COMMON FACTORS BETWEEN SWEDISH AND CHINESE ENTREPRENEURIAL LEADERSHIP STYLES

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Abstract

This paper includes a comparative study of the entrepreneurial leadership of both Sweden and China, taking into consideration such factors as their political and economic history, leadership styles, and regulatory changes. It will conclude with an analysis of the factors that both entrepreneur leadership styles have in common, as well as substantial differences between fundamental approaches to business development.
Introduction

In recent years, researchers have contributed different causes as responsible for the success of a country’s economic system, and as a result, differing models for economic growth suggest multiple possible paths for success. Two countries of notable global success, attributable to each of its entrepreneurial leadership skills, are Sweden and China. The world is changing fast, and China is now an important part of the global economy. However, cooperation in Europe is growing closer and broader. Sweden is a small nation with a history of major success on the global market, success that has been attributable to the Swedish business sector’s strong position and skilled company leaders. This paper will offer a comparative study of the entrepreneurial leadership of both Sweden and China, taking into consideration such factors as their political and economic history, leadership styles, and regulatory changes. It will conclude with an analysis of the factors that both entrepreneur leadership styles have in common.

The fact that entrepreneurship is a catalyst for economic growth and development is well known. Small businesses in the United States, for example, account for 58% of the private work force, 51% of GNP and about 75% of net new jobs (Asel, 2003). Entrepreneurship is even more important to the growth of developing economies where small businesses frequently account for 80% or more of employment and virtually all job growth (Asel, 2003). Differing economic, cultural and political circumstances abroad also suggest the need for a better understanding of entrepreneurship with a local context (Asel, 2003). Fortunately, the ability to study entrepreneurship abroad is expanding rapidly as a result of the emergence of global private equity markets and microfinance. International entrepreneurship spans cultural boundaries and involves a variety of stakeholders, including the entrepreneur, investors and policy makers (Asel, 2003).

Entrepreneurs operate at the margins of the economy exploiting opportunities overlooked by incumbents. They innovate to develop promising, but untested markets and flexibly managing scarce resources in an uncertain, often unforgiving environment (Asel, 2003). International entrepreneurship thus offers a rich tapestry to explore many of the issues that are at the heart of business strategy and economic development (Asel, 2003). Companies play a key role with regard to achieving long-term sustainable development based on economic growth, environmental considerations and social commitment. Finally, an economically thriving society with low inflation creates an important base for business growth.

Entrepreneurial Leadership

Entrepreneurial leadership is leadership that is based on the attitude that the leader is self-employed. Leaders of this type take initiative and act as if they are playing a critical role in the organization and energize their people, demonstrate entrepreneurial creativity, search continuously for new opportunities and pursue them, take risk, venture into new areas and provide strategic direction and inspiration to their people (Kotelnikov, 2005). These leaders also take responsibility for the failures of their team, learn from these failures and use them as a step to ultimate success and strategic achievement. Entrepreneurial leadership involves instilling the confidence to think, behave and act with entrepreneurship in the interests of fully realizing the intended purpose of the organization to the beneficial growth of all stakeholders involved (Kotelnikov, 2005). In the new era of rapid...
changes and knowledge-based enterprises, managerial work becomes increasingly a leadership task. Leadership is the primary force behind successful change, as leaders empower employees to act on the vision (Kotelnikov, 2005). They execute through inspiration and develop implementation capacity networks through a complex web of aligned relationships (Kotelnikov, 2005).

Venture values are different from established corporate shared values. Research indicates that entrepreneurial independence demands space for action and trust, while independence in a corporation implies responsibility and control imposed from above (Kotelnikov, 2005). Entrepreneurship is important because any country’s economy demands agility, experimentation, adaptation, and rapid response in order to be first to market. Corporate experimentation comprises analysis, review, somber consideration of facts, and willingness sacrifice speed for thoroughness (Kotelnikov, 2005). Entrepreneurial paranoia, or the impending belief that competitors are catching up, is overshadowed by an essential need to build corporate consensus and minimize perceived risk (Kotelnikov, 2005). Entrepreneurial leadership skills are important because leading innovation is a delicate and challenging process.

As a result, a true leader must encourage expansive thinking in order to generate new ideas, but also filter through these ideas to decide which to commercialize. “Loose tight” leadership alternates the creation of space for idea generation and free exploration with a deliberate tightening that selects and tests specific ideas for further investment and development (Kotelnikov, 2005). Looseness usually dominates the early stages of the innovation process; in the later stages, tightening becomes more important to scrutinize the concepts and bring the selected ones to the market (Kotelnikov, 2005). Those who remain loose too long generate plenty of ideas but have difficulty commercializing them. Those who lock into the tight mode choke off all but most obvious ideas, thus confining innovation to incremental line extensions of existing products that add little value (Kotelnikov, 2005).

An examination of the literature regarding entrepreneurial leadership reveals that creativity is a continuous activity for the entrepreneur, a method of always seeing new ways of doing things with little concern for how difficult they might be or whether the resources are available. But the creativity in the entrepreneur is combine with the ability to innovate, to take the idea and make it work in practice (Kotelnikov, 2005). This seeing something through to the end and not being satisfied until all is accomplished is a central motivation for the entrepreneur. Indeed once the project is accomplished the entrepreneur seeks another mountain to climb because for him or her creativity and innovation are habitual, something that he or she just has to keep on doing (Kotelnikov, 2005).

An “entrepreneur” has been defined as a person who habitually creates and innovates to build something of recognized value around perceived opportunities (Kotelnikov, 2005). The best entrepreneurs have the ability to devise new combinations dependent on their ability to discern relationships between seemingly disparate items. In other words, creativity is the juxtaposition of ideas which were previously thought to be unrelated, and it is the entrepreneurs ability to combine ideas in a unique way or to make useful associations among ideas. Entrepreneurial leadership includes creating an atmosphere where you and others are comfortable expressing new ideas, an atmosphere where ideas are not immediately evaluated and attacked (Kotelnikov, 2005).
The term “entrepreneur” is originally a French word – *entreprendre* – that means to undertake (Mamede & Davidsson, 2003). According to Casson (1987), it seems to have been introduced into economics by Richard Cantillon in 1755. It was through J.B. Shay in the early 1980’s that the expression became recognized, referring to a person who shifted economic resources out an area of lower and into an area of higher productivity and greater yield (Mamede & Davidsson, 2003). The term “entrepreneurship” was coined in the early 1900’s, to refer to the actions conducted by the entrepreneur. Wennekers, Thurik and Buis (1997), defined entrepreneurship, for research purposes, as the ability and willingness of individuals, both on their own and within organizations: to perceive and create new economic opportunities (new products, new production methods, new organized schemes and new product market combinations); to introduce new ideas in the market, in the face of uncertainty and other obstacles, by making decisions on location, form and the use of resources and institutions; and compete with others for a share of the market.

Entrepreneurial Research and Development and Economic Growth

Although economic growth and development have similar meanings and are sometimes treated interchangeably, there are some distinctions that should be considered. While economic growth mainly refers to the capacity of a nation to become wealthier through the production of more goods and services, economic development ultimately implies that citizens of that nation be better off (Mamede & Davidsson, 2003). Saemundson and Kirchhoff (2002) define economic growth and development as an expression frequently used to refer to improvement in social well being within nations. In economic terms, development has traditionally denoted the capacity of a country, whose initial economic situation has been relatively static for a long time, to generate and maintain growth rates on the order of 5% to 7% or more of its gross national product (Todaro and Smith, 2003). According to Todaro and Smith (2003), before the 1970’s, development was normally seen as an economic phenomenon in which rapid increase in the gross national product would trickle down to the population in the form of jobs or other economic opportunities or at least generate the proper conditions for the distribution of the economical and social benefits of growth.

Though different perceptions regarding the concept may exist, the traditional economic vision of development was reconsidered during the 1970’s (Mamede & Davidsson, 2003). The experience of developing nations during the 1950’s and 1960’s, in which the realization of economic growth targets did not mean improvement in the levels of living of their population, indicated that the existing definition of the term was not adequate (Mamede & Davidsson, 2003). As a result, economic development was redefined in terms of reduction or elimination of poverty, inequality, and unemployment within the perspective of a growing economy (Mamede & Davidsson, 2003).

Research indicates that entrepreneurship can be both the cause and effect of economic development in the sense of wealth distribution. Countries in which wealth is concentrated in the hands of a small fraction of the population face greater difficulties in coordinating the major components of progress (Mamede & Davidsson, 2003). These three components are labor, capital, resources and innovation. According to Mamede and Davidsson (2003), considering
that the three driving forces of entrepreneurial success - founders, opportunity recognition, and resource requirements – are more likely to occur in a combined way, there are better chances to prosper in regions in which wealth is more equitably distributed. These researchers have also observed that members of such societies are in a more favorable condition to get involved in entrepreneurial endeavors.

National and international research and development and innovation policies are being improved around the world, in order to increase economic growth and achieve higher living standards (Erskine, 2003). Understanding of the drivers of technological progress and the key factors that underlie successful research and development and innovation is intensifying (Erskine, 2003). A review of a large number of studies that assess the factors that have helped drive successful research and development and innovation in countries that are research and development and innovation leaders confirms a few general conclusions. First, it is very difficult to determine exactly what underlies a successful national research and development effort, and it is easy to conclude that everything depends on everything else, but it is clear that innovation systems and processes must be considered, not just specific technical issues with the promotion of research and development (Erskine, 2003). Culture, and in particular an entrepreneurial spirit and a willingness to risk and experience failure, is vital to innovation (Erskine, 2003).

Research indicates that it is still unknown how to change a nation’s culture, but all the available evidence confirms that incentives that reward particular behavior do tend to have results and that education in processes not well understood. Private expenditure on research and development in any country will be insufficient to maximize the nation’s productivity potential, unless it is subsidized, either through taxes or grants or some other mechanism (Erskine, 2003). International studies suggest that the social return for such subsidization is high. Research and development expenditures are likely to have a greater commercial impact if aggregate these funds are allocated with commercialization potential as a key criterion (Erskine, 2003). This is best fulfilled through competitive and market-driven or industry-driven mechanisms for allocating research and development funds (Erskine, 2003). Research indicates that education, tax and immigration policies that ensure availability of skilled and motivated labor are a feature of almost all the leading countries. A review of the literature reveals that the pace and intensity of global innovation is accelerating and that all the international evidence is that leadership from the top can make a critical difference.

Difficulties faced by poor countries, wherein low average income is a limiting factor of savings and investments, tend to reinforce each other in what is known as the vicious cycle of poverty, in which low savings and investment is followed by low pace of capital formation, that results in low levels of productivity, which does not all lead to improvements in the levels of average incomes (Mamede & Davidsson, 2003). The consequences of such cycles, usually worsened by significant inequalities in the distribution of wealth, negatively impact the level of entrepreneurial activity of a nation or region (Mamede & Davidsson, 2003). Baumol (1993) argues that even if entrepreneurs are not in complete control of their economic destiny, they influence its direction as few others are able to do. Baumol (2003) also sees the entrepreneur as responsible for a significant amount of historic growth of modern society. Baumol (2003) sees the entrepreneurial talent and
motivational mechanisms of entrepreneurial activity as one of the main explanations for the successful growth of some economies in contrast with others.

Studies have been conducted to assess what the international best practices are, in order to identify the key factors in each of the countries that are critical for that success. It is now well accepted that innovation and research and development are positively associated with productivity growth. Research and development provides an important contribution to output and total factor productivity growth (Erskine, 2003). The empirical evidence typically shows that a 1% increase in the stock of research and development leads to a rise in output of 0.05–0.15% (Erskine, 2003). There is also evidence that research and development may play a different role in small and large economies (Griffith et al., 1998). In smaller economies, it primarily serves to facilitate technology transfer from abroad. The belief that less advanced countries would catch up with the technological world leaders as technological knowledge is diffused or transferred through the world has been severely shaken over the past decade by a widening in the productivity gap between countries (Erskine, 2003).

The opportunities for wealth creation in and the increasing economic importance of ‘knowledge-based’ industries has heightened the need to understand the processes underlying technological progress (Erskine, 2003). Firms, industries and countries are now engaged in very direct competition to produce technological progress, to create wealth, jobs and human and social well-being. Innovation and research and development have become vital activities in an increasingly knowledge-based world (Erskine, 2003). No country leads in every sphere of innovation, but some dominate in particular industries. Research indicates that considering research and development, the USA is the global leader; the UK also ranks highly, as a recent success in biotechnology leadership and because of its relevance to the development of Australia’s education system and legal framework (Erskine, 2003). Other countries of interest would most likely include Singapore, South Korea and Taiwan, and even perhaps China, where research and development effort is intensifying most rapidly and the policy framework is developing the fastest (Erskine, 2003).

The question of whether east Asia can compete in global markets has recently been evaluated in a 2002 World Bank report. According to the report, the factors that determine whether or not countries such as China can compete include the building of research and development capital; the business environment, including ease of entry by firms, level of competition, and protection of intellectual property; and the effectiveness of the education system in producing an adequate supply of skilled and technical workers; the links among businesses, universities, and public and private research institutes that stimulate innovation and its commercialization (Yusuf & Evenett, 2002).

Also included among the factors are the interaction among firms and agglomeration economies in industrial clusters; the extent of technology generation and absorption by firms through their own research and development, licensing, assistance from lynchpin buyers in a production network, new equipment purchases, and support from equipment or component suppliers; the degree of access to an international pool of professionals and to centers of excellence in East Asia and the West; and the development status of production networking, supply chain management, and logistics (Erskine, 2003).
According to Stern et al. (2000), innovative capacity depends on the overall technological sophistication of an economy and its labor force, but also on an array of investments and policy choices by both government and the private sector. Innovative capacity is related to but distinct from non-commercial scientific and technical advances, which do not necessarily involve the economic application of new technology (Stern et al., 2000). Differences in national innovative capacity reflect variation in both economic geography and innovation policy.

Other researchers have examined finance and its influence on economic growth and technical progress, concluding that the fundamental financing problem for firms undertaking research and development is uncertainty over the outcome of the research and development. The firm and any financier suffer from a significant information asymmetry about the prospects for future income flows, and typically a financier will be unwilling to accept research and development as collateral to a debt (Hall, 2002). Equity finance is thus an imperative for research and development conducting firms. According to Hall (2002), this is an obvious limitation in economies with poor markets for venture capital. Finance and access to finance have become more important determinants of research and development effort as international capital has become more mobile across borders and as “research and development costs per invention” have increased (Hall, 2002).

Evidence on the “funding gap” for research and development has been surveyed, with a focus on financial market reasons for underinvestment in research and development that persist even in the absence of externality-induced underinvestment (Hall, 2002). The conclusions are: 1) small and new innovative firms experience high costs of capital that are only partly mitigated by the presence of venture capital; 2) evidence for high costs of R&D capital for large firms is mixed, although these firms do prefer internal funds for financing these investments; 3) there are limits to venture capital as a solution to the funding gap, especially in countries where public equity markets are not highly developed; and 4) further study of governmental seed capital and subsidy programs using quasi-experimental methods is warranted (Hall, 2002).

**Leadership Studies and Analysis**

Since its introduction over twenty years ago, charismatic leadership has been strongly emphasized in the US management literature (Bass, 1985; House, 1977; Shamir, House & Arthur, 1993). The benefits of charismatic or transformational leadership are thought to include broadening and elevating the interests of followers, generating awareness and acceptance among the followers of the purposes and mission of the group, and motivating followers to go beyond their self-interests for the good of the group and the organization (Bass, 1985). Charismatic or transformational leaders articulate a realistic vision of the future that can be shared, stimulate subordinates intellectually, and pay attention to the differences among the subordinates. Tichy and Devanna (1990) highlight the transforming effect these leaders can have on organizations as well as on individuals. By defining the need for change, creating new visions, and mobilizing commitment to these visions, leaders can ultimately transform organizations (Hartog et al., 1999).

According to Bass (1985) the transformation of followers can be achieved by raising the awareness of the importance and value of desired outcomes, getting followers to transcend their own self-interests and altering or expanding
followers’ needs. Bass (1985) defined the transactional leader as one who: recognizes what followers want to get from their work and tries to see that followers get what they desire if their performance warrants it; exchanges rewards for appropriate levels of effort; and responds to followers’ self-interests as long as they are getting the job done. Numerous research studies have been conducted in this area, and, collectively, the empirical findings demonstrate that leaders described as charismatic, transformational, or visionary have positive effects on their organizations and followers, with effect sizes ranging from .35 to .50 for organizational performance effects, and from .40 to .80 for effects on follower satisfaction, commitment, and organizational identification (Fiol et al., 1999).

Studies have been carried out in many different countries, and research in this area also shows that transformational leadership is closer to perceptions of ideal leadership than transactional leadership. As Lord and Maher (1991) note, being perceived as a leader is a prerequisite for being able to go beyond a formal role in influencing others. They hold that leadership perceptions can be based on two alternative processes. First, leadership can be inferred from outcomes of salient events, and attribution is crucial in these inference-based processes (Lord & Maher, 1991). For example, a successful business ‘turnaround’ is often quickly attributed to the high quality ‘leadership’ of top executives or the CEO (Hartog et al., 1999). Leadership can also be recognized based on the fit between an observed person’s characteristics with the perceivers’ implicit ideas of what ‘leaders’ are (Hartog et al., 1999).

Cultural groups may vary in their conceptions of the most important characteristics of effective leadership. As such, different leadership prototypes would be expected to occur naturally in societies that have differing cultural profiles (Bass, 1990a; Hofstede 1993). Historical research indicates that in some cultures, one might need to take strong decisive action in order to be seen as a leader, whereas in other cultures consultation may be a better approach. Additionally, the evaluation and meaning of many leader behaviors and characteristics may also strongly vary in different cultures. In a culture that endorses an authoritarian style, leader sensitivity might be interpreted as weak, whereas in cultures endorsing a more nurturing style, the same sensitivity is likely to prove essential for effective leadership (Hartog et al., 1999).

Research indicates that leadership exists in all societies and is essential to the functioning of organizations within societies (Wren, 1995). Because individuals have their own ideas about the nature of leaders and leadership, they develop idiosyncratic theories of leadership. As such, an individual’s implicit leadership theory refers to beliefs held about how leaders behave in general and what is expected of them. This type of attribution process provides a basis for social power and influence (Lord & Maher, 1991). In recent years, decision-making models in business organizations have emerged as a significant factor in the determination of the organization’s success or failure. Organizations require that individuals carry out job assignments dependably, make creative suggestions, and carry out self-training (Katz, 1958). However, the organization does not obtain all these behaviors simply through hiring the employee.

Research has noted the distinction between membership and decision making behaviors required by organizations and the quite different sources of these behaviors. In one such study, the motivation to acquire and keep organizational membership from
productivity was distinguished (March & Simon, 1958). Membership motivation results from a favorable inducements-contributions balance. Employees must perceive a continuing favorable balance if they are to remain members. The motivation to perform represents a much more complex psychological contract between the individual and the organization involving perceived alternatives, perceived consequences of these alternatives, and individual goals (March & Simon, 1958). Organizations have no choice but to provide membership motivation if they wish to remain organizations.

Process or theories explain the operation of motivation, or the factors that influence an individual to choose one action rather than another. Process theories are subdivided into cognitive and non-cognitive approaches. Cognitive theories see behavior as involving some mental process. Non-cognitive theories see behavior as caused by environmental contingencies. The major cognitive theories are equity theory, goal-setting theory, and expectancy theory. All of them focus on perceptions of the outcomes that flow from behavior.

Equity theory suggests that motivated behavior is a form of exchange in which individuals employ an internal balance sheet in determining what to do. It predicts that people will choose the alternative they perceive as fair. The components of equity theory are inputs, outcomes, comparisons, and results. Inputs are the attributes the individual brings to the situation and the activities required. Outcomes are what the individual receives from the situation. The comparisons are between the ratio of outcomes to inputs and some standard. Results are the behaviors and attitudes that flow from the comparison, but other standards of comparison, including oneself in a previous situation, seem equally probable (Adams, 1965).

Goals setting theories argue that employees set goals and that organizations can influence work behavior by influencing these goals. The major concepts in the theory are intentions, performance standards, goal acceptance, and the effort expended. These concepts are assumed to be the motivation. Participation in goal setting should increase commitment and acceptance. Individual goal setting should be more effective than group goals because it is the impact of goals on intentions that is important. In goal-setting theory the crucial factor is the goal. Tests of the theory show that using goals leads to higher performance than situations without goals, and that difficult goals lead to better performance than easy ones (Mitchell, 1979). Although participation in goal setting may increase satisfaction, it does not always lead to higher performance.

Expectancy theory supports the contention that people choose the behavior they believe will maximize their payoff. It states that people look at various actions and choose the one they believe is most likely to lead to the rewards they want the most. The elements in the theory are expectancies that certain outcomes will occur and the anticipated satisfaction of those outcomes. Although the formal elements are expectancies and valences, in most formulations expectations are divided into two types: expectancy, or the expectation that effort will lead to performance, and instrumentality, or the expectation that performance will lead to reward.

Expectancy theory has been tested extensively. The usual approach is to obtain expectancies, instrumentals, and valences by questionnaire or interview and to relate these responses to self-reported or measured choices, such as occupational choice, job satisfaction, effort, or performance (Mitchell,
1980). It has been found that expectancy theory can do an excellent job of predicting occupational choice and job satisfaction and a moderately good job of predicting effort on the job. Expectancy theory implies that the anticipation of rewards is important as well as the perceived contingency between the behaviors desired by the organization and the desired rewards. The theory also implies that since different people desire different rewards, organizations should try to match rewards with what employees want.

Although these implications suggest that following the requirements of expectancy theory will lead to performance motivation in organizations, organizations should be aware of possible difficulties. Employees may not believe that good performance does in fact lead to more desired rewards, and convincing them may require more changes than the organization is prepared to make. Poor selection and training of employees, for example, even with maximum effort, results in poor performance. Finally, it should be noted that the components of decision-making models are beliefs that require a good deal of information and a rather complex cognitive process in determining action. Some employee groups do want the rewards the organization has to offer, do want to believe that greater effort results in improved performance, and do want to believe that better performance leads to greater rewards.

The way in which the social environment is interpreted is strongly influenced by the cultural background of the perceiver. This implies that the attributes that are seen as characteristic or prototypical for leaders may also strongly vary in different cultures (Hartog, et.al., 1999). Hunt, Boal and Sorenson(1990) propose that societal culture has an important impact on the development of superordinate category prototypes and implicit leadership theories. They hold that values and ideologies act as a determinant of culture specific superordinate prototypes, dependent on their strength.

The research in this area mentions three elements attributable to the leadership styles of different cultures; a stress on market processes, a stress on the individual, and a focus on managers rather than workers. As a result there is a growing awareness of need for a better understanding of the way in which leadership is enacted in various cultures and a need for an empirically grounded theory to explain differential leader behavior and effectiveness across cultures (House, 1995). Culture profiles derived from Hofstede’s theoretical dimensions of cultures, yield many hypotheses regarding cross-cultural differences in leadership. Hofstede’s dimensions of culture are: uncertainty avoidance, power distance, masculinity-femininity, individualism-collectivism, and future orientation. High uncertainty avoidance cultures, with the resulting emphasis on rules, procedures and traditions may place demands on leaders not expected in low uncertainty avoidance cultures (Hartog et.al., 1999).

According to Hofstede, innovative behaviors may therefore be expected in low uncertainty avoidance cultures. Cultures that are more masculine are probably more tolerant of strong, directive leaders than feminine cultures, where a preference for more consultative, considerate leaders appears likely (Hartog et.al., 1999). Research indicates that preferences for a low power distance in societies could result in other desired leader attributes than a preference for high power distance (Hartog et.al., 1999). Other research indicates that managers in high power distance countries report more use of rules and procedures than do managers from low power distance countries. The most cited study, by Gerstner and Day (1994) focused on cross-cultural
comparisons of leadership prototypes. In this study, respondents completed a questionnaire asking them to assign prototypically ratings to 59 leadership attributes. Comparing the ratings from a sample of American students (n=35) to small samples (n= between 10 and 22) of foreign students from 7 countries, they found that the traits considered to be most, moderately or least characteristic of business leaders varied by respondents country or culture of origin. However, this study has several limitations; small sample sizes, student samples, only foreign students currently in the US to represent other cultures in the sample, and employing a not cross-culturally validated English-language trait-rating instrument (Hartog et.al., 1999). Despite these limitations, presenting conservative biases, reliable differences in leadership perceptions of members of various countries were found.

A new study, focusing on the entrepreneurial leadership characteristics of Sweden and China, would no doubt be useful, because sampling is a problematic issue in cross-cultural studies. As has been noted in cross cultural research, using national borders as cultural boundaries may not be appropriate in countries that have large subcultures (Hartog, et.al., 1999). In large, multi-cultural countries such as China it is not even clear which sample would be most representative. As a result, the samples from all countries need to be relatively homogeneous within countries. An ideal sample would consist of representatives from the financial industry, food industry, and telecommunication industry. These industries are fairly universal and thus, such organizations could be identified in participating countries. Additionally, these industries differ in terms of the rate of change typically experienced.

The proposed study would consist of interviews with Swedish and Chinese entrepreneurs being asked the following questions. The model consists of 5 roles with two to three competencies each with questions. A random sample of the questions to be asked are as follows:

1. Designing (Developing executable business models)
   a. Recognizing opportunities for value creation
      fけば I anticipate the future course of events
      fけば I understand needs of other people, social groups and organizations
      fけば I have an ability to see the forest through the trees
      fければ I see possibilities of combining different products, services, or technology to create new value
      fければ I successfully identify alternative uses for different products, services, or technologies fければ I differentiate between executable and non-executable opportunities
   b. Turning ideas into specific action plans
      fければ I understand the economics of the business
      fければ I understand what is needed to make a business successful
      fければ I have a long-term view
      fければ I recognize risks and plan how to mitigate them
      fければ I convert business vision into specific plans which can be realized
      fければ I break big projects into smaller pieces of manageable size
   1c. Developing a clear and convincing vision for the venture
      fければ I set and communicate a clear direction for the venture
      fければ I consider the whole situation rather than details only
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2. Assembling (assembling stakeholders and resources into a performing organization)

a. Creating performing organizations and teams

I set clear and challenging performance and behavior standards and goals
I identify required competencies and find people who possess them
I integrate people with different backgrounds into a cohesive working system
I introduce systems and procedures to facilitate performance
I develop incentives to attract and motivate people
I identify resource requirements of the business and effectively meet them through various channels

b. Possessing High Emotional intelligence

I analyze my feelings before acting on them
I make sure that my behavior is appropriate to the situation
When someone is talking to me, I give my full attention
I can read other people’s feelings quite well
I make sure people feel at ease with me
I get people to open up by being easily approachable

Additional questions would consist of questions addressing topics such as leading by example, enthusiasm for the venture, role models, rules, and interacting with people at different levels of organization and outside of it. Additional questions would revolve around goals, determination, focus, distractions, risks and external events. Other possibilities include social interaction, constructive disagreement, improvements, and performance strengths and weaknesses.

Next, criteria would be established for items to be considered universally endorsed as contributors to outstanding leadership. Possible criteria would be that 95% of country
scores had to exceed a mean of 5 on a 7 point scale for that attribute, and the grand mean score for all countries had to exceed 6 for the attribute. In addition to examining the universally endorsed attributes, the results would also show which attributes were found to be viewed universally as ineffective and which were found to be culturally contingent. Universally endorsed leader attributes, as well as attributes that are universally seen as impediments to outstanding leadership and culturally-contingent attributes would be presented. It is predicted that the results support the hypothesis that specific aspects of charismatic or transformational leadership are strongly and universally endorsed across cultures. Sweden and China will be compared utilizing such a proposed study in the section following an examination of the economic, political and entrepreneurial leadership in both countries.

Entrepreneurial Leadership in Sweden

Research indicates that there is strong commitment and determination among entrepreneurs throughout Sweden to work for growth and increased prosperity. When companies produce goods and services, they also generate jobs and tax revenue, and are responsible for research and for training employees. To new Swedes, employment in companies and self-employment are important ways into Swedish society (Advantage Sweden, 2005). Productivity is high, the labor force is well-trained, research and development is world class and its global business network is extensive (Advantage Sweden, 2005). In an international perspective, Sweden has a low investment level, and this undermines its future competitiveness. Over one million Swedes of working age are on sick leave, have taken early retirement, are unemployed or are living on social allowance (Advantage Sweden, 2005). There is imbalance in the age structure in Sweden; after 2010, the number of people aged over 80 will increase faster than the number gainfully employed. (Advantage Sweden, 2005).

In Sweden, the dependency burden is increasing as the proportion of entrepreneurs in Sweden has never been as low as it currently is (Advantage Sweden, 2005). Research indicates that Sweden faces several big challenges, including international cooperation. According to Advantage Sweden (2005), trade and personal relations bind together people from different cultures, and build peace and tolerance. Business affirms a freer and more open world, where democracy and market economies lay the foundations for better living conditions. Thus, international cooperation is a necessity to counteract environmental problems, poverty and terrorism (Advantage Sweden, 2005). Closer and broader European cooperation is important to enable Swedish business to be competitive at global level (Advantage Sweden, 2005). European Union enlargement creates new possibilities, but also sets new challenges such as competitiveness, growth and jobs (Advantage Sweden, 2005).

Sweden appears to have a distinct advantage over the potential growth of China’s economy. Many Swedish companies, both big and small, are world leaders. As a result, Sweden has a strong foundation on which to build, as well as access to important raw materials, a well-trained labor force, and a good level of research. There is strong environmental commitment, and at the local level, there is generally good consensus between unions and employers, and between business people and politicians (Advantage Sweden, 2005). Wage formation, state finances and inflation have stabilized in recent years. Research
indicates that to create even better conditions for favorable development, both companies and the public sector must continuously become better and more effective in their operations and must raise skills and quality (Advantage Sweden, 2005). That will make Sweden even more attractive to investors and to overseas visitors.

International competition has never been as intense as now. For example, in 1997, one million vacuum cleaners were manufactured in China, and in 2005, 25 million (Advantage Sweden, 2005). However, more and more overseas companies and owners choose to invest in Sweden, so the conditions for trade are improved through the removal of trade barriers and harmonization of regulations. Additionally, legislation in the European Union is implemented in an effective way in Sweden, through the removal of duplicate regulation and harmonization of legislation so that competition between companies is free and fair. This is important because an advantage is created through a stable and competitive legislative framework, implemented consistently and smoothly (Advantage Sweden, 2005). Regulations that are difficult to overview, an increasing number of public bodies and unpredictable implementation put unnecessary constraints on companies (Advantage Sweden, 2005). This hampers company performance, and thereby companies’ competitiveness.

Since Sweden is a sparsely populated country located far from the major markets on the continent, for Sweden to have an edge, there is a need for a well-constructed and well-functioning infrastructure, as well as a competitive transport network (Advantage Sweden, 2005). If Sweden’s growth is to continue, there is also a need for secure, long-term access to energy at competitive prices (Advantage Sweden, 2005). The energy supply must meet the highest reliability and environmental requirements. According to Advantage Sweden (2005), the use of information technology creates many new opportunities, and is an important base for enterprise in the future, and for continued growth in productivity and competitiveness. An effective capital supply for the start-up and expansion of companies is also important.

In order for companies to start and expand, there is a need for both a technological and a mental infrastructure that makes it attractive and straight forward to be an entrepreneur. In Sweden, attitudes towards business people have become increasingly favorable (Advantage Sweden, 2005). Every year, Swedish companies complete 73 million forms for submission to 75 different authorities (Advantage Sweden, 2005). In Sweden, it is difficult to start up companies due to the high tax rate on labor, which acts as a deterrent to both existing and new service-sector companies, at the same time as the informal sector is expanding. Good quality in basic education and good opportunities for adults to learn new work skills are important to a strong and competitive business sector (Advantage Sweden, 2005). Quality must permeate the entire school system, not only vocational training. Collaboration must improve between the business sector and both basic and tertiary education (Advantage Sweden, 2005). Increased international cooperation in education gives new perspectives, creates understanding of other cultures and strengthens Sweden.

Entrepreneurship evolves through faith in people’s will and ability to take responsibility, to have dreams, to want to develop, and to dare to seek new challenges. This is how an efficient public sector is created, but this requires that work and entrepreneurship are economically worthwhile. Furthermore, there must also be fundamental security for both employees and company leaders,
as 34 per cent of students do not complete their upper secondary education within the three years (Advantage Sweden, 2005). To encourage increased entrepreneurship, the Confederation of Swedish Enterprise in the coming years will work to ensure that it is economically worthwhile to work, to save and to invest in companies so that the legal framework is changed so that entrepreneurs are given better conditions for expansion in the private service sector (Advantage Sweden, 2005). Another goal is for entrepreneurship and enterprise to become a self-evident part of all education so that quality is raised in the entire education system and that collaboration improves between school and business. Also, workforce immigration should be permitted and that the integration of immigrants is carried out in an active and resolute way. The end result will be that people shall have reasonable prospects of saving for the start-up capital to realize their ideas.

To strengthen Sweden’s competitiveness, investment in development and innovation is needed. Therefore, conditions for research and development must be given high priority (Advantage Sweden, 2005). A clearer link is demanded between state research investments and the needs of the business sector, making it easier for research results to reach the market in the form of new products and new services, and can create more growth companies (Advantage Sweden, 2005). The legislation governing public companies, intellectual property rights and venture and capital markets must be developed to encourage and facilitate enterprise with innovative business development and the production of good sand services in Sweden (Advantage Sweden, 2005). For a company to develop, it must make a profit. Companies without profit requirements are not under the same pressure to increase efficiency and offer customers quality and new solutions. Thus, competition stimulates new ideas, new methods and efficient production (Advantage Sweden, 2005). Competition also favors consumers, through lower prices and better quality (Advantage Sweden, 2005).

In Sweden there is considerable knowledge within the public sector, which through private enterprise can reach overseas markets, generating new jobs in Sweden. Today, there are a number of obstacles in the way of this process. It is crucial that these obstacles be removed and that public procurement should always take place openly, simply and through sound competition (Advantage Sweden, 2005). For example, company registration and start-up must be a simple, brief procedure. It must be made easier to build up equity in a company for financing development (Advantage Sweden, 2005). The tax and levy burden must not be allowed to impede Sweden in international competition (Advantage Sweden, 2005). The informal sector creates unfair competition and creates difficulties for responsible companies.

It is becoming increasingly attractive to own, start up, run and develop profitable companies in Sweden. More entrepreneurs are needed, and the necessary dynamics of enterprise mean the start-up of companies and the liquidation of companies. Risk-taking must give the possibility of profits, at the same time as bankruptcy should not necessarily mean that one loses the chance to try again (Advantage Sweden, 2005). In a comparison between 28 countries of how many new companies were started, Sweden ranked 21st (Advantage Sweden, 2005). The research also indicates that Sweden needs more people to work and pay tax on their income. It appears that too many people of working age do not work, but have taken early retirement, are on sick leave, are unemployed or are in labor market schemes (Advantage Sweden, 2005).
Young people, elderly people and immigrants often have difficulty in finding employment in Sweden. Outmoded labor market regulations and rules governing taxation and allowances reduce mobility on the labor market (Advantage Sweden, 2005). Complicated rules and tax regulations lead to undeclared work. High payroll costs, major risk factors for companies, such as costs in connection with sickness and comprehensive legislation, have created high recruitment thresholds (Advantage Sweden, 2005). Few employees change employer, even if they are not content. The labor market of tomorrow demands increased mobility, regulations on working hours that lead to more hours of work input and solutions that are suited to both the company and the employees (Advantage Sweden, 2005). Wage formation must be based on the conditions of individuals and companies. Unemployment insurance and social insurance are important factors in stimulating labor market mobility (Advantage Sweden, 2005). Thus, systems must be coordinated, must stimulate work and must provide benefits during certain periods (Advantage Sweden, 2005).

In Sweden, through collective agreements that give stability and support for both development and reorientation, labor market players can increase companies’ competitiveness and capacity to create new jobs (Advantage Sweden, 2005). The current legislation on labor disputes does not provide the necessary balance between the players, since even minor union actions can swiftly bring disproportionately far-reaching consequences to both companies and the community (Advantage Sweden, 2005). A more internationalized labor market creates possibilities and challenges. Security on the labor market is not primarily a question of keeping a job, its about being able to find a new job if the old one disappears (Advantage Sweden, 2005). Statistics reveal that the average Swede works for 8 per cent of his or her lifetime (Advantage Sweden, 2005).

The economic background of Sweden reveals that Sweden has faired fairly badly in terms of economic growth for almost three decades, but has faired very well in terms of employment, and in terms of low unemployment, until about 1990. At that time Sweden had the highest employment rate in the world, 81 percent of the population between 18-64 years were gainfully employed (Henrekson, 2005). Since then, there has been a dramatic change in terms of employment. At the peak of the employment boom in 1989-90 there were about 4.5 million jobs in Sweden (Henrekson, 2005). That figure dropped by about 600,000 jobs in just a couple of years time, and in late 1993 the economy began to bounce back, and 150-200,000 jobs were gained, but now those jobs have been lost again (Henrekson, 2005).

This research indicates that the recovery of the Swedish economy after the severe crisis of 1991-93 has been one of jobless growth. So far there has not been any permanent change in the job level, at the private sector and in the public sector.

Since entrepreneurship is a key to job growth in the private sector, the jobs have to be created in existing firms or new firms. Thus, the challenge is to be build institutions and rules of the game in the Swedish economy that render strong employment expansion possible (Henrekson, 2005). Such incentives include employing more people in existing businesses or starting new businesses for good, viable ideas. A disaggregation of the employment record in Sweden shows that employment growth looking over the entire post-war period has been bleak for the private sector (Henrekson, 2005). There are fewer jobs in the private sector now than there was 47 years ago, despite the fact that there are almost 2 million more Swedes now
than there were in 1950.

In the Swedish economy, large corporations play a very dominant role. There are a number of studies showing that Sweden is perhaps the single industrial economy with the highest dominance of large firms in the whole OECD area (Henrekson, 2005). There has been a low share of self-employment, and corporate ownership has been very concentrated, with a reliance on large corporations. Research indicates that corporate taxation is very important from an entrepreneurial perspective. Historically, Sweden has historically had corporate taxation which has been very beneficial to institutional owners and to debt financing (Henrekson, 2005). It has been an extreme characteristic of the Swedish tax system benefiting institutional ownership to the detriment of private, individual ownership, and the tax system has encouraged a high debt-equity ratio (Henrekson, 2005).

The only types of firms that can benefit from this type of tax system consist of institutional ownership; as a result the Swedish engineering industry, Swedish raw material based large companies and construction companies have benefited from these tax rules. In contrast, small and new firms, must be individually owned. Also firms which are labor intensive or knowledge intensive have very little collateral, so they have to work with a high-equity ratio (Henrekson, 2005). Likewise, new firms based on a new innovation, where it takes a long time for the finished product to reach the market, and where the risk level is high require a low debt-equity ratio (Henrekson, 2005).

Sweden now has a 40-60 percent tax rate schedule, rather than the 30-50 schedule that was instituted in the 1991 tax reform. A recent report shows that Sweden has the highest tax burden of all countries on low incomes, about 62 percent of labor income for a typical low income earner is taxed away (Henrekson, 2005). On the consumer’s side, demand may be very low because those who are going to buy the service will have to pay out of their own after-tax income. A very high total tax burden also makes it very difficult to save in Sweden, and high taxes also render it very difficult to accumulate wealth. As a result, an individual is unlikely to have any capital to support a business venture, leading to less venture capital and fewer firm start-ups.

Labor security legislation has also affected entrepreneurship in Sweden. There is evidence suggesting that the employment security provisions fall more heavily on smaller firms and some other classes of firms (Henrekson, 2005). Sweden has a much more centralized wage formation structure and a narrower wage dispersion, meaning that in the Swedish setting, small firms have to pay a higher wage in the initial stage of their life cycle than otherwise. As a result, this increases their wage costs and makes it more difficult for them to get started and obtain the impetus to finally become a large firm. Especially noteworthy is the dramatic increase in employment in health and medical care and social services. These services are labor-intensive, and in many instances are very suitable for production by a small firm (Henrekson, 2005).

The entrepreneurial process is such a pervasive feature of a market economy that the most efficient way to encourage firm births is to enhance the environment for all business activity. Thus, Sweden should work to create a stable and internationally competitive economic framework for all types of firms (Henrekson, 2005). This framework should offer sufficient incentive for change and for investment in real capital, education, and knowledge capital, and it should be neutral in terms of an enterprise’s orientation, size, and organizational
principles (Henrekson, 2005). The research indicates that if Sweden succeeds in this endeavor, Sweden can become as powerful a job machine as the United States.

Holmberg and Akerblom (2003) studied Swedish leadership styles, and their analysis reveals that institutional contexts seem to generate different implicit models of leadership, but within the same national framework. Excellent leadership is evidently executed and enacted as aspects of socially constructed institutions and socially grounded culturally values (Holmberg & Akerblom, 2003). According to a common understanding of the culture concept, collective conceptions of leadership are therefore expressions of the culture at large in which both leaders and followers are embedded (Holmberg & Akerblom, 2003). Therefore, a Swedish leadership style would consequently be an expression of the Swedish culture.

Researchers have noted that Swedish leadership is vague and imprecise, and the typical Swedish order is ‘See what you can do about it (Holmberg & Akerblom, 2003)!’ Researchers have attributed this to a far-reaching delegation of authority; managers who say ‘See what you can do about it!’ demonstrate trust for their co-workers. It is also a matter of the execution of control by a common understanding of the problem, rather than direct orders (Holmberg & Akerblom, 2003). This must be regarded as a strength with the egalitarian Swedish society (Edström & Jönsson, 1998). Due to the cultural similarity among the Scandinavian countries in an international perspective, Swedish leadership is furthermore described within the broader notion of Scandinavian management.

In ethnographic descriptions of Sweden, it is often asserted that Swedes have a strict border between public and private life, whereas in many other parts of the world, the two are inseparable (Daun, 1989). Independence and solitude are important and positive concepts for Swedes in general (Daun, 1989), something which is enacted in the private sphere. Hampden-Turner & Trompenaars (1993) assert that Swedes more than any other culture begin with the individual, his or her integrity, uniqueness, freedom, needs, and values, yet insist that the fulfillment and destiny of the individual lies in developing and sustaining others by the gift of his or her own work and energy.

Holmberg & Åkerblom (1998) found Sweden to be both an extremely collective and extremely individualist society. Their findings can be contrasted with the result of Hofstede (1980), in which Sweden was labeled an individualistic culture. One explanation to this difference is that Hofstede did not distinguish between the small family group, or clan, and the much wider group constituting the society as a whole. This distinction is obviously important in the Swedish case, where the two life worlds (public and private) preferably are kept separate in time and space (Holmberg & Akerblom, 2003). In Hofstede’s (1980) seminal work Sweden was ranked among the least uncertainty avoiding cultures in contradiction to the contemporary study by Holmberg & Åkerblom (1998), who found Sweden to be a highly uncertainty avoiding culture with a strong future orientation.

The development of the consensus culture is connected to the fact that the Swedish population is unusually homogeneous, compared to other countries (Holmberg & Akerblom, 2003). For example, Swedes share the same history, same language, same religion; and differences between different groups within the nation are comparatively small (Holmberg & Akerblom, 2003). Everyone’s opinions, ideas and experiences are respected and listened to, since all are potential contributors to the accomplishment
of the task in place or to the solution of the problem being dealt with (Holmberg & Akerblom, 2003). Mutual understanding, collective consideration and compromised solutions are favored (Holmberg & Akerblom, 2003).

**Entrepreneurial Leadership in China**

Rapid economic development over 20 years has led some commentators to claim China could deliver sustained global growth, however, it has started to falter, and risks becoming a destabilizing factor in the world. China, for two decades the world’s fastest growing economy, has become a major force in the global economy. But as the ostensibly ‘communist’ regime in Beijing struggles to put the brakes on an economy which is experiencing an extreme form of overheating, euphoria among the capitalist class internationally has given way to nervousness (Coates, 2004). As Steven Roach, chief economist at investment bank Morgan Stanley, warns, “the world may be unprepared for the impact of a Chinese slowdown (Coates, 2004).”

Last year, according to official statistics, China’s gross domestic product (GDP) grew by 9.1 percent (Coates, 2004). For years, independent economists have viewed official Chinese statistics with skepticism, believing them to be exaggerated. Today, many believe the figures understate reality which predicts that the economy may have grown by 11 or 12 percent in 2003 (Coates, 2004). One reason for the discrepancy is that city and provincial governments are playing down local growth data in order to avoid penalties from Beijing aimed at reining in overheated sectors such as property, steel and cars (Coates, 2004). Investment in new steel capacity rose by 87 percent last year and total output is set to double again in two to three years (Coates, 2004). The director of a stainless steel mill on the Yangtze river, owned jointly by South Korea’s Posco and China’s largest private steel company, Shangang, recently told the UK Financial Times that in a few years his complex alone will be making as much steel as the whole country of France (Coates, 2004).

In China, the steel sector is an example of the uncontrolled expansion of capacity taking place throughout the economy, much of which is ‘blind’ or ‘duplicative’ according to the government (Coates, 2004). This is creating huge imbalances such as chronic shortages of electricity, water and raw materials. Blackouts, often forcing factories to halt production, are commonplace even in the most developed cities (Coates, 2004). Despite huge investment in recent years, road, rail and port capacity is overloaded. These shortages are being exploited by capitalists and corrupt officials for huge speculative gains (Coates, 2004). For example, shipping costs for freight in northeast Asia rose by 400% last year on the basis of surging Chinese orders, with scrap metal, coal and iron ore for the steel industry accounting for half this sea-borne traffic (Coates, 2004). While mining and energy transnationals made bumper profits from the Chinese boom, other branches of the world economy have been squeezed by higher prices for raw materials (Coates, 2004).

The question of whether China can continue to grow at its’ current rate for the next two decades has been speculated by financial advisors. Media comment on China in this area has struck a more cautious tone as a result of signs including an explosion of credit, rampant over capacity (nine tenths of manufacturing goods are in over supply), and the return of inflation (2.8% in the first quarter of 2004) (Coates, 2004). President Hu Jintao, and his prime minister, Wen Jiabao, have assured financial markets that
‘resolute’ measures are being taken to rein in excessive investment and engineer a ‘soft landing’ for the economy but, so far, with no discernible impact (Coates, 2004). “China is in a situation of severe over-investment,” notes Credit Suisse First Boston’s Hong Kong office (Coates, 2004). Investment is chasing diminishing returns, and according to The Economist, China currently needs $4 of investment to generate each additional dollar of annual output, compared with $2-3 in the 1980s and 1990s (Coates, 2004).

China’s money supply grew by 20 percent last year, and bank credit (new loans) by 56 percent (Coates, 2004). Additionally, the sharp rise of the US dollar in 1995, to which most Asian currencies were linked, priced some exports out of world markets. China, although it exports 25 percent of national output, is less dependent on the world market (Coates, 2004). The super-Keynesian measures of the government, implemented in response to the Asian crisis to boost demand by slashing interest rates six times since 1997, and by financing huge infrastructure projects, have increased the specific weight of the home market (Coates, 2004).

China is now the world leader in many branches of manufacturing, including cellular phones, colour TVs and computer monitors. Since the start of its global export offensive 20 years ago, manufacturing industry in China has shifted from low-tech sectors like textiles, toys and simple manufactures to computers and electronics which now account for 60 percent of exports (Coates, 2004). Reflecting the increased role of high-tech production, China accounted for 14 percent of global semiconductor consumption in 2003 (Coates, 2004). Additionally, 16 million manufacturing jobs have actually disappeared since 1995, as Chinese industry has upgraded its technology. Shanghai Baosteel Group, for example, the world’s sixth largest steel producer, cut its workforce to 100,000 from 176,000 five years ago (Coates, 2004). As industry in the southern and eastern provinces has become more capital intensive, low-tech production has shifted to the poorer (and cheaper) inland provinces (Coates, 2004). This right now is where there is greatest resistance to government attempts to curb new investment (Coates, 2004).

China still lags behind the advanced capitalist countries in the application of new technology, but the gap is closing. A million engineering graduates leave Chinese universities every year and there is an ongoing transfer of technology from the huge network of foreign partnerships and joint ventures (Coates, 2004). A survey by the Japanese newspaper, Nihon Keizai Shimbun, based on interviews with 350 Japanese corporations, concluded that, “in the field of technical development China would catch up with Germany and Japan within ten years (Coates, 2004).” China’s integration into the capitalist world economy means that many facets of US and European industry are now dependent on components or finished products from Chinese factories. “In a crisis”, warned Ted Dean, managing director of consultancy firm, BDA, “Chinese labor could become as destabilizing a force for the world economy as oil prices (Coates, 2004).”

These indisputable facts are often cited by capitalist commentators to present a picture of unstoppable economic progress: a 20-year Chinese boom (Coates, 2004). Take this example into consideration: with 282 million mobile phone subscribers, China is the world’s biggest market. But growth rates are already slowing, with fewer new subscribers in the first months of 2004 (Coates, 2004). Overproduction consisting of too many phones combined with too few buyers has caused prices to plummet, which
in turn squeezes profit margins. Research indicates that the re-emergence of inflation or rising prices, in China is mainly due to the rising cost of capital goods, some farm products and services such as education. A more serious problem, however, is the longer-term potential for deflation, or falling prices, arising from such extreme levels of overcapacity (Coates, 2004). Deflation not only squeezes profits, it magnifies the problem of debt, making repayments costlier in relative terms (Coates, 2004). This is a potential time-bomb for the Chinese economy which has financed its investment boom with unprecedented levels of credit (Coates, 2004).

For years, Chinese labor has been a source of super-profits for global corporations and local capitalists. Manufacturing wages averaged just 61 US cents (€0.52, £0.34) an hour last year, compared with $16 in the US and $2 in Mexico (Coates, 2004). One hundred thousand Chinese workers die every year from industrial accidents or work-related illnesses (Coates, 2004). Low wage levels impose severe limits on the growth of a mass consumer market, as Chinese workers can only afford to buy back a fraction of what they produce. While average per capita incomes have risen rapidly in the last 20 years, the gap between rich and poor is now the biggest in the world (Coates, 2004). This has been a largely urban boom, with average incomes in the cities six times those of rural ones. Shanghai, with 16 million inhabitants, has the same per capita GDP as Portugal (Coates, 2004). But the poorest region, Guizhou, has a per capita GDP lower than Bangladesh (Coates, 2004). Although incomes for China’s 800 million rural population are now rising due to a rise in prices for farm goods, the Financial Times pointed out that, “a consumer society has largely failed to materialize among two thirds of China’s population (Coates, 2004).”

The pressure of migration from the countryside, predicted to be up to 400 million set to move to the cities by 2020, will most likely hold down wage levels. There are numerous plans for expansion in east Asia, such as a new $15 billion natural gas pipeline from Xinjiang province to Shanghai to bring cleaner fuel to the coastal areas, though uneconomical from a market standpoint (Coates, 2004). Additionally, eighty-six new subway lines are under construction. These policies, rather than aiming to improve living conditions for the masses, aim to create a more effective framework for the exploitation of Chinese labor. In the absence of democratic control of these projects by workers’ organizations, waste, corruption and abuses such as environmental degradation and the forcible relocation of local communities are legion (Coates, 2004).

According to prime minister Wen, the Chinese economy has reached a critical juncture (Coates, 2004). For example, in April of 2004, the central bank raised the minimum level of deposits that banks must keep in reserve from 7 percent to 7.5 percent (Coates, 2004). Smaller banks were ordered to halt all lending temporarily, a measure backed up by police measures including a crackdown on ‘illegal’ sales of farmland, and beefed-up environmental and other controls at new factories and construction sites. Furthermore, housing construction in China is overwhelmingly pitched towards the luxury market and over capacity in the form of vacant properties is widespread. Research indicates that property prices rose by 25 percent last year and are approaching US levels in cities like Shanghai and Beijing. This points to the danger of a crash in land prices which, in turn, could trigger a banking collapse (Coates, 2004). Higher
interest rates would be the most effective way to regain some control over credit levels and investment, but the results may be too dramatic (Coates, 2004).

More than anything, the Chinese regime fears political instability, and a movement of the working class (Coates, 2004). Labor protests in China are numerous, among unemployed workers, laid-off from the state sector. These movements have so far been isolated, local outbursts, which have been defused by a combination of concessions and repression from the authorities (Coates, 2004). Given the now pivotal role it plays in the global economy, it is clear that any re-run of the Asian crisis in China, would have major international implications (Coates, 2004). China’s role as the number one market for capital goods (minerals, fuel, building materials and machinery) made it the main locomotive of global growth in 2004. World GDP grew by 3.2% in 2003, with China contributing a third of this growth, or 1.1%, while US capitalism accounted for just 0.7% (Coates, 2004). In 2003, China accounted for 70% of Japan’s total export growth, and 40% of South Korea’s.

Last year, China became the world’s third largest importer after the US and Germany. For the first time since 1993, it is heading for a trade deficit in upcoming years, with imports exceeding exports on an annual basis. The surge in Chinese demand in 2003 drove world prices for industrial raw materials up by 73% (Coates, 2004). China is the world’s biggest steel producer, accounting for one fifth of global output in 2003 with 220 million tons, or as much as the US and Japan combined (Coates, 2004). In 2003, China also became the world’s third largest market for motor vehicles with sales growing 60% (Coates, 2004). By 2007, production is predicted to reach 15 million vehicles, against sales of 7 million. Unfortunately, these prices have already begun to fall, as steel prices rose 35% in the twelve months to February 2004, car prices fell 5.1%. Fierce competition between carmakers makes it impossible to pass on rising costs to consumers, so profit margins are falling (Coates, 2004).

Today, China, with one quarter of the world’s population is seen as a great opportunity for many corporations. For the expatriate businessperson and their family, China can be one of the most exciting and arduous international assignments, however, researchers warn that before considering any international assignment in China, a family needs to take stock of its motivations, expectations, strengths and weaknesses (Goodman, 2005). Contemporary China is a combination of Confucianism, Communism and a free market spirit of entrepreneurship. To be successful in China the expatriate must understand how the mixture of these forces impacts day-to-day living (Goodman, 2005). In China, there is no business without guanxi or relationship. Relationships take a considerable time to develop and are based on many continuous signs of good faith (Goodman, 2005). Though difficult to establish, once a relationship exists it tends to be long lasting and is full of many mutual obligations and favors; these mutual obligations are remembered and are balanced out over time (Goodman, 2005). The actual “value” ascribed to each favor may differ due to cultural factors.

Traditional Chinese values are based on human feelings rather than political or religious principles; respect for the feelings of others helps to hold society together. Considerable time and effort are spent on “face working” particularly one’s own face as well as that of others (Goodman, 2005). Causing someone to “lose face” is humiliating and will not be forgotten (Goodman, 2005). Thus, so important is the preservation of face that it is sometimes preferable to agree to a
decision even if there is no intent to carry out the decision. Additionally, China is in a state of rapid change. This has resulted in a situation where the rules and regulations of government and business and the authority to enforce the rules are constantly changing. In China, health issues are an important concern, as air pollution is very bad due to the burning of coal. Furthermore, the Chinese work ethics and educational systems are based on socialism.

The Chinese private equity industry has become the largest private equity industry in Asia in recent years despite the tremendous regulatory hurdles and institutional uncertainties that venture capital firms face. In 2001, China, together with Hong Kong, captured 30% of Asia’s private equity investment to overtake Japan for the first time (Batjargal, 2004). By the middle of 2002, the total venture capital fund pool in mainland China reached $7.15 billion. Although the first domestic venture capital organization was set up in 1986, development of the private equity industry intensified only after March 1998, when the Chinese government adopted a number of policy schemes to promote venture investments (Batjargal, 2004). In the first two quarters of 2002, venture capital firms raised $156 million in funds, a steep decline from $1.86 billion in 2001 (Batjargal, 2004).

In the first two quarters of 2002, 36 foreign firms invested $87 million while Chinese firms invested $70 million (Batjargal, 2004). Until 1998, venture capital firms were regarded as financial institutions that provided privileged loans to small firms. The main legal form of venture capital firms, limited liability partnership, is not recognized in mainland China’s laws. As a result, all venture capital firms are registered and operate as limited liability companies, adding confusion as well as serious risks to the processes by which venture capital firms raise, invest, and manage funds (Batjargal, 2004). The assets of the venture capital firm are not separated legally from those of the fund, thus increasing agency risks in venture investments, such as misuse of funds.

Research on personal networks of entrepreneurs revealed that entrepreneurs obtain information and advice from network members (Birley 1985) and access bank loans through contacts (Uzzi 1999). The idea of social capital in the Chinese context captures the indigenous social phenomenon called guanxi, or the Chinese version of social networks and networking (King 1991). Researchers defined guanxi as a web of extended family relationships (Kipnis 1997), a cluster of patron-client exchange relationships for instrumental purposes (Walder 1986). Research indicates that Guanxi capital promotes inter-personal trust, facilitates job mobility, and enhances firm performance (Batjargal, 2004). A study of private equity in China emphasizes the important role guanxi plays in venture capital practices, as a substantial portion of the cash that goes into private equity funds originates from government sources. As a result, guanxi relationships with government officials are often regarded as a defining factor for securing government investments in venture capital funds.

Investors are likely to invest in only those projects that are expected to produce acceptable net present values. Informal socialization such as social eating, an important component of guanxixue, or the art of net-working. This enables investors to know the values and beliefs of entrepreneurs better, and facilitate interpersonal and cognitive trust in entrepreneurs’ abilities and intentions (Batjargal, 2004). Cultural features of the Chinese, such as a strong sense of role obligation, favoritism, and inclinations to categorize people into ingroup and out-group circles also facilitate
better communication between investors and entrepreneurs who know each other.

The Chinese context adds culture-specific variables that also affect investment selections through referrals. In the culture of shame, a favor giver (the one who recommends someone to a third party) is regarded as a face giver, and a favor receiver (the one who gets access to the third party through the recommendation) is regarded as a face receiver (Batjargal, 2004). Successful transactions between face giver (referee), face receiver (fund seeker), and investor will enhance the face—mianzi (social standing, symbolic resources, and reputation)—of all parties (Batjargal, 2004). Referrals may improve odds of obtaining venture capital for entrepreneurs because of opportunity filtering, matching, and trust benefits that mitigate social risks in decisions. In the Chinese context, venture capitalists are likely to invest more in common stock rather than other senior securities such as convertible preferred stock, nonconvertible preferred stock, debt coupled with common stock, or common stock purchase warrants (Batjargal, 2004).

The Chinese prefer to keep details of guanxi deals confidential and resolve potential issues and problems through tacit understandings and actions. A recent survey found that about 60% of Chinese entrepreneurs preferred social solutions for dispute settlement (Krug and Hendrischke, 2002). Precise calculations of dividends, conversion, liquidation, and antidilution terms may hurt the commitment of the entrepreneurial team and are likely to be perceived as unenforceable by investors and entrepreneurs (Batjargal, 2004). The stronger the tie between the entrepreneur and the venture capitalist, the fewer the number of contractual covenants that protect venture capitalists’ interests. Peculiarities of Chinese negotiation behavior are likely to lead to increases in venture values. A sense of balance, modesty, and mutuality is likely to smooth out negotiation processes where acceptable compromises are crafted (Batjargal, 2004). A cultural inclination of the Chinese to favor those whom they know also contributes to the risk-mitigating role of personal relationships in venture financing in the Chinese context.

The human quality of emotional affection is also a factor in the Chinese culture and rendering of human obligations. A Confucian exchange tactic of giving more in expectation of getting more is at work (Malik, 1997). By increasing firm values, investors manufacture and accumulate social receivables, and these advance monetary favors provide leverage over entrepreneurs. Finally, in China, social relationships embedded in local cultures and traditions do affect entrepreneurial process and venture investment decisions. Changes in network structures, compositions, and relations over time, is an important issue, given the social and economic transformations that are taking place in China. An implication for entrepreneurship research is to examine the impact of the way in which venture capital was raised on firm performance.

**Comparison of Swedish and Chinese Entrepreneurs**

Researchers have argued that new firm creation, innovation and competition are the three major aspects through which entrepreneurship can contribute to economic development in the sense of wealth distribution. Every year, Swedish companies complete 73 million forms for submission to 75 different authorities (Advantage Sweden, 2005). Indicated above, in Sweden, it is difficult to start up companies due to the high tax rate on labor, which acts as a deterrent to both existing and new service-sector
companies, at the same time as the informal sector is expanding. In applying these facts, it would appear that entrepreneurship in Sweden is not as strong as it could be due to the difficulties facing new firm creation, innovation and competition. In China, there has been an economic boom as more and more new firms are created. Due to the fact that a million engineering graduates leave Chinese universities every year, there is an ongoing transfer of technology from the huge network of foreign partnerships and joint ventures (Coates, 2004). These new graduates begin the creation of new firms, however, innovation and competition in China appear to be very high. China may not be able to continuously put out new firms and new innovations, as competition is very fierce, and already it is predicted that the Chinese economy will fail.

New firm creation is an ability and a willingness of individuals to perceive and create new economic opportunities (Mamede & Davidsson, 2003). The innovative process has been defined as occurring within new firms which generally does not arise out of the old ones, but start producing alongside them (Mamede & Davidsson, 2003). This is relative to Swedish firms, because many old firms exist, small and large in Sweden. Entering the markets with their innovations entrepreneurs challenge the dominating firms, and their willingness is motivated by the desire of creating wealth for themselves, and to succeed they strive in for the product or solution they believe in (Mamede & Davidsson, 2003). If successful in creating demand for their innovation they expand their business to new markets and in doing so they also influence economic structures in other regions (Mamede & Davidsson, 2003). In Sweden, many older firms exist which are already strong and have the capability to innovate new ideas. As a result, in Sweden, new wealth is not only created by this process, but also distributed along with the previous one.

In China, however, there has been a giant boom of new firms and innovations, which do not have a traditional foundation to stand on, such as in Sweden. In China, there exists the possibility, since competition is so fierce, that the activities of the new firms may negatively affect the existing ones causing them to ultimately decline. This is because the new entrepreneurs acquire the market shares that previously belonged to the older companies, thus acquiring some of their wealth. As time goes by the older companies are not able to retain their workforce and have to dismiss their employees. Some of them declare bankruptcy, and a as consequence creditors, employees and shareholders lose part of their wealth (Mamede & Davidsson, 2003). At the same time, the new expanding firms employ new workers, pay increase dividends to their shareholders, and intensify their purchases from suppliers (Mamede & Davidsson, 2003). Thus, China bears the example of its wealth as being in the process of constantly changing hands, along with the creation of new firms.

Innovation is the process of introducing new ideas in the market in the face of uncertainty and other obstacles (Wennekers, Thurik & Buis, 1997). Another important link between entrepreneurship and wealth distribution is innovation. The new products and new processes that result of innovative activity are seen by many economists as the main source of dynamism in capital development (Mamede & Davidsson, 2003). Research indicates that the introduction of new innovations can generate changes and cycles in the economy, causing wealth to become increasingly concentrated in the hands of a few large firms, thus destabilizing society. In China, there is always something new coming out in the market. China has a great number of steel products, and
technological advances create many new products. Through a strong belief in their ideas and dedicated effort, they manage to allocate resources in a better way, develop a greater appeal to buyers and succeed in creating demand for their new products and solutions (Mamede & Davidsson, 2003).

Competition has been defined simply as to compete with others for a share of that market (Wennekers, Thurik & Buis, 1997). Competition is one of the most important forces in the market, and often a determining factor for the future of many enterprises (Mamede & Davidsson, 2003). The success of these firms is in a large extent associated with the way they assess their business environment in order to meet the needs of the market. In China, the needs of the market were increasing due to the population boom, however in recent years, the output is exceeding the amount of purchases in the country. The competition in China is steadily increasing, at a faster pace that the competition in Sweden. As a result, in China, the disposition to compete and face the risks and uncertainties involved in the competitive process is an important element of what it truly means to be an entrepreneur.

Furthermore, not all types of competition are beneficial to the mechanism of wealth generation and distribution. While it is perceived as a positive effect for many nations as it increases the levels of trade and the total production, to others it is harmful (Mamede & Davidsson, 2003). Examples of this fact are the developing economies in east Asia. Some countries have experienced significant growth throughout the nineties and have managed to increase their standards of living. However, other countries, by opening their markets to international competition, have been inundated with imports, unable to sell their exports. This is occurring presently in China, as production is beginning to fall behind purchases. This causes lower levels of growth and worse standards of living.

The competition that creates and distributes wealth is one that results from innovation and new firm creation (Mamede & Davidsson, 2003). In Sweden, this is favorable, as entrepreneurs are willing to pay the price assuming the risks of their choices. In Sweden, it appears that the chance of risk is less than that in China. As people gain confidence, improve the financial situation, and have access to information, they also develop political will and are less likely to accept corrupt governments and inadequate living conditions (Mamede & Davidsson, 2003). Consequently, they seek better education for themselves and their children, along with the improvements in the household and community (Mamede & Davidsson, 2003). It is clear from the research that entrepreneurs in Sweden already realize this, and are initiating changes to improve the educational system, whose graduates secure the future of their country.

As they create their new firms, innovate and strive for the ideas they believe in, entrepreneurs in Sweden not only succeed in harvesting good profits, the deserved outcomes of their efforts, but also in contributing to the prosperity of organizations and nations (Mamede & Davidsson, 2003). As a result, it appears that Sweden has secured their position as prime movers of progress, and as the engine of both economical and social change (Mamede & Davidsson, 2003). Much emphasis has been given to an existing association between entrepreneurial leadership and economic growth. Many studies have been developed, or are being carried out, in order to analyze the links between entrepreneurship and economic growth. Evidence shows that this relationship is complex and that more data are necessary in order to determine
the causal mechanisms of this association (Reynolds, et.al., 2001).

The Global Entreprenuership Monitor (GEM) is a unique, unprecedented effort to describe and analyze entrepreneurial processes within a wide range of nations. By doing so, GEM focuses on one of the most important forces driving and carrying economic change, one that has until now remained elusive for researchers due to a lack of reliable, internationally comparable data (Reynolds et.al, 2002). The major objectives of the GEM report include measures for the differences in the level of entrepreneurial activity between countries, to probe for a systematic relationship between entrepreneurship and national economic growth, to uncover factors that lead to higher levels of entrepreneurship, and to suggest policies that may enhance the national level of entrepreneurial activity. In the 2002 GEM assessment, representative samples of 1,000 to 5,000 randomly selected adults in each country were selected to provide a harmonized measure of the prevalence of entrepreneurial activity (Reynolds et.al, 2002).

The GEM report also includes up to 50 face to face interviews with experts in their country, chosen to represent the entrepreneurial framework features. These same experts were additionally asked to complete a standardized questionnaire in order to obtain a precise measure of their judgments about their country as a suitable context for entrepreneurial activity (Reynolds et.al, 2002). Finally, standardized national data was collected from international data sources such as the World Bank and United Nations. The 2002 GEM report indicated that the level of entrepreneurial activity was lowest in Central Europe, and highest in the developing Asian countries, such as China. The GEM report also indicated that age and gender have a very stable relationship to entrepreneurial activity, as men are twice as likely to engage in entrepreneurial conduct than are women. Additionally, those ages 25 to 44 are most likely to be involved with all types of entrepreneurial activity. In countries women are more likely to be involved where there is equality in career opportunities, whereas in developing countries low participation of women may reflect the lack of jobs and an inadequate education (Reynolds et.al, 2002).

Of the 2.4 billion persons comprising the labor force represented in the 37 countries of the 2002 GEM report, 286 million are either actively involved in starting a business or are the owner-manager of a business less than 42 months old (Reynolds et.al, 2002). In China, the total population was estimated at 1,284,000,000 for 2002. The total labor force in 2002 was 814,470,000. By comparison, in 2002, there was a total population of 8,876,000 in 2002 in Sweden, with a total labor force of 5,433,000 in 2002. The GEM report indicates that entrepreneurial activity is uniformly low in the east Asian groups, as well as within most of the members of the European Union. In contrast, the Anglo nations have a relatively higher level of activity, and the developing Asian countries have the highest total entrepreneurial activity rates. Paradoxically, many of the most and least entrepreneurial countries are located in Asia where they often share the same cultural background (Reynolds et.al, 2002).

The 2002 GEM report also indicates the changes in the percentile of the growth of gross domestic products over a three year period. Sweden’s percentile of growth in gross domestic products for 1999 was 4.51%, in 2000, 3.61%, and in 2001, 1.21%. The change from the previous year for Sweden was -0.90% from 1999 to 2000, and -2.40% from 2000 to 2001. Sweden’s total entrepreneurial activity for 2001 was 6.68%,
and for 2002, 4.00%. China’s statistics were not located on the 2002 GEM report.

The GEM report also indicated a constantly negative relationship between the quality of the infrastructure and the level of necessity entrepreneurship, as well as the lack of relationship between framework conditions (Reynolds et.al, 2002). Necessity entrepreneurship was most prevalent in developing nations such as Thailand, India and China, where financial support, education, training, and infrastructure are clearly absent (Reynolds et.al, 2002). Entrepreneurship-enhancing programs and policies implemented in a number of developed countries, principally in the European Union, have only resulted in modest levels of necessity entrepreneurship (Reynolds et.al, 2002). This research indicates that there is substantial uniformity across the GEM countries with regard to the concepts, language, and judgments utilized. Additionally, it supports the notion that this uniformity is especially prominent among the more developed nations and may have evolved very similar infrastructures in support of entrepreneurial activity.

Most new firms receive their initial financial support from informal investments made by family, friends, and associates. An extremely small proportion of the most promising firms receive funding from venture capital firms, which are a specialized form of formal investment. Informal flows were estimated in the 2002 GEM report by means of asking all those in the adult population surveys if they had made an investment in a new firm, not their own, the past three years. The 2002 GEM report indicates the amount of venture capital invested as a percent of gross domestic product for each of the countries on the report. Nations that enjoyed year-to-year increases included Sweden, with a 101 percent increase. A large portion of all businesses are owned and managed by families or groups of relatives. Sweden was one of the 10 countries in which family owned businesses were started with family sponsored entrepreneurship. In Sweden, the low estimate of family sponsored entrepreneurship was 26%, with the high estimate being 52%. Again, China was not included in these statistics.

**Conclusion**

Finally, researchers’ Ralston, Gustafson, Cheung and Terpstra (1993) analyzed and interpreted the results of a study based on the convergence and divergence of managerial values in the United States, Hong Kong and the People’s Republic of China. Although this study did not include Sweden, the results of the study are consistent with a review of the literature used for this paper. The study, which utilized four Western-developed measures, found that both culture and the business environment interact together to create a unique set of managerial values in a country. The goal of the study was twofold: to help understand convergence or divergence of managerial values, and to investigate similarities and differences of managerial values in the study countries.

The study examined the contrasting themes of convergence and divergence. The convergence approach proposes that managers in industrialized nations would embrace the attitudes and behaviors common to managers in other industrialized nations despite the numerous cultural differences. The divergence view proposes that individuals would retain diverse, culturally based values despite any economic and social similarities between their nations. The countries were chosen based on criteria defined in a previous study. The United States represented a capitalist business environment at the height of technological development. On the other extreme, the People’s Republic of China
represented a socialist legal and political system with communist origins. Serving as a link between these two extremes, was Hong Kong, with a well-developed financial system at the forefront of world commerce.

It was hypothesized that convergence would be found if the Hong Kong managers adopted Western values, and divergence would be found if they maintained Eastern values. It was hypothesized that the U.S. and the People’s Republic of China would be polarized on the variables in the study. The results of the data supported the theory that there were significant differences between managers in the U.S. and People’s Republic of China. The data provided little support for the convergence hypothesis, and some support for the divergence hypothesis. The majority of the findings for measures developed with both Eastern and Western constructs supported the cross-vergence view.

The data of the study summarizes the prevailing view found in the examination of the entrepreneurial leadership styles of Sweden and China. As a result, it appears that values must be viewed individually and not together as an entity. It has been determined that some values may change while others do not, some may change more rapidly, and that other values may evolve from a combination of influences. The results of the Ralston et.al. (1993) study were similar to those of a previous study, which taken together, theorize the possibility of a concurrent convergence, divergence and cross-vergence which depend on the values measured and the countries studied. It was also concluded that different national cultures would contribute to the unique behaviors of managers in the different industrialized nations.

A review of the literature on the entrepreneurial leadership styles in Sweden and China leave open a few important aspects that would assist in the interpretation and performance of future studies. One important possibility raised is that it would be necessary to recognize that values may differ between groups within a nation. The implications for future research that this raises is that different values in the same nation may need to be looked at from different angles not previously thought of. For example, comparable elements such as the differences between male and female managers in the same nation, or the differences in managerial styles between the present managers and the next generation of managers could be examined. Other cultural differences could be taken into consideration, such as social class or environmental influences of the countries studied. The political scene of the country, liberal or conservative are also additional factors that can be taken into consideration.

Finally, the results of the examination of the entrepreneurial leadership styles in Sweden and China have offered support for previous research and other studies. It is highly likely that the differences in entrepreneurial leadership in these countries have contributed to their respective successes and failures. Future research using different value sets is likely to be the final deciding factor in interpreting this important research question, the results of which have many implications in forecasting, globalization, and the international economy.

Bibliography.


