Managing Cultural Diversity in Global Teams: Strategies and Outcomes

Baluku Kaggwa N.

Faculty of Business and Management Kampala International University Uganda

ABSTRACT

In today's interconnected global business environment, managing cultural diversity within global teams has become crucial for organizational success. This paper explores the complexities and challenges associated with cultural diversity, as well as the strategic approaches that can enhance team performance and outcomes. Drawing on case studies from leading multinational companies, the paper highlights best practices for fostering communication, collaboration, and understanding among team members from diverse cultural backgrounds. It also examines the impact of cultural diversity on team performance, emphasizing both the potential benefits and challenges. The findings suggest that with effective management strategies, cultural diversity can lead to improved creativity, innovation, and overall team success.
Keywords: Cultural Diversity, Global Teams, Multinational Corporations, Team Performance, Cross-Cultural Management.

INTRODUCTION

Cultural diversity is one of the most important topics in organizational behavior and global management. Moreover, as a crucial aspect of this topic, cultural diversity in global teams (which engages with different national cultures) has received considerable attention in academic research and practice. The Dutch philosopher Baruch Spinoza famously noted that "Man is a social animal." In fact, employees in many organizations have to work with and contribute their expertise and skills to the combined activities of other employees of different nationalities in working groups, project teams, departments, cross-functional teams, and decisions made by various teams. Therefore, the importance of understanding and specifying cultural diversity in terms of processes and outcomes at the team level is clear [1, 2, 3]. What is meant by cultural diversity, particularly in the context of teams? Cultural diversity may be conceptualized either at the individual or the collective (national) level. At the individual level, psychologists tend to dichotomize culture into "values" and "practices." Geert Hofstede developed the most influential research on culture at an individual level. He defines "culture" as values that distinguish the attitudes of a group from others. Cultural diversity should not be assessed in isolation from the status given to diversity and the task that individuals or groups are asked to perform. Given that the notion of "team" and its role, cultural diversity among teams will affect the performance and other outputs of the employees within such groups. The first step in the understanding of how such culturally diverse teams may operate is the actual conceptualization of culture [4, 5].

CHALLENGES OF CULTURAL DIVERSITY IN GLOBAL TEAMS

In recent years, many multinational companies have created so-called 'global teams' to respond to the changing nature of international markets. However, these global teams face several challenges due to diversity, especially two kinds of diversity: functional diversity (different in work background and expertise) and ethnic, national, and linguistic diversity, or as sometimes called, cultural diversity. In the present paper, we focus mainly on this latter dimension of cultural diversity, which is based on different cultural backgrounds, nationalities, religions, lifestyles, and so on, accumulated in multinational corporations [6, 7]. Differences in national culture and lifestyle between team members have been found

to contribute to many 'cultural problems' within the group, including inter-group conflict, interpersonal conflict, stereotypes, and lack of understanding and empathy. Moreover, cultural diversity is complicated by other elements: group members are often not aware of the deep cultural roots of their and their colleagues' behavior (values are basic premises, therefore taken for granted), ethnic and cultural diversity are rarely mentioned explicitly by team members. Global team members prefer to focus on task-related productive activities. Different levels of hierarchy between cultures are reflected in the adoption of different decision-making styles in the team, differences in the way people use time may imply different levels of urgency and reflection in making decisions, and so on. In conclusion, it may be said that the above-described prevalence of divergent values, communication styles, work practices, and decision-making styles among those belonging to the multinational corporations network is a potential source of a good many conflicts and can bring about problems in operating the group on an effective basis [8, 9].

STRATEGIES FOR EFFECTIVE MANAGEMENT OF CULTURAL DIVERSITY

Today's global legal work teams usually do not have the luxury of avoiding cultural diversity in the composition of their membership. Both micro-level groups of professionals and large legal organizations that are crucially dependent on the performance of teams now find themselves routinely called on to manage increasingly diverse global collaborations. The difficulties sketched in the previous section can make this a daunting challenge. In this section, we catalogue a range of interlocking strategies or means to the end of more effective management of cultural diversity in work teams. Running a long continuum of increasing cost and difficulty of implementation, these strategies capitalize on the benefits of cultural diversity by proactively narrowing the differences among the team's members to foster communication, understanding, and collaboration based on shared working norms and assumptions [10, 11]. At one end of the spectrum are the most minimal of these strategies. Instead of requiring significant efforts to learn unfamiliar ways of communication and collaboration, units can reduce reliance on differing means of getting things done simply by reducing the number of those differences. By focusing assignments on receptive countries only, companies reduce the variety of audits looked after by the global teams, and so the need to share partial solutions. Many, perhaps even a majority if our readers, of internationally active legal and financial services firms accept a partly related, and partly compensatory, low-diversity strategy for assembling globally dispersed work teams. They exaggeratedly claim that relying only on the predominance of international lawyers trained in common law in their global transactions obviates the need for training in a myriad of national differences in legal reasoning and outcome preferences [12, 13].

IMPACT OF CULTURAL DIVERSITY ON TEAM PERFORMANCE

It is important to understand whether diversity influences global team performance and, if so, how it impacts it. Research has shown that cultural diversity can have both a positive and a negative impact on global teams. For example, cultural diversity can stimulate the generation of different perspectives, knowledge, and opinions that might enhance creativity and innovation in global teams. On the downside, due to miscommunication and misunderstanding, the process of decision-making might be slower in culturally diverse teams compared to culturally homogeneous ones, resulting in decreased productivity. Cultural diversity can be an advantage when global team members draw on their diverse cultural perspectives, knowledge, and experiences to generate solutions, handle complex problems, and recognize errors that would be more difficult to diagnose. People in international rather than in multicultural teams are forced to follow specific team norms and may be less willing or able to understand or integrate different perspectives [14, 15]. There are potentially few outcomes as to how cultural diversity affects team success. One of them is enhancing value creation by increasing knowledge, drawing on various information processing and problem-solving abilities, and improving communication. Or, enhancing decision-making and solution-finding quality through variety in team problem-solving approaches and improved ethical decision making. Finally, cultural diversity in teams, and especially in global teams, can potentially give economic results as well. Especially in service-oriented and multinational business, as well as innovation- and research-intensive companies, it can bring some financial results such as increased company value, increased revenues and profits, improved market position, and reduced costs and risks [16, 17].

CASE STUDIES AND BEST PRACTICES

There are several organizations that are addressing challenges of leading in a global economy. General Electric, for example, achieved its high level of success by embracing globalization and managing the people part of the business effectively. Microsoft is another company that uses diversity as a key to their business success. Novartis, BP, and Siemens are using a diverse workforce and integrated leadership teams for their global operations and strategies. Levi Strauss places a high level of importance on talent development which enables their organization to place people with the requisite skills and an appreciation

of cultural nuances in the market. These firms are a few of many organizations that have begun to become comfortable operating in the foreign marketplace [18, 19, 20]. While many of the books on the subject of leadership for global or multinational teams are about leadership in general, there are a few other authors who address the complex issues of managing cross-cultural teams. Some of these authors used anecdotal evidence, making it difficult to replicate their results in addition to having a sample size when writing their texts. There are salient points all the authors make on the best practices for managing global teams. Acuff's (1993) results were based on case studies of successful corporately managed geographically dispersed global teams. He found that specific attention to leadership, technology, and governance created success. Trompenaars and Hampden-Turner (1997) suggest that the values contained in the corporate culture that dictate how the team operates internationally fall into six categories. He also lists some successful companies and how they geographically disperse their global teams. McCauley et al. (1995) states that team leadership and explicit decision-making are two very important components for the success of the global virtual team. Tichy and Ramcharan (1997) address GE's policies and procedures with corporate teams and studies how the team operates, where the leadership is culturally expanding. These studies correlated the impact of the global leader who is able to transcend national cultural differences to individual team member process and performance outcomes, which in turn are related to the performance objectives of the team. Research in geographically dispersed leadership, including global leadership, is given in the larger context of systems thinking. Systems carry inputs into outputs and in so doing transform and are transformed by these inputs. Globalizations, or global strategies, provide the input necessary to carry the learning that results from ensuring quality. Inputs influence outputs, and creating both can show leadership effectiveness [21, 22, 23].

CONCLUSION

Cultural diversity in global teams presents both significant challenges and valuable opportunities. Effective management of this diversity is essential for leveraging its potential benefits, including enhanced creativity, innovation, and decision-making quality. Multinational companies that implement strategic approaches to foster communication, understanding, and collaboration among culturally diverse team members can achieve superior performance outcomes. Case studies from industry leaders such as General Electric, Microsoft, and Novartis demonstrate the importance of embracing cultural diversity and integrating it into organizational practices. Ultimately, the successful management of cultural diversity in global teams not only improves team performance but also contributes to the overall competitiveness and growth of organizations in the global market.

REFERENCES

1. Stahl GK, Maznevski ML. Unraveling the effects of cultural diversity in teams: A retrospective of research on multicultural work groups and an agenda for future research. Journal of International Business Studies. 2021;52(1):4. nih.gov
2. Inegbedion H, Sunday E, Asaleye A, Lawal A, Adebanji A. Managing diversity for organizational efficiency. Sage Open. 2020 Jan;10(1):2158244019900173. sagepub.com
3. Homan AC, Gündemir S, Buengeler C, van Kleef GA. Leading diversity: Towards a theory of functional leadership in diverse teams. Journal of Applied Psychology. 2020 Oct;105(10):1101. apa.org
4. Stępień M, Dudek M. toWard the three–level poWer diStance concept: expanding geert hofStede'S poWer diStance Beyond croSS–cultural context. Studia Socjologiczne. 2021. icm.edu.pl
5. Sent EM, Kroese ALJ. Commemorating Geert Hofstede, a pioneer in the study of culture and institutions. Journal of Institutional Economics. 2022. cambridge.org
6. Presbitero A. Foreign language skill, anxiety, cultural intelligence and individual task performance in global virtual teams: A cognitive perspective. Journal of International Management. 2020. [HTML]
7. Guo Y, Jasovska P, Rammal HG, Rose EL. Global mobility of professionals and the transfer of tacit knowledge in multinational service firms. Journal of Knowledge Management. 2020 May 27;24(3):553-67. whiterose.ac.uk
8. Lee Y, Schneider SC. Making a difference: managing identities and emotions in multicultural teams. Research Handbook of Global Leadership. 2020. [HTML]
9. Sylvia SC, Fwamba R. INFLUENCE OF INTER-GROUP CONFLICT ON IMPLEMENTATION OF COUNTY GOVERNMENT PROJECTS IN BUSIA COUNTY, KENYA. Journal of International Business, Innovation and Strategic Management. 2021 Nov 10;5(3):66-79. jibism.org

10. Susskind R, Susskind RE. Tomorrow's lawyers: An introduction to your future. 2023. ⌈HTML⌉
11. Dobbin F, Kalev A. Getting to diversity: What works and what doesn't. 2022. ⌈HTML⌉
12. Klick J. Review of the Literature on Diversity on Corporate Boards. American Enterprise Institute. 2021. dol.gov
13. TRAN PT. Diversity in life experience among top management teams: its impact on firm financial performance. 2020. rmit.edu.au
14. Tang T, Vezzani V, Eriksson V. Developing critical thinking, collective creativity skills and problem solving through playful design jams. Thinking Skills and Creativity. 2020. whiterose.ac.uk
15. Moirano R, Sánchez MA, Štěpánek L. Creative interdisciplinary collaboration: A systematic literature review. Thinking Skills and Creativity. 2020. uns.edu.ar
16. Richter NF, Martin J, Hansen SV, Taras V, Alon I. Motivational configurations of cultural intelligence, social integration, and performance in global virtual teams. Journal of Business Research. 2021 May 1;129:351-67. sdu.dk
17. Hunt V, Prince S, Dixon-Fyle S, Dolan K. Diversity wins. 2020. jaipuria.ac.in
18. Caligiuri P. Build your cultural agility: The nine competencies of successful global professionals. 2021. ⌈HTML⌉
19. Kok SL, Siripipatthanakul S. Change Management Model in Corporate Culture and Values: A Case Study of Intel Corporation. Advance Knowledge for Executives. 2023. academia.edu
20. Bognetti G. History of western state-owned enterprises: From the industrial revolution to the age of globalization. The Routledge handbook of state-owned enterprises. 2020. ⌈HTML⌉
21. Acuff C. More Money or More Problems? Assessing the Fiscal Impact of Consolidation in Macon-Bibb County, Georgia. Public Administration Quarterly. 2023. osf.io
22. Miller AE. Black Women Attaining Leadership Positions in Boston Government: A Phenomenological Study. 2022. ⌈HTML⌉
23. Oliveira LMD. A Guide to Enhance Successful International Negotiations in the Mexican Market. 2022. ipleiria.pt

CITATION: Baluku Kaggwa N. Managing Cultural Diversity in Global Teams: Strategies and Outcomes. Research Output Journal of Education, 2024 3(2):63-66.