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# **How can international virtual teams benefit from diversity management?**

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## Abstract

**Title:** How can international virtual teams benefit from diversity management?

**Background and problem:** Globalization gives rise to international virtual teams, which face diversity challenges related to communication, understanding and cohesiveness that can lead to decreased performance and dissatisfaction and are intensified compared to traditional teams. Yet, diversity is believed to create competitive advantages. International virtual teams need a strategy to take advantage of cultural diversity, and diversity management may be the solution.

**Purpose:** The purpose of this report is to study international virtual teams, to find how diversity management could be used to take advantage of cultural diversity and reduce challenges of working at a distance.

**Method:** The empirical material has been collected through qualitative interviews with fifteen international virtual team members or managers. The empirical material has then been compared to the theoretical framework, to find an answer to the research question.

**Results and conclusion:** The challenges of international virtual teams relate to cultural and geographical diversion and dispersion. Diversity management is not the solution to challenges related to distance and virtuality, but international virtual teams can benefit from diversity management by better taking advantage of diverse team members, by looking at them as strategic assets to good diversity tension.

## **Key Words**

Communication, Cultural Diversity, Diversity Management, International Business, International Virtual Teams.

## **Definitions**

**International Virtual Teams** are work groups composed of multinational members whose activities span multiple countries and are assembled using a combination of telecommunications and information technologies to accomplish an organizational task (Snow, Snell, Davison and Hambrick, 1996; Townsend, DeMarie and Hendrickson, 1998).

**Cultural Diversity** refers to all the ways in which we differ with regards to culture (Hayles, 1996).

**Competitive Advantage** is an advantage that an organization has over its competitors which allows it to generate greater sales or margins. There are different types of competitive advantages including firm's cost structure, differentiation strategy and firm competences (Porter, 1985).

**Diversity Management** is a working method to handle and include employees from various backgrounds into informal and formal organizational structures, with the purpose to give the company a competitive advantage (Mor-Barak, 2005).

## **Abbreviations**

MNC - Multinational Corporation

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# Chapter 1. Introduction

*The first section of this report introduces the subject through a description of the area of study, the problem, purpose and research question. This outlines the deposition of the following research.*

## 1.1 Background

As the globalization of the world is moving forwards rapidly, people in any location can receive and send information to others at any time, thus the economy depends more on moving information instead of people (Stutz and Warf, 2012). Organizations need to adapt quickly, maximize their strengths, address threats and increase speed to gain a competitive advantage in a global environment (Duarte and Snyder, 2011). Most national economies around the world are becoming more integrated than ever as they are more specialized within a global division of labor, which is due to technological breakthroughs in communication and the growth of transnational corporations (Stutz and Warf, 2012). The increased globalization and technological breakthroughs have lead to increased business opportunities and increasing efficiency in the market economy, for example by reducing time and money spent on travels. Yet, this development gives rise to challenges companies never faced before (Haywood, 1999). Demand for dispersed organizations have increased simultaneously (Kayworth and Leidner, 2000), which makes international and transnational teams the mechanism to harness the necessary international collaboration (Canney Davison and Ward, 1999). Managers working in these organisations are challenged by communication, control, monitoring and team building and additionally face new challenges in cultural differences (ibid). As organizations operate in multinational and multicultural contexts more than before, employees will interact with people from different countries to a larger extent, which makes it important for managers to understand diversity's impact on team member satisfaction, creativity and turnover (Milliken and Martins, 1996). Modern work requires interdependence and interaction between employees through team work, due to the increasing complexity of the workplace (Shapiro, Von Glinow and Cheng, 2005). Multinational companies rely heavily on teams composed of employees from different countries, which has increased the importance of understanding team dynamics and team diversity (ibid).

Through means such as video conferencing, intranets and emails, teams of staff members working towards the same goal within the company can operate at different locations in the world, constituting so called *virtual teams*, supported by an infrastructure built on information technology (Townsend, DeMarie and Hendrickson, 1998). A virtual team is a group of people working essentially through electronic communication, either in the same building or across countries, with the same purpose or goal (Duarte and Snyder, 2011). They operate across time, culture, geographical boundaries and have become commonly used in multinational companies (Townsend et al., 1998). Virtual teams discussed in this study are not only virtual, but also international, defined as work groups composed of multinational members whose activities span multiple countries and are assembled using a combination of telecommunications and information technologies to accomplish an organizational task (Townsend et al., 1998; Snow, Snell, Davison and Hambrick, 1996).

Traditional and virtual teams differ in a number of ways. For example, team members are not necessarily located in the same place, and thus use a higher level of technology as a means of communication within the group (Berry, 2011). Furthermore, virtual teams provide flexibility, cost effectiveness and improved resource utilization to organizations, often operating in fast-paced changing sectors with access to high technology (Maznevski and Chudoba, 2000). Still, virtual teams can have a negative effect on the cohesion of the group because of gaps in the communication process (ibid). Also, within traditional teams, communication challenges occur, yet these are less frequently influenced by aspects such as time, distance, cultural diversity and technology level (Duarte and Snyder, 2011). In international virtual teams, many of these challenges are aggravated due to cultural diversity. Cultural diversity refers to all the ways in which we differ with regards to culture (Kersten, 2000), and it has been confirmed that it is a key to success in an organization (Hofstede, 1980). As a consequence, the concept of *diversity management* has evolved, which aims to link the strategic objectives of the organizations to individual workers' performances, maximizing their contribution (Allard and Harvey, 2002). This approach emphasizes managers' acknowledgement of cultural differences and their acceptance of these differences as assets rather than liabilities to the organization (Law, 2009), which encourages attitude change within the organization (Kersten, 2000).



## 1.2 Problem Discussion

Even though international virtual teams are today's reality and the use of such teams will most likely continue to grow, there are obstacles that have not been solved (Duarte and Snyder, 2011). The advantages of virtual teams may be challenged by different factors, such as cultural clashes and diversity in the team (Cascio, 2000). Shapiro et al. (2005) emphasize the challenges of multinational teams, pointing out that challenges faced by multinational teams include creating a common culture, managing team conflict and motivating members. Moreover, Staples and Zhao (2006) and Berry (2011) claim that such challenges can lead to decreased cohesion, a lack of sense of community and increased conflict, which contingently harms the effectiveness of teamwork and the team-building process, and leads to decreased performance. Failure to achieve team goals has particularly been explained by the tendency of team members to have different "thought worlds", meaning they take different perspectives to the group work due to their training (Shapiro et al., 2005). In order to be effective in multinational or global organizations, norms must honor different ways of doing business (Brandt et al., 2011), and it is crucial for organizations to understand the advantages and disadvantages of diversity (Staples and Zhao, 2006). As a result, it is important to foster cultural understanding (Brandt et al., 2011).

Virtual team managers face new sociological challenges, which are different from traditional team complexities because virtual team processes are intertwined with technological systems (Maznevski and Athanassiou, 2006). Berry (2011) states that shared goals, shared understandings and social relationships, are features aggravated within virtual teams due to the virtual means of communication. Additionally, international virtual teams' geographical spread make them share different disciplines, functions, professions, countries and cultures, leading to increased levels of diversity (Griffith and Neale, 2001). Further, differences with regards to culture or language become enlarged in international virtual teams since it is easier to make the wrong assumptions, which creates intensified communication challenges (Brandt, England and Ward, 2011; Kayworth and Leidner, 2000; Reiche, 2009). Research show that the more diverse the group, the less integrated will it be, resulting in dissatisfaction and high employee turnover (Milliken and Martins, 1996). Culturally diverse teams are more likely than culturally homogenous teams to experience ineffective team processes and as a

result, worse performance (Shapiro et al., 2005). Similarly, Cascio (2000) claims that cultural differences can lead to cultural clashes that may undermine the organization, and Shapiro et al., (2005) add that this can affect the attitudes and behavior of individuals in their work settings, which can delete the advantages of efficiency that virtuality creates (Cascio, 2000). In conclusion, international virtual teamwork is intertwined with technology and high levels of cultural diversity, thus cultural clashes and misunderstandings can occur, which can result in ineffective team processes, dissatisfaction, high employee turnover, and worse performance, hence intensifying the communication challenges.

In contrast, some research suggest that diverse groups have great potential through their wide perspectives (Milliken and Martins, 1996), due to the likelihood that multicultural team members bring a wide range of perspectives to the team, enabling innovative and creative solutions (Shapiro et al., 2005). Hofstede (1980) argued that having national cultures should be considered an asset rather than a liability in an organization, thus it should be fostered carefully. Fostering cultural understanding breaks down the barriers that can hamper success and leads to more effective virtual teams (Berry, 2011).

Potentially, the diversity management of virtual teams is a key to further development of their organization structures and ways of communication. There is a shortcoming on studies made that apply the science of diversity management to international virtual teams, which is consequently a topic that needs more research. What this study also adds to existing research on the subject, is to extend the understanding for diversity in virtual teams to cover the aspect of how virtual teams can benefit from diversity, instead of looking at diversity as something they should handle or control. Also, this is done in an international context. Thereby, the study covers the aspect of how virtual teams can benefit from diversity, instead of looking at diversity as something that cause problems. Also, this is done on virtual teams in an international context which we have not seen in previous studies. If the effect of cultural diversity is different for virtual versus traditional teams, it may have important implications for the design of virtual teams, their organizations and their diversity

management. This study aims to examine whether a better use of diversity management can help overcome some of the challenges virtual teams face.

### **1.3 Statement of Purpose**

The purpose of this report is to study international virtual teams in order to find how diversity management could be used to take advantage of their cultural diversity and reduce the challenges of working at a distance.

### **1.4 Research Question**

How can international virtual teams benefit from diversity management?

### **1.5 Limitation of the Study**

This report focuses on the challenges that virtual teams face with regards to cultural diversity. The selected teams operate in multinational corporations (MNCs), have more than five members and are mostly virtual. The study has taken into account that although all participants have operated internationally, answers may be influenced by their own culture, norms and habits.

## 1.6 Thesis Structure

The thesis consists of six chapters: introduction, theoretical framework, method, empirical material, analysis and conclusion. The outline of the following chapters is as follows.

**1. Introduction** – The first section of this report introduces the subject through a description of the area of study, the problem, purpose and research question. This outlines the deposition of the following research.

**2. Theoretical Framework** - In this chapter, the admissible theories from previously conducted research are explained. The concepts, characteristics, challenges and opportunities of virtual teams and diversity management are described. Ultimately, the chapter is concluded with a short summary.

**3. Methodology** - This chapter of the report describes and justifies the methods used. Furthermore, the scientific and research approaches and the method for research, empirical material collection and empirical collection analysis are motivated. Also, this chapter explains the line of action for each method and the potential flaws of each choice. The chapter is concluded with an ethical approach.

**4. Empirical Material** - This chapter gives an account of the empirical material collected with international virtual teams. The empirical material is divided in three focus areas, which were found to be the main areas discussed by interview participants.

**5. Discussion** - This chapter relates the theoretical framework to the empirical material through a discussion based on both parts. It discusses how to solve the problems discussed in this report, and summarizes the material in order to fulfill the purpose of the report. Moreover, it will be the basis for the conclusion in the following chapter.

**6. Conclusion** - This chapter presents a conclusion based on the findings of this study, which answers the research question. Moreover, it presents suggestions for future research and implications for practitioners.

## Chapter 2. Theoretical Framework

*In this chapter, the admissible theories from previously conducted research are explained. The concepts, characteristics, challenges and opportunities of international virtual teams and diversity management are described. Ultimately, the chapter is concluded with a short summary.*

### 2.1 Teams

A team is a group of individuals who interact interdependently and are brought together to accomplish certain tasks or achieve certain results (Griffith, Sawyer, and Neale, 2003), enabling organizations to combine skills, talents and perspectives of individuals to achieve common results (Staples and Zhao, 2006). Creating synergies in the resources of a companies has become crucial in order to be successful, and by leveraging and carefully managing the teams, companies can create value, improving capability, flexibility and responsiveness (Griffith et al., 2003). The organization of teams often relies upon technology, to structure and communicate, but also to make the team more effective (ibid). Globalization has given rise to transnational teams, consisting of members from different countries, with different cultures, languages and value systems (Staples and Zhao, 2006).

Furthermore, technology, electronic communication in particular, has enabled team members to work together although being geographically dispersed, in constellations often referred to as *virtual teams* (ibid). Computer-mediated communication technologies have encouraged an increased use of teams in organizations, which has changed teams' working manners, dynamics and relationships within the organization and within the team (Flanagin and Waldeck, 2004). Virtual teams can be formed of members located in different physical locations, further increasing flexibility in finding the perfect team members (Griffith et al., 2003).

#### 2.1.1 International Virtual Teams

Virtual teams are defined by Townsend et al. (1998) as “*a group of geographically and/or organizationally dispersed co-workers that are assembled using a combination of telecommunications and information technologies to accomplish an organizational task*” (p. 18). Lipnack and Stamps (1999), similarly, define virtual teams as a group working interdependently across space, time and organizational boundaries with the help of communication technologies towards a common goal. Virtual teams discussed in this study are not only virtual, but also international, and could be

categorized as multinational teams. According to Snow et al. (1996), a transnational team is “*a work group composed of multinational members whose activities span multiple countries, often characterized by their handling of complex tasks and their geographical dispersion*” (p. 52). This definition agrees with the definition of Canney Davison and Ward (1999), who define international and transnational teams as a group of people who come from different nationalities and work interdependently towards a common goal. Maznevski and Chudoba (2000) combine the definitions of transnational and virtual teams through defining global virtual teams as teams that use technology-supported communication to a larger extent than face-to-face communication and work and live in different countries. Maznevski and Chudoba (2000) also emphasize the complexity of international teams’ tasks, often tasks that are strategically important to the company’s objectives. Similarly to these definitions, this study defines international virtual teams as a work group composed of multinational members whose activities span multiple countries that are assembled using a combination of telecommunications and information technologies to accomplish an organizational task.

Virtual teams are distinguished from traditional teams in a number of ways. According to Berry (2011), a virtual team has a definable and limited membership, and even if membership changes somewhat the team remains intact. Furthermore, Kayworth and Leidner (2000) detect that the members of the team function interdependently, usually with a shared sense of purpose that is either given to them or constructed by the team itself, in order to attain improvement, such as improved cycle time, reduced travel costs or reduce redundancies across organizational units. Also, Berry (2011) shows that the members of the team are jointly responsible for outcomes. In contrast to Berry (2011), other authors focus on virtual teams’ distance communication. For instance, Johnson, Suriya, Won Yoon, Berrett and La Fleur (2002) declare that the members of the team may be geographically dispersed. In addition, Klobas and Jackson (2008) found that the members of the team predominately rely on computer-mediated communication rather than face-to-face communication to accomplish their tasks. Maznevski and Chudoba (2000) agree that the most obvious distinction between virtual and traditional teams is that virtual teams communicate and interact by electronic communication and computer-mediated-collaboration technology. In contrast to Klobas and Jackson (2008) and

Maznevski and Chudoba (2000), Berry (2011) points out that virtual teams are not required to use this technology, but they often do since organizations are already highly dependent on computer-mediated communication technologies. He means that the use of technology itself does not make a team virtual, since most teams use technology more or less, but as dependency and reliance on electronic communication increases, virtuality increases accordingly. Furthermore, he declares that virtual teams located in many different geographical locations normally have no choice other than to adapt electronic communication as a tool. Griffith, Sawyer and Neale (2003) agree, but add that communication technology has facilitated the creation of virtual teams by reducing the physical and temporal boundaries. The authors also claim that technology helps structure the team's task, enable analysis of the team's process and facilitate storage of its information.

Berry (2011) establishes four categories to virtual integration of a team. Firstly, communication in the same time and same place, where communication means such as email is used rather than face-to-face communication. Secondly, communication in the same time but in different places; using technologically assisted communication but being geographically dispersed. Thirdly, communication in different time but the same place, for example in a chat room on a network. Finally, communication in different time and different place. These categories clearly show that there are no clear boundaries between virtual and traditional teams, since most teams are virtual to some extent. Similarly, Griffith, Sawyer and Neale (2003) provide three categories for teams: traditional, that meet face-to-face regularly, hybrid, that partly work virtually and pure virtual, in which team members never meet. Normally, traditional teams also use some form of electronic communication (Griffith, Sawyer and Neale, 2003). This study focuses on the latter definition. The degree of virtuality of a team is according to Berry (2011) mainly determined by the time spent by members working through computer-mediated communication instead of face-to-face communication. Thus, the highest degree of virtuality is when all team members work apart from each other, and only communicate through computer-mediated communication. Canney Davison and Ward (1999) reserve the term "virtual" for teams that never meet face-to-face, but other authors such as Townsend and Hendrickson (1998) refer to virtual teams as teams with communication mostly conducted over technology. In this study, virtual

teams are not necessarily completely virtual, and can thus take a hybrid- to virtual form, according to categorisation conducted by Griffith, Sawyer and Neale (2003).

To all teams, virtual and traditional, communication and collaboration are necessary to solve problems and to fulfill the purpose of the team (Thomas, 1996). The determination of what technologies to use within a virtual team is dependent on factors such as the type of team, the team's task, the team members' access to technology or the experience of the virtual collaboration field by managers and members (Duarte and Snyder, 2011). Virtual teams communicate and coordinate their work via electronic media, such as e-mail, telephone and video conference (Hertel, Geister, Konradt, 2005). According to Townsend et al. (1998), video conferencing is the most adequate technology in virtual teams since it recreates the face-to-face interaction of conventional teams, thus making more complex levels of communication available among the team members. This agrees with the research of Haywood (1999) which claims that video conferencing is the best and most natural way to build a social context since it supports the members in the virtual team to be more cohesive, trusting and responsive to each other.

### *2.1.2 Critical Success Factors for Virtual Teams*

Although the success of a virtual teams depends on the effective use of electronic communication and collaboration technologies, virtual teams entail much more than technology and computers (Duarte and Snyder, 2011). Hence, the technology simply provides an infrastructure for the corporation to communicate (ibid). If the management does not use the system properly or empower workers, it will add little value to the business (Ferrazzi, 2014). Duarte and Snyder (2011) claims that acquiring electronic collaboration and communication technology that meets the needs of the particular team has a considerable importance in order for the team to function as effectively as possible. This finds congruence with the research of Ferrazzi (2014) which states that even the teams with the most talented workers and leaders can be ineffective without the right technology. In contrast to Duarte and Snyder (2011) and Ferrazzi (2014), Lurey and Raisinghani (2000) argue that technologies are only a partial factor and it is not enough to make a virtual team effective. Accordingly, for the team to reach its full potential, internal group dynamics and external support mechanisms are needed. The research



of Kayworth and Leidner (2002) shows that the wider the range of communication technologies and the better these technologies were adapted for specific communication purposes, the more satisfied were the members with their communication and project outcomes.

Furthermore, communication within virtual teams faces greater challenges than traditional teams, as members interact, share meaning and reach consensus in the absence of face-to-face interaction (Kayworth and Leidner, 2000). Brandt et al. (2011) clarify that both the tools for communication and the rules of social interaction are particularly important to virtual team efficiency, compared to traditional team efficiency. Rules for social interaction are needed due to the high complexity of diverse teams, to avoid mistrust and misunderstandings, and can consider questions such as how to handle disputes within the team and how to greet members in a virtual meeting (Earley and Gardner, 2005). Moreover, Kayworth and Leidner (2002) argue that time zones are complicated, since information does not flow between different entities smoothly, and make it take much longer to reach consensus. Additionally, they claim that virtual team communication is weak because electronic communication may not be able to transfer the same social, emotional and non-verbal information present in traditional face-to-face settings, since it lacks facial expressions, voice inflections and gestures. Thus, even those with rich web-based communication technologies lack features that are present in real life meetings. As a result, it is essential for virtual teams to achieve effective communication patterns (Kayworth and Leidner, 2000). Kayworth and Leidner (2000) further suggest that to reach effective communication patterns for virtual teams, three practices should take place. Firstly, communication should exist frequently and feedback should be given from team leaders. Secondly, the team should meet face-to-face periodically, either through video conferencing or actual face-to-face meetings. Thirdly, all team members should get to know each other well.

Another success factor for virtual teams is cultural awareness. Cascio (2000) claims that cultural differences are likely to be a potential issue which can lead to cultural clashes that may undermine the organization. Reiche (2009) claims that being culturally aware has a much greater importance for virtual teams than in face-to-face settings, which Brandt et al. (2011) agree on. They claimed that differences with regards to culture or language become enlarged in virtual teams since it is easier to

make the wrong assumptions, creating intensified communication challenges (Brandt et al., 2011; Kayworth and Leidner, 2000). In order to be effective in multinational or global organizations, norms must honor different ways of doing business. Therefore it is important to create policies about how to do business in different cultures (Duarte and Snyder, 2011) and foster cultural understanding (Brandt et al., 2011). Berry (2011) argues that instead of disregarding cultural differences, fostering cultural understanding can help an organization. This finds congruence with the research of Duarte and Snyder (2011) which tells us that an organization which has the ability to adapt to differences and changes is more likely to succeed with virtual teams.

Although all teams need clear missions and goals, Brandt et al. (2011) state that virtual teams have a larger tendency to create diverse assumptions about the team's mission and goal among members. Thus, the next success factor is mission and goal clarity. Through discussion among members, a mutual understanding of the mission can be created (Brandt et al. 2011). Earley and Gardner (2005) add that multinational teams in general need clear directions due to their diversity, complex tasks and frequently changing membership. According to Duarte and Snyder (2011), effective virtual leadership shows flexibility and the ability to change as the conditions of business dictates, especially when working with people across geographical and cultural boundaries. This agrees with the research of Kayworth and Leidner (2000), who added that virtual team leaders need to set clear goals, assign responsibilities, provide continuous feedback to the team members and be highly flexible to be successful. Individuals need to become initiated in their task, understand their roles and comprehend how they will be evaluated, as reported by Flanagin and Waldeck (2004). Ferrazzi (2014) agrees and adds that both team-leaders and the team-members have crucial roles. Ferrazzi (2014) further claims that virtual teamworking is not suitable for everyone since some individuals may need face-to-face interaction and stability in a work environment. Also, special competences are needed from team-members for the virtual team to be successful, such as good communication skills and the ability to work with cultural differences (Ferrazzi, 2014).

Lastly, Ferrazzi (2014) adds an additional success factor for virtual teams, which is the importance to build trust. Trust is generally developed through face-to-face interaction, but without interpersonal

interactions, the leader needs to build trust through ability, integrity and benevolence (Berry, 2011). Brandt et al. (2011) suggest that trust is developed through a history of interpersonal interactions, and must consequently be established in other ways for virtual team members. On the other hand, May (2006) concludes that effective global virtual teams *must* meet face-to-face regularly in order to build the necessary trust and can not be fully virtual. Kayworth and Leidner (2000) agree, stating that the lack of social context may amend the creation of trust, which can challenge the relationship building in the team.

## **2.2 Diversity**

In order to understand workplace diversity, there are three approaches: affirmative action, valuing diversity and diversity management (Allard and Harvey, 2002). This report focuses on the third: diversity management.

### *2.2.1 Definition*

The definition of diversity has not been agreed on by those who research the subject, still it most commonly refers to demographic and/or psychographic variables (Allard and Harvey, 2002). Cox and Beale (1997) define diversity as “*a mix of people in one social system who have distinctly different, socially relevant group affiliations*” (p. 1). Similarly, Allard and Harvey (2002) define diversity as “*social identities that can affect workplace interactions and require new ways of interacting among individuals and groups and systemic changes in the ways that organizations function*” (p. 3). In contrast, Thomas (1996) defines diversity as “*any mixture of items characterized by differences and similarities*” (p. 5). Hayles (1996) defines diversity similarly, using an inclusive definition of diversity: “*all the ways in which we differ*” (p. 105). The latter is the definition used in this report. Cultural diversity, which is the focus of this report, is defined as all the ways in which we differ with regards to culture.

Loden (1996) categorizes diversity as either primary or secondary dimensions. Primary dimensions involve characteristics we can not change, such as race, age and gender. Secondary dimensions involve characteristics that are easier to change and less important to define our self-identity, such as religion, income and education (Allard and Harvey, 2002). Diversity is categorized by Maznevski (1994) in a similar way but with different expressions, as either observable or unobservable;

observable such as race, ethnicity, gender and age; unobservable such as knowledge, education, values and experience, related to underlying and often inherited attributes. This report uses the expressions introduced by Maznevski (1994). The two categories are not mutually exclusive; observable diversity may but must not necessarily be associated with unobservable diversity (Milliken and Martins, 1996). Observable diversity often evokes responses based on prejudices, stereotypes and biases (ibid). Generally, observable diversity is what is assumed to create difficulty for groups, however one of the major reasons for difficulty within teams is differences in unobservable diversity; perspectives, assumptions and beliefs, particularly when correlated with the associated observable diversity aspects (ibid).

### *2.2.2 Diversity in International Virtual Teams*

All teams struggle with mutual understanding of each other's beliefs or actions (Berry, 2011). Additionally, international virtual teams add several diversity aspects that can be challenging, both observable and unobservable ones (Milliken and Martins, 1996). On the one hand, Staples and Zhao (2006) argue that diversity can bring more ideas to the team through varieties of perspectives and experiences, bring information and networks together and thus create innovation and flexibility, which can create balance such as cohesion and unity if handled in the right way. On the other hand, Shapiro et al. (2005) state that diversity can create cultural clashes, strongly affecting the attitudes and behaviors of individuals in work settings, which are unlikely to change in the short run. Meanwhile, Staples and Zhao (2006) claim that all teams face communication challenges, misunderstandings, decreased cohesion and increased conflict, which contingently leads to decreased performance. In contrast to Staples and Zhao (2006), Berry (2011) argue that shared goals, shared understandings and social relationships, are features aggravated within virtual teams due to the virtual means of communication. Continuously, Berry (2011) points out that these challenges can harm the effectiveness of collaborative work and the team-building process, resulting in a lack of sense of community. Snow et al. (1996), focusing on multicultural teams, demonstrate that effective integration processes can make such teams perform as well as, if not better than, homogeneous teams. Accordingly, due to the fact that cultural diversity is common among transnational and virtual teams, it is crucial for organizations to understand the advantages and disadvantages of diversity (Staples and Zhao, 2006). On the contrary, Berry (2011) argues that studies have shown that the exchange of social

information is similar in virtual and traditional team communication, and that the depth of content is not affected by virtuality, yet virtual exchange of social information appears to be slower. Most other studies do not agree. Maznevski and Athanassiou (2006) state that virtual teams' managers face new sociological challenges, which are different from traditional team complexities because virtual teams' processes are intertwined with technological systems. Griffith and Neale (2001) add that virtual teams' geographical spread make them share different disciplines, functions, professions, organizations, countries and cultures, leading to increased levels of diversity. Shapiro et al. (2005) emphasize the challenges of multinational teams, pointing out that challenges faced by multinational teams include creating a common culture, managing team conflict and motivating members. Thus, management strategies need clear goals in order to manage the increased challenges that virtual teams face due their combination of the technological element and the increased impact of diversity (Orlikowski and Yates, 2002).

### *2.2.3 Diversity as a Competitive Advantage*

Heterogeneity and diversity offers a great opportunity, yet poses a huge challenge to organizations. Some research suggest that diverse groups have great potential through their wide perspectives (Milliken and Martins, 1996), which facilitates and enables innovation and creativity in multicultural teams (Shapiro et al., 2005). Hofstede (1980) argues that having national cultures should be considered an asset rather than a liability in an organization, and should be fostered carefully. This found congruence with Duarte and Snyder (2011) who argue that virtual teams should leverage the potential of the members' differences. Furthermore, Berry (2011) states that fostering cultural understanding breaks down the barriers that can hamper success and lead to more effective virtual teams. Maznevski (1994) agree, and introduced a categorization of diversity advantages into specific or general advantages. Specific advantages are achieved when skills from various members can contribute and complement each other, thus covering a broader knowledge. General advantages are those gained by gathering people with different perspectives and derive both from role-related diversity and inherent diversity (Maznevski 1994). On the contrary, other research show that the more diverse the group, the less integrated will it be, which can result in dissatisfaction and high employee turnover (Milliken and Martins, 1996). Thomas (1996) explains that this phenomena occurs because diversity contributes to complexity, since the more elements you work with, and the more different

they are from each other, the greater the diversity and the greater the complexity. Failure to achieve team goals has particularly been explained by the tendency of team members to have different “thought worlds”, meaning they take a different perspective to the group work due to their training (Shapiro et al., 2005). Culturally diverse teams are more likely than culturally homogenous teams to experience ineffective team processes and as a result, worse performance (ibid). Maznevski (1994) means that the solution to diversity problems that have previously been to avoid diverse group, is no longer feasible due to a changing international business environment. Instead, managers must learn to let diversity enhance performance (Maznevski, 1994), since many innovations come from people who are outside the prevailing schools of thought (Duarte and Snyder, 2011).

#### *2.2.4 Diversity Management*

Diversity management, as described by Thomas (1996), aims to give a working method for companies to handle very complex situations, especially when the surrounding environment is constantly changing but focus must remain on corporate objectives. Similarly to the diversity management process of Thomas (1996), Kersten (2000) describes diversity management as an ongoing transformation of the organization, for example through a diversity audit followed by a diversity plan with programs focusing on fostering mutual understanding. Further, Mor-Barak (2005) describes diversity management as the voluntary organizational actions that are designed to create greater inclusion of employees from various backgrounds into the formal and informal organizational structures through deliberate policies and programs. Also, a fourth perspective is given by Cox and Beale (1999) who define diversity management as the rationale for managing diversity includes moral and ethical reasons such as fairness and upholding the dignity of every person. It also encompasses legal reasons such as honoring civil right law and focus attention on the responsibility of employers to operate within the moral and legal norms (Cox and Beale, 1999). This report uses the definition of Mor-Barak (2005), and adds that diversity management is an effort with the purpose to give the company a competitive advantage, which is further described below.

Diversity management is fundamental to companies looking to operate internationally (Allard and Harvey, 2002). According to Mor-Barak (2005), diversity management can create a competitive advantage in areas such as marketing, problem solving and resource acquisition. This relates to the

research of Cox and Beale (1999) which argues that by considering diversity as an organizational resource, it can bring a competitive advantage if properly leveraged. Allard and Harvey (2002) explains that the diversity management approach aims to link the strategic objectives of the organizations to individual workers' performances, maximizing their contribution. Further, Thomas (1996) claims that diversity management helps managers to focus on more than one thing at a time; using different strategies to address different aspects of an issue, enabling a larger variety of combinations. Diversity management emphasizes manager's acknowledgement of cultural differences, and accept them as an asset rather than a liability to the organization (Law, 2009), and encourages attitude change within the organization (Kersten, 2000). However, multicultural issues may arise and according Snow et al. (1996), team must in this case directly confront such issues, rather than ignoring or thinking it can be solved by some type of outside training. This found congruence with the research of Thomas (1996) who describes a diversity management process to handle diversity within an organization. The process follows four steps, which are described below. Firstly, managers must understand the problem; analyze current changes in the environment the company is active in, and to define what the problem is exactly. Secondly, the diversity mixture must be analyzed, in order to define the situation. Thirdly, managers should look for diversity tension. Diversity tension refers to the conflict with the interactions of the elements of the mixture. This tension often arises with diversity, but not always. Diversity tension could be both good and bad. Good diversity tension generates new ideas, products and processes, and refines and broadens perspectives. Bad diversity tension occurs when it inhibits the organization's process to achieve its goals. In this step the focus should be on the diversity tensions and their root causes, enabling managers to understand and possibly solve the problem that gives rise to the bad diversity tensions (Thomas, 1996). Lastly, Thomas (1996) means the evaluation of the group's diversity should end with a review of action options. The purpose is then to look at how problems are currently addressed, and how this can be improved. Kersten (2000) and Mor-Barak (2005) emphasize the strength in capitalizing on the benefits of a diverse workforce, with the organizational goal to reduce employee turnover and absenteeism, attract talents and enhance creativity and innovation. Additionally, Kersten (2000) explains that a diverse workforce can improve decision-making, since diverse groups

contribute with broader perspectives which can help the team take more aspects of an issue into consideration.

To further understand how to handle diversity within an organization, Thomas (1996) developed the Diversity Paradigm, presenting options for action, such as include, deny, assimilate, suppress, isolate, tolerate, build relationships, or foster mutual adaptation. Maznevski (1994) concluded that the most commonly used method is to *deny*, i.e. to minimize diversity by claiming differences do not exist and do not have any effect within the organization, yet he clarifies that this is not durable nor feasible with globalization. Diversity should instead be used to enhance performance (Maznevski, 1994), through *building relationships*, i.e. to foster relationships between different entities, assuming that good relationships can help overcome differences, or *fostering of mutual adaptation*, i.e. to make all parties accept and understand diversity and differences, enhancing these through adaptation of all parties involved (Thomas, 1996). Similarly, Mor-Barak (2005) explains that one of the most common reactions to diversity in the workplace is exclusion. To improve the situation, Mor-Barak (2005) introduced the concept called the inclusive workplace model, which aims to manage diversity in a better way. Inclusive workplace value individual differences within the workforce, cooperates with the surrounding community and collaborates across national and cultural borders. This approach aims to manage and engage the company's diverse workforce in ways that gives it competitive advantages (Mor-Barak, 2005). As reported by Snow et al. (1996), healthy transnational teams share specific characteristics; team members know each other well, speak multiple languages, agree on the team's mission and share the business values. Thus, Snow et al. (1996) continue, it is important for teams to build interpersonal trust, shared visions and effective processes for group decision making.

### **2.3 Summary of the Theoretical Framework**

To virtual teams, technology, communication, cultural awareness, good management, clear goals and trust are key factors for success. If not managed appropriately, teams may experience problems such as misunderstandings, mistrust, lack of purpose and lack of cohesiveness, affecting the team results. International virtual teams, in addition to virtual teams, face challenges with regards to cultural diversity, which intensify the challenges mentioned above. However, cultural diversity can also enable innovation and creativity, and broaden the team knowledge. Thus, fostering cultural understanding



breaks down the barriers that can hamper success and leads to more effective virtual teams. The diversity management approach emphasizes the strength in capitalizing on the benefits of a diverse workforce, with the goal to generate new ideas, products and processes, and refine and broaden perspectives.

## **Chapter 3. Methodology**

*This chapter of the report describes and justifies the methods used. Furthermore, the scientific and research approaches and the method for research, empirical material collection and empirical collection analysis are motivated. Also, this chapter explains and the line of action for each method and the potential flaws of each choice. The chapter is concluded with an ethical approach.*

### **3.1 Scientific Approach**

The scientific approach of this study considers epistemological and ontological considerations. Firstly, epistemological considerations aim to question what acceptable knowledge is for a certain subject (Bryman and Bell, 2007). The epistemological assumption of this report is that the distance between the subject and the “real life” should be minimized from the researchers (Collis and Hussey, 2009), which is an epistemology called interpretivism. This epistemology is based on three principles: firstly, that the social world is constructed and is given meaning by people and their subjective views.

Secondly, the researcher is part of what is observed. Thirdly, research is driven by interests. This means that knowledge is developed through conducting a broad and total view of a phenomena in order to identify new explanations (Blumberg et al., 2011). Secondly, ontological considerations are evaluating the objectivism of the social entities (Bryman and Bell, 2007). The ontological assumption of this report is constructionism, which is based on interpretivism (Collis and Hussey, 2009).

Constructionism asserts that social phenomena is being created by social actors, may be perceived in different ways and is in constant state of revision (Saunders, Lewis and Thornhill, 2009).

Constructionism presumes that social reality is subjective (Collis and Hussey, 2009) and can be understood only from the individuals directly involved in its activities (Bryman and Bell, 2007), thus the information and interpretations presented in this report take into account that there are multiple social realities. As a result, the researchers of this report are aware of the fact that interviewees base their responses on subjective views and experiences, and that it is difficult to find objective truth and knowledge. Since the study is related to human behaviours and is strongly affected by subjective ideas, the interpretivist approach and constructionism are suitable. However, saturation is reached, since answers are similar and after a while do no longer provide new information (Saunders et al., 2009), and can thus enhance the validity of the empirical findings.

## 3.2 Research Method

Research is a systematic and methodical process of enquiry and investigation with a view to increasing knowledge (Collis and Hussey, 2009). It is important to distinguish the difference between research method and research methodology, since they are often assumed to mean the same thing. A research method involves how to conduct and implement research (Adams, Khan and Raeside, n.d.), and is the technique for collecting and analyzing data (Collis and Hussey, 2009), whereas research methodology is the science behind the research. Research methodology, referred to in this report as *scientific approach*, helps us understand what knowledge actually is and how it can be created. This allows us to be critical and analytical as to what knowledge, answers and facts actually are (Adams et al., n.d.).

Research methods are commonly divided into two main categories: Quantitative and Qualitative research. Quantitative research is applied for quantitative measurement, and relies on the methodological principles of positivism and neo-positivism (Adams et al., n.d.) and is based on quantitative information such as numbers and figures (Blumberg et al., 2011). Qualitative research uses methodological approaches based on theoretical principles such as interpretivism, phenomenology, hermeneutics and social interactionism and is most commonly used to study sociology, psychology, education, history and culture (Adams et al., n.d.). This report applies a qualitative method.

### 3.2.1 Qualitative Method

To deepen the understanding for virtual team challenges and their potential for improvement in order to answer the research question, the most suitable option is to take the qualitative approach. There are different ways of conducting a study using qualitative method, such as case studies, observations and interviews (Collis and Hussey, 2014). The qualitative method has been criticized because it can be too subjective, difficult to replicate, lacks transparency and can not always lay the foundation of generalization (Bryman and Bell, 2007). Still, since the purpose of this report is to study virtual teams in order to find how diversity management could be used to take advantage of their cultural diversity and reduce the challenges of working at a distance, interviews are appropriate. Interviews help create an understanding for how international virtual teams experience their challenges with regards to

cultural diversity, and helps compare these findings to the theoretical framework, in order to find potential improvements in the management of cultural diversity.

### **3.3 Research Approach**

The research philosophy guiding the conduction of the report is, as previously mentioned, interpretivism. Hence, the research approach used in this report is the abductive approach, which combines inductive and deductive approaches (Alvesson and Sköldbberg, 2008). Inductive theories focus on empirical results as explanations of reality and deductive theories focus on theories as explanations of reality (Saunders et al. 2009). In contrast, abductive theories interpret specific cases from the theory's perspective, evaluating the theory's relevance and appliance to this specific case (Alvesson and Sköldbberg, 2008). Focusing on existing theories on diversity management in comparison to virtual teams' real-world diversity-related problems, the abductive approach is the most suitable approach for the creation of this report. The idea is to increase the understanding by placing theoretical material in a more understandable context, giving further insight to the theories used, constantly increasing the understanding (Alvesson and Sköldbberg, 2008). In this report, interviews are looked at independently, and are then related to the theoretical framework. Since interviewees gave similar answers and the theory was applicable to most of these answers, our abductive approach was appropriate. As a result, the findings of this report were created by combining the theoretical and empirical findings simultaneously.

### **3.4 Developing the Theoretical Framework**

#### *3.4.1 Primary Data and Primary Sources*

Data is defined as *known facts or things used as a basis for inference or reckoning* (Collis and Hussey, 2009: 333). Primary data is research where data is collected and designed specifically to answer the research question (Blumberg et al., 2011), generated from an original source, such as experiments, surveys, interviews or focus groups (Collis and Hussey, 2014). The issue with collecting primary data is the cost of acquiring the data, which includes devoting both time and financial resources to collect the data needed, and the difficulties to access it (Saunders et al., 2009). However, by collecting empirical material, the study can compare the findings to the theoretical framework, and possibly generate new findings. Moreover, primary sources are original text publications of theoretical or

empirical studies, without interpretations or pronouncements (Blumberg et al., 2011). To the largest extent possible, this study uses primary sources.

#### *3.4.2 Secondary Data and Secondary Sources*

Secondary data is data collected from existing sources, such as publications, databases and internal records (Collis and Hussey, 2014), which this report does not use. Moreover, secondary sources are including interpretations of primary sources (Blumberg et al., 2011). Although primary sources are preferred, secondary sources give insight to reactions to primary sources' conclusions, hence they are needed to provide the reader with a width in the theoretical framework. This report uses secondary sources that have been carefully chosen and criticized. Sources are journal articles and books, found in databases. Extra attention has been given to the year of publishing. Although many concepts were established many years ago and consequently sources derive from this time, their contemporary social and environmental analysis can be questioned, requiring perspectives from new, secondary sources.

#### *3.4.3 Literature Review*

Research has been made in order to explain what features virtual teams have to master in order to be successful. Research conducted by Duarte and Snyder (1999), Berry (2011), Haywood (1999), Maznevski and Chudoba (2000) and Lurey and Raisinghani (2000) discuss the best virtual teams practices; the teams' problems and their solutions. Shapiro et al. (2005) examine the same issues but focus on multinational teams, not virtual ones. Furthermore, research conducted by Harvey and Allard (2002), Thomas (1996), Mor-Barak (2005), Cox and Beale (1999) and Milliken and Martins (1996) aim to explain the practices and advantages of diversity management. Finally, Staples and Zhao (2006) discusses how cultural diversity should be handled in virtual versus traditional teams. All of the studies mentioned above have used a qualitative method. However, there is a shortcoming on studies made that apply the science of diversity management to international virtual teams, which is consequently a topic that needs more research. What this study also adds to existing research on the subject, is to extend the understanding for diversity in virtual teams to cover the aspect of how virtual teams can benefit from diversity, instead of looking at diversity as something they should handle or control. Also, this is done in an international context.

## **3.5 Method for Empirical Material Collection**

### *3.5.1 Sampling Method*

When conducting samples, there are two different methods to follow; probability sampling and non-probability sampling (Bryman and Bell, 2007). The criteria for probability sampling is according to Saunders et al. (2009) a minimum sample of 50 interviews, in order to represent the population. Due to lack of time and resources, this report can not meet the criteria. Thus, this report uses a non-probability sample, which is a non-random and subjective procedure (Blumberg et al., 2011), with a purposive orientation. Purposive sampling enables the researcher to choose the case that meets the objectives of the research (Saunders et al., 2009). The potential drawback of purposive sampling is that it can not be statistically representative of the total population, and can make it biased by the researchers (ibid). Still, interviewees participating in this study have good knowledge and experience in the field, and the researchers reached a data saturation when interviewees agreed on multiple questions.

### *3.5.2 Choice of Sample*

To find appropriate companies to analyze through interviews, companies that meet the criteria were contacted; they are multinational corporations (MNCs), have a team size of minimum five members and are mostly virtual, but not necessarily completely virtual. Preferably, representatives were located in Gothenburg, to facilitate face-to-face interviews. Three firms in similar industries and 15 representatives thereof were chosen. More information about the interviewees and companies are found in chapter 3.5.4.

### *3.5.3 Justification of the Choice of Sample*

In order to get a clear and fair picture of international virtual teams, their operations and challenges, all interviewees have taken part in one, either as a team member or a manager. All interviewees have consequently worked internationally and are aware of diversity challenges. The selected participants are mostly Swedish, but one Indian and two Danes participated. As found by Shapiro et al. (2005), people from the same cultures usually share the same “thought worlds”, hence the composition of interviewees affect the perspectives and outcomes of the empirical findings, which is taken into consideration with the interpretivist approach of this study. Additionally, a constructionist approach is

taken, to emphasize and develop the understanding for this research's role in a social context, which is unavoidably based on subjectivity; by interviewees, the literature and the authors. On the other hand, any widening of perspectives through diverse interview participants is enriching. The number of participating interviewees is not proportioned to the three companies. Ten of the interviewees work for the same company, one for the other and four for the last. Still, questions are focused on diversity, virtuality and working on a distance, i.e. the experience of working in international virtual teams, which all participants have experienced, rather than on the company they are working for. The part of the answers that is the most critical in this aspect, is how the companies have handled diversity challenges and how they work to counteract diversity. However, all respondents gave similar answers to these questions, regardless of what company they work for, which means that saturation was reached.

#### *3.5.4 Empirical Material Collection - Qualitative Interviews*

This study uses interviews as its empirical material collection method. There are three different forms of interviews; Structured, semi-structured and unstructured (Blumberg et al., 2011). The structured form is standardised and appropriate when doing questionnaires, while the unstructured form is informal without any predetermined list of questions (Saunders et al., 2009) Interviews conducted in this report are of semi-structured form, meaning they are structured in some ways; they use specific questions but allow the interviewee to add his/her own thoughts (Bryman and Bell, 2007). Semi-structured interviews are thus useful when you want interviewees to explain their answers, which is important when following an interpretivist epistemology, since you want to understand a social phenomenon (Saunders et al., 2009). Therefore, the structured form is less sufficient in this thesis, since it is hard to find in-depth knowledge by using questionnaires. In contrast, the unstructured form is too informal. Thus, the semistructured is the most suitable for this thesis, whereas it allows participants to give their own answers to a semi-structured list of questions.

When conducting a qualitative interview, it can be done by telephone or face-to-face. Both ways are used in this report, and both have advantages and disadvantages. The advantages of telephone interviews are the speed of data collection to a low cost and that the location of the interviewee becomes indifferent (Saunders et al., 2009). Further, the participant does not get affected by the

characteristics of the interviewer, but a disadvantage is that visual aids such as diagrams and photographs can not be used (Bryman and Bell, 2007). Moreover, it is harder to establish personal contact with the participant, which can affect the end result of the answers (Saunders, et al., 2009). However, without the advantages of telephone interviews, conducting interviews with foreign participants would not have been possible. In turn, the advantages of face-to-face interviews are that it enables the interviewer to pick up non-verbal communication such as body language and emotions, and the disadvantages are that face-to-face interviews are time consuming and labor intensive (Blumberg et al., 2011). When conducting interviews face-to-face for this thesis, a greater personal connection with the participants was achieved, although it is difficult to claim if answers were affected by this fact.

According to Saunders et al. (2009), formulating appropriate questions to explore the research question is crucial to achieve success in interviewing. Questions can be open or closed. Open questions are designed to encourage the interviewee to provide developmental answers and allow the participant to describe the situation as they wish (Saunders et al., 2009). In turn, closed questions are used to obtain specific information or to confirm fact (ibid). This report uses open interview questions since it provides in-depth information, which presents both advantages and disadvantages. The advantage is that participants can answer in their own term since the questions do not suggest any certain kind of answer, which is important when following an semi-structured interview form. (Bryman and Bell, 2007). Further, the disadvantage is that interviews become time-consuming and require greater effort from the participant (ibid). Participants were asked about their experiences of working in international virtual teams, how diversity problems are counteracted and about their social context, but never about diversity management in particular. This was a conscious choice, in order to better explore what problems arise in international virtual teams and how these are handled, and what opportunities arise and how these are taken advantage of.

In this thesis, audio-recording of interviews were made, if the permission was given. There are advantages as well as disadvantages of audio-recording an interview. The advantages are that it allows the interviewer to focus on questioning and listening and allows the interviewer to re-listen to the



interview when analyzing (Saunders et al., 2009). However, the disadvantage is that it might create a distance in the relationship between interviewee and interviewer (ibid). Moreover, it is possible to do a transcription of the interview. Transcribing an interview can be an advantage since it facilitates analysing the answers and increases the liability of the interview (Bryman and Bell, 2007). Even though transcribing an interview is time consuming (Saunders et al., 2009), the interviews of this study were transcribed to get a better overview and a better foundation for the discussion.

### 3.5.4.1 Interview Participants

**1. Rockwell Automation**, founded in 1903, is a provider of industrial automation and information solutions, active in 80+ countries, and selling to almost all countries in the world (Rockwell Automation, 2015).

**2. SKF**, founded in 1907, is a global provider of bearings and units, seals, mechatronics, services and lubrication systems. SKF is active in 32 countries and is selling to many more (SKF, 2015).

**3. Vestas**, founded in 1945, is a global provider of wind turbine energy. Vestas is active in 65 countries and has over 41,000 wind turbines producing energy across the world (Vestas, 2015).

<b>Organization</b>	<b>Participant, Nationality</b>	<b>Position</b>	<b>Date</b>	<b>Members in Regions/Countries</b>
Rockwell Automations	Marcus Titland, Swedish	Sales Manager	2015-04-20 Telephone	Germany, India, Italy, the USA
SKF	Ola Thisell, Swedish	Global Category Manager	2015-04-22 Face-to-face	France, Germany, Italy, the USA
	Linus Rönnbäck, Swedish	Strategic Sourcing Analyst	2015-04-22 Face-to-face	Brazil, China, France, Germany, India, Italy, the USA
	Maria Högberg, Swedish	Global Strategic Purchasing Manager	2015-04-22 Face-to-face	China, India, Italy, the USA
	Anna Bolin, Swedish	Global Category Manager	2015-04-22 Face-to-face	China, Europe, India, the USA
	Pernilla Brodén, Swedish	Global Category Manager, Travel	2015-04-22 Face-to-face	Australia, Canada, China, Europe, India, Malaysia, the USA, Singapore, South America

	Jan Söderlund, Swedish	Director Indirect Material & Services	2015-04-23 Telephone	China, Europe, India
	Fredrik Selander, Swedish	Global Strategic purchasing manager	2015-04-24 Telephone	China, Europe, France, Germany, India, the USA
	Anders Leire, Swedish	Global Strategic Purchasing Manager	2015-04-23 Telephone	France, India, Italy, the Netherlands
	Anna-Karin Longnell, Swedish	Manager Strategic Projects and Program Management	2015-04-30 Telephone	China, France, Germany, India, Italy, the USA
	Maya Chaudhari, Indian	Member of Corporate Development team	2015-04-28 Telephone	Asia, Europe, North America
Vestas	Jan From, Danish	Vice President Service Northern Europe	2015-05-04 Telephone	The Baltic countries, Finland, Ireland, Norway, Poland, Sweden, the UK
	Jens Pedersen, Danish	Leader of Technical Support and Service, Global	2015-05-05 Telephone	Asia, Europe, the USA
	Malin Samuelsson, Swedish	Vice President Finance, Region Northern Europe Global Finance	2015-05-08 Telephone	Denmark, Finland, Ireland, Norway, Sweden, Poland, the UK
	Jöns Sjöstedt, Swedish	Service Director Region Nordic & Germany NWM	2015-05-08 Telephone	The Baltic countries, Denmark, Finland, Germany, Ireland, Norway, Poland Sweden the UK

### *3.5.5 Execution of Empirical Material Collection*

The interviewees were found by calling prospective companies, explaining our purpose and asking for people suitable to interview. Subsequently, the individuals were contacted to schedule an interview, which was followed by a confirmation e-mail. At the scheduled time, the interviewee was called by phone or visited at his/her office. The decision on how to conduct the interviewee was made by the interviewee and followed his/her preferences. As shown in the table above, five interviews were conducted face-to-face and ten were conducted by telephone, between the 20th of April and 8th of May 2015, took 20-30 minutes each and consisted of eight questions, which can be found in the appendix.

## **3.6 Method for Empirical Material Analysis**

### *3.6.1 Narrative and Template Analysis*

When analyzing empirical material, this study uses the template analysis method, which means that the material is arranged into categories. This creates a structured analytical framework and makes it easier to reveal different themes and relationships in the collected material (Saunders et al., 2009). The template analysis approach also allows the categories to be shown hierarchically to further help the analytical process (ibid). Thus, the template analysis is appropriate to use in accordance with an abductive research approach, since empirical and theoretical material can be analyzed simultaneously. Furthermore, a narrative analysis can be used either as a primary or a complementary way to analyze qualitative data. In this thesis, the narrative way of analyzing is used as a complementary to the template analysis. This analysis method can be used to explore linkages, relationships and socially constructed explanations (Saunders et al., 2009), which helps the stories and answers from the participants of the qualitative interviews to provide a deeper understanding to the analysis (Bryman and Bell, 2007). Furthermore, a narrative analysis can be helpful when conducting management research, which is the case of this study, since it provides greater understanding for the processes of the studied organizations and how they actually work (ibid). A narrative analysis has a further advantage since it lets a variety of perspectives and viewpoints coexist, rather than seeing an organization as one entity with one voice (Bryman and Bell, 2007). In this report, this aspect becomes extra important since some of the interviewees are from the same organization. Thus, the viewpoint of

every participant will be treated independently, providing further reliability to the report. Lastly, Saunders et al. (2009) claim that when using semi-structured interviews, like in this study, a narrative analysis illuminates particular issues such as organizational politics, culture and change, consequently providing more meaning to the facts. A narrative analysis gives room for subjectivity in the stories told, yet linkages and relationships among stories will give insight into the social phenomena of culturally diverse and virtual teams, following the constructionist approach (Blumberg et al., 2011). The participants have different views on the social reality and the narrative approach tries to increase the understanding of these individuals by analyzing similarities in their stories (ibid). As a result, the final discussion scrutinizes similarities among stories rather than individual opinions.

### *3.6.2 Credibility of the Findings*

When conducting a research, it is hard for the researcher to know the quality of information. Thus, it is important to pay extra attention to reliability and validity (Bryman and Bell, 2007). To ensure reliability the researcher should consider if the result would be the same in other occasions, that similar observations would be reached by other observers and that there is transparency in how the end result was reached (Saunders et al., 2009). To strengthen reliability in this study, the interviews were tape-recorded and transcribed, which provides transparency in how sense was made from the answers. Further, to ensure validity, the researcher should make sure that the collected empirical findings reflect the research question and that the author is aware that information or interviewee may be biased (ibid). To ensure validity, the participants were offered anonymity to prevent misleading answers. Also, all the participants had relevant knowledge regarding the research topic. Moreover, since the questions were semi-structured and asked in an open way, the participants could elaborate and answer the questions in their own way, which further increases both reliability and validity.

### *3.6.4 Execution of the Analysis*

In this study, the narrative analyzing method was used to analyze the empirical material, by letting interviewees speak freely about their experiences, then analyzing patterns in interviewees' answers. In this stage, interviewees were looked at independently, yet similarities were discovered. Then, the template analysis method was practiced. The answers were organized in categories that showed similarities and differences therein. When these patterns had been found, both the empirical and theoretical material was further organized in new categories. Thus, these findings could be compared

to find similarities and differences between empirical and theoretical material. Furthermore, when conducting the analysis, this comparison was put in relation to the research question and the purpose of the study, in order to understand how the findings relate to the research question.

### **3.7 Ethical Approach**

Ethics is the study of the “right behaviour”, and relates to the question of conducting moral and responsible research (Blumberg et al., 2011). Research requires ethical responsibility through honesty and integrity (Adams et al., n.d.). Obfuscation, defined by the Oxford Dictionary as *an action to make something obscure, unclear or unintelligible, or to bewilder someone*. Obfuscation of research is, for example, to not report information that is contradictory to your conclusions or to not giving titles to graphs (Adams et al., n.d.). Plagiarism, defined as the practice of taking someone else’s work or ideas and pass them off as one’s own (Law, 2009) , is unacceptable and the equivalent of stealing intellectual property (Collis and Hussey, 2009). Thus, all sources must be properly referenced.

This study records a transparent research, in which the authors have actively focused on questions such as obfuscation and plagiarism, and are much aware of these questions. To best avoid unethical practices, the research has been carefully planned and the literature carefully read. Since people are involved in the empirical analysis, several ethical aspects have been considered and acted upon. Interview participants have been informed about the study and its purpose, the confidentiality and the participants’ offer of anonymity. Also, it is crucial that participation in interviews is voluntary.

## Chapter 4. Empirical Material

*This chapter gives an account of the empirical material collected with virtual team members and virtual team leaders. The empirical material is divided in three focus areas, which were found to be the main areas discussed by interview participants.*

### 4.1 Diversity in International Virtual Teams

According to most interviewees, diversity can be a problem depending on how it is handled. Titland expresses that diversity in virtual teams can be a problem if you do not understand it. If the cultural dimensions are not understood, it is difficult for a manager to know why team members act the way they do. Moreover, thirteen of fifteen interviewees mention that they need to be well prepared and well aware of differences in order for cultural diversity to be an advantage. Every culture has its own competitive advantage which can benefit the group in some way by combining their different strengths. Selander continues by clarifying that in the early days of virtual teams diversity can be difficult to handle, since team members are not yet familiar with each other. Chaudhari agrees, meaning that it is difficult to understand and read people you do not know very well, and that the understanding for different cultures is crucial in order to be successful in foreign markets. However, Selander explains that diversity becomes a necessity as soon as the team members get to know each other. Selander, Longnell and Leire all declare that diversity itself is something positive, but that the distance is the challenge; to understand and to handle the features of working at a distance.

Diversity is an advantage since it generates wider perspectives and helps the company achieve better results, all interviewees agree. Diversity contributes with different viewpoints on problems, strategies and opportunities, they claim. From and Longnell both discuss the impact that national school systems have on our way of solving problems. Although people travel more today and understand differences better as globalization develops, they still go to school for many years and learn how to attack problems from that specific school of thought. Chaudhari argues that diversity in a team may create value for a company through giving rise to creativity, which she believes is one of the value-adding features needed in the highly-competitive marketplace of today. People are formed in a certain way and think very similarly to people from the same culture, thus different viewpoints on a problem can

be advantageous. People from different cultures share different “thought worlds”, different views on how to communicate and views on how to solve tasks. When problems arise, cultures make us handle them with a certain approach, which is something all interviewees agree on. Chaudhari clarifies: *There is diversity in society, since we are all human beings. Thus, there will also be diversity in organizations.* Additionally, Chaudhari adds that all types of qualities are needed in a company, even though differences can be challenging. Rönnbäck adds that in order to understand problems and find the best solutions, diversity and the expertise of different cultures are needed. The more the perspectives in an early phase, the better the product and the implementation thereof. However, Chaudhari argues that diversity can reach a limit where it becomes more of a struggle than a benefit. As a member working in a team you need to feel a sense of belonging, which can be bypassed if the members lack common elements with each other. A team which is too diverse can miss out on this. Thus, being too diverse can be a risk.

Furthermore, according to all interviewees, it is considered unavoidable and crucial to, for example, have Indian employees in India and Chinese employees in China, to have the expertise of the market, to better understand the culture and to better manage a team in the country in question. All interviewees agreed that although there are cultural differences, it is crucial to be present with a local representative who knows the local culture and language. Diversity helps companies understand how to act and how to do business around the world. It is difficult to understand and learn about cultural differences, hence more efficient to employ someone who know those things by heart. As a result, other employees can learn and understand how to better negotiate and operate in foreign countries. Additionally, Pedersen, Leire and From acknowledge that it is also important to be geographically close to the customer, which leads to a need for locality, both for the company to be located where the customer is, but also for it to be culturally close to it and to understand the customer very well. Longnell and Samuelsson clarify the importance of understanding diversity in order to communicate between international branches. To excel these challenges, diversity is a presumption in today’s globalized economy. According to all interviewees, diversity is a “must have” in order to survive competition and to understand the markets you work in, as a global company. If companies want the ability to follow the evolvement of the global economy, they need diversity, Selander and Chaudhari

add. The work in a virtual team is undoubtedly improved by diversity, Brodén states, and to take advantage of diversity is a must. Söderlund adds that without diversity, a company such as SKF can not operate abroad.

Virtual teams also face great challenges when it comes to cultures. For example, humor is a challenge since members have to be aware of how to joke and what to joke about, according to Longnell. Also, hierarchies and deadlines can be perceived differently, six of fifteen interviewees mention. Moreover, some cultures are more careful with deadlines than others, and hierarchies are of varying importance. Also, people from some cultures need clear guidelines to complete tasks and others are used to take responsibility, Brodén adds. Furthermore, according to From and Chaudhari, clear and collective goals are needed. Still, these features are aggravated when communicating electronically and operating at a distance. Several interviewees mention that challenges become harder to solve at a distance. Virtual teams lack the daily face-to-face meetings that normally create relationship and trust in an office, Rönnbäck and Chaudhari claim. Rönnbäck further explain that the absence of informal communication, which is normally present in an office, creates higher barriers, and things such as calling your boss becomes a bigger and more formal step. Chaudhari continues to proclaim that it is more challenging to have a debate or discussion in a virtual than in a face-to-face setting, affecting the generation of task solutions. Another factor that is considered problematic for virtual teams, is technology. There are still technological issues that have not been solved, such as phones, microphones or programs that do not work for all team members. Thisell expresses that this makes virtual teamwork harder. Additionally, six of fifteen interviewees mention that it is sometimes hard to understand other team members, due to language barriers from both parties. These language barriers can be reduced when communicating in written form, thus the oral communication appears more challenging than written communication, Bolin adds. According to Bolin, some collaboration partners' employees of SKF do not speak English, and without a local representative there would be no collaboration. All interviewees at Vestas agree that it is important to ensure all members speak English, and mean that this is an important criteria in the recruiting process. Furthermore, five interviewees mention that time zones are a major hurdle for international virtual teams. At SKF, Bolin clarifies, two meetings are held every day, one for Asia and one for the USA, to spread information



within the organization. As a result, all participants do not get the information at the same time, which is problematic.

All managers that were interviewed declare that difficulties may arise in the management of international virtual teams. Sometimes, the employee in a foreign country has one boss locally, but is also managed by a boss within the respective department, five interviewees mention. It can be problematic to have multiple bosses that put different pressures on employees, whereas they need to prioritize who to follow. Difficulties arise when managing many different cultures, where both the individual and the manager should be satisfied. Distance managers face difficulties trying to lead a group of members spread over the world with other managers creating incentives for them locally. Managers also need to adapt to the differences and implement different leadership depending on the individual, Sjöstedt says. The further away the boss is, the harder it gets for him/her to affect the team members, and the more difficult it gets for the team members to follow the right leader, Bolin, Chaudhari and Longnell argue. Sometimes, Chaudhari says, it can take longer to understand that there is an issue when leading at a distance. Titland argues that management strategies in virtual teams are similar to those in traditional teams; there is always a need for a motivational factor, “the carrot”, and to put pressure on team members. Högberg adds that there are no specific techniques to simplify the work and it takes a lot of work to develop the leadership of teams. Leaders must try to be aware of and understand the culture of the individual. Although being part of a global organization, employees may have a sense of loyalty to their local teams. Team members in different countries may experience that the local team’s success is what determines your performance, and they may feel that the local boss’ satisfaction is in priority, which is not always accurate. This, Chaudhari continues, is a result of the natural human prioritization, that sometimes the things around you seem more important than what is halfway around the world.

Communication is the key to improvement of cultural challenges in virtual teams according to the interviewees. It is important to communicate in a clear manner and to clarify among all team members how the team should work. The need for clear communication rises with virtuality and diversity. Samuelsson explains how she prefers to talk by the telephone in an early phase of collaboration, rather than by e-mail, to make sure feedback is understood. In the same way, Sjöstedt has experienced

misunderstandings when giving feedback by e-mail, and has decided to prohibit the team to give critique by e-mail. Instead, all types of critique should be given preferably face-to-face, and when not feasible, by telephone. Diversity challenges are also affected by personalities and team members' eagerness to learn about new cultures, Selander and Chaudhari add. It is commonly recognized among interviewees that individual preferences can affect the ability and willingness to work with diversity and with virtual teams, which has a significant effect on results. Most interviewees mentioned that one advantage of working in a diverse team is that they find it interesting and fun, and that they have been attracted by multinational organizations when looking for employment. Nevertheless, From thinks that when you gather people from different countries, you realize that the differences are not really that large.

#### **4.2 Virtuality's Effect on Diversity**

Virtuality is perceived to affect diversity challenges in a number of ways. Titland states that management- and diversity challenges become intensified when working with diverse members from various countries and having a limited possibility to meet them to understand the culture. All participants agree that it is more difficult to communicate electronically than face-to-face, since there is little or no tone of voice or facial expressions included. It is consequently of high importance to communicate in a clear manner. Virtuality is not an option in a global organization, Brodén points out, since team members can not meet for every single task. Rönnbäck expresses that diversity challenges can be intensified in situations when the technological tools are insufficient and inflexible. For example, the electronic communication tools can be insufficient when trying to paint or visualize a finished product, Rönnbäck adds. Samuelsson clarifies that not only does virtuality make diversity challenges enhanced, but diversity helps enhance the challenges of virtuality too.

Diverse teams need clear and direct communication, to ensure all parties understand. In a virtual setting, however, this need for clearness becomes even larger, all interviewees agree, since it is more difficult to understand another person when not seeing body language, face expressions or hearing voice tones, indicating attitudes and clarifying what you actually mean. Chaudhari explains this further; misunderstandings occur both in diverse and in virtual teams, due to communication challenges. However, the combination of the two leads to enlarged challenges. All types'

communication, no matter the mode and the participants, depend on interpretations that lie in the receiver's mind, which clearly increases the need for clear communication.

All participants agree that a stronger relationship bond is created when meeting face-to-face, and that this bond is not sufficiently developed when collaborating virtually. The virtuality itself is inevitable, since it is impossible to meet often enough in the global world we live in, yet there is a common opinion among interviewees that even the most virtual teams should meet at least once. A common perception among interviewees is that a team can not be completely virtual and work as efficiently as in a traditional setting. Thisell and Sjöstedt agree that a team could work completely virtually, but stress that it would not be as efficient. Meeting at least once helps to build a relationship, makes it easier to understand the person when communicating electronically and helps ensure that you are on the same page. Additionally, it helps to provide a sense of commitment to the team and a sense of team spirit, which creates intangible benefits that help the team. Most interviewees emphasize the relationship-building as a foundation of trust and commitment, which helps team members understand each other when working virtually. Also, Chaudhari adds, it is important to meet in person to understand that the collaboration is important to other team members. There is a need to "make it real" and create a sense of importance of the project, to help members understand that the collaboration makes a difference. The need for face-to-face meetings, and the required amount thereof, is dependent on the type of project and team. From, Titland, Chaudhari, Leire and Longnell describe how their face-to-face-meetings with their virtual teams differ from their regular meetings, since they are more focused on team-building and discussing corporate values, to develop the team and create a sense of belonging.

### **4.3 How to Counteract Diversity Problems**

As mentioned above, the easiest way to improve the relations in a virtual team is to meet in person. Firstly, all participants are convinced that meeting face-to-face at least once improves the relationship with the other members of the team. Secondly, if all members get to know each other better, the team would also work better. Thirdly, if openness is created in the team, team performance improves, according to Rönnbäck and Högberg. Having openness within the virtual team encourages members to be more honest, which makes it easier to have better and deeper discussions which lead to more

problems being solved, Högberg adds. Both From and Sjöstedt declare that they meet face-to-face more often in the beginning of a project, to make sure trust and relationship is built. When it is not possible to meet, video conferencing is a good way to communicate, Thisell claims. Still, it is insufficient as a substitute to face-to-face meetings, and all other interviewees from SKF explain that they rarely use video conferencing. The main explanation for this is that improved technology is needed. Sjöstedt explains that sufficient video conferencing equipment is expensive, and is required by both parties to conduct a meeting, but is not always available in both locations. Other interviewees think that video conferencing is unnecessary and that they rather used screen sharing programs and telephone conferences. Further, the interviewees would use video conferencing if it was less complicated to use, and if the same technology was available in all locations. Only one employee at Vestas uses video conferencing often.

All companies have different types of training in cultural differences, taking different forms. Titland claims that having educational courses in diversity and how to manage different cultures can improve the cultural awareness within the virtual team. Six of the interviewees, all of which are Swedish, work for SKF and collaborate with China and India, expressed that the Asian cultures are studied deeper, since they differ largely from the Swedish culture. Yet, the countries studied clearly depend on the company's operations and spread over the world. Longnell explains that it is important that the members of the team have the same level of knowledge and understanding for each other. Chaudhari agrees and adds that it is good to have members in the team who can understand both cultures in question, since this makes the team more comfortable with cultural diversity. Selander also agrees that by having educational courses in cultural awareness and good understanding of each other, you can avoid problems. Despite the existence of these trainings, only eight of the fifteen interviewees have taken part in one. Those who have participated express that they are useful, since participants become aware of how cultural and religious systems of a specific region work, and how they affect the business culture and the ways of communicating successfully with members in those specific regions. All participants expressed the need for cultural understanding in their respective company, since they are global and in need of both successful virtual teams and successful diversity compositions. However, courses and training are not the only ways to understand cultures better. Sjöstedt agrees that

courses in cultural differences are good, yet emphasizes that cultural differences can not be learnt from a book. He means that meeting in real life and experiencing the cultures is the best possible way to learn it. Correspondingly, Chaudhari argues that it can be done by interacting with different cultures in face-to-face meetings, which makes the experience real. This was further discussed by Thisell, Söderlund, Chaudhari, and Longnell, who mean that meeting international team members does not only improve the teamwork, but also increases cultural knowledge and awareness within the organization as a whole. At Rockwell Automations, employees are moved around the organization internationally, to create better cultural understanding. At SKF, employees are more used to having meetings with multinational participants, than with national ones, which is a clear way to make diversity a natural part of the organization. Moreover, there are other ways to learn about cultural differences. Brodén mentions that there is a good working climate at SKF, where more experienced colleagues share their knowledge to help and advise less experienced colleagues on how to work abroad. Furthermore, Rönnbäck argues that globality constantly pressures MNCs to improve on the international markets, and thus there is a need to adapt to the social changes it contributes. In addition, Sjöstedt mentions policies and rules on how to act and behave as a way of creating a good working environment with regards to cultural diversity, which can also be embedded in the corporate values. As previously mentioned, clear communication is a key to success, since every employee should know what is expected from them, Samuelsson, Sjöstedt, Brodén, Chaudhari and From clarify. Also, regular communication is needed to build a relationship. Furthermore, From mentions an interesting phenomenon: that people from his company sometimes think they go abroad to change the business culture he or she visits, feeling that the own system is the best. This is ineffective, From says, since there is not one right way to do things. All systems have their advantages and disadvantages.

#### **4.4 Summary of the Empirical Findings**

Understanding for different cultures is crucial to be successful in international virtual teams. Diversity itself helps create wider perspectives and by combining different cultures' strengths, better results can be achieved. Also, it is important to have employees who know the local culture, language and market, and thus diversity is a presumption in today's international business world; in order to survive competition and understand the markets you work in. The virtuality of international virtual teams makes diversity challenges intensified, and on the contrary, the diversity of international virtual teams

makes virtuality challenges intensified. Thus, there is a larger need for clear and direct communication, to ensure all parties understand. Most interviewees admit that a completely virtual team would not be feasible, and that meeting face-to-face creates a stronger relationship and builds necessary trust. To counteract cultural diversity challenges, organizations offer diversity courses, implement diversity policies, let team members meet face-to-face and organize staff exchanges between different parts of the organizations.

## **Chapter 5. Discussion**

*This chapter relates the theoretical framework to the empirical material through a discussion based on both parts. It discusses how to solve the problems discussed in this report, and summarizes the material in order to fulfill the purpose of the report. Moreover, it will be the basis for the conclusion in the following chapter.*

### **5.1 Challenges and Success Factors**

The theoretical framework presents a number of challenges that virtual teams face, which are all experienced by interviewees to some extent. Duarte and Snyder (2011) show that without the appropriate technology, a virtual team will not work. Still, technology is only the infrastructure for international virtual teams, and can not replace the management of the team. The empirical findings show that complicated technology can harm the smoothness of a meeting, for example making members use phone calls instead of video calls when they find obstacles when trying to connect, use the microphone etc. Despite the fact that video conferencing is the most adequate technology in virtual teams since it is the best way to build a social context in distance teams (Haywood, 1999; Townsend et al., 1998), only one interviewee uses it frequently. The other interviewees think that video conferencing is unnecessary and they rather use screen sharing programs and telephone conferences. Further, the empirical findings show that video conferencing would be used if it was less complicated to use, and if the same technology was available in all locations. It is also found that this technology is very expensive, which further explains the findings. Still, some of the issues that are faced are related to the lack of social context. According to Duarte and Snyder (2011), teams should adapt the type of technology needed with regards to the type of team, its tasks, its access to technology or the experience of this type of communication and collaboration within the team, to make the team function as effectively as possible. Ferazzi (2014) agrees, stating that the right technology is important no matter the talent of workers and leaders. The international virtual team members that participated in this study clearly express that they need a better social context. Therefore, access to the right technology, video conferencing in particular, and the experience of using it are the two features that could be improved to improve this mode of communication and to create social context.

Further, the findings from the interviews indicate that communication challenges are aggravated when communicating electronically and operating at a distance, partly since the informal communication, normally present in an office, is absent. Thus, there is a larger need for clear and direct communication, to ensure all parties understand. Further, the empirical findings add that it is more difficult to communicate electronically than face-to-face, since there is little or no tone of voice or facial expressions included. This is consistent with the research of Earley and Gardner (2005), which claims that virtual teams may face problems with mistrust and misunderstandings since it lacks the social, emotional and non-verbal information present in traditional team settings. Additionally, Brandt et al. (2011) and Kayworth and Leidner (2000) add that communication patterns need to involve frequent feedback, regular face-to-face meetings, clear rules for social interaction and build a relationship among members. No interviewees mention frequent feedback, but all interviewees value regular face-to-face meetings and creating a relationship among members. Additionally, five of the participants have actively discussed rules for communication and social interaction within their teams, three of which work for Vestas. One of these has implemented rules for social interaction regarding how to provide feedback by e-mail. As a result, international virtual teams need to continue to develop their mode of communication and continue to work for mutual understanding within teams. They must also improve their working patterns to give frequent feedback and make sure all teams implement rules for social interaction.

Duarte and Snyder (2011), Kayworth and Leidner (2000) and Earley and Gardner (2005) argue that virtual teams need clear goals, clear directions and a leadership that shows flexibility and adaptability. The empirical findings agree that managing an international virtual team can be difficult, since different management strategies must be adapted to different members, but does not find that any specific diversity management techniques are used in international virtual teams. Also, the empirical findings add that international virtual teams sometimes deal with multiple leaders, one locally and one located at a distance, which has not been found by the theoretical framework. Furthermore, the empirical material adds that team loyalty may be affected when having a manager at a distance, since members may feel a lack of purpose, thus prioritizing the local manager's demands. Also, it can take



longer to understand team conflicts. Additionally, Ferrazzi (2014) concludes that special competences are needed from team-members for the virtual team to be successful, such as good communication skills and the ability to work with cultural differences. Correspondingly, it is commonly recognized among interviewees that individual preferences can affect your ability and willingness to work with diversity and with virtual teams.

Moreover, the findings from the interviews indicate that meeting face-to-face creates a stronger relationship, makes it easier to understand the person when communicating electronically and creates intangible benefits that help the team. Most interviewees also acknowledge that a completely virtual team would not be feasible. The easiest way to improve the relation in a virtual team is to meet in person. Although video conferencing the best substitute for face-to-face meetings, it is not equivalent to face-to-face meetings, nor sufficient as a substitute. All participants were convinced that meeting face-to-face at least once improves the relationship with the other members of the team. This relates to the research of May (2006) and Brandt et al. (2011) regarding trust, which tells us that trust is developed through a history of interpersonal interactions, and must consequently be established in other ways for virtual team members. As a consequence, effective virtual teams must meet face-to-face regularly in order to build the necessary trust and relationship for the team to work, according to the findings of Ferrazzi (2014) and Berry (2011). In conclusion, international virtual teams should conduct face-to-face meetings at some point to build the necessary relationship and trust.

However, it is important to take into consideration the experiences of the individuals when analyzing their answers, to understand their social context. Understanding for cultures and diversity is developed over time, and thus the challenges experienced are affected by previously faced challenges and the habits of working in a diverse manner, in combination to their willingness to do so. For example, if a person has experienced difficulties in a certain situation, that bad experience may create that individual's approach to diversity negatively. For example, those who mention that deadlines and hierarchies are challenging, are likely to regard these cultural differences as annoying, problematic and challenging, thus creating bad diversity tension. The experiences also depend on what countries interviewees work with. All participants have worked for a long time in an international context, yet

experiences vary, which shows in their answers, expressing difficulties of different scales. All three companies have long experiences of working globally and internationally, and are thus well prepared. This also affects the answers the individuals provide, since they work in an environment that supports globality and international collaboration. The interview participants working for Vestas are mainly active in Europe, and SKF interview participants are active on a more global scale, which could have an impact on the experienced challenges since differences are more or less apparent. The combination of different cultures leads to different levels of challenges due to the scale of the differences, and features such as maturity of technology and language knowledge in the country may have an impact. Still, both organizations have world-wide experiences. Also, no patterns among answers with regards to these features show, since participants mentioned the same type of challenges. Furthermore, it is difficult to affirm the measure of these challenges, and how impactful they are, and the background of the participants have a large impact. By looking at the different perspectives of interview participants from Denmark, Sweden and India, we can conclude that the challenges they face are the same, however they better understand their colleagues in their respective home countries. Still, it is difficult to affirm the extent to which these challenges are experienced. Also, as found in this study, the relationship among team members is important for the experience of cultural diversity, and the number of countries or cultures involved in a team can also affect the outcome. Chaudhari discussed that if a group is too diverse, you may lack the necessary sense of belonging. Also, the type of industry the company is active in may affect the extent to which the challenges are experienced. All companies participating in this study are active in similar industries, yet a comparison to an IT company, for example, may have shown differences in the results, due to their different connectivity to products versus services. Additionally, the size of the company may create difficulties since a large number of people should be managed, yet create advantages since a lot of cultural knowledge is gathered. In this study, both the individual experiences and the companies' experiences are to the international virtual teams' advantage, due to their long experience that stretches all over the world.

## 5.2 Diversity Challenges and Benefits

Previous research emphasizes that international virtual teams face challenges with regards to diversity that include misunderstandings, commitment and cohesion, and state that this can harm the effectiveness of the team (Berry, 2011). These are the same challenges that the interviewees mention. They agree that diversity challenges are stressed in a virtual setting, yet the interviewees all perceive cultural diversity to be a presumption rather than a choice since they work with diverse team members on a daily basis. They argue that it is important to understand differences, which aligns with the theories of *fostering mutual understanding* by Kersten (2000). Among interviewees, it is emphasized that they need to communicate in a clear manner and actively work to understand each other. Also, language barriers can harm communication flows and must be managed, which is not mentioned in the theoretical framework. The challenges that international virtual teams face all relate to the difficulties of being culturally and geographically diverse and dispersed. Theories and interviewees agree that new ways to work in teams, such as in virtual teams, requires new management techniques and communication patterns.

When it comes to the benefits of diversity, both the theoretical and empirical material show that the wide perspectives and experiences that international virtual teams consist of give rise to innovation and flexibility through looking at problems in different ways, which can help to achieve better results (Milliken and Martins, 1996; Shapiro et al., 2005; Staples and Zhao, 2006). Specific advantages, defined by Maznevski, (1994) as advantages that are achieved when skills from various members can contribute and complement each other, are experienced by international virtual teams. In relation to this, the empirical findings explain that a diverse workforce can help organizations understand customers, markets and cultures over the world, create competitive advantages and improve internal communication in an international context, thus covering a broader knowledge. However, this type of specific advantage has not been covered by the theoretical findings. According to the empirical findings, diversity is necessary for MNCs to understand foreign markets and to operate successfully therein. Further not mentioned in the theoretical framework is distance. According to the findings from the interviews, diversity is not perceived to be the largest challenge, but the distance is, mostly due to challenges related to time zones, information spread within the organization, meetings, and to

lack of social context; lack of trust and relationship. Also, Kayworth and Leidner (2002) stress that time zones are complicating the team work, since information does not flow between entities smoothly, which is also experienced by team members in this study. The empirical findings further explain that information sharing within an organization can be delayed due to time zones. To summarize, the empirical and theoretical findings show that diversity can give rise to innovation and flexibility, thus improve results and help to cover a broader knowledge.

### **5.3 Virtuality's Effect on Diversity**

The theories of Brandt et al. (2011), Duarte and Snyder (2011) and Reiche (2009) emphasize that cultural awareness is more important in a virtual setting, to avoid misunderstandings and ensure better team communication. Challenges with cultural diversity become aggravated in international virtual teams because of the geographical spread and their electronic way of communication. Berry (2011) argues that shared goals, shared understandings and social relationships, are features aggravated within virtual teams due to the virtual means of communication. Therefore, organizations and individuals must be able to adapt to different settings and honor different ways of doing business. The empirical findings agree, confirming that it is more difficult to communicate electronically than face-to-face, and that diversity challenges can be intensified in this setting. In a virtual setting, the need for clear communication becomes larger. Additionally, the empirical material finds that debates and critique are more difficult to handle in a virtual setting, since the virtuality creates higher social barriers. Misunderstandings occur both in diverse and in virtual teams, due to communication challenges. However, the combination of the two leads to magnified challenges. Further, the empirical material clarifies that not only does virtuality make diversity challenges enhanced, but diversity helps enhance the challenges of virtuality too. The findings from the interviews show that a completely virtual team is not feasible, or at least not as efficient as a team that includes face-to-face meetings. Meeting at least once helps create trust, commitment and understanding. This agrees with the research of Kayworth and Leidner (2000) and May (2006), who conclude that effective global virtual teams must meet face-to-face regularly in order to build the necessary trust.

## 5.4 Diversity Management

Theories about diversity management were introduced in the 1990s, when diversity was on the agenda as globalization rose. Then, diversity management replaced concepts such as *equal employment opportunity* and *affirmative action efforts and programs* (Albrecht, 2001). Our study, however, shows that the theory of diversity management is deeply rooted in the organization's working patterns and their attitudes towards diversity. The empirical findings show both drawbacks and benefits with regards to diversity, yet the benefits outweigh the drawbacks and diversity was considered to be positive. Mutual understanding and mutual adaptation should be fostered, and challenges should be handled with open communication. This does not mean diversity management is not needed, but there has been a clear attitude change since when Maznevski (1994) said that *to deny* is the most common way to handle diversity in a workplace. Today, the other choices of action that Thomas (1996) presented are no longer feasible. Only *build relationship* or *foster mutual adaptation* are possible in MNCs today. Diversity management emphasizes that good diversity tension is what generates new ideas, products and processes, which the empirical findings agree on. Still, the challenges that the organizations face are related to technology, deadlines, hierarchies, the way to do business, how to negotiate etc, rather than issues when trying to find a solution to a complex task. When trying to find a solution to a task, interviewees mean that diversity gives rise to better solutions, and that problems occur only when members lack understanding for each other. Thus, good diversity tension is experienced in problem solving, and bad diversity tension is experienced with practical issues surrounding it. If the surrounding challenges mentioned above could be overcome, good diversity could be given a greater opportunity to flourish.

Diversity is not a choice; it is a presumption, yet it has to be managed, the empirical findings show. Diversity management, which accepts differences and looks at diversity as an asset rather than a liability, aims to change the attitude of organizations in this direction (Allard and Harvey, 2002; Hofstede, 1980; Kersten, 2000; Law, 2009). It aims to make all parties adapt, so that all different attributes can contribute in their best way. The empirical material mentions this aspect; that team members should accept all ways of doing business, rather than changing it to his/her own way. The right way to enhance diversity, is to make all cultures, perspectives and working methods contribute

in their own way (Kersten, 2000; Mor-Barak, 2005). Important for it to work, is communication, openness and understanding (ibid). All individuals and organizations participating in this study work with diversity, but the action plan for how to handle it does not seem to be clear. As mentioned above, *build relationship* or *foster mutual adaptation* are the two possible action plans in MNCs today. According to the empirical findings, building relationships is prioritized to build trust and commitment, and to foster cultural understanding. This could still be improved through adapting the action plan *foster mutual adaptation*; to make sure all parties understand each others differences well enough to adapt and learn from each other, to find the working method that generates the best results. Some participants mention that moving employees around the organization can help overcome cultural barriers and create cultural learning. Samuelsson mentions that she actively composes her teams of diverse members to create good group dynamics, and describes the goal as something Thomas (1996) refers to as good diversity tension. Still, no other participants mention any methods used in order to take advantage of diversity, when they were asked about how diversity should be managed. This, we believe, can be explained in two ways. Either, it shows that it is presumed by all international virtual team members that all diverse characteristics should be honored, or it shows that none of the international virtual teams actively work with diversity management. Either way, it shows that the companies lack a deliberate and strategic plan for the diversity management of their teams. What they do to counteract cultural diversity problems is to hold courses and to move people around the organizations, yet the aim of this is to better handle diversity rather than to take advantage of it. The goal is to prevent bad diversity tension, but action is not taken to create good diversity tension. On the other hand, managing bad diversity tension properly can help create good diversity tension in the long run. Moreover, diversity management could be helpful for international virtual teams, through actively working to achieve the good diversity tension and better results that Thomas (1996) demonstrates.

## Chapter 6. Conclusion

*This chapter presents a conclusion based on the findings of this study, which answers the research question. Moreover, it presents suggestions for future research and implications for practitioners.*

### 6.1 Empirical and Theoretical Contributions

The purpose of this report is to study virtual teams in order to find how diversity management could be used to reduce the challenges of working at a distance and to take advantage of their cultural diversity. The challenges that international virtual teams face all relate to the difficulties of being culturally and geographically diverse and dispersed. This study concludes that there is a need for diversity management as long as bad diversity tension is experienced, yet diversity management can not solve all the challenges of international virtual teams. Some of the international virtual team challenges can be solved with a better use and adaptation of technology, and some could be solved by better managing diversity. Diversity management is needed for virtual teams, due to their complexity, the cultural challenges they face, but also due to their potential as creators of innovation, creativity and as a result, better results. However, the challenges of working at a distance also include challenges related to virtuality, such as lack of social context, understanding, trust, relationship and efficient communication and management, which all aggravate cultural diversity challenges. Such virtuality challenges are solved with access to the right technology, open and clear communication, frequent feedback, rules for social interaction, clear goals, and foremost, by meeting face-to-face. Thus, diversity management is not the solution to challenges related to distance and virtuality. Furthermore, the challenges of cultural diversity are challenges such as commitment, trust, cohesion, understanding, relation and language. This study has found that these challenges can be solved by meeting at least once is a must to counteract cultural diversity challenges, and that a completely virtual team can not be as efficient in doing so. The benefits of cultural diversity are creation of innovation, flexibility and creativity, and the coverage of broader knowledge and perspectives, which can lead to better results. Diversity is a presumption to succeed as an MNC in a globalized economy, since local competences of culture, business and language are needed when an MNC enters a foreign market. Diversity management can be used to take advantage of international virtual teams' cultural diversity, through actively composing teams of diverse members and through fostering mutual

adaptation among them, and thus creating good diversity tension. As a result, international virtual teams can benefit from diversity management by better taking advantage of diverse team members, by looking at them as strategic assets to good diversity tension and better solutions and results by actively working to cover broader knowledge and perspectives.

## **6.2 Suggestions for Future Research**

This study has detected several challenges with working in international virtual teams, but has only focused on one aspect, which is cultural diversity. Further research implications are to deeper scrutinize solutions to challenges such as communication, management, technologies and relationship building. For example, this could be done by deeper exploring video conferencing, which this study has implicated is the best possible way to create trust and relationship at a distance, but is still not used. This could aim to explore how a better use of video conferencing and a further development of this technology could affect communication, trust, relationship building and other challenges in international virtual teams. Also, other types of diversity could be examined, such as gender diversity. Moreover, further research could discover whether we can ever handle diversity perfectly, since individuals are diverse and will act based on subjective experiences. Although attitudes towards diversity have changed since the 1990s, diversity challenges still exist and diversity benefits are not fully taken advantage of.

## **6.3 Implications for Practitioners**

This study is of value for international virtual teams. It shows how virtuality challenges can be better handled and how diversity management can be used to create good diversity tension, both with the goal to achieve better results. For example, it shows how communication can be improved, the importance of face-to-face meetings, and that videoconferencing can be used to a larger extent.



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## Chapter 8. Appendix

### Interview Questions

1. Describe your position and your company.
2. What countries are you active in?
3. How do you work with virtual teams?
4. What challenges do you face working in a virtual team?
5. How is the teamwork challenged/improved by cultural diversity?
6. How are cultural diversity challenges affected by the fact that you communicate virtually?
7. How have you worked to counteract problems with diversity?
  1. How do you think this could be improved?
1. Can diversity be an advantage?