Leadership of Cultural Diversity:

The impact of leadership

Leiderschap van Culturele Diversiteit:

De impact van leiderschap

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Chapter 1: Introduction & Thesis Overview

Introduction

Multinational companies more than ever face rapid and drastic changes in society which also affect the economic and social environment. Furthermore these processes encompasses the company itself, the community of staff members and customers. As parameters, global megatrends dictate the direction of company development. These megatrends include globalization and internationalization, the transformation in demographics and the value system, the societal challenge of the advancement of minority groups in executive positions, and establishing flexibility in working environments.

An enhanced leadership culture is one of the key instruments for coping with these challenges over the long term, because leaders have the ability to directly influence team members (van Knippenberg, van Ginkel, & Homan, 2013; cf. Hackman, 2002; Kozlowski & Bell, 2003). Yet, to be able to manage diverse teams in the best way and increase team performance leaders require a good understanding of the causes of attitudes and behaviors of individuals and teams.

Through globalization and internationalization organizations are becoming more and more diverse especially in terms of cultural background. Cultural diversity, therefore, is a critical factor to investigate and the core of the current dissertation. Culturally diverse teams have the potential to bring benefits to the organization, caused by the expectation that different backgrounds may foster higher levels of performance (Ilgen et al., 2005). Culturally team diversity in organizations results in broader knowledge, expertise, and diverse perspectives that may lead to more creative and innovative strategies to problems, higher-quality decisions, and overall performance on sophisticated, knowledge-intensive tasks (Williams & O'Reilly, 1998).

Even though the organization may benefit from team diversity, 50 years of diversity

research shows that team diversity may be associated with conflict and non-optimal team performance (Williams & O'Reilly, 1998; van Knippenberg & Schippers, 2007). Team diversity in that sense can be beneficial and detrimental to the organization at the same time (Milliken & Martins, 1996), and a key question for management is how to manage team diversity in the best way. Therefore, defining what kind of leader characteristics drives team performance and which leadership characteristics foster the positive outcomes of diversity in cultural diverse teams is more and more crucial for organizations. Thus the research question of this dissertation is:

How can leadership leverage the potential of cultural diversity in organizations?

Cultural Diversity

Cultural diversity is particular pertinent to organizations which are having and doing business in a competitive international business environment (Jackson & Alvarez, 1992). Companies have access to a pool of local and foreign workers, who bring different expertise, beliefs and knowledge to the team (Cox & Blake, 1991; Kirkman & Shapiro, 1997), because with acceleration globalization cultural diversity in teams is constantly rising as well (Staples, 2007). The term cultural diversity in this dissertation refers to diversity in nationality. The national origin is characterized by the institutional setting of the individual's home in which they lived mostly in their formative years (f. Hambrick et al., 1998). Therefore nationality is an essential and central component of individuals' identity and describes the diversification based on country and origin, which tends to be a high salient characteristic compared to other demographics (Hambrick et al., 1998). Add to the above that research found that national culture has solid impact on feelings, acting of leaders and strategic thinking (Geletkanycz, 1997; Schneider and DeMeyer, 1991) cultural diversity is clearly a critical factor for organizations to

understand and master.

Unfortunately prior research has also shown that (cultural) diversity often has negative and undermining effects on performance of individuals and teams in organizations (Williams & O'Reilly, 1998; van Knippenberg & Schippers, 2007). Thus, in order to leverage the potential of cultural diversity it must be handled. We investigate two important instances of negative effects of cultural diversity and discuss how these can be managed. First, in chapter 3, we take a team level perspective and investigate how variation in nationality in teams (i.e. cultural diversity of teams) negatively affects team performance. Then, in chapter 4 we take an individual level perspective and investigate how cultural differences between individuals and their fellow team members (i.e. cultural dissimilarity) may negatively impact feelings of psychological safety of these individuals.

In order to manage cultural diversity we emphasize the role of leadership. Leadership is characterized as a mechanism of giving advice or impacting decisions made by the team, as well as engaging team members to accomplish their goals (Yukl, 2006). Inspiration, as well as motivation and enthusiasm is crucial for success. Therefore, gaining a better understanding of which leadership characteristics will expand and strengthen these elements that create a spirit of shared commitment, use abilities to generate enthusiasm and confidence as well as inspire their team members is a key.

Managers act against the background of their company's organization, which in turn is determined by structure, strategy and culture factors. Alignment of these factors against each other and a good balance between these three parameters is decisive for the success of the organization. Therefore, leaders are faced to balance company and team objectives as well as lead individuals who are diverse in several aspects e.g. working styles, educational and cultural background. Both, leaders and team members have to deal with increasing complexity and fast changing day-to-day business. Consequently there is a stronger need of effective management

of individuals, in order to align actions. Thus, team performance is contingent upon efficient leadership. Especially in view of the notion that leadership is the most flexible influence that organizations can bring to bear in their attempts to manage team (cultural) diversity (van Knippenberg, van Ginkel, & Homan, 2013; cf. Hackman, 2002; Kozlowski & Bell, 2003).

Furthermore, it is arguable that leadership is one of the most important elements of the team's success in organizations. Therefore a profound apprehension of which leadership characteristics are beneficial to teams, especially in cultural diverse ones is needed. Particularly, we propose that certain leadership characteristics, like leader cultural background and tenure (Chapter 3) and leader interpersonal fairness and leader group prototypicality (Chapter 4) can be a driver in positive or negative team outcomes of cultural diverse teams. We specifically argue that the outcome of cultural diverse teams on team performance is more positive with a leader who is non-native to the host country than with a local leader, and that this effect would mainly be observed for leaders with shorter tenure with the team. Stronger cultural expertise in leading teams in a cultural diverse environment, as well as working with partners in growth markets across locations and borders is decisive.

With new market challenges and globalization comes an unprecedented societal cultural diversity – with opportunities and risks for every organization that operates in these societies. Employees who deal with the development of innovations, products and markets, should be as multifaceted as the future markets of the specific international target groups on which products and services focus. This presents multinational organizations its leadership with challenges, but also conceals great opportunities because diversity among the workforce, taking action is the foundation of a global, targeted, and market-specific development of the future. This implies that leaders will satisfy new demands for multilingualism and intercultural competence (Bartlett and Ghoshal, 2003). In particular, their pronounced ability to integrate and adapt to other cultures, organizations, rules, ideologies, and specialized topics will be required.

As a key skill of the leadership culture, change management takes on a new meaning because change will be a continuous companion of economic activity. Talent management will take new forms because potential labor markets and required skills are changing considerably. Accordingly, diversity of the workforce is becoming a strategic priority for most multinational organization. Leaders and their various teams may occasionally need more time to find a solution due to the identification and evaluation of any conflicting aspects, this development in corporate and leadership culture will be a critical competitive advantage in the future. Moreover fostering diverse talents requires a special openness, the ability to integrate, as well as leading employees with different social and cultural backgrounds– completely new demands for many executives.

Therefore we examined that certain leader characteristics play an important role in understanding the leadership process of cultural diverse teams and gives a better understanding on diversity and leadership. We draw on the social identity perspective and identified both leader interpersonal fairness and leader group prototypicality as such attenuating influences on cultural diverse teams. It is arguable that leadership as one of the most crucial determinant of team success or failure. Thus, we investigate in these components to gain a better understanding to which extend leaders are drivers in managing diverse teams.

A key success factor for multinational organizations is the desire to successfully lead a company into the future, as well as to preserve and expand the high level of appeal both locally and on the international labor market. While further developing and adapting strengths, it is necessary to build leaders' technical quality combined with behavioral values. Leadership behavior secure success of team and company performance especially when parameters and requirements change in the future. Moreover, it is crucial for leaders to have strong abilities, which take into account the transformation in a certain industry and expectations of employees. Furthermore leaders need shape a culture that calls for and permits a high diversity of ideas,

viewpoints, interpretations, and solutions. This is a foundation for being able to exploit resources, in particular in a diverse workforce. An effective leadership of cultural diversity may make the people taking action more successful and satisfied over the long term, it will foster diversity and versatility, will accelerate the sustainable implementation of innovative ideas and plans, and thus play a major role for a multinational company.

Thesis overview

In addition to the current introductory chapter, this dissertation consists of one business case, two empirical chapters and a final chapter where I summarize the findings and present general conclusions of the present research.

In order to benefit from team diversity, organizations have to actively manage diversity, which organizations often do by implementing a diversity management concept which is presented in chapter two as a best practice business case of a multinational company. The goals of this chapter is to provide an overview of those areas of diversity management most in need of research and to describe comprehensively the context of the empirical chapters.

Chapter three investigates in leadership and cultural diversity in teams. Little is known about the influence of team leaders (see e.g., van Dijk, van Engen, & van Knippenberg, 2012), but considering the large impact leaders have on team members' performance and attitude leadership may play a crucial role in leveraging the effects of cultural diversity in multinational organizations. Specifically we look at the impact of team leader cultural background and leader tenure on team performance in this chapter. We specifically argue that foreign leaders (as opposed to local leaders) are better positioned to lead culturally diverse teams because of their cross-cultural experiences. At the same time we argue that leader tenure can also provide cross-cultural experiences that can help local leaders bridge the gap with foreign leaders in terms of

effectively managing cultural diversity. Chapter three adds to the understanding of leadership of diversity by focusing on leader's diversity attributes, but also adds to the understanding that diverse teams need time to learn to make use of their team diversity (Earley & Mosakowski, 2000).

Chapter four takes an individual level perspective on the issues concerned with cultural diversity. It specifically deals with the perceived psychological safety of team members in cultural diverse teams. Taking a relational demography perspective which suggests that more dissimilar members' are particularly at risk in terms of lower levels of psychological safety, we studied to which extent leader characteristics may reduce these negative effects of cultural dissimilarity on team members' psychological safety. Specifically we argue that leader interactional fairness and leader prototypicality may diminish the negative relation between cultural dissimilarity and psychological safety because they communicate to the individual that (s)he is valued as a group member. This contributes to the literature on leading diversity research, the crucial moderating influence of leadership on the relation between cultural dissimilarity and psychological safety and demonstrates the importance of an appreciation of individual differences (as opposed to only team diversity) for leadership of cultural diversity.

The final chapter includes an overview of the findings of the empirical chapters and contributions of the dissertation. In addition, we discuss future research opportunities.

Chapter 2: Business Case - Diversity Management at a Multinational Company

The purpose of this chapter is to provide the context of the research on leadership and cultural diversity in this dissertation. Specifically we describe how a multinational company that we investigate in later chapters deals with diversity. In the last decades various developments on national and international levels have led to the fact that the topic 'diversity', both from a moral as well as from an economic perspective has become indispensable. In the future Human Resource Management (HRM) of a multinational company will mainly be influenced by the progressive globalization, demographic patterns and by various political and legal frameworks. The following chapter describes significant demographic changes, as well as legal and economic developments which shows various perspectives and approaches for diversity management in an international organization.

Introduction

The following chapter illustrates the development of diversity management with its main action fields and its starting points for strategy implementation, by looking at the best practices of diversity management measures of the focal company of this dissertation, which is a globally active aviation group comprising of more than 500 subsidiaries and affiliates. We do so with two goals in mind. First, investigating the current practices of the company provides us with important insights into what areas of diversity management deserve more research attention to help the company improve its diversity management. As such this chapter drives the focus of later chapters. Second, the current chapter provides an overview of the company and its practices and as such describes comprehensively the context of further research.

The Company and its Diversity Management

Air transportation connects people around the globe and enables the positive exchange of goods, ideas and cultures. While the core business remains air travel, the organization has created a network of globally positioned segments rooted in numerous aspects of the aviation industry. Other key segments are international scheduled freight transport, aircraft maintenance, repair and overhaul services, information technology services and worldwide airline catering. Around 120,000 people are employed worldwide with about 150 different nationalities based in 84 countries. With around 50,000 employees working outside of the headquartered country, the organization can be defined as a global player doing business around the world. Especially global acting companies to which a diverse workforce comes naturally know best about challenges in international markets and special needs of the customers worldwide. Examples for globalization within the economic sector are international production, capital flow with no regards to borders and new communication tools. Globalization requires more cooperation among people from diverse cultural backgrounds and experiences. The worldwide competition is high and therefore an organization requires diversity to be more creative, innovative and efficient.

Therefore the organization regards diversity management as a chance and as a business must to use the benefits of diversity. Diversity also supports in defining the wishes of international customers in the best way, because their needs are reflected in a diverse workforce of a multinational company. Diversity in the workplace has the potential to bring lots of advantages to an organization, like creativity, high performance and innovation by creating competitive advantages (William & O'Reilly, 1998). But benefiting and managing diversity in an effective way is challenging. Thus the company has to contribute a lot. Therefore it is essential that diversity management is included in the corporate culture and in the human resource structure.

Corporate HRM is managed centrally. To secure high quality and modern exposures within each area of human resources businesses, a variety of divisions belong to the organizational chart of the central function. Due to the complexity of the company, local human resource departments are implemented, which have their own responsibilities and ways of implementing strategies on a decentral basis in alignment with the company strategy.

Trends like demographic change, globalization and individualization inspire the markets of most multinational companies and present new challenges. The international positioning of a company verifies awareness towards necessary adaptions in order to stay competitive. Political and economic actions have influences on the decision of a company to produce abroad. A multinational company has to demonstrate the ability to adapt to such changes by positioning its business segments in the most important markets. The ability to operate not only internationally but also profitably can be connected to the decentralized organization of the presented company structure. Each segment knows its competitors and the current development best and can adjust its activities to market challenges in the most efficient way. These trends also show that it is necessary to have a holistic design and initiatives in all areas of diversity management to use all these returns on investments.

These facts, changing society and economy illustrate the need of diversity management as knowledge bearer and as a competitive factor in a multinational organization Future competitiveness of a global player will depend on the design of the corporate company culture and the products, which have to meet the requirements of the markets and the society around the world. A global acting company in the service industry is characterized by the diversity of its groups of customers. In the following best practices and a variety of established diversity measurements in order to strengthen the company culture of diversity will be described. Diversity

is perceived as a chance to fulfil the variegated customer needs at an optimal level and moreover attract new customers, as well as to implement a long term strategy and produce an added value to the company. Thus below action fields were established:

- Equality and sponsorship of gender diversity

- Openness to culture diversity and global engagement

- Appreciation of age diversity and sexual orientation

- Integration of disabled employees.

The company designed a holistic diversity concept which fosters the attraction, recruitment and retention of employees. Reinforcement of creativity and innovation is another goal of the company's diversity management. The aim of establishing a diversity management strategy is to install a long term strategy in order to produce a proactive human resources management based on general diversity management agreements. To manage all diversity topics across the company a department within the central function of the human resources management department was introduced, which follows the following principles:

- Create sensitivity for managers and committees in regards to diversity topics

- Proactive diversity management to go hand in hand with the company strategy

- Strengthen visibility of the diverse workforce and give exposure to diverse talents

- Spread diversity philosophy across all business segments, functions and departments, as well as involve every employee and manager

With the implementation of the overall diversity management strategy the same dimension in every country was established, whereby the focal points could differ from region to region to adjust the conditions there. For example one of the focal points in the United States is the promotion of ethnic minorities. In Asia the main area is women's empowerment and to

transfer managerial responsibility to local managers. In South Africa there is a focus on increasing cultural diversity balance and also to support disabled people in the workforce. In Europe the first focus is more on gender diversity in management positions followed by cultural and demographic diversity. Every employee makes an important contribution to the company's success. Therefore integrating them is a key aim of the human resources policy, which is anchored in the diversity strategy.

Due to the fact that the company is headquartered in Europe, the corporate measures are based on European trends and regulations. Diversity management in Europe is supported by law, due to the Equal Treatment Directive, which is an act of the European Union (Federal Anti- Discrimination Agency, 2000). The European Union members made the anti-discrimination rules to their national goal. The aim of the law is to support the prevention of discrimination by gender, culture, age, ethnical background, religion, disability etc. Although diversity management illustrates an economic concept first and foremost, the equality act law gives many organizations a cause to establish a diversity management strategy in order to meet the goals of the law by this. Next to the political law there exist also corporate policy guidelines like employment agreements to ensure fairness and equality at the workplace. Germany is a country with a drastic aging population as well as on of the countries in Europe with the largest shares of workers with a foreign nationality across Europe. Therefore Germany plays particular attention in this chapter. Hereafter the main action fields of a multinational company are presented as best practice examples.

Action Field Gender Diversity

Gender diversity stands for equal opportunities of women and men at the workplace. 49.6 percent of the world population are women (Population Reference Bureau, 2015). But by

looking at the world labor market this result is not reflected in many countries around the world. Gender gaps persist even in some of the most developed countries (Population Reference Bureau, 2015). For example in Europe just 8.4 percent of women belong to the Board of Management (Heidrick and Struggles, 2007). In Germany 46 percent of the employees are female (The Federal Employment Agency, 2012). 20 percent of them are in the position with managerial responsibility (Hoppenstedt Analyse, 2012). But just 3.4 percent women in Germany belong to the management board (FiDAR e.V., 2012) although 50 percent of the graduates are female (Population Reference Bureau, 2015). In addition most of the women between the age of 25 and 35 in Germany leave the labor market to focus on the family live, because the compatibility of family and career has a lot of barriers (The Federal Employment Agency, 2011). Studies have shown that companies profit from gender balance in the workforce and also in management positions. One proof for this hypothesis could be the "women matter" study (Devillard, S., Graven, W., Lawson, E., Paradise, R. & Sancier- Sultan, S., 2012) which reveal that women in leadership positions contribute to better results of the company's economic success. Furthermore the implementations of an efficient leadership mix may increase the overall company performance (McKinsey, 2007; Daily and Dalton, 2003b; Population Reference Bureau, 2015; Carter et al. 2003). To really make use of the full potential of resources available, a high representation of women throughout the value chain may be beneficial in order to bring different views and ideas to the table (Fondas and Sassalos, 2000) and furthermore broaden their network to Stakeholders (Campbell and Minguez-Vera, 2008).

Therefore one main focus of diversity management lies on the action field gender diversity. Furthermore one core theme within this action field is to increase the proportion of women in general, specifically in executive positions. The goal is to fill the gender gap and to eliminate the barriers in the women's career path. In order to increase the percentage of females

in management positions targets with a certain proportion of percentage of women in management positions throughout the organization within five years were set. In addition to that plenty of measures were introduced to improve gender balance. For example development programs especially for women who aspire a management position were designed and implemented. Furthermore future female potentials will be trained in topics like networking competencies, self-management and career aspiration trainings. Special function capability building programs complete the concept of fostering women in leadership positions, which take local needs and requirements into account. A further example to support the implementation of gender diversity is the concept of mentoring, which was identified as a success factor for career development throughout the company. Generally successful mentorship relations are started either in the scope of a formal company program or through an individual's own initiative reaching out to someone they see as a valuable guide to provide feedback and advice. The formal mentorship program offers female employees of the next generation a special development program, which broaden the horizon and knowledge through insights in different functions and businesses across the globe. Mentors from varies business segments and functions act as a sparring partner.

A further component of the gender diversity action field is the offer of family-friendly programs, which leads to rising stock prices, on average by 0.5 percent (Preecea & Filbeckb, 1999). The compatibility of family and work can be supported by e.g. offering part time jobs, job sharing, home office and childcare facilities. Through these measures the company will not lose the qualified women just because of the family planning. In addition to that, the company has more employer attractiveness and will get more applicants for vacancies and enables the firm to attract the best employees available on the market. Another opportunity to charm the labor force is to retrieve retired employees. They have a high expertise and experience which is essential for the company and furthermore train the next generation. The company also supports the concept leading in part-time by offering this possibility it enables future potentials a

better work life balance which leads to higher engagement and flexibility in times with high workload (Kohn and Breising, 1999).

Action Field Age Diversity

Organizations also face challenges of the demographic changes like shortage of skilled labor e.g. in Europe (European Parliament 2015). One aspect of this effect is the continuous decline of professionals. Consequently organizations cannot be competitive. Particularly in the so called MINT-subjects (mathematics, informatics, natural sciences and technics/engineering), the shortage is very serious. Already today the non-filling of vacant engineering jobs brought about an economic damage of a seven digit euro amount (Dierig, 2009). Therefore diversity management is seen as an instrument to counter the shortage of skilled labor (Vedder, 2011). The variety of every employee is seen as a key factor to foster a corporate culture which invites every gender, age and ethnical/cultural backgrounds. Furthermore through the aging population it will be more difficult to attract qualified personal in Europe and especially in Germany. Next to preventive health management at the workplace, which functions as retention of the employability and performance ability, there is also a need for a work life balance, lifelong learning as well as individual performance. In addition to this the company pays special attention to the relationship between younger employees and older ones to use the generation spanning synergies. These tasks are supported by the diversity management department.

In the struggle to recruit young workers and talent, companies have to adapt to accommodate the new generations. Here, with its demand for 'life while working' instead of 'working to live' (Generation X) or 'living to work' (baby boomers), Generation Y is again considered the key. More than ever before, the appeal of an employer for this generation of people born since 1981 depends on such factors as flexible working conditions and career options, a good

working environment and an optimum style of leadership, as well as the granting of room for creativity and the communication of meaningfulness. At the same time, experienced and older staff members will be increasingly recognized as a valuable resource. Therefore, to facilitate suitable and attractive employment for all staff members, qualifications, models and forms of work that are based on phase of life are needed.

Action Field Cultural Diversity

As a global player a cultural diverse workforce and cross-cultural teams is one success factor of achieving targets within the organization and has forced companies to develop services worldwide. Globalization goes along with the intensification of the competitive context between the countries, regions and the companies and facilities an increasingly interconnected world. It also offers the chance to live in a world where cultural and regional borders are eliminated, but also requires profound knowledge of foreign cultures. Due to globalization the workforce gets more cultural heterogeneous which may facilitate diverse knowledge and perspectives as well as new ways of solving problems. The economic interrelations lead to the fact that managers have to act on international terrain. Managerial decisions just can be accomplished with an excellent knowledge of global management, international relations, and cultural values in combination with the social competency to act around the world (Bartlett & Ghoshbal, 2003). Thus, cultural diversity also ensures a better understanding of local markets and enables multinational companies to get closer to customers and partners in the markets they serve, ultimately ensuring competitive advantage.

Concerning to cultural diversity of the workforce there is a high potential to use this diverse knowledge for economic success. Especially in the field of international cooperation where it is essential to ensure the access to new markets and to develop target-group-specific

products on a worldwide basis. Therefore the work environment and the sales markets are turning to more internationality. To get to know and to deal with political backgrounds and cultural values local employees are required especially in the new and emerging markets. A cultural heterogeneous workforce may increase productivity (Herring, 2009).

To benefit from cultural diversity the top priority has to be respect and appreciation for other cultures and religions, which means more than merely tolerating diversity. Appreciation means understanding and acceptation. With this in mind there is an international orientated corporate culture that needs to be established because cultural diversity not only affects business management but also diversity policies and multinational companies. The corporate culture should contribute to the commitment of employees to their company and to their goals. A common model and understanding of leadership will give orientation, but should not lead to deracination of cultures. As mentioned previously companies may benefit from cultural diversity, which has to be shaped and used by diversity management in order to diminish negative effects which may occur and cannot be ignored (Ely and Thomas, 2001). Multinational companies are forced to be innovative and better than the competition. Therefore new and emerging markets are entered in order to offer products abroad, addresses new customers regionally and internationally to increase the market shares and recruit high potentials to be also successful tomorrow, multinational companies need diversity.

Diversity means different points of views, more competencies in international markets, a sense of a diverse group of customers as well as a scope for employees. Cultural diversity balance is one of the main focus areas worldwide, because employees and customer across the globe are culturally diverse. Multinational companies are acting globally and the world should be represented in the workforce of these companies in order to drive the business successfully. Thus cultural diversity in this context is used as a competitive edge. Employees should reflected

in their wide variety of experiences, skills and perspectives the diversity of the customers, suppliers, investors and the overall environment. In regards to the globalization, international growth and needs in the international markets "cultural diversity" advances to the focal point. To meet these requirements the company has to show this diversity in its different way of working and thinking, in its social competencies, in its professional expertise and in their methodological competences. Simultaneously multiculturalism and openness are the characteristics to raise even more the attractiveness of a company as an employer. The so called "Generation X" and "Generation Y" are already stamped by the improved opportunities to collect experiences abroad. In addition to that they were able to build contacts in other countries. These experiences are leading to the strengthened wish of younger employees to work in a multicultural environment and team.

As a first step to foster mutual understanding between the different cultures and make use of intercultural competencies plenty of events and workshops were designed in order to understand different cultures, customs and religions of employees who are coming from other countries. These 'awareness days, culture dialogues and cultural diversity at work' initiatives, point out the benefits of cross-cultural teams and explain how to manage this effectively. The development of intercultural competency is supported by individual personal development actions. Example given, international short term assignments are part of all graduate program across the group. The career development within the company is facilitated by expatriation and impartation. Insights into different cultures advances cross cultural collaboration, increases transparency and enthusiasm to live diversity as well as reduces prejudices.

Discussion and conclusion

A strategic approach of cultural diversity management has to be implemented in order to understand that cultural diversity is an asset. The main aim of managing cultural diversity is to decrease intercultural conflicts and increase intercultural synergies. For successful Diversity Management, clarity on aspiration and business case, holistic set of tailored measures and execution as a transformational journey are key. Different arguments can support the business case for diversity e.g. win the war for talent, improve performance and organizational health, as well as increase customer proximity. Furthermore, successful diversity management requires a good understanding of hidden orthodoxies preventing change, which needs to be analyzed across management levels, regions and business units.

Leveraging diversity and fostering inclusion are beneficial for multinational companies, and all stakeholders. As highlighted above addressing diversity successfully will lead to increased effectiveness of the organization as a global organization and sustainable gain in corporate reputation. In addition, diversity supports long-term business principles, that lead to a world-class reputation as a fair partner in the field of diversity, where unique potential of each employee is recognized, and changing needs of customers are immediately responded. The main business goal is to maintain a workforce that reflects marketplace and fosters inclusion of different cultural backgrounds and perspectives. Therefore the main actions fields described above were established in order to meet business objectives. This helps to address diversity and to increase the effectiveness of a global organization as the company fosters customer orientation and relationship cultural differences and knowledge has to be leveraged worldwide, as well as openness to change has to be increased. Furthermore the establishment of the main focus areas the maximum use of talent as a global company harness the full potential of the workforce and enriches the professional expertise and personal skills of the employees as well

as broaden the access to labor markets which improves employer image, attract and retain best talent.

To have a workforce that reflects the marketplaces thus maximizing the understanding of and responsiveness to the changing needs of the customers is beneficial for the organization. The goal is to have a culture that fosters the inclusion of different backgrounds and perspectives, thus making the most of the unique potential of each of the employees. Additionally, diversity supports the strategic approach of people management across the organization. An open-minded culture will connect and unite the workforce globally and will provide additional credibility to the employer brand. Valuing the differences of employees will lead to increased loyalty and commitment. Moreover, focusing on the individual results of each employee will enhance the consistency of performance management and broaden the potential pipeline. Therefore a group-wide framework as described above was established, which ensures the effectiveness and consistency of diversity standards for all Group companies.

The approach consists of action steps, guiding principles, and fundamentals. The action fields build the fundamentals form for leveraging diversity and fostering inclusion. They are important prerequisites for achieving the goals in the action fields. They show that the multinational company will not tolerate discrimination or harassment in the workplace based on criteria such as age, disability, ethnic origin, gender, race, religion or sexual orientation. The company fosters a learning culture in which feedback from all stakeholders is encouraged and appreciated and focuses on performance and potential of employees as the only criteria for professional development. The diversity measures set operative objectives and define action plans for the organizations and local management.

The diversity network is facilitated on a Group-level and provides supportive tools for the other Group Companies that coordinate their activities globally or regionally. Thus, guiding principles require a global approach in a world-wide organization like the one we conducted

the survey. However, regional and local contexts with regard to diversity should be taken into account. To initiate and drive a long-term organizational and cultural process, open communication, commitment and involvement of all managers and employees is required. Together with local human resources functions, line managers are responsible to integrate an open mind-set in everyday business activities. According to the group diversity framework, the responsibility for initiating and driving the strategic change process lies within our operating entitles. Their strategies and action plans will support the group diversity goals and shall be aligned through a commonly defined process and key action fields mentioned above. In order to ensure sustainability and ultimately increase business success, specific key areas are likely to be involved in the change process. human resource functions will be the driving forces in this process, aligned with and supported by communication functions. Over time, the business units will reap benefits from diversity in the action fields of products and markets. The success of the implementation of diversity depends on the ability to acknowledge local context factors as well as global linkages. In order to ensure sustainability and ultimately increase business success, Human Resource functions will be the driving forces, aligned with and supported by communication functions, and key areas.

In the past years various developments on national and international level influenced the topic of diversity management, both from a moral as well as from an economic point of view. Human Resource Management will be shaped especially by the progressive globalization, demographic patterns and of various political and legal framework. The right balance between homogeneity and heterogeneity relates to the inner and external diversity. The implemented measures of diversity management in regards to the challenges which are arising especially in the fields of gender, age and cultural diversity need to be continuously addressed and further analyzed in order to be prepared for fast changing business needs.

A final conclusion from this context chapter pertains to the areas of diversity management that would benefit the company mostly. First, given the impact of globalization on a multinational company's workforce, the fact that cultural diversity is a prime drive of so many business units across the globe, and the fact that the company has less measures and management practices in place to deal with a culturally diverse workforce, cultural diversity seems a primary diversity dimension to investigate further. As a consequence the next two chapters investigate cultural differences on the group level (team cultural diversity) and the individual level (cultural dissimilarity). Second, the measures and management practices implemented by the company, like workshops, and events, focus on individual employees and creating awareness and tolerance for cultural diversity. However, more structural measures that influence diversity management are lacking. Moreover, a focus on and appreciation of cultural diversity and leveraging the potential of cultural diversity seems underdeveloped. As a consequence we focus on the influence of a structural factor, leadership, and how it can leverage the positive side of diversity.

Chapter 3: Cultural team diversity and group performance: The moderating effect of leader cultural background and tenure

Abstract

By bringing team members with different cultural backgrounds together, the team can benefit from this diversity and reach high levels of performance. While the argument for the benefits of diversity might be intuitively tempting, the benefits in diversity are not easily achieved. Diversity research has not paid attention to the role of leader demographic background in this respect. We argue that this is a nontrivial oversight because the potential positive and negative outcomes of cultural diversity are influence by team leader cultural background and tenure. Specifically, we predicted that the influence of team nationality diversity (a form of cultural diversity) on team performance is more positive with a leader who is non-native to the host country than with a local leader, and that this effect would mainly be observed for leaders with shorter tenure with the team. Results from a survey of $N = 66$ teams ($N = 336$ individuals) from a multinational organization support these hypotheses, and inform our discussion of some of the ways forward in the study and management of culturally diverse teams.

Introduction

In the course of globalization and opening up new markets it is easy to recognize that the workforce of multinational organizations is becoming more diverse in terms of cultural background. With growing internationalization and shift of businesses to new markets organizations employ local and foreign workers as well as managers. Therefore cultural differences in a team are becoming increasingly significant. In that sense multinational organizations are forced to meet and manage the different needs of a diverse workforce. By having team members with different backgrounds together, the team can benefit from this diversity and reach

levels of performance that are superior to those of individuals and less diverse teams (Ilgen, Hollenbeck, Johnson, & Jundt, 2005). Nevertheless, 50 years of diversity research shows that cross-cultural cooperation involves the danger of misunderstandings (Earley & Gibson, 2002) and intergroup biases that disrupt team performance (Kooij-de Bode, van Knippenberg, & van Ginkel, 2008, Williams & O'Reilly, 1998). Cultural background diversity may thus have positive as well as negative impacts on team performance (Nederveen Pieterse, van Knippenberg, & van Dierendonck, 2013; van Knippenberg, De Dreu, & Homan, 2004). The benefits of cultural diversity emerge when team members are encouraged to capitalie on their cross-cultural learning opportunities (Ely & Thomas, 2001), while negative outcomes appear when intergroup biases and interpersonal tensions stand in the way of effective collaboration (van Knippenberg & Schippers, 2007; Williams & O'Reilly, 1998).

This realization that cultural diversity is a "double-edged sword" (Milliken & Martins, 1996) in its relationship with team performance puts a premium on understanding the contingencies of the effects of cultural diversity on team performance (van Knippenberg & Schippers, 2007). In the present study, we contribute to the study of such contingencies by studying the influence of one factor that is particularly tied in with team cultural diversity – team leader cultural background. Team diversity research has paid notoriously little attention to the influence of team leaders (see e.g., van Dijk, van Engen, & van Knippenberg, 2012), and we do not mean to suggest in any way that the influence of team leadership should be reduced to leader cultural background. Because responses to culturally dissimilar others play such a central role in accounts of the effects of team cultural diversity (e.g., Nederveen Pieterse et al., 2013), however, leader cultural background is an obvious and potentially important starting point for the study of leadership of culturally diverse teams. It is worth research attention in its own right, especially in view of the notion that leadership is the most flexible influence that organizations

can bring to bear in their attempts to manage team (cultural) diversity (van Knippenberg, van Ginkel, & Homan, 2013; cf. Hackman, 2002; Kozlowski & Bell, 2003).

Attempts to understand how team cultural diversity affects team performance would naturally arrive at the question how leader cultural background fits into this. Even in truly international business with company presence in multiple countries around the world, the typical situation is that the host culture/nationality in any given country is most strongly represented in team composition (e.g., Tröster & van Knippenberg, 2012). The most basic way to think of leader cultural background is thus in terms of whether the leader is "local" – from the host country, and typically sharing the cultural background of the majority of members in most if not all teams within that country – or "foreign" – from another country than the host country, and thus holding a minority group background from the perspective of the members of most if not all teams within that country.

We propose that foreign leaders as compared with local leaders are by virtue of their personal cross-cultural situation more attuned to cultural differences within the team and the difficulties, complexities and opportunities associated with these differences. Subsequently, they are better positioned to deal with the challenges of leading a cultural diverse team – team cultural diversity is more positively related to team performance with a foreign than with a local leader. Are the teams of local leaders destined to underperform then? We do not believe so and argue that in the same way that cross-cultural experiences position leaders well to lead culturally diverse teams, over time – with greater leader team tenure – leaders may learn about working with cultural diversity and become better positioned to lead a diverse team regardless of their cultural background (cf. Harrison, Price, & Bell, 1998); team cultural diversity is more positively related to team performance with higher team leader tenure. Given the processes behind the above two effects are both related to experiences and learning to lead culturally diverse teams, in combination, this implies a three-way interactive influence: the leadership

advantage of foreign leaders in terms of leading culturally diverse teams to performance is primarily observed with shorter leader tenure.

Our study contributes to an understanding of team cultural diversity effects in international business (i.e., where cultural diversity is typically introduced in the form of nationality diversity) by developing and testing theory about the influence of team leader cultural background – a factor that is inherently tied in with the very notion of cultural diversity. It thus also has the potential to add to our understanding of leadership of diversity more generally by showing that the leader's own standing on the diversity attribute of interest matters. Moreover, our focus on leader team tenure is not only important in developing our analysis of the reasons when and why foreign leaders may have an advantage over local leaders, but also adds to the evidence that diverse teams need time to learn to work with their diversity (Earley & Mosakowski, 2000) and that this notion extends to the role of team leaders.

Theoretical Background and Hypotheses

Leader Cultural Background and Team Cultural Diversity

In the specific context of our empirical study, we use the term cultural diversity as it is often applied in business to refer to diversity in nationality. Nationality diversity inevitably implies cultural diversity in that people are influenced by their national culture, but conceptually we should recognize that cultural diversity has a broader meaning to also include within-nationality cultural differences between different ethnic groups (e.g., Ely & Thomas, 2001). Drawing on this broader literature on cultural diversity (i.e., encompassing nationality diversity as well as within-nationality ethnic diversity), it is safe to conclude that there is strong and robust evidence of cultural diversity's capacity to affect team performance both positively and negatively. A concise summary of this evidence can be found in the most comprehensive meta-

analysis of the team diversity-team performance relationship to date (van Dijk et al., 2012). This analysis shows that observed effects of cultural diversity range from negative to positive and have significant heterogeneity, putting a premium on the identification of moderators in the relationship between cultural diversity and team performance. This emphasis on moderating influences is consistent with research in the diversity-performance relationship more broadly, which has highlighted the contingent nature of diversity effects (van Knippenberg & Schippers, 2007). This research also provides a clear account of why positive and negative effects occur, and thus a solid basis to develop moderator analyses (van Knippenberg et al., 2004).

Negative diversity effects are attributed to social categorization processes and associated similarity/attraction processes (Williams & O'Reilly, 1998). People tend to make distinctions between ingroup members similar to self and outgroup members dissimilar to self. Such "us-them" distinctions may invite intergroup biases favoring ingroup, which express themselves in more tense interpersonal relationships with dissimilar others, lower willingness to communicate and collaborate with dissimilar others, and lower cohesiveness of and identification with diverse teams. In short, such biases may disrupt team performance. Positive diversity effects, on the other hand, are attributed to the informational diversity associated with dissimilarities between people: people with different backgrounds know different things, have different perspectives and experiences, etc., that all may add to the pool of task-relevant information available to the team (Williams & O'Reilly, 1998). By drawing on this informational resource provided by diversity, more diverse teams may outperform more homogeneous teams.

Both perspectives would clearly apply to cultural diversity. Cultural differences are a well-known source of negative stereotypes and intergroup biases (Williams & O'Reilly, 1998). At the same time, especially in the context of international business cultural diversity may be

associated with valuable differences in knowledge, experience, and perspectives that may benefit team performance. The challenge for multinational organizations is thus clearly there to manage the double-edged sword of team cultural diversity (Earley & Gibson, 2002), and the role of team leadership in this respect is an obvious one to consider.

A focus on leader local or foreign cultural background follows readily in that respect. The amount of foreign leaders in multinational organizations is growing on a steady basis (Staples, 2007). This leads to the question whether being a foreign versus a local leader is a factor in team leaders' ability to effectively lead diverse teams – or to cast the question differently, whether team leader foreign versus local background may play a moderating role in the relationship between team cultural diversity and team performance.

Foreigner leaders as compared with local leaders should have the advantage of being more attuned to the cultural diverse context as a result of their own experiences as a foreigner in the host country. They will have more cross-cultural interactions than local leaders (i.e., in the sense that the host culture more or less by definition is the majority) and thus more knowledge of the experience of being culturally dissimilar within the host country and with host country responses to cultural dissimilarity than local leaders. As a result, foreign leaders of culturally diverse teams may better understand the needs and experiences of team members with foreign cultural backgrounds – even when not the same as their own – than local leaders. At the same time, they will also having ample experience interacting with host culture members, and particularly from the perspective of a culturally dissimilar person may have learned about host culture reactions to cultural dissimilarity. These experiences may position foreign leaders better than local leaders to guide team interaction both in interacting with local members and in interacting with foreign members in the culturally diverse team context than local leaders who will not only, all other things being equal, have less experience with culturally dissimilar others and thus be less attuned to the cross-cultural setting as a result. Foreign leaders

may thus by virtue of their host country experience to be more aware of cross-cultural competencies (Bird et al., 2010) that result in higher leadership effectiveness and better global leadership skills (Jokinen, 2005).

These skills speak to both sides of the double edged sword of (cultural) diversity. They may be important in defusing intercultural tensions between team members that may disrupt team performance in diverse teams and as such may diminish the potentially negative effects of cultural diversity. At the same time, by virtue of a greater awareness of the different perspectives associated with cultural differences, they may also be instrumental in focusing the team on the learning opportunities and informational benefits that cultural diversity may introduce (cf. van Knippenberg et al., 2013), and thus stimulate the team to benefit from its cultural diversity. Therefore, we predict:

Hypothesis 1: Team cultural diversity is more positively related to team performance with a foreign team leader than with a local team leader.

Leader Team Tenure and Team Cultural Diversity

An important implication of the logic underlying Hypothesis 1 about the advantage that foreign leaders may have over local leaders through their greater cross-cultural experience within the host country is that if local leaders also gain cross-cultural experiences they may subsequently "catch up" with foreign leaders and the "foreign advantage" may disappear. The most obvious source of cross-cultural experience for local leaders is the experience of working with a culturally diverse team for a substantial amount of time. In other words, the analysis underlying Hypothesis 1 suggests that leader team tenure would also play a moderating role.

The notion that over time people may learn to better deal with (cultural) diversity is consistent with other theory in diversity research Harrison et al., (1998). Argued that while initial responses to cultural differences may be based on cultural stereotypes and biases that can stand in the way of effective communication and collaboration, over time individuals may learn to look beyond the differences that are the basis for their stereotyped perceptions and learn to more effectively work together (cf. Chatman & Flynn, 2001; Earley & Mosakowski, 2000), Hambrick et al. (1998) likewise noted that with higher tenure teams may form more trust and understanding for differences in values and beliefs within the team and have better cooperation and performance as a result. In other words time may diminish the negative effects of cultural diversity and enhance the positive effects.

Leader team tenure may thus both have the advantage of greater learning from experience for the team leader and the advantage of greater learning for team members. Team leader's and team members' learning to deal with diversity likely goes hand in hand to mutually influence each other (van Knippenberg et al., 2013). Leader tenure with the team may thus be associated with a greater ability to prevent potential disruptive effects of cultural diversity and to stimulate potential synergetic performance benefits. Or put differently:

Hypothesis 2: Team cultural diversity is more positively related to team performance the higher leader tenure is.

Leader Tenure Moderates Leader Cultural Background Effects

The analysis underlying Hypothesis 2 does not only suggest that culturally diverse teams benefit from leaders with longer tenure with their team, it also implies that the advantage of foreign over local leaders posited in Hypothesis 1 would primarily obtain for leaders with

shorter tenure – a three-way interaction of cultural diversity, leader cultural background, and leader tenure.

Foreign leaders in the early phases of tenure with the team have the advantage of greater and more salient experiences with cross-cultural interaction within the host country context than local leaders. As a result, foreign leaders in a sense stand less to gain in this respect through extended experience – longer tenure – with their team than local leaders. Put differently, through experience working with their team, local leaders can "catch up" with foreign leaders in terms of being attuned to and experienced with working in a cross-cultural context. The consequence of this is that culturally diverse teams can perform more effectively independent of the cultural background of their leader with longer tenure, whereas foreign leaders have an advantage over local leaders of culturally diverse teams with shorter tenure:

Hypothesis 3: The moderating effect of leader cultural background in the relationship of cultural diversity and performance is stronger with lower leader tenure.

Method

Our empirical work is based on a survey drawn from a globally active European aviation group comprising more than 500 subsidiaries and affiliates worldwide. The company in the aviation sector operates in five business areas: passenger transportation; logistics; Maintenance, Repair and Overhaul (MRO); catering; and IT services. Global partnerships and bilateral joint ventures strengthen their business model internationally and enable the company to participate in global growth beyond their home markets. The firm employs people from about 150 countries and is represented in almost every county worldwide through their service businesses, especially in Asia and South America through increasing opportunities through global growth

in fleet numbers. A combination of hub-based and point-to-point products creates omnidirectional service offer from all home markets.

The airline industry is subjected to a lot of fluctuations in dynamic times and changing markets. Business processes, coordination at interfaces, and the decision-making per se are getting faster and more complex. Therefore creating effective teams with strong cultural expertise in working with partners in growth markets at short will be important in relation to international competition. As a result knowing how to manage diverse teams in an effective way is a key success factor to the organization.

Sample and Procedure

To request participation in our survey, we gave company-wide presentations to executives to describe the study and its benefits. The initiative was also posted at the intranet and was explained by managers in their global group calls.

Surveys were sent to 68 teams, including all 68 managers and all 277 team members based at 37 different departments in 19 countries. Teams were working in all kind of professional groups, such as in ground operations, sales, product and marketing, and human resources. In total, we got responses from 66 teams (97 percent). From these teams we got responses from all 336 employees (66 managers and 270 team members) of these teams (i.e., the response rate of the 66 participating teams was 100 %). Participants had 27 different nationalities and 175 of the respondents were male and 161 female. On average the age of the participants was 40.28 (SD = 9.89) ranging from 21 years to 64 years. Mean job tenure was 13.07 years (SD = 9.56) with the minimum of 1 year and the maximum of 42 years. All team members and their leaders had full-time jobs. Average team size was 4.20 (range 2 to 10). The average of the period the team members and leaders were working together was 6.73 year (SD = 6.01) with a range from 1 year to 36 years.

Paper-based and online surveys in English and German were distributed to managers and team members who were invited to fill out the questionnaire. The survey was anonymous. Team members were requested to enter their demographic details on which team diversity variables were based. Team leaders were asked to fill out a separate questionnaire on which to evaluate team performance. Twenty-one, twelve, and nine percent of respondents were based in the United States, Russia, and Germany, respectively. Six percent were based in India and Indonesia. Three percent were located in Hungary, Greece, South Africa, Spain, Israel, Equatorial Guinea, United Kingdom, Nigeria, Vietnam, Eritrea, Lebanon, and Belgium.

Measures

Team Performance. In order to measure team performance we used a questionnaire with 9 items based on Hackman (1987). The scale for team performance focus consists seven items plus two items about the overall performance. The questions captured the conception of team effectiveness as being able to meet task challenges, completing work on time, being able to generally perform well, and effort of the teams. Sample questions are "The team often fails to fulfil their tasks on time" and "This team is good in coming up with ways to complete their tasks". The response scale that ranged from 1 ("strongly disagree) to 5 ("strongly agree"). Reliability of this scale was good; Cronbach's $\alpha = .746$.

Leader Team Tenure. Survey participants were asked to state the length of working in the team with the present team composition including the team leader, stated in years and month.

Team Cultural Diversity. Participants were asked to indicate their cultural background. The diversity literature advices the Blau's index of heterogeneity (Blau, 1977) for calculation diversity of categorical variables (Harrison & Klein, 2007): $1- \sum (Pi)^2$, where Pi is the proportion of a team's members in the ith category. Sixty-six percent of the teams were homogeneous,

9% were half from one culture and half from another, 3% had two team members from one culture, one from another, and one member from yet another, whereas 22% were completely heterogeneous.

Leader Cultural Background. In order to capture leader cultural background we used a dummy variable that indicates whether the leader's nationality is the same as the host country's (1 = a local leader) or if the manager comes from another country as the team is based (0 = a foreign leader).

Controls. Because team size ranged from 2 to 10 team members team size was explored as one of the control variables. We also controlled for host country using three dummies representing the three countries with the largest representation with the survey – the USA, Russia, and Germany.

Results

Means, standard deviations, and correlations between the variables used for this study are shown in Table 1.

Test of Hypotheses

Regression analysis were used to test the hypotheses using standardized variables (Aiken & West, 1991). In the first step the regression model included the control variables. In the second step we entered leader cultural background and centralized scores for leader tenure and team cultural diversity. The second step had a significant added value over step 1. The effect of team cultural diversity was a statistically significant. In the third step we added the interac-

tions between leader cultural background and team cultural diversity, leader cultural background and leader tenure, as well the interaction between team cultural diversity and leader tenure.

While the interaction between leader tenure and leader cultural background was not a significant predictor, the interaction between leader cultural background and team cultural diversity was significant as was the interaction between leader tenure and team cultural diversity (see Table 2). To understand the nature of the interaction between leader cultural background and team cultural diversity we performed simple slopes analysis (Aiken & West, 1991). Cultural diversity was positively related to team performance when the leader was foreign, $b = .62$, $t = 3.04$, $p < .01$, whereas cultural diversity and team performance were unrelated when the leader was local, $b = .08$, $t = .83$, ns. (see Figure 1), thus supporting Hypothesis 1. To understand the nature of the interaction between leader tenure and team cultural diversity we performed simple slopes analysis (Aiken & West, 1991). Cultural diversity was positively related to team performance when the leader had high tenure, $b = .34$, $t = 2.34$, $p = .02$, whereas cultural diversity and team performance were unrelated when the leader had low tenure, $b = .10$, $t = .87$, ns. (see Figure 2).

In a final step the three-way interaction term of leader cultural background and team cultural diversity and leader tenure was inserted. As expected (Hypothesis 3) the interaction was significant (see Table 2). To establish the nature of this interaction, we conducted simple slope analysis (Preacher et al., 2006). Cultural diversity was positively related to performance when the leader was local and had worked in the team a long time, $b = .42$, $t = 3.27$, $p < .01$ as well as when the leader was foreign and had worked in the team only shortly, $b = .41$, $t = 2.84$, $p < .001$. However, cultural diversity and performance were unrelated when the leader was local and had worked in the team only shortly, $b = -.00$, $t = .06$, ns. (see Figure 3a and 3b). This pattern of results is in line with Hypothesis 3.

Discussion

Attempts to understand the contingencies of the effects of team cultural diversity on team performance would naturally arrive at the consideration of the cultural background of team leaders. We propose that in international business foreign leaders have an advantage over local leaders through their greater awareness of and experience with the challenges of cross-cultural collaboration within the host culture – an advantage that would mainly hold with shorter tenure because with longer tenure local leaders may develop the cross-cultural aspects of their leadership through experience with their team. Our empirical analysis confirmed the two-way and three-way interaction hypotheses derived from this analysis to underscore the joint role of leader cultural background and leader team tenure in the performance effects of team cultural diversity.

Theoretical Implications and Future Directions

Our analysis revolves around the notion that leadership of culturally diverse teams' benefits from an awareness with and experience with the challenges of cross-cultural team-work. Findings for the separate and joint effects of leader cultural background and leader team tenure corroborate this analysis. One way to develop these insights further is to link them to the recently proposed notion of diversity mindsets. Diversity mindsets were proposed by van van Knippenberg et al. (2013) to capture an understanding of the team and teamwork (i.e., team cognition; Salas & Fiore, 2004) that understands team diversity as an informational resource to benefit from through a process of information exchange and integration. An interesting and relevant question is whether the effects of leader cultural background and leader team tenure can be understood through such diversity mindsets: do the initial advantage of foreign over

local leaders, and the "equalizing" effect of team tenure draw their influence from their relationships with diversity mindsets? Whereas clearly this is a question for future research to address, there seems to be a clear case that the awareness of and experience with cross-cultural challenges that we see as a key factor underlying the effects of both leader background and leader tenure could result in the development of effective diversity mindsets. Indeed, this notion resonates well with van Knippenberg et al. (2013) emphasis on the importance of learning from experience in the development of diversity mindsets.

Future research would also do well to explore the international business context as a potential boundary condition or moderating influence for the observed effects. In international business the challenges of cross-cultural collaboration are inevitably more salient than in companies operating only at a national or more local level, and the potential benefits of nationality diversity when working in an international context will also be more readily apparent. This may mean that it is more salient to leaders and team members that mastering cross-cultural challenges is important than in national contexts. The consequence of this may be that leaders and team members are more attuned to learning to work effectively cross-culturally, and that it therefore presumably is also easier for leaders to guide teams in constructive ways to work with their cultural diversity (cf. van Knippenberg et al., 2013). In national context where cultural diversity may take the form of within-nationality ethnic-cultural diversity more than nationality diversity, the awareness of the benefits and challenges of cultural diversity may be lower, and as a result the focus on learning from cross-cultural experiences to master the challenges and reap the benefits of cultural diversity may also be lower. Future research could therefore meaningfully explore whether the current findings perhaps extend only in weaker form to national contexts, and whether additional influences are required to gain the same favorable effects of cultural diversity.

In a sense related to the previous observation is the fact that evidence of the positive effects of tenure/time for team diversity is mixed: some studies find the positive influence proposed by Harrison et al. (1998) that we build on in the present study, but others find no influence of tenure/time or even negative effects (for a review, see van Knippenberg & Schippers, 2007). A moderating influence here (cf. van Knippenberg et al.'s, 2004, account of these time effects) could be the extent to which the context predisposes individuals – leaders and team members alike – to learn to work effectively cross-culturally, like we argue the international business context would be likely to do (and possibly more likely than many national contexts). Here too then lies a valuable challenge for future research to explore the boundary conditions of the tenure effects observed here.

The notion underlying our analysis of leader cultural background and tenure effects is that of the advantage of cross-cultural experience and awareness. A clear and potentially important implication of our analysis thus is that other ways in which leaders may gain such awareness and experience – time abroad, early cross-cultural work experience, leadership development programs targeted at building such awareness and experience – may have similar positive influences on leadership of culturally diverse teams. Importantly these may also reduce the "foreign advantage". Exploring these possibilities in future research would not only advance our understanding of these processes but also yield highly actionable knowledge for leadership selection and development.

Implications for Practice

Two obvious and straightforward implications for international business from the current findings are that in meeting the challenges of cultural diversity, companies operating internationally may benefit from "foreign" leaders and extended team tenure (i.e., displaying some patience for teams to develop to a point of effective collaboration and being restrained in

making frequent changes to teams and working with ad hoc teams). More tentatively, we may also propose that should future research be able to establish more firmly that the current effects can be attributed to experiential learning (cf. the notion of diversity mindset development), leadership training and development efforts may focus on creating and guiding such opportunities for experiential learning. Also, future research may explore the extent to which such cross-cultural insights can also be transferred from foreign to local leaders by engaging foreign leaders as experts-by-experience to develop local leaders understanding of the cross-cultural challenges faced by diverse teams and their leaders.

Limitations

No study is without limitations, and the current study is no exception. A first and obvious limitation is that the current study is cross-sectional and cannot speak to matters of causality – field experimental evidence would be needed to address this issue. A second limitation is that our conceptual analysis understands the effects of leader cultural background and leader tenure through their presumed linkages with awareness of and experience with cross-cultural challenge while we did not actually measure this awareness or experience. The conclusion thus has to be that our findings are *consistent* with an interpretation in terms of this awareness and experience, but do not establish this linkage directly. Future research assessing such psychological and behavioral correlates of leader background and tenure would thus be important to develop more robust evidence for these conceptual notions.

In Conclusion

Cultural diversity poses a challenge because it can both be a disruptive influence and an influence to the good. The current study adds to our understanding of the contingences of

these positive and negative influences by introducing a focus on team leader characteristics in terms of cultural background and tenure – characteristics that presumably speak to the importance of cross-cultural awareness and experience. Whereas clearly the current study cannot say the final word on these issues, it should provide a good jumping-off point for the further development of this analysis that also has the advantage of yielding highly actionable knowledge.

Table 1: Descriptive statistics, and Intercorrelations for Study Variables[a]

Variables	Mean	SD	1	2	3	4	5	6	7	8
1. Team Performance	4.05	0.52	-							
2. Size	4.09	1.96	.01	-						
3. Dummy variable a	0.09	0.29	-.32**	-.01	-					
4. Dummy variable b	0.23	0.42	.08	.03*	-.17	-				
5. Dummy variable c	0.12	0.33	.15	.03	-.12	-.20	-			
6. Leader Cultural Background	0.56	0.50	-.18	.09	.28*	-.17	.05	-		
7. Team Cultural Diversity	0.19	0.28	.35*	.14	-.21	-.44	-.25*	-.027*	-	
8. Leader Tenure	5.27	4.07	.07	.22	-.14	.13	.19	.15	.00	-

[a] $N = 66$ teams

* $p < .05$

** $p < .01$

Table 2: Results of Hierarchical Regression Analysis

variables	Step 1				Step 2				Step 3				Step 4			
	b	ß	t	p	b	ß	t	p	b	ß	t	p	b	β	t	p
Team Size	-.00	-.01	-.10	.91	-.029	-.11	-.84	.40	-.03	-.13	-.99	.33	-.043	-.16	-1.27	.21
Dummy variable (a)	-.54	-.30	-2.42	.02	-.31	-.18	-1.39	.17	-.37	-.20	-1.73	.09	-.40	-.22	-1.92	.06
Dummy variable (b)	.08	.06	.47	.64	.20	.16	1.20	.24	.17	.14	1.08	.28	.21	.17	1.42	.16
Dummy variable (c)	.19	.12	.99	.32	.40	.25	2.01	.05	.49	.31	2.61	.01	.53	.34	2.94	.00
Leader Cultural Background (LCB)					-.00	-.00	-.03	.97	-.05	-.05	-.40	.69	-.07	-.07	-.59	.56
Leader Team Tenure (LTT)					.02	.04	.33	.74	-.40	-.07	-.41	.68	-.02	-.04	-.22	.82
Team Cultural Diversity (TCD)					.21	.40	3.04	.00	.39	.75	4.25	.00	.36	.70	4.12	.00
LCB X TCD									-.34	-.46	-2.77	.01	-.36	-.48	-3.00	.00
LCB X LTT									.13	.20	1.09	.28	.15	.22	1.25	.21
LTT X TCD									.19	.29	2.42	.02	.05	.08	.54	.59
TCD X LTT X LCB													.37	.34	2.48	.016
R^2/ $R^2_{adjusted}$	.12/.06				.25/.16				.38/.26				.44/.33			

Figure 1: The interaction between team cultural diversity and leader cultural background
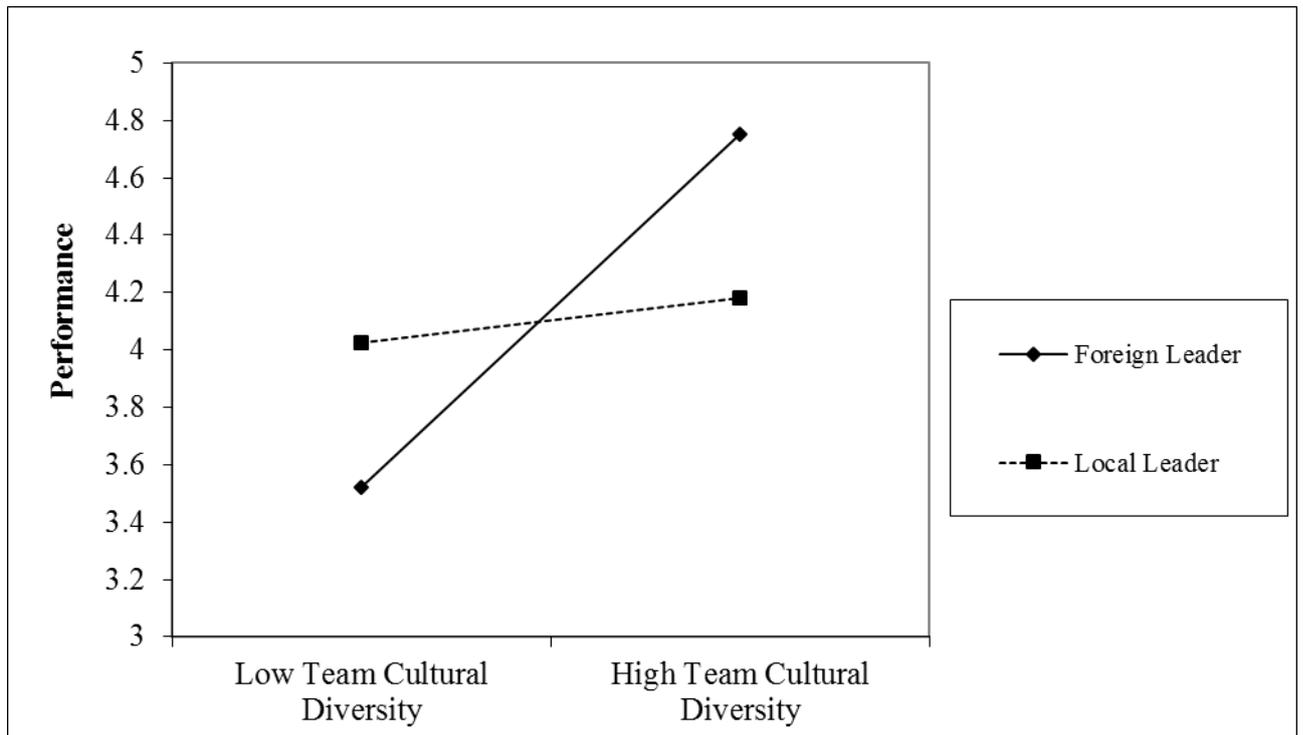
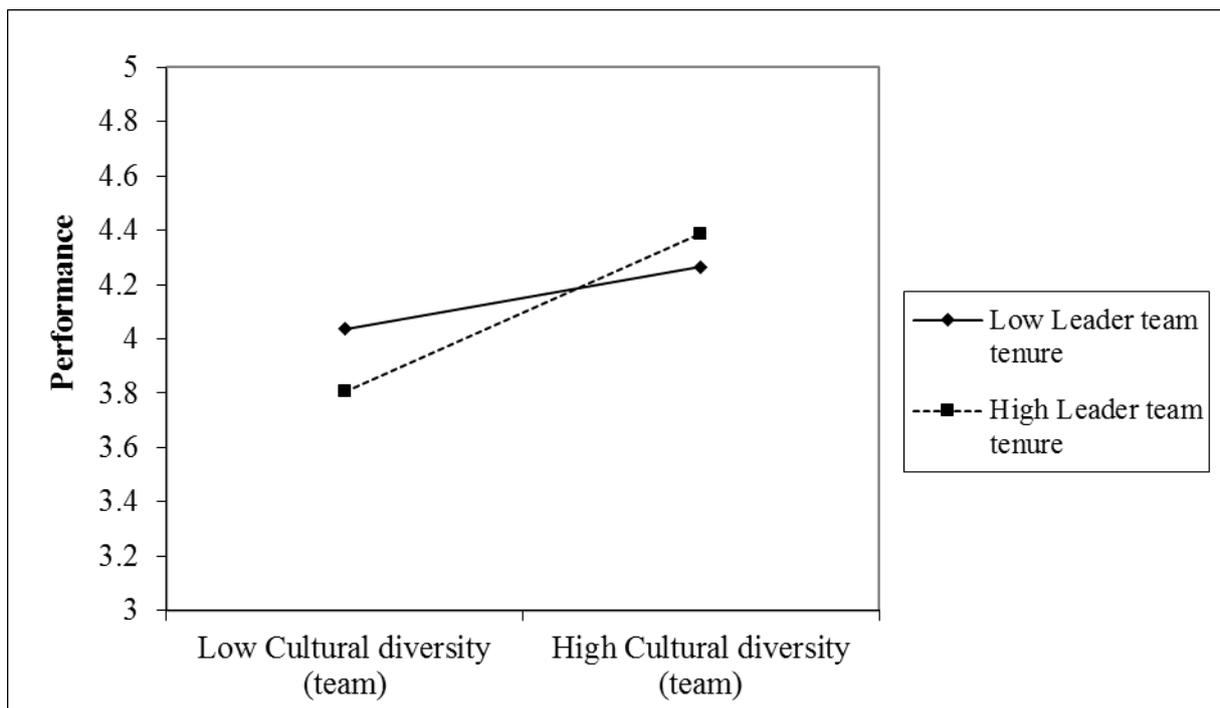Figure 2: The interaction between team cultural diversity and leader tenure

Figure 3a: Interaction between team cultural diversity and leader cultural background for leaders with high tenure
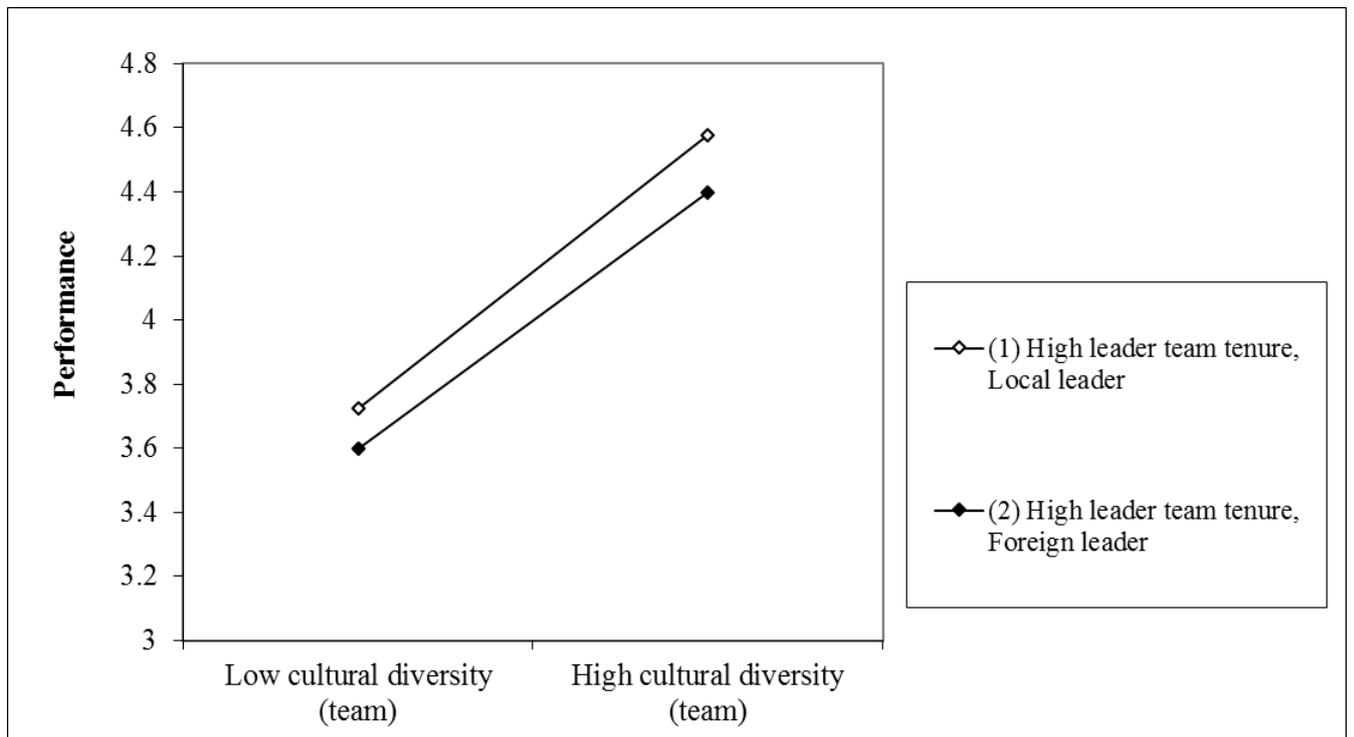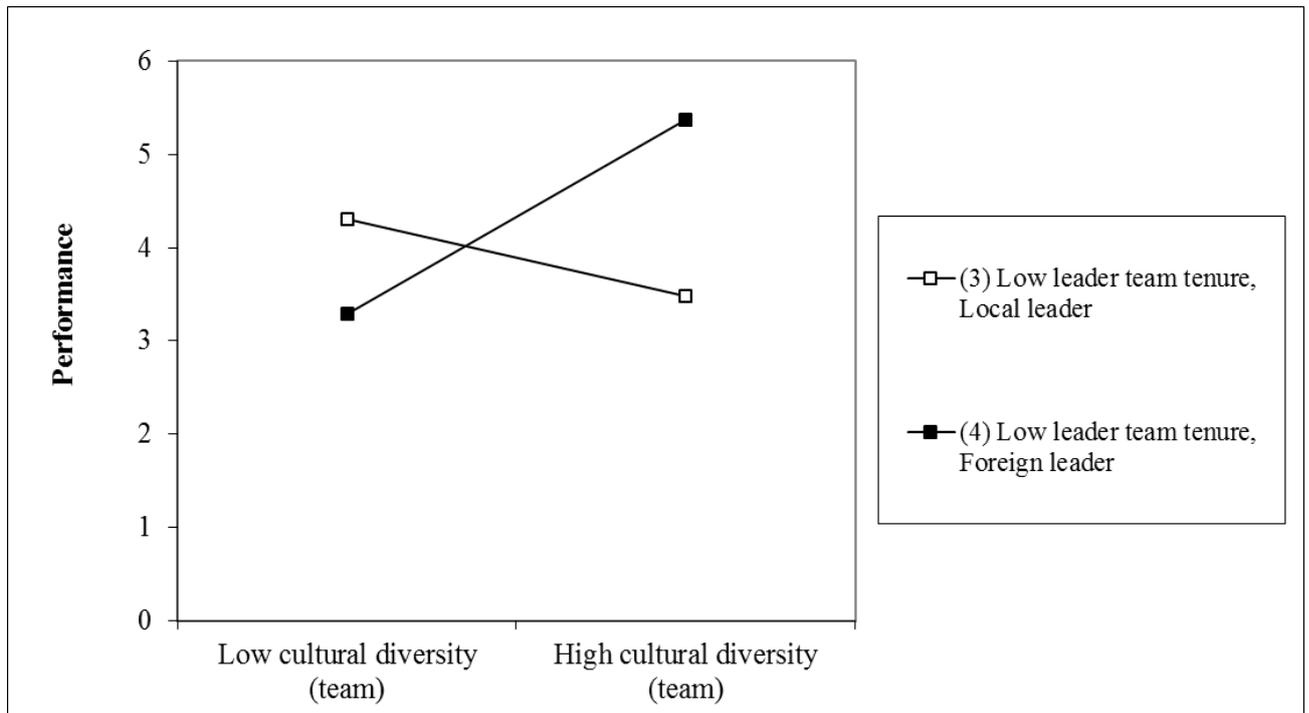
Figure 4b: Interaction between team cultural diversity and leader cultural background for leaders with low tenure

Chapter 4: Cultural Dissimilarity and Psychological Safety: The Moderating Role of Leader Interactional Fairness and Leader Group Prototypicality

Abstract

Culturally diverse teams are typically characterized by some members being more culturally dissimilar to the team than others. Research in relational demography suggests that those more dissimilar members' are particularly at risk in terms of lower levels of psychological safety – arguably reflecting their social integration and their propensity to fully engage behaviorally with the team. We examined to which extent leader characteristics may attenuate the potentially negative effect of cultural dissimilarity on team members' psychological safety. Taking a social identity perspective, we identify both leader interpersonal fairness and leader group prototypicality as such attenuating influences. In a study of $N = 270$ individuals nested in $N = 66$ teams, we found that cultural dissimilarity was neither negatively nor positively related to psychological safety, and that the relationship between cultural dissimilarity and psychological safety is positively impacted by higher leader interpersonal fairness and higher leader group prototypicality.

Introduction

The workforce of multinational companies is constantly becoming more diverse (Fullerton & Toossi, 2001) and will continue to grow (Buttner, Lowe, & Billings-Harris, 2009). Driven by globalization, team cultural diversity and its potential benefits have become increasingly important for multinational companies (Earley & Gibson, 2002). Team cultural diversity also poses a challenge, however, in terms of creating a setting with high psychological safety for all members. Typically, some members of culturally (nationally) diverse teams are more culturally dissimilar to the rest of the team than others, and research in relational demography (Chattopadhyay, Tluchowska, & George, 2004b; Guillaume et al., 2012) suggests that this greater dissimilarity may be associated with lower levels of psychological safety – the perception that one can freely and without social repercussions speak one's mind and contribute to the team as one believes is best (Edmondson, 1999). Because psychological safety can be taken to reflect members' social integration within the team and their propensity to fully engage behaviorally with the team in terms of contributing without self-censorship, the fact that culturally dissimilar members' psychological safety may be at risk thus arguably is a key issue in benefiting from the team's full range of cultural diversity in its opportunities to learn, be innovative, and make high-quality decisions (cf. Earley & Gibson, 2002). In other words, one of the key factors that allows for the beneficial effects of cultural differences to materialize, psychological safety, is itself undermined by cultural dissimilarity. Finding ways to diminish the negative relation between cultural dissimilarity and psychological safety is therefore a priority in research on cultural diversity.

In managing teams, and thus also in the challenge of cultural dissimilarity and psychological safety, leadership is probably the most direct and most flexible influence organizations can bring to bear (cf. Tröster & van Knippenberg, 2012; van Knippenberg, van Ginkel, &

Homan, 2013). Accordingly, in the present study we ask the question how team leadership may attenuate the potentially negative impact of cultural dissimilarity on member psychological safety. To do so, we work from a social identity perspective (Ashforth & Mael, 1989; Tajfel & Turner, 1986). Research in relational demography – the psychology of demographic dissimilarity in organizations – has advanced a social identity perspective to understand that (cultural) dissimilarity may reduce indicators of psychological and social integration in teams because they reduce the sense that one has a shared social identity with the rest of the team (Chattophadyay et al., 2004). Building from this analysis to maintain conceptual coherence in our analysis of the role of leadership in this respect, we identify leader interpersonal fairness (Tyler & Blader, 2000) and leader group prototypicality (Hogg, 2001) as influences that may attenuate the social identity concerns invited by cultural dissimilarity and thus reduce its negative impact on psychological safety.

Leader interpersonal fairness, we propose, communicates equality, respect, and inclusion in the team and consequently diminishes the negative effects of cultural dissimilarity on psychological safety. Leader prototypically suggests that leaders are to be trusted due to their representativeness of the team's identity and thus also diminishes the negative effects of cultural dissimilarity on psychological safety.

The challenges of benefiting from team cultural diversity rather than suffering its potentially disruptive consequences have long been recognized (van Knippenberg & Schippers, 2007; Williams & O'Reilly, 1998). There is also growing recognition of the fact that these challenges concern some team members – the more culturally dissimilar ones – more than others (Guillaume et al., 2012). The present study adds to our understanding of this latter phenomenon by asking the conceptually as well as practically relevant question how leadership (and especially those elements of leadership pertaining to social identity) may impact these processes – an issue that has so far been largely unexplored (Tröster & van Knippenberg, 2012)

even when there is a clear argument that leadership may be a particularly relevant influence here in terms of managing the challenges of cultural dissimilarity in teams. In doing so, this study thus hopes to contribute to a more programmatic effort to develop our understanding of leadership and cultural dissimilarity.

Theoretical Background and Hypotheses

Cultural Dissimilarity and Psychological Safety

In a work environment that is perceived as psychologically safe, employees can openly share information, freely discuss concerns and doubts as well as value each other's competencies (Edmondson, 1999). Psychological safety implies that employees feel free to take interpersonal risks and show the true self without being afraid of negative consequences and that team members or managers will not embarrass or abuse them (Roussin & Weber, 2012; Kahn, 1990). Workplace environments which are psychologically safe are characterized by high trust, which strengthen employees in the belief of having the freedom to ask questions, receive and get feedback, and in which individual's feel self-reliant to present their thoughts and are not afraid of failure or do not fear any negative impacts (King et al., 2005). Moreover, dialogue on dealing with errors is crucial for organizational success and shared reflection is an element of a culture of trust and respect for each other. Vice versa this means that members within teams of little psychological safety keep quiet and do not express any suggestions and doubts, because they are afraid to speak up and even feel restricted to ask for feedback or support (Kark & Carmeli, 2009).

Psychological safety is important in organizations because it can be seen as a key driver of behaviors that are beneficial for core processes in today's organizations – learning, problem-

solving, decision making, and creativity and innovation (Edmondson, 1999). This may be especially true in multinational organizations where an international work environment is asking for the ability to learn across cultural differences, deal with ambiguity, and adaptively solve problems. These are all aspects that benefit from psychologically safe teams where members feel they can share their doubts, express their opinion freely, share knowledge in order to learn from each other, and ask for each other's support. People in teams also have a tendency towards "self-censorship", however, keeping knowledge to themselves (Stasser & Titus, 1987), being hesitant to voice disagreement with emerging consensus in the team (van Ginkel & van Knippenberg, 2008), and being reluctant to admit ignorance or ask for support (Lee, 1997). Conveying willingness to change and maintain creativity during constant transformation is another key element multinational companies are asking for. Psychological safety stimulates this process and motivates employees to confident problem solving (Schein & Bennis, 1965). Moreover it is a catalyst for individual outcomes desired by a multinational company such as engagement, creativity, loyalty and encouraging learning behaviors (Carmeli et al., 2009; Kark & Carmeli, 2009).

Especially in a team where some members are more culturally dissimilar to the rest of the team than others, differences in cultural background may impact organizational experiences and individual actions (King et al., 2005; McKay et al., 2007; Simons, Friedman, Liu, & McLean Parks, 2007). Psychological safety may counteract some potential negative effects of cultural diverse teams (Gibson & Gibbs, 2006). Yet, even when the team is experienced as a safe environment by some, it may not be experienced that way by others, and minorities in particular are at risk in this respect (McKay et al., 2007). In multinational teams, a focus on cultural (national) dissimilarity and psychological safety thus concerns a real challenge to multinational organizations.

Research in relational demography (i.e., demographic dissimilarity) has shown that a social identity perspective provides a useful lens to understand why cultural dissimilarity may negatively affect psychological safety (cf. Chattopadhyay, 1999; Chattophadyay, Tluchowksa, & George, 2004; Tsui, Egan, & O'Reilly, 1992). Social identity theory (Hogg & Terry, 2000; Tajfel & Turner, 1986) describes how people distinguish similar, in-group, others from dissimilar, out-group, others, and display intergroup biases along those lines. Others seen as in-group are more liked and trusted than others seen as out-group, and invite more communication and cooperation (Brewer, 1979; Tajfel & Turner, 1986). Such processes are particularly likely to occur for dissimilarities that are readily visible and associated with stereotypic beliefs that render them subjectively meaningful (Turner et al., 1987). Cultural differences in that sense are particularly likely to invite such intergroup biases (e.g., Harrison, Price, & Bell, 1998). Because culture is a salient feature, social categorization based on this feature is obvious component to distinguish people from others (Chatman et al., 1998; Chattopadhyay, George, & Lawrence, 2004; Tsui et al., 1992).

In culturally diverse teams, intergroup biases invited by cultural differences may pose a challenge to the potential benefits of cultural diversity (van Knippenberg, De Dreu, & Homan, 2004). Lower trust inspired by cultural differences may set the stage for lower psychological safety, and experiences with others' dissimilarity-inspired lack of openness to one's contributions may reinforce lower psychological safety – ideas and suggestions of culturally dissimilar others may not arouse attention or taken seriously. This lower psychological safety is likely to not be an experience equally shared by all team members, however. In multinational teams, there typically is a majority culture: The host culture, the culture of the country in which the team is located, is typically where the majority of team members originate (e.g., Tröster & van Knippenberg, 2012). Team members that belong to the majority thus experience less cultural dissimilarity to the team than team members with a minority cultural background. This not only

means that the more dissimilar members are more likely to experience lower psychological safety by virtue of their dissimilarity per se – minority status also tends to make such dissimilarity more salient to both minority and majority (McKay et al., 2007), rendering cultural minorities even more likely targets of intergroup biased experiences that put psychological safety under pressure (cf. Avery & McKay, 2010). In short, greater cultural dissimilarity is likely to be associated with lower psychological safety, and this is a relationship expressed at the level of the individual team member, not an experience "homogeneously" shared by majority and minority members alike.

Hypothesis 1: Cultural dissimilarity is negatively related to psychological safety.

This notion of a negative relationship between cultural dissimilarity and psychological safety begs the question which influences may attenuate or ideally eliminate this negative relationship to make the team a psychologically safe environment for all members regardless of their cultural background. In the present study we address this issue from the perspective of leadership. Leadership arguably is the most flexible and direct influence organizations can bring to bear on team management, and should therefore also be of particular interest in managing diverse teams (cf. van Knippenberg, van Ginkel, & Homan, 2013). In this respect, a social identity analysis of leadership influences points to two aspects of leadership that would have independent influences on addressing the situation of culturally dissimilar team members – leader interpersonal fairness and leader group prototypicality.

Leader Interpersonal Fairness and Cultural Dissimilarity

Leader interpersonal fairness refers to the perceived fairness of interpersonal treatment, and is understood to capture the extent to which the leader treats subordinates with dignity and

respect (Colquitt, 2001; Greenberg, 1993; cf. interactional fairness; Bies & Moag, 1986). Interpersonal fairness is one aspect of justice that is positioned as complementary to and different from the other types of fairness: distributive, procedural, and informational fairness (Colquitt, 2001). Contrary to these types of judgments of formal procedure, interpersonal fairness focuses on the nature of interpersonal treatment (Rupp & Cropanzano, 2002). This fairness of interpersonal treatment in particular has been linked to social identity dynamics (Tyler & Blader, 2000 – note that Tyler and Blader discussed interpersonal fairness as one of the two elements of procedural fairness – more formal aspects of treatment being the other – but that their analysis is consistent with our current focus on interpersonal fairness).

Tyler and Blader outline how interpersonal fairness conveys to individuals that they are a respected member of the team, and thus speaks to a core concerns from a social identity perspective – do I truly belong here and am I truly accepted as a group member? We propose that these considerations directly speak to the issue of psychological safety – are my contributions appreciated and respected? Absent such indications of inclusion in the team conveyed by leader interpersonal fairness individuals may thus experience lower psychological safety. This is consistent with evidence that individuals who feel treated fairly have more trust in their leader (Ambrose & Schminke, 2003) and are more open to receive constructive feedback (Leung, Wang, & Smith, 2001). It is also consistent with the finding that fair treatment fosters better communication between team members (Bond et al., 2004; Sias & Jablin, 1995). Most directly, it follows evidence that the feeling of being respected feeds not only into the perception of being accepted as a team member but also into the perception that one's contributions are valued by other team members (cf. Ellemers, Sleebos, Stam, & De Gilder, 2013).

We propose that leader interpersonal fairness therefore is of particular importance to culturally dissimilar team members. More culturally similar members are more likely to see their group belongingness confirmed by their similarity to a majority of the team (i.e., the basic tenet

of the social identity approach to relational demography) than more dissimilar members. In that sense, their group belongingness is more secured and thus less of a concern for which interpersonal fairness would make a difference. For culturally more dissimilar members in contrast, their sense of inclusion in the team and their associated psychological safety is much more on the line. We propose that leader interpersonal fairness and its message that one is a valued group member and contributor despite one's cultural background therefore is particularly important in influencing the psychological safety of more dissimilar members – or conversely put, that interpersonal fairness is important in attenuating the negative influence of dissimilarity on psychological safety.

> *Hypothesis 2: Leader interpersonal fairness reduces the negative effect of cultural dissimilarity to other team members on psychological safety.*

Leader Group Prototypicality and Cultural Dissimilarity

Leader group prototypicality refers to the extent to which the leader is perceived to be representative of the group identity (Hogg, 2001). The concept derives from the more general notion of group prototypes – mental representations of social categories that capture the ideal-type of the category – those attributes that characterize the group and distinguish the group from other groups (Turner, Hogg, Oakes, Reicher & Wetherell, 1987). For social groups, group prototypes also capture what is group-normative – group values, beliefs, and attitudes, and their implications for what would be deemed appropriate and inappropriate behavior. Group members that are perceived to resemble the group prototype thus gain influence from this association because they are perceived as representing what the group stands for in terms of values, beliefs, attitudes, and behavior. Moreover, the group prototype also captures group interests, ambitions, and goals, and more group prototypical individuals are thus perceived to have the

group's best interest more in mind. Applied to the leadership role, this means that leaders have a stronger basis for leadership effectiveness the more they are perceived to be group prototypical (Hogg, 2001; van Knippenberg & Hogg, 2003; van Knippenberg, 2011).

An important element of the effects of leader group prototypicality is that it results in trust in the leader – specifically the leader's best intentions for the group (Giessner & van Knippenberg, 2008; van Knippenberg & Hogg, 2003). Trust in the leader can be seen as an important precursor to psychological safety, because leaders in particular play a key role in establishing psychological safety – or the absence thereof (Edmondson, 1999; Nembhard & Edmondson, 2006). That is, to the extent that one feels psychologically safe with the leader, it is also more likely that one would feel psychologically safe in the team because the leader is such a central person in the team. As for the leader interpersonal fairness, here too we may propose that this linkage of leader group prototypicality and psychological safety will be more important for more culturally dissimilar team members. The more individuals are culturally dissimilar to the team, the more their psychological safety is on the line and not addressed by cultural similarity-based connectedness to other team members and the more they may be sensitive to other sources of psychological safety, like leader prototypicality. Accordingly, leader group prototypicality is an influence attenuating negative impacts of cultural dissimilarity on psychological safety.

Hypothesis 3: Leader group prototypicality reduces the negative effect of cultural dissimilarity to other team members on psychological safety.

Method

We conducted this study in one of the five business areas (passenger transportation; logistics; Maintenance, Repair and Overhaul (MRO); catering; and IT services) of a large multinational aviation group containing more than 500 subsidiaries and affiliates globally headquartered in Europe. The company employs over 120,000 employees in over 150 countries. As one of the world's biggest aviation group, the aims is to strengthen its position as first choice for customers, employees, investors and partners. Therefore global partnerships with other airlines may intensify the completeness set of joint ventures in big non-home markets.

A variety of functional competences are needed in an industry which is regulated by a lot of changes in dynamic times and a competitive market. Therefore a clear sense of internationalization and the markets in which the business unit operates is crucial. Knowledge and understanding of appropriate practices and procedures with respect to the customers, suppliers, competitors and the regulatory environment will be important. Building high performing teams with robust cultural expertise in working with diverse stakeholders globally will be relevant in relation to international competition. As a result knowing how leadership impacts the experience of culturally-nationality dissimilar team members arguably speaks to a key success factor to the organization.

Sample and Procedure

The sample for this study is drawn from the same 68 teams as the sample for Chapter 2, and overlaps in the measurement of cultural/national background on which both the cultural diversity measure in Chapter 2 and the cultural dissimilarity in this chapter is based. It does not overlap in any other of the substantive variables. Even so, in our analysis, we control for the leader characteristics that are the focus of the study to establish that the current hypothesis tests

are independent of the influences observed at the team level of analysis in Chapter 2.

We received responses from 66 different teams (97 percent). The survey was sent to 68 teams, including 68 managers and 270 team members based at 37 different departments in 19 countries. From all 336 employees (66 managers and 270 team members) of these teams (i.e., the response rate of the 66 participating teams was 100 %) returned the survey. Respondents had 27 different nationalities and 175 of the respondents were male and 161 female. The employees were on average 40.28 years old (SD = 9.89) ranging from 21 years to 64 years. Mean job tenure was 13.07 years (SD = 9.56) with the minimum of 1 year and the maximum of 42 years. All team members and their leaders were full-time employed. Average team size was 4.20 (range 2 to 10). The average of the period the team members and leaders were working together was 6.73 year (SD = 6.01) with a range from 1 year to 36 years.

To foster participation in our survey, we held company-wide presentations to managers to define the study and its benefits. The initiative was also published at the intranet and was promoted by executives in their global group calls to bring together a great mixture of nationalities across the group. We collected data from teams who were employed in various professional groups, like in ground operations, sales, product and marketing, and human resources. Managers and employees received a paper-based or online survey in English and German based on their local IT set-up. The survey was conducted, according to data privacy regulations, anonymous. Survey respondents were requested to indicate their demographic details on which team diversity variables were shown. Twenty-one, twelve, and nine percent of respondents were based in the United States, Russia, and Germany, respectively. Six percent were based in India and Indonesia. Three percent were located in Hungary, Greece, South Africa, Spain, Israel, Equatorial Guinea, United Kingdom, Nigeria, Vietnam, Eritrea, Lebanon, and Belgium.

Measures

Cultural dissimilarity. Relational demography indicates the difference between a team member and all other individuals in the team. In this survey we computed the cultural dissimilarity based on the cultural background (nationality) of respondents. We examined differences among all the cultural backgrounds in the team. We calculated cultural dissimilarity scores as the difference between team members by using the following formula (Tsui et al., 1992): the square root of the counted number of team members with a different nationality in a team, divided by the total number of respondents in a team size. The larger number of the relational measure meant that the team member is more nationally dissimilar to the other team members in the team. The scores ranged from 0 to 0.95, with a mean of 0.26.

Psychological safety. We used the survey scales from Edmondson (1999) to assess psychological safety with seven items on a 1 (strongly disagree) to 5 (strongly agree) response scale. Items were e.g. "If you make a mistake on this team, it is often held against you" (reverse score) or "It is safe to take a risk on this team".

Leader group prototypicality. Participants responded to the six items: "My team leader is a good example of the kind of people that are members of my team."; "My team leader represents what is characteristic about the team," and "My team leader has a lot in common with the members of the team"; "My team leader is very similar to the members of my team"; "My team leader resembles the members of my team" and "My team leader embodies the norms and values of my team". The items are based on the works of Platow and van Knippenberg (2001) and van Knippenberg (2005). Leader prototypicality was measured on a 1 (strongly disagree) to 5 (strongly agree) scale.

Leader interpersonal fairness. The term interpersonal fairness was introduced by Colquitt (2001) based on items from Bies and Moag (1986) and describes to which extend of

dignity and respect individuals are treated. The items were: "Has (he/she) treated you in a polite manner?": Has (he/she) treated you with dignity?"; Has (he/she) treated you with respect?" and "Has (he/she) refrained from improper remarks or comments?". Interpersonal fairness was assessed on a response scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Controls. To capture leader cultural background we applied a dummy variable that implies whether the manager's cultural background is the same as the host country's (1 = a local leader) or if the leader's origin is from another country as the team is based (0 = a foreign leader). Because tenure of the leader might affect ratings, because team members become more self-assured as they know their manager better (cf. Vecchio & Bullis, 2001), we included leader team tenure. Therefore survey participants indicated the length of working in the team with the present team composition. We also controlled for team size, because it ranged from 2 to 10 team members in one team. In addition we used dichotomous dummy variables and controlled for host country using the three countries with the largest representation with the survey – the USA, Russia, and Germany. Finally, we asked team member to state if they are from the host county (0 = local team member) or not (1 = foreign team member).

Results

To avoid overestimation, the effects of relational demography research suggest to use the nested data structure (Sacco, Scheu, Ryan, & Schmitt, 2003). Our theory nests team members' cultural dissimilarity, perceptions of leader interpersonal fairness and leader group prototypicality, and psychological safety within cultural diverse teams. Therefore we performed multilevel analysis to account for the hierarchical structure of our data set (Snijders & Bosker, 1999). We used the Mixed Models command in SPSS 22.0 to fit linear mixed models with fixed effects. Table 1 shows descriptive statistics of all variables.

Hypothesis testing

The results of the hypothesis tests are shown in table 4, including estimates, standard errors of estimates, t-values, and p-values, as well as descriptive statistics in table 3. It appears that cultural dissimilarity has neither a positive nor a negative effect on psychological safety that is statistically significant. However, the interaction effect of leader interactional fairness and cultural dissimilarity on psychological safety is significant (B=.20, p<.01). Using HLM probing (Preacher et al, 2006) we found that the relation between cultural dissimilarity and psychological safety becomes more positive the higher the score of leader interactional fairness. The relation is significant and negative if leader interactional fairness scores lower than 2.1 standard deviations below the mean, is non-significant if leader interactional fairness scores between -2.1 and +1.7 standard deviations from the mean, but the relation becomes positive and significant when leader interactional fairness scores more than 1.7 standard deviations above the mean. Figure 5 shows the interaction effect comprehensively.

The interaction effect of leader prototypicality and cultural dissimilarity on psychological safety is significant (B=.31 , p<.01). Using HLM probing (Preacher et al, 2006) we found that the relation between cultural dissimilarity and psychological safety becomes more positive the higher the score of leader prototypicality. The relation is significant and negative if leader prototypicality scores lower than 1.08 standard deviations below the mean, is non-significant if leader prototypicality scores between -1.08 and +.87 standard deviations from the mean, but the relation becomes positive and significant when leader prototypicality scores more than .87 standard deviations above the mean. Figure 6 shows the interaction effect comprehensively.

Concluding we did not find support for Hypothesis 1 stating that cultural dissimilarity has a negative effect on psychological safety. However, in line with our Hypothesis 2 we can conclude that interpersonal fairness positively moderates the effect of cultural dissimilarity on

psychological safety. Furthermore we found support for our Hypothesis 3. Prototypicality positively moderates the effect of cultural dissimilarity on psychological safety. All in all we do not find support for our hypothesis that cultural dissimilarity is negatively related to psychological safety (Hypothesis 1) but we find support for the idea that psychological safety is moderated by interpersonal fairness (Hypothesis 2) and leader group prototypically (Hypothesis 3).

Discussion

In multinational organizations, team cultural (national) diversity presents a challenging promise. Psychological safety might be the key psychological variable in meeting this challenge and realizing the promise of cultural diversity. A social identity analysis of cultural dissimilarity in teams suggests that the psychological safety of especially those members that are most dissimilar to the team in cultural background is on the line, and in the present study we considered the role of leadership in addressing this issue. We predicted and found that the relationship between cultural dissimilarity and psychological safety becomes more positive with higher leader interpersonal fairness and higher leader group prototypicality.

Theoretical Implications and Future Directions

Our study contributes to the further development of the social identity perspective in relational demography (e.g., Chattopadhyay et al., 2004) by outlining how this social identity analysis can be extended to incorporate leadership. At the same time, we should note that the effects of leadership are not of the greatest size (although they are statistically significant and, we believe, practically relevant). Rather than discard the focus on leadership as yielding to small effects, we would argue that the issue perhaps is that the current focus on leader interpersonal fairness and leader group prototypicality speaks to psychological safety vis-à-vis the

leader more than to psychological safety within the team as a whole. Even when psychological safety vis-à-vis the leader arguably is more important than vis-à-vis any other individual member of the team (cf. Edmondson, 1999), psychological safety vis-à-vis the team at large clearly is a substantive issue. Therefore, the most important extension of the current leadership analysis arguably is an analysis that would take on how leadership may also build psychological safety vis-à-vis fellow team members. In this respect, there may be promise in van Knippenberg et al.'s (2013) conceptual analysis of the role of leadership in building diversity mindsets (mental representations of team diversity) that guide teams to benefit from their diversity. Van Knippenberg et al. argue that leadership to build such mindsets would guide teams to learn from and create synergy in interaction with dissimilar others. Arguably, such leadership would also invite psychological safety vis-à-vis the team to complement the current analysis of what might be primarily about psychological safety vis-à-vis the leader.

The other main line of research to extend and develop the current analysis would be to study how leadership that safeguards the psychological safety of culturally dissimilar team members would through this influence on psychological safety affect behavioral outcomes. Following the logic outlined in the current analysis it would make sense to study how (leadership) influences that are associated especially with psychological safety for culturally more dissimilar team members can bring about positive behavioral effects in terms of culturally dissimilar members' contributions to team process and performance as well as in terms of important individual outcomes like better social integration into the team for culturally dissimilar members.

Implications for Practice

As our discussion of theoretical implications, we would be careful not to reach too bold conclusions about application given that our findings are based on a single study. Even so, it is

noteworthy that interpersonal fairness can be trained in leadership development (Greenberg, 2002). The ability to convey one's group prototypicality presumably can also be developed, but here research and practice are clearly more underdeveloped as to how to accomplish this (van Knippenberg, 2011).

That said, however, we would also expect (as outlined above) that such leadership efforts need to be complemented by efforts to build psychological safety vis-à-vis the team. Conclusions regarding implications for practice would to some extent have to await research specific to cultural diversity but Garvin, Edmondson, & Gino (2008) note ways in which leaders can achieve this more generally. Several of the building blocks for application thus are already there, even when we would favor awaiting the results of more direct tests of these ideas until we would confidently advice follow up in practice.

Limitations

Our study has limitations, which we need to note. First, the current study is cross-sectional and cannot speak to matters of causality. Therefore, even though our theory strongly favors the causal chain we described and tested in the current study, additional (field) experimental evidence would be necessary to address this issue. The second limitation of our study refers to our research setting as well. Data from a single multinational company was collected. Although we believe this company to be quite representative of other multinational companies, to advance generalizability and robustness of our conclusions, different industries, locations and team compositions should be researched. Third, we studied cultural dissimilarity as one salient component of relational demography. We did so based on the premise that especially cultural dissimilarity is highly salient and relevant in the context we described: multinational

firms. However other components such as gender or age could be further potential salient demographic attributes to which our findings might pertain. Future research may further research these components.

In Conclusion

Given that the workforce in multinational companies is increasingly becoming more diverse, with having team members in minorities and majorities, companies could benefit from this diverse workforce. Especially in the context of multinational companies knowledge from employees with a different cultural background is essential for this complex environment. The current study underlines the importance of leadership and its impact on psychological safety even when it also holds a clear invitation to develop this analysis further.

Figure 5: The interaction between cultural dissimilarity (CD) and interpersonal fairness
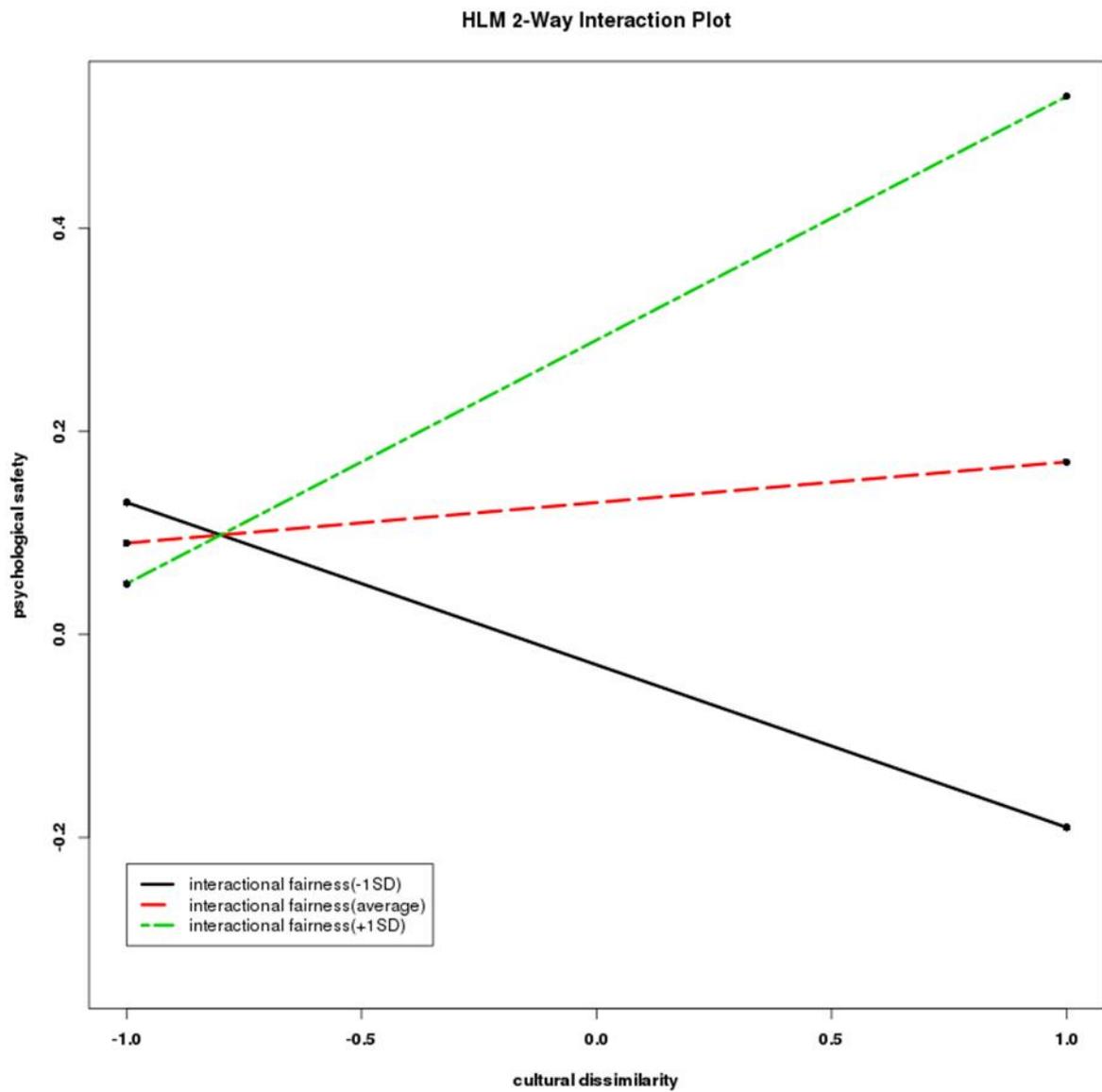

HLM 2-Way Interaction Plot

Figure 6: The interaction between cultural dissimilarity (CD) and leader group prototypicality

HLM 2-Way Interaction Plot
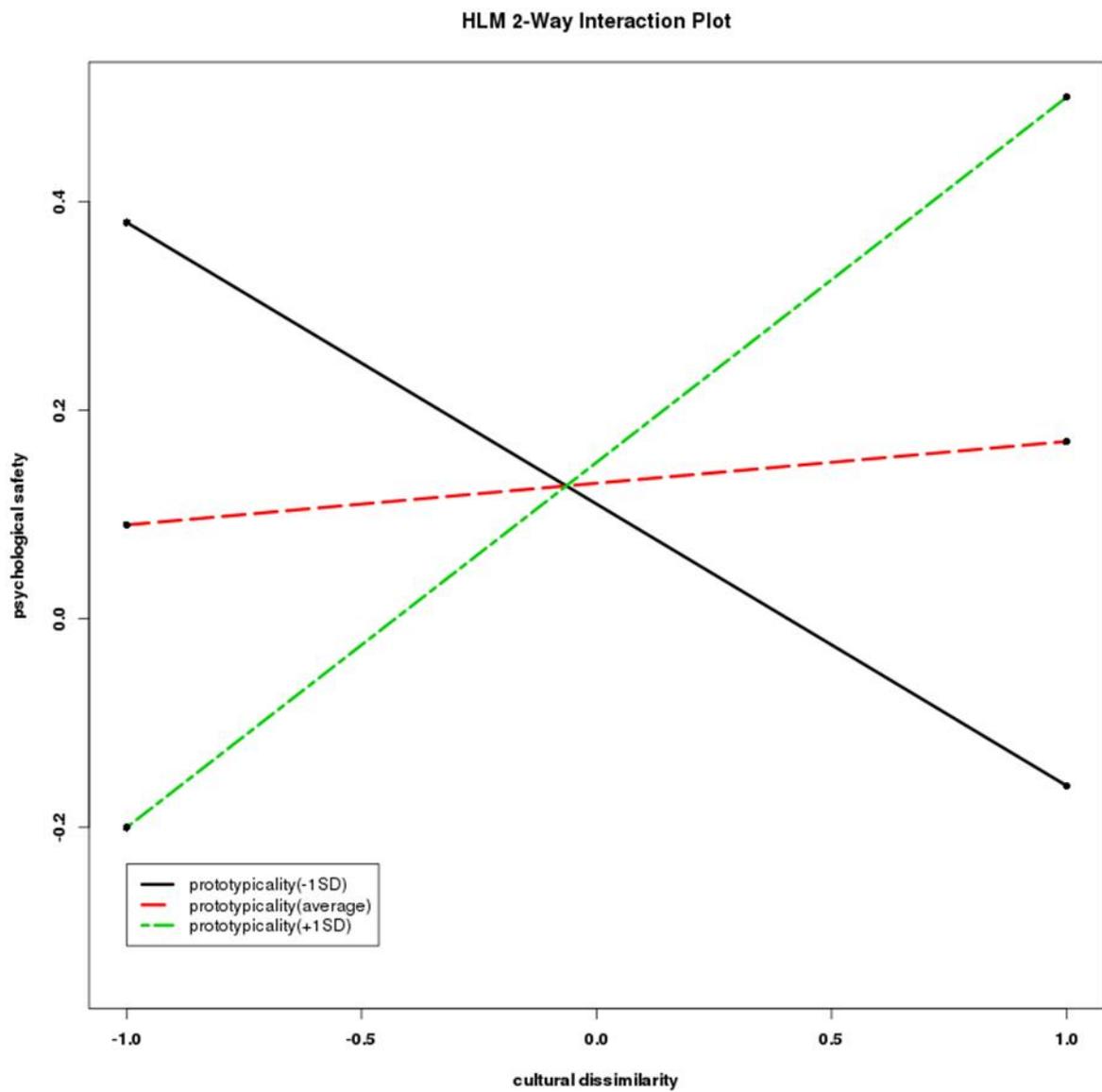
Table 3: Descriptive statistics and Intercorrelations for Study Variables[a,]

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11
1. Dummy variable a	0.09	0.29	-										
2. Dummy variable b	0.30	0.46	-0.20**	-									
3. Dummy variable c	0.13	0.33	-0.12	-.248**	-								
4. Size	5.03	0.33	-0.06	0.41**	-0.09	-							
5. Cultural dissimilarity (CD)	0.26	2.27	-0.25**	-0.08	-0.30**	0.14*	-						
6. Host	0.19	0.33	-0.08	-0.19**	-0.18**	-0.14*	0.73**	-					
7. Psychological Safety	3.53	0.39	-0.01	0.01	0.10	0.03	-0.05	-0.10	-				
8. Leader Cultural Background	0.58	0.77	0.27**	-0.15*	0.01	0.04	-0.34**	-0.24**	0.04	-			
9. Leader Tenure	5.70	0.49	-0.12*	-0.04	0.22*	0.26**	0.01	-0.09	0.13*	0.28**	-		
10. Interpersonal Fairness	3.75	4.32	0.23**	0.04	0.08	0.06	-0.52**	-0.41**	0.25**	0.57**	0.14*	-	
11. Leader Group Prototypicality	3.41	0.33	-0.02	0.06	-0.21**	-0.13*	0.01	0.02	0.07	.010	-0.00	.072	-

[a] N = 270 employees

* $p < .05$

** $p < .01$

Table 4: Interaction effects on psychological safety

Variables	Coefficients	Standard error	t	p-value
Control variables				
Size	0.03	0.11	0.24	0.95
Leader tenure	0.00	0.11	0.01	1.00
Dummy variable a	-0.30	0.12	-0.26	0.91
Dummy variable b	0.74	0.11	0.68	0.65
Dummy variable c	0.12	0.10	1.12	0.95
Host	0.12	0.08	1.45	0.65
Leader Cultural Diversity	0.02	0.11	0.14	0.90
Main effects				
Cultural Dissimilarity (CD)	0.04	0.13	0.29	0.91
Fairness	0.16	0.06	2.51	0.02
Leader group prototypicality (LGP)	0.02	0.51	0.32	0.75
CD X Fairness	0.20[*]	0.70	2.87	0.01
CD X (LGP)	0.31[**]	0.06	5.34	0.00

[a] $N = 270$ employees

[*] $p < .05$

[**] $p < .01$

Note: Standardized coefficients are reported

Chapter 5: General Discussion

Present-day organizations make increasingly use of team-based structures (DeShon; Kozlowski; Schmidt; Milner, & Wichman, 2004; Ilgen, 1999; LePine, 2003). Therefore, determining what drives team performance and how to lead a diverse team in the best way is more and more important for organizations. An important reason to do so is the assumption that cultural diverse teams have the potential to bring benefits to the organization, caused by the expectation that different backgrounds may foster higher levels of performance (Ilgen et al., 2005). Cultural diversity in teams is very relevant in this respect because of the fact that through globalization and internationalization organizations are becoming more and more diverse especially in terms of cultural background, which leads to a higher rate of local and foreign employees as well as managers who are employed by the company. Furthermore certain leadership characteristics may impact cultural diverse teams and individual behaviors and attribute to different extents depending if the team member belongs to a minority or majority group. The present dissertation, thus, focused on uncovering the leadership characteristics and leader diversity attributes that may support team performance and individual behaviors. In the following chapter I will briefly outline the main findings of the dissertation.

Summary of the Main Findings

The first empirical study (Chapter 3) examined the hypothesis that team cultural diversity is more positively related to team performance with a foreign team leader than with a local team leader. I also examined the hypothesis that the relationship of cultural diversity is more positively related to team performance with higher leader tenure. Based on leadership and diversity research we further add to the understanding that team leader characteristics in terms of cultural background and tenure can influence team performance negatively and positively. As predicted we found that the relationship of cultural team diversity to team performance was moderated by both leader cultural background and tenure. Team performance was found to be higher with a foreign leader than with a local leader for cultural diverse teams. Furthermore, for local team leaders we found a positive relationship on team performance, when the leader has a high team tenure, whereas low tenure for local leaders was unrelated to team performance of cultural diverse teams.

The second study (Chapter 4) focused on the moderating role of leader interactional fairness and leader group prototypicality on cultural dissimilarity and psychological safety in cultural diverse teams. Research in relational demography and leadership has shown that leader characteristics should help teams not only to diminish the negative effects of cultural dissimilarity, but also to benefit from it. We expected that cultural dissimilarity was negatively related to psychological safety. We suggested that certain leadership characteristics reduces the negative effect of cultural dissimilarity of other team members on psychological safety. We found support for our predictions, which we tested in our study with 66 teams in a multinational company and used leader interactional fairness and leader group prototypicality as moderators. We identified both leader interactional fairness and leader group prototypicality as attenuating

influences especially for those members that are more dissimilar to the team in cultural background, in line with the social identity perspective. Furthermore, we found that cultural dissimilarity was negatively related to psychological safety, and that higher leader interactional fairness and higher leader group prototypicality was able to counteract the negative effects of relational demography.

Theoretical implications

In the following I will concentrate on the joint contributions of our findings in order to understand how to manage a cultural diverse team in the best way.

Past leadership research has examined that leadership plays an important role in managing team diversity (Homan & Jehn, 2010; van Knippenberg, van Ginkel, & Homan, 2013; cf. Hackman, 2002; Kozlowski & Bell, 2003). However, theoretical work in team diversity has paid minor attention to the influence of team leaders (see e.g., van Dijk, van Engen, & van Knippenberg, 2012). Therefore, our empirical work adds to our understanding of leadership of diversity more generally.

Second, the results of our empirical studies in chapter 3 and 4 emphasize the crucial role of leadership in cultural diverse workforce settings. We found that certain leader characteristics and attributes such as leader cultural background, tenure play an essential role for team performance. Moreover that leader fairness and leader group prototypicality influence psychological safety in cultural diverse teams. In line with research on the crucial role of leadership styles in diverse teams (Kearney & Gebert, 2009), our research is an important addition to our knowledge by asking the question how team leadership may attenuate the potentially negative impact of cultural dissimilarity. Furthermore, that the relationship between leadership and team performance in cultural diverse teams is influenced by leader cultural background and leader tenure.

Finally, the results of our empirical work proceed within the frame of an organizational setting in a multinational company. Therefore our findings demonstrates that leadership of cultural diverse teams matters for the organization, moreover that diversity and leadership are crucial variables for team performance and behaviors.

Practical Implications

Our results propose that leader fairness and leader group prototycicality impacts psychological safety in cultural diverse teams, especially dissimilar members because individuals have a tendency to categorize and their group belongingness is less secured. Thus, leaders and team members need to be aware of that fact and adapt their behaviors and apply their leadership characteristics respectively.

Diversity management has been added as a substance action field in the daily business of multinational organizations, because team diversity – especial cultural diversity is a fact of the workforce in an international environment. This study has illustrated that employees working in a multinational company with a cultural diverse workforce face various cultural challenges in the workplace, which have to be managed in the best way and it is important to remember the significant business benefits of cultural diversity. In that sense, it might be advisable for organizations to hire leaders with certain leadership characteristics or develop them in order to attenuate the negative influence of cultural dissimilarity and minimize issues. Furthermore cultural diversity needs a global mindset to understand, know how to act in a global market and to recognize differences as well as to understand them as a benefit. For increasing the positive outcomes of cultural diversity it may be valuable to establish such a culture as a multinational company. Moreover, organizations may be well advised to offer their managers and employees' targeted development plans in order to build up these skills.

Our study showed that diversity management helps to establish a meritocracy including focusing on international leaders or other underrepresented groups in order to increase the sourcing talent pool by widening the pool for selection. To benefit from a diverse workforce companies have to establish but also manage diversity – otherwise it can harm performance by creating division. Our study showed that team performance is increasing especially with a foreign leader and high leader tenure. This shows that foreign leaders foster competencies to develop business which may be needed especially in foreign markets e.g. driving diversity. Leadership has to demonstrate the capacity to interact appropriately in variety of business and social situations. Furthermore adopt behaviors and business approaches and professional habits from different people and cultures or adapts to them as well as knows how diverse people will respond to own actions. To lead a cultural diverse team requires to study diverse people and cultures to find ways to blend in, seeks out other views as well as to reverse decisions inappropriate for the local market, culture or the business.

Conclusion

As cultural diversity in organizations is a reality and through globalization is constantly increasing, our study on how to manage cultural diversity effectively and of what impacts team performance adds to the literature. Even though diversity research illustrates that the positive outcomes of cultural diversity are not easily achieved, very little is known about leadership of cultural diverse teams. The present dissertation tests hypotheses about the role of leadership and shows that to diminish the negative effects of cultural diversity in teams we need to take certain leadership characteristics and demographics into account.

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Summary (English)

The aim of this dissertation is to understand how to manage cultural diverse teams in the best way and increase team performance in multinational organizations. Therefore, defining what kind of leader characteristics drives team performance and what leadership characteristics foster the positive outcomes of diversity in cultural diverse teams is the focus of the current dissertation. Despite the fact that some important research in leadership and cultural diversity in teams has been done, little is known about the influence of team leaders.

Through globalization and internationalization organizations are becoming more and more diverse especially in terms of cultural background. Cultural diversity, therefore, is a critical factor for multinational organizations. Thus, we highlight the current key diversity initiatives in such a company, including several action fields of diversity management.

The two empirical chapters in the dissertation adds to the understanding of leadership of cultural diversity. We investigate in instances of negative effects of cultural diversity and discuss how these can be managed. Firstly, we take a team level perspective and focus on how variation in nationality in teams (i.e. cultural diversity of teams) negatively affects team performance. Specifically we look at the impact of team leader cultural background and leader tenure on team performance. Furthermore we take an individual level perspective and investigate how cultural differences between individuals and their fellow team members (i.e. cultural dissimilarity) may negatively impact feelings of psychological safety of these individuals. It specifically deals with the perceived psychological safety of team members in cultural diverse teams. In some the dissertation outlines the importance of effective leadership of cultural diversity and point to beneficial implications for diversity management within multinational organizations.

Summary (Dutch)

Deze dissertatie heeft als doel inzicht te krijgen cultureel diverse team het best kunnen worden gemanaged en de prestaties van teams in multinational organisaties kunnen worden verbeteren. Daarom is het definiëren van de kenmerken van leiderschapdie team prestaties versterken en de positieve resultaten van cultureel diverse teams bevorderen de focus van dit proefschrift. Ondanks het feit dat er belangrijk onderzoek in leiderschap en culturele diversiteit in teams is gedaan, is er weinig bekend over de invloed van de teamleiders.

Door globalisering en internationalisering worden organisaties steeds meer divers, vooral met betrekking tot de culturele achtergrond. Culturele diversiteit is daarom een kritische factor voor multinationale organisaties wat de reden is waarom we aandacht besteden aan de actuele initiatieven rond diversiteit in zulke organisaties, inclusieve verschillende actiegebieden van diversiteitsmanagement. De twee empirische hoofdstukken in het proefschrift dragen bij aan het begrip van leiding van culturele diversiteit. We onderzoeken gevallen van negatieve effecten van culturele diversiteit en bespreken hoe deze kunnen worden gemanaged. Ten eerste nemen we het perspectief van een team en focuseren ons op hoe variatie in nationaliteit in teams (dwz. culturele diversiteit van teams) een negatieve invloed hebben op de prestaties van het team. We kijken hier naar de impact van de culturele achtergrond van de teamleider en hoe lang de leider in dienst is op prestaties van het team. Daarnaast nemen we op een individueel perspectief en onderzoeken hoe culturele verschillen tussen individuen en hun collega-teamleden (dwz. culturele ongelijkheid) een negatieve invloed kunnen hebben op het gevoel van psychologische zekerheid van personen. Het gaat dan in het bijzonder om de waargenomen psychologische zekerheid van de teamleden in cultureel diverse teams. Samengevat schetst het proefschrift het belang van het effectief leiden van culturele diversiteit en wijst op het gunstige resultaat van diversiteitsmanagement in multinationale organisaties.

About the author

Katja Raithel graduated with a M.Sc. degree in Sport Science at the German Sport University Cologne in 2010. She also holds a postgraduate master degree in Global Management from the Antwerp Management School, University of Antwerp. During her studies on the topic of Healthcare & Social Psychology, Katja took on a degree candidate position at an international company in the department of Human Resources. Thereafter, she started her professional career working in the airline industry and started her Ph.D. dissertation supervised by Prof. D. L. van Knippenberg, focusing on leadership and cultural diversity. She is particularly interested in understanding how leadership in the organizational environment can impact the outcomes of cultural diversity. After several years in the airline industry, Katja started working as a Key Account Manager for Diversity & Talent Management at an international company in the insurance industry. Katja is a frequent guest lecturer on the topics of leadership, diversity and tourism management at several universities and organizations.