Timurs Umans (Sweden)

# Research angles on cultural diversity in top management teams

## Abstract

This article lays a research agenda for the studies of cultural diversity in top management teams, by reviewing models, methods and definitions utilized within this stream of research. It reviews three different models that are used in studies of cultural diversity of top management teams, as well as elaborates on different methods, and conceptualization of culture. The article concludes with a discussion, and suggests the research agenda in studies of cultural diversity in top management teams, proposing the use and combination of models, methods, as well as conceptualization and measurement of culture. The key result of this paper is development of the analytical framework for the studies of cultural diversity in top management teams and proposition of the alternative ways of operationalization of culture and exploration of the black-box of team processes.

## Introduction

Once being homogeneous nation states, are faced with a tremendous challenge in dealing with an accelerating cultural diversity of their societies, and as a consequence of their labor forces. The hardship of managing this diversity and getting most out of it, however, lies with the companies. The question of how to manage workers and how to utilize their differences to benefit from them, has been a question that occupied researchers throughout the century (Hofstede, 1984). The issue of culturally diverse labor force is by no means new, and have especially been observed in the United States since the 19's century, a country that has become a melting pot of cultures. Europe, on the other hand, has not been affected by cultural influxes to the extend the US had. However, the migration of people to Europe have been accelerating, starting in the middle of the 20s century, and has been continuing more recently, especially with the European Union in place, granting free movement of labor, and having rather liberal immigration policy. Though, the understanding of the cultural diversity has been differing between the US and Europe. While in the US, cultural diversity has been overshadowed by race diversity and has become a great issue of concern, which can be seen from various articles on the topic (e.g., Cox, Lobel, & McLeod, 1991; Eatman, 1977; Katz, Goldston, & Benjamin, 1958; Kirchmeyer, & Cohen, 1992; Larkey, 1996; Ruhe, & Eatman, 1977), Europe has been mostly preoccupied with the national or ethnic diversity, which however, has not been well reflected in the literature, with only few articles in place discussing the issue (e.g., Elron, 1997; Heijltjes, Olie, & Glunk, 2003; van Veen and Marsman, 2008). Even though the issues of racial (often times referred to as racio-ethnic in the US based researched) and ethnic (often referred to as cultural in Europe based research)

diversity has been reflected in business literature, the issue of culturally diverse top management teams (TMT) has been silently avoided, presumably based on the assumption that homo-social reproduction[1] prevents people of different cultural backgrounds entering predominantly homogeneous upper echelons of organizations. However, some organizations, both in the US and Europe, against the odds employ ethnic minorities in their top management teams (e.g., ABB, GM). From one side these organizations are trying to reflect culturally diverse environments they are working in and from the other side being forced to do so by these environments. The emergence of culturally diverse TMTs is an inevitable process, especially in light of accelerating globalisation, putting demand on the companies to reach further than their traditional markets, to manage culturally diverse labor and to withstand growing competition. Even though there are indicators of the emergence of culturally diverse TMTs, business literature fails to acknowledge this trend by preferring to study cultural or racial diversity of the people being managed rather than focus on managers themselves. Thus, this article will try to inquire into the field of cultural diversity of TMTs and review the literature that is concerned with or closely related to the issue, in order to suggest a research agenda for studies on cultural diversity of top management.

It has been more than twenty years since Hambrick and Mason (1984) have published their seminal article arguing that TMTs impacts organizations through the decision making that is streaming from the cognitive background of TMT members. Thus, much of the research that followed has been concern with demographic characteristics of top managers. Stating that managers make strategic choices based upon their values, cognitions, perspectives and organisational activities or outcomes reflecting the

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[1] A tendency of people to identify with particular groups and then define these groups as in-group and all other groups as out-groups (Kanter, 1977).

collective cognitive biases and abilities of the TMT (Hambrick & Manson, 1984; Finkelstein & Hambrick, 1990; Finkelstein & Hambrick, 1996), many authors have theorized to predict that TMT's demographic characteristics will be reflected in the firm's performance (Carson, Mosley & Boyar, 2008; Haleblian & Finkelstein, 1993; Hambrick & D'Aveni, 1992; Keck, 1991; Keck, 1997; Michel & Hambrick, 1992; Murray. 1989; Norburn & Birley, 1988; O'Reilly & Flatt, 1989; Priem, 1990; Smith et al., 1994; West & Schwenk, 1996), innovation (Bantel & Jackson, 1989; O'Reilly & Flatt, 1989), strategy (Finkelstein & Hambrick, 1990; Michel & Hambrick, 1992), and strategic change (Grimm & Smith, 1991; Wiersema & Bantel, 1992). Researchers in business administration have acknowledged importance of demographic diversity within the teams, and which led them to study demographic variables such as age, race, and tenure, educational and functional backgrounds. Though, as have been noted by several researchers (e.g., Elron, 1997; Heijltjes, Olie & Glunk, 2003; Milliken & Martins, 1996) cultural diversity that has become a reality for any unit of the society, including TMT, has been an under-researched variable, and few studies have addressed the issue of cultural diversity in teams (e.g. Kirchmeyer & Cohen, 1992; Kirkman & Shapiro, 2001; Larkeey, 1996; McLeod & Lobel, 1992), and even fewer in TMTs (e.g., Elron, 1997; Milliken & Martins, 1996).

The researchers that addressed the issue of culturally diverse teams in organization have been divided into three streams. One stream argues that cultural diversity influences outcomes through process, which however remain in the black-box[1] since it would be impossible to measure all the potential intervening process variables (Pfeffer, 1983). The second stream of research claims that processes shall be measured to understand the impact of diversity on organizational outcomes, and it is only through studying processes one can understand impacts of team diversity, including cultural diversity (Smith *et al.*, 1994). The third stream of research draws from the aforementioned streams but argues that in order to fully understand the impact of cultural diversity in teams, a moderating variable, such as organizational culture, reflected in common goals and mission, shall be inserted into the picture to grasp the complex correlation between team diversity, processes and organizational outcomes. Thus, this paper will attempt to review existing literature on cultural diversity in teams, and most importantly in top management teams, to compare the models within which cultural diversity of TMT have been researched.

Moreover it will refer to the methods that have been used to assess the diversity at the upper echelons of organization. The paper will also review the conceptualization of culture within business literature, and built upon this review will propose possible definitions and measurement to be used in the assessment of cultural diversity in TMT. Furthermore the paper will conclude with a discussion and suggestions for future research**.** Through the review of models, methods and conceptualization of culture reviewed in the following parts of this article, this paper will propose a research agenda for the studies of cultural diversity in TMT.

## 1. TMT and organizational outcomes defined

Before going into review it is appropriate to define the TMT and organizational outcomes being the central concepts of this paper.

Hambrick and Mason (1984) proposed in the upper echelons theory that top management is just a reflector of the whole organization. It is top executives' perception of environment and unique management style that influence management systems, corporate strategies, organizational design as well as organizational culture (Dalton and Kesner, 1985). It is generally agreed that TMT is usually composed of key managers who are responsible for the making, planning, and execution of business strategies. In addition, some scholars proposed that managers at the level of vice-president (vice general managers) or above would be eligible to be included in the top management team (Michel and Hambrick, 1992; Hambrick and D'Aveni, 1992; Virany, Tushman, and Romanelli, 1992). Bantel & Jackson (1989) have also proposed that TMT can be recognized as the managers identified by the CEO as members of the TMT. When it comes to the function of TMT the most important one according to Finkelstein and Hambrick is to evaluate and judge the strategy (1990).

In the context of this paper organizational outcomes are being primarily defined in line with previously employed operationalization in TMT research, such as organizational innovation (e.g., Bantel and Jackson 1989;), strategy (e.g., Finkelstein and Hambrick 1990; Michel and Hambrick, 1992), strategic change (e.g., Finkelstein and Hambrick 1990; Wiersema and Bantel, 1992) and firm performance (e.g., Finkelstein and Hambrick, 1990; Hambrick and D'Aveni, 1992; Michel and Hambrick, 1992).

## 2. Models

**2.1. Demographic composition model.** The demographic composition model has been one of the most researched within TMT studies (Jackson, Joshi & Erhardt, 2003). Pfeffer (1983) and later Hambirck and Mason (1984) have provided basic underlying

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[1] Here an further in the text black-box refers to team process variables, that are theoretical concepts that researchers leave loosely specified or unmeasured (Lawrence, 1997).

principles for expecting direct relationship between TMT demography and organizational outcomes. These authors have argued that researchers would find direct effects for demography on performance because it would be impossible to measure all the potential intervening process variables (which shall remain in the black-box). Pfeffer's claim, that demography of top managers directly influence performance, drawing from the assertion that top managers impact organizations through their decision-making and because individuals base decisions on their cognitive background, have laid a wide base for a large stream of research. Many authors, thus, have theorized to predict that demographic variables such as age, functional tasks, other career experiences, education, socio-economic roots, financial position and group characteristics will be reflected in the firm's performance (Bunderson, 2003; Bunderson and Sutcliffe, 2002; Cannella, Park and Lee, 2008; Haleblian & Finkelstein, 1993; Hambrick & D'Aveni, 1992; Keck, 1991; Keck, 1997; Michel & Hambrick, 1992; Murray, 1989; Norburn & Birley, 1988; O'Reilly & Flatt, 1989; Pegels, Song and Yang 2000; Priem, 1990; Smith et al., 1994; West & Schwenk, 1996), innovation (Bantel & Jackson, 1989; Chatman and Flynn, 2001; Earley and Mosakowski, 2000; Hambrick, Cho, and Chen, 1996 O'Reilly & Flatt, 1989) and strategy (Carpenter, 2002; Finkelstein & Hambrick, 1990). This stream of research can be generally divided into three major sub-divisions: team diversity, team tenure and team size (e.g. Elenkov, Judge, Wright, 2005; Murray, 1989; Eisenhardt & Schoonhoven, 1990; Keck, 1991; Michel & Hambrick, 1992; Hambrick & D'Aveni, 1992, Smith et al., 1994).

Demographic diversity of the team has been directly linked to performance (through black-boxing of team processes), and several authors have arrived to both positive and negative effects of diversity on organisational outcomes, which led some authors to call diversity research a double edged sword (Hambrick, Cho, & Chen, 1996; Milliken & Martins, 1996). On the one hand, demographic diversity of TMT has a negative effect on strategy of the firm due to increased conflicts, less social integration than in homogeneous teams, and more formal communication (Kochan et al., 2003; Ruhe & Eatman, 1977; Triandis, Hall & Ewen, 1965). On the other hand, demographic diversity was found to be positively related to innovation and strategic change due to the variety of ideas brought by the differences of backgrounds as well as the ability to be more flexible in vibrant environments (Bunderson and Sutcliffe, 2002; Stewart, 2006; Wagner, 1995).

Team tenure is a less debated issue in team demography and generally researchers agree that it is positively related to financial performance (Eisenhardt,

1989; Pfeffer, 1983). It was Pfeffer (1983) who provided a theoretical basis for expecting a direct tenure effect on performance, claiming that performance will be the highest when employees have been in the position 'long enough to overcome some initial naiveté and learn the ropes and local practices.' (323).

Team size has also been linked to organisational outcomes by several researchers (Bantel & Finkelstein, 1991; Eisenhardt & Schoonhoven, 1990; Hambrick & D'Aveni, 1992; Wiersema & Bantel, 1992), however the results have been mixed. Larger teams are believed to have larger knowledge and experience pool which is positively reflected in group and organisational outcomes (Haleblian & Finkelstein, 1991). On the other hand, larger teams may suffer from problems related to control and coordination, and as a result performance decline (Mintzberg, 1979). Some researchers have also studied the optimal team size, however arrived to inconclusive results (Liang, Rajan & Ray, 2008; Kameda et al., 1992).

Although the demographic approach has shown great promise in research, its shortcoming is that these variables do not perfectly co-vary with cognitive, personality, or behavioral characteristics (Hambrick & Mason, 1984). Some researchers (Smith et al., 1994) have raised serious criticism of demographics-focused TMT research. The main criticism is that the research "assumes that the demographic predictors are correlated with presumed intervening processes, which remain in the 'black box" (Priem, Lyon & Dess, 1999, p. 936). Similarly, Smith et al. (1994) concluded that while researchers had successfully empirically linked TMT demography to performance, they had failed to ''investigate the more fundamental intervening processes'' (p. 413). Further, in their article Smith and colleagues (1994) argue for more emphasis on the processes by which TMT influence organizational outcomes, since it is believed that black-boxing of the processes leads to the oversimplification of relations between demographic variables and organizational outcomes. According to Smith and colleagues (1994) this oversimplification can be avoided by studying the intervening process. Priem, Lyon & Dess (1999) also argue that a 'causal gap' exists between TMT demographics and firm performance and that 'the specific mechanisms through which the upper echelons theory suggests that TMT heterogeneity may influence firm performance remains generally unexplored' (p. 940).

The demographic composition model has become a citadel for the cultural diversity studies within TMTs as well as groups, and proved to be a fruitful one to increase researchers' awareness of cultural

issues in teams. Authors within the field have claimed that cultural diversity leads to positive organizational outcomes since more alternatives become available, which in turn creates a wider critical base (Collins & Guetzkow, 1964; Cox, Lobel & McLeod, 1991) leading to innovativeness on the organizational level (Bantel & Jackson, 1989; Hoffman & Hegarty, 1993). Moreover, it is claimed that culturally diverse teams are able to perform better in turbulent environments, where the group member's cultural diversity serves as a drive for flexibility, and receptiveness for environmental changes and turbulences (Wagner, 1995). This also corresponds to Shaw's claim that culturally diverse groups are more effective in complex environments (1981). Several researchers have also examined impact of cultural diversity on group outcomes (e.g., Buller, 1986; McCarrey, 1988; McLeod & Lobel, 1992). It is claimed that cultural diversity in groups and teams leads to higher quality of decisions (McCarrey, 1988) and ideas (McLeod & Lobel, 1992), which streams from variety of viewpoints provided by a difference in cultural backgrounds, which subsequently indicates that culturally diverse groups outperformed homogeneous groups (Buller, 1986; Janis, 1982). Thus, the authors discovering effects of groups cultural diversity and its influence on groups or organizational outcomes have arrived to predominantly positive influences, which goes in line with authors in cultural studies suggesting that culturally diverse teams offer diversity of values (Hofstede, 1984; McCarrey, 1988), and different behavioural styles (Jackofsky, Slocum, & McQuaid, 1988) as well as are believed to be more effective in solving complex problems (Shaw, 1983) which is positively reflected in group's and organizational outcomes.

The demographic composition model has become one of the most widely used approaches in studying TMT and its influence on organizational outcomes. Subdivided into three major parts: demographic diversity, tenure, and team size; this model has offered researchers a base for inquiring into relationship of top managers cognitions, argued to be deeply rooted in their demography, and organizational outcomes. The model suggests that demographic characteristics of top managers are influencing the organizational outcomes, however due to complexity of inquiry into the processes which are believed to be the mediators of the influence; these processes shall remain in the black-box. Majority of the articles that have been written within demographic composition have been manly advocating the positive effects of cultural diversity in teams, on team and organizational outcomes, however no articles within this stream have been found that would deal with culturally diverse TMT and organizational

outcomes. Yet, suspecting that link through which demography influences organizational outcomes might be more complex than presented in the demographic composition model, researcher have tried to inquire into processes (e.g., Smith *et al*., 1994). This inquiry has produced an intervening model – a model within which cultural diversity factor have also been examined among other demographic variables.

**2.2. The intervening model.** The intervening model is consistent with upper-echelons theory and the theoretical speculation of most demographic research on top management teams (e.g., Kochan et al., 2003; Eisenhardt & Schoonhoven, 1990; Hambrick & Mason, 1984; Hambrick & D'Aveni, 1992; Keck, 1991; Michel & Hambrick, 1992; Murray, 1989). Intervening model posits that team demography influences the organizational performance entirely through team processes and that it has no direct effects on performance. Social integration, communication as well as the influence of internal conflict within the TMT have been the processes mostly researched within the intervening model (Knight *et al*., 1999). Diversity's influence on process have been a field where interrelations of different demographic variables such as age, race, educational and functional backgrounds have been affecting process and outcomes differently, also depending on the combinations of different demographic variables present in the group. In the early stages of TMT research in the 80s the results as how the different diversities affect processes and outcomes have been mixed. However, in their article, O'Bannon & Gupta (1992) by reviewing and reorganising existing literature on TMT and group composition, came to the conclusion that there may be two dimensions of demographic diversity that can be present simultaneously in TMT and that produce different types of outcomes (Elron, 1997). It is argued that creativity and decision making are promoted by the diversity in educational and functional backgrounds, which serves as an indicator of the degree to which team processes variety of decision-making skills streaming from varied backgrounds. The authors refer to this dimension as "cognitive diversity" that is believed to bring less conflict, and enhances communication, which in turn results in outcomes such as innovation, and improved team's performance. At the same time, heterogeneity in age, tenure and race that serve as indicators of similarity in attitudes and values, is negatively related to social cohesion and integration and its benefits towards the firm's performance and strategy (O'Bannon & Gupta, 1992).

One of the criticisms of the intervening model, however, is its relative undeveloped base, due to the great number of variables to be considered which

makes research very complicated. Another criticism of the model, and namely the research performed within the model, is a concentration by researchers on single processes and single demographic variables. According to both Lawrence (1997) and Mannix and Neale (2005), what is needed in the field is a multidimensional approach to demographic diversity and processes correlation and their combined influence on organizational outcomes. Jackson, Joshi & Erhardt strengthen this argument by stating that social processes and their outcomes are influenced by the complex confluence of diversity dimensions, not isolated dimensions of diversity (2003), and the team's and organizational outcomes may be determined by the configuration of team members' demographic and/or identity profiles (Frable, 1997). Despite the heavy drawbacks at the current stage of the model development, majority of the researchers agree that the intervening model serves as a most full reflection of the TMT demographics, process and organisational outcomes interrelationship.

The intervening model has proved to be even more fruitful soil for cultural diversity research in groups than the demographic composition model. However with more research fruits raised the more mixed results have come out. From one side it is claimed that culturally diverse teams offer diversity of values, resulting in effective group discussions which ultimately leads to enhanced group performance (Hofstede, 1984; McCarrey, 1988). Moreover, cultural diversity of groups leads to more cooperative choices (Cox, Lobel, & McLeod, 1991) and better performance in respect to homogeneous groups in identifying perspectives of the problems and generating solution alternatives (Watson, Kumar & Michaelsen, 1993). The vows from the other side of the spectrum are, however, louder and supported by more empirical evidence. Researchers that claim negative effects of cultural diversity on process and outcomes maintain that cultural diversity in teams, results in interpersonal problems and communication difficulties (Jackson, Joshi & Erhardt, 2003; Ruhe & Eatman, 1977; Triandis, 1960), and to misunderstandings and team cohesiveness being under threat (O'Reilly, Cardwell, & Barnett, 1989). Generally many researchers have come to the conclusion that cultural diversity has a negative effect on process taking place within the team such as communication, (Ruhe & Eatman 1977; Triandis, 1960) and social integration and cohesion (Elron, 1997), as well as results in emotional (Pelled, Eisenhardt, & Xin, 1999) and competitive conflicts (Kirchmeyer & Cohen, 1992). Majority of the researchers, however, has fallen short to make the picture complete by combining cultural diversity, processes and outcomes as done in the intervening model, which

these researchers are claiming to be work within. Only one article found, written by Elron (1997), has addressed the issues of cultural diversity in TMT, processes and organizational outcomes, arriving to the conclusion that cultural diversity negatively affects social cohesion which in turn has negative effects on organizational outcomes. However later in the article, by black boxing the process variables, Elron (1997), have found a positive relationship between cultural diversity of TMT and performance which indicates that the results of the study can be heavily dependent on the models in use.

There are several reasons as to why the connection between cultural diversity processes and outcome are being undiscovered or rather being unclear. One of the reasons is that serious obstacles such as sample size that fall below conventional levels and the reluctance of organizations to participate in the research, limits the research area (Kirchmeyer & Cohen, 1992). Another reason for unfinished research within the area is that most studies that have examined behavior in culturally diverse groups have done so by studies theoretical in nature (e.g., Anderson, 1983; Cox, Lobel & McLeod, 1991; Katz, Goldston & Benjamin, 1958; Simard & Taylor, 1973) (qtd. Watson et al., 1998). Thirdly a problem is also the great difference between the conditions that existed in the studies and conditions that exist in organizational settings. All of the studies devoted to cultural diversity in groups used ad hoc groups that existed only for the duration of the study (Watson et al., 1998). As in the studies by Watson, Michaelsen & Sharp (1991) where groups of students in the classroom were the subjects under study. Assumption that the same kind of behavior can be expected from the members of culturally diverse top management team is more than stretched, and doubtful, due to on average longer duration of top management team working together relative to one semester of studies for students being under investigation (e.g., Watson et al., 1998; Watson, Kumar, Michaelsen, 1993; Watson, Michaelsen, Sharp, 1991), which can serve as an encouragement to researcher to conduct studies of cultural diversity in TMTs. Fourthly, the problem persisting in the research and usually being silently avoided by the majority of the authors within the area is the conceptualisation and measurements of culture which vary not only from continent to continent (the US and Europe) but also from researcher to researcher, and which will be discussed further in the paper.

The intervening model that has followed as a logical continuation of the demographic composition model has contributed and confused the field, breaking the evenness achieved by researchers within demographic composition model. It has contributed to the

field of cultural diversity within groups by opening up the black box of process within team, and indicating positive and negative effects of these cultural differences on processes, which opposite to some predictions turned out to be mostly negative. Yet mixed results of how cultural diversity influences processes and outcomes have brought uncertainty into the field, by proving that assumptions made in the beginning of "upper-echelon age" might be wrong. So in order to clarify this dilemma as whether the demographic composition or the intervening model is the one that is most closely reflect influences of cultural diversity the third, relatively new model, have been introduced. At this point it will be called moderating model.

**2.3. The moderating model.** The moderating model has been a relatively new model and so far has been observed only in few articles: Chatman *et al.* (1998); Ely & Thomas (2001); Jehn, Northcraft, & Neale (1999), and Larkey (1996); Umans, (2008). These articles have argued that moderating variables such as organizational culture and organisational learning **moderate** the influence of cultural diversity on processes and outcomes in teams. In their article Ely and Thomas (2001) argue that organizational integration and learning that are adopted by the organization toward its culturally diverse members will result in the ability of the groups within the organization (including TMTs) to rethink and reconfigure its behaviors towards their differences in life experiences, knowledge, and insights, and to overcome difficulties that will tend to arise in the process of interaction subsequently arriving to positive group or organizational outcomes. Furthermore Larkey has stated that organizational culture serves as a base for a build up of common values, which will overcome cultural values and will make cultural differences work for the benefit of the group and organization (1996). Both Chatman *et al.* (1998), Jehn, Northcraft, & Neale (1999) and Umans (2008) strengthen the claims by stating that shared common goals and values, taking root in organizational culture, in culturally diverse groups, leads to more beneficial outcomes. Moreover, the moderating

model proposed argues for the importance of study of processes, since processes within the team are acknowledged to be the conductors through which cultural diversity in teams influences organizational outcomes (Larkey, 1996). In her article, Larkey attempts to build a theory of communicative interactions in culturally diverse workgroups, and urges other researchers to inquire into other process variables, to explore the blanks between variables such as workgroup demographics and workgroup outcomes (1996).

Thus, the moderating model argues that cultural diversity will positively affect organizational outcome and the processes only in case moderating variable – organisational culture is build on the idea of value-in-cultural diversity, and it also promotes common goals and values among its members, including top managers. This model combines and reconciliates the two previous models that could not find consensus as to weather cultural diversity positively or negatively affects processes and organisational outcomes. It joins the two previous models acknowledging the importance of cultural diversity, being an important demographic variable in group research, as well as it builds upon the assumption that intervening processes shall be studied, and extracted from the black-box. It also re-conciliates the two models by suggesting that influences of cultural diversity can produce positive organizational and group outcomes, with the processes being extracted from the black box and with added moderating variables such as organizational culture resulting in shared goals and values. However, the support for the moderating model has been only found in few articles and the results from these articles can not be named conclusive and more development of the theoretical and empirical base is needed, to overweight the heavyweights such as demographic composition and intervening models.

Based on the review of the three models above one can construct the filed of cultural diversity of TMT, process and organizational outcomes as in the figure below (Fig. 1).
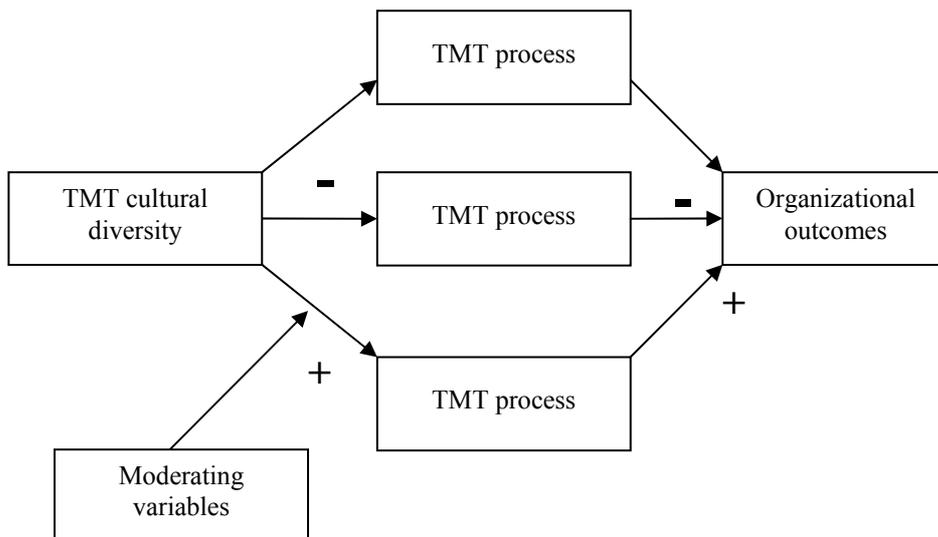
**Fig. 1. The models used in studies of cultural diversity in TMT**

The demographic composition model thus argues that the demographic composition of TMT including cultural diversity influences organizational outcomes through the black boxing of the processes which shall remain in the black-box due to the complexity and vast array of these team processes which will be impossible to measure (Pfeffer, 1983). The cultural diversity within this model has been predicted to positively influence organisational outcomes such as strategic change and innovation.

The intervening model argues that the demographic composition including cultural diversity influences organizational outcomes only through team process, which shall be studied and extracted from the black-box. Researchers within this model have found that cultural diversity usually have a negative influence on process variables such as social cohesion and communication, which in turn leads to negative organisational and group outcomes.

The researchers within the moderating model have suggested that cultural diversity in teams can influence processes and organizational outcomes in a positive way, only by inserting strong corporate culture and promoting value-in-cultural diversity, into the picture.

The three models summarized above have offered researchers valuable tools in assessing cultural diversity within teams, and most notably TMTs. However, these models indicate inconsistency in the field of cultural studies in TMT and group research, by showing differences in results depending on the model used. The question thus remains whether the inconsistency in research outcomes is influenced by the model in use alone or are there other factors as well that influence these mixed results.

## 3. Methods

One of the factors as to why the results of the research produced within the three models outlined above are mixed could be due to the methods that have been used or not used within the studies of cultural diversity in groups and executive teams (West & Schwenk, 1996). The field of team and group studies have been heavily relying on quantitative methods employing large samples which have allowed researchers to generalise on the basis of their findings (Goll & Rasheed, 2005). Few exceptions could be found in the field inspired by upper echelon perspective that used qualitative methods (e.g., Eisenhardt & Bourgeois, 1988; Pitcher & Smith, 2001; Umans, 2008). Even the studies that examined team processes have been quantitative in nature, despite recent calls for shift of methodology (Bell & Nkomo, 2001; Ely & Thomas, 2001; Jackson, Joshi, & Erhardt, 2003; Li, Xin & Pillutla, 2002; Priem, Lyon & Dess, 1999).

The demographic composition model has been heavily relying on quantitative methods with some exceptions of theoretical papers (e.g., Hambrick & Mason, 1984; Pfeffer, 1983). The method employed within the model has been mostly relying on large scale surveys where the authors have identified several demographic characteristics, including culture (referred as racio-ethnicity or race) and have been concentrating on various organizational outcomes such as performance (Bunderson, 2003; Bunderson and Sutcliffe, 2002; Cannella, Park and Lee, 2008; Haleblian & Finkelstein, 1993; Michel & Hambrick, 1992; Priem, 1990; Smith et al., 1994; West & Schwenk, 1996), innovation (Bantel & Jackson, 1989; Chatman and Flynn, 2001; O'Reilly & Flatt, 1989), strategy (Carpenter, 2002; Finkelstein & Hambrick, 1990; Michel & Hambrick, 1992), and strategic change (Ferrier, 2001; Golden & Zajac,

2001; Grimm & Smith, 1991; Naranjo-Gill, Hartman & Mass, 2008; Wally and Becerra, 2001; Wiersema & Bantel, 1992). The main criticism of the method that can be put forward in light of studies of culture, is the quantification of the term culture, and the solemn use of self-identification technique which leads to a limitation of self-identity of the respondent just to one narrow concept of being black or white, or being American or foreign, while other cultural self-identifications remain undiscovered and limited by the narrow methodological method. The quantification of the organizational outcomes can also be criticised on the ground of putting complex terms such as strategic change and innovation into the quantitative frames, however these terms might require more elaborate study and analysis to be identified.

The methodology employed within the demographic composition model has also been used within the intervening model with few exceptions when qualitative methods were used (e.g., Pitcher & Smith, 2001). In the majority of the articles that study TMT process variables have been quantified, which have been heavily criticised by some researchers (e.g. Bell & Nkomo, 2001; Ely & Thomas, 2001; Jackson, Joshi, & Erhardt, 2003; Li, Xin & Pillutla, 2002; Priem, Lyon & Dess, 1999) and the use of qualitative methods have been encouraged in order to realize and grasp the complexity of the field. The articles that have been inquiring into the subject of cultural diversity in teams, within the intervening model have not been an exception of reliance on quantitative methods, with large scale surveys. The largest portion of cultural diversity studies within teams has been dominated by Watson and colleagues (1991, 1993, 1998, 2002, 2005), which have utilized the survey method in studying culturally diverse groups of students, performing group projects on the short-term and long-term bases. The method of assessing cultural diversity has also been self-identification, which then was used to produce diverse groups for the purpose of the study. As it come to studies of cultural diversity in TMTs, Elron (1997), that has been identified as the only researcher dealing with cultural diversity in TMT, was using self-identification assessment of national diversity, which then has been assessed through Hofstede's (1984) four cultural dimensions. Another recent study by Umans (2008) have investigated ethnic diversity in TMTs and was also using self-identification assessment based on various measures of ethnic identity such as native language, parents' ethnic background as well as nationality and citizenship.

The summary of the inconsistencies within TMT research has been presented in the article by Pitcher & Smith (2001) where it was stated that four out of five potential problems of inconsistency in TMT research are of methodological nature. Firstly unmeasured moderator variables such as industry or environment. Secondly, unmeasured or wrongly measured intervening variables such as processes, in which case the use of qualitative methods to make these variables more observant could be the solution. Thirdly, the possibility of wrong conceptualization of independent variables such as diversity (including cultural diversity), can be a reason for inconsistency of the results of previous studies. Fourthly, a slight misspecification of both independent and dependent variables that can serve as another reason for inconsistency of research results in the field. One of the solutions but not a panacea to the methodological problems could be a relatively new faultline approach to diversity, presented by Lau & Murnighan (1998). Instead of measuring demographic variables at hand separately and applying them to team processes and outcomes, Lau and Murnighan propose a system where a team is looked upon as a collection of sub-teams that share similar demographic characteristics. So the combination of member characteristics producing sub-teams rather than examination of these characteristic one by one, provides a useful tool in assessing diversity. This is achieved through combination of qualitative and quantitative methodology using ratio and nominal scale in description of diversity in teams and subsequent qualitative determination of the group's overall diversity. Academic work that has employed faultline approach have been supportive, proving usefulness of the method (e.g., Dyck & Starke, 1999; Earley & Mosakowski, 2000, Gibson & Vermeulen, 2003; Homan et al., 2008; Rico et al., 2007), and many researchers have tried to utilize the method to satisfy the renewed interest in diversity research as well as to produce more research in the area that have been overshadowed by the difficulty of measuring the vast variety of demographic characteristics that can be present in teams. Even though fualtlines approach has gained recognition in academic circles the use of the method is still limited to a small number of articles, which prolongs the presence of inconsistency associated with diversity measurement and methodology employed in the field.

Thus, the problem presented in group and TMT research in general and in cultural diversity of TMTs in particular can be attributed to the overuse of quantitative method, and quantitative measurements of independent, moderating and intervening variables. Taking into consideration the problems associated with use of quantitative method described above, moderating model suggested that qualitative methods would highly benefit TMT studies, and cultural studies in particular, by avoiding miss-

conceptualization, and miss-measurement of process variables (Larkey, 1996), which according to Pitcher and Smith can be achieved with the use of case studies (2001). As already mentioned, conceptualization of terms used within TMT research, can be one of the causes of inconsistency of the results within the field. Culture being a multidimensional and to certain point vague term can pose a problem to researchers studying it (Cox, 1993; Umans, 2008), and thus, can possibly be another reason for mixed results.

Hence, based on the review of the methods above one can see that the field of TMT research has been heavily relying on quantitative methods and cultural diversity research has not been an exception. However, many authors in the filed have pleaded for use of qualitative methods, which could help the researchers to inquire into processes taking place within the team. Moreover, it is argued that qualitative methods would allow researchers to elaborate more on organizational outcomes, such as innovation and strategic change, which are hard to assess by using quantitative methods. Another reason to turn to the use of qualitative methods are the terms such as ethnicity and culture which can not be fitted into the frames of quantitative method without the loss of meaning and significance. Moreover the use if faultline approach to diversity is still relatively low, however, promising in assessment of multiple demographic characteristics present in the team, and bridging quantitative and qualitative divide within the field of group diversity. Thus, one has to consider that the 'blame' for the mixed results within the field of cultural diversity in groups can not only be laid on the models in use but can also be a result of the method in use, as well as the conceptualization of the term culture, which is discussed below.

## 4. Conceptualization of culture

Since the majority of the research on cultural and ethnic diversity is conducted in the US, the majority of the researchers have been substituting the term of race with culture and ethnicity which is perceived as being politically correct, and which eliminates the classification of people by the biological attribute and skin color. Thus, in the US conducted research, the term culture, race and ethnicity have been combined into one grand term – racioethnicity and have been measured in three primary approaches: stages of development, acculturation models and a direct-questioning model (Cox, 1993). The stage of development model is based on the works of Cross (1971), Helms, (1990) and Ponterotto, (1988) (qtd. Cox, 1993) and argues that every individual goes through 3 major phazes in developing his/her racio-ethnic identity from the stage of ignorance and total insensitivity through several stages of struggle with

identity, the individuals own as well as that of others, and finally a state of transcending group identity (Cox, 1993).

The second approach – the acculturation model of cultural identity measures identity structures by the extend to which an individual identifies with the subjective culture of the majority group versus the subjective culture of the minority group. Most research of this type has classified individuals into a mono-cultural majority, a mono-cultural minority, or bicultural. The most common method of assigning people to this group has been studies of life history data, which helped to assess which group person belonged to.

The third method utilized within racioethnicity approach is direct-questioning method, which measures cultural identity by asking straightforward questions about the strength of respondents' identity with a particular group. This method have been most widely used in consumer behavior research reported in the marketing literature as well as in group research (e.g., Cox, Lobel, McLeod, 1991; Watson et al., 1998; Watson, Johnson, Merrit, 1998; Watson, Kumar, Michaelsen, 1993; Watson, Johnson, Zgourides, 2002).

Thus, the researchers within the field of cultural diversity in teams have been mostly employing self identification method of cultural assessment. However, measuring race rather than culture, at the same time claiming that culture varies with variation of race (e.g., Watson et al., 1998), due to the US specific demographic composition, and long history of racial differences. As, for example, in Watson et al. (1998) and Watson, Johnson & Zgourides (2002), the terms ethnicity and culture have been measured on student groups that have consisted of black Americans, white Americans and Hispanic Americans, which then was repeated in an other articles by Watson and colleagues, who almost exclusively form the field of cultural diversity research in groups. Few other authors that have been active in the field of cultural diversity studies in groups (Cox, Lobel, & McLeod, 1991; McLeod & Lobel, 1992; Oetzel, 1998) were also using race underneath the label of ethnicity and culture, however have been more interested in specific dimensions of it. Thus, by collecting demographic information from the respondents, Watson and colleagues have asked direct questions of their racial affiliation and then Hofstede's dimension individualism/collectivism (1984) was applied to asses the differences in respondents' behaviour and performance in the group.

Hence, research on cultural diversity of groups has mostly been conducted by the US researchers in the US environment, which ultimately led the researchers to inquire into the racial composition of the

teams rather than cultural or ethnic. The majority of the articles concerned with the cultural diversity in teams, have been confusing race with culture and ethnicity and using the labels chosen simultaneously. Adding to the confusion the authors have been measuring race by utilizing Hofstede's measurements of culture through the four dimensions (1984)[1], which originally were designated to measure national diversity.

As it comes to European researchers, few articles have been written that would inquire into the field of cultural diversity in groups or TMTs. Few notable articles that are dealing with the issue were written by Elron (1997) and Heijltjes, Olie & Glunk (2003), that on the contrary to the US researchers and closer to the Hofstede's (1984, 2001) assessment of culture have been using the term culture as a label for nationality, and have been conducting their research in international setting not being limited by one region. While both papers have been employed the technique of self-identification by the respondents, Elron have been analyzing her outcomes through Hofstede's four dimensions, while Heijltjes, Olie & Glunk have been not reflecting on the measurement of culture, while still using nationality as a connotation for culture.

Thus, the conceptual use of the term culture has varied based on the geographic affiliation of researchers as well as a geographic location or research setting. In the US tradition, culture has been associated with race or racio-ethnicity, and in European tradition culture has been associated with nationality. That difference of conceptual use and understanding of the term culture might be the third reason, after the models and methods in use in the field of cultural diversity of TMT, to create disagreement, producing mixed results (Pitch & Smith, 2001), and disagreement in how cultural diversity of TMTs affects processes and organisational outcomes.

## 5. Discussion

Cultural studies within TMT and group research have been rare and when existent have been using different models, different methods and different conceptualization of the term culture. This subsequently led to obvious differences in findings by the researchers active in the field of top management studies. Most notable differences have emerged within the three models that have been used by the researchers in studying demographic diversity in teams in general and cultural diversity in particular.

The articles based on the demographic composition model, where studies of processes have been avoided in favour of direct relation between TMT cultural diversity and organizational outcomes, predominantly arrived to the conclusion that cultural diversity will create positive organizational outcomes most notably innovation (Bantel & Jackson, 1989) and strategic change (Wiersema & Bantel, 1992). The articles within the intervening model, which have been based on solid empirical work and predominantly quantitative methods, have argued that cultural diversity influences organisational outcomes entirely through processes taking place in the team. This particular model has posited that cultural diversity will have a negative effect on processes such as decreased social integration, problems of communication, conflict and consequently will negatively affect organizational and team outcomes (O'Bannon & Gupta, 1992). The third moderating model, which has been based on the small number of articles arguing for the use of qualitative methods, has been stating that cultural diversity will positively affect processes within the team, as well as organizational outcomes, however only with strong and 'diversity-promoting' organizational culture, and as result, shared goals and values.

Though, here it shall be mentioned that the majority of the researchers once active within demographic composition model have agreed that the model has been avoiding the study of process and thus has not been capturing the complexity of interrelation between demographic variables, processes taking place in the team and organizational outcomes, which means that even though the model has been useful in raising the awareness of importance of upper echelons in organizations and their demographic composition, researchers shall focus on models that will allow to capture the complexity of interrelation in teams. Thus, it is suggested that intervening and moderating models shall be given a higher priority in future research on cultural diversity in TMTs. While the intervening model establishes developed theoretical base, borrowed or rather influenced by demographic composition model, that can contribute to our understanding in studying processes, the moderating model will allow us to look beyond conventionally used intervening model to uncover even greater complexity of the field, by considering organizational culture as a variable moderating the relationship between culturally diversity of the team and processes taking place within this team.

As it comes to the method used to assess cultural diversity in teams, it has been predominantly the quantitative method employing large scale surveys to study cultural diversity in teams and its influence on organisational outcomes, despite the pleas by various researchers to use qualitative methods within TMT studies (Milliken & Martins, 1996).

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[1] Individualism/collectivism, masculinity/femininity, power distance, uncertainty avoidance.

The qualitative method and case studies in particular can be used to collect further insights when previous empirical findings do not consistently support theoretical conceptualizations (Eisenhardt, 1989). Moreover it will expose researchers to the actual phenomenon and will allow them to observe natural people behavior and deepen into its determinants. Then it can also reveal the complexity of interactions among variables such as cultural diversity, performance, and process (Ruigrok & Tacheva, 2004) as well as will allow the researcher to come across important intervening variables (Leonard-Barton, 1990). The faultline approach developed by Lau and Murnighan (1998) shall be given a higher priority, since it allows the researchers to asses multiple diversity variables in combination with each other, and allows a researcher to avoid oversimplification of the demographic interrelation in teams.

The conceptualization of the term culture has been identified as another problem that could contribute to the inconsistency of findings within the field of cultural diversity in TMTs. While American researchers, conducting their research in the US, have been using the term culture meaning race, European researchers have been using the term culture as a substitute for nationality. Whereas these terms are related to each other, there are obvious conceptual differences between them (Desfor Edles, 2002). While a person can be black American racially, he/she can possess Jamaican heritage which would make him/her Jamaican in culture. As in case of cultural identification by European researchers, one person can hold Swedish nationality but having immigrated from Serbia decades ago, still attributes himself/herself with Serbian culture. Thus, categoryzation imposed by the researchers and presented in their articles, could lead to the confusion of terms and as a result to inconsistency of results, which one can observe in field of TMT studies. Instead as has been argued by Stephan & Stephan (2000), cultural identity very much depends upon both the individual identity and others' identification of the individual. Cultural identities can be conceived in terms of four frames which are proposed to be aware of during the research process: personal, enactment, relationship and communal (Hecht, 1993; Hecht, Collier, & Ribeau, 1993). That is, cultural identity is a characteristic of the individual; cultural identities are enacted in social interaction; cultural identity is mutually constructed; and cultural identity bonds a group of people together (Stephan & Stephan, 2000). Thus, the use of self identification as proposed by Stephan & Stephan (2000) in the four dimension mentioned above, will lessen researcher's misconception of the respondent's cultural identity and the values respondent associates with his or her cultural belonging. More-

over, through self-identification as a measurement of culture, researchers will be able to obtain information as in which situation the respondent's cultural identity is evoked more or less, and since cultural identity can be situational, different settings can evoke different aspects of one's possible groups' identities. Hence, in order to determine person's belonging, one should ask not only questions regarding the recipient but also have information about the respondent's parents and the background the respondent grew up in. This brings us back to the argumentation for the qualitative method to be used, since quantitative method will not allow the conduction of studies on such a scale.

Another aspect which can contribute to the conceptualization of culture can be the study of cultural diversity in TMTs through the use of Hofstede's four or five dimensions (including the time orientation) dimensions of culture (1984, 2001). Several researchers have attempted to study cultural diversity in teams along one or more of Hofstede's dimensions (Elron, 1997; Kirkman & Shapiro, 2001; Oetzel, 1995, 1998; Watson, Johnson, & Merrit, 1998). However, only Elron (1997) has been using these dimensions as indicators of culture, while the other authors have been using them merely as personality variables.

One can speculate that Hofstede's dimensions have not been a widely employed measurement of culture in TMT and group research due to the complexity of connecting each dimension to a certain process variable and subsequently a connection to organizational outcomes, which however can be solved by using faultlines approach, mentioned in the review. Moreover, since the majority of the authors referring to culture have been implying race, Hofstede's dimensions have been of no use.

Even though Hofstede's (1984, 2001) cultural dimensions can be criticized for a number of reasons (mainly with regard to the method used in constructing the scales), his research has very appealing attributes: a large number of countries included, the size of the sample, the codification of the cultural traits along a numerical index, and relatively homogeneous sample, since all respondents worked for one multinational corporation with uniform personnel policies (Elron, 1997). Another specific advantage of Hofstede's study is that the questionnaires used, emphasized attitudes in the workplace. Moreover, Hofstede's cultural values are the most frequently used in cross-cultural studies (Kogut & Singh, 1988). Also other studies assessing other cultural values scales, found in general significant relationships with Hofstede's directories (e.g., Hofstede & Bond, 1984; Schwartz, 1994; Smith,

Dugan & Trompernaars, 1996; Triandis, McCusker & Hui, 1990).

Alternatively researchers can turn to the so called the Globe study by House et al (2004), where through a collection of large data from 62 nations, the authors develop a comprehensive measurement of cultures including such dimensions of culture as performance orientation, assertiveness, future orientation, humane orientation, institutional collectivism, in-group collectivism, gender egalitarianism, power distance, and uncertainty avoidance. The difference between House et al. (2004) and Hofstede's (1984, 2001) studies is that cultural values and practices assessed in the Globe study have not been taken up by the Hofstede's survey (Hanges, 2004). House et al. (2004) scale of measuring culture was more comprehensive, since two measurements per each of the dimensions have been used. First measure was concentrating on cultural practices, focusing on respondents' interpretation on how things are; second measure was concentrating on cultural values, focusing on respondents' interpretation on how things should be (Hangesm 2004), which possibly provide a more multidimensional view on culture.

## Conclusions

This paper aims to raise the awareness of the importance of the studies of cultural diversity in TMT and to set a research agenda to study these teams. Despite the growing number of culturally diverse TMTs and predictions that the number of culturally diverse TMTs will increase, business literature has been slow to react to this inevitable development, with few articles in place (e.g., Elron, 1997; Umans, 2008). By reviewing and critically assessing the fields closely related to the study of cultural diversity in TMTs such as: cultural diversity in groups, studies of processes in diverse groups, and studies of demographic diversity in TMT, this article indicates disagreement in weather culturally diverse groups positively or negatively affect team and organizational outcomes. One of the reasons for the disagreement within the filed can be attributed to the models used to assess cultural diversity of TMT. Instead of relying on the demographic composition model, which oversimplifies the field by black-boxing processes taking place within the teams, researchers shall accept the complexity of the field of TMT research, and to inquire and to develop intervening and moderating models, which could lead to more consistent findings within the field. Another possible reason for the contradictions in the filed is the use of method which has been predominantly quantitative, and simplistic in assessing process, and terms such as culture, ethnicity, innovation and strategic change. As an alternative the researcher inquiring into the field shall listen to the pleas of various researchers to use qualitative methods which could get its hand on processes, and more importantly on cultural identity which appears to be a reciprocity or relational concept when cultural identity is created by individuals in their interrelations. The third possible reason for the inconsistency in the field is the conceptualisation of the term culture which have been assessed and used differently in different research traditions (European and the US). This paper, thus, proposes that culture shall be assessed not just through mere self-identification widely employed by researchers in the field, but by the self-identification through the four frames argued by Stephan & Stephan (2000) as well as through Hofstede's (1984, 2001) four dimensions of culture, which would eliminate the problem of substitution of different terms, and will reveal the hidden identities that can not be assessed by self identification in a quantitative manner.

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