



# *Cultural Diversity and Team Performance*

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# Abstract

There are many factors that contribute to the success and effectiveness of a team. One of the most important factors affecting team performance is cultural diversity. Most of the time, teams are formed by integrating a diverse group of people that have different cultural background such as race, ethnicity, gender, age, skills, values, and experiences. This diversity will have a positive impact on the team which will improve the team performance. But sometimes, diversity can also cause some negative impacts. This paper identifies some of the constructive as well as adverse aspects of cultural diversity. Furthermore, this paper also identifies opportunities and threats comes with with cultural diversity. Results are organized and presented using the SWOT analysis method. Additionally, some personal experiences are mentioned as an evidence for the analysis. As all the authors are coming from different cultural backgrounds, their perspectives add an additional dimension to the analysis.

# Table of Contents

<b>Abstract</b>	<b>1</b>
<b>Introduction</b>	<b>3</b>
<b>Literature Review</b>	<b>4</b>
<b>Methodology</b>	<b>5</b>
<b>Results and Evidence</b>	<b>6</b>
<b>Table 1: SWOT Analysis Summary</b>	<b>6</b>
<b>Conclusion</b>	<b>9</b>
<b>Implications</b>	<b>9</b>
<b>Future Research</b>	<b>9</b>
<b>References</b>	<b>10</b>

# Introduction

Cultural diversity has been an important focus for the global business community. The fast-paced business world and companies trying to be a step ahead of their competition, have required companies to hire employees from all over the world. This has resulted in an increase of the company diversity and the creation and implementation of multicultural team. A multicultural team is defined as a group of people from different cultures, with joint deliverables for the organization or another stakeholder [1]. In addition to work with joint deliverables, the expectation of this type of teams is that they are required to work together and implement creative solutions or develop new product to maintain the company's sustainability and growth. Additionally, this diversity brings potential benefits such as better decision making, greater creativity and innovation. However, the introduction of the multicultural diverse team also brings new challenges and barriers to companies and managers such as potential costs in higher turnover, interpersonal conflicts and communication breakdowns [2]. Therefore, to enable high performance in an organization, teams and employees must first overcome the barriers and challenges inherent due to the cultural diversity.

In this research paper, we seek to investigate how cultural diversity is impacting the team performance by exploring the positive and negative aspects of multicultural diverse teams and identifying some of the contributing factors for this effect. This will support the understanding of the cultural diversity barriers that are inherent during the implementation of this new philosophy. In addition, we will provide supporting arguments of the current benefits that the organization are experiencing as part of the implementation of multicultural diverse teams.

In this research paper, we intend to perform a literature review to understand the extent of previous research that have been done in this field in terms of the impact of cultural diversity in a global organization. This will be followed by performing a SWOT analysis to understand and categorize the literature review findings. In addition, the SWOT analysis will provide a framework to analyze the strength, weakness, opportunities and threats of cultural diversity in a global organization. Furthermore, these two research techniques will be complemented by including a review of the authors' experiences since this is a semi-empirical paper. Finally, we will provide future research topics.

# Literature Review

Cultural diversity, when managed properly and supported by the overall organization, has a significant positive effect to the team performance in multiple dimensions such as increased creativity, innovation, problem solving, and flexibility. Many researches have shown that multicultural teams have more creativity, innovation, and higher quality of ideas than homogeneous teams [3,4]. The reason is that team members who have diverse backgrounds bring a variety of experiences, knowledge, and perspectives, which stimulate the team to think for new solutions. Additionally, creativity and unique perspectives increase the effectiveness and alternatives of decision making and problem solving. Diverse groups tend to have broad information and networks to support their teams' members. The statistic result from one research indicates that 65 percent of heterogeneous teams generate high quality solution providing new and integrative approaches to deal with the issue, compared to 21 percent of the homogeneous teams [3]. However, the best quality of decision comes from finding the balance between heterogeneity and homogeneity.

Culturally diverse teams also increase organizational flexibility. People in minority groups tend to have cognitive flexibility. Research points out that women and racioethnic minorities have a tendency to have especially flexible intellectual ability and the study on monolinguals and bilinguals shows the bilingual people have more divergent and flexible thinking [3]. However, teams must also be aware of the potential negative effects of subgrouping along cultural lines such as distrust, conflicts, and stereotyping [5]. In addition, there are also different aspects of diversity in teams which includes both obvious differences such as race, ethnicity, gender, and age, and unobservable differences such as skills, information and knowledge, values, cognitive processes, and experiences [6] that need to be taken in consideration when creating culturally diverse teams. In particular, if the unobservable traits are not relevant to the team task, then there is no basis for expecting the diversity to enhance team performance [6].

Cultural diversity not only contributes to team performance but also improves team process outcomes such as increased team members' learning and overall team cohesiveness. However, the potential positive effects take time to emerge [6]. The team must first overcome communication challenges and trust building challenges inherent to culturally diverse teams. The difference in verbal and nonverbal communication styles and patterns are magnified from one country to another. This can lead to less effective communication and coordination [5,7], thus achieving common consensus and integrating actions might be harder in a multicultural team [4]. Trust is also an essential component for team performance. Multinational teams are often virtual teams. The loss of face-to-face communication can lead to misunderstanding and the loss of non-verbal signals – such as eye contact and body language is a barrier to achieve mutual trust and confidence [8]. In addition, multinational team implies the existence of subgroups inside of the team group itself. Team members identify himself/herself to a subgroup that is the closer from him/ her. Emotional attachments to the subgroups become potential sources for interpersonal and relationship conflict with members of other

subgroups. Relationship conflict reduces satisfaction and team performance [6]. It leads to a low commitment from team members, increases the absenteeism, and increases the turnover for members. All these aspects will have a negative impact on the team performance [4].

Working in a diverse group, team members develop interpersonal relationship and expand their networks. In one of the papers 'Unraveling the effects of cultural diversity in teams', the authors mention a hypothesis relating team diversity to team satisfaction and social integration [7]. According to them, 'in dispersed teams, cultural diversity will be associated with greater social integration than in co-located teams' [7]. This skill of integration which a team learns working more in a diverse team, help each other to improve their own skills. Furthermore, the 'Multi-Cultural Teams as Sources for Creativity and Innovation' paper, discusses how the team members learn about helping and explaining skills [9]. That helps them to improve communication skills. Also, the team members will become more dynamic while working in a diverse team [8]. From the organization's perspective, diverse teams contribute to increase the success in new market penetration. In the paper, organization diversity is considered as one of business principles which help the organization to acquire more market share [6]. So, to expand the business, may be in new market or with the existing market but new product, organizations could get benefited with culturally diverse teams.

## Methodology

The cultural diversity and team performance will be analyzed by using the SWOT analysis tool. The SWOT analysis acronym stands for strengths, weaknesses, opportunities, and threats. This analysis in particular, has its origins in the work of business policy academics at Harvard Business School and other American business schools from the 1960s onwards. The work of Kenneth Andrews has been especially influential in popularizing the idea that good strategy means ensuring a fit between the external situation a firm faces (threats and opportunities) and its own internal qualities or characteristics (strengths and weaknesses) [10]. In this paper, this type of analysis will be used as a framework to understand the impact of cultural diversity on the team performance and support the categorization of the findings from the literature review. Additionally, we will provide evidence by sharing work experiences which will enables us to support or reject the findings from the literature review. Therefore, by combining the SWOT analysis with personal experiences we will be able to understand the positive and negative aspects of the cultural diversity and what opportunities or threat does it introduce to the team performance.

# Results and Evidence

**Table 1: SWOT Analysis Summary**

<b><u>Strengths</u></b> <ul style="list-style-type: none"><li>• Increased creativity and innovation from variety of experiences, knowledge, and perspectives</li><li>• Increased effectiveness in decision making and problem solving</li><li>• Increased organizational flexibility</li></ul>	<b><u>Weaknesses</u></b> <ul style="list-style-type: none"><li>• Process losses from difficulty in communication and coordination</li><li>• High turnover from dissatisfaction, personal conflicts, reduced social integration and cohesion</li></ul>
<b><u>Opportunities</u></b> <ul style="list-style-type: none"><li>• New market penetration</li><li>• Learning and growth for team members and management</li></ul>	<b><u>Threats</u></b> <ul style="list-style-type: none"><li>• Diversity recruitment initiatives</li><li>• Bad management or organizational environment</li><li>• Cultural stereotypes</li></ul>

Cultural diversity has several strengths which prove to be very beneficial and enhances team performance such as increase in creativity and innovation, increase in effectiveness in decision making and problem solving, and increase in organizational flexibility. Our team which consists of members from different parts of the world such as Asia, Europe, and North America is a great example. During our project meetings, each team members brings many different ideas to share and discuss which made the project more interesting and challenging. The team can easily find a solution when faced with a problem since the members had different and high quality ideas and suggestions. Another example is from co-teaching experience in class having French and American teachers, which have very different training backgrounds. The teachers have to cooperate and prepare the class activities together. They are also required to lead the activities together for one hour in the class. The resulting activities are more creative, interesting, and attractive for the students than usual. The program has received positive responses such as increased participation and compliments from students and parents. This success is from having unique ideas to share that each would never be able to come up with alone.

Cultural diversity can have negative impacts on team performance. Two major negative points have been identified in this paper. The first point is process losses related to the difficulty encountered by multicultural team to communicate and coordinate between team members. The second point refers to the high turnover due to dissatisfaction, personal conflicts, reduced social integration and cohesion in a multicultural team. To illustrate the first point, we will refer to the verbal communication between French and American. Americans are more cautious with their words used in conversations. French, on the other hand are usually more direct. This difference can

impact the directions given for a task. For instance, at the French school in Portland, Oregon, when a new French teacher arrives, he or she has to do several important administration papers. Few years ago, a new teacher had forgotten to give his phone number to the immigration. The person in charge of this process at the school told him: "I do not feel very comfortable with that, it is important that the immigration can reach you". With a French perspective, it means "You have to do it but you still have time." therefore, the French teacher waited several days before giving his phone number. The person who were talking to the new teacher should have said "You have to do it immediately! It is very very important." The words used here were not interpreted in the same way. Perspectives here were different and resulted in delay in the process.

Teams and organizations are also negatively affected by high turnovers, an unfortunate situation but happens amongst culturally diverse groups. Here is an example from a passive observer's personal experience. At a high tech company, a member, who is an Asian woman, one day decided to abruptly leave her group. She has made the decision and there is nothing the management was able to offer to keep her. The manager was caught off guard. After all, she was one of the smartest, energetic, and capable engineer, and has made numerous contributions to the team's achievements. The problem was she was misunderstood at work. She was not satisfied in terms of career growth and direction but failed to communicate this clearly with the management. She had personal conflicts with other team members. She felt alone and undervalued.

Do not be discouraged by the difficulties and challenges faced by culturally diverse teams. Overcoming these challenges present many benefits and opportunities both for the team members and the organization. Some of the opportunities from having culturally diverse teams are penetration in new markets and team learning. For example, many of the fast food chains such as Pizza Hut and McDonald's have their franchises in India. Indians love it, especially the younger generations. What makes it interesting is that they have a completely different menu in India than menu in United States. The Indian menu includes the original dish but with different ingredients specifically appealing to Indian people such as more spices, only specific meat, *Paneer*, etc. How did these companies achieve capturing this new market? Of course, with diverse teams. Working with Indian people gave them idea to understand what Indians like or do not like and then they changed their menus accordingly. This example shows an organization can always find a scope in new markets by creating a diverse team including some employees and other small organizations local to that country.

Another opportunity which we found important is the opportunity of team learning. Teams learn a lot while working in diverse teams. Here is an example of a very personal experience which shows there is more learning in diverse teams.

*"I was working in an Indian software company as a software developer. Our group creates software solutions for Bank of New York Mellon (USA). It was a diverse group including software engineers, business analysts, and managers both from India and the United States. Having completed my schooling in my native language and English being secondary language, communicating in English with my team members overseas was*



*uncomfortable and frightening to say the least. While working in diverse teams, I did not have any other option but to start speaking English. Slowly I got very comfortable with my English speaking skills. That chance of working with them was highly beneficial for me throughout my life. When I eventually moved to the United States, it was a little easier for me to communicate with people and understand their accent because I already had some experience of interaction with them. My previous culturally diverse team gave me that chance."*

This example clearly shows how the team members can benefit on an individual level by working in culturally diverse teams.

With all the positive impact to team performance and competitive advantage that it brings to global organizations, cultural diversity has been a highly desirable attribute to teams. In this research paper, the following three major threats related to cultural diversity have been identified - the threats of diversity recruitment initiatives, bad management or organizational environment, and cultural stereotypes. The idea is to be aware and avoid these traps that can possibly hinder teams in reaching their full potential and becoming a high performing team. For example, in high tech companies which are historically dominated by male engineers and scientists, there has been an increase in the diversity recruitment efforts to attract women engineers. Women bring different perspectives, ideas, and skills that are proven beneficial for the companies. The threat comes when a quota or a target percent is imposed, when it becomes part of the metrics and filled in the wrong way. When unobservable technical qualifications are given less weight. In this situation, the type of diversity may not add value in team performance especially in teams with highly technical tasks.

Management and the organization's culture or environment can also be a threat to team performance. They must know how to leverage the team's strengths to overcome weaknesses by providing support and interventions when necessary, including managing stereotypes. This is because the threat of stereotypes often occurs during task assignments. Here is a good example between French and American teachers. French teachers think American teachers have excellent communication skills but their work can be very superficial and not very deep. This results in reluctance in assisting American coworkers during presentations as it is viewed as a waste of time. Every year, the school director organizes a special end of year event. It is a big celebration with invitations extended to very special and important organizations in the school. One year, for several reasons, no French teachers were able to participate in this project. An American teacher volunteered. The French teachers kept saying that the event will be a nightmare this year and will encounter several issues. Well, the event was a success.

## Conclusion

Cultural diversity has its pros and cons. Increase in creativity and innovation, effective decision making and problem solving, and increase in organizational flexibility are some of the major advantages of having a culturally diverse team. On the other hand, process losses due to challenges in communication and coordination and high turnover from dissatisfaction, personal conflicts, and reduced social integration and cohesion are some of the factors that might produce some negativity in the team. In addition, any organizations who are looking to grow their target market, can highly benefit from having multicultural diverse teams compared to just having homogeneous teams. Team members are also provided with many learning opportunities by working with the other diverse team members. However, bad management, cultural stereotypes, and poor diversity recruitment initiatives can be threats for culturally diverse teams. In conclusion, if the culturally diverse team can overcome its weaknesses and the organization provides a supportive environment that shields the team from the external threats, the great benefits to team performance and the promising opportunities that come with cultural diversity in teams and organizations can be harnessed.

## Implications

In today's fast-paced business environment, cultural diversity is an unavoidable factor for the organizations. This factor has very high potential to improve the team performance. New product development or innovation teams can be highly benefited with such diverse teams. Organization's management can decide the strategy to manage the diversity in a team to avoid the threats which come along with the diversity. Giving some time for the teams to collaborate, to know each other, have some informal meetings might help to develop the strong culture in team. Such techniques could help to strengthen the team and minimize the negatives, which ultimately improves the team performance.

## Future Research

Based on the research results, it is recommended that the future research is focused on quantifying the impact of cultural diversity on the team performance. This paper has demonstrated that the cultural diversity will have benefits, weakness, opportunities and threats. Therefore, the next step should be to understand if there is any correlation between each factor of the SWOT analysis. By performing this research, we would be able to understand where is the inflection point of cultural diversity and implement tool to reduce the negative effect of it.

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