is all over the world associated with power and status. Thus, the way in which power and status are divided in societies, is obviously related to the leadership role. For example, in cultures with large differences in power, the chain of command is more important (Dickson et al, 2003). In addition, power distance and hierarchical orientation have an impact on management policies in organizations, and it also influences individuals' preferences and attitudes (Schuler & Rogovsky, 1998 cited in Dickson et al, 2003). It is also directly related to leadership; subordinates expectations and preferences regarding leadership vary due to the power distance; in high power distance societies, people want and expect more guidance than people in low power distance societies. Smith et al. (2002) and Smith, Peterson, and Misumi (1994) cited in Dickson et al (2003) have shown that managers in countries characterized by high power distance use more formal rules and procedures set by the top, than low power distance countries, when handling daily events. Managers in these high power distance countries also have less reliance on subordinates and their own experience in dealing with everyday events (Dickson et al., 2003).

By summarizing Hofstede's first dimension, people tend to prefer leadership that is more democratic when power distance is low. Contradictory, leaders tend to be less participative and more authoritarian and directive in high power distance societies. Hence, a directive leadership is more effective in a high power distance context (Dickson et al., 2003).

### **2.5.2 Uncertainty avoidance**

The second dimension is uncertainty avoidance. This dimension refers to the degree to which a society prefers predictability, security and stability. It also measures to what extent people try to avoid uncertainty by providing greater career stability, establishing more formal rules, rejecting deviant ideas and behavior as well as accepting the possibility of absolute truths and the attainment of expertise. Life time employment is for instance more common in countries with high uncertainty avoidance (Miroshnik, 2002). Appendix 4 is presenting the differences between countries uncertainty avoidance.

Offermann and Hellmann (1997) cited in Dickson et al (2003) have looked at actual leader behavior. They found that managers from high uncertainty avoidance countries tended to

be more controlling, less delegating and less approachable than those from low uncertainty avoidance countries. Societies with high degree of this index are in need of rules (Gooderham & Nordhaug, 2003).

### **2.5.3 Individualism-collectivism**

The third dimension individualism-collectivism relates to which degree people want to take care of themselves rather than being committed to a wider collectivity (Gooderham & Nordhaug, 2003). Individualism is when people define themselves as individuals whereas collectivism is described as tight social frameworks in which people distinguish between their own groups and other groups. Within a country characterized by collectivism, people tend to care more about to fit in the group in a harmonic way and to save face. Within an individualistic country people instead place more emphasis on self-respect (Miroshnik, 2002). Appendix 5 is visualizing the differences between countries level of individualism.

Collectivistic leaders tend to have a stronger attachment to the organization and are generally more willing to subordinate their individual goals to group goals (Bass, 1985 cited in Dickson et al, 2003). People from individualistic cultures however, are expected to be more motivated to satisfy their own self-interest and personal goals (Jung & Avolio, 1999 cited in Dickson et al., 2003).

### **2.5.4 Masculinity-femininity**

The last dimension, Masculinity-femininity relates to what extent the society is masculine or feminine; masculine societies value assertiveness, competitiveness and materialism and feminine societies values relationships and the quality of life (Hofstede, 2001 cited in Dickson et al., 2003). Appendix 6 is visualizing the differences between countries level of masculinity.

Research has shown that successful managers stereotypical are viewed as more similar to men than to women on attributes considered critical to effective work performance such as; leadership ability, self-confidence, ambition, assertiveness and forcefulness. This is shown primarily in United States, but also in for example China, Japan, Great Britain and Germany (Schein, 2001 cited in Dickson et al., 2003). In high masculinity societies men are expected to be assertive and tough and women are expected to be modest and tender. In contrast, high femininity societies both men and women are expected to be modest and tender (Hofstede, 2001 cited in Dickson et al., 2003).

Hofstede (2001) cited in Dickson et al. (2003) further indicates that masculine and feminine cultures create different leader hero types. A manager in a masculine culture is decisive, assertive and aggressive. While a manager in a feminine culture is less visible, seeks consensus and is intuitive and cooperative rather than tough and decisive. However, there occur studies that do not always support this. Therefore, this dimension probably is the most heavily criticized dimension. The reason for this is that masculinity and femininity are not well measured and the dimension includes too many different topics not necessarily related (Hofstede, 2001 cited in Dickson et al., 2003).

### **2.5.5 Criticism of Hofstede**

Hofstede's research has been criticized in many aspects. The first area of criticism concerns the methodology. According to Tayeb (1996) cited in Gooderham & Nordhaug (2003) atti-

tude-survey questions is not the best way of studying culture. Bond (2002) cited in Gooderham & Nordhaug (2003) also questions the validity of the individualism-collectivism dimension. The most common criticism is however that the sample not is representative, because the target group only is from one single company consisting of middle-class employees. Furthermore, the strong US-derived organizational culture of IBM may have influenced its employees so their values not were reflecting their national cultures. A third criticism is about the number of dimensions; four dimensions are not enough to convey cultural differences. Finally, Hofstede's research has been criticized on its date. It is argued, that the younger people in developing countries have become to have a common set of values due to the globalization, and that Hofsted's framework therefore not is working anymore. Hofstede himself is though skeptical to this as culture in general is changing very slowly (Gooderham & Nordhaug, 2003).

## **2.6 Scandinavian culture**

In a global perspective, Sweden, Denmark, Finland and Norway can be seen as one group of culture (Ronen & Shenker, 1985 cited in Bjerke, 1998). The stereotype view of Scandinavian businesses is: multinational companies with a willingness to export (The Economist 1996 cited in Bjerke, 1998), this due to the small Scandinavian market (approximately 18 million) (Bjerke, 1998).

Scandinavian countries are feminine countries; personal and interpersonal goals are important and life quality is considered essential (Tollgerdt-Andersson, 1996). In general Scandinavians are extremely eager to accept change as long as it not jeopardizes the feeling of safety (Daun, 1989 cited in Bjerke, 1998). The Scandinavian countries have a low power-distance with flat organisations and decentralised government (Tollgerdt-Andersson, 1996). Moreover, all people have the same laws and regulations and no privileges are accepted. The organizational structure of Scandinavian companies are undeclared structured, where neither working processes nor the relationship between the employees are strongly structured (Hofstede, 1984 cited in Bjerke, 1998).

Scandinavian people live in incredibly equal countries when it comes to equality between gender, works and generations. Hence, there is equality in almost everything (Phillips-Martinsson, 1992 cited in Bjerke, 1998). In Scandinavia females have more well qualified and well paid works than in many other countries. Moreover, Scandinavian has the highest proportion of working females within the industrial world (The Economist, 1995 cited in Bjerke, 1998). Equality also means participation in decision-making throughout the work. Due to the high level of equality it has been easier to introduce less formal and more delegated leadership styles (Business Week, 1982 cited in Bjerke, 1998). This also means less centralization and lower organizational pyramids. Moreover, the Scandinavian countries are more individual than collective (Hofstede, 1984 cited in Bjerke, 1998); individualism is quite high which means that freedom and challenges are appreciated (Tollgerdt-Andersson, 1996).

### **2.6.1 Characteristics of the Scandinavians**

In a study made by Phillips-Martinsson (1992) cited in Bjerke, 1998 the Scandinavian people did describe themselves as well-organized and structured. Further, they care for order and cleanliness, but they are also described as boring (Lawrence & Spybey, 1986 cited in Bjerke, 1998). Honesty is something that is valued high among Scandinavians and the private life is valued extremely high. Hence, the work is less central and people prefer shorter

working days before higher payments. This strict limit between private life and work can be a problem when dealing with other cultures where this limit is more floating (Daun, 1989 cited in Bjerke, 1998). A general quality of the Scandinavian people is the tendency of not trying to be better than others. Something which is also called 'Jantelagen'; Scandinavian people are expected to take or use exactly what they need, not more (Phillips-Martinsson, 1992 cited in Bjerke, 1998; Tollgerdt-Andersson, 1996).

### **2.6.2 Scandinavian leadership style**

Leadership in Scandinavia is often characterised by a strong union position, democracy in the organisation, flat organization structures and much emphasis on individual responsibility and influence. The organisational development in Sweden has generally attempted to build commitment and knowledge among the employees by giving them increased influence (Tollgerdt-Andersson, 1996). The Swedish organization has been characterised by openness; it has been possible to cross the hierarchical levels (Laurent, 1983 cited in Tollgerdt-Andersson, 1996). Moreover, leaders are seen as collaborated leading actors within a continuing process and there exists interaction between targets and instruments rather than predetermined targets. It is the process, not the result that is evaluated (Bjerke, 1998). A typical Scandinavian leader is a negotiator. Scandinavian top managers stress that their most important quality is to receive results in collaboration with the employees in combination with the ability to negotiate. However, Scandinavian companies have a tendency to avoid conflicts (Bjerke, 1998).

Among foreigner it is universally known that Scandinavian decision-taking takes long time (Lawrence & Spytbey, 1986; Lindkvist, 1988; Phillips-Martinsson, 1992; Brewster et al., 1993 cited in Bjerke, 1998). Scandinavian people do not for example speed up a meeting and they do not speak without having something to say. The silence that can arise can be intolerable for other cultures. There have also been some critics about how Scandinavians takes decisions. Some would argue that Scandinavian leaders are irresolute (Brewster et al., 1993 cited in Bjerke, 1998) and excessively accurate (Phillips-Martinsson, 1992 cited in Bjerke, 1998). Moreover, Scandinavian leaders are seen as hesitant to be the one taking the decision, this due to a natural modesty and a fear to act in a superior manner (Lawrence & Spytbey, 1986 cited in Bjerke, 1998) or because of the unpleasant feeling of taking risks (The Economist, 1996 cited in Bjerke, 1998).

Scandinavians appreciate common sense and matter-of-factness (Daun, 1989 cited in Bjerke, 1998) and they also describe themselves as effective and rational (Phillips\_Martinsson, 1992 cited in Bjerke, 1998). There is a high level of product awareness and level of service in Scandinavian companies (Lindkvist, 1988 cited in Bjerke, 1998). There is also a close relationship between universities, business institutes and companies. In conclusion, Scandinavian collaboration should be relatively easy in practice (Tollgerdt-Andersson, 1996).

## **2.7 American culture**

America is a large country. Economically it constitutes about 20 to 25 percent of the global economy. Hence, it has a great influence of the rest of the world. The American culture also is much more complex and varying than many other cultures due to its large amount of immigrants and their followers. America is often placed in an Anglo-group together with countries as Canada, Australia, UK and Ireland (Ronen & Shenker, 1985 cited in Bjerke, 1998).

The American way to run a company has been popular and still is, in many parts of the world. American people tend to be future oriented rather than thinking about the present or the past; moreover they value changes higher than caution (Davis & Rasool, 1988 cited in Bjerke, 1998). Hence, they are more involved in strategy than many other cultures; some cultures see strategy as a threat (Sullivan & Nonaka, 1988 cited in Bjerke, 1998). Furthermore, American leaders does support modern ideas and try to be á jour (Hofstede, 1984 cited in Bjerke, 1998). In America, time is money; it should be used carefully, budgeted orderly and not be wasted. Cultures with a sequential perspective on time, like the US and UK, usually sees the business strategies in short term, whereas cultures with a synchronic perspective on time, like Japan and Germany, usually have long term strategies (Trompenaars, 1995 cited in Bjerke, 1998). Hence, an outsider can get a picture of American leaders as they are possessed by mergers, acquisitions and profits in short term (Kobayashi, 1990 cited in Bjerke, 1998).

The American culture lay stresses on equality in social relationships; both within the family and among friends and at the work (Samovar et al., 1981 cited in Bjerke, 1998). Laws and regulations concern everyone. Nevertheless, a certain level of privilege to the superiors appries to be normal. Status symbols among superiors do not contribute much to their authority. Symbols contributing to the authority are however accepted by the subordinates (Hofstede, 1984 cited in Bjerke, 1998). People tend to be self-motivated and their business relations are based on self-interest. Freedom and variation is important and individual initiative is encouraged. Further, American people believe in individual decisions rather than taking decisions in groups. This can create problems when a person's individual knowledge and skills is expected to be integrated in a uniting pattern that is too complex for one individual (Nonaka & Johansson, 1985 cited in Bjerke, 1998).

America is an informal country and straightforwardness therefore has a primary value (Sitaram & Cogdell, 1976 cited in Bjerke, 1998). Hence, the information within a company should therefore be accessible for all employees within the organization (Hodgetts & Luthans, 1991 cited in Bjerke, 1998).

### **2.7.1 Activity- and work oriented society**

Success is defined in terms of personal acknowledgement and material prosperity. Therefore, American people prefer higher salaries than shorter working days (Hofstede, 1984 cited in Bjerke, 1998). The culture in America is much doing-oriented. This together with the materialism results in a culture with an emphasis on activities and work; a foreigner visiting America soon gets an impression of the American life as fast and active (Samovar et al, 1981 cited in Bjerke, 1998). Further, Americans believe that individuals can influence the nature through hard work (Hodgetts & Luthans, 1991 cited in Bjerke, 1998). This means that no target is impossible to reach for a person who has the willingness and resolution. A failure on the other hand means that the person not has tried enough, is lazy or incompetent. Hence, promotion and payment should be built on performance and not seniority; the employees are paid after result. (Schwind & Peterson, 1985 cited in Bjerke, 1998). Moreover, should people be moved or fired if the requested result is not reached (Hodgetts & Luthans, 1991 cited in Bjerke, 1998).

### **2.7.2 Organizational structure and leadership style**

The organizational structure in American companies is in general very flat (Trompenaars, 1995 cited in Bjerke, 1998). The organizational structure is undeclared structured; CEOs

are more interpersonally oriented and flexible in their leadership styles. It has been more popular in the American business society to use temporary compound groups concentrated on one single task. Moreover, problems are solved through horizontal discussions (Hofstede, 1984 cited in Bjerke, 1998). The loyalty to the work and projects is larger than the loyalty to the company (Trompenaars, 1995 cited in Bjerke, 1998).

The leadership is incredibly task-oriented and rational, and well-known for solving problems in a successful, fast and resolutely way (Sitaram & Cogdell, 1976 cited in Bjerke, 1998). American people value explicit work goals along with strong expectations on dead-lines, policies and procedures, task descriptions and direct feedback. The task can also be specified in detail (Arvonen, 1989 cited in Bjerke, 1998) and the governance can be explicit (Bjerke, 1989 cited in Bjerke, 1998). The most important business target is profit and the value of the share. Moreover, the American leadership model concentrate on financing and marketing which differ from the European model where the focus is on more “softer” human skills (Bjerke, 1998).

Americans are taught to act logically (Hodgetts & Luthans, 1991 cited in Bjerke, 1998). According to Schwind and Peterson (1985) cited in Bjerke (1998) American MBA-students prefer a rational thinking rather than emotional thinking and logical thinking rather than intuition. American people rely upon the employees that they take the right decisions (Bjerke, 1998).

## 2.8 European culture

Within Europe there are several typologies of management systems proposed. The problem is that they are not related to each other. Laurent (1983) cited in Calori<sup>36</sup> & <sup>37</sup>De Woot (1994) consider two opposite clusters of countries; The first one include France, Belgium and Italy, where managers view the organization as a political system governed by hierarchical relationships and authority. The second one includes northern European countries, where managers view the organization as a network. Hofstede on the other hand suggests the existence of four different clusters; a Scandinavian group (Sweden, Finland, Norway, and Denmark plus the Netherlands), an Anglo-Saxon group (Britain and Ireland), a Germanic group (Germany, Austria and Switzerland) and a group including Latin countries (France, Spain, Italy, Portugal, and Greece) plus Belgium. The Germanic group is mainly characterized by high masculinity and low power distance. The Anglo-Saxon group is mainly characterized by high individualism and masculinity and moreover low power distance and uncertainty avoidance. The Latin group is mainly characterized by high uncertainty avoidance but high power distance. However, when managers talk about the differences in European cultures there are much more diversity. Nevertheless, if looking at Europe as a whole from outside, and compare it with Japan and the US it looks different and relatively homogeneous (Calori & De Woot, 1994).

US companies that operate in Europe do not follow the European approach to management. Instead they tend to export their home-base management model. European manag-

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<sup>36</sup> Calori – Professor of Business Policy at the Group ESC Lyon, and a business consultant in strategy processes and the implementation of strategic change

<sup>37</sup> De Woot – Professor at Université Catholique de Louvain where he teaches business policy and business ethics, and is a consultant to many major multinational companies

ers may have a stronger ability to manage international diversity compared to Americans due to its many countries with strong cultural differences (Calori & De Woot, 1994).

### **2.8.1 Switzerland**

The German model is close to the Scandinavian management style and it is also close to the management style in other small European countries. It is by far the most visible style. The model can be described by five components written about below. The first characteristic of the German management system is co-determination, which creates intense communication flow rather than a method of sharing power. The second is the loyalty to the company. In the German model priority is given to in-house, on-the-job training and to the team spirit (third). There is an incredibly strong link between the company and the employee, in both directions; there is a tendency to keep employees as long as possible, sometimes lifelong (fourth). Hence, investments in training and development are considerable. The last one is the reliability and stability of shareholders, which is influenced by a strong involvement of banks in industry (Calori & De Woot, 1994).

When dealing with business, the Swiss tend to be very formal. In Switzerland there are three official languages; German, French and Italian. Knowledge of English is becoming widespread. However, when doing business with Swiss people, it is always appreciated if the native language is used, at least when greeting them. In Switzerland one should pay attention to the work hours; those who work late may be considered as unable to handle the job responsibility within permitted time. Moreover, the Swiss do not like to work during weekends or vacations. The managers in Switzerland, in particular the German-speaking part of the country, tend to go through a long process of consultation before making important decisions. Further, the business is male dominated. There are only few women with a position of authority (Going Global Inc<sup>38</sup>, 2006a).

### **2.8.2 The Netherlands**

In offices within the Netherlands, doors are usually closed and sometimes locked. Men and women are often treated as equals, although this may not be widespread in the countryside, across all generations or industries. As the situation in Switzerland, Dutch people do not want to work over weekends, holidays or vacations. And staying late at the office indicates that the individual is incapable to well enough organize in order to accomplish the job within the permitted time. Moreover, personal time is considered important, even though Dutch business people often take the work home in the end of the working day (Going Global Inc., 2006b).

Privacy and individual accomplishment is important. There can however be much involvement between seniors and staff as well as among team members. Quietly, thoughtfully and diligently procedures are seen as the most effective way to accomplish a task. The Dutch do not appreciate anything out of the ordinary or unusual, and this must be explained. Moreover, the ability to be a smooth-working member of the team is important (Going Global Inc., 2006b).

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<sup>38</sup> Going Global Inc – a Company that presents career information and other resources for different countries

## Frame of reference

Hierarchy is something to be respected; there is usually a hierarchy to follow and a proper way to communicate. Moreover, superiors are expected to provide guidance, information and make decisions. On the contrary, subordinates are expected to provide detailed information and follow the decisions made by the superiors. However, all are expected to work together as equals. Further, meetings are used to share ideas and all individuals are expected to contribute (Going Global Inc., 2006b).

Lindkvist (1988) cited in Bjerke (1998) has compared American and European leadership styles and come to the conclusion summarized in the table below.

Table 2-1 Comparison between American and European leadership styles (Lindkvist, 1988 cited in Bjerke, 1998 p.244)

<b>Chefs dimension</b>	<b>USA</b>	<b>Europe</b>
<b>Type of cooperation</b>	Competition	cooperation
<b>Initiative</b>	Individual initiative and decision-taking	Collective decision-taking
<b>Rights</b>	Individual rights	Collective rights
<b>Company Role</b>	To foster individual goals	To foster society goals

## 3 Method

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*In this chapter the chosen method for the study will be presented and motivated. Moreover, this part will describe the process for the collection of information and how the sample was selected. The chapter will end up with a discussion about the limitations of the chosen method.*

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### 3.1 Research design

The purpose of the research can be classified either as to make an exploratory study, a descriptive study or an explanatory one. This study takes an explanatory approach since it aims to establish causal relationships (Saunders, Lewis and Thornhill, 2007). The purpose of this study is to investigate whether a manager's role and leadership style is influenced by having a foreign owner. In other words, if a foreign ownership implies different conditions; if there exists a relation.

The optimal research strategy for this study would thus have been to carry out an experiment. The purpose of an experiment is to study causal relations in order to see if there is a link between two variables; whether a change in one variable causing a change in another (Hakim, 2000 cited in Saunders, Lewis and Thornhill, 2007). Experiments are often used in studies where the aim is to study how and why questions (as in this case) (Saunders, et al., 2007). If an experiment had been chosen as research strategy for this study, it would have meant following the leader during a period of Swedish ownership as well as during a period of foreign ownership, in order to observe any consequences that may arise during the different conditions. However, for practical reasons it has not been possible to carry out an experiment in this way; first for the reason of having a limited timeframe, but also because it would have been difficult to find appropriate objects/companies to study.

#### 3.1.1 Qualitative methods

This thesis will take a qualitative approach. Qualitative methods emphasize understanding, where the focus is on understanding the information given from the respondent (in this study, the interviewee). Moreover the qualitative method is characterized by the closeness to the data. Qualitative methods often undertake a holistic perspective (Reichardt & Cook, 1979 cited in Ghauri & Grønhaug, 2005).

Since the objective with this study is to investigate if and how a manager's role and leadership style is influenced by having a foreign owner, a qualitative method is preferable. According to Ghauri and Grønhaug (2005) qualitative research is often used when trying to understand human behavior and functions. Moreover, as mentioned above, this study aims to undertake an explanatory approach rather than a descriptive one. The qualitative data can thus be used to explain reasons for why a foreign ownership does or does not imply changed conditions for the leader (Saunders et al., 2007).

A reason for not using a quantitative research approach is partly because this approach most often is used when accepting or rejecting hypotheses (Ghauri & Grønhaug, 2005). Furthermore, a quantitative method is most useful when the analysis process use or generate numerical data (Saunders et al., 2007). As the phenomena studied in this thesis cannot be measured in numbers, a quantitative method is not suitable.

## 3.2 Primary data collection

The choice of primary data collection depends on which kind of data is needed. One aspect to consider is the unit of the study. When defining the unit of study, the researchers should look at the scope and the characteristics for the unit. The scope is the region studied, whereas the characteristics of the unit can be for example age, size or a certain industrial sector. The researcher must make sure the units companies chosen are comparable. Considering the scope and characteristics of a unit is one method of finding comparable companies (Ghuri & Grønhaug, 2005).

### 3.2.1 Sample selection

The original ambition of the authors was to find companies located in Jönköping County, which had been acquired by a foreign owned company 2-5 years ago. Moreover, the authors aimed to interview managers which had experience from working as a leader before and after the acquisition. Thus have experience from both a Swedish and a foreign ownership. The companies were also supposed to be of a similar size and belong to the same industrial sector. Further, the companies should represent two groups where half of the companies had been acquired by a non-European company and the other half by a European company. The thought behind dividing the sample into two groups was mainly to get a better distribution and a broader picture of existing, cultural differences.

However, after some research, it became evident that the original requirements for the sample selection had to be adjusted. The authors started the research with the assumption that a register over the last year's foreign acquisitions was available. This assumption did not hold true. A register could not be found, either through searching through databases such as Affärsdata and Kompass or by contacting *Svensket Näringsliv*, *Bolagsverket* and *Skatteverket*. The information needed could not be found at web pages for business newspapers as *Dagens Industri* and *Veckans Affärer* either. The municipality office in Jönköping was therefore contacted, and fortunately the contact person there could give at least some examples of companies which had been acquired by a foreign owned firm. Nevertheless, most of the companies suggested did not fit into the predetermined sample selection; they belonged to different industry sectors and there was a big difference between which years the companies had been acquired. Taking into consideration the difficulties of finding the perfect sample, the sample selection criteria had to be reworked. Instead of searching for acquisitions which have taken place during the last years, the ambition was now to find companies which have been acquired by a foreign company irrespective of which year it happened.

Moreover, it was decided not to take into consideration whether the managing director had been working in the company before the acquisition or not (experienced the ownership of both a Swedish and a foreign owner). This was mainly a consequence of the decision to choose companies irrespective of which year they were acquired; we believed it unlikely that a managing director would have hold the same position for several years. This is also in line with a study carried out by Walsh<sup>39</sup> (1988) who claims that top-managers in an acquired company are more likely to hand in a resignation than top managers in a non-acquired company. Another reason for not keeping the requisite was the problem of find-

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<sup>39</sup> Walsh- Professor, corporate strategy and international business department, Stephen M. Ross School of Business. University of Michigan.

ing companies to ask. Hence, it was necessary to have as few requisites as possible to follow.

Three of the companies included in the final sample were chosen after suggestions from the contact person at the municipality office in Jönköping; two non-European companies and one Scandinavian company. The three remaining companies were found by using the database Affärsdata, where a search for companies employing more than 50 people in Jönköping County was accomplished. The search resulted in a list of 241 companies. All companies were then checked whether they fulfilled the requisites having a parent company with a foreign origin, and a managing director who were not resident outside Sweden. The WebPages for those companies who fulfilled these requisites were then scanned. Those companies where the webpage could not be found were excluded. Also, those companies with limited or no information about the owner structure were excluded. From the small group of companies that remained, three companies were chosen so that the final sample consisted of three groups; a Scandinavian group, a non-European group and a European group. The three remaining companies were thus one Scandinavian company and two European companies (as we already had two non-European companies and one Scandinavian company).

The sample hence represents a non-probability sample as it has not been chosen by random selection. The main limit with using non-probability samples is the fact that it is not representative i.e. what have been found is valid for the population only within certain limits. If possible, a probability sample should be chosen. However, given the arguments above, it is evident a non-probability sample was not possible for this study. Although a probability sample is preferred, a non-probability sample can also be useful to gain insight into a phenomenon, especially in qualitative research (Ghuri & Grønhaug, 2005).

For all companies except two, interviews with the managing director were accomplished. The reason for not carrying out interviews with the managing director for two of the companies was in the first case a consequence of that the company did not have a managing director any more. In the other case the managing director did not have time to participate. What consequences this might have caused the study is discussed in section 3.5 below.

In the table 3-1 below, all participating companies are presented. All company names as well as the names of the interviewees are anonymous.

Table 3-1 Presentation of sample selection

	Nationality of the owner company	Size	Foreign owned by current owner since	Interview with
<b>SCAND I</b>	Finland	Large-sized	2005	Managing Director
<b>SCAND II</b>	Norway	Middle-sized	1979	Production Manager
<b>AMER I</b>	USA	Large-sized	2006	Managing Director
<b>AMER II</b>	USA	Middle-sized	2000	Managing Director
<b>EURO I</b>	Switzerland	Middle-sized	2004	Administrative Manager
<b>EURO II</b>	Netherlands	Large-sized	1999	Managing Director

(Middle-sized companies have 50-249 employees and have an annual turnover which does not exceed 50 million Euros and/or an annual balance sheet total of 43 million Euros whereas Large-sized companies exceed those values (EU-upplysningen- Sveriges Riksdag, 2007).

### 3.2.2 Qualitative interviews

When doing a qualitative study, the data is often collected through interviews and observations (Ghauri & Grønhaug, 2005). Qualitative interviews are characterized by simple and straight forward questions. The answers on the other hand are comprehensive and complex. Hence, the material to analyze from is rich (Trost, 2005).

The interviews in this study are semi structured, which involves listed questions from the interviewers, however, the questions allow a free scope for the interviewed person to develop his or her thoughts about the area. The most common used semi structured interview is the personal interview, which also is used in this study. Personal interviews are relatively easy to organize, and is useful in the sense that the data comes from one source; the interviewed, which makes it easy to localize the data to the right person (Denscombe, 1998/2000). Another benefit with using semi-structured interviews is the way it diminish bias; the sample size, the people to be interviewed and the questions are decided in beforehand (Ghauri & Grønhaug, 2005).

The interview questions in this study was written in beforehand and formed with the theoretical framework as a basis. In order to check congruence with the theoretical framework and the quality of the questions, the interview guide was sent to our supervisor Karl-Erik Gustafsson before the interviews were accomplished. The interview guide can be seen in appendix 7 and 8. The seventh appendix visualizes the questions in Swedish (the language used during the interviews) and the eighth appendix visualizes an English version of the questions.

Before carrying out interviews, the researcher must know what information is needed and who can provide the best answers (Buckley, 1983 cited in Ghauri & Grønhaug, 2005). The persons interviewed in this study are the direct interested party within the considered area (the managers). Interviewing those may be sensitive, due to conflict of interests. Perhaps, the interviewee does not want to talk negatively about the owners of the company (Bell, 1999/2000). Moreover, the human member is not a reliable research instrument. This has been taken care of by tape-recording all interviews. Tape-recording gives a permanent and complete documentation of the interview. Nevertheless, it does only catch the oral form of the interview and not the non-oral communication and other contextual factors. However, this is a standard version to take data from the interview, and it is also used in this study (Denscombe, 1998/2000).

Due to both limited time and financial resources, the interviews were conducted by phone. The authors believed it would take less time to carry out a telephone interview than a face-to-face interview. This was considered to be positive as the interviewees may have limited time. Moreover it is easier to change a booking for a telephone interview than a face-to-face interview. There are however, some limitations with using telephone interviews. Telephone interviews may for example cause reduced reliability, where the participant is less willing to answer and discuss a question. Moreover it is impossible to observe non-verbal behavior (Saunders et al., 2007). Information about the conducted telephone interviews is visualized in appendix 9.

### 3.3 Secondary data collection

Most research begins with a literature review including earlier studies but also theories (Ghauri & Grønhaug, 2005). The purpose of the literature review is not to provide a summary of all literature within the topic; it is rather to review only the most relevant literature

(Saunders et al., 2007). The literature study accomplished for this study is summarized in chapter 2. Since secondary data not seldom provides information which were aimed for another purpose, the data collected need to be evaluated properly. Moreover, depending on the source, information may sometimes be biased (Ghauri & Grønhaug, 2005). In this study, mainly books and academic journals have been used for the theoretical framework. However, in the background some articles from less academic newspapers have been used. This in order to give a better picture of the current situation, since articles from the daily press most often have more up-to-date information than academic journals. To make it easier for the reader to distinguish between different sources, comments about all authors are provided in footnotes.

The secondary data used in this thesis has been collected from books and articles provided by the Jönköping school library and the data bases ABI and Affärsdata. Ghauri and Grønhaug (2005) suggest the researcher to develop a list of key terms to use when searching for information. Keywords used in this thesis have been for example; leadership, leadership style, foreign owned company, subsidiaries, culture and cross-culture.

### **3.4 Data analysis**

The aim with the analysis is to obtain meaning from the collected data. Usually qualitative research strives for gaining insights and constructions explanations or theory. Any single recommended approach for analyzing qualitative data does not exist. One problem with qualitative studies is often the mass of data, often including irrelevant data. When analyzing data, the data can be categorized. The categorized data can then be abstracted into more general conceptions classes (Ghauri & Grønhaug, 2005). In this study the analysis will be divided into three parts, data concerning; leadership style, structure and strategy at the subsidiary and culture.

In the analysis, the ambition of the author's has been to use approximately the same heading structure as has been used in the frame of reference chapter and the empirical findings chapter. This is order to make it easier for the reader to see the connections between the different parts. However, whenever appropriate, theories from other chapters in the theoretical framework have been used as well. In those cases there is both a reference to the author and to the chapter where the theory can be found. Again, the idea is to facilitate for the reader.

When interpreting data, the ambition is to make sense of the collected data. Data make sense by using theory. The quality of qualitative research is dependent on the researcher's ability to observe, conceptualize and theorize (Ghauri & Grønhaug, 2005). The theories presented in the frame of reference will thus be used as a guide throughout the analysis.

The data will also be compared in order to find differences and similarities. The comparison process starts already when categorizing and abstracting the data. (Ghauri & Grønhaug, 2005). The authors' ambition is to analyze the data in a systematic way.

### **3.5 Trustworthiness**

The aim of the researcher is to obtain valid knowledge, in other words 'true' results (Ghauri & Grønhaug, 2005). Therefore, in this section a discussion about factors affecting the thesis' trustworthiness will follow, although some limitations for the chosen method have already been discussed.

As already touched upon, one limitation in this research is the sample selection since it was not randomly chosen. As a consequence of this, the conclusions drawn in this study can not be generalized to the same extent as conclusions drawn from a random sample selection should have been. The method for sample selection hence diminishes the study's reliability. However, since it was difficult to find objects (companies) to study, the result of a randomly chosen sample would not have been too different from the sample represented in this study.

Another aspect in connection to the sample selection is the fact that not all of the interviewees have the position of a managing director. This may cause decreased validity if it means that all persons interviewed not have the same relation to the parent company. However, this might be the case also irrespective of who is interviewed since all situations and owner structures cannot be identical. Besides, for the company which not has a managing director, the manager with the highest position was interviewed. His position should hence be comparable with the position of a managing director.

Another factor to take into consideration is the different backgrounds of the interviewees. Those who have more experience could in general give more comprehensive answers which have caused that some company presentations in the chapter empirical findings are more extensive than other. Nevertheless, all interviewees were asked the same questions and thus had the same chance to answer them in a comprehensive way.

The initiative to send the questions in beforehand to the author's tutor, Professor Karl Erik Gustafsson, was a way to increase the validity as well as the chances of collecting valuable and useful data. After the data collected had been translated and revised, the text was sent to the interviewee in order to assure no mistakes had been done. This was an initiative to increase the reliability of the data.

An interview is a subjective technique, and the risk for a bias result is therefore high (Bell, 1999/2000). As already discussed, telephone interviews are connected with some limitations (see section 3.2.2 above). Another aspect which may have had an impact on the study is the fact that the authors switched turn and carried out three interviews each. In order to limit any faults that may occur as a consequence, both authors were present when the interviews were conducted and could hence interrupt if needed.

Regarding the secondary data an initiative to increase the reliability has been to provide all authors in footnotes. The reader could hence judge whether a source is less/more reliable.

## 4 Empirical Findings

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*In this chapter the collected material from the interviews will be presented. Each of the six interviews will be presented separately.*

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### 4.1 Presentation of Scand I

(Interview with the Managing Director, personal communication, 2007-04-25)

Scand I is a large-sized company and belongs to a Finnish group of companies, which consists of two relatively equally large divisions; one Swedish and one Finnish. The Swedish division consists of three factories located in Sweden, which were competing trademarks until the 90s when all factories became one single group of companies – Scand I. It was first in 2001 the company became foreign owned. Between 2001 and 2005 Scand I was owned by two large venture capital companies (one of Europe's largest venture capital companies and a Finnish venture capital company). In 2005 Scand I was acquired by the current Finnish owner, which holds for approximately 66 percent of the company. 21 percentages is held by another investment group, consisting of Finnish and some Swedish owners. The remaining percentages (13 percentages) are hold by the management in both countries (Sweden and Finland).

In the late 90s Scand I entered the Finnish market. The current owner at that time wanted to consolidate its business into the Nordic countries and considered Scand I as an interesting company. For that reason they acquired Scand I as a complement to its existing business in Finland. The interviewee did not work within the company during the time the company was Swedish owned, and did not know what attitude the company had to get a foreign owner. Anyhow, he does not think there were any special standpoints.

#### 4.1.1 Leadership style

The interviewee has been working in the company since the spring 2002 and has a position as managing director with 650 subordinates. He holds an engineering master degree and has taken some internal management courses. Since the 1980s, the interviewee has been working in positions such as CEO, vice CEO and equivalent. Hence, the interviewee has about 25 years experience within leadership. Except from leading Scand I, he has no experience of leading foreign owned companies. However, he has experience of leading Swedish companies and he has also been in the opposite situation; having subsidiaries in other countries.

The interviewee defines leadership as; in some way going in front of others, being a role model, observing opportunities and problems within the company and trying to develop the co-workers in order to get them to take responsibilities. Moreover, leadership is somehow showing the way by setting up guiding principles and strategies. Following, the interviewee thinks the most important quality for a leader is clarity; to communicate with the employees in an understandable and straightforward way. The employees have to understand the company's goals and strategy and the decisions taken in order to work in the same direction as the company.

The interviewee wants to have constant information in order to know what is happening within the organization. However, it is important that the subordinates have the authority to take their own initiatives. By giving the subordinates this opportunity he also demands

more from them. The company has to perform, create value and bring results. In order to motivate the employees the interviewee thinks it is important to have goals, and also here clarity is central. In order to get the subordinates to work toward these goals the interviewee defines objectives and a frame which within the subordinates gets rather free responsibilities. There are however continuous weekly, monthly and quarterly evaluations.

#### **4.1.2 Strategy and structure at the Swedish subsidiary**

The function the company has within the group of companies is to market, develop, produce and sell its products in the Swedish market which also includes Denmark and Norway. The company therefore has a lot of independence; it has autonomy to act from conditions from the Swedish market. However, there are some principles and a common strategy to follow. Nevertheless, Scand I is together with the Finnish management deciding these strategies and policies. Hence, there is no control from the top. The structure within the Swedish company is decentralized and flat. There is however a management group taking the major decisions, but besides that, decisions are taken further down in the organization. The organizational structure has not been adapted to the owner company, even though there is a great difference between the Swedish and the Finnish organizational structure. The main difference is the view of the factories; Sweden has a joint function for all of its brands and factories whereas the owner company has more competing factories.

Scand I is reporting to the group of companies on a monthly and quarterly basis. There are also weekly reports about for example order intake. These reports are the same in both Sweden and Finland. The interviewee does not see any differences in the control by having a foreign owner in comparison with having a Swedish owner. The foreign owner do not exercise more control; the company has a lot of freedom today. The interviewee actually felt much more control from above when he worked for another company with a Swedish owner.

#### **4.1.3 Culture**

There are mainly two noticeable cultural differences between the Finnish parent company and Scand I. The first one is the clarity; the Finnish people say exactly what they think. They take all discussions and conflicts directly at the meetings, whereas Swedish people take it afterward in the corridor. The second difference is that the Swedish company works more with its personnel, such as rehabilitation- and development questions. The interviewee did not have any apprehension about the perspective on gender within the two companies, but there were no differences between male- and female managers in the companies; too few female managers in both.

The interviewee feels that the employees work both for their own and for the company's best. Especially the younger generation wants to reach a combination and have personal development goals. On the other hand does the company also benefits from its subordinates' development.

The interviewee has not adapted his leadership style to the Finnish company. In fact he identifies himself more with the Finnish leadership style than the Swedish due to the clarity in his leadership style. Moreover, he does not see any differences by working for a foreign owner. Due to an overall globalization the differences becomes smaller. He has not either been affected by having a foreign owner; having a Swedish or a Finnish owner is almost the

same. The interviewee thinks the company has a competent and good owner. What does matter is more what attitude the owner company has. In Finland there are more nationalistic thoughts about the ownership than in Sweden. However, Scand I has great independency and has got the commission to run the company in correspondence to the Finnish company.

If the owner company instead would have been a non-European company, Scand I would have been in a different situation. With an American owner the company would have been facing more cultural differences. However, the interviewee means that this can be prejudices rather than knowledge from his side. Having an owner from another country within Europe would also have involved more cultural differences. The interviewee mentions for example Germany which he considers to have a stricter hierarchy. However, it is the people, what type of owners and their goals that are important. Hence, differences can also exist within a country.

## 4.2 Presentation of Scand II

(Interview with the Production Manager, personal communication, 2007-04-23)

Scand II is a middle-sized company and has a Norwegian owner, which from the beginning was a customer to the company and still is today. In 1979 the current owner bought the family owned company, but it was first in 1989 Scand II became wholly owned by the Norwegian company. During the years between, it was listed at the OPC-list but with the Norwegian company as the dominating owner. The interviewee was not working in the company during the time it was Swedish owned, but he speculates that motives for selling the company was as it often is in many family owned companies; a choice to invest more in the company, a change of the generation or to sell the company. The latter alternative was the company's choice.

### 4.2.1 Leadership style

The interviewee has been working in the company for five years by now and holds the position as production manager. He has 90 subordinates of which five persons are reporting direct to him; three associate producers and two technicians. He holds a master of engineering and has taken some leadership courses when he was working for his former employer. Moreover, he has been working as a leader since 1994 and has thus 13 years' experience of leadership. Except from Scand II, the interviewee has experience of leading two Swedish companies, but no experience from leading a foreign company.

The interviewee defines leadership as to explain, inform and work as a driving force. In other words, to explain for the subordinates what is happening and why, to continuously inform about it and last but not least to look it over to assure the decided task is carried through. However, the interviewee delegates the work and responsibility to a rather broad extent. Moreover, the interviewee regards clarity as an important leadership quality; in order to be able to explain and motivate. He also regards smoothness as a good quality; in order to not end up in unnecessary conflicts. Moreover, the interviewee thinks it is important to be able to prioritize among the conflicts; to avoid the small conflicts and instead take care about the most important ones. The interviewee tries to include the subordinates as much as possible in his work and the information he receives. He also arranges regularly meetings where previous commissions are discussed. Further, he tries to explain both success and adversity for the subordinates and reasons for why the company has got into the position it has.

In order to get the subordinates to work toward preset goals, the interviewee has the ambition to clearly explain what has to be done, and afterwards regularly follow it up, which means once a week or sometimes once in a month. How often a task is followed up is a question about who is responsible for the task. For some of the subordinates the interviewee knows there is no need to explain the task in detail, because he has gained knowledge about how they work from previous commissions. However, there are subordinates he does not know that well. In those situations there is a need to explain more in detail. In order to assure the quality of a delegated task, the interviewee always makes a final control when it is finished.

### **4.2.2 Strategy and structure at the Swedish subsidiary**

Scand II is the only company within the group of companies who produce the type of product which is produced at Scand II. The company is a large part of the group, today it is more than half of the size of the parent company. 80 percent of the sales go to the Nordic countries whereas the remaining percents go as export to the European countries. However, Scand II is a small company, and according to the interviewee the company can not be structured in that many ways; it has a normal Swedish structure, which has not been changed within the last 20 years. Moreover, it is governed from above and the managing director of Scand II is governing the company with a 'rod of iron'. The interviewee has not changed his leadership style in order to fit the parent company, but he has changed it to fit the management within Scand II.

According to the interviewee, Scand II is very independent. This is above all, a result of the positive progress the company is doing; the company has shown great results year after year. Hence, the owner is willing to delegate the responsibility. Scand II seldom experiences a governing from above. The Norwegian owner is only represented at four-five board meetings, not more. However, if the company instead would have shown poor results the interviewee believes the owner would have exercised more control. This is apparently not the case, and many of the employees for that reason do not notice the foreign owner. The independent situation is the same throughout all the company's functions and there are no jointly functions together with the parent company.

The parent company does exercise monthly controls; Scand II reports the income statement, the economical results, the quality, the results from the production and the delivery results. The company put much emphasis on its delivery in order to have fast delivery times. The demands on reporting differ between the functions within the company. It is mainly the economical- and the production results which are of interest. Marketing for example is not followed up to the same extent. The parent company does also follow up new products. Four times per year Scand II has product developing meetings where the parent company takes part. The parent company is the largest customer and therefore the reporting concerning the product development is extremely detailed. The interviewee does not think a Swedish owner would have exercised less control than the current owner. Nevertheless, in general he believes Swedish owners exercise less control than foreign owners.

### **4.2.3 Culture**

Scand II is used to work restrictively, small and smoothly. Moreover the way-of-working is rather informal. Not as informal as in a small-scale company but somewhere in between the way-of-working in a small-scale company and a large-scale company. The parent company on the other hand is having a more large-scale company's way-of-working and think-

ing. Most of Scand II's employees are working in the production, whereas the parent company is more like a head quarter and hence less producing. These are the main differences the interviewee observes between the two companies. Moreover, Scand II has increasingly been growing and is earning more and more money while the parent company on the other hand has gone in the opposite direction; it is becoming smaller and the profits are continuously decreasing. Hence, the group of companies has come to be inharmonious since Scand II stands for more than 90 percent of the profits. The interviewee can feel an unspoken envy from the parent company, and that the parent company is trying to be larger than it really is.

Most of the employees are working in order to get a salary. The company has loyal employees and the equality between men and women is equivalent in both companies; about 50 percent women in both.

Working within a foreign owned company is more foreign influenced, but for the interviewee it is not the nationality of the owner that does matter. He wants a long-term owner, and not an abrupt situation. If the owner company would have been established in a non-European country or in another European country, the interviewee does believe it would have been a difference due to language differences. Today Scand II is reporting to the parent company in its native language. Also the distance would have implied a difficulty. Further, the interviewee regards a larger chance to find a long-term view in a Swedish owner than in a foreign owner.

### **4.3 Presentation of Amer I**

(Interview with the Managing Director, personal communication, 2007-04-20)

Amer I is a large-sized company and is owned by an American investment company. The owner company is a typical venture capital company; American based and financed from different funds.

Back in 1997, Amer I was a part of a Swedish company group. Amer I did however, not fit perfect into the company group; the companies were producing different kind of products and there were thus no synergies between the companies. A long-term plan to sale off the company was therefore prepared. In 1997, Amer I was sold to a Swedish venture capital company and added to another company producing similar products. As the buyer was a venture capital company, it soon sold out the two companies to an American investment company. This happened in 2006. The new owner already owned another company producing similar products. The purchase of the two companies could thus be seen as a natural complementary purchase. In connection to the purchase, a new company which came to be the parent company of Amer I was established.

The attitudes before the acquisition differed within the company. The interviewee considered it as positive as he believes the owner and its intensions for the company is important. Besides, a new owner was more or less expected as the company had been owned by a venture capital company for a quite long time. Being acquired by the current parent company was more positive than being acquired by a competitor. This because Amer I in terms of employees is a quite small part of the company group.

### **4.3.1 Leadership style**

The interviewee has been working in the company since August 2004, and has always held a leading position. Before becoming a managing director, the interviewee was working as an operating director with the responsibility for all production (including a factory in Sweden, a factory in Czech Republic and a former factory in Germany). If all subordinates around the world are included, the interviewee has 500 subordinates. Half of these are working in America. Five managers are direct reporting.

The interviewee has a master of engineering, but has also taken a two-week course in developing leadership. The interviewee has been working as a leader since the end of the 1990s. Moreover, he has been working as a managing director since 2001 (except during the period as an operating director, at the current company). The interviewee has previous experience from working as managing director in an American owned company. Besides, he has during 1.5 year been constructing and running a factory in US. The interviewee also has experience from leading a Swedish company (the current company before it became foreign owned).

The interviewee prefers keeping the leadership as simple and direct as possible. This makes it easier for the direct reporting managers understand what is asked for. In addition it will help them in their leader role towards the rest of the organization, which in turn enables a confident organization. If the subordinates do not feel secure, it will hinder them to do a good work. The most important leader characteristics are clarity and honesty; without honesty the subordinates will lose respect towards the leader. Moreover it is important to respect all employees as they are.

All direct reporting managers are part of an incentive program which is connected to the success of the company. The interviewee believes that the incentive program has a positive and motivating effect. However, this system is not appropriate for all employees as it does not work for those who do not have the ability to influence through decision-making; there is no clear connection between the individual performance and the company result. Besides the incentive program, it is important to coach and follow up the employees. It is important to give appreciation for a good job as well as to give help with adjusting less satisfactory actions. Moreover, it is important to establish an atmosphere where it is acceptable to take action although it involves a risk; one mistake is none mistake. It is better to look forward then spend time on what has already happened.

The interviewee is most often involved when setting directions. Depending on the person, the issue is then followed-up during the process. The follow-up is carried out to assure the direction has not changed over time and to assure the goals and methods are acceptable. Some people demand more follow-up than others and hence get more/less freedom. Generally it is a question of for how long the employee has been working in the organization. It is somewhat a question of faith. In other words, the employees get freedom, but some feedback is required.

### **4.3.2 Strategy and structure at the Swedish subsidiary**

The company is governed from above in many respects. Most American companies are working against financial goals which decide what the subsidiary should deliver; the subsidiary borrows money from its owner and is expected to give back more money in return. How the profit is achieved is seldom of interest; it is the profit the owner cares about. In

other words, the company is not controlled in detail but financial controls are strong and do exist. There is a big difference between the financial control in Sweden and US. In Sweden it is acceptable to close the monthly books in two weeks whereas in US the books are closed in two- three days, this in order to have up-to-date figures to use for the business ratios. The financial goals are clear, and the company is allowed to distribute them between the different departments. When the year is over, the company needs to generate a predetermined profit.

According to the interviewee, the question about whether Swedish companies exercise less control or not, is more a question about what character the owner has than a question about nationality. In Sweden venture capital companies are common. As these kinds of owners are interested in how their invested money can be transformed into more money, there is a strong need for controlling the company portfolio. A venture capitalist owner is extremely financially driven and wants to achieve an increase in value. Industrialists are another owner group which on the other hand is less financially driven. Most often industrialists do more long-term investments than short-term investments. Industrialists are generally more willing to accept some years with negative results.

The company runs different business fields of activities. In Sweden there is one factory which is manufacturing advanced and expensive products but there is also a global marketing department which handles the brand and the marketing communication worldwide. Most of the employees in Sweden work for the production department. There is also a third department, which has the responsibility for developing new products and to assure that the company produces competitive products. The company's role in the company group thus includes both manufacturing and marketing.

The organization has a classic American structure. This means that each company group level has its own managers for the departments R&D operation, sales, marketing and Human Resources. These managers do in turn have subordinated managers worldwide. Beside this, every unit has its own local managers and managing directors. Each unit thus has a legal responsibility for its operations. The organizational structure is relatively uncomplicated thanks to the size of the company; if the structure had been used for a larger company, the structure would have been much more complicated. The structure has been adjusted in order to have a similar structure at all company levels. One change is for example the global marketing department which nowadays reports to a manager in the US.

### **4.3.3 Culture**

According to the interviewee, Sweden is in a way affected by the fact that it has not been in war since 1809; sometimes Swedish people do not see when things are getting serious. There is a tendency that too much time is spent on discussing the problem before actions are taken. The positive aspect with this approach might be that when a decision is taken, everybody stands behind it. However, it usually takes a long time before achieving total consensus. Moreover, foreign business executives are often surprised when commissions are delegated. Also, in Sweden it is not unusual that the employees change the direction if they find a better solution. One simple example which illustrates the phenomena: If the commission is about moving a chair from A to B, it happens that the chair is placed on C instead, because the people responsible discussed the issue and agreed upon that C was a better solution. In other words, in Sweden it is acceptable that delegated commissions might be changed. This is according to the interviewee, the most apparent difference between Sweden and US. In US (and principally in all other countries as well) the employees

## Empirical Findings

follow the manager's directions exactly, otherwise they are getting fired. The problem with the Swedish way of doing is mainly that all involved people not always are informed about the underlying reasons for changing the commission. This is something which has to be worked with in the organization, through clarity and follow-up.

In general, the different departments operate in a quite similar way. Economic functions tend to be relatively alike also seen internationally, since these functions always are controlled by many regulations. The most evident difference is probably within the sales department. In comparison to US, Sweden has a better security of employment. If a salesperson in US does not achieve the monthly target, there is a risk of getting fired. It is not the situation in Sweden. Hence, it is easier to work more for the long-term in Sweden; the salesperson has the possibility to build on a relationship which will not give any results until later. A salesperson in US most has an acceptable excuse for not meeting the targets. Evasive answers are thus more common in US; it is more a political game in US than in Sweden. Moreover, Americans often are more driven by making results and making dollars. Sometimes, this is neglected in Sweden.

The interviewee has partly changed the leadership style to fit the owner company. The leading style towards the subordinates is still unchanged but there are differences towards the owner company. The reasons are mainly cultural differences but also differences regarding the language play a role, even if you have good knowledge in the English language. With a Swedish owner it is possible to discuss the operations and to explain in detail what actions are taken and why they are taken. With an American owner on the other hand, you get no chance to discuss the actions if you cannot deliver good results. It is hence essential to keep a close eye on the figures, and if the costs for example are too high you must present a way to take care of it. The recovery plan is preferably presented before the figures are shown. You cannot show a negative result and then leave it as it is. Although it is not totally acceptable in Sweden, it is acceptable to a certain extent. It is a difference.

According to the interviewee, it is important to make it clear for the employees that they are expected to work for the company's best. As the employees are getting paid for their work, it should be remembered that they work for their company and not for their own. Sometimes this is forgotten in Sweden.

Equality is taken into consideration. It is especially important in US as the issue is regulated by laws. Companies can be put in jail if they do not follow them. There are both female and male managers working within the company. Generally, the departments sales and marketing are led by female managers whereas the production- and development- departments (operations) tend to be led by male managers. Legislation about equality between men and women do exist in Sweden as well, but it is quite weak. For example, companies ought to develop equality plans. The laws are however, clearer and stricter in US and punishment is distributed if the laws are not followed.

Having a foreign owner does not imply any differences regarding the work tasks, but the language is a difference. The main difference, which is specific for Amer I, is that the company group executive used to sit in the same house. It was thus easier to discuss and make big decisions. Today, the company group executive is placed in US. Hence, there exists both a time difference and a language difference. It is a longer way to make a decision and the daily check against each other is not taken place on a daily basis anymore. The interviewee does not feel affected by having a foreign employer and thus sees no reason for rather having a Swedish employer instead.

Depending on which country the parent company had been established in, the interviewee does believe it would have been a difference if the parent company had been a European company. If the parent company had represented Germany or France, relations had been more complicated. In European organizations it is common with too many managers, as it is expensive to fire old ones. The interviewee, consider Americans as quite easy to work with, mainly because it is relatively easy to know what they want. Moreover, the language is easy. Generally, Swedish people do not have that much problem handling Americans; Americans are quite easy to understand.

### **4.4 Presentation of Amer II**

(Interview with the Managing Director, personal communication, 2007-04-19)

Amer II is a middle-sized company. It is since 2000 wholly owned by an American group of companies. The underlying motives for the acquisition were threefold. From the perspective of the American group of companies, the motive was to obtain a foothold within the European market. Before acquiring the company, the American group of companies did extensive research which showed that Amer II best would fit the group of companies. A second motive for the acquisition was the uncertain future for the company; none of the owners had children who were interested to take over. The third motive was based on the price which was right at the moment

Getting a foreign owner did not affect the company much during the first two years. This because of the instructions it got from the owner; to continue running the business as before. The company was therefore not affected by the acquisition and the attitude to get a foreign owner was neutral positive; no one did exactly understand the meaning of getting a foreign owner. It was not either the first company in the region being owned by an American company; the three largest companies within the region are owned by Americans.

#### **4.4.1 Leadership style**

The interviewee has been working in the company since August 2002. From the beginning he had a position as marketing manager, but in December 2003 he became the managing director. He has an engineering master degree within industrial economy from Linköping University. Besides that he has taken an internal leadership education. The interviewee has 300 subordinates, where four managers within the executive group responsible for the functions economy, production, personnel and sales are direct reporting. In addition, there are four direct reporting persons within the product development section.

The interviewee has been working in a leading position since 1985, which is 22 years of experience within leadership. Since 1995 the interviewee has been working as managing director in different companies, except for the 1.5 years as marketing manager at Amer II. The interviewee has also been living and working as managing director in three different companies in North America; one in Canada and two in the USA. These companies were further foreign owned by Danish companies. He has also experience of leading Swedish companies, not as a managing director but as region manager, divisional manager and marketing manager.

The interviewee defines leadership as to inspire the co-workers and to get them to achieve visions and goals. Important leadership qualities are to inspire co-workers and to delegate both responsibility and authority. Moreover, it is about setting up concrete goals in order to

get all employees working in the same direction. This is also exactly how the interviewee is motivating his subordinates. Incentives are also mentioned. However, the interviewee means that people value a good job with developing possibilities and responsibility higher. The working environment is also important; to create a cheerful atmosphere around the work. The company is a fast developing company which also is inspiring. In order to get subordinates to work towards goals the company has a number of predetermined goals to reach, and out from these goals the company discusses what will be done in respective subdivision. Following, the subdivisions are creating activity plans and strategies to reach these goals. According to the interviewee, giving direct instructions is not the right way.

### **4.4.2 Strategy and structure at the Swedish subsidiary**

The company's task, within the group of companies, is to manage the company within the interest of the group of companies. Amer II's function is to operate in the European market. The group of companies also got a hold on an additional organization in Europe, but Amer II is the largest and thus the most important company within the group of companies. Furthermore, it is the only truly global company; today it operates within more than 60 countries.

Nowadays American companies to a great extent are governing through some new stock rules, which imply larger control when it comes to disposal and reports. However, the company is running the business independently and is not governed from above on a daily basis. The only govern from above is that the company have to accomplish what it has undertaken in form of economical goals. Hence, if the company operates within the budget and achieve expected results, it has a lot of freedom. According to the interviewee, the group of companies is delegating a lot of responsibility. Further, there are some rules in form of authority and responsibility to follow. The group of companies does not have any daily control of the company; however, it is very report intensive. There are weekly reports of both the sales results and the order results and to some extent also the production results. There are monthly reports identical with the monthly closing of the books and there are quarterly reports that almost can be compared with a yearly closing of the books. According to the interviewee, a Swedish private equity would have exercised exactly the same control. Naturally, sales often have it easier to report numbers, where order intake and invoicing can be measured. Within the production; efficiency, reprocessing, complaint and other parameters that can be measured in short intervals should be reported. However, the interviewee thinks you must be observant that the reporting fill a purpose otherwise it is a waste of time to measure these parameters. He means it is enough with the monthly reports for some parameters.

Amer II tries to have an organizational structure as flat as possible. Today there are five different fields of activities with responsibilities for each section. The different fields of activities are as follows; marketing/sales, production/engineering, economy, product development and personnel. The structure of the company is adjusted after the company's requirements, and not after the company group. Anyhow, the structure has changed a lot since the acquisition. This is mainly a result of the situation before being acquired, when it was two owners who took all decisions.

### **4.4.3 Culture**

A first cultural difference between the two companies is the spare time, which is considerably more in Sweden. American companies takes less consideration whether people are hav-

ing a vacation or not; if an American company needs some information the report is expected to be handed in no matter if the person is working or not. The American company does not care if this implies working overtime or not. Furthermore, the interviewee believes cultural differences not only depend on the nationality of the owner; it also depends on the type of company. If the owner for example would have been an American family company instead, the reporting would have been different and also the involvement of the owner. There would also have been a different long-term view in how to run the business. Moreover, the structure of the reporting would vary if the company would have been owned by a listed company, because listed companies have different rules in how to manage a company, which in turn put pressure on the subsidiary. The commitment of the board of directors also varies between companies. In this case, the company is owned by a private equity. A private equity does not have any national peculiarity; the nationality of the subsidiary does not make any difference. Private equity owners only care about the results and to make money, moreover it is quarterly reports and fulfillment of economical goals that are of importance. Hence, it does not matter if it is a Swedish or American private equity owner. However, a Swedish private equity may imply more control and the owners would have been more involved, due to the short geographical distance, an aspect which not necessarily has to be positive. The tasks have however not been affected by the acquisition. In other words, the interviewee has not been affected by having a foreign owner and thus it is of less importance if the owner has a Swedish or an American nationality. When doing business today, it most often involves global activities.

The leadership style, on the other hand, differs between an American and a Swedish company. The leadership style in an American company includes more direct orders; if something needs to be done, it will be a direct order to someone. The Swedish mentality is more of a consensus; everyone knows what has to be done but there are few direct orders. According to the interviewee both ways are good, but the Swedish manner to solve a problem demands that all employees actually takes their responsible and do their work. If not, problems will arise. However, the interviewee has not adapted the leadership style to the owner company, at least not consciously.

The interviewee feels it like all persons with a leading position or a position with responsibility have personal goals expect from the company goals. Generally speaking, the employees work in order to get paid and have a pleasant life. It is not the products produced that are the driving force for the employees, even though interesting and entertaining products can be seen as positive. The company remunerates individual performance when it is possible. However, at the collective side there are agreements which prevent or limit the scope in rewarding individual performances. Nevertheless, salaried employees do have individual remuneration.

When it comes to the equality between men and women, America has rigorous rules; it exists a discrimination/harassment procedure which makes it costly to do something in the wrong way. This procedure does not to the same extent exist in Sweden, which partly makes it more difficult to accomplish equality between men and women. However, according to the interviewee the equality is more or less at the same level in both countries, or even better in Sweden. The amount of female leaders is probably larger in Sweden. In American companies female leaders often operates within marketing or personnel, whereas Swedish female leaders have other positions as well.

If the owner company instead would have been a European company with another language background there would have been some differences. An English or German owner would not have involved any differences, but having an owner from France or Italy would

have been different. Companies from France run their businesses in a different way; both France and Italy have a less logical government and much more hierarchy. Sweden and America on the other hand goes hand in hand.

## **4.5 Presentation of Euro I**

(Interview with the Administrative Manager, personal communication, 2007-04-24)

Euro I is a middle-sized company. The company group which Euro I belongs to has got an American owner company in the top. Beside the American company, there is a European division with a managerial group placed in Switzerland. Euro I has no direct contact with US, instead it reports to Switzerland which in turn is reporting to US. Before the present ownership, Euro I did belong to a company group with a German owner. The current owner company bought the German company group in the autumn 2004. The main motive behind the purchase was to broaden the segment which the company group is working within as well as improving the product development. Euro I was Swedish owned until 1998, when a German company acquired the company.

### **4.5.1 Leadership style**

The interviewee has been working at Euro I since February 2005. He has held a leading position since he started and do today work as an administrative manager with the responsibility for economy, staff and IT. The interviewee is also a part of the local managerial group and do have four people direct reporting. When it comes to education, the interviewee has got a master degree in Business administration and he has also taken some managerial courses. The interviewee has got a leading position since 1998.

The interviewee has previous experience from working in a Swedish company, but has no experience from working in a foreign owned company before. However, the interviewee has experience from working in an international company within a business unit with a head office in Brussels. Thus, he got experience from having contacts with a foreign managerial department.

According to the interviewee, leadership is about creating the conditions for the subordinates in the organization, so as they can develop in a positive way. The most important characteristics are to set a good example and to deliver clear objectives and demands for how to run the business. The interviewee tries to give the co-workers relatively large freedom to take care of their tasks in the best way possible. The ambition is to work more as a supportive function. However, this depends upon the co-worker; some people wish for more governing on a detailed level whereas others wish to work more on their own. The interviewee tries to adapt the leadership in accordance to every situation. Usually, the interviewee sets the framework for what the employees should achieve within a certain period and which resources everyone has at one's disposal. How the resources are used is then a question for the individual to deal with.

### **4.5.2 Strategy and Structure at the Swedish subsidiary**

The parent company decides the objectives, but the company has relatively large freedom to decide how it wants to achieve them. Usually, Euro I is involved in the decision making concerning the company's strategies for the future. The company is well aware of what it is expected to achieve. According to the interviewee, the parent company does not exercise

controls on a detailed level. The objectives are most evident within the functions sales and economy, since these functions have clear growth objectives. These functions are also more easily measurable; it is for example more difficult to measure some parts in the departments concerning development. Euro I is responsible for its own brand. Besides, it is responsible for a sub-segment of different products. This sub-segment has no company in the group been overall responsible for before. Approximately two thirds of all products produced are exported. In other words just a third of the products are sold within Sweden.

The report making is relatively extensive and is taken place on a monthly basis. The demands on the report differ between different functions. The highest demands on reporting tend to be within the functions marketing, economy, purchase and production. The interviewee does not believe a Swedish company would have exercised less control.

The structure of the organization is relatively hierarchic. This is according to the interviewee quite natural since American owned companies often are hierarchic with fairly many levels. However, lower down in the organization the structure is more decentralized. From this year, the organization structure is formed as a matrix. Previous, the company was more divided after functions. The change of organizational structure is more a result of how it used to be before the acquisition, and thus did not involve any radical changes. The main reason for using the previous structure was to make the measurements of the results easier. If many structural changes follow the acquisition, it is more difficult to measure the results of the actions taken. Another reason for changing the structure was in order to have all companies in the company group, working in the same way.

### **4.5.3 Culture**

There are no great differences between the Swiss company and Swedish company. The Swiss company is more long-termed and the people working there want to find a common solution for the question at issue. Instead of using a strict leadership, the focus is on making agreements and discussing the future direction for the company. The interviewee has also experienced a difference between having a German parent and a Swiss parent; the German company wanted more detailed results whereas the Swiss company is more interested of the overall results. The interviewee assumes there are differences between different departments. However, as he mainly has experience from the economic department it is difficult to discuss the question. In general, the interviewee believes it is a question about the leader in every department; some leaders are more interested about the details whereas others care for the overall perspective.

In some situations it has been necessary to adapt the leadership towards the owner company. These situations most often concerns lack of communication between the two companies. It happens that information is sent quite fast, without any explanations for why a decision is taken. In those situations where the information is unclear, the interviewee needs to parry this by giving the management an explanation as good as possible for what is going on. Also the other way around; when the information comes from above, the interviewee needs to handle it on the local level by informing the employees. In a Swedish owned company, it is common to do a deeper analysis before the change is taking place, this in order to prepare the organization for the upcoming events. Perhaps, the Swiss company is not used to be questioned in the same way as is common in Sweden. The employees at the Swedish company Euro I prefer to be informed about why decisions have been taken whereas the employees in Switzerland seem to accept more without asking. The interviewee believes it is positive when the employees are questioning, since it can be inter-

puted as the employees are more interested and engaged in what they are doing, although it demands more internal communication.

Whether the employees work for their own best or for the company's best is according to the interviewee probably dependent on which level the employee are working at. He believes there is a large group working for their own best. The main reason is that it might be difficult to identify one self with the large company group for a person working far from the decision making. The interviewee believes it is easier for the managerial group as they are more involved in what is happening in the company group. Besides they receive continuous updates.

According to the interviewee, the situation in Switzerland and Sweden is the same when it comes to equality between men and women. Also the amount of male and female managers is approximately the same. There are most often female managers working at the HR functions and also the marketing functions whereas it is more common with male managers at the economy function and the production function.

The interviewee does not identify any larger differences by working in a foreign owned company although using a different language with the owner constitutes a perceived difference. Sometimes speaking Swedish makes it feel closer. However, it is a psychological perception which not necessarily gives the actual situation. Moreover, the interviewee considers it is easier to get involved in how a Swedish owned company work. Nevertheless, working in a large company group irrespective of if it is a Swedish or foreign owner can involve both fast and slow decisions; sometimes you have to wait for a decision. In a large company group there are many people involved in many decisions. However, this is more a question of company size than which nationality the owner has. The interviewee believes it might have been different if the owner had been from Germany or the Netherlands. Especially within the responsibility areas of the interviewee (economy, personnel and IT) where more detailed information would have been asked for. It had been necessary to prepare more detailed reports.

Finally, the interviewee is not negatively affected by having a foreign owner company, rather the opposite, he believes it is interesting. There are advantages as well as disadvantages considering both situations.

## **4.6 Presentation of Euro II**

(Interview with the Managing Director, personal communication, 2007-05-15)

Euro II is a large-sized company and is fully owned by a Dutch company. The company became foreign owned in 1999. Before the acquisition, Euro II was a part of another company group. However, the company's products were not a part of the then company group's core activities. This was thus the main motive behind the sale. Since the new owner had manufacturing and selling of the same products as Euro II as its core activities, the attitude towards the new owner was positive.

### **4.6.1 Leadership style**

The interviewee has been working within the company for 20 years and has thus experienced working for both owners. He has held the position as managing director since September 2006. The interviewee started as a technician and has since then got the possibility

to get new assignments every third year. He got his first leading position in 1995 and did thus not work as a leader during the first year at the company.

The educational background of the interviewee is that he has completed upper secondary technical school. Beside this, he has taken additional courses internally at the company. He has also undergone management programs, both during the ownership of the former owner and the current owner. According to the interviewee, these programs were rewarding. The last program undergone, took place during the years 2001 to 2003.

The interviewee possesses two commissions. First he is the managing director for the Swedish company with 275 subordinates. In addition he is responsible for five factories placed in different parts of the world. From that perspective, the interviewee has 600 subordinates working in different countries; ever since China to Norway. The interviewee has approximately ten people who are direct reporting.

Before the new ownership, the company had a Swedish/Swiss owner. However, the Swiss ownership was hardly noticeable. Depending on how it is looked upon, the interviewee can thus be seen as having experience from leadership within a Swedish or foreign company.

The interviewee defines leadership as a way of working through people in order to achieve a goal. Characteristics considered as important are mainly the view on people and coworkers; it is important to possess the right knowledge about people's opinions and thoughts and from that adapt the leadership accordingly in order to optimize the outcome. In order to have the employees perform as good as possible, it is important to be communicative, positive, not take anything for granted and also to listen and show understanding. Showing respect is according to the interviewee, probably the most important characteristic.

To have the employees working towards a preset goal, the group of companies has decided to reduce instructions and instead working on the basis of values and policies. This will encourage people to take an active interest in what they are doing and also to work out solutions their selves. In addition, the managers try to set up a clear goal and give support during the way towards it. The employees are free to work within the frameworks given to them.

### **4.6.2 Strategy and structure at the Swedish subsidiary**

Euro II is supposed to serve the Swedish market with products. The company does not only sell the products which are manufactured at the plant; all products produced within the company group are offered. In other words, there is no connection between what the company produces and what it sells, although a part of the sales originate from the own factory. In this way, all sales take place within Sweden whereas the manufacturing cover markets all around the world. The local companies within the company group are always taking care of the sales on their respective market.

The organization of the company group is built up as a matrix. First, there is a legal structure where the companies are divided after respective country where they are established. Besides, the companies are divided after segments and divisions depending on which business each company belongs to. All decisions are taken within the divisions and hence not in the legal company. In this way, decisions are taken across companies. According to the interviewee, there are no differences between different functions.

Responsibility and power is highly decentralized. The organization structure in Sweden has been affected by the new ownership. Before the changes, Euro II was responsible for all sales and manufacturing; the product portfolio taken to the market was dependent on what was produced and invested in within the company. Today is everything handled within the divisions and it is thus a great difference. The changes did however, not take place directly after being acquired; it is a change process which the company has undergone during the last couple of years. The company group which Euro II belongs to has grown and acquired new companies through out the years; it has not always been an international company. The growth period has meant having factories producing the same products which in turn led to internal competition. Every company was responsible for its own result and there was no coordination between the different companies in the company group. The new structure was hence necessary in order to make clear who is responsible for what.

The parent company does not exercise much control over the company but there exist an internal accounting system which the company has to use. This system demand extensive information. Overall, the accounting has been more complex since annual reports are needed not only for the legal companies, but also for the divisions within the company group. The functions as marketing, economy etcetera goes under a different perspective and is relatively independent. Different information can as a consequence be reported from the functions within the divisions. It is especially the economy departments that are involved in the reporting but also the sales and manufacturing functions have an indirect part. The company is reporting to the parent company on a monthly basis.

### **4.6.3 Culture**

According to the interviewee, the Swedish and Dutch people are good at cooperating. The higher managerial level, which the interviewee is reporting to, is decentralized and gives a lot of freedom under responsibility. Moreover, they do not get involved more than needed. In this way, the Dutch leadership style is similar to the Swedish one. There is also a good balance between humor and seriousness. Precisely as in Sweden, there is a focus on people's wellbeing. A small difference is though that the Dutch people generally are a bit tougher than Swedish people. Many times, the Swedish leadership is about wellbeing, consensus and so on. In the Netherlands on the other hand, the consequences are taken place earlier.

The interviewee does not feel he has been required to adapt his leadership style but he has been more aware of his style. He tries to take the good parts from the Dutch leadership style, for example he tries to be clearer and work more with consequences if rules are not followed or goals are not achieved.

The employees are according to the interviewee working for the company's best. Among the employees it is a high loyalty and a consciousness, which in turn have them to determine and then follow the way which they consider is the best for the company. The leader's task is then to set up the goals.

Equality has a high priority. However, people are employed based on their competences and knowledge. The industry, which Euro II is working within, has traditionally been dominated by men. Therefore, it is a focus on having more female workers within the manufacturing for instance. The interviewee is not sure about whether this is the case in other parts of the company group; it is probably a question about how the structure and the culture

## Empirical Findings

look like in the particular country. It is however an important phenomenon in Sweden. Within the company group's management, women are occupying several positions.

The most evident difference when working as a leader within a foreign owned company is according to the interviewee, the cultural aspects between the different countries. It is necessary to adapt in order to handle the cultural issues in the best way possible. The tasks are not different but it is a new behavior to be observant of. A direct consequence for the interviewee is that his work involves more traveling than before since he is nowadays responsible for factories established in different countries. However, this could also have been the situation in a Swedish international company. The greatest differences are thus the traveling around the world, as well as meeting new cultures and people. The interviewee perceives it as highly stimulating. The nationality of the employer is not of great importance to him. It is more a question of whether it is a national or an international company.

According to the interviewee a foreign owner with a non-European nationality would probably imply larger cultural differences. The leadership style in USA clearly distinguishes from the European style. The Asian leadership style is also different. Both the government and the control would probably have been different in a non-European company. The interviewee believes that the Netherlands is a relatively easy nationality to cooperate with. There are more cultural differences between Sweden and countries within the southern Europe, countries like Italy, Greece and Spain for instance.

## 5 Analysis

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*In this chapter the empirical material will be analyzed. This with use of the comprehensive literature- and analyze model as a base. The chapter will end with a section about criticism to the analysis.*

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### 5.1 Leadership

In the theory, leadership is perceived as a complicated endeavor given that the subject is characterized by no clear understanding as well as no existing agreed upon definition for leadership (Dickson, Den Hartog & Mitchelson, 2003). How complex and difficult the topic is, also become evident during the interviews; all interviewees at first experienced it difficult to give their definition of leadership. The definitions given varied greatly, but most of them seem to agree upon that leadership is about creating positive conditions for the employees so as they can develop and also feel motivated to do a good job. Suggestions for how this is supposed to be achieved are for example by inspiring the employees, being a role model and moreover to explain and inform them in a simple and clear way. One of the interviewees said that leadership is about setting up guiding principles and strategies. Another mentioned how important it is to create confidence among the employees.

For the same reason as it does not exist an agreed upon definition, it does not exist a completely satisfactory theory describing the topic either. Although personality characteristics no longer is seen as a way of explaining leadership and who is going to be a leader, the attitudes, values, demands and expectations of the leader plays a role in leadership as it effects both the happiness of the employees and the manager's behavior (Tollgerdt-Andersson, 1996). The majority of the interviewees mentioned clarity and respect as the most important leadership characteristics; it is important to communicate in an understandable and straightforward way, to explain and set up clear and concrete goals. Moreover, the leader should try to inspire the co-workers, listen to them, motivate them, show understanding and also have knowledge about people's opinions and thoughts in order to adapt the leadership to it accordingly.

The leader's values are also important when creating change, motivation and efficiency (Tollgerdt-Andersson, 1996). Most of the interviewees try to make the followers motivated by giving them concrete goals, giving freedom and delegating responsibilities. In the theory it has been argued that managers who inform the employees how a task should be achieved have a negative influence (Alexander et al., 1989, cited in Tollgerdt-Andersson, 1996). Moreover, leaders who emphasize control tend to be more unsuccessful than those who do not (Tollgerdt-Andersson, 1996). Giving the employees freedom can hence be considered as a positive influence. One of the respondents emphasized the creating of an environment which is tolerant to and accepts risk taking. According to Alexander et al., (1989) cited in Tollgerdt-Andersson (1996) this is important in order to fit into the changing environment of today. Putting emphasis on individual responsibility and influence is according to theory characteristic for the Scandinavian countries. Especially in Sweden it is seen as a way of building commitment among the employees (Tollgerdt-Andersson, 1996 see section 2.6.2). Moreover, freedom and challenges tend to be appreciated in the Scandinavian countries (Tollgerdt-Andersson, 1996 see section 2.6). It would hence be a good way of motivating the employees. Other ways of motivating the employees given by the respondents than those mentioned above were for example; incentive programs, to give appreciation for good performance as well as to give help with adjusting less satisfactory performance, create a cheerful environment, being positive and communicative, and also to involve the em-

ployees by giving them continual information about what is going on. Although the just mentioned ways of motivating subordinates were given by only a few respondents, it should be remembered that the question given to the interviewees was open in its character. Hence, there might be a chance that more than one respondent sees it as a motivating factor although it was not mentioned. This argument also strengthens how significant clear goals and freedom seem to be as those factors were given by a majority of the respondents.

In connection with the discussion above about freedom and control, a question concerning how the interviewees works for having the employees work towards a preset goal was asked. All of the interviewees generally gives the subordinates freedom but within a given framework. Moreover, most of them stated that the delegated tasks are followed up on a regular basis or at least in the end of the processes. How often evaluation is carried out seems to be a question about for how long the employee in question have been working for the manager. It also depends on how much support the employee desires. Hence, the managers tend to adjust themselves in accordance to each specific situation. This is in line with theory suggesting that Scandinavian leadership often is associated with less formal and more delegated leadership styles (Business Week, 1982 cited in Bjerke, 1998 see section 2.6). One aspect mentioned in theory which can be questioned is that Scandinavian managers tend to evaluate the process and not the result (Bjerke, 1998 see section 2.6.2). Although the process is evaluated, the result seems to be evaluated as well. Moreover one reason for evaluating the process seems to be to assure an acceptable outcome.

Giving the subordinates freedom to solve their own tasks can be considered as transformational leadership as it is about encouraging the followers to seek new ways to approach their jobs (Bass, 1985 cited in Walumbwa, 2002); there should be easier to find new solutions if you are not told exactly how to do something. Delegating responsibilities and freedom can also be considered as given the subordinates challenges and intellectual stimulation, which also are transformational factors (Bass, 1998 and Bass, 1985, cited in Walumbwa, 2002). Some of the interviewees also talked about the importance of being a role model and inspiring the employees. These factors are also transformational (French & Raven, 1959 and Bass, 1998 cited in Walumbwa, 2002). Moreover, giving the employees support in accordance to their specific needs can be seen as a way of recognizing the existing needs as well as a way of taking individual consideration (Bass, 1985 cited in Walumbwa, 2002). It is also a way of showing concern (Podsakott, Mackenzie, Moorman & Fetter, 1959 cited in Walumbwa, 2002).

However, evaluating and controlling the work made by the employees can to some extent also be considered as management by exception, where the leader only takes action when something is going wrong (Bass & Avolio, 1990 cited in Walumbwa, 2002) as well as continuously monitoring the performance of the followers (Walumbwa, 2002). Nevertheless, the managers interviewed can only be considered to follow a transactional leadership to an insignificant extent; neither of them has stated that they carry out controls on a daily basis; their objective is to have the employees working as independent as possible. Other factors associated with transactional leadership, like giving instructions of how the outcome should be achieved or delivering punishment/rewards when the employee succeed/fail have not been mentioned at all. In other words, following the discussion above the transformational leadership perspective seems to be more prominent than the transactional perspective. Which should be considered positive since transformational leadership is associated with more positive effects than the transactional leadership style (Avolio, Kahai & Dodge, 2000; Avolio, Kahai, Dum Dum & Sivasubramaniam, 2001; Bycio et al., 1995; Howell & Avolio,

1993; Walumbwa & Wu, 2001 cited in Walumbwa, 2002). It is also in line with the theory which claims that the focus of today is on transformational leadership (Bass, 1998, 1999; Behling & Mc Fillen, 1996; Pawar & Eastman, 1997 cited in Walumbwa, 2002).

### **5.1.1 Leadership education**

In the literature it has been argued that students should be taught how to drive a business in order to be prepared to be transformational leaders (Stone, Rusell & Patterson, 2004 cited in Elmuti et al., 2005). It is not evident whether the educational background has taught the interviewees to be transformational or not. However, as the interviewees can be considered using a transformational leadership style, education might have played a role.

The majority of the interviewees have a master degree in either engineering or business administration. All of them have taken additional leadership courses in connection with the current or a previous managerial position. Some of the interviewees have expressed that the leadership course taken has been valuable. The interviewees' experience of leadership varying between 9 and 25 years, it is thus a relatively large spread. However, all of them can be considered having a lot of experience of leadership. The way of working should thus be rather deep-rooted and difficult to change. Acting as transformational leaders may for that reason be a result from have learned from both experience and education, where the experience probably has had more influence. Moreover, authors claim that some aspects of leadership- knowledge, -skills and -abilities can be taught (Rosenbach, 2003; Doh, 2003; Connaughton et al., 2003 cited in Elmuti et al., 2005). However, it is at the same time argued that some tacit dimensions like empowering employees, building relationships as well as demonstrating confidence not can be addressed by formal classroom training (Doh, 2003; Gosling & Mintzberg, 2004 cited in Elmuti et al., 2005). Learning by doing, or in other words, learning from both positive and negative experiences should in those cases be important; if you cannot be taught anything in a theoretical way it should be possible or even necessary to learn it in a practical way.

When it comes to cross-cultural management, there is a need for global management education. The most effective way is to achieve global management competencies by living in other cultures and traveling abroad (Townsend & Cairns, 2003). The majority of the interviewees have previous experience from working as a leader in a foreign owned company. All of the interviewees have at least some experience from international contacts. Two of the interviewees have also experience from have been working as a leader in another country. All experience can be considered as having a positive influence; in this way the interviewees get used to differences which may occur when working with people from other cultures.

## **5.2 Strategy at the subsidiary**

According to Birkenshaw and Morrison (1995) it is the corporate top management who defines a cultural context for the subsidiary, which in turn shapes the strategy for the subsidiary. An owner certainly has a lot of influence on the subsidiary, and the empirical result has shown what impact it has on the subsidiaries strategy and its role within the group of companies. When considering the three typologies for subsidiary strategies presented in the theory (Birkenshaw & Morrison, 1995), the differences are not large. For two of the subsidiaries (Euro I and Scan I) it is clear that the world mandate typology is used. They are together with the parent companies deciding strategies and policies, and they are having

world wide or regional responsibility for their product lines and entire business. The rest of the interviewees have not stated that they are involved in the strategy process, but three of them are having world wide or regional responsibility for their entire business. Hence, their strategies can be seen as world mandate strategies as well. The remaining subsidiary (Euro II) is using a local implementer typology. The company distinguishes from the other in the sense that it only serves the Swedish market. Further, it does not only sell its own produced products, but all products produced within the group of companies. Hence, one can say the company to some extent is adapting global products to the needs of the local market, which is one of the characteristics for this typology (Birkinshaw & Morrison, 1995).

Also the specialized contributor typology has to be mentioned, because the subsidiaries' skills and technologies are often a reason for acquiring the company. However, a specialized contributor typology indicates tightly coordination with other subsidiaries (Birkinshaw & Morrison, 1995), which not is the case for any of the companies although Euro II to some extent cooperates with other subsidiaries as it sells their products. What strengthens the argument that the majority of the subsidiaries are using the world mandate typology is the fact that most of them manage their own business and are not managed from the head quarters. Hence, they are all rather independent from their parent companies.

Strictly speaking, only two of the subsidiaries are operating on a world-wide basis (Amer I and Euro I). These two companies will be classified as strategic leaders, because they have the responsibility to develop, manufacture and market its products on a world-wide basis (Barlett & Ghosal, 1986 cited in Holm et al., 2003). However, even though the rest of the subsidiaries not are operating on a world-wide basis they are also seen as strategic leaders. The reason is their independence of the head quarters (White & Poynter, 1984; Gupta & Govindarjan, 1991; Taggart, 1996, 1997; Birkinshaw & Hood, 1998 cited in Holm et al., 2003). The only company which differs is Euro II. This subsidiary could more be seen as a contributor, because it is more as an input to the parent company when it is selling the parent company's products, even though it is rather independent (Barlett & Ghosal, 1986 cited in Holm et al., 2003).

According to Holm et al., (2003) subsidiaries which are positively influenced by local business environments tend to have less control from the head quarter. Moreover, to enhance a subsidiary's competence development the parent company is exercising less control. None of the subsidiaries are having daily or detailed controls from above. However, three of the subsidiaries (the two American owned and Euro I) are distinguishing from the others in the sense that they are working more against preset goals set by the parent company. Nevertheless, none of the parent companies are interested in how the subsidiaries are reaching these goals. As long as the subsidiaries are performing what they are expected to do they are relatively independent. Especially the two American owned companies are working towards financial preset goals. Moreover, the American owned companies seem to have stronger financial controls and more intense reporting. The remaining three companies (Euro II, Scand I and Scand II) are having more autonomy, where the responsibility and power is more decentralized and the parent companies are not exercising as much control as in the above situation. Both interviewees representing the Scandinavian owned companies claim to have a lot of independence. However, all companies are facing a control when it comes to reporting. All companies are at least reporting on a monthly basis to its parent companies. The American owned companies as well as Scand I are also having quarterly and weekly reports. The demand for reporting differs between the functions within the subsidiaries. The economical results seem to be most important to follow up, followed by sales and manufacturing. Marketing on the other hand has appeared not to be equally important.

Only one interviewee thinks the control would have been less extensive with a Swedish owner (Amer I). He means it would be less control from a Swedish owner, because Swedish companies do not demand equally intense financial reporting. Nevertheless, he thinks the character of the parent company is of more importance than the nationality, when it comes to the level of control. Also Amer II agrees with this argument about the character, however, he believes a Swedish private equity would imply more control and the owners would have been more involved. The argument about the owner's character is an interesting discussion but it is only these two interviewees which have come up with this statement. The interviewee in Scand I felt more control when working for a Swedish employer than a foreign. Still, he does not think there would be any differences with a Swedish owner in the case of Scand I. Further, the interviewee at Scand II believes a Swedish owner in general would have implied less control although that is not the case for Scand II. Hence, there are varying meanings whether a foreign owner is exercising more control or not, but the overall assumption is that the level of the control would be the same.

### 5.3 Structure at the subsidiary

Considering the structure, the subsidiaries' strategies and roles within the group of companies have had an impact on the design of the structure. As written before, all companies seem to be rather independent from their parent companies, and the structure is in some way reflecting this. In accordance to the theory, none of the subsidiaries experience a hierarchical structure (Birkenshaw & Morrison, 1995), except from Euro I who thinks the structure is relatively hierarchic. This subsidiary is having an American owner at the top and according to the interviewee American structures are quite hierarchic. However, lower down in the organization it is more decentralized. The statement that American structure often are hierarchic is not in line with theory as Trompenaars, 1995 cited in Bjerke (1998) (see section 2.5.2) claims the structure in American companies to be in general very flat. In Scandinavian companies on the other hand, the organizational structure is according to Hofstede (1984) cited in Bjerke (1998) (see section 2.6) undeclared structured, where neither working processes nor the relationship between the employees are strongly structured. Hence, the Scandinavian structure possibly will be seen less structured than the American.

According to two of the interviewees, their companies have a matrix structure (Euro I and Euro II). Moreover, three of the subsidiaries have adjusted their structures to fit into the group of companies. Two of them are those who have a matrix structure. Hence, they did not have the matrix structure from the beginning. This is in accordance with the theory, which declares multinational corporations are using matrix structures due to the complexity of their organizations (Goold & Campbell, 2003). Even though the subsidiaries are rather independent they are still integrated in a group of companies. One of the subsidiaries which have changed its structure after being acquired is Amer I, who changed it to an American structure. Amer I can also be seen as having a matrix structure since each company group level has its own managers who in turn have subordinates worldwide. Each unit also has legal responsibility and local managers. Moreover, it has a global marketing department which handles the brands and the marketing communication worldwide, which is in accordance to the theory of the matrix structure. From this, one can say that the American structure is in conformity with the matrix model. According to Hofstede (1984) cited in Bjerke (1998) (see section 2.5.2) it has become more popular in American companies to temporary compound groups concentrated to one single task. Moreover, are problems often solved horizontally (Hofstede, 1984 cited in Bjerke, 1998 see section 2.5.2).

These statements may add to why American companies are using matrix organizational structures.

The three companies having a matrix structure are also the companies who best need it. Euro II is in need of this structure since it is selling products from all companies within the company group; there is a need of coordination. Euro I is in need of the structure due to the large distance to the parent company in the top and the complex situation. Amer I is in need of a matrix structure since it is very integrated in the group of company. For all these companies, the situation is such that the subordinates have a more integrated role. Hence a matrix structure is favorable as it assures duplication of work is not taking place. A reason why Amer II does not have an American structure is because of its strategy; to continue as the independent unit it always has been. Then, there is no reason to have the subsidiary to adapt its structure to the American structure, as it is not as integrated in the group of companies as Amer I and Euro II. Scand I and Scand II are in the same situation as Amer I, hence they have not been forced to change their structures to fit the parent company. Also, Scandinavian companies do structure their business in similar ways (Bjerke, 1998, see section 2.6). This can be one reason for why the companies do not have been forced to adapt their structures to their parent companies.

According to Goold and Campbell (2003) managers seem to struggle with the matrix structure because they do not know their responsibilities within the group of companies. This is however nothing the interviewees have pointed out as a problem. All interviewees seemed to know their role within the group of companies, which in accordance to the theory (Goold & Campbell, 2003) can have been contributing to the clear picture of the managers' responsibility. Moreover, all subsidiaries can be seen as business units, because they are all responsible for serving selected product markets and because the level of power and autonomy is relatively high. More characteristics that are in accordance to the theory are that the subsidiaries are reporting to the parent companies, but the parent companies leave the decisions to the subsidiaries. There are therefore no day-to-day controls from the parent companies (Goold & Campbell, 2003).

To sum up, the hierarchy model is not used among the subsidiaries. Instead it is the heterarchy model that is used. This is in line with the theory; the hierarchy model has been replaced by the heterarchy model (Birkenshaw & Morrison, 1995). One reason for this replacement is due to the complexity a multinational corporation is facing. Hence, it can not have the same central control and therefore authority and responsibility is delegated further down in the organization (Birkenshaw & Morrison, 1995).

## **5.4 Hofstede's cultural dimensions**

Hofstede (1980) has with his four dimensions shown cultural differences which take place between countries. Also the interviewees have come across cultural differences when working for a foreign employer. In this section an evaluation will be done in how the managers experience these cultural differences.

### **5.4.1 Power distance**

As can be seen in appendix 4 none of the countries have a high power distance. This might be a reason for why the hierarchical model only is used to a small extent. The fact that only three companies have changed their structures in order to fit the parent companies can also be seen as a reflection of the level of power distance. Since the power distance is rather

similar in all countries, there is no need to do any major changes in the structure in order for the parent company to get more power. However, those who have changed their structures may have changed it for other reasons, for example in order to fit into the company group. In other words, in order to facilitate the co-work with the group of companies. Therefore, changing the structure instead has more to do with the type of parent company and which role and strategy the company has within the group of companies, as written in section 5.2.

The interviewees working for the American owned companies have noticed that differences in power distance, in general, do exist between Swedish companies and American companies. American managers give more direct orders to their employees than Swedish managers do. In Sweden it is according to the interviewee in Amer I not unusual that employees are changing the directions they receive from above. If this situation on the other hand would arise in the USA, the employees would get fired. This is according to him the most apparent difference between the Swedish way in leading and the American way in leading. Also Bjerke (1998) (see section 2.6.2) has found that Scandinavian top managers have stressed the importance to receive results in collaboration with the employees.

The interviewee in Euro II, who has a Dutch owner, has not noticed any major differences in the power distance, even though the level of power almost is in line with the American power distance. Also, according to Going global Inc (2006b) (see section 2.8.2) there is in Dutch companies usually a hierarchy to follow, and superiors are expected to provide guidance, information and make decisions. This is according to Gooderham and Nordhaug (2003) an indication of high power distance. Again, the independence from the parent company has to be taken into consideration. Perhaps the company would have been in a different situation if the parent company instead would have exercised more control. Further, the other European- and Scandinavian owned companies has not noticed any differences, which is in accordance with Hofstede's research.

It could be argued that the low power distance which most of the countries/parent companies are characterized with, might be a reason for why the parent companies do not exercise extensive control over the subsidiaries. Managers in countries characterized by low power distance tend to give less formal rules and also rely more on their employees (Dickson et al., 2003). Hence, this behavior could be reflected in the relationship towards the subsidiary too; they rely upon the subsidiary and they also create few formal rules.

#### **5.4.2 Uncertainty avoidance**

The uncertainty avoidance among the countries is more varied than the power distance (see Appendix 4). Hence, the companies are supposed to face some differences in respect to this area. What is strange though is that according to The Economist (1996) cited in Bjerke (1998) (see section 2.6.2) the Scandinavian leader do not like to be the one taking decisions because of the unpleasant feeling of taking risks. Also, according to Daun (1989) cited in Bjerke (1998) (see section 2.6) Scandinavians are extremely eager to accept change as long as it not jeopardize the feeling of safety. This indicates more of high uncertainty avoidance. However, this is nothing the interviewees have mentioned.

High uncertainty avoidance includes more formal rules in order to avoid unpredictable situations. Further, predictability, security and stability are preferable in high uncertainty avoidance countries (Miroshnik, 2002). The companies which are working towards preset goals set from above and thus face most control (Amer I, Amer II and Euro I) could be believed to have owners from the most high uncertainty avoidant countries. This is how-

ever not the case. As written in section 2.2 parent companies are exercising less control in order to enhance a subsidiary's skills and competence development (Holm et al., 2003). Therefore, not only the power distance has an impact on how much control the studied companies are facing from their parent companies. Hence, a parent company in a high uncertainty country has to take the subsidiary's situation into consideration, and again the subsidiary's role within the group of companies is of importance. Moreover, the main goal for the parent company (and companies in general) is to gain profit. In order to achieve the goal, the best way might be to have the subsidiary working independently, without too much governing from the parent company. This might however affect the parent company's security and stability. Also, having in mind that the most dominant factor of problems and failures abroad is because of cultural differences (Miroshnik, 2002), one can see it from another perspective; letting the subsidiaries being independent is to avoid cultural differences – and also uncertainty.

The interviewee at Euro I who has a Swiss owner find its owner to be more long-termed than a Swedish owner. As Switzerland has a higher uncertainty avoidance, this phenomena is in accordance with Hofstede. Anyhow, according to the interviewee it is more common to do deeper analysis before a change is taking place in a Swedish owned company than in a Swiss owned company. Swedish employees also seem to question more than Swiss employees. When relating this to the uncertainty avoidance, it seems like Sweden is working more to avoid situations with high uncertainty, but according to Hofstede it is the other way around. Euro I subsidiary has also experienced having a German owner. According to the interviewee the German parent company was more controlling. This is in line with Hofstede's research as German has a higher uncertainty avoidance than Switzerland. The interviewee in the Dutch owned company on the other hand experiences no differences between the Swedish and the Dutch leadership.

According to the interviewee in Amer I, Sweden has a better security of employment. A sales person in the USA who is not achieving the monthly target is facing a risk of getting fired. Hence, it is easier to work more for the long-term in Sweden. Since the USA is having higher uncertainty avoidance than Sweden, it would have been more logical if it had been the other way around, because a country with high uncertainty avoidance prefers to have security and stability (Miroshnik, 2002). Americans believe that individuals can influence the nature through hard work (Hodgetts & Luthans, 1991 cited in Bjerke, 1998). A failure can therefore mean that the employee not has tried enough, is lazy or independent (Schwind & Peterson, 1985 cited in Bjerke, 1998), which can be seen as the basis of the insecurity of employment. Anyhow, the fact that the American owners just want to have figures and no explanation can be an indication of low uncertainty avoidance.

Consequently, having foreign owners with higher uncertainty avoidance have not influenced the interviewees or their leadership styles considerably. Actually, only one interviewee believes that a Swedish owner would have been exercising less control. The overall meaning is instead that the level of control would be the same. Nothing is indicating that the other countries are having a higher uncertainty than Sweden, rather the opposite; the countries' uncertainty avoidance seems to be rather similar to Sweden. This means either that Sweden has higher uncertainty avoidance, or that the other countries have lower uncertainty avoidance than according to Hofstede.

### 5.4.3 Individualism-collectivism

Appendix 5 visualizes power distance versus uncertainty avoidance. High individualism implies that freedom and challenges are appreciated (Tollgerdt-Andersson, 1996, see section 2.6). The fact that the USA is an individualistic country was nothing the interviewees illustrated as a problem or difficulty. The only aspect one interviewee enlightened was that Americans do not care about the employees' spare time; the American employees are willing to offer their free time in order to get more money to spend. This is in line with theory stating that money is used to increase personal acknowledgements and material prosperity, because success in America is defined in this way (Hofstede, 1984 cited in Bjerke, 1998). Americans therefore prefer higher salaries than shorter working days (Samovar, 1981 cited in Bjerke, 1998) than the Swedes, which prefer shorter working days before higher payments (Daun, 1989 cited in Bjerke, 1998). According to Daun (1989) cited in Bjerke (1998) (see section 2.6.1) this can be a problem for Swedish people when dealing with other cultures with more floating limits between private life and work, and this is exactly what the interviewee has become aware of. In Sweden personal- and interpersonal goals are important and life quality is considered essential (Tollgerdt-Andersson, 1996). Hence, the fact that the interviewees are seeing this as a difference is in accordance with the theory. Moreover one of the interviewees has noticed that Americans have to perform in order to not get fired. This is also underpinned by theory; as Hodgetts and Luthans (1991) cited in Bjerke (1998) (see section 2.7.1) claim that the employees who are not performing up to the requested results should be moved or fired. The discussion above strengthens the fact that the USA is a more individualistic as Sweden.

Nonaka and Johansson (1985) cited in Bjerke (1998) (see section) also state that the American individualists can create problems when they have to integrate into a complex uniting pattern. According to the theory, one can imagine the problem of integrating American people and Scandinavian people into the same group, because American people tends to do their best (Hodgetts & Luthans, 1991 cited in Bjerke, 1998 see section 2.5.1) whereas Swedish people tends to not be better than others, the so called jantelagen (Phillips-Martinsson, 1992 cited in Bjerke, 1998; Tollgerdt-Andersson, 1996 see section 2.4.1). However, this is nothing which has become apparent from any of the interviews. The Netherlands is also a high individualistic country (see Appendix 5). Though, this is nothing the interviewee mentions something about; instead he thinks the two countries are similar to each other.

Sweden is in the middle of the studied countries in Hofstede's matrix (see appendix 5). According to the interviewees it is mainly the employees' position within the organization that decides whether the employee has an individualistic or collectivistic view; if the employees are working for their own best or the company's best. Employees that are holding a leading position within the subsidiaries seems to work more for the company's best than employees who are working far from the decision making. It is logical because it should be difficult for them to identify themselves with the large company group. A large group should thus be working for their own best. As one interviewee expressed; it is important to make clear that the employees are expected to work for the companies' best, sometimes this is forgotten in Sweden. What is evident from the empirical findings, generally speaking a large group of employees is working to get paid in order to have a pleasant life. The fact that Swedish employees are questioning to a great extent, as written in the section above, can also be seen as they are more interested and engaging in what they are doing. This can be seen from two different perspectives; they are questioning in order to perform better individually, or because of their concern about the organization.

Two of the interviewees said that they have loyal workers (Euro II and Scand II), and one of them said that the employees are working for the company's best. This is the only interviewee who says that the employees only are working for the company's best (Euro II). Euro II has a Dutch owner, and according to the interviewee Sweden and the Netherlands are similar when it comes to the focus on peoples' wellbeing. However, according to Hofstede's index, the Netherlands is more individualistic than Sweden, which would imply less caring for the employees.

One of the interviewee mentions that especially the younger generation is working more for developing themselves, hence, working for their own best. This is something Hofstede's research has been criticized upon; that the globalization has changed peoples set of values (Gooderham & Nordhaug, 2003). Nevertheless, none of the interviewees seems to have been influenced by the foreign owner's higher or lower individualistic views.

#### **5.4.4 Masculinity-femininity**

Sweden is the country with the highest feminine culture (see Appendix 6). Switzerland and the USA are, in contradiction to Sweden, having a rather high masculinity level. A masculine country values assertiveness, competitiveness and materialism (Hofstede, 2001 cited in Dickson et al., 2003). According to the two interviewees in the American owned companies, assertiveness is noticed in the sense that they want to make money and set preset goals. Also the no respect of spare time in the USA can be seen as assertiveness. Hence, both American companies have noticed differences between the Swedish feminine culture and the American masculine culture. One of the interviewees stated that it in Sweden often is neglected that business is about making money. Moreover, several of the interviewees mentioned the importance of consensus when making decisions in Sweden, something which is not to the same extent apparent in other countries. This last argument is in accordance with Hofstede's research (Hofstede, 2001 cited in Dickson et al., 2003).

When considering the cultures within Europe (the Netherlands and Switzerland) there is a great difference in the femininity-masculinity level (see Appendix 6). The Netherlands has a quite low masculinity level whereas Switzerland has higher masculinity than the USA. Even though Switzerland is more of a masculine culture, the interviewee said that the owner company tries to establish agreements and common solutions instead of using a strict leadership, something which can be seen as a more feminine culture. According to the interviewee in Euro II, Dutch people generally are a bit tougher than Swedish people and consequences are taken place earlier. This is in line with Hofstede's research, since the Netherlands is more masculine than Sweden.

Also in Finland, the leadership style is more straight-forward and discussions are taken directly at meetings, not afterwards as in Sweden. This was the most apparent difference between the Swedish company and the Finnish owner according to the interviewee, something which is also in line with Hofstede as Finland is more masculine than Sweden.

All interviewees having an owner in a masculine (the USA or Switzerland) country have mentioned that female leaders most often have positions within marketing and personnel. Beside these two departments Amer I also mention the sales department. Further, Amer II means that Swedish female leaders do have other positions as well and that the amount of female leaders probably is larger in Sweden. This is in accordance with the theory, where The Economist (1995) cited in Bjerke (1998) (see section 2.6) claims that Scandinavian females have more well qualified and well paid works than in many other countries. How-

ever, the equality situation between men and women seem to be equally important in the USA as in Sweden if not more. According to the interviewees representing the American owned companies the issue is strictly regulated by laws. The interviewees in the European- and Scandinavian owned companies do not have many comments about the situation, more than the equality situation in the Swedish company is similar to the situation in the owner companies.

To summarize, it seems to exist differences between Sweden and the other countries studied in this thesis which is in line with the masculinity-femininity dimension. For example it seems like the managers in the other countries are more straight-forward and hence make decisions faster than is the case in Sweden. However, most of the interviewees seem to like this straight-forwardness. The differences have thus not meant any larger difficulties to handle and adapt to.

## **5.5 Communication**

For all of the interviewees, the situation of having a foreign owner includes using a foreign language. This is often the case when dealing with foreign cultures (Risberg, 1997). According to one of the interviewees, using another language constitutes a perceived difference; speaking Swedish make the relation sometimes feel 'closer'. In order to interact effectively with someone from a different culture it is necessary to predict how the other person is likely to behave and then choose an appropriate verbal and non-verbal message (Neuliep, 2000). This process should be more difficult when speaking another language, which in turn can explain the perceived difference of feeling less close. Besides being required to use another language, some of the interviewees have also mentioned that having a foreign owner may imply a longer distance, which in turn might have an effect on the decision making. A foreign owner could also mean more traveling.

## **5.6 Summarizing analysis of culture**

Schein (1985, 1992) cited in Walumbwa (2002) means that leadership and culture has to be understood in relation to each other. Further, Bass and Avolio (1993) cited in Walumbwa (2002) are talking about the ongoing process; that the leadership style is shaping the culture, and the culture in turn is shaping the leadership style. None of the interviewees feels like they have been forced to adapt or change their leadership style to a great extent in order to fit the parent company. In fact, only two of them have partly changed their leadership styles (Amer I and Euro I). The interviewee in Amer I has the same leadership style towards his subordinates, but he has a different style towards the owner company. The interviewee in Euro I has changed his style in situations where the communication between the company and the parent company is limited. The interviewee in Euro II declared that he has not changed his style but he has become more aware of it.

Evident from the analysis concerning the four dimensions of Hofstede, there do not exist any larger differences between the countries which affect the relations between the parent companies and subsidiaries. Smaller differences however do exist, but no differences have appeared to have a negative impact on neither the subsidiary nor the leader. Some differences have instead been regarded as positive, as for example the more straight-forward way of taken decisions which often is the case in the parent company. In fact, one of the interviewees regards himself to have a leadership style more similar to the (in this case) Finnish leadership style. As no larger differences seem to exist, there is no need for the leaders to adapt neither their leadership style in order to fit the parent company to any larger extent.

What have been mentioned though, are cultural aspects regarding the need to use another language. However, speaking another language seems not to have a direct influence on the leadership role or the leadership style.

In line with these findings, no one of the interviewees claim that they would rather have a Swedish owner. Since they do not seem to suffer by having a foreign owner there should not be any reasons to prefer a Swedish owner. For most of the interviewees the nationality of the owner company does not seem to matter, instead it is more a question of whether the owner has a long-term objective or not. However, one should remember that this question is of a more sensitive character which could imply that the interviewees do not tell the truth if the opposite stands true.

All of the interviewees however believe the situation with a parent company from another country than the current owner, may imply more cultural differences and also a more complicated situation. The differences may concern both different governing and control. Countries perceived as more difficult to work with were Germany, France, Italy, the USA, Asian countries, South-European countries and the Netherlands. This is interesting since the persons representing the USA and the Netherlands not have stated any essentially differences. However, one should take into consideration the fact that both persons representing the American companies have a lot of experience from working with Americans. This might play a role in how they perceive their situation.

## 6 Conclusion

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*This part of the study will present the conclusion based on the analysis. This will be done by answering the three questions stated in the problem discussion.*

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***What function does a foreign owned subsidiary in Sweden tend to have and how dependent is it on its owner?***

An acquired subsidiary in Sweden tends to have almost the same function when it is foreign owned as when it is Swedish owned. The majority of the foreign owned subsidiaries are using world mandate strategies, which means that they are responsible for running and managing their own businesses, instead of being managed from the headquarter. Moreover, it has been found that the subsidiaries tend to continue with their businesses in the same way as they did before they became foreign owned. In practice this means that they to a large extent are covering the same markets as before. The subsidiaries in other words tend to be rather independent from the parent companies. However, the subsidiaries which are a part of a matrix structure and thus more integrated in the group of companies are partly involved in the strategy making. However, even though the subsidiaries seem to be independent, they are facing some control from above and have to report to the foreign owner on a continuous basis. Some subsidiaries are working towards preset goals. Nevertheless, within the frames which are set up by the parent companies, the subsidiaries tend to have autonomy.

***What cultural differences does a manager face when having a foreign owner; do these cultural differences create any problems or difficulties?***

It has been found that managers who are working in foreign owned subsidiaries do not face any larger cultural differences. There is however some smaller differences as for example differences concerning the communication. The main difference concerning communication has to do with speaking a different language but also the distance to the owner plays a role; having a foreign owner implies less direct contact. Both the different language and the longer distance to the owner may increase the amount of misunderstandings. Nevertheless, these differences are not likely to create any larger difficulties. No differences have appeared to have any negative impact on the manager. Some differences have instead been regarded as positive, as for example the more straight-forward way of taken decisions. One reason for why more cultural differences do not occur, appear to be a result of that subsidiaries tend to be managed more or less independent from its owner.

***Is there a need to adapt the leadership style when having a foreign owner?***

As a consequence of few existing cultural differences, there are no major factors which a manager needs to adapt its leadership style to. Under some circumstances there might be a need to adapt the leadership style towards the parent company, but the leadership style towards the subordinates will on the other hand probably remain the same. In other words, having a foreign owner do not seems to have a direct influence on the managers' role and leadership style.

What has been stated in the conclusion is illustrated in figure 6-1 below.

Conclusion

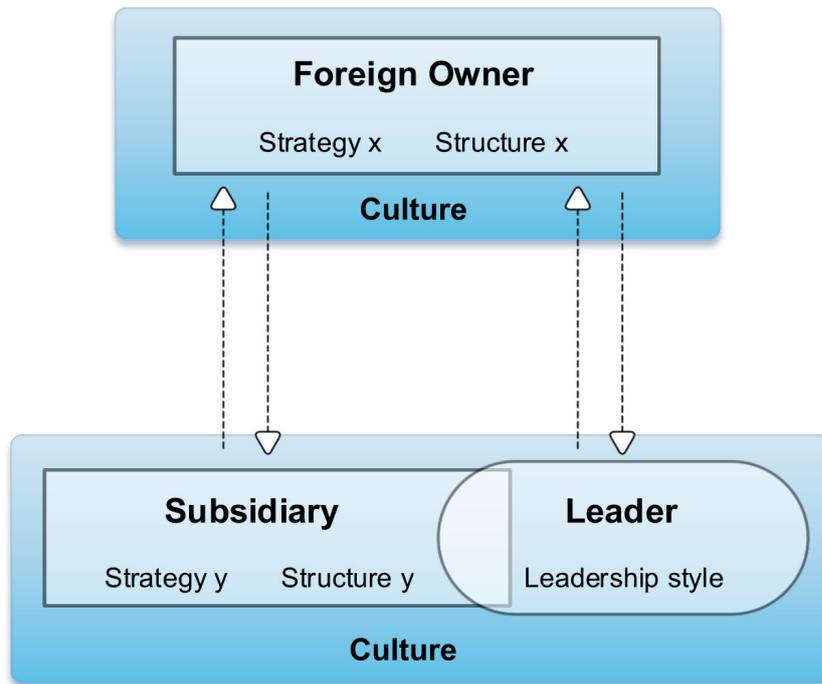


Figure 6-1 Concluding figure

## 7 Discussion

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*In this final chapter a discussion will be held about observations which not have a direct relation to the purpose of the study. Further, the authors give suggestions for further studies.*

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This study only concerns foreign owned subsidiaries which have been acquired; subsidiaries which once in a time have been Swedish. However, foreign owned firms can also take other forms, for example new establishment. The authors of this thesis believe that a study conducted on new established subsidiaries may have ended up with another result.

In an already existent company there already exists a company culture. Since company culture and culture in general is changing relatively slowly, it should be difficult for a parent company to have an influence on the culture in the acquired subsidiary. This is not the case in a new established company. In a new established subsidiary on the other hand, there does not exist any culture at first, the culture instead emerges gradually. As a new established subsidiary already from the beginning is an initiative of the parent company, it could mean that the parent company for that reason would have exercised more control. Moreover, the subsidiary in such situation probably would have been more reflected by the parent company's culture. In an acquired foreign company it might be the case that the parent company chooses to run the subsidiary independently in order to avoid culture clashes and dissatisfaction. Hence, having a foreign owner will not be noticeable.

With those arguments, it could be assumed that it in a new established subsidiary would have been more palpable that the parent company had a foreign origin. Moreover, it could have implied different conditions for leadership, compared with the conditions within an acquired foreign owned subsidiary. An argument against this statement can for example be the globalization process and the fact that countries become more alike.

Another aspect to consider is the fact that the parent companies in this study originate from countries which are rather similar to Sweden. If the study instead had been conducted on countries more different to Sweden, the result may have been different. Countries which are more dissimilar to Sweden are for example South American countries and Asian countries. These countries seldom acquiring Swedish firms, perhaps one reason might be due to apparent cultural differences. However, the economical situation for these countries should not be neglected; foreign direct investments in European countries are not that common among South American and Asian countries.

Except for the cultural aspects, it might be the case that other levels in the organization perceive the situation in a different way. As the managing director is the one who first receives new information, and also is the one who probably have most contact with the parent company, the view might be different from that of a person lower down in the organization.

### 7.1 Suggestions for further studies

Out from the discussion carried out above, suggestions for further studies are:

First, to carry out a study exploring the situation in another kind of foreign owned subsidiaries, for example new establishment.

Second, to study subsidiaries owned by companies from countries more dissimilar to Sweden than the countries studied in this thesis.

## Discussion

Third, to investigate the situation at other managerial levels than the top managerial level studied in this thesis and/or to investigate the employees' perspective of how it is to work within a foreign owned subsidiary.

Beside these suggestions it would also have been interesting to study the situation from the parent company's perspective.

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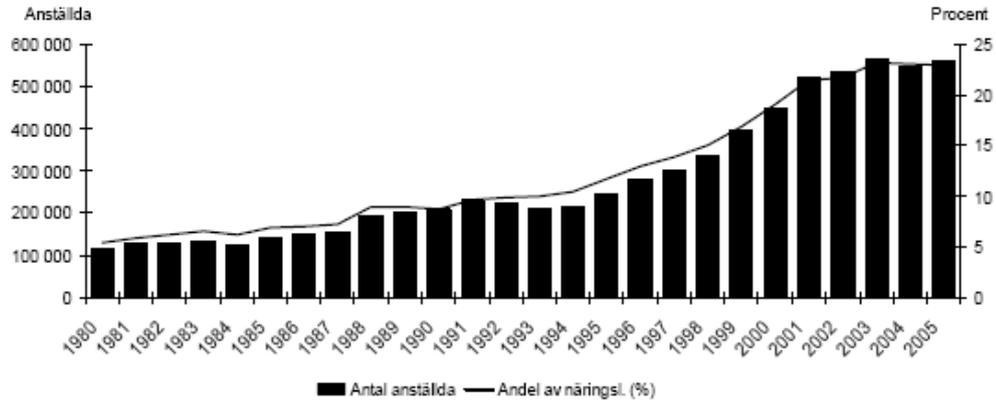
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## Appendix 1 The amount of employees working in foreign owned companies and its share of total amount of employees

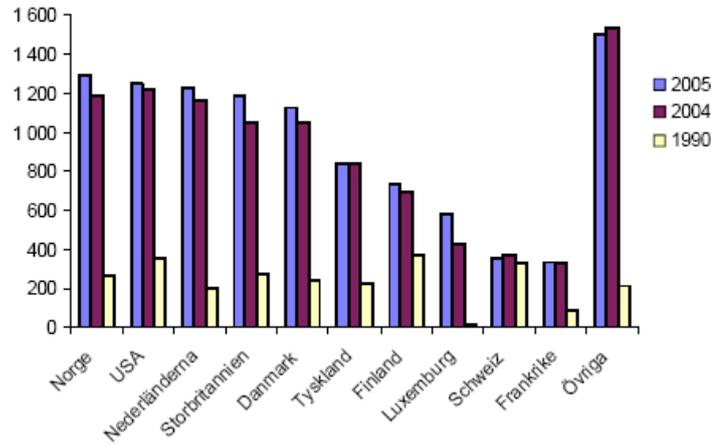
Figur 1 Antalet anställda i utlandsägda företag och deras andel av antalet anställda i näringslivet 1980-2005



ITPS (2006)

## Appendix 2 The Amount of foreign owned companies during the years 2005, 2004 and 1990

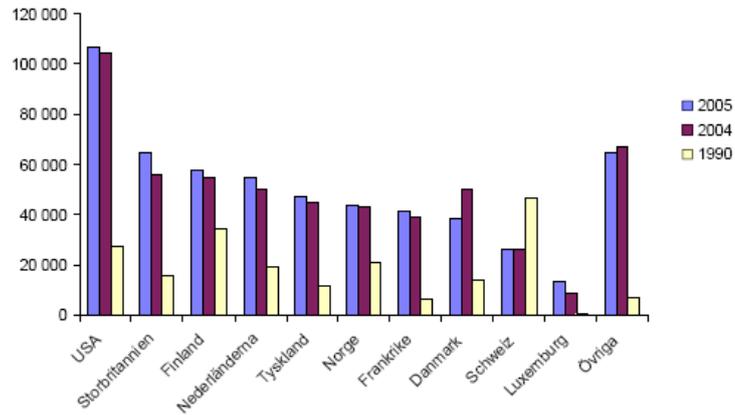
Figur 2 Antalet företag 2005, 2004 och 1990



ITPS (2006)

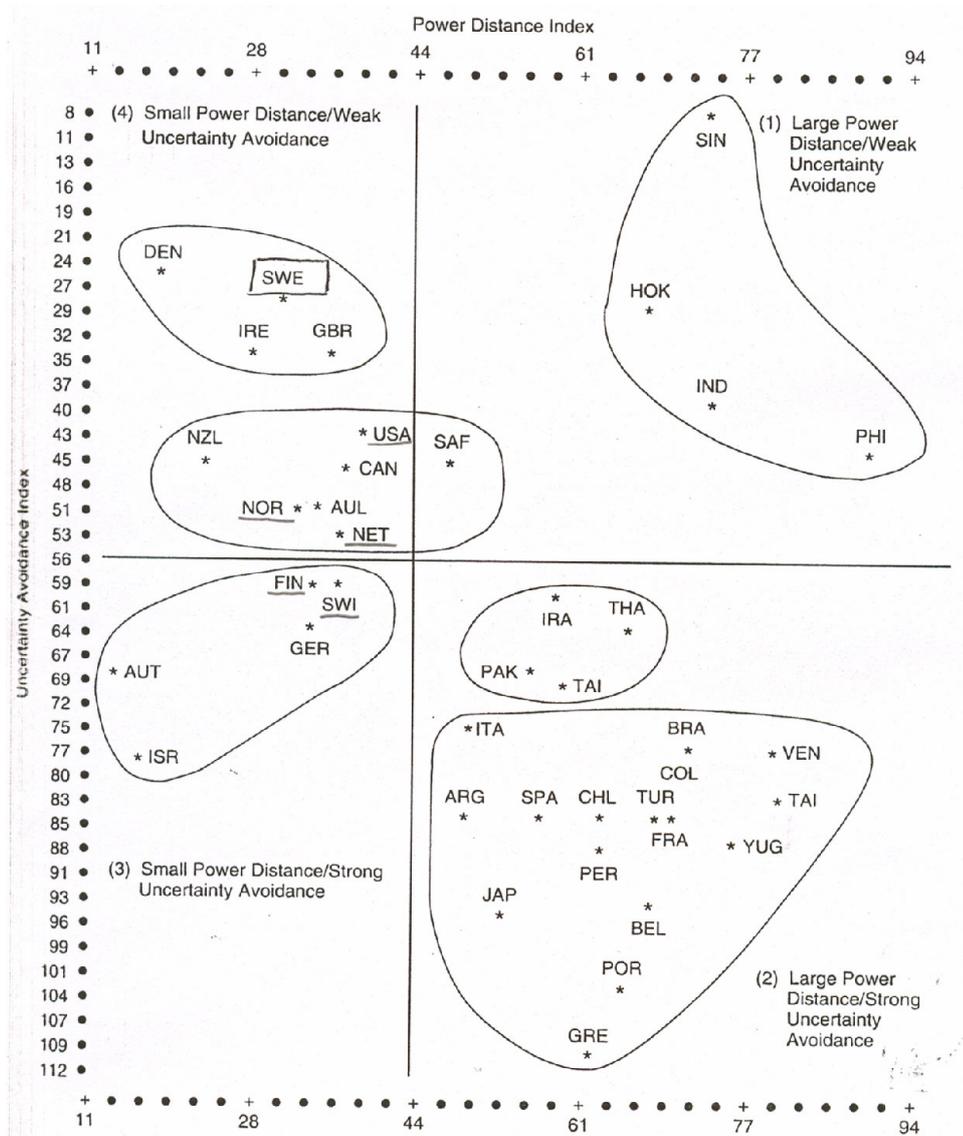
### Appendix 3 The amount of employees working within a foreign owned company 2005, 2004, 1990 divided by owner country

Figur 3 Antalet anställda i utlandsägda företag 2005, 2004 och 1990 efter ägarland



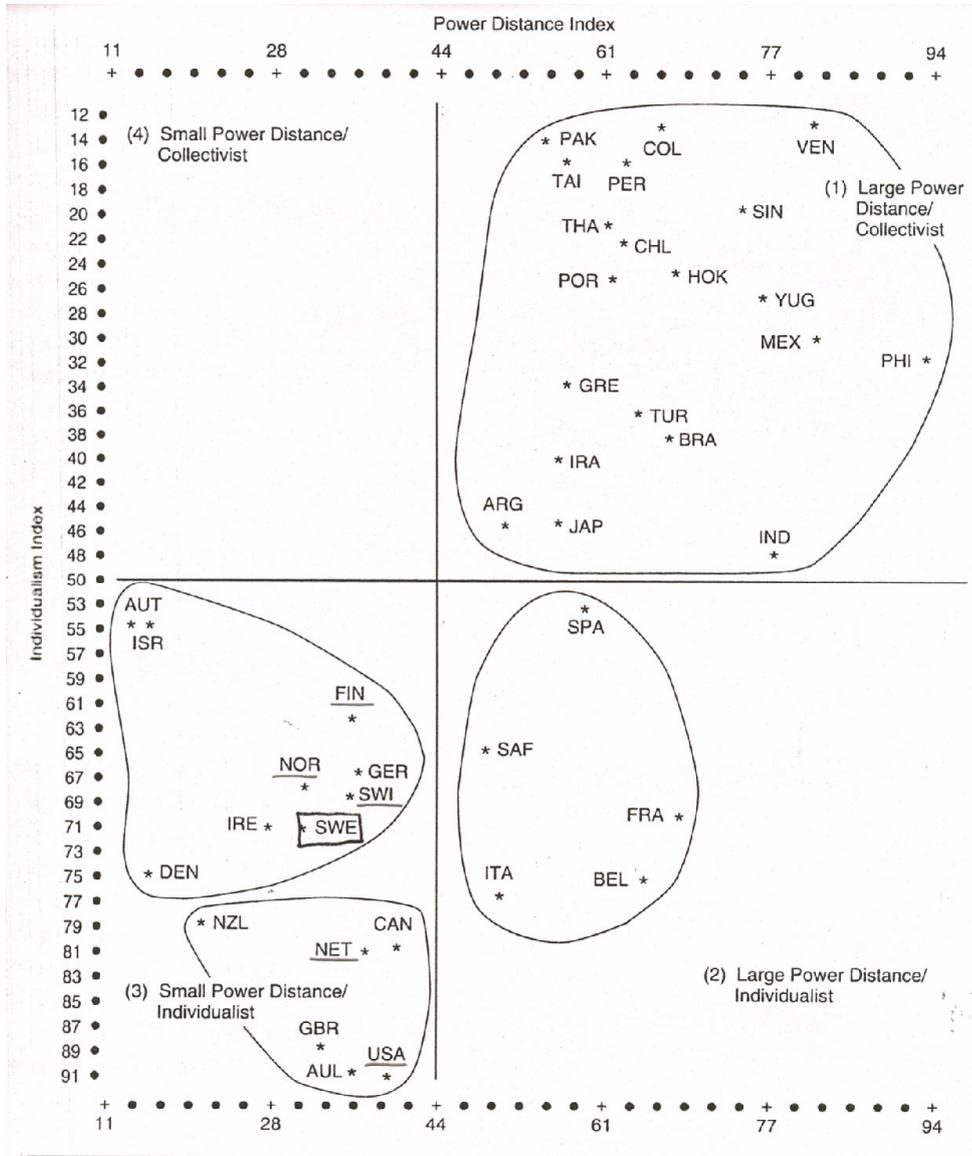
ITPS (2006)

## Appendix 4 Hofstede's cultural clusters: Power Distance versus Uncertainty Avoidance



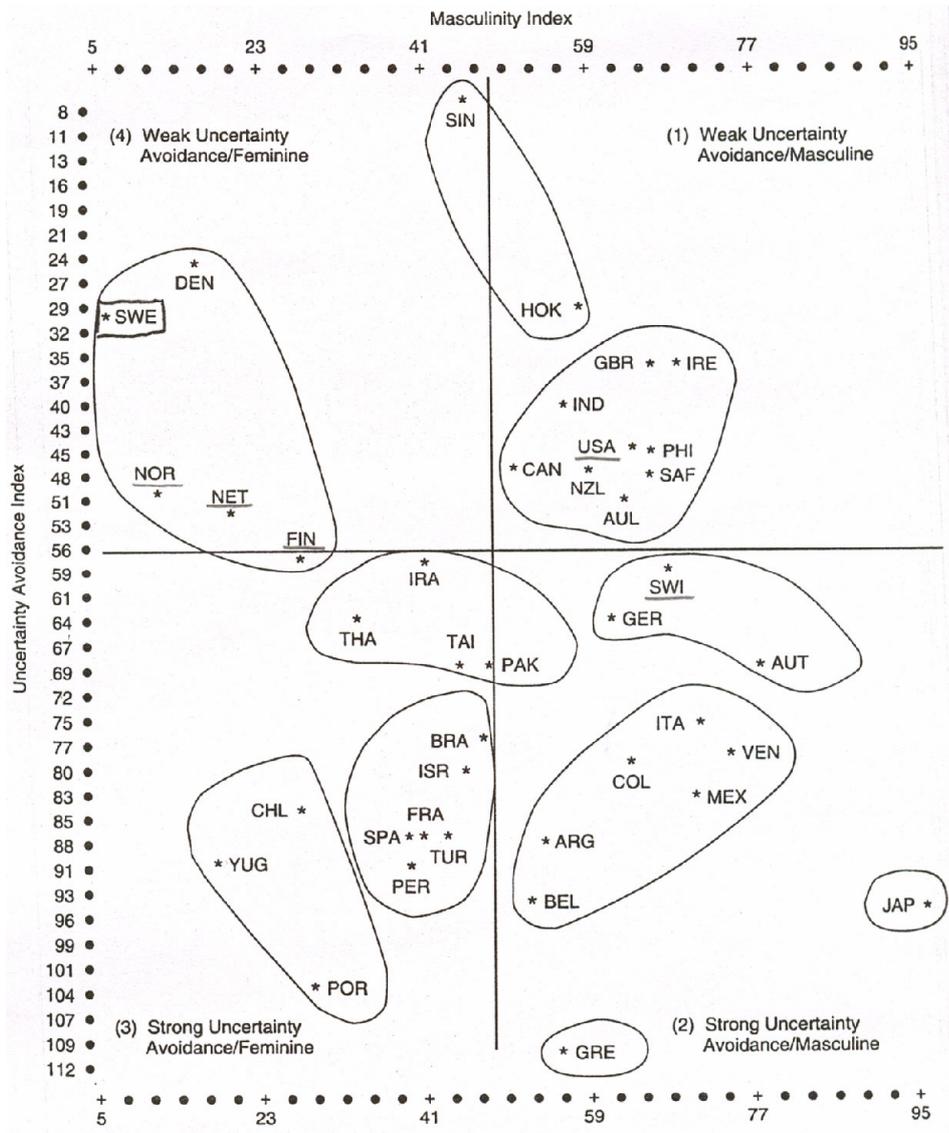
(Hofstede, 1980 cited in Gooderham & Nordhaug, 2003)

## Appendix 5 Hofstede's cultural clusters: Power Distance versus Individualism



(Hofstede, 1980 cited in Gooderham & Nordhaug, 2003)

## Appendix 6 Hofstede's cultural clusters: Masculinity-Femininity versus Uncertainty Avoidance



(Hofstede, 1980 cited in Gooderham & Nordhaug, 2003)

## Appendix 7 Intervjuguide- Svensk version

### Utlandsägt företag

1. Hur ser ägarstrukturen ut? Vilken nationalitet har ägarföretaget?
2. Hur blev företaget utlandsägt? Motiv?
3. Hur länge har företaget varit utlandsägt?
4. Vad hade företaget för inställning till att få en utländsk ägare? Positiv/negativ?
5. Hur många anställda har företaget i Sverige? Totalt i koncernen?

### Företagets förhållande till moderbolaget

6. Har företaget frihet att agera självständigt eller är det styrt uppifrån? Delegerar moderbolaget ut arbetsuppgifter och ansvar? Ser det i så fall likadant ut i samtliga funktioner i företaget? T.ex. vad delegeras i de olika funktionerna; inköp, marknadsföring, personalfrågor, lönesättning osv.
7. Vad fyller företaget för funktion i koncernen; vilken marknad täcker företaget?

### Om ledaren

8. Hur länge har du arbetet i företaget (som anställd/ledare)? (Före respektive efter utlandsägarskapet)
9. Vilken ledarroll har du i företaget?
10. Hur många underordnade har du?
11. Vilken utbildning har du? (högskoleutbildning, ledarskapskurser etc.).
12. Hur många års erfarenhet av ledarskap har du?
13. Har du några tidigare erfarenheter av att leda ett utlandsägt företag?
14. Har du tidigare erfarenheter av att leda ett svenskt företag?

### Ledarstil

15. Hur definierar du begreppet ledarskap?
16. Vilka ledaregenskaper anser du vara viktiga?
17. Hur arbetar du för att få de anställda att prestera så bra som möjligt? Hur motiverar du de anställda?
18. Hur får du dina anställda att arbeta mot ett uppsatt mål; ger du dem klara direktiv om hur de ska gå till väga eller får de fria händer?

### Kultur

19. Vilka kulturella skillnader förekommer mellan de två företagen? Vad skulle du vilja säga skiljer de två företagen mest åt, vad gäller ledarskap? Skiljer det sig inom olika funktioner i företaget; inköp, marknadsföring, personalfrågor, lönesättning etc?
20. Känner du att du har behövt anpassa din ledarskapsstil efter ägarföretaget? Hur?
21. Hur ser organisationsstrukturen ut? Är den decentraliserad eller hierarkisk? Har den anpassats/påverkats efter moderbolaget?
22. Utövar moderbolaget stor kontroll över företaget? Hur ser kraven ut på rapportering? Är det olika krav inom olika funktioner; inköp, marknadsföring, personalfrågor, lönesättning? Tror du att ett svenskt moderbolag hade utövat mindre kontroll?
23. Vad tror du driver de anställda? Arbetar de för företagets bästa eller har de mer individuella mål de vill uppnå?

## Appendices

24. Upplever du att synen på jämställdheten mellan män och kvinnor är likvärdig i de båda företagen? (Andel manliga kvinnliga chefer).
25. Vad anser du vara den största skillnaden i att arbeta som ledare i ett utlandsägt företag och ett svenskt företag? Skiljer sig arbetsuppgifterna åt?
26. Hur påverkas du av att ha en utländsk arbetsgivare? Skulle du hellre vilja ha en svensk arbetsgivare, varför?
27. Tror du att det hade varit någon skillnad om moderföretaget hade varit ett icke Europeiskt land/Europeiskt land?

## **Appendix 8 Interview guide- English version**

### **Foreign owned company**

1. How does the owner structure look like? What nationality has the owner company?
2. How did the company become foreign owned? What were the motives behind it?
3. For how long has the company been foreign owned?
4. What attitude had the company before the acquisition of a foreign owner? Was it considered as positive or negative?
5. How many employees are working within the company in Sweden? Totally in the company group?

### **The company's relation to the parent company**

6. Has the company got the freedom to act independently or is it governed from above? Does the parent company delegate work tasks and responsibility? Is the situation similar within different departments? (For example, what is delegated within the different departments; sales, purchase, marketing, human resources etc?)
7. What function does the company occupy in the company group; which market is served?

### **About the leader**

8. For how long have you been working in the company (as a leader)? (Before and after the foreign ownership)
9. Which leading position do you have?
10. How many subordinates do you have?
11. What education do you have? (University education, leadership courses)
12. How many years experience from leadership do you have?
13. Do you have previous experience from leading a foreign owned company?
14. Do you have previous experience from working as a leader in a Swedish company?

### **Leadership style**

15. How do you define leadership?
16. Which leadership characteristics (traits) do you consider as important?
17. How do you have your employees perform as good as possible? How do you motivate them?
18. How do you have your employees working towards a preset goal; do you give them clear directions or do you give them more freedom?

### **Culture**

19. What cultural differences do exist between the two companies? What is according to you the most evident difference regarding leadership? Are there any differences between the different departments in the company, for example; sales, purchase, marketing, human resources etc?
20. Have you been required to adapt your leadership style to better suit the owner company? How?
21. How does the organization structure look like? Is it centralized or decentralized? Has the structure been adjusted/ influenced by the parent company?

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22. Does the parent company exercise control over the company? How does the demands on reporting looks like? Are there different demands present within different departments; for example sales, purchase, marketing and human resources? Do you believe a Swedish parent company would have exercised less control?
23. Do you experience the employees as working for the company's best or for their own best?
24. How do you experience the equality between men and women? Is the situation similar in the parent company?
25. What is the main difference you face when working as a leader in a foreign owned company and a Swedish owned company? Are the tasks different?
26. Are you affected by having a foreign employer? Would you rather have a Swedish employer? Why?
27. Do you believe it would have been a difference if the parent company had had its origin in a European country/Non-European country?

## **Appendix 9 Interview information**

### **Interviewee - Scand I**

The Managing Director was interviewed 2007-04-25. The interview lasted for 45 minutes and was conducted by telephone.

### **Interviewee - Scand II**

The Production Manager was interviewed 2007-04-23. The interview lasted for 30 minutes and was conducted by telephone.

### **Interviewee – Amer I**

The Managing Director was interviewed 2007-04-20. The interview lasted for 40 minutes and was conducted by telephone.

### **Interviewee – Amer II**

The Managing Director was interviewed 2007-04-19. The interview lasted for 45 minutes and was conducted by telephone.

### **Interviewee – Euro I**

The Administrative Manager was interviewed 2007-04-24. The interview lasted for 25 minutes and was conducted by telephone.

### **Interviewee – Euro II**

The Administrative Manager was interviewed 2007-04-15. The interview lasted for 24 minutes and was conducted by telephone.