

# Innovative Interactions in Culturally Diverse Organisations

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## Innovative Interactions in Culturally Diverse Organisations

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The objective of this thesis is to study the role of communication in the service innovation processes in a culturally diverse organisation. The research is used to create a development proposal for the beneficiary, a non-bank financial technology company.

The ongoing digital disruption as well as social and regulatory changes continue to transform the financial industry. The market share of non-bank financial technology companies has increased significantly globally, as they have been able to fill the market gaps left behind by traditional banks. These online companies have benefitted from opportunities of scaling their business and staff internationally, creating diverse teams. However, in many ways these multicultural organisations fail to exploit the benefits and tackle the challenges posed by the diverse workforce.

The theory section covers communication in multicultural settings, diverse team performance, leadership and growth. The research covers the perspectives of functional and project teams, as well as the senior management. This angle was chosen to build a comprehensive view about the phenomenon within the case company. The study was carried out by using a qualitative method by conducting 14 theme-centred interviews. Four initial interviews were conducted with senior managers, followed by ten interviews with employees in key roles within the service innovation processes. The employees were interviewed from two perspectives; as members of functional teams and project teams.

Case study methodology combined with characteristics from an action study as a research strategy helped to answer the main questions of how internal communication in service development process works in a culturally diverse organisation. The main areas discovered in this research concerned supporting structures and mechanisms, as well as communication.

Content analysis of the semi-structured interviews show that the sense of belonging is strong within functional teams. Building trust and establishing common goals is more challenging in project teams, as the groups are loosely formed and not maintained throughout the project. Cultural diversity poses challenges in communication, driven by both national and professional characteristics. Key cultural differences were the use of language, as well as perception of hierarchy. Communication was found especially challenging when interacting in a foreign language virtually.

Establishing distinct cross-functional project groups with clear and transparent goals would increase the effectiveness as well as employee satisfaction. Increasing cultural understanding within the organisation would help to reduce conflicts driven by differences in cultural backgrounds.

Keywords: Communication, Culture, Diversity, Team performance, Innovation

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## 1 Introduction

This thesis studies the role of communication in service innovation processes in a culturally diverse organisation. The intent is to identify development areas within the case company and conduct actionable development proposals based on the research.

Managing new service innovation in a culturally diverse organisation is a challenge, which requires well-established leadership. Diversity can be either a blessing or a curse for an organisation. In order to get the best results, the organization needs to recognise and understand the effects of diversity and be able to not only accept the differences, but also make them an asset.

Communication is the key to a successful multi-cultural encounter. As long as everything runs smoothly, we tend not to notice the cultural differences. However, when conflicts arise we tend to react according to our own cultural norms. When facing cultural barriers, the first reaction is normally to get annoyed, as the different ways of communication can feel absurd. This can be seen especially in service development, when different market representatives and technical staff try to reach mutual understanding. (Lewis 2006, 67.)

The dynamics in the team play an important role in service innovation. Whether the team members identify themselves as part of the group, feel committed to the team, and trust their peers, effects on their individual and collective performance.

The leader has a key role in establishing the team and the dynamics within. In order to successfully manage diverse teams' leaders need to be self-aware and willing to learn and understand cultural differences.

The objective of this thesis is to create a development proposal for improving culturally diverse interdisciplinary-team performance in service innovation. The thesis argues that this can be done through improving communication.

## 1.1 Context description

The finance sector is currently in disruption as it is experiencing a digital transformation. The financial technology companies (later FinTech) are taking over the consumer markets in the western world and challenging the traditional banks. The main drivers for finance industry disruption are regulation, funding, technology and social change. Regulation enforces the shift of some activities from banks to non-bank FinTech companies. Due to technology, growing non-bank FinTech market have lower cost-structure which leads to growing interest from investors and increased funding opportunities. Due to advancing technology the customer behaviour has changed and the digital solutions has become more preferential. Traditional banks in western countries possess the majority of clientele, but are lacking innovation. Non-bank FinTechs on the other hand provide more customer friendly solutions, as they are more focused on innovating around customer experience. (Citigroup 2016, 3, 7-9, 14; Nash & Beardsley 2015, 3.)

After the latest financial crisis, the regulations in banking industry have gotten tighter. Thus, legislation is in favour for the non-banks, as they have lighter regulatory standards in comparison to banks. Although more strict legislation also hinders new actors from entering the banking field. Basel III forces banks to improve their risk management and governance in order for them to better digest the shifts in the economy. Hence the returns on equity has decreased for some products, which has forced banks to dismiss some of their offerings, creating a market for the non-banks. The non-banks offer unsecured loans to higher risk profile customers. These loans are normally granted according to consumer's credit worthiness, instead of looking at the type of the loan (mortgage, card). (Nash & Beardsley 2015, 5, 7-8, 12, 54-55, 61-62.)

The biggest shift in finance industry in western markets is currently seen in small and medium sized enterprises (later SMEs), which offer lending products to consumers. According to a report by Citigroup (2016) the FinTech investments tell their own story, as it can't go unnoticed that the FinTech investments grew by two thirds from 2014 to 2015 from \$12 billion up to \$19 billion. Citigroup (2016) study revealed a total of 47 percent of private FinTech company investments were allocated to consumer or SME lending, whereas 26 per cent of the investments were allocated to payments in the same sector. Low interests also make these non-banks more attractive to investors, as it enables greater yield for assets. (Citigroup 2016, 7, 9-10, 14, 16-17; Nash & Beardsley 2015, 3, 8.)

The non-bank FinTech institutions exploit the benefits from technologies that allow offering paper-free low-cost credits rapidly to the consumers, allowing almost real-time credit deci-

sions. Fin-Tech companies utilise technologies for underwriting, fraud-detection, loan-processing and reducing risk automatically, which in turn makes the cost structure much lighter. (Nash & Beardsley 2015, 7-8, 12, 23, 27.)

Another big influencer to this change is the mobile revolution, which has steered the consumer preferences towards mobile solutions and smartphones. The disruption of the financial industry has already happened in China, where the FinTech companies possess both; innovation and scale. (Citigroup 2016, 7-9, 14.)

## 1.2 Case company

The case company is a Pan-European financial technology company headquartered in Helsinki, Finland. The case company has currently operations in Finland, Sweden, Poland and Luxembourg.

The company was established in 2007 in Finland and has since continued to grow in new markets, first expanding to Swedish markets in 2013 and Polish markets in 2014. The growth has been substantial in terms of business as well as personnel. Due to rapid growth, the company has evolved and the company structure with it. One-person units have become entire departments and several people have been hired from around the world.

There are approximately 93 employees, who represent 25 different nationalities, and are located in four different countries. The group consists of nine different companies including the parent company. On a group level, the case company is divided into three different teams. The first team (team A), driving the business, consists of sales and marketing function including business development, portfolio management and customer service. The second team (team B) is providing support services, such as software development, testing and application support. The third team (team C) is the control function located in Luxembourg. The personnel can be roughly divided to business and technology representatives. 89 staff members could be categorised according to this division, from which 58 percent are business representatives, while 42 percent of the overall staff are technology representatives.

The organisation has recruited approximately 43 percent of its' current staff during the year 2017, which is an indicator of tremendous growth in the past and great growth plans for the future. 9 percent of the overall staff represent senior managers, whereas 15 percent are middle managers and the rest (76 percent) are employees. Approximately 42 percent of overall personnel represent technical staff, whereas 58 percent are business representatives. Most of



the technical staff (92 percent) reside in Finland, while the business representatives are located across different markets. Almost 90 percent of the senior managers reside in Luxembourg. Most middle managers (60 percent) and employees (70 percent) are located in Finland.

All the core functions are located in the headquarters in Helsinki, Finland, while the sales and marketing staff are local. Therefore most of the representatives of team B (service provider) are located in headquarters, whilst the team A (business driver) is scattered around different locations.

The company is divided into different functions which are; sales, marketing, customer service, finance, risk, security, human resources, software development, quality, business intelligence, production and analytics. Each of the mentioned functions represent their own functional teams. The organisation's strategy is implemented through company backlog. Majority of the development items are executed as projects, which in turn are prioritised in the backlog by the company management. The project groups normally consist of staff from different functional teams.

The operating model is a branchless online financing institution. The essence of the case company is its' in-house developed cloud-based digital banking software. Automation of services such as identification, verification, scoring, underwriting, payments, back-office, credit monitoring and debt collection, allows the company to provide instant service to customers and higher yields to investors. In-house development team enables the company to move fast and remain agile in the rapidly fluctuating markets. The company utilises agile methodologies in software development and releases a new system version bi-weekly.

The strategic approach is penetrating new markets by establishing strategic alliances with key operators in the target market. The product portfolio includes revolving credit, credit cards, loans, money transfers, payment services (including point-of-sales), invoice payments and collections. The payment services are offered to a strategic ecommerce partners in terms of invoices and instalment payment options. Currently the case company operates actively with its flagship product 'revolving credit account' in Finnish, Swedish and Polish markets. Revolving credit account can be described as a virtual credit card. The credit limit will be restored and customer can make further withdrawals once they have paid back. The other product offerings, at present, exists only in Finnish markets.

### 1.3 Business challenge and Subject definition

The management of the case company being investigated in this thesis, has noticed that there is no clear and defined pathway from an idea to an innovation in the organisation. Further the

cultural differences may slow down the process due to friction and misunderstandings in communication. Hence resulting in lost sales or customers, or unnecessary time spent working in maintenance.

As the personnel is located in different markets, majority of the communications has to be done virtually over video conferencing, email, and phone or by utilising other web-based communication methods. As virtual communications can be incomplete and easily misunderstood, the risk of misinterpretations increases significantly.

The software development team has their own strong processes, but these processes consider only technical aspects. Usually developers are not included in the design process, and rarely do they understand fully the purpose and the use of the items they are implementing. In other words, there's no all-encompassing framework for new service development. The developers are implementing stories from various business owners, and the specifications are not always clear. Also there's no clear ownership in case of troubles, and it's not always clear whom to turn to in case of further discussion or clarifying questions.

In this thesis the researcher first conducts a qualitative research inside of the case company in order to discover the pain points. The research results set the scene for development proposals, which are handled on the last phase of this thesis. Development proposals are based on the research and can be justified by the results carried out on the research phase. Therefore, the objective of this thesis is to create a development proposal for improving culturally diverse interdisciplinary-team performance in service innovation.

Culturally diverse interdisciplinary team refer to teams with various national as well as professional backgrounds. The team members represent different branches of knowledge from marketing and sales to analytics and software development. The thesis argues that improving team performance can be done through improving communication.

#### 1.4 Key concepts

##### Communication

Communication is a way to deliver a message. Communication is a two-way process, which requires speaking and equally importantly listening in order to reach mutual understanding.

There are always two roles represented; sender who encodes the message and a receiver who decodes it. Communication can be meaningful only if the receiver is able to decode the message and understand it as intended. (Huczynski and Buchanan 2007, 174; Lewis 2006, 63, 69.)

##### Culture

Hofstede & Hofstede (2005) defined culture as “the collective programming of the mind that distinguishes the members of one group or category from another”. Lewis (2006) determines that this collective programming influence on our behaviours and styles of communication. The cultural coding starts immediately after we are born and continues throughout our entire life. (Hofstede & Hofstede 2005, 3-4, Lewis 2006, 17-18.)

### **Diversity**

There are two types of diversity; inherent and acquired. Inherent refers to those traits that one was born with; ethnicity, gender, sexual orientation. Acquired diversity refers to one's individual experiences, culture and learnings during their life. Diversity in organisations refers to heterogeneous teams in terms of age, gender, ethnicity and different set of skills. (Hewlett & Marshall & Sherbin 2013; Rock, Halvorson & Grey 2016b; Robbins & Judge 2013, 40-41.)

### **Team performance**

Team performance is considered to be an important factor in terms of company growth and reaching business objectives, as innovations are more often done in teams than just by an individual. The key elements in team performance are team building and leadership, which influence the team's ability to solve problems, make decisions and produce business results. Teams are studied from two perspectives; heterogeneous and homogenous teams. Thus it is considered to have a great impact on team dynamics, which in turn influence on team performance. (Herring 2009; Edmondson & Harvey 2017; Ayers 2017; Zhao 2005; Koryak, Mole, Lockett, Hayton, Ucbasaran & Hodgkinson 2015; Distefano & Maznevski 2000; Rock, Halvorson & Grey 2016a, 2016b.)

### **Innovations**

Innovation can be determined as a significant increase in value through a new or an improved process, product or method. Thus innovation is not an innovation unless it can be realized in action. Innovation should also represent a degree of novelty. Novelty degree can be measured by three dimensions; 1) organisational, 2) market and 3) universal. The organisational category refers to innovation being new to a specific organisation, thus it can be discovered by other companies before that. Novelty in markets means that a company as the first one in the markets discovers the innovation. Universal innovation means that it is first of a kind in the whole world. (Talukder 2014, 9; OECD 2010; OSF 2017.)

## **2 Communication across cultures**

As globalisation drives change in all industries, communication across cultures has become increasingly important for companies' success (Okoro & Washington 2012.). Lewis (2006) defines communication as a way to deliver a message. Communication is a two-way process, as

delivering a message requires speaking but equally importantly listening. Information and meanings are shared in communication process in order to reach mutual understanding. Communication process needs a sender who encodes the message and a receiver who decodes it. (Huczynski and Buchanan 2007, 174; Lewis 2006, 63, 69.)

Generally people observe the counterparty's body language while they are speaking and the one who listens simultaneously prepares their response. Shockley-Zalabak (2011) reported that this two-way process of communication is highly dependent on the linguistic abilities of the sender and the receiver. Furthermore values, intentions and knowledge play an important role in the communication process. (Shockley-Zalabak 2011, 10-13).

In this section, communications are studied on a theoretical level, which helps to compile the main themes for the qualitative interviews. The interview results contribute to the development proposals suggested to the case company conducted by the researcher. The theoretical framework is handled at the first phase of this thesis, after which the research results are presented on the second phase, leading finally to the third phase where the development proposals are introduced.

## 2.1 Culture - values, beliefs and behavioural norms

Stephan & Pathak (2016) concluded that cultural values refer to what is commonly considered as idealistic in a particular culture. Hence ideals determine what kind of qualities individual admires in a leader for instance. The different variations of cultural value sets are almost endless. However Lewis (2011) concludes that there is a common set of inherited values to the humankind. These values include anger of injustice, the will to be liked, love of young, and gratitude for favours as well as survival and procreation (Lewis 2011). According to Stephan & Pathak (2016) values are thought to effect on individual's behaviour indirectly, whereas cultural practices affect one's behavioural norms more directly. (Stephan & Pathak 2016; Lewis 2011.)

Cultural coding plays a major role in how we interpret and behave in various situations. Our interpretations are rooted in our beliefs about what's wrong and right or what's normal. These beliefs, taught by our parents and our society, are strongly dependent on the culture we live in. It is the cultural coding that makes us so different from one another. Habits from other cultures might seem unfamiliar and bizarre, because it's difficult for us to identify with them. Edward T. Hall defined culture as "communication is culture and culture is communication". (Hofstede & Hofstede 2005, 3-4, Lewis 2006, 17-18.)

Our values and beliefs cannot be seen until we do or say something that exposes our cultural mindset. How we perceive others and their cultural mindset depends on the distance between our and the counterpart's cultures. Our core beliefs and values, which are coded into our minds strongly influence on how we act upon when meeting a 'stranger'. The categories of distance between cultures can be divided as 1) own culture, 2) friendly culture and 3) alien culture. (Lewis 2006, 19-20.)

Those cultures resembling our own are much easier to adapt to. As an example Italians commonly have very different perception of time than Germans. Whilst it might be completely normal for an Italian to show up 30 minutes late to a meeting, this would without a doubt drive a German mad. The encounter after 30 minutes delay, would most likely lead to a protest by the German - leaving the Italian no other choice than to defence. If the same setting would happen between Italians and French, there would more likely be a softer approach to the delay from the French party, as they tend not to be so punctual themselves. This could likely lead them both to a common understanding, thus adjusting their behaviour by coming only 15 minutes late. (Lewis 2006, 19-20; Gates 2017.)

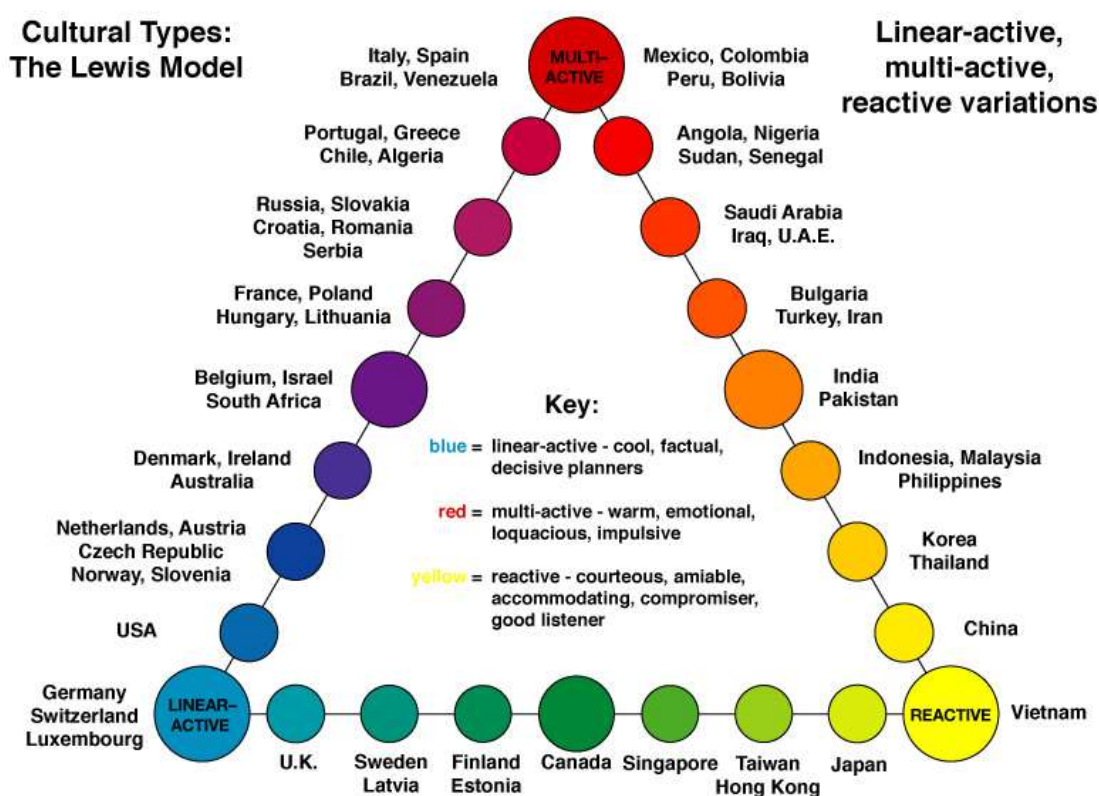
Almost all cultures in the world think of themselves as normal and the others as peculiar. The only way to cultural understanding is to acknowledge and understand how our own cultural coding effects on our world view. We need to understand the extraordinary traits that are specific to our own culture. In addition to acknowledging our cultural traits, we need to understand the subjectivity of our ethnic and national values. By trying to view the world from a perspective of a representative of another culture, we start developing our intercultural sensitivity. (Lewis 2006, 21-25.)

## 2.2 Lewis model

The Lewis model is business oriented and focuses on behaviours and communication. It is easy to understand and use due to the limited number of categories. The earlier models for cultural categorisation were developed in 1950 to 1990, when Asia didn't play such a big role in Western society. Due to accelerating globalisation, Asian cultures have increasing influence on global economy and therefore should be given more attention. The Lewis model emphasises the unique differences also in Asian cultures. (Gates 2017.)

Lewis (2006) remarks that there are hundreds of cultures in the world, from which over two hundred are recognised countries or states. Hence culture is much broader than just nationality and might variate remarkably regionally, the number of cultures reach even up to three hundred. Regardless of the great amount of distinct cultures, there are notable similarities in behaviours of different cultures' representatives. (Lewis 2006, 28.)

There are three different cultural categories in the Lewis model; linear-active, multi-active and reactive (picture 1). Categorising cultures allow us to 1) predict cultural behaviour, 2) understand the meanings behind actions, 3) prevent insulting, 4) seek for unity, 5) normalize policies and 6) find order. (Lewis 2006, 28-29.)



Picture 1. Cultural types: The Lewis Model. (Lewis 2011.)

Linear-active cultures tend to be task-oriented and punctual. They value data and diagrams over 'vague' oral presentations and possess good organizing and planning skills generally. In business context the linear types incline to build the relationships around contract. They put facts before feelings and are characterized as cool and decisive (picture 2). (Lewis 2006, 29-30; Lewis 2011, Gates 2017.)

Multi-actives are flexible and put less value on schedules and punctuality as reality is more of importance than artificial appointments. As they generally are talkative and dialogue-oriented, they tend to put higher importance on finishing the conversation than keeping up with the agenda. Thus it is the most efficient way of using their time presently, even if it means

getting late from another appointment. Generally multi-actives favor feelings over facts (picture 2). (Lewis 2006, 30; Lewis 2011.)

Reactives are good listeners, but tend to distrust people who talk a lot especially if the words are spoken at high speed. Preferential way of communication is in a form of a monologue in intervals, with enough time to reflect upon what was just said. Reactive cultures almost never interrupt and dislike losing face. They prefer understanding the bigger context instead of focusing on data and diagrams. What is left unsaid is considered as important as what has been said. Reactive cultures value their networks and in business context they tend to build the contract around the relationship (picture 2). (Lewis 2006, 32-37; Lewis 2011, Gates 2017.)

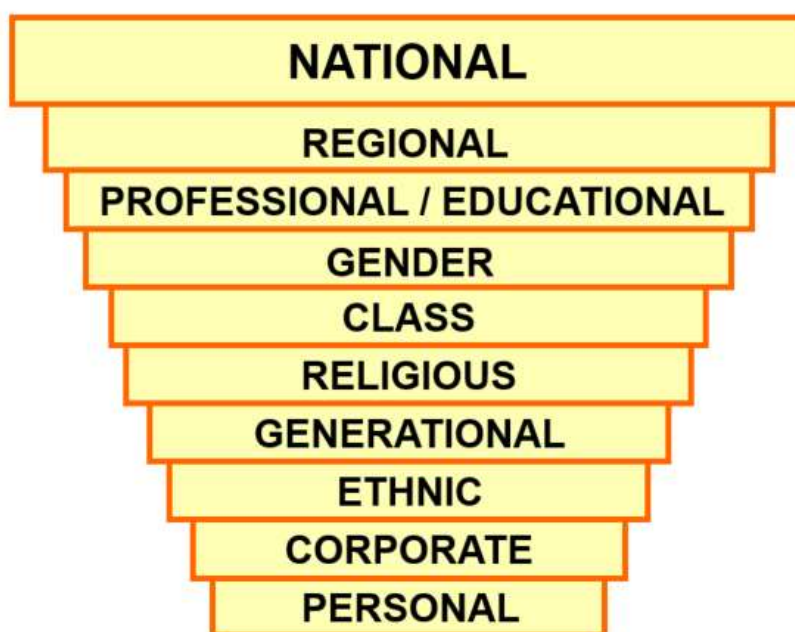
LINEAR-ACTIVE	MULTI-ACTIVE	REACTIVE
Talks half the time	Talks most of the time	Listens most of the time
Does one thing at a time	Does several things at once	Reacts to partner's action
Plans ahead step by step	Plans grand outline only	Looks at general principles
Polite but direct	Emotional	Polite, indirect
Partly conceals feelings	Displays feelings	Conceals feelings
Confronts with logic	Confronts emotionally	Never confronts
Dislikes losing face	Has good excuses	Must not lose face
Rarely interrupts	Often interrupts	Doesn't interrupt
Job-oriented	People-oriented	Very people-oriented
Sticks to facts	Feelings before facts	Statements are promises
Truth before diplomacy	Flexible truth	Diplomacy over truth
Sometimes impatient	Impatient	Patient
Limited body language	Unlimited body language	Subtle body language
Respects officialdom	Seeks out key person	Uses connections
Separates the social and professional	Mixes the social and professional	Connects the social and professional

Picture 2. Chief characteristics of the three categories. (Richard Lewis Communications 2017.)

### 2.2.1 Layers of culture

National culture is only one embodiment of a culture. Gates (2017) mentions climate, history, religion, language and environment as components that have major role in forming a culture. According to Hofstede & Hofstede (2005) and Gates (2017) there are more cultural layers that affect individual's behaviour in addition to what was mentioned previously. Hofstede & all (2005) have argued that next to national culture, the regional culture also has strong influence. Hofstede & all (2005) description of regional culture includes ethnicity, religiousness and language. Gates (2017) on the other hand names ethnicity and religion as their own layers of culture, which are separate from regional level. Other identified layers of culture are gender and corporate cultures.

Thus culture can be also defined through other factors that shape an individual's norms. On an individual level the personal and psychological traits affect behaviour, as well as the situational contexts. Lewis (2006), Hofstede & Hofstede (2005) and Gates (2017) commonly agree on three additional cultural layers that have effect on how an individual acts; 1) age, 2) profession and 3) field of study. The previously mentioned cultural layers are illustrated in picture 3. (Gates 2017; Hofstede & Hofstede 2005, 11; Lewis 2006, 43.)



Picture 3. Layers of culture. (Gates 2017.)

### 2.2.2 Profession, Field of Study and Age

As discussed before, among the personal and psychological traits of an individual, the situational context plays an important role on the behavioural tendencies of an individual. There are endless amount of different variations of situational contexts, hence only the most significant ones are discussed in more detail. Lewis (2006) emphasises the three most important instances from the perspective of the LMR-model, which have effect on individual's acts; 1) profession, 2) field of study and 3) age. (Lewis 2006, 43.)

The different LMR-groups tend to seek professions that enforce their LMR-traits introduced before. For instance linear-active types tend to choose professions that strengthen their linear-active traits, such as engineer, accountant or technologist. Multi-actives on the other hand favour professions, which are flexible and people-oriented such as teacher, artist or



sales and marketing occupations. Reactive types normally seek for professions where good listening skills are important, or they will develop these skills in their professions, such as doctors or lawyers. The LMR-traits consistency with the job requirements often correlates with the job satisfaction. If an individual finds a job which does not align with their LMR-traits, they may be unhappy in their position. For example an accountant scoring high in multi-active traits would likely be unhappy in their position, and a linear-active technologist may experience failure when trying to sell their company products. Skilled leaders on the other hand are often hybrid in terms of LMR-traits, or score higher in multi-active traits especially in linear cultures. (Lewis 2006, 43-44.)

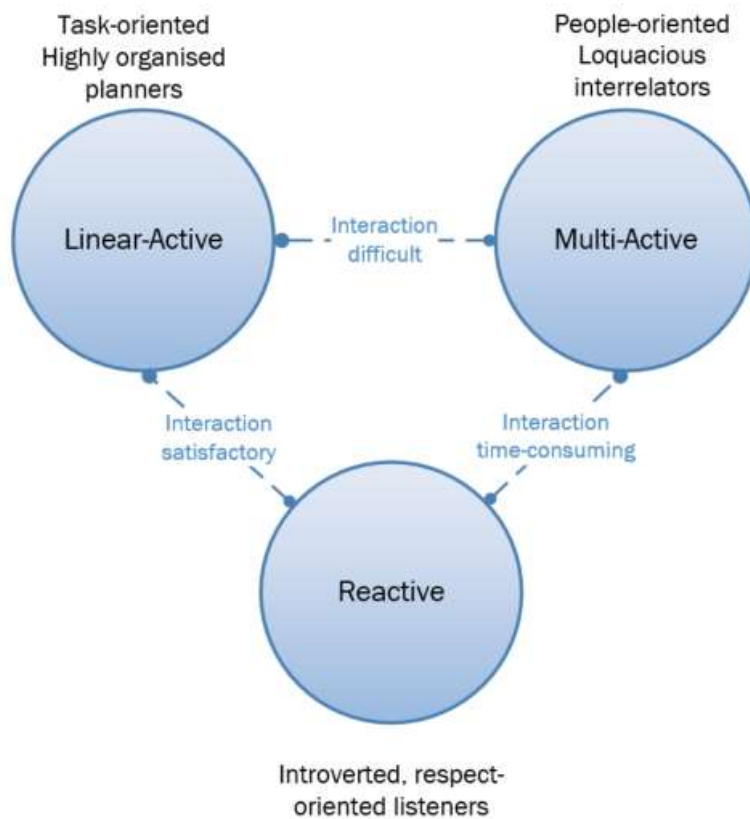
Field of study affects also individual's cultural traits. For example according to assessments done in Western MBA programs, Japanese students scored higher in linear-active traits than they normally would. Thus when tested back in Japan, they went back to higher scores in reactive traits. Multi-actives on the other hand, did not adopt the linear traits to such extent, although they also scored slightly higher in linear-active traits than they would back at home. (Lewis 2006, 44-45.)

Perspectives of society, authority, law and freedom can be often be reflected with generational aspects. Younger people tend to be more categorical in terms of LMR-traits, although these traits often soften when individual gets older. This is especially true for young people who match strongly with linear-active or multi-active traits, thus when aging, they tend to adopt more reactive traits. (Lewis 2006, 43-44.)

### 2.2.3 Collision of LMR-categories

According to Lewis (2006) confusion arises in a cultural encounter more often, when different categories collide instead of different nationalities. Each of these groups experience different levels of difficulty when communicating with each other. The linear-active cultures tend to be more data-oriented, whereas multi-active cultures more dialogue-oriented. Reactive cultures on the other hand are considered as introverted respect-oriented listening cultures. (Lewis 2006, 27, 38; Lewis 2011.)

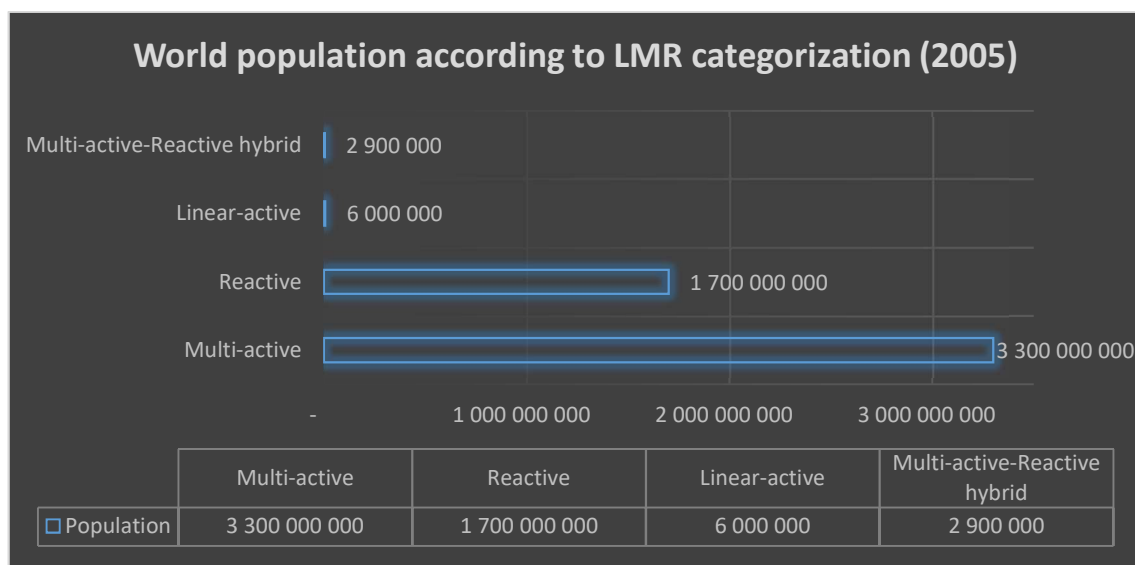
When cultures from similar category meet they tend to be able to get along with each other, due to the similarities between their behavioural patterns. However conflicts arise easier when dealing with another cultural category. Reactive cultures are the best in getting along with other types. This is due to them reacting on the counterpart rather than opening discussion on a topic. On the other hand linear-actives and multi-actives both tend to be the initiators, thus they don't have much more in common and may experience conflicts in communication more easily (picture 4). (Lewis 2006, 40-41.)



Picture 4. Levels of Difficulty in LMR Interactions. (Lewis 2006.)

#### 2.2.4 LMR-categories globally

In 2005 there were 600 million people representing the linear-active cultures, whereas multi-active culture representatives amounted to 3,3 billion, and reactive cultures were represented by 1,7 billion people. 290 million people from India and Philippines are hybrid due to scoring equally both multi-active and reactive characteristics (picture 5). (Lewis 2006, 41.)



Picture 5. World population according to LMR-model. (Lewis 2006).

Due to globalization there are increasingly diverse competitors in the global markets. By looking at the numbers it is obvious that the linear-active cultures are the future underdogs in global business. Therefore Western business leaders should take the cultural divergence seriously in order to guarantee their business continuum and survival. Products won't speak for themselves in multi-active and reactive countries, where business agreements are prone to relationships between people. Furthermore multi-active and reactive cultures cover the majority of the world population and hence, presents too big business opportunities to be overlooked. (Lewis 2006, 41, 101-102.)

### 2.3 Role of language in communication

In addition to diverse values and behavioural norms, communication gaps in multicultural environment are often caused by language. Each nationality has their own way of using language for communicating. In addition to grammar, vocabulary and syntax, language is used to reach the utmost effect by exploiting the national characteristics. As such language is not only a tool for communicating, but it reflects also the national culture. Also listening habits vary according to the cultural characteristics. (Lewis 2006, 63-66, 69.)

According to Lewis (2006) people tend to disregard their cultural sensitivity in meetings in case of contradictions. Thus they start to behave according to what is typical according to their cultural norms. (Lewis 2006, 67.)

Diverse teams that emphasise on their communication can help to facilitate innovation, to grow the organisation, and help the individuals to reach their full potential. Effective communication helps organisations to reach their business objectives. Therefore it is important to find the correct ways to communicate with diverse work force. (Okoro & Washington 2012.)

## 2.4 Stereotyping

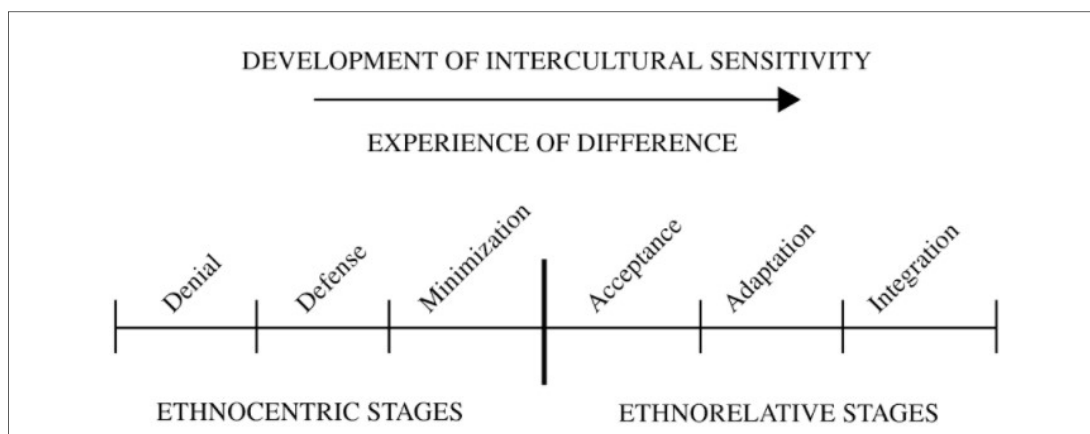
Stereotypes serve as a starting point to gain cultural understanding. Stereotyping, or in other words generalisation is necessary when talking about cultural characteristics. This is because culture as a concept describes the values and behavioural norms of a group not an individual. (Gates 2017.)

Stereotypes are not absolute truths, but rather arise from the combinations of facts, history and experience. They help us to understand our counterpart's motives and reasoning, but should be quickly abandoned if an individual doesn't act according to their cultural tendencies. Generalisations also help us to highlight the cultural differences instead of denying them, which in turn is the first step towards intercultural sensitivity. (Gates 2017.)

## 2.5 Intercultural sensitivity

There are six stages which individual normally passes when developing their intercultural sensitivity; 1) denial stage, 2) defence stage, 3) minimization stage, 4) acceptance stage 5) adaptation stage and 6) integration stage. (Gates 2017, Bennett & Bennett 2004, 153.)

The first three stages are ethnocentric, in which an individual or a group is trying to avoid cultural differences either by denying the differences, defending against them or by minimizing the significance. The later stages (4-6) represent ethnorelative stages, in which an individual or a group seeks to accept the importance of cultural differences, or adapt their behaviour accordingly, or integrate the cultural differences as part of one's identity (picture 6). (Bennett & Bennett 2004, 153.)



Picture 6. The developmental model of intercultural sensitivity. (Bennett & Bennett 2004, 153.)

In the denial stage, an individual is refusing to accept that there are cultural differences. In this stage the individual doesn't recognise their own cultural characteristics nor their impact on their own behaviour. The counterpart representing another culture may be dehumanized and seen as intellectually deficient. In the defence stage the individual sees other culture's characteristics either in very negative or pre-eminent way. Individual makes very simplified generalisations, which often lead to us-versus-them thinking. (Bennett & Bennett 2004, 153-154.)

In the minimisation stage the cultural differences are recognised, but not seen as important factors effecting on behaviour. Normal perception in this stage is that we are all the same, thus making it unnecessary to neither truly understand others nor adapt. In this stage the individual is lacking cultural self-awareness and does not see the necessity to adapt their behaviour in cultural encounters. Thus individual prefers to be honest and authentic whatever the situation may be, while unknowingly behaving according to their own cultural norms. (Bennett & Bennett 2004, 155.)

Acceptance stage means that an individual recognises and accepts their own as well as others' cultural characteristics. In this stage individual is self-aware of their own behavioural patterns and understands that there are differences in how we perceive the world, which leads to complexities in interaction. Regardless of recognising and accepting the differences, the individual's own values and norms are preferential. (Bennett & Bennett 2004, 155-156.)

In the adaptation stage individual is able to view the world from other culture's perspective and they seek to modify their behaviour accordingly. Typically an individual understands those aspects of the different culture that are important to the interaction. The knowledge is

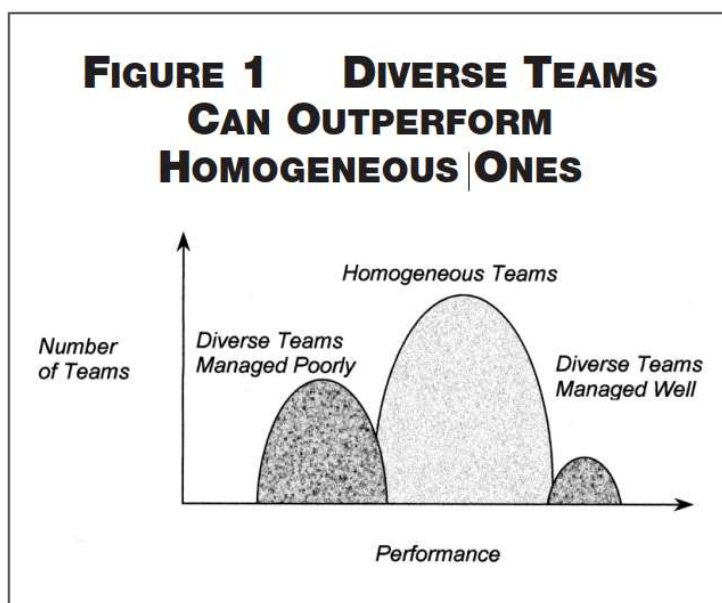
put into action intentionally, as the person seeks to modify their behaviour according to what is appropriate in relevant cultural context. (Bennett & Bennett 2004, 156-157.)

In the integration stage an individual rebuilds their cultural identity, which doesn't describe any particular culture anymore. Instead the identity is re-established according to the individual's extended experience. The adaptation of behaviour comes naturally as an individual is able to empathise with another worldview. (Bennett & Bennett 2004, 157-158.)

### 3 Team performance

There are multiple studies examining the performance of diverse teams; Distefano & Maznevski 2000; Hewlett & Marshall & Sherbin 2013; Rock & Halvorson 2016a; Edmondson & Harvey 2017; Phillips & Thomas-Hunt 2007. These studies show with common consent, that diverse teams are an asset and can help organisations to thrive. However, studies also shows, that what could be theoretically proven to be an asset for organisations, isn't always so easy and straightforward to implement in practice. Robbins & Judge (2013) stated that according to social identity theory the individual's self-esteem is tied to the group performance. If group is doing well the individual's thrive, if group is not performing it might lead to individual's denial of belonging to the group. (Distefano & Maznevski 2000; Hewlett & Marshall & Sherbin 2013; Rock & Halvorson 2016a; Edmondson & Harvey 2017; Phillips & Thomas-Hunt 2007; Robbins & Judge 2013, 272-273.)

According to Distefano & Maznevski (2000) diverse teams can outperform homogenous teams (picture 7). Although more often diverse teams are the worst performing teams in comparison to homogenous ones, in cases if they are not well managed. Chen (2005) on the other hand found that in high-performing teams, the new comer's induction took a longer time, but the learning curve was progressive, whereas in low-performing teams it got stable. The key factors effecting on the team performance are strong leadership culture as well as accepting, understanding and exploiting the differences. (Distefano & Maznevski 2000; Chen 2005; Herring 2009.)



Picture 7. Diverse teams can outperform homogenous ones. (Distefano & Maznevski 2000.)

Due to similarity and cohesion homogenous teams tend to feel more powerful. Rock, Halvorson & Grey (2016b) argues that because homogenous teams reach common understanding and harmony faster, they perceive it as making faster progress. On the other hand heterogeneous teams evaluated themselves as less efficient and were more dubious about their decisions. Study showed that these perceptions were contrary to the reality as the heterogeneous teams doubled the likelihood of finding the correct answer. This suggests that the heterogeneous team performs better due to the hardship. (Rock, Halvorson & Grey 2016b.)

Heterogeneous teams are better performers, but only if they encounter their differences and aim to understand each other's perspectives. As diverse team members can possess also diverse values the conflicts might arise strongly, if not focused on ideas (instead of values). In order to gain from diversity, the team needs to have deep feeling of unity and supportive organisational structure. (Phillips & Thomas-Hunt 2007; Rock, Halvorson & Grey 2016b.)

This section focuses on team dynamics in diverse team set-ups on a theoretical level. The theory handled in this section is used for conducting the framework for the theme-centred interviews. The interview results help to form a picture of the current situation in the Case Company, which is used as the baseline for the development proposals introduced in the end of this dissertation.

### 3.1 Team building

Diversity in organisations is a standard today. Due to globalisation more often the businesses need to cooperate with international stakeholders and they possess more diverse workforce than before. Organisations can easily recruit staff across borders, and language is no longer a barrier for expats in many professions. Several studies suggest, that diverse staff have greater potential, thus it is in high interest to make this diverse workforce cooperate. (Lewis 2006, 28-29, 104-105; Okoro & Washington 2012.)

Robbins & Judge (2013) claimed that when people meet the first time the cultural differences have greater impact on how people perceive each other and how they behave. However after these individuals get to know better, the surface-level diversity starts losing its' meaning, and more deep-level personal values get increased meaning. Edmondson & Harvey (2017) further declared that interpersonal interactions impact on individual and collective states, which changes as the team transforms. Hence these states can either strengthen the team performance, or disrupt it. (Robbins & Judge 2013, 42; Edmondson & Harvey 2017.)

Social identities make people feel belonging, provide behavioural norms and a feeling of purpose. An individual has multiple different identities throughout their life. According to Robbins & Judge (2013) one might identify themselves with their organisation, whilst other with their ethnic group or gender. Although the feeling of belonging may lead to bias, as the group members are seen as preferential and better, which might lead to in-group favouritism. (Robbins & Judge 2013, 273-274.)

Gates (2017) names five rules that enable building powerful multicultural team. The first and the most important rule is that the leader needs to be self-aware and understand very clearly who they are themselves. The second rule concerns clarity. The objectives and roles needs to be stated very clearly. Third rule is being understandable. The definition of the objectives and roles needs to be done in ways that means something to everyone in the team. Fourth rule is about exploiting the differences and using diversity as an asset. The fifth and the last rule is about creating team spirit and having fun. (Gates 2017.)

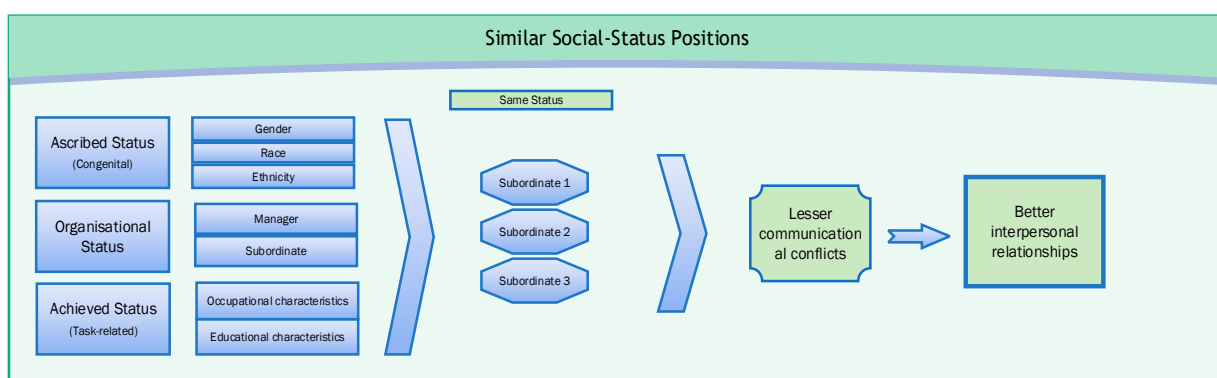
Yet getting the diverse teams to cooperate seamlessly requires that the team members learn to understand each other's meanings and intentions and communicate those effectively. According to Edmondson & Harvey (2017) different teams mature with different speed, and some of them never mature. (Edmondson & Harvey 2017.)



### 3.1.1 Status distance

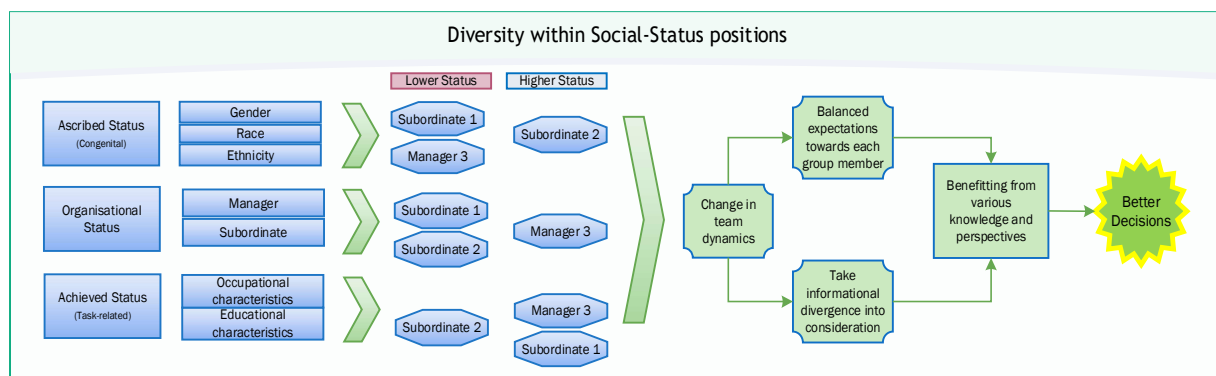
On a high level status can be categorised in two groups; ascribed status and achieved status. Ascribed status refers to congenital social characteristics such as gender, race or ethnicity, whereas achieved status refers to qualifications such as occupational or educational characteristics (Phillips, Rothbard & Dumas 2009). Due to considering the group behaviour from an organisational perspective, the status distance is further divided into three sub-categories; 1) social characteristics (congenital), 2) organisational position (manager-subordinate) and 3) task related expertise (Phillips & Thomas-Hunt 2007).

Phillips & Thomas-Hunt (2007) reported that the status of an individual determines how much influence they have on the rest of the group. Phillips, Rothbard & Dumas (2009) on the other hand found that similar status positions amongst individuals led to lesser communicational conflicts and better interpersonal relationships (picture 8). (Phillips & Thomas-Hunt 2007, Phillips, Rothbard & Dumas 2009.)



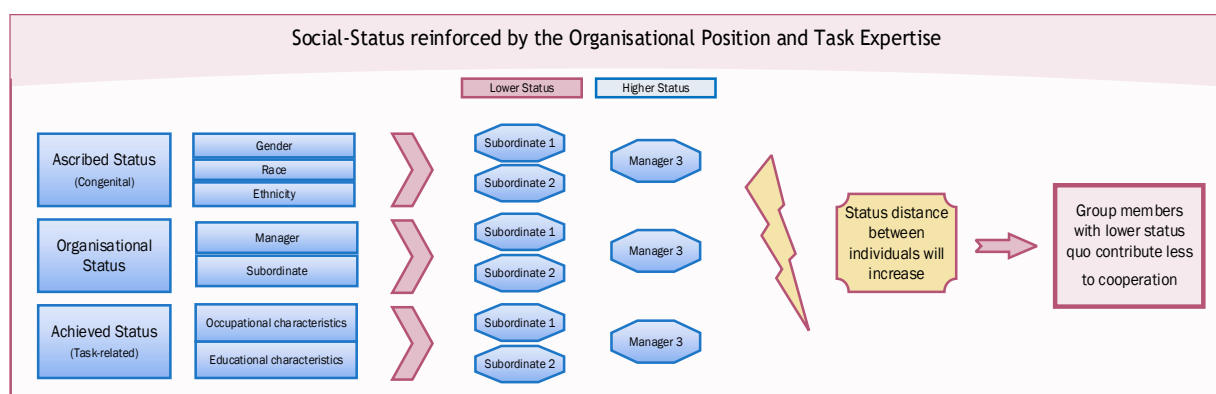
Picture 8. Similar Social-Status Positions.

Phillips & all (2007) concluded that when diversity within societal status exists, groups recognise having informational divergence and are keener to take those in to consideration in discussions. This may occur when the statuses between the three introduced status-categories intersect (picture 9). Hence the team dynamics change in terms of balanced expectations towards each group member and thus enables benefitting from various knowledge and perspectives. Thus potentially yielding better decision. (Phillips & Thomas-Hunt 2007.)



Picture 9. Diversity within Social-Status Positions.

Although in case social-status reinforces the organisational position and task expertise, the status distance between individuals will increase (picture 10). Hence the group members with lower status quo contribute less to the cooperation. (Phillips & Thomas-Hunt 2007.)



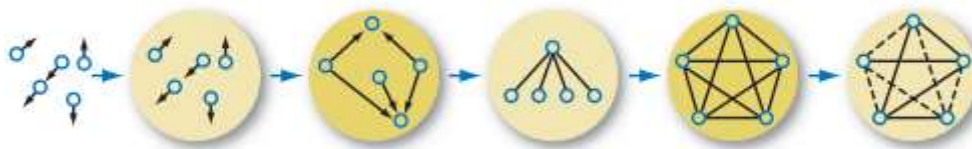
Picture 10. Social-Status reinforced by the Organisational Position and Task Expertise.

Herring (2009) disclosed that diverse teams can yield better business results in terms of profits and earnings. Thus the effect of diversity can also be disadvantageous, due to arising conflicts. Phillips & Thomas-Hunt (2007) stated that if the status distances were great inside of a group, there was higher likelihood that the group failed to capitalize the benefits of diversity. Equal contributions in terms of ideas and knowledge were shared more easily within a team with lower status distance within the group. (Herring 2009, Phillips & Thomas-Hunt 2007.)

### 3.1.2 The five-stage model

All groups develop and go through various stages during their life time. Five-stage model divides the different phases of group development to 1) forming, 2) storming, 3) norming, 4) performing and 5) adjourning (picture 11). Normally groups start with the forming stage (1) where the purpose, roles, structure and the norms of the group are not yet clear. People

don't identify themselves as members of the group, and might test the group and their role in it in order to clarify what is acceptable. (Robbins & Judge 2013, 275.)



Picture 11. Stages of group development. (Robbins & Judge 2013, 275.)

In the storming stage (2) group members identify themselves with the group, but do not accept the constraints that the group poses to their individuality. The roles and the hierarchy battles are common as the group leadership and dynamics are formed. In norming stage (3) group dynamics start to normalize and close relationships are established. Group agrees about the common norms and expectations. In the performing stage (4) the group members know their place and the common norms and behaviours are accepted. In this stage the group becomes fully functional. Adjourning stage (5) is the final stage for temporary groups. In this stage group is finalising their assignments and preparing to decompose. (Robbins & Judge 2013, 275.)

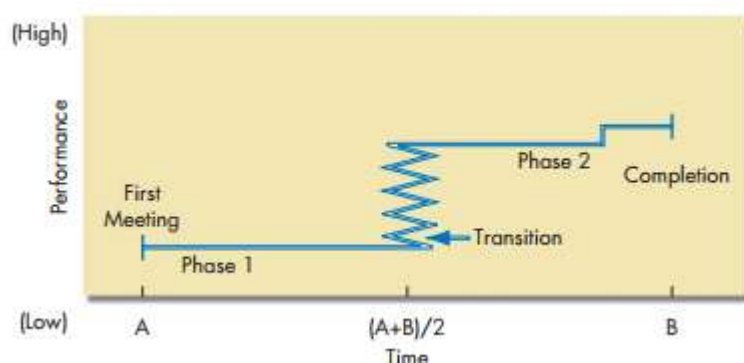
Development through these stages is not the only factor that effects on group performance. In order for the group to perform efficiently common purpose and a strategy to align with is required. If those are not provided the group performance is likely to decrease as time passes. (Robbins & Judge 2013, 275.)

Further more positive mindset increases the likelihood of better group performance. Also the group doesn't necessarily develop themselves sequentially according to the model. Instead the development over the stages can happen sometimes concurrently, thus the development is not always progressive either. (Robbins & Judge 2013, 275-276.)

### 3.1.3 Punctuated-Equilibrium Model

Those groups that have a temporary line-up and an upcoming deadline, follow a different path of development (picture 12). The first gathering of this kind of group usually determines the direction, purpose, expectations and the behavioural norms. After the first meeting the groups usually becomes apathetic and reluctant. During this phase the group is unlikely to take any possible new aspects into consideration, thus they are not actively seeking those either. Regardless of the time that is initially given until the deadline, groups tend to regain

their efficiency once half of the given time has been spent. During this phase the group structures might change and new insights are accepted. After the transition the group starts to work on towards their new course and their performance stabilises. Another energy burst occurs when the deadline is approaching and the group strives to wrap-up their tasks. In this model the function of time plays an important role as it effects on the group performance, thus the model can be applied only in those cases with temporary setting and limited amount of time. (Robbins & Judge 2013, 276.)



Picture 12. The punctuated-equilibrium model. (Robbins & Judge 2013, 276.)

### 3.2 Leadership

Leading national and international teams requires similar qualities from the leader; self-knowledge and ability to empathise and understand others. Leaders need to motivate their teams and create a safe environment to operate in, where there is room for differences. Creating trustful and safe work environment is already a challenge in national organisations, where people share the same culture and cultural values. These challenges are multiplied when dealing with multi-cultural teams. Cultural empathy is the way to get there. The ability to cultural empathy starts with acknowledging the differences and the underlying reasons. According to Lewis (2006, 139) long-term employment with representatives from different cultures, doesn't only help to acknowledge the differences, but also helps to see the reasoning behind these differences. (Gates 2017, Lewis 2006, 125, 139.)

The keys to successfully managing diverse teams rely in the leadership culture. Leaders need to be self-aware, empathetic, understanding and willing to exploit the differences. The ability to cultural empathy requires the leaders to acknowledge the differences and understand the reasons behind. (Gates 2017.)

The role of leadership in innovations is to create a suitable structure and environment for introducing new ideas. In case if a new idea introduced by an employee is directly shot down or ignored, the likelihood of employee pursuing this kind of behaviour in the future is very small. Therefore management should listen and encourage employees to innovate. Furthermore emphasis should be focused on building trust and promoting common values within teams in order to unlock the business potential. (Senge 2000.)

Hewlett & all (2013) determined that those organisations that lack diversity in leadership, minorities are more than 20 percent less likely to get recognition for their ideas in comparison to white men. This means that a lot of companies are losing crucial market opportunities. Next to inherent diversity, the acquired diversity plays an important role in setting a favourable culture for innovating. According to the study conducted by Hewlett & all (2013), six de-meanours were identified that contributes to creating culture that supports and encourages new ideas and innovations; 1) ensuring that everybody is heard, 2) making it safe to propose novel ideas, 3) giving team members decision-making authority, 4) sharing credit for success, 5) giving actionable feedback and 6) implementing feedback from the team (Hewlett, Marshall & Sherbin 2013).

According to Rock, Halvorson & Grey (2016b) organisations can benefit from diversity if the leaders only recognise that conflict and debate arising from diversity leads to increased creativity and profound thinking. When conducting teams, one should consider the team composition very carefully - especially when choosing the leader for the team. Authoritarian French leaders should be very careful when dealing with consensus seeking Swedish or Japanese. The Asian leaders should embrace much more vigorous leadership style with the argumentative Dutch and dramatic Spanish. (Lewis 2006, 104-105.)

### 3.2.1 Leader member exchange theory

Leader member exchange theory (later LMX), describes the social relationships between different roles within a group. The theory describes the relationships between the leader and the members or followers within the group. These social relationships show the characteristic of social interaction between the parties in terms of experiencing physical and mental support, material resources, information and emotional support. The relationships tend to be emotional relationships that promotes trust and respect, thus they tend to extend further than the formal job descriptions. The member's responsibility, decision making, performance and access to resources are influenced by the relationship. (Liden, Sparrowe & Wayne 1997, 48-49.)

Graen (2013) extended the LMX theory to include team leadership (LMX-T) aspect that promotes the importance of leadership of direct subordinates and colleagues as well as managing the business unit. According to Graen (2013) nowadays the managers are more competent in managing the business unit than they are in leadership. Thus not focusing on leadership has an effect on employee engagement especially with millennials, leading in lost motivation and creativity, and higher employee turnover, hence meaning lost business opportunities. Millennials are used to less authoritarian leadership styles and highly value enrichment and engagement in their jobs. If the manager fails to realise this and instead use their power to dominate and command, it is likely that their millennial subordinates lose their enthusiasm towards their job and find other targets for their interest. (Graen 2013, 458-459.)

The LMX-T model focuses on how to build unique strategic alliances that enforce trust, admiration and commitment, thus enable building teams that excel in performance. The most important aspects in LMX-T are enhancing skills, changing rewards and recognising those who model effective behaviours (Graen, 2013). Enhancing skills refers to managers training their capability in establishing unique strategic alliances right from the beginning. Engaging people in the team right from the beginning of their employment enables creating successful business units. Changing rewards refers to managers learning to lead people in less authoritative style by guiding their team by asking how (without incentives), instead of telling what. Recognising role models refers to identifying those managers who have successfully established unique strategic alliances with their teams as well as across functional units, and recognising their behaviour as exemplary. (Graen 2013, 458-459.)

As discussed before, establishing unique strategic alliances that foster trust, commitment and loyalty enable the success of teams and individuals within. This is especially important in critical situations that require extra effort from the team. Those teams with strong alliances tend to give an extra mile when the situation requires it. The longer the team stick together, the stronger alliances they are able to create. Therefore teams should focus on building the alliances right from the start by setting goals, tasks and bonds. The quality of these alliances should be periodically reviewed in order to seek for ways to improve them. Thus teams cannot be effective if they are disturbed, tired or unprepared. (Graen 2013, 462-464.)

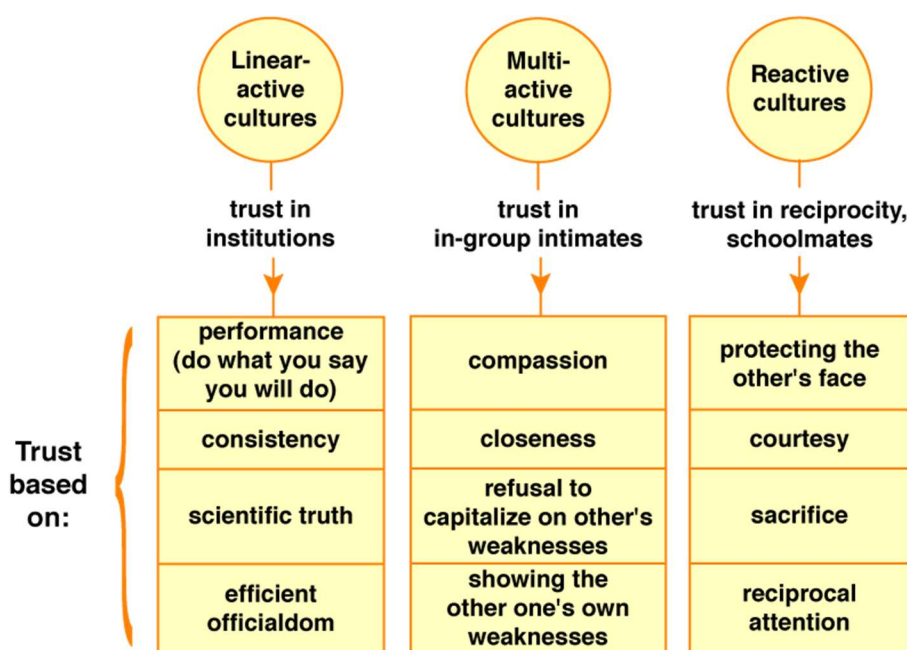
### 3.2.2 Building trust

The team performance is highly dependent on the trust level they show towards each other. Best ways to get people motivated is to embrace strategies that enforce the feeling of mutual trust. These strategies include of 1) setting clear and transparent goals, 2) making understandable instructions, 3) communicating them effectively, 4) establishing and enforcing an information sharing policy, 5) equipping the team with appropriate user-friendly tools, 6) setting up time efficient processes, 7) noticing and commending contributions, 8) backing up the

team, 9) listen to the team and act upon their recommendations and 10) work towards transparency. (Lewis 2006, 144-145.)

Cultures can be divided into two categories; high-trust and low-trust. High-trust cultures tend to trust their fellow citizen, whereas low-trust societies tend to trust only to their families and close ones. Generally Western societies, especially the Nordic countries are high-trust societies. To illustrate Gates (2017) reported that 62 percent of Norwegians say that they trust their fellow citizen, whereas only 2-3 percent of Brazilians could say the same. (Gates 2017.)

Building trust in virtual international teams is way more challenging than in on-site teams, as coherence and proficiency are difficult to validate from distance. Team members get together couple of times in a year, and normally look forward to their team-building events, which play significant role in bonding of the members. However the need for face-to-face categories varies greatly between different LMR-categories (picture 13). Distance breeds distance, which is especially true with multi-active and reactive cultures who value relationships over facts. Whereas multi-active and reactive cultures value and require more face-to-face time, the linear-active types can cope with fewer meetings in person. Thus it is much harder to form and maintain relationships virtually in international teams. (Lewis 2006, 148-150.)



Picture 13. Trust variance. Gates 2017.

First impressions have a significant role especially in virtual teams, as it is common for people to stick with their first impressions. Thus when people meet virtually for the first time, the

danger of giving bad first impression increases significantly. Communication via email or phone is lacking a lot of important elements, thus it may be easy to write an email hastily which gives a bad impression to the recipient. While there might be great organisational benefits from forming international virtual teams, the organisations should emphasise the importance of team-building activities that help the team members to form social bonds. (Lewis 2006, 148-150.)

### 3.2.3 Motivating diverse team

Motivation can be defined as one's eagerness to reach goals. This can be further narrowed down to individual traits such as intensity, direction and persistence which individual exerts. Intensity refers to how strongly one pursues their goals, whereas direction refers to what is beneficial for an organisation point of view. Persistence indicates the endurance of reaching a goal. Intensity results to beneficial results only in case if an individual pursues the organisation's direction. (Robbins & Judge 2013, 202-203.)

According to Hattendorf (2014) sometimes the greatest reward is having their ideas acknowledged and acted upon. This is supported by the Maslow's theory's<sup>1</sup> two highest needs of self-esteem and self-actualisation. From organisation's perspective in regards to motivation the needs in higher hierarchies are of greater importance. Motivating individuals is helping them to grow and achieve better self-esteem and support their self-actualisation. According to Robbins & Judge (2013) these latter can be supported if employee is shown a clear relationship between their actions and rewarding. Thus, the reward needs to be desirable on a personal level. There is no pervasive recipe on motivating rewards, but instead it's highly dependent on the individual. Individual's culture certainly effects on what they perceive as enticing, thus Lewis (2006) concludes that international formula for motivating does not exist. (Robbins & Judge 2013, 203-204, 224-226; Lewis 2006, 141-142.)

<sup>1</sup>Maslow (1943) presented a theory of the hierarchy of needs with five levels that represent both; physiological needs (lower) and growth needs (higher). According to the theory, one must first have their lower needs satisfied before their behaviour is affected by the higher needs. These five needs are 1) physiological, 2) safety, 3) belonging, 4) self-esteem and 5) self-actualisation. The three lower order needs (1-3) require external elements to be favourable. The higher needs (4-5) are associated with individual's self-perception. (Robbins & Judge 2013, 203-204.)

### 3.2.4 Expectancy theory

The expectancy theory focuses on rewarding an individual for their performance. According to this theory the perception of a reward or an outcome should be attractive to an individual



and the outcome should also be achievable. In this case the employee will find the opportunity attractive on individual level and will go an extra mile in order to reach the goal. (Robbins & Judge 2013, 224-225.)

The expectancy theory can be divided into three relationship categories. Effort-performance relationship (1) is the individual's perception of the amount of effort that has to be given in order to perform. Performance-reward relationship (2) indicates the individual's perception of the desired level of performance in order to achieve the reward. Rewards-personal goals relationship (3) indicates the individual's perception about the reward attractiveness on a personal level. (Robbins & Judge 2013, 224-225.)

The shortcoming of the theory is that it only applies if the individual can track and understand the connection from effort to performance to appraisal and rewarding. However, from the viewpoint of employees, the path is not necessarily so clear in most organisations. Furthermore most organisations rather reward seniority, skill-level and job complexity. However even if this theory cannot be applied as such, it gives good indication on the low performance of employees. Why should one give their maximum effort if they see no positive outcome in relation to their contributions? (Robbins & Judge 2013, 224-226.)

## 4 Growth

In order to remain competitive organisations must keep changing and innovating constantly. The organisations' ability to respond to the changing market demands fast and agile are critical for their success and survival. In order to keep up with the markets companies must develop their selves at all times. (Onsman, 2003; Lewis 2006, 125-126.)

This chapter handles diversity in terms of innovation and growth in theory. The theory is used as a guideline while conducting the interview questions. Interview results are finally used to formulate a development proposal based on the theory base and empirical findings. The development proposal is introduced in the end of this dissertation.

### 4.1 Change & Transition

A Greek philosopher Heraclitus (500 BC) said once that the only constant is change. Anticipating the change has been a great interest for humankind since the beginning of time (Hiltunen 2012, 54.).

Globalisation and digital disruption drives the change in all industries. As earlier discussed, the ongoing digital disruption as well as social- and regulatory changes, which continues to change the financial industry have created a gap in the financial markets that traditional banks are not able to fulfil. Hence the market share of non-bank Financial Technology companies has increased considerably around the world, as they have risen to fill the market gaps that traditional banks have left unfulfilled. The world is wide open for the online companies in terms of scaling their business abroad and recruiting staff from across the world, creating diverse virtual teams with complementary skill-set and knowhow. Especially in online companies knowledge of local language is rarely a barrier in many professions. Due to globalisation businesses also need to cooperate with international stakeholders more often. Thus communication across cultures has become increasingly important for companies' success. (Citigroup 2016, 3, 7-9, 14; Nash & Beardsley 2015, 3; Lewis 2006, 28-29, 104-105; Okoro & Washington 2012.)

The principles of evolution apply to business as well; the one survives who is capable and willing to adapt to the ever changing environment. As adaptation takes time, it is beneficial for organisations to anticipate how their operating environment will change, and whether and how they should prepare for these possible changes. Time is a critical resource in business, and in order to use it efficiently - one needs to anticipate. Anticipating the changes in operating environment, helps organizations to adapt themselves in terms of resourcing and know-how requirements in the near future. (Hiltunen 2014.)

Economist try to anticipate the fluctuations of economy, whilst strategists try to anticipate how to invest, and meteorologists try to foresee the weather and fashionistas wants to know what is hip next season. Organisations manage their resourcing by anticipating market demand. Due to technology, change happens on a faster pace nowadays, as information spreads globally much easier than before. Also some sort of global segmentation can be identified, as changes can be fragmented and happen more frequently. Fragmented changes happen when cultures and ideologies meet each other via Internet, thus the change is not centralised in one location, but may happen simultaneously in different parts of the world. (Hiltunen 2012, 23, 43, 48.)

Anticipating the future helps to map different alternatives for what's coming. Change can be fast and have small or no impact, or it can be slow paced and have a huge impact, and anything in between. The most challenging part of anticipating the change is regarding the timing and the direction of change. (Hiltunen 2012, 26, 75, 206-207.)

In practice anticipation means scanning weak signals, trends and mega-trends, analysing, applying and disseminating information. This process should be integrated in the organisation

instead of doing it just once in a year. Everyone should allocate time for collecting the signals on a common platform. Collecting signals can be just as simple as collecting two signals per month per employee. Own team should be established for analysing the signals periodically, and drawing conclusions from the analysis. The conclusions should be shared to the entire organisation, so that those can be used as a tool for innovation. (Hiltunen 2014.)

## 4.2 Inattentive blindness

This term became familiar in late 1990s, when Dr. Daniel Simmons and Dr. Christopher Chabris performed a test to a group of study participants. In the test, a group of people dressed in white and black costumes threw a basketball to each other. The study participants were asked to count how many passes they can see on the video done by people wearing white shirts. In the middle of this video a person wearing a gorilla suit is walking in the middle of the screen, watching into the camera and then walking away. Meanwhile the game continues on the background. After the test, the study participants are asked how many passes they counted. This question could be answered, although it was irrelevant for the test. After that participants were asked to tell if they saw anything unusual on the video - surprisingly only half of the study participants had noticed the gorilla. The other half hadn't noticed a thing, and some of them were even shocked due to missing out something so obvious. By following the eye movements of the study participants, it could be confirmed that even those who didn't notice the gorilla, had looked at it. This shows that only visual perception is not enough, but in order to utilise it, it requires that our brains register and process the observation into information. (Hiltunen 2012, 55-56, 59, Howard 2012.)

Humans have efficient filters for blocking out noise from our surroundings. Our senses limit our capability to observe, for instance in comparison to dogs, our sense of smell is much more limited. Also the way we focus our attention is limiting our ability to observe our surroundings. It is relatively easy to skip or misinterpret an irritant, if it is not relevant to us according to our mind, or if it doesn't fit to our "reality". Our limitations play an important role in anticipation, as we sometimes can miss a very obvious factor, event or variable, or what at least seems obvious in retrospect. (Hiltunen 2012, 56-57, 59, 62.)

It is important to notice that person themselves plays an active role in interpreting their observations led by their own motives and past experiences. On the other hand, also our surrounding rewrite our mental models, and therefore it can be concluded that our mental models are in continuous dialogue with the external irritants. (Hiltunen 2012, 62-64.)

Observations can be divided into two categories; 1) bottom up and 2) top-down. Bottom up observations are based on irritants which our brain processes through our senses. Top-down

observations on the other hand, are based on our own mental models, which guide us to observe certain kind of things from our surroundings. Our mental models and feelings play an important role especially when the observation target is complex or multi-dimensional. (Hiltunen 2012, 63.)

#### 4.3 Innovation

Innovations tend to happen in interactive process with multiple stakeholders, as it involves a mixture of skills as well as an ability to learn and adapt (OECD 2010). Innovation can be determined as a significant increase in value through a new or an improved process, product or method. Thus innovation is not an innovation unless it can be realized in action. (Talukder 2014, 9; OECD 2010; OSF 2017.)

Innovations can be divided into three categories with axis; 1) administrative and technical, 2) product and process, and 3) radical and incremental innovations (Talukder 2014, 9). According to Hattendorf (2014) business ideas comes from multiple sources; 1) outside in, 2) top down and 3) inside out. In outside in approach the initiative comes from feedback from customers, partners, or enhanced consumer technologies or changing market trends. Top-down approach on the other hand illustrates the executive vision. Inside out approach describes the employee contribution in terms of in depth business or customer knowledge. (Hattendorf 2014.)

Hattendorf (2014) introduces the concept of targeted innovation with cross-business and technology challenges to drive disruptive ideas. The essence of this concept is, that scope and the background are provided together with a “schedule”, which can be called the challenge. The challenge can be laid out by business, customer or industry trend, and it should focus on actual business need - which in turn enables higher probability of the idea becoming an innovation. (Hattendorf 2014.)

The submitted ideas can be the further divided into two different categories, based on their feasibility, potential and alignment with the business strategy. Either the ideas can be immediately adopted, or they can be stored for possible later use. (Hattendorf 2014.)

#### 4.4 Capitalizing diversity

Diversity is ought to bring substantial benefits for an organisation. However diversity can also induce substantial issues as it might cause struggle and resentment. Therefore it is increasingly important for businesses to avoid misunderstandings and communicate smoothly, as well

as cherish their relationships. (Rock, Halvorson & Grey 2016b; Galinsky, Todd, Homan, Phillips, Apfelbaum, Sasaki, Richeson, Olayon & Maddux 2015; Herring 2009; Lewis 2006, 28-29.)

Due to the increasing complexity of business issues Edmondson & Harvey (2017) suggests that diversity in workforce is of growing importance. Innovations are more often done in teams than just by an individual. Thus diverse interdisciplinary teams possess more comprehensive skillset and knowhow. (Edmondson & Harvey 2017.)

Diversity plays an important role in organisations ability to grow and innovate. Diverse workforce is superior to homogenous ones in terms of ideas, mental frameworks and knowledge. Diversity is a key element in being able to innovate and remain competitive. Hence diverse team members have different skillsets and ability to identify gaps, solutions and opportunities more effectively and comprehensively. Diverse teams also helps organisation to reach those kind of areas that were inaccessible before. (Ayers 2017; Zhao 2005; Koryak, Mole, Lockett, Hayton, Ucbasaran & Hodgkinson 2015.)

Hewlett, Marshall & Sherbin (2013) argued that diversity and leadership were correlated with market outcomes. The study showed that organisations with inherent and acquired diversity out-innovated and out-performed others, by being 45 percent more likely to grow their market share annually, and 70 percent more probable to conquer new markets. (Hewlett & Marshall & Sherbin 2013.)

Rock, Halvorson & Grey (2016b) suggested that conflicts arise more easily in diverse teams. These conflicts could be considered as an asset. Conflicts pressure the team to go outside of their comfort zone with the result of higher likelihood of passing on from the easy solutions that a homogenous team might be satisfied with. Herring (2009), Distefano & Maznevski (2000) and Rock, Halvorson & Grey (2016b) argued that diverse teams outperform homogenous ones, because growth and innovation can be more easily materialized through more comprehensive knowledge and problem-solving skills. Thus Phillips & Thomas-Hunt (2007) reported that in order to capitalize on diversity, the team needs to pay attention in hearing and considering everybody's ideas, despite their possible bias. (Herring 2009; Distefano & Maznevski 2000; Rock, Halvorson & Grey 2016b; Phillips & Thomas-Hunt 2007.)

Hewlett & all (2013) conducted a study upon how diversity can drive innovation, which was performed to 1800 professionals and included 40 case studies and multiple focus groups and interviews. What comes to innovations in regards of diversity, organisations can unlock their innovation potential by creating an 'employee speak-up' culture. Companies that were actively developing their culture were twice as likely to make use of value-driven insights and

3.5 times more prone to encourage employees to devote their full innovation potential. Nevertheless, this was only the case if the leaders paid attention to giving equal airtime to all employees. (Hewlett & all 2013.)

Rock & Halvorson (2016a) claimed that the decision making process in diverse organisations yield better decisions. Diverse teams have more viewpoints on the issue at hand, and they use more energy in understanding the issue and processing information. Lewis (2006) reported that international teams produce better results and are able to solve more complex problems with higher success rates. Homogenous teams were seen more successful in performing routine tasks, thus nowadays businesses are very rarely just routine tasks. (Rock & Halvorson 2016a; Lewis 2006, 125-126.)

Okoro & Washington (2012) highlights that the benefits of diverse teams yield to improved capabilities in multi-cultural negotiations as well as better decision making and business solutions. Thus if these differences are neglected the effect can be counterproductive. (Okoro & Washington 2012.)

In order to boost innovation and economic growth, organisations must learn ways to overcome the barriers that diversity might pose. Competent management plays a key role in setting favourable culture and environment for diverse teams to operate. (Galinsky, Todd, Homan, Phillips, Apfelbaum, Sasaki, Richeson, Olayon & Maddux 2015.). Education and experience are important factors in supporting growth of an organisation (Koryak, Mole, Lockett, Hayton, Ucbasaran & Hodgkinson 2015).

## 5 Methodological design

Qualitative cross-sectional study method was chosen for this research, as it aims to understand what happens, and why and how it happens. The goal is to be able to understand the current process through employees' experiences, and identify the underlying reasons for their behaviours. The behaviours can be understood through understanding the intentions behind the actions of the employees, and the meanings that are given to those actions. The meanings are discovered through people's desires, beliefs, views, values and ideals. With qualitative method, it is possible to map different dimensions comprehensively - and point out specific issues and phenomena, that couldn't be identified with quantitative research. (Vilkka 2015, 67-69; Hirsjärvi, Remes, Sajavaara 2009, 138-139, 160-161.)

The results of the qualitative study are used as a foundation for understanding the current situation in the organisation through employee's experiences. This foundation serves as a start-

ing point for the development proposals resulting from this dissertation. Development proposals are conducted as a part of this study based on the empirical research and theory conducted from existing literacy.

### 5.1 Research strategy

As this study is done for a case company, the goal is not only to study and explain the phenomenon, but also to provide actionable solutions to change the social setting. Therefore this study uses research methods from case study and action research, in order to create suitable research strategy. As a result of this study, the case company receives a proposal on how to capitalize the benefits of diversity within the company in a form of development proposal. (Saaranen-Kauppinen, Puusniekka 2006, 5.4, 5.5.)

As in a case study, this study focuses on understanding a phenomenon in depth inside of one unit of observation. The phenomenon studied in this research is the communications in service innovation process in culturally diverse organisation. The observation unit is the case company, from which various stakeholders are interviewed in order to gain thorough understanding of the research question. (Swanborn 2010, 2-5, 9-10, 13.)

A case study doesn't aim to provide generalizable information, but instead aims to gain comprehensive understanding of a specific phenomenon. However, the motive is to be able to give a direction for other similar kind of studies in the future. Therefore it is important, when choosing the interviewees, that they have relatively similar experiences and level of knowledge and understanding of the topic. (Saaranen-Kauppinen, Puusniekka 2006, 5.5, 6.2.3, 6.2.3.)

Furthermore, the characteristics of a case study applies, as this study aims to understand the phenomenon through understanding the social processes between the people participating in the service innovations process within the organisation. It is natural that in this type of qualitative studies, the research question is dynamic. Dynamic research question is prone to change during the research, as the findings from the data might lead to a new direction that wasn't yet covered in the theory. (Swanborn 2010, 13.)

This study lacks the requirement of multiple data sources, which is typical for a case study. The data sources are limited mainly to interviews, and internal documents - as the purpose of the study is to focus on the social processes. Observation in a natural setting is typical for a case study. However, this method was ruled out due to limited resources in regards of time, as well as the researcher's position in the organisation. (Swanborn 2010, 13.)

As typical to a case study, this study starts with a broad research question, which results in more specific questions as the research develops. The purpose is to observe the phenomenon through the eyes of the people involved in the process. The divergences in the responses of different stakeholders describing the same phenomenon are especially of interest. The goal is to understand how people perceive this phenomenon and why they perceive it that way. This study lacks the characteristic of a case study, for it will not practice continuous monitoring or repeated measurements. (Swanborn 2010, 13, 25-26.)

Also typical to a case study is to study the social interactions between groups of people. Their interactions are important in understanding the micro-level issues. These issues arise as people communicate together and start developing ideas about each other, which further contribute to these individuals' later social encounters. (Swanborn 2010, 26.)

This study assimilates to an action research, as the objective is to provide actionable solutions in a form of a development proposal. As in action research the approach is very practical and focuses around the perceived problems. This study differs from action research, as it doesn't aim to implement the proposed development items during the research. Therefore also the requirement of research candidates as a subject in the study is not fulfilled. (Saaranen-Kauppinen, Puusniekka 2006, 5.4.)

The case is studied on a meso-level inside the organisation, which means that the phenomena are studied from the viewpoint of different actors. The interviewees are chosen due to their key role in the service innovation process. The senior management is pre-interviewed in order to understand the perceived issues in the current ways of working and their perception about the phenomenon. Members of the staff are interviewed as the actors in the process in order to understand their perception of the phenomenon in different settings. Data is also gathered from the internal documents, such as meeting minutes. (Swanborn 2010, 6-7.)

The teams are the unit of analysis, and the concept of team is divided into two sub-categories; functional teams and project teams. The staff will be interviewed from two different perspectives of being a part of 1) a functional team and 2) a project team. This aspect was chosen due to the organisation structure of the case company. All the interviews are recorded and transcribed. Thematic analysis is used for analysing the interviews. (Saaranen-Kauppinen, Puusniekka 2006, L7.3.4.)

## 5.2 Research question

The research problem and questions have been designed after performing pre-interviews to the management of the case company. The aim is to take into consideration the unique needs



of the organisation and build the research around those needs. The aim is to research, design and create a development proposal for diverse team communication in innovation and service development process, which is tailored for the case company's requirements.

#### **How does internal communication in service development process work in a culturally diverse setting?**

- How to effectively manage (communication in) service innovation process in a culturally diverse organisation?
  - What does cultural diversity mean and how can cultural diversity be used as an asset?
  - Which factors effect on diverse teams' performance?
  - What is the role of teaming activities in building team dynamics? How does team dynamic contribute to team performance?
  - What cultural diversity means in regards to team performance/communication? / How does team composition effect on the communication process?
  - What is the role of communication in service innovation process?
  - Is the process and roles in service innovation clearly communicated to the stakeholders?
  - What kinds of structures support the innovation work and how are they communicated?
  - What is the role of leadership in managing diverse teams? / What is the role of a leader in a new multicultural team composition?

### **5.3 Interviews**

The interviews are conducted in order to map the staff's opinions about cultural diversity, and whether it seemingly has an impact on the team performance and communications in service innovation process. The interviews will be performed as semi-structured interviews with predefined themes to guide the discussion. The themes are; 1) multiculturalism, 2) team performance, 3) communication and 4) innovation.

The effects of cultural diversity in communications and innovation process have been studied before. Thus the interview themes are derived from the literature. Because this study focuses on the behaviours of people involved in the case company in a specific setting, it could be argued that there is little information about the topic. Therefor the interview questions are broad explanatory questions accompanied with descriptive ('what', 'how') questions. Broad questions are used in order to disclose any additional variable that might come up in the in-

interviews. Broad exploratory questions allow the deviations from the theory hence understanding the phenomena in a broader sense. Broad questions need to be accompanied with explanatory 'why' questions. (Swanborn 2010, 28-29, 31-32.)

The interviews are structured according to certain themes, instead of proceeding with predefined questionnaire. The purpose for using this method is to be able to map the experiences, thoughts, beliefs and feelings of an individual. The interpretations and given meanings play a key role. It should be also noted that the given meanings in interview situations are prone to the interaction of the interviewer and interviewee. (Hirsjävi & Hurme 2011, 47-48.)

The predefined themes were provided to the interviewees in advance, so that they could familiarise themselves with the topic. The interviewees didn't receive further information about the topic prior to the interviews, thus they received a short introduction about the thesis topic and purpose afterwards.

Interviews took place between 19<sup>th</sup> of September and 9<sup>th</sup> of October 2017. Interviews were performed in cafeterias in Helsinki or in the premises of the Case Company, depending on the preferences of the interviewee. Interviews took from 40 minutes to 91 minutes, lasting approximately 60 minutes on average. Some interviews were performed in English, whereas some in Finnish, which was translated to English afterwards. There were 91 pages of transcribed interviews. Transcribed interviews were analysed by separating and coding the interviewees' comments with descriptive words and sentences. After coding the interviews, bigger groups were formulated from similar topics. Topics were organised into themes according to a study about innovation culture conducted by Martins & Terblanche (2003). The results of the interviews are organised in the following chapter according to following themes; 1) strategy, 2) structure, 3) support mechanisms, 4) behaviour that encourages innovation and 5) communication.

#### 5.4 Process

This study is conducted as theory bound research, which is also called abductive reasoning. In a theory bound research preliminary theory is conducted in order to get deeper understanding of the topic. Thus gaining profound understanding helps in creating and structuring the research questions. The research data is supported by the theory, but it doesn't need to reflect directly to the preliminary theory. The outcome might be that there is no obvious connection with the preliminary theory. On the other hand new areas may be discovered during the research that are not yet covered in the preliminary theory base. In this type of study, the research data can guide further conducting the theory base, and the theory and the analysis are done partially simultaneously. (Saaranen-Kauppinen, Puusniekka 2006, 2.3.2.3.)

This study is conducted according to the general ‘empirical cycle’, which starts with the problem statement, after which tentative solution is acquired from the literature, followed by data collection and analysis. The analysis and the results are then compared with the literature, which might lead to a new problem statement and another cycle of research. (Swanborn 2010, 32.)

In the first phase of this study a theoretical framework is conducted from the literature. During the second phase the case company’s senior management is interviewed in order to pinpoint their perception of issues regarding the phenomena. In the third phase the interviews are performed to the actual unit of analysis: the teams. The teams are interviewed from two perspectives; as being a part of a functional team and a project team. In the fifth phase analysis will be conducted based on the acquired data. At this point it might come along, that the preliminary theoretical framework doesn’t sufficiently cover all the themes that have arisen from the data. Hence the theoretical framework may develop as the study proceeds.

## 5.5 Validity and reliability

The researcher has been a part of this community for several years (which enables using qualitative research method), and hence has own personal perceptions about the community and its ways of working. Although it is not a common practice to set a hypothesis for qualitative studies, this study has a working hypothesis. The reason for setting this hypothesis is to conduct the initial theory base and themes for the interviews. The goal is not to prove the hypothesis right, but merely recognise possible bias of the researcher, and allow the researcher to learn new perspectives and reflect upon what was learned during this study. (Saaranen-Kauppinen, Puusniekka 2006, L2.3.2.1.)

Interpretation of the interviews is always subject to researchers own personal views, ideals, opinions and desires (Vilkka 2015, 67-68; Anderson 2010). Also as qualitative studies require the presence of the researcher during data gathering, it might have an effect on the interviewees responses. This may be especially true due to the researcher’s position in the Case Company. The presence of a recording device may be uncomfortable for the interviewees, which might make the discussions more formal than they would be otherwise, thus missing important remarks. Also during analysis, due to the big amount of irregular data, accuracy and preciseness may be hard to preserve. Therefore the quality of the research has a heavy dependency on the skills of the researcher. (Anderson 2010.)

## 5.6 Working hypothesis

1. The organisation's management and employees recognize that there are cultural differences, but the role of leadership in this context should be further clarified. The connection between managing diverse teams and the company productivity should be further highlighted.
2. There is a great will to innovate, but the way from idea to execution should be clearer.
3. The innovation work is seen to belong only to a part of the staff.
4. There should be more "space" (allocated time and physical space) for cross-team brain-storming.
5. The teaming activities should be of higher importance in building team dynamics especially in project teams.
6. The team members feel more at home in their functional teams, although it would be more beneficial for the organisation if the team members would be more committed to the diverse interdisciplinary project teams, where development work is done.

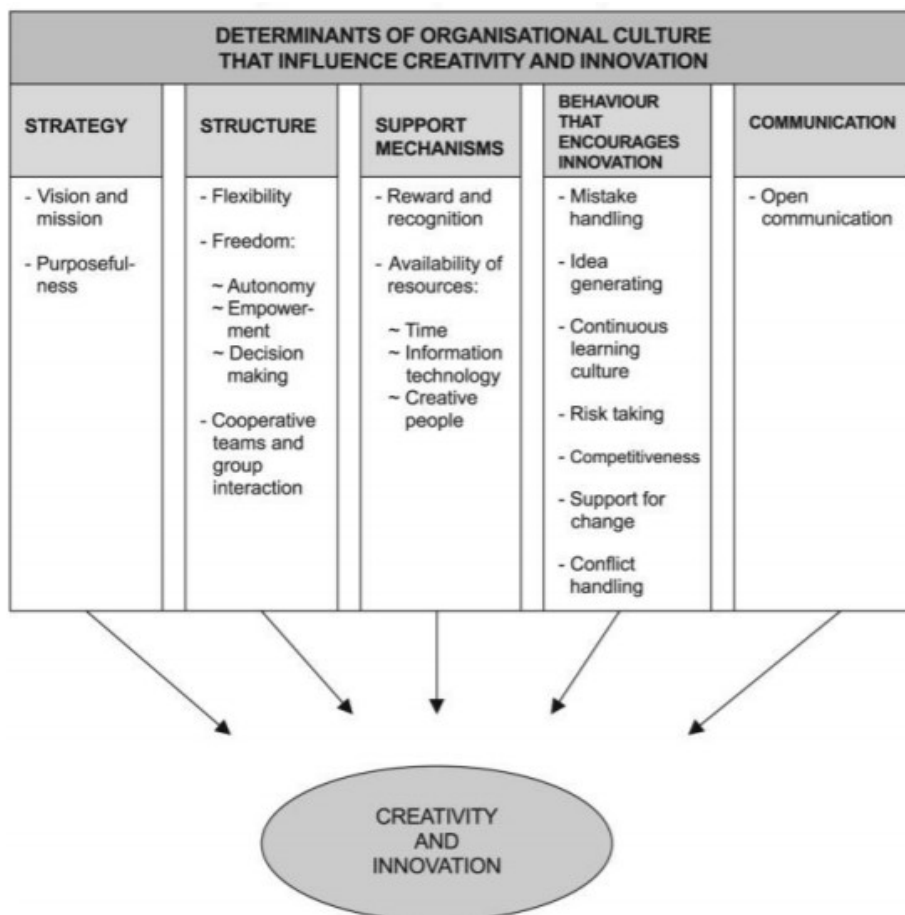
## 6 Results

The results of the analysis of gathered data will be presented in this chapter. The researcher transcribed the interviews nearly verbatim. As some interviews were translated from Finnish to English, the quotes used in this thesis were presented together with the context to the relevant interviewee in order to avoid misunderstandings. Interviewees from one to four (1-4) represent senior managers and interviewees from five (5) to 14 represent employees. The results are viewed as factors in an organisational culture that support creativity and innovation. (LSE 2010.)

The results are reported according to a framework presented by Martins & Terblanche (2003) about factors that have effect on organisational culture that stimulates creativity and innovation (picture 14). The framework is introduced with the results, as it was not ought to bring added value when forming the questionnaire for performing the empirical research. The results from the empirical study are reported according to the framework by reflecting the empirical findings against the theory (picture 15). The results of the empirical study combined with the theoretical framework help to create a foundation for the development proposals proposed to the Case Company. The development proposals are introduced in the end of this dissertation.

Creativity can be measured based on the level of new idea generation regarding services, products or processes. Innovation on the other hand refers to change, and to the extent that

ideas are implemented in organisations. The factors contributing to creativity and innovation are 1) strategy, 2) structure, 3) support mechanisms, 4) behaviour that encourages innovation and 5) communication. (Martins & Terblanche 2003, 67, 69-70.)



Picture 14. Influence of organisational culture on creativity and innovation. Martins & Terblanche 2003, 70.)

In order for organisations to succeed, innovation should be integrated to the organisational culture as well as the management processes. The organisation culture defines the behavioural norms, which determine whether creative and innovative behaviours are a standard and whether and individual should pursue these kinds of behaviours. Organisational culture also determines the values that are reflected in organisation's structures for supporting creativity and innovation. These values and structures guide the employees' perception of what is considered valuable and important in an organisation. Therefore organisational culture has an important role in innovation. (Martins & Terblanche 2003, 67-68.)

Clear goals, decision-making, rules, roles and responsibilities define to which extent the organisational structures support innovation. Important factors that affect the levels of creativity and innovation are to which extent change is encouraged. Also the manager's values and beliefs reflect the openness in communication and support for change and diversity. Also adopted technology solutions promote innovation. Thus the organisational culture can either support or impede innovation. (Martins & Terblanche 2003, 68-69.)

Strategy	Structure	Support Mechanisms	Behaviour that encourages innovation	Communication
Goals and Strategy are not clearly communicated which effects to employee well-being and job satisfaction	Innovation was thought to be a possibility for everyone, however the processes and roles were not clear for the employees.	Good performance is rewarded according to supervisors subjective view by giving compliments or salary raise, although rewarding is done only in functional teams. (Majority of the employees started talking about feedback, when asked about rewarding.)	Employees reported not feeling certain of which kinds of ideas can be posted in Innovation Lab, hence majority had not contributed to the Innovation Lab, but instead preferred to discuss the idea feasibility informally with their colleagues.	Most important aspect in communication was to share the correct information clearly, and at the right time, although having too many channels was seen as challenging.
Employees reported not knowing what is expected from them, nor what are their personal goals and how they relate to the company strategy	Sense of autonomy, achievement and trust from supervisors were seen as the key motivators.	Autonomy and sense of achievement were considered rewarding, whereas other kind of rewarding was thought to lead to unhealthy competition by some respondents.	Experiences of emotional conflict were mainly due to competition or cultural differences, and many emphasised the importance of emotional intelligence and the willingness to help each other out.	Employees and Senior management reported experiencing challenges in communication between different locations as well as between technology and sales functions.
	Employees reported not being part of the decision making, sometimes resulting in deadlines that seemed unrealistic. Half of the employees were confused about where the decisions are made, or who to turn to in case of a question.	Lack of time and planning were the main reasons for demotivation and low contribution to innovation		Communication in a foreign language was thought to cause issues in communication due to giving diverse meanings for words and using terminology differently
	Majority of the employees reported that dedicated project manager is vital for project success.			Majority recognised that culture is effecting on individual's behavioural patterns, but only half of the employees reported having had to adapt their behaviour due to cultural differences
	Majority of the staff recognised functional teams and felt strong belonging to their own functional unit, whereas only few respondents identified virtual project groups as teams.			The importance of highlighting cultural differences split the respondents. A small majority thought that highlighting cultural differences is important to enable smoother cooperation.
	Teaming activities were thought to be important for establishing team dynamics. Respondents reported teaming activities were mainly sufficient in their functional teams, although project teams were lacking teaming activities.			Formal structures for feedback are lacking, thus the employees reported being accustomed in giving informal peer to peer feedback
	Management saw diversity as an asset, whereas employees felt exited to work in diverse organisation, although they did not see it as beneficial.			

Picture 15. Findings from the interviews.

## 6.1 Strategy

The analysis revealed two major phenomena related to the strategy. The first phenomenon concerns organisational goals and strategy, which were unclear for the majority of the employee respondents. The second phenomena concerned personal goals, which were also unclear for the respondents. Employees reported feeling uncertain about the direction where the company is heading at, as well as not knowing how their tasks contribute to the overall organisational goals. Uncertainties often manifested themselves as unclear expectations,

which was a source of stress for the respondents. Overall unclear organisational and personal goals were the major reasons for employee dissatisfaction.

According to Martins & Terblanche (2003) strategy, vision and mission should be stated in an understandable way, and they should encourage development and implementation of novel customer- and market-oriented solutions. Innovation and creativity flourishes when strategic goals are purposeful, clearly defined and employees are given the freedom to perform their tasks within given guidelines. Values are manifested on the organisational goals, thus they may stimulate or impede innovation. (Martins & Terblanche 2003, 69.)

#### 6.1.1 Unclear Organisational Goals and Strategy

Majority of the respondents reported that the organisational goals and strategy are not communicated clearly, which effected negatively on the employee well-being and job-satisfaction. Also possible changes in strategic direction were poorly communicated, according to the respondents.

Many employees reported not knowing which direction the company is heading to, which was causing stress for them. Employees felt that the strategy was self-explanatory to the strategists, but it was not communicated effectively to the rest of the organisation. Not understanding the big picture was causing dissatisfaction and demotivation, as the employees failed to see how their own efforts contributed to the overall company goals. According to the respondents it would be motivating to know the goals for even few months ahead. Goals should also be understandable, realistic and reachable according to the respondents.

*“There’s not enough clarity and sustainability as the situations change fast, and some of the changes come as a surprise. We don’t really have clear goals, so goals should be stated more clearly and they should be also realistic and reachable (Interviewee 6).”*

Next to clearly communicated goals, change management was a major concern for the employees. The changes were poorly communicated according to the respondents, thus employees felt that they had no visibility to the upcoming events even in the near future. Some reported hearing about the latest changes from the consultants, which was thought to be odd. Ability to change direction rapidly was seen as possible competitive advantage for the organisation by some respondents. Thus changes happening too often resulting in constantly changing targets was often experienced as demotivating. Also changes that were not properly communicated to the rest of the organisation were demotivating for the employees.

*“We are lacking information about the direction, and I’ve got feedback from my team that they find it disturbing. Maybe it is because that we actually don’t know where we are heading at (Interviewee 7).”*

As discussed in Chapter 3.2.2, most important factors for establishing efficient teams are setting clear and transparent goals, making understandable instructions and communicating them effectively. The previously mentioned are strategies that enforce feelings of mutual trust, which in turn effects on the team performance. (Lewis 2006, 144-145.)

Comfort & Franklin (2011) conclude that providing direction is essential task for any organisation. Common way for organisations to communicate direction is in form of vision and mission statements. In multicultural organisations this is a challenge, due to people having different levels of need for clarity and explicitness. There are different attitudes towards uncertainty, and some cultures and organisations are keener to accept higher levels of uncertainty. The other extreme requires detailed framework and action plan on how to reach these targets. While some people are inspired by the big picture, others might feel like the speech is too arrogant and commercial, and they wish to get more detailed information. (Comfort & Franklin 2011, 49-52.)

Martins & Terblanche (2003) conclude that vision and mission statements are key elements in creating innovation strategy that promotes development and implementation of new products and services. Vision and mission statements should be established around customers’ problems and be market-oriented. The vision and mission statements should be communicated to the employees in an understandable way, in order for them to understand the future goals, as well as the current situation in relation to the goals. Employees are empowered to innovate when they understand the goal and the gaps that need to be filled in order to reach the goal. Innovation can be described as chaos within guidelines, where employees have a freedom to innovate on how to reach goals set by the management. (Martins & Terblanche 2003, 69.)

#### 6.1.2 Unclear personal goals

Majority of the employees reported not knowing what is expected from them, nor what their personal goals are and how they relate to the company strategy. Some reported that their responsibilities are vague, whereas majority were at an opinion that the expectations were unclear due to receiving contradictory instructions from their superiors. Respondents thought that this is due to having wishes to go in different directions and suggested that senior management has challenges in communicating with each other. According to the respondents these communication issues were a source of rumours in the organisation.



*“Yes and no, my own supervisor is pretty straightforward, but his and his boss’s expectations are contradictory from time to time, which causes confusion for me (Interviewee 11).”*

Clearly communicated personal goals especially in projects, were lacking, although they were considered to be very important by the employees. Respondents reported that communication about the goals related to their own work was not sufficient. Hence some felt that the overall common goals were not as important for them, as long as they did not know their own personal goals.

*“In general it would be nice to know what’s new and what people are doing. Information related to my own work is the most important and I care more about the communication inside the project team. Sure it is nice to hear also other things, but it’s not that important (Interviewee 14).”*

As presented in Chapter 3.1 In order to build powerful multicultural teams, the objectives and roles need to be stated very clearly, in a way that is understandable for everyone (Gates 2017.). A common purpose and a strategy to align with are required, in order for a group to perform efficiently. If those are not provided the group performance is likely to decrease as time passes (as discussed in Chapter 3.1.2). (Robbins & Judge 2013, 275.)

*“We should have clear goals and clear responsibilities. For me personally the communication across teams, especially in a project, is the most important. If I don’t know what is expected from me and what the common goals are, then it really doesn’t matter to me to know what happens elsewhere (Interviewee 9).”*

Half of the respondents from senior management also reported expectation management as an issue. Issues occurred in the early stages of innovation, when an idea is posted to the Innovation Lab, and the idea initiator waits for something to happen to their idea. Feedback from the idea is given by either implementing the idea or not. Unclear roles and responsibilities were also seen as the cause for issues in expectation management. After a decision was made to implement an idea, no one was assigned the ownership, which led to employees not knowing who should do and what.

## 6.2 Structure

Innovation was thought to be a possibility for everyone, although the innovation processes and roles were unclear to the employees, which hindered creativity and innovation. Employ-

ees reported being able to participate in idea generation. Some had also the possibility to attend to discussions concerning implementation feasibility in a role of specialist representing their functional unit. Innovation Lab was seen as a positive progress in setting up the structures for innovation, thus the function of the forum was still unclear resulting in low employee contribution.

Employees seemed to understand the meaning of innovation in very different ways and hence not understanding which type of ideas could be introduced to the Innovation Lab. Also the follow-up processes after Innovation Lab were not clear to the respondents. These were the major reasons effecting negatively on the employee willingness to contribute to innovation via Innovation Lab. Both employees and senior management reported that appropriate structures for innovation are currently lacking. Majority of the respondents from senior management reported that there are no established or weakly established structures and processes for innovation.

Organisational structures that support creativity and innovation promote team autonomy and flat hierarchies with decentralised decision making. Well-established diverse teams that possess complementary know-how stimulate innovation. Other factors creating favourable structures are the level of flexibility and freedom in which teams are allowed to operate. (Martins & Terblanche 2003, 70-71.)

#### 6.2.1 Innovation is a possibility for everyone

As stated before, innovation was thought to be a possibility for everyone, although the processes and roles were not clear for the employees. Nearly all of the employees and senior managers thought that innovation is part of everyone's job, although innovation was seen as more natural to some roles due to their job description. Minority of the employee respondents just wanted to do their routine work and thought that innovation is not everyone's job and it should not be mandatory.

Several employees as well as a senior manager reported noticing that employees do duplicate work occasionally due to the requestor not respecting the agreed line of command. The same tasks were done twice in different ways by different employees, while the direct supervisor remained unaware of this. Thus some employees reported wishing to stick with the line of command when communicating, so that their superiors would operate as a filter, and allocate the work equally to the team members.

The senior managers thought that everyone should continuously aim to improve their ways of working and employees shouldn't be afraid of trying new ways, as long as they keep their

manager informed. According to some respondents from the senior management, more emphasis should be put on encouraging entrepreneurial spirit and building innovation culture.

The employees from the business side were more often thinking that innovation is part of their job. In contrary the respondents from technology side had an opinion that innovating is not their responsibility, but rather voluntary work. According to a respondent the technology side has been a factory producing items and innovation hasn't been their focus, although many people from technology side might have good ideas to share.

According to the employees communication about innovation is mainly done via intranet and monthly meetings by the company CEO, who has encouraged everyone to innovate actively. Some respondents reported that there is not enough communication, as they had just lately learned that Innovation Lab -forum is for everyone, not only for the company management.

#### 6.2.2 Idea escalation & unclear supporting structures

A small majority of the respondents thought that Innovation Lab is the first place to introduce an idea, although half of the employees were not sure if there is any formal path from an idea to an innovation. The respondents did not fully understand the function of the Innovation Lab -forum or the processes for follow-up after posting an idea. Some reported that the path has just recently changed and they did not understand how the process currently works. It was also reported to be unclear which stakeholders are involved and what kind of dependencies there are in innovation processes. Half of the respondents disclosed that roles and responsibilities are not clear for them. Some also reported that the overlapping roles impede the fluency of communication.

*“You can write ideas to Dynamo, but I don’t really know how it works. I don’t know how the process proceeds from Dynamo; should someone create a business case or something. And if I would write an idea there, who would take the responsibility of proceeding with the idea. (Interviewee 6).”*

A minority of employees reported feeling certain about the roles involved in innovation. Mentioned roles were idea initiators, decision makers (senior management), idea investigators (if not senior management), business stakeholders, project managers, product owners, project executors and stakeholders from each functional unit. Some employees mentioned their role as an idea initiator, while some reported having a role in the idea feasibility discussions. The senior managers mentioned roles only in senior positions, which were mainly appointed to two persons. Majority of the senior managers reported that roles and responsibilities are not clear to them, which was affecting the communication fluency. One of the senior managers thought

that the roles and responsibilities are getting clear as soon as the organisation starts working on the idea execution.

Some of the employees reported that after posting an idea to Innovation Lab, the senior management reviews and decides which ideas are good enough to be implemented. Employees reported feeling concerned for not receiving timely feedback from their ideas, which would shortly lead to employees abandoning the forum.

After the decision to implement the idea, a deadline is given followed by feasibility discussions in forums such as Development Evaluation Meeting (later DEM) or War Room. DEM decides whether the idea will be implemented as a story or a project, or whether a program should be established for the idea implementation. If the idea is implemented as a project, a project plan is written. After writing the project plan all projects are added to the company backlog. The senior management prioritises projects, after which a project manager is appointed to each project.

Two employees described DEM as a forum consisting of a core group of key stakeholders, who represents the functional units and normally rank higher in organisation hierarchy. The same representatives gather up each time acting as a proxy for their functional teams, thus knowing whether something needs to be discussed with their teams. The project group members are decided upon in these forums by the proxies. Rest of the employees could not describe the function of DEM.

Senior management also reported that they approve the implementation of the ideas posted to the Innovation Lab. Although most of the senior managers also mentioned DEM and War room, they seemed to have diverse opinions about the function of these forums. Only few of them placed these forums after Innovation Lab and before documenting the project plan. Rest of the senior management did not either mention these forums, or did not place them after the Innovation Lab. The Innovation Lab content is reviewed once or twice in a month according to some senior managers.

According to Martins & Terblanche (2003) flat organisational structures and team autonomy promote innovation, whilst formalisation, standardisation, specialisation and centralisation impede innovation. Most efficient teams have the freedom and autonomy to perform their work in cooperation with other teams. Flexibility and freedom are important demeanours for innovation, as well as responsibility. Organisations can promote innovation by enabling job rotation and by avoiding too inflexible role descriptions. (Martins & Terblanche 2003, 69-70.)

The role of leadership in innovations is to create a suitable structure and environment for introducing new ideas as discussed in Chapter 3.2. If a new idea introduced by an employee is directly shot down or ignored, the likelihood of employee pursuing this kind of behaviour in the future is very small. Therefore management should listen and encourage employees to innovate. (Senge 2000.)

### 6.2.3 Low employee involvement in decision making

The senior managers gave diverse opinions about how the decision-making is done. Majority of them replied that the senior management approves the implementation of ideas. Although one reported that there are no formally established structures or processes for approving the implementation of an idea. This leads to situations where good ideas remain often just talk without follow-up. One stated that the senior management should approve all kinds of improvement ideas, whilst another was of the opinion that small ideas, such as process improvements, don't require approval from the senior management.

Employees reported feeling confused about who makes the decisions regarding innovations. Not knowing where the decisions are made and who to turn to in case of a question, were seen as major issues in innovation work, which hindered productivity and caused lack of motivation. Some thought it is the senior management who decides, whilst others thought that the technical side should have a strong say whether the idea gets implemented. One was of the opinion that Product Owner holds the mandate to decide, whereas another reported that the decision would be discussed within a group of people.

Employees thought that the senior management is distant and many referred to Luxembourg office as the 'Ivory Tower', where management makes unilateral decisions. As decision-making is done in Luxembourg, employees felt that they were not given a chance to be involved. Employees reported that they did not receive information about the latest decisions or found out about those too late, and sometimes even hearing about the latest changes from the hired consultants.

*"I don't know who I should contact when I have a question. Those people who decide are not here, or they are in meetings and too busy to answer. Top management is in Luxembourg which makes things much harder (Interviewee 14)."*

Due to management being distant, employees thought that they are unaware of what they are asking, as they didn't seem to understand the organisation's capabilities or ways of working. Many reported not feeling they were being heard. Communication gap between the senior management and operational organisation manifested itself as requests and deadlines that

seemed unrealistic from the viewpoint of employees. Deadlines come as given, without any discussion with the implementers according to the respondents.

Autonomy in terms of having power over one's own work was seen as the best kind of reward and driver for effective teamwork by majority of the respondents. A team should have the freedom to choose their ways of working, make decisions related to their own work, as well as have the peace to perform their tasks. The employees reported wishing that management would be brought closer to the operational organisation in order to realise their capabilities.

*“It would be important to bring the top management closer to the everyday business, so it would be concrete to them. When the top management was still sitting in Finland, they knew better what was going on. Communication is challenging for both ways to Luxembourg and back. The top management should know their organisation better, as the challenges arise when they don't know, and they have come from big organisations with limitless resources (Interviewee 6).”*

As discussed in Chapter 3.2.2 organisations should embrace strategies that enforce the feeling of mutual trust as it effects on team performance and efficiency. Those strategies include establishing and enforcing information sharing policies, backing up the team, listening to the team and acting upon their recommendations as well as working towards transparency. (Lewis 2006, 144-145.)

According to Hewlett & all (2013) there are six demeanours contributing to creating culture that supports innovation (discussed in chapter 3.2); 1) ensuring that everybody is heard, 2) making it safe to propose novel ideas, 3) giving team members decision-making authority, 4) sharing credit for success, 5) giving actionable feedback and 6) implementing feedback from the team (Hewlett, Marshall & Sherbin 2013).

Martins & Terblanche (2003) concluded that a company that values freedom and flexibility in terms of autonomy and decision-making empowers their personnel to use their creativity to reach goals. However the goals and the guidelines should be clearly stated, inside which the staff has the freedom to operate. By loosening the control the company management indicates that they trust their personnel, thus empowering them to perform their job in the best possible way within the guiding principles. (Martins & Terblanche 2003, 70-71.)

According to Martins & Terblanche (2003) when it comes to employee empowerment, one of the most important indicators is to which extent the employees are allowed to participate in decision-making and problem solving. Other important factor in regards of decision-making is

the rapidity of the decision making process. Faster decision making affects positively on innovation implementation, according to a study. Empowered employees are much more likely to devote their creativity and innovation potential. (Martins & Terblanche 2003, 71.)

Too much management control on activities that involve risks suppresses creative thinking. Employees are not encouraged to experiment and take risks, if the risk taking is limited to such things that don't potentially damage the organisation. Clear guidelines should be established for the extent that employees are allowed to take risks. Risks should be treated as potential successes. The expected results should be clearly stated, while assigning the responsibility of risk monitoring and measuring to someone in the company. (Martins & Terblanche 2003, 71-72.)

#### 6.2.4 Functional units versus project groups

All interviewees were asked to name those teams they could recognise within the Case Company. The vast majority named functional teams as described in the organisation chart, whereas only few respondents identified virtual project groups as teams. Some of the respondents identified other teams, such as country organisations, managerial teams and unofficial teams, such as floor ball team.

Majority of the employees reported feeling strong belonging to their functional teams, that were assigned to them according to the organisation chart. Feeling of belonging was mainly due to similar job description, shared everyday responsibilities and common meetings. Also sharing the same goals was seen as a common denominator for a team, according to some respondents. Other important factors mentioned were similar values, trust and mutual understanding.

*"I'm part of my functional team due to my job description. A team works together on daily basis, they have related tasks and usually common goals, team leader and teaming activities (Interviewee 13)."*

Most of the respondents from senior management recognised belonging in the hierarchical groups, such as management teams consisting other senior managers. However half of the respondents from senior management reported feeling stronger belonging to their functional management teams consisting of their subordinates, rather than to those teams consisting of other senior managers.

The remarkable finding was, that only three out of fourteen respondents also recognised virtual project groups as teams. From the respondents that recognised virtual project teams two represented employees, whilst one represented senior management.

When asked about project teams, some employees reported that there were no specific project teams or specifically reserved resources for project execution. Two employees reported that they had never worked in a project in this organisation, nor had they ever felt being a part of a virtual project team. Everyone just works mixed on several projects, and the employees who currently have time perform the tasks. According to the respondents, not having clearly defined project teams was causing confusion about what the employees are supposed to do. If the virtual project teams would be defined clearly, it would be easier for the employees to see the big picture and understand their role in it, thus enabling better means to work productively.

*“We are working constantly for many projects, and I have no idea to which projects I’m even working for. I just perform random tasks, without really knowing why I am doing those at first place. We have to always seek for those who are responsible for making decisions, and often it turns out that nobody is responsible (Interviewee 9).”*

All of the respondents identified themselves strongly with their functional units. As discussed in Chapter 3.1 individuals have multiple social identities during their lives, and some might identify themselves with an organisation or even with a team. Social identities make people feel belonging, provide behavioural norms and a feeling of purpose (Robbins & Judge 2013, 273-274). Functional units seemed to be well-established teams, which has developed common ways of working. As discussed in Chapter 3.1.2 the groups normally undergo various stages during their lifetime according to the five stages model. In norming (3) stages group dynamics and relationships between members are established after which the prevailing norms and expectations are established. In performing (4) stages group members know their places and common norms and behaviours has been accepted and the group becomes fully functional. (Robbins & Judge 2013, 275.)

Majority of the employees did not identify virtual project groups as teams, and some reported never working in a project in the Case Company. According to the five stages model introduced in Chapter 3.1.2 people don’t identify themselves as members of the group in the forming (1) stage, as the purpose, roles and the norms of the group are not yet defined (Robbins & Judge 2013, 275). Another reason why individuals do not identify themselves with the group is if the group is not performing well, according to the social identity theory discussed in Chapter 3 (Robbins & Judge 2013, 272-273).



Organisations that wish to promote creativity and innovation should emphasise the importance of team composition and interactions. Cross-functional interactions should be encouraged and teams should be composed so that diverse know-how and skill-sets are represented in order to stimulate innovation. (Martins & Terblanche 2003, 71.)

#### 6.2.5 The importance of teaming activities

Teaming activities were thought to be important for establishing the team dynamics. Majority of the respondents reported that teaming activities were sufficient in their functional teams, although project teams were lacking teaming activities altogether.

Respondents reported having teaming activities in their functional teams during working hours and on their free time. Some teams reported using Scrum-framework<sup>2</sup>, whereas others reported having regular team meetings during working hours. According to some respondents meetings were also organised about a specific tasks on demand. The nature and frequency of the meetings depended on how the team had established itself. Those teams following scrum arranged meetings on daily basis, including daily scrum, sprint review, sprint planning, pre-grooming and backlog grooming. Those teams not following any specific framework reported normally having team meetings once a week. Those respondents, whose teams followed scrum and had meetings on daily basis, reported more often feeling satisfied with the information sharing and communication in general.

<sup>2</sup> Scrum framework is an agile methodology originally developed for software development teams for solving complex problems in innovative ways in order to deliver highest possible value. Scrum framework consists of several roles; product owner, scrum master and scrum team. The role of the product owner is to create and prioritise a task list for the team, normally in a form of a backlog. The team takes a part of those tasks from the top of the list and evaluates the complexity of the tasks as well as decides upon how they should be done. The tasks are then included in the sprint backlog. A sprint describes a certain amount of time (normally from two to four weeks) that the team has to complete the sprint backlog. The role of the scrum master is to keep the team focused on their goal during the sprint. At the end of the sprint, the spring backlog should be completed resulting in ready items that can be shown to a stakeholder. In the end of the sprint the team has a sprint review and retrospective. As the sprint ends, a next sprint begins with new task list to complete. (Scrum Alliance. 2016.)

Most of the employees reported also arranging some free time activities from time to time with their functional teams. Only one respondent reported that there are no teaming activities on free time in their functional team. Also other informal teaming activities were mentioned, such as floor ball, where one can get to know their broader team better. Although this sort of informal venues were seen also as creating grounds for nepotism, as someone might rather choose to work with a peer they already know.

On the contrary, majority of the employees reported not having official or unofficial teaming activities in projects. Employees thought that it would be important to have more teaming activities also in project teams, especially in bigger projects. Virtual project teams normally consists of people who do not know each other in advance, thus it would be important to put more emphasis in creating team spirit and getting to know each other better. Teaming activities were thought to help in increasing communication inside the team, by some respondents.

*“My friend’s company has clear project meetings where all the functions are represented, but I haven’t been in any such meeting in our organisation. It would be very important to have clear roles and tasks, who does what in that project - so we know how we proceed and what is expected from us. Also one person is allocated to one project, which makes everything clearer” (Interviewee 9).*

Only three respondents reported having had official teaming activities in some projects they had participated. Official teaming activities were in form of regular meetings and workshops that were built around the goal. Workshops were used for intensive brainstorming outside of the office and were considered to be really important. Workshops enabled working peace as the employees got a break from their daily routines and interruptions, thus allowing them to put their full focus on the task at hand. Some tasks were implemented individually or in smaller groups, according to the respondents. The social setting in the team was not created in only one activity, but series of them. Regular meetings were seen as an important part of the project work, as they allowed the project team to see the progress of the work and identify possible blockers. Weekly meetings were used to communicate objectives and reasoning, as well as to assign tasks and view progress. Retro meetings were held after project closing in order to review the lessons learned. According to a respondent after project closing also follow-up meetings were organised in order to monitor the development items in production.

*“Regular meetings help to see the progress where people are with their work or if there are blockers. As its inter-team project and people have different kind of priorities, it is important to be up to date where we are going and how we are proceeding. The intensive workshops were really important, as we just focused on the task at hand. (Interviewee 12)”*

The teaming activities were generally considered as an important factor in building team dynamics in functional as well as in project-teams. Teaming activities helped the team members to get to know each other better, hence improve the team work and communication according to the employees. Teams and the dynamics within were thought to be important, as goals are not reached alone and the teams worked more efficiently when they knew each

other. One respondent mentioned that teaming activities made the team complete by allowing airtime for each team member.

Two respondents reported that project work created a good venue for interacting with other team's members who one wouldn't usually work with, as projects normally require resources across different functions. Project work enabled establishing social connections with other team members and sharing insights from different perspectives, according to a respondent. The project work brought a welcome change to one's normal routine work within their functional teams. Also one could clearly see their realised efforts in projects, as they have clear goal, beginning and ending.

*"It would be certainly important to have teaming activities in projects, because the more communication there is, it usually helps. Teaming activities certainly help the communication process (Interviewee 13)."*

*"It's important to spend time outside of work as well, as it allows you to get to know each other, which helps the cooperation at work, as you learn to avoid some mistakes and learn to trust each other (Interviewee 11)."*

*"The teaming activities are very important, because people work better together when they know something about each other, and they become more social. It's just nicer environment to work with people who you know better (Interviewee 14)."*

Social identities make people feel belonging (discussed in Chapter 3) (Robbins & Judge 2013, 273-274). As presented in Chapter 3.2.2 the team performance is also highly dependent on the level of trust that team members show towards each other. The best ways to enforce trust are setting up time efficient processes, noticing and commending contributions, backing up the team, listening to the team and acting upon their recommendations and working towards transparency. (Lewis 2006, 144-145.)

Getting diverse teams cooperate seamlessly requires that the team members learn to understand each other's meanings and intentions and communicate those effectively as discussed in Chapter 3.1 (Edmondson & Harvey 2017). Hewlett & all (2013) conducted a study about how diversity can drive innovation, which was performed to 1800 professionals and included 40 case studies and multiple focus groups and interviews (discussed in Chapter 4.4). According to the study, organisations can unlock their innovation potential by creating 'employee speak-up culture'. The study found that companies which actively developed their culture were twice as likely to make use of value driven insights and 3.5 times more prone to benefit from

employee's full innovation potential. Organisations can realise the benefits of diversity if the leaders pay attention in giving equal airtime to all employees. (Hewlett & all 2013.)

As stated previously, team performance is a key to success. Yang & Tang (2004) studied the role of team performance in Information Systems development. This study was performed to 25 teams in system analysis and design course. Team performance was studied using three different structural variables, which were cohesion, conflict and centrality. Cohesiveness measures the degree to which the group feels united and the forces holding the individuals within their groupings. Sociograms were used to map the informal social connections within the group and whether the relationships were perceived as positive or negative. Centrality pinpoints the most popular member in the group based on their social connections and the degree of connectivity. (Yang & Tang 2004, 335-337.)

According to the study cohesion and centrality indexes were essential signals of the connection between team work and software development performance. Thus the influence of these variables varied depending on the conditions. (Yang & Tang 2004, 340-345.)

Higher degree of reciprocated social connections within the group indicated better team performance. Vice-versa, less reciprocated social connections indicated poorer team performance. A remarkable finding in this study was, that the group performance was more effective if the most central person possessed highest degree of the domain knowledge. (Yang & Tang 2004, 340-345.)

According to the study conducted by Yang & Tang (2004), the centrality of a sense of responsibility, user requirements and organisational goals were correlated positively with the total project performance. For enabling project success it was important that a team had a member who cared strongly about the project success and took responsibility for satisfying the requirements. Also appointing a responsible person for user requirements and acquiring necessary domain knowledge was indicating better chances for a successful project. (Yang & Tang 2004, 341-342.)

#### 6.2.6 Dedicated project manager equals successful projects

Many employees reported, that a dedicated project manager is vital for successful project execution. Project manager's tasks were described as creating the structure, arranging meetings, documenting and keeping focus. Also high organisational priority of the project was seen as important factor for effective project team work by one respondent.

*“Not having enough project managers occurs as vague requests to do something, but no one is responsible for decisions when there’s something to ask, and nobody answers to their emails or messages, which takes tremendous amount of time from us (Interviewee 9).”*

On the contrary lack of project managers was one of the reasons for inefficient team work according to the employees. They reported that in absence of a project manager, it was often hard to find a proper decision maker in case of a question, which took a lot of time and effort that could have been used otherwise.

#### 6.2.7 Diversity is exiting, not beneficial

Management saw diversity as an asset, whereas employees felt exited to work in diverse organisation, although they did not see diversity as beneficial. Majority of the senior managers was of an opinion that cultural differences have an effect on daily operations. Half of them reported that cultural differences are a major richness, which helps the company to expand and innovate diverse solutions.

*“I don’t think cultural diversity has an effect on one direction nor the other. We could accomplish the same thing with purely Finnish team, or another set-up, culture doesn’t have an effect on that, but rather background and knowhow of the people involved (Interviewee 7).”*

Vast majority of the employees thought that cultural diversity doesn’t have any effect on productivity nor daily operations, or the impact is negative. According to the respondents cultural diversity was not important or beneficial as people are hired due to their skills and know-how. The respondents reported that the same things could be accomplished with purely homogenous teams. According to some of the employees cultural differences might help to bring new points of view, although it is easier and more efficient to work with homogenous team. The reasons for seeing homogenous teams more efficient was due to sharing the same language, habits and opinions, which enable smoother cooperation. Having too different opinions from the rest of the team was seen as obstacle for efficient work and possibly impacting negatively on the team atmosphere.

*“It can potentially have an effect, for instance if there would be a team of Finnish nationals, they would probably work a bit faster or more productive in some way, because they rarely misunderstand some things because of same language or habits. But I don’t think I have really noticed a problem or low productivity because of that (Interviewee 13).”*

*“Cultural differences may help to bring new points of view, but it might also hinder the work as people may have so different opinions. If people have too different opinions it’s hard to align with them. Eg. If someone brings very different kind of opinions to meetings it might have an effect on the atmosphere, as people would start to wonder why we need to waste time on these topics. When people are similar it’s easier to work with them more efficiently (Interviewee 6).”*

Half of the employees reported feeling excited to work in multicultural work environment, because it was interesting to learn about the habits of another culture. Although only three employees were at an opinion that cultural differences might have a positive impact on productivity and daily operations, thus one reported that the impact may also be negative. Diverse teams were thought to come up with richer ideas, as the members represent different viewpoints. Also one reason for seeing diversity as an advantage was due to being able to maintain language skills. Negative effects were thought to be the outcome of not discussing openly the cultural differences and different habits and ways of communication.

*“It has had both positive and negative effects. As we have a lot of different cultures we have the possibility to benefit from those, but then again there’s no discussion about the differences what so ever. The organisation hasn’t encouraged or supported us to learn from each other’s cultural habits or communication. So naturally it will create challenges (Interviewee 11).”*

*“It is very interesting and exiting on a personal level, as there is so many persons we can talk to and we always find something different. It makes it nice and interesting to work here for that reason (Interviewee 13).”*

The senior management’s opinion of diversity being an asset aligns with the theory discussed in Chapter 3 about diverse teams being an asset and helping organisations to thrive. Although organisations can benefit from diversity only if the leaders recognise that conflict and debate arising from diversity leads to increased creativity and profound thinking as discussed in Chapter 3.2. (Rock, Halvorson & Grey 2016b.)

Majority of the employees reported that cultural diversity brings more often friction to cooperation, which in turn was slowing down productivity. As discussed in Chapter 3, according to the theory homogenous teams tend to feel more powerful, whereas heterogeneous teams evaluated themselves less effective. The reality regarding team performance is often contrary, as heterogeneous teams perform better due to the hardship. Thus efficient cooperation

is possible only if the team encounter their differences and seek to understand each other's perspectives. (Phillips & Thomas-Hunt 2007; Rock, Halvorson & Grey 2016b.)

As discussed in Chapter 4.4, diversity plays an important role in organisations ability to grow and innovate due to increasing complexity of business issues. Diverse work-force is superior to homogenous ones in terms of ideas, mental frameworks and knowledge. Thus diversity is a key element in being able to innovate and remain competitive. Hence diverse team members have different skillsets and ability to identify gaps, solutions and opportunities more effectively and comprehensively. (Ayers 2017; Zhao 2005; Koryak, Mole, Lockett, Hayton, Ucbasaran & Hodgkinson 2015; Edmondson & Harvey 2017.)

The mental frameworks affect the way we focus our attention, which is limiting our ability to observe our surroundings. It is easy to skip or misinterpret those ideas or comments that doesn't fit in our reality or are irrelevant according to our mind. It is important to notice that a person themselves plays an active role in interpreting their observations led by their motives and past experiences. On the other hand the surrounding rewrite our mental models, as we are in continuous dialogue with the external irritants as discussed in Chapter 4.2. (Hiltunen 2012, 56-57, 59, 62-64.)

Thus diverse teams outperform homogenous ones, because growth and innovation can be more easily materialized through more comprehensive knowledge and problem-solving skills as discussed in Chapter 4.4. Although in order to capitalize on diversity, the team needs to pay attention in hearing and considering everybody's ideas, despite their possible bias. (Herring 2009; Distefano & Maznevski 2000; Rock, Halvorson & Grey 2016b; Phillips & Thomas-Hunt 2007.)

Though heterogeneous teams are better performers only if they encounter their differences and aim to understand each other's perspectives (discussed in Chapter 3). As diverse team members can possess also diverse values the conflicts might arise strongly, if not focused on ideas (instead of values). In order to gain from diversity, the team needs to have deep feeling of unity and supportive organisational structure (Chapter 3) (Phillips & Thomas-Hunt 2007; Rock, Halvorson & Grey 2016b).

According to a study conducted by Herring (2009), diverse workforce produce better business decisions yielding greater sales revenues, more customers, bigger market share and increased profits. The study used data of 506 for-profit organisations including their business trends during past three years. The data was gathered from National Organisations Survey (NOS) carried out in United States. According to this study organisations with high levels of diversity (over 60%) in terms of gender and race, increased their sales revenues roughly by six percent,

whereas number of customers rose approximately by four percent. The benefits were thought to be the result of diverse workforce having better means to think outside of the box. (Herring 2009.)

### 6.3 Support Mechanisms

Good performance is rewarded according to supervisor's subjective point of view, normally by giving compliments or salary raise. Performance based rewarding is mainly done in functional teams according to the respondents. Sense of autonomy, achievement and trust from supervisors were seen as the key motivators by majority of the employees. On the one hand, others reported that a salary raise is the best kind of reward that one can get. On the other hand many reported that rewarding would possibly lead to unhealthy competition. Many employees reported having too little time due to tight deadlines, which led to insufficient planning.

Important factors promoting innovation and creativity are well-established support mechanisms. Namely rewarding and recognition play an important role in setting the prevailing principles of favourable behaviour that encourages innovation. Other important factors are sufficient resources in terms of time, creative staff and information technology. Diverse teams with different backgrounds leads to richer ideas. Also those companies that took advantage of internet and intranet for communicating ideas, had higher innovation potential. (Martins & Terblanche 2003, 71-72.)

#### 6.3.1 Rewarding good performance in functional teams

When asking about rewarding, majority of the employees started talking about feedback, which they seemed to equate with rewarding. Most of the employees mentioned the possibility of being rewarded as a 'monthly star' due to good performance. Some employees mentioned other kinds of rewarding in form of an additional vacation day. Some mentioned getting rewarded from good work by occasionally receiving an email that says 'nice work'. Rewards normally took form of salary raises or compliments, which were based on the supervisor's subjective point of view, due to the lack of established KPIs to measure individual performance. Good ideas aren't rewarded according to a majority of the respondents from employees and senior management.

*"Rewarding is done by increasing salary, that's the best reward someone can get. Maybe your name is mentioned also in monthly star annunciation. I think it's nice to get recognition when someone mentions your name and acknowledges you work (Interviewee 14)."*



Majority of the employees reported that there is no rewarding in project teams, other than occasional thank you. The project is just executed and then taken off from the company backlog. In some cases employees reported getting feedback from the project manager. Majority of the employees reported that it would be nice if project completion would be celebrated more especially in long and complex projects, or when the project had a big impact. One employee commented that the effect of rewarding is much greater than the cost.

*“It would be nice if there was some reward for getting the project done, so far there haven’t been anything (Interviewee 6).”*

Rewarding that encourages innovation can be in form of providing opportunities for personal and professional growth as well as giving autonomy. Thus risk-taking and experimenting should be rewarded as well, in addition to good performance. Both teams and individuals should be rewarded in a way that is motivating for them. (Martins & Terblanche 2003, 71-72.)

Rewarding from good performance should be attractive and achievable, in order for an individual to make an extra mile to achieve it, as discussed in Chapter 3.2.4 (Robbins & Judge 2013, 224-225). Thus the relationship between one’s actions and the rewarding should be clearly communicated. What is considered as desirable is highly dependent on the individual and their cultural traits, as there is no international formula for motivation (Chapter 3.2.3). (Robbins & Judge 2013, 203-204, 224-226; Lewis 2006, 141-142.)

### 6.3.2 Autonomy, achievement and trust

Majority of the employees reported that the best reward is to have autonomy in their work. They thought that responsibility and power should go hand in hand, and a feeling of being trusted and appreciated by their superior was motivating for them. The experience of feeling trusted related to having own responsibilities and power to make decisions related to one’s work or as a team, resulting in more satisfied employees. Also successfully reaching given goals and seeing the fruits from one’s work was seen as rewarding. The sense of achievement was mainly an internal feeling of accomplishment, although recognition from the supervisor was a good way to boost motivation. Societal rewards were seen more preferential than monetary ones by most of the employees.

*“Sense of accomplishment or achievement is an important driver. It’s also nice to get acknowledged in a company meeting, but it’s all related to the feeling of getting something done. The best driver is when I feel that my work is meaningful, I know myself that I have done good work (Interviewee 13).”*

*“The most important reward is, that you have an interesting job, which has meaning and value, so that ‘you can make a difference’. This feeling comes when my opinions are asked and valued. The most important is the result, not where it is done (Interviewee 8).”*

*“It’s nice to get this feeling of succeeding when finalising something successfully, and seeing the fruits from your own work. Sometimes the deadlines are too tight and we have had to work longer nights or weekends. It’s good to have deadlines which are reachable to guide the work, but the deadlines should be set by the team, who knows the best as they do the work. If someone outside of the team gives too tight deadline, it’s demotivating for the team, as they understand from the first day that they won’t reach the given deadline (Interviewee 11).”*

According to a respondent from senior management good performance is rewarded by giving compliments, salary raise or options. Although according to one respondent cultural differences were reflected in giving compliments, as some might feel that constant compliments and thanking might be seen as superficial, if the recipient is not accustomed to receive such praising.

As discussed in Chapter 3.2.3 sometimes the greatest reward is having one’s ideas acknowledged and acted upon. This is supported by the Maslow’s theory’s<sup>1</sup> two highest needs of self-esteem and self-actualisation. From organisation’s perspective in regards to motivation the needs in higher hierarchies are of greater importance. Motivating individuals is helping them to grow and achieve better self-esteem and support their self-actualisation. (Hattendorf 2014.)

According to a study conducted by Lin, Lin, Lin & Lin (2011) autonomy correlated with the job satisfaction and employee turnover. Higher levels of autonomy indicated that employees were more satisfied in their jobs and had a lower likelihood of leaving or changing their job. The study was done to 1380 respondents from 230 community health centres in Taiwan.

### 6.3.3 Lack of time and planning

Almost half of the employees reported having too little time as an issue. Due to tight deadlines there is no sufficient time for planning and implementation is done fast, leading to deficit products.

*“The ideas that get a ‘go’, are implemented as soon as possible, without too much background investigation and planning. From an idea to a ready product it goes too fast, as the pressure on implementing is so heavy and we implement not a ready product (Interviewee 5).”*

Respondents reported about increasing technical debt due to rush. According to them fastness is valued over quality which results in problems in the systems, hence slows down development in the future. Respondents suggested that the teams should be involved when making decisions about the deadlines, as they saw themselves in a better position for evaluating the required time for implementation.

*“I think only top management has the mandate to approve or disapprove ideas. It’s not a good way, because top management has their own priorities. They only focus on delivering fast, which leads to the quality being really low. They don’t care about the quality, they just care about now and don’t think about the future. We have currently a huge technical debt due to that, which causes problems in our system and slows down the future development (Interviewee 14).”*

One respondent from senior management reported being happy in regards of the technical quality. Although sometimes product design has been deficit, because there is too little time for planning and too few people thinking about the development ideas on their own. Due to the same reason time-to-market has been sometimes almost eternal, according to the respondent.

Lack of planning was causing frustration to majority of the employees. Interruptions in project work demonstrate lack of planning and lack of visibility regarding of the long term goals, according to the respondents. Planning to a further extent would help to eliminate the ambiguities during projects, thus reducing the interruptions during project execution. Planning should be done in cooperation with other teams and different stakeholders should be involved, according to some respondents. Clear goals and transparency on possible obstacles were perceived important.

*“Good initialization, clear goals and transparency on possible obstacles and dependencies. It’s demotivating if there’s constantly new stuff that needs to be taken into consideration and the work is not progressing. The new stuff interrupting the project work is due to bad communication and insufficient planning and preparations. More planning would eliminate the ambiguities during the project, when people don’t know what to do (Interviewee 6).”*

Others mentioned that some things are impossible to anticipate, thus plans cannot be locked down. However in these situations there should be an agreement that changes will be done afterwards and accept that there is no 'fast lane'.

Lack of time was also the main reason for not posting ideas in Innovation Lab. As there are so much mandatory things to do, there is neither sufficient time nor motivation to innovate according to the employees. Also as resources are limited it is hard to get even little things through the pipeline, thus it was seen useless to put energy in trying to innovate something new. Sometimes when the given deadlines were too tight, the employees reported having had to work during nights and weekends. Other mentioned reasons for not posting ideas in Innovation Lab were lack of good enough ideas or not having yet developed such culture for oneself.

*"I haven't ever written an idea to Dynamo. I haven't ever even visited the site so I don't know how it even looks like, and what people are writing there. There's too much basic stuff that we should be figuring out first, before we can innovate anything. Also resources are limited and it's hard to get even the little things through the pipeline, so why would one even try to innovate or develop something new (Interviewee 6)."*

Majority of senior managers reported that they were not completely satisfied with the current structures for innovation, and all of them concluded that there is room for improvement. Most common reason for dissatisfaction was insufficient structures and processes in innovation. Also scarce resources were mentioned, resulting in overlooking good ideas due to lack of time. One respondent reported that the senior management is too busy to listen to good ideas, whereas other respondent thought that the employees lack required time for innovating. According to the respondent, employees are overworked and just try to survive from their daily tasks.

According to Martins & all (2003) goals represent the organisational values, and can either impede or support innovation. Quality-oriented goals that promote purposefulness support innovation, rather than effectiveness-oriented goals. Organisations that value high productivity and put pressure on delivery, has negative effect on employee creativity. In order to boost their innovation potential, an organisation should allocate time for the personnel for brainstorming or working with their preferred projects. (Martins & Terblanche 2003, 69, 71-72.) It seems that in the case of the Case Company the fast pace of developing new products has had its toll on the ability to innovate.

#### 6.4 Behaviour that encourages innovation

Majority of the respondents reported not having contributed to the Innovation Lab forum, as they preferred instead the informal structures for idea escalation. New ideas were often discussed informally with colleagues in order to seek for support and validation, before presenting the idea to supervisor. On the other hand many reported having experienced competition among their peers, which led to emotional conflicts and hindered cooperation. Cultural differences were thought to be a possible trigger for emotional conflicts, thus many emphasised the importance of emotional intelligence.

Organisations that want to promote innovation, should seek to understand and embrace different ways of thinking and encourage constructive confrontation and idea generation. Successes as well as failures should be celebrated, and employees should be encouraged to discuss openly about mistakes, thus allowing learning experiences. (Martins & Terblanche 2003, 72.)

##### 6.4.1 Idea validation through informal structures

As discussed before, most employees preferred to develop their ideas informally instead of using the Innovation Lab. Hence majority of the employees had not contributed to the Innovation Lab, but rather seek validation from their colleagues. Some employees reported that an official channel for ideal escalation is missing.

*“First there’s an idea, which is then discussed over lunch or by a cup of coffee with couple of colleagues, so it’s very informal. Nobody really tries to innovate, so we just discuss things if something pops in mind, so the idea gets a validation if your colleague isn’t immediately rejecting it. Next step would be to take it to your supervisor and discuss it with more people (Interviewee 13).”*

*“We don’t have a channel currently, where everyone could share their ideas. Would be good to have a place where everyone could post any idea and everyone would have access to that board, and could contribute by naming those persons who could contribute (interest & skills) to developing the idea. The business innovation and everyday work and process improvements should be separated, and everyone should be able to contribute to these (Interviewee 12).”*

As discussed, the employees reported not being certain of which types of ideas could be posted to the Innovation Lab. Some of them reported that the forum was meant for all kinds of ideas, whereas some thought the forum was meant only for higher level strategic business

or product development ideas. The respondents also seemed to understand the meaning of innovation in very different ways, as some thought that an idea is an innovation after it is published in Innovation Lab. One respondent thought that innovation needs to be something big and new for the domain, while another concluded that innovation can be also something that one can apply internally or in their everyday work. Some respondents thought that Innovation Lab is a positive change, thus it should be further developed and clarified for the employees.

*“Innovation Lab is a good idea, but it should be further developed. We haven’t seen yet how the process actually works after that, and if ideas are taken further from there. If all kinds of good ideas posted by anyone are taken further, it could be encouraging, especially if the idea initiators are rewarded (Interviewee 11).”*

The respondents reported that giving examples and discussing past innovations and their outcomes would encourage them to think creatively and contribute to innovation. Discussions could take place in monthly group meetings, team meetings or workshops designated for discussing innovations.

All respondents from senior management reported that Innovation Lab would be the place to escalate an idea. However, they had contradictory opinions about the employee activity in contributing to Innovation Lab with their ideas. Some thought that employees actively contributed with their ideas, whilst others thought that the employee commitment has been weak.

Employees should be encouraged to question and debate ideas in constructive manner, which allows open information flow. Organisations that support and encourage change, promote innovation and creativity. The value of change could be emphasised by encouraging employees to think of new ways of working, and requesting them to set personal goals for change. (Martins & Terblanche 2003, 72.)

#### 6.4.2 Competition, cultural differences and emotional conflicts

Experiences of emotional conflict were mainly due to competition or cultural differences. Many respondents emphasised the importance of emotional intelligence and the willingness to help each other out.

Interviewees reported having experienced an emotional conflict in communication for different reasons. Most common reason was due to competition between individuals, which some-

times resulted in social exclusion, bullying and withholding information. Interviewees reported also having received inappropriate feedback or experiencing that they are not heard. Inequality was seen as a source for demotivation and low productivity, as trust was seen as a key component for fluent cooperation.

*“People are having bursts, showing their emotions, excluding or almost bullying other people. Some personnel has experienced social exclusion or chauvinistic behaviour; men are A-class and women are B-class (Interviewee 5).”*

According to some of the employees, rewarding was one of the reasons for competition and jealousy between individuals. They had experienced behaviours where individuals compete on who is the best, which was not thought to be appropriate behaviour at work. Some employees thought that a “carrot-culture” is superficial, as it is based on an opinion of someone observing the situation from top level. This was seen as a threat to equal treatment of employees, as it is vague who should have the mandate to reward another. Also one of the senior managers reported that praising an individual or a team is risky, because it could lead to unhealthy competition. Individuals or teams might end up competing against each other, instead of excelling themselves. According to the respondent’s previous experiences, the situation could further escalate in people stopping caring about their own performance and focus only on beating each other.

Cultural differences were thought to be another main reason causing conflicts, due to people using language differently and giving different meanings to words. Also cultural differences in perceptions of hierarchy and tolerance for competition, were thought to cause difficulties in social interactions. According to a respondent, some employee’s respect towards hierarchy seems rather fearful. Vice-versa, some people in higher positions expect subordinates to prioritise their requests according to their hierarchical ranking. Some respondents reported that due to differences in perception of hierarchy communication felt easier with some people, whereas with others similar interaction didn’t feel appropriate. One respondent pointed out that people with lower organisational status remain quiet in meetings when representatives from the senior management are present.

Four respondents, one from senior management and three employees reported that personal chemistries and emotional intelligence were important for them. Emotional intelligence was seen as a quality that would help an individual to integrate with their team. If an individual is not a team player, they won’t stay for long, according to one respondent from senior management.

Three respondents, one from senior management and two employees reported feeling satisfied about the team spirit and how it is coded in the organisation's DNA to help out one another. It was seen as a good driver for motivation to be able to learn something new from colleagues. In case a critical task occurs, the team works together to solve the issue. According to the respondents, team works well when the members can help each other in growing professionally. This observation is also backed by research. Martins & al (2003) concludes that the teams should aim to understand each other's points of views, and learn to solve disagreements constructively (Martins & Terblanche 2003, 71). In order to gain from diversity, a team needs to have deep feeling of unity and supportive organisational structure as discussed in Chapter 3 (Phillips & Thomas-Hunt 2007; Rock, Halvorson & Grey 2016b).

Cultural values determine what is commonly considered idealistic in a particular culture. For example ideals determine what kind of qualities individual admires in a leader. Our values and beliefs are exposed only once we say or do something. Cultural coding plays a major role in how we interpret and behave in various situations. Our interpretations are rooted in our beliefs about what's right and what's normal (discussed in Chapter 2.1). (Stephan & Pathak 2016, Hofstede & Hofstede 2005, 3-4, Lewis 2006, 17-18, 19-20.)

In case of contradictions people tend to disregard their cultural sensitivity, thus they start to behave according to what is typical according to their cultural norms as discussed in Chapter 2.3 (Lewis 2006, 67). As diverse team members likely possess diverse values, contradictions may arise strongly if the focus of the discussion shifts from ideas to values, as suggested in Chapter 3 (Phillips & Thomas-Hunt 2007; Rock, Halvorson & Grey 2016b). Though conflicts may help the team to create better solutions, as the team members are forced out of their comfort zone as discussed in Chapter 4.4 (Herring 2009; Distefano & Maznevski 2000; Rock, Halvorson & Grey 2016b; Phillips & Thomas-Hunt 2007).

However, as discussed in Chapter 3.1.1 groups with lower status distances tend to contribute to team work more equally in terms of ideas and knowledge sharing. Similar status positions amongst individuals lead to lesser communicational conflicts and better interpersonal relationships. The higher the status distance is between the group members, the lower is the likelihood of capitalising the benefits of diversity. (Phillips & Thomas-Hunt 2007, Phillips, Rothbard & Dumas 2009.)

Lauring (2007) studied 14 multicultural organisations in Denmark, which ranked highest in terms of having multicultural staff (other than Danish). All companies in this study use English as their organisation language. Companies seek to capitalise diversity by increasing innovation potential with multicultural personnel and by utilising diversity management. 82 staff mem-



bers were interviewed from managerial (60 percent) and employee levels, from which approximately 48 percent represented other nationalities than Danish. The study found that next to communicational issues in multicultural organisations, diversity seemed to also create complications regarding management styles and in creation of the social settings. (Lauring 2007.)

## 6.5 Communication

Social interactions are important when establishing the team dynamics that value trust and respect. Efficient team cooperation requires open and effective communication, which allows the team members to have diverse opinions and question the proposed ideas. When personnel feel emotionally safe, they are likely to communicate openly. Differences in opinions should be treated as a way to identify gaps and expose paradoxes. Open communication within and between functional teams is essential for innovation. (Martins & Terblanche 2003, 71, 72-73.)

Thus transparency and open communication endorsing trust are necessary in order to create favourable atmosphere for innovation. Employees should feel emotionally safe to disagree, and disagreements should be treated as potential learning experiences which are discussed openly. (Martins & Terblanche 2003, 73.)

The objective for internal communication was thought to be delivering timely, factual message to the correct recipients. The perceived issues in communication were scattered information, diverse terminology and poor information flow.

One of the key factors causing communication issues was reported to be language and its' cultural background. Language caused issues because of people using terminology so differently and giving diverse meanings to words. Information sharing on the other hand was thought to be poorest between different locations, though there were issues also between technology and sales sides. Having too many channels was considered as challenging, due to information being scattered across several places. Structures for formal feedback were lacking according to majority of the respondents, thus employees reported being accustomed in giving informal peer to peer feedback on almost daily basis.

Culture was thought to be a key factor effecting on individual's behavioural and communicational patterns. Hence cultural differences were thought to be causing communicational issues due to language and other factors as discussed in Chapter 6.4.2. Despite of that, only approximately half of the respondents reported ever having had to adapt their behaviour due to cultural differences. Approximately half of the employees reported that further highlighting cultural differences in the organisation would enable smoother cooperation. The rest of the

employees thought that cultural differences are irrelevant, despite their role in social interactions.

It seems that in the case of the case company, the cultural differences effect on communication fluency in terms of divergent terminology and giving different meanings to words. Major communicational issue concerned the communication between the organisational units. The communication issues between organisational units were partially due to language and cultural differences, hence also the virtual communication was perceived causing difficulties. Thus perceived challenges in communication due to cultural differences and use of language may be negatively influenced by the additional challenges that virtual communication poses. The communicational issues between organisational units impede transparency and open communication, thus effecting negatively on the organisation's innovation potential.

#### 6.5.1 Communication & number of tools

The majority of the employees and senior managers reported that the main objective for internal communication is to deliver timely and correct information to the concerned parties. According to the senior management, other objectives for internal communication are to create organisational culture and motivate and mobilise people. Thus the focus should be on communicating to individuals rather than groups, according to one of the senior managers.

*“Communication could be always better, and it's always difficult. The goal is that everyone knows what to do and why they do it (Interviewee 9).”*

Most of the employees were at an opinion that explicit communication is important driver for effective team work. Respondents mentioned that most hazards happen, when something feels like self-explanatory. Clear instructions and clearly communicated expectations were seen to be enhancing the team's productiveness. According to a senior manager bigger emphasis should be put on having dialogue before rushing into situation, where counterparts are not sure anymore what the problem they are trying to solve is.

Respondents reported that the tools for communication were mainly sufficient. JIRA, Wiki, Slack, email, video conference and other communication tools were mentioned. According to respondents there are excessive amount of meetings, which should be enough for sharing information, thus there still seems to be lack of communication and information. Some respondents reported that video conferencing tool was causing issues due to bad connection, which made virtual meetings often more difficult. According to the employees, scattered in-

formation was seen as an implication of having so many different channels and tools for communication without clear guidelines for using them. As information was scattered among multiple tools, it made it hard to pinpoint the core and see the bigger picture.

As discussed in Chapter 2.6 effective communication helps businesses to reach their objectives, thus more emphasis should be put on finding the correct ways to communicate with diverse workforce. Those teams that emphasised the need to learn to communicate effectively, were helping the individuals to reach their full innovation potential, thus helping organisations to facilitate innovation. (Okoro & Washington 2012.)

According to Comfort & Franklin (2011) the ways of communication can be divided into push and pull strategies. Push style is used commonly in more hierarchical and uncertainty-avoiding cultures, where individuals are seen as the experts of the subject. Pull strategy on the other hand, involves employees to be a part of discussion, and the communication happens in form of a dialogue. Pull communication is more often used in flat organisations, where the whole team actively contributes in finding a solution. There is no one correct way to communicate, and the most effective managers use different styles according to their current audience. (Comfort & Franklin 2011, 52-54)

#### 6.5.2 Challenges in communication

Both the top management and the employees felt the same way about communication being insufficient on its' current level. Interviewees reported having issues communicating across different locations, thus also communication between sales and technology was seen as insufficient. Communication issues between locations was caused due to poor information flow. Some reported noticing a prevalent "us and them" attitude within different locations, which was hindering communication.

*"Information sharing between different locations is even poorer and the staff in different locations are pretty much on their own, except certain persons who always travel between the locations (Interviewee 7)."*

*"I think the communication skills in our organisation are below the average (Interviewee 5)."*

Employees reported that they knew least about Luxembourg office happenings and they were interested to hear more about what was going on, as this is also their organisation. Constant new recruitments in Luxembourg was seen as odd, as it's wasn't clear how the new staff contributes to operations. Fast growth and frequent new recruitments were also thought to be

possible reasons for inefficient communication, as the roles and responsibilities were unclear and not enough attention was paid to induction of the new employees. However some employee interviewees reported that there have been positive changes in organisation wide informing about how the company is doing, which was done in monthly meetings.

*“Between different locations the information flow is poor, I have no idea what is going on in Sweden and in Poland. About Luxembourg I know even less. They are hiring all the time new staff there, as we work our asses off, so it would be nice to know what they actually do there. Sometimes I think pessimistically that I don’t give a damn, and try to survive from my daily tasks (Interviewee 9).”*

*“With Luxembourg office and others, the information sharing doesn’t always work so well. I don’t know what they do in Luxembourg, but I would like to. There’s so many people who doesn’t really belong anywhere in the organisation, so it’s a bit of a question mark what they actually do (Interviewee 11).”*

As discussed in Chapter 2.5 “us and them” attitude is typical for the denial stage in the intercultural sensitivity process. In the denial stage, an individual is refusing to accept that there are cultural differences. In this stage the individual doesn’t recognise their own cultural characteristics nor their impact on their own behaviour. The counterpart representing another culture may be dehumanized and seen as intellectually deficient. In the defence stage the individual sees other culture’s characteristics either in very negative or pre-eminent way. Individual makes very simplified generalisations which often leads to us versus them thinking. (Bennet 1986.)

### 6.5.3 Communication issues due to foreign languages

The failures in communication were mainly seen as a result of people giving different meanings to words and variance in used terminology. According to the respondents, language is a major component of a culture and can unite or disperse people. Majority of the respondents reported that language differences play a major role in productivity in a culturally diverse organisation. According to the respondents, due to staff not communicating in their mother tongue, many important elements of communication are missing, thus making communication poorer. Language differences were thought to hinder innovation, as the idea initiator could fail to communicate their idea in an understandable way. Another implication of language diversity was unintentional exclusion from conversations. Cultural differences were seen as the reason to emphasise explicit communication and respect the chain of command according to the respondents. Only two employees reported not seeing how language would affect productivity, as everyone has sufficient level of English.

*“Communication always fails, except by accident. Everyone has their own background which directs their understanding of the words. Self-explanatory stuff is the most dangerous, when someone expects that everyone understands what they mean, then it usually goes wrong (Interviewee 10).”*

According to many employees and senior managers cultural differences determine how the terminology is used and understood. Cultural differences effect on which kinds of meanings people give to words, which in turn may lead to misunderstanding the message behind the words. Therefor communicating in foreign language poses difficulties in communication according to the respondents. Misunderstandings were thought to happen due to these limitations, which often lead to communication barriers.

Some employees reported either experiencing or seeing a threat of excluding others from the conversations due to language barriers. One described the situation awkward, when a group of Finnish people are discussing some topics in Finnish, while failing to consider the presence of people who do not speak Finnish. Some non-Finnish speakers also reported receiving long e-mail chains in Finnish, in which case they would need to translate the e-mail or ask help from a colleague.

*“I have noticed that Finnish is used extensively, especially in some cases when people discuss in Finnish thinking that the topic is only relevant to them. It makes sometimes awkward feeling to those non-Finnish speakers who stand right next to them, but the Finnish speakers might not even notice that (Interviewee 13).”*

Majority of the senior managers thought that language plays a major role in communication issues and gave an example of an exercise they did on one of their management meetings. The exercise showed the respondents the diversity of meanings that people give to words. In this exercise the team was divided into two groups, which were requested to name attributes to sauna after which the results were compared altogether. The peculiar thing was that people associated very different things with sauna, even though everyone knew what Sauna is. One of the groups had zero same attributes, whereas the second group had only two. One respondent from senior management reported that ‘Sauna-Sauna’ has become a new saying to describe situations where the counterparts realise they talk about completely different things.

As discussed in Chapter 2, communication is highly dependent on the linguistic abilities of the sender and the receiver. Also values, intentions and knowledge play an important role in communication process. (Shockley-Zalabak 2011, 10-13.)

Communication gaps in multicultural environment are often caused by language as discussed in Chapter 2.3. Language is used to reach the utmost effect by exploiting the national characteristics, thus each nationality have their own way of using language for communication. As such language is not only a tool for communicating, but it reflects also the national culture. (Lewis 2006, 63-66, 69.)

As discussed before, some of the non-Finnish employees reported sometimes feeling excluded from conversations due to their Finnish team mates communicating in Finnish. In a study conducted by Luring (2007), similar reasons were reported to be one cause for creating social boundaries in Danish organisations. Social boundaries emerged as some members felt excluded from informal social settings due to not speaking Danish. Informal social settings play an important role in organisation's innovative competence, hence the effect of social exclusion from informal settings is harmful for innovative interactions. The harmful effects materialise as the employees not sharing the same language with the nationals have limited access to the knowledge sharing. Exclusion from informal social settings also leads to weaker social ties between the employees. Usually the social exclusion is unintentional as the nationals are often not aware of it, hence unintentionally (or sometimes intentionally) limiting some members' possibility to influence. Although language differences may lead to social exclusion in communications, in contrary it can also be used for inclusion of people. Therefore language usage is one key component in establishing social constructions that enable benefitting from cultural diversity. (Luring 2007.)

As concluded earlier, the respondents reported cultural differences as a reason for using more explicit communication, as language differences could cause barriers in communication. According to the study conducted by Luring (2007) in addition to creating social boundaries, language differences may also lead to social fragmentation. When communicating in a second language, there is a need to communicate more explicitly leading to more formal communication styles. More formal communication styles on the other hand lead to lower degree of social interaction, thus possibly resulting in ineffective communications. (Luring 2007.)

Majority of the respondents thought that language has a major effect on communication fluency. Luring (2007) reported similar results in his study, as most of the respondents reported poor language skills as the major challenge in diverse organisations. Language and communication are related to the social setting, thus only the perception of having a language barrier has an effect in social interactions. Thus management should emphasise on the organisational interaction processes, which should promote inclusion in positive manner. (Luring 2007.)

#### 6.5.4 Culture, behaviour and communication

Most of the respondents from employees and senior management recognised culture as a factor effecting on individual's behaviour. Culture was described as learned behavioural and communicational models which are specific to a group. Moral, ethics and values were seen as important parts of culture as well. Some respondents named the cultural dimensions covering national, regional, organisational, hierarchical and generational instances. History and language were also named to be important aspects of ethnical background. Some respondents reported that also sense of humour can be driven by cultural values, as in some cultures dark humour might be appropriate, whereas in other cultures it might be considered offensive. Only one respondent described culture only as the organisational culture and was at an opinion that national cultures are irrelevant in organisational context.

*“Culture can be driven by the place one came from, it can be national for countries or even cities. Culture is innate, and it cannot be taken away from a person, nor ask them to stop it, although one can adapt their behaviour and learn new ways (Interviewee 12).”*

Although a majority recognised that culture have effect on individual's behavioural patterns, only half of the employees reported having had to adapt their behaviour due to cultural differences. Some reported adapting their behaviour in order not to overshadow discussions, as some cultures are used to talk less and take more time for their speech. Others mentioned that they have had to adapt their behaviour due to differences in perceived hierarchy, as one way of communicating might not be appropriate for everyone. Hierarchy was seen as the cause of not being able to communicate so openly mainly to one's superiors. Some reported adapting their behaviour according to the individuals who they are working with, regardless of the culture.

The rest of the employees hadn't experienced the need for adapting their behaviour due to cultural differences. It was thought that everyone should know how to act in a multicultural work environment, although there are individual differences for instance in sense of humour that should be taken into account. Treating everyone in the same way regardless of their background was thought to promote equality.

*“I haven't had to adapt my behaviour. We work with different kinds of people, so one always needs to think how they behave. With some people you can joke more than with others. Sometimes it's really hard to understand the other's thinking or the set of values (Interviewee 10).”*

As discussed in Chapter 2.1 Stephan & Pathak (2016) concluded that cultural values refer to what is commonly considered as idealistic in a particular culture. Hence ideals determine what kind of qualities individual admires in a leader for instance. The different variations of cultural value sets are almost endless. According to Stephan & Pathak (2016) values are ought to effect on individual's behaviour indirectly, whereas cultural practices affect one's behavioural norms more directly. (Stephan & Pathak 2016; Lewis 2011.)

Cultural coding plays a major role in how we interpret and behave in various situations. Our interpretations are rooted in our beliefs about what's wrong and right or what's normal. These beliefs, thought by our parents and our society, are strongly dependent on the culture we live in. It is the cultural coding that makes us so different from one another. Habits from other cultures might seem unfamiliar and bizarre, because it's difficult for us to identify with them. (Hofstede & Hofstede 2005, 3-4, Lewis 2006, 17-18.)

The five stages of intercultural sensitivity are discussed in Chapter 2.5. Approximately half of the respondents reported recognising and accepting diverse cultural characteristics, which is typical in acceptance stage. Acceptance stage means that an individual recognises and accepts their own as well as others' cultural characteristics. In this stage individual is self-aware of their own behavioural patterns and understands that there are differences in how we perceive the world, which leads to complexities in interaction. Regardless of recognising and accepting the differences, the individuals own values and norms are preferential. (Bennett & Bennett 2004, 155-156.)

The rest of the employees reported not needing to adapt their behaviour ever. Everyone should be treated in the same way regardless of their background, which is typical for the minimisation stage. In the minimisation stage the cultural differences are recognised, but not seen as important factors effecting on behaviour (discussed in Chapter 2.5). Normal perception in this stage is that we are all the same, thus making it unnecessary to truly understand others nor adapt (Bennett & Bennett 2004, 155). In this stage the individual is lacking cultural self-awareness and does not see the necessity to adapt their behaviour in cultural encounters. Thus individual prefers to be honest and authentic whatever the situation may be, while unknowingly behaving according to their own cultural norms (Bennett & Bennett 2004, 155).

#### 6.5.5 Highlighting cultural differences

When asking whether the cultural differences are highlighted in the organisation, vast majority of the respondents from both, senior management and employees, thought that they are not highlighted in any way. Some respondents reported that only way of highlighting them, is emphasising that we have so many different cultures represented, but there was no follow-up



to these statements. Only one respondent from senior management was at an opinion that cultural differences are highlighted in everyday work, as the organisation learns through experience. According to the respondent, the learning experiences were mainly handled in one on one discussions.

Whether the differences due to diverse cultural backgrounds should be highlighted, split the employees nearly equally to two groups. A small majority thought that it would be important to highlight the differences to enable smoother cooperation. According to some respondents, highlighting would also allow to take the advantage of the different aspects on how to communicate and learn different ways to work and develop things.

*“It would be really important to highlight cultural differences as an asset, and really use those differences. We could take advantage of different aspects on how to communicate, ways of working and developing things. We should use those as an asset (Interviewee 5).”*

The rest of the respondents thought that highlighting cultural differences is not important, as they are so insignificant and should not be even regarded. According to one respondent, cultural differences should not be highlighted any more than other differences, such as sexual orientation or beliefs. Another was at an opinion that people should not be put in “culture boxes” which determines their behaviour, because people adapt and change.

*“Cultural differences aren’t highlighted, similarly sexual orientation or beliefs aren’t highlighted either. Everybody is on the same level. I don’t see any need for highlighting the differences. If diversity an issue to someone, then one should find a job elsewhere (Interviewee 8).”*

*“I don’t see the importance of highlighting cultural differences, as it’s not worth to pay attention to the backgrounds of people, it’s sort of a side issue” (Interviewee 7).”*

As discussed in Chapter **Error! Reference source not found.** in 2005 there were 600 million people representing the linear-active cultures, whereas multi-active culture representatives amounted to 3.3 billion, and reactive cultures were represented by 1,7 billion people. 290 million people from India and Philippines are hybrid due to scoring equally both multi-active and reactive characteristics. Due to globalization there are increasingly diverse competitors in the global markets. By looking at the numbers it is obvious that the linear-active cultures are the future underdogs in global business. Therefore Western business leaders should take the cultural divergence seriously in order to guarantee their business continuum and survival. Products won’t speak for themselves in multi-active and reactive countries, where business

agreements are prone to relationships between people. Furthermore multi-active and reactive cultures cover the majority of the world population and hence, presents too big business opportunities to be overlooked. (Lewis 2006, 41, 101-102.)

Lattimer (1998) concludes that in order for organisations to benefit from diversity, all of the staff should understand what diversity in terms of culture, values, experiences and qualities can offer to and how it can be materialised as a competitive advantage (Lattimer 1998, 5). Although according to Luring (2007) in order to capitalise diversity in terms of increased innovation potential, social settings need to be well-established to support cross-organisational interaction and communications between individuals. Hence communication is a vital tool in enabling innovative interactions in multicultural organisations (Luring 2007).

#### 6.5.6 Formal and informal structures for feedback

As stated previously, formal structures for feedback are lacking, thus the employees reported being accustomed in giving informal peer to peer feedback. The employees and the top management were at an opinion that there are no sufficient channels or structures for formal feedback. However, development discussions were mentioned as the main channel for giving and receiving top-down and bottom-up feedback within the organisational unit. Nevertheless, there were different opinions about the frequency of them, and some employees reported not even having had a development discussion altogether.

Some employees also reported that they don't feel at ease about giving feedback to their superiors, although it is commonly asked in development discussions. The reasons for this were due to feeling of not being heard, or not having time to give it a thought before facing the question, thus trying quickly to answer something. On the contrary, some of the respondents reported feeling that it is easy to give feedback to their superiors. One employee complimented the template for development discussions, as there is the aim to connect employee's tasks to organisation's goals.

The senior management recognised the lack of bottom-up feedback and thought that feedback is as important for them, as it is for their subordinates. Hence 360 feedback system should be implemented. It was also mentioned by senior management that if feedback is not given to the employees about the ideas they have contributed to the innovation lab, it doesn't encourage people to contribute to the idea board (Dynamo Innovation Lab). Currently the feedback system for Innovation Lab was managed by one person in monthly intervals.

Majority of the employees reported that they were accustomed in giving each other feedback in their daily work within their functional unit. Team members gave feedback to each other

immediately, as it was seen as a part of the normal communication which comes naturally. The feedback was mainly given in forms of complimenting each other's work, or thanking each other. Peer to peer feedback was seen as valuable and important by the respondents. Good team spirit is a key factor in enabling peer-to-peer feedback and assistance to one another, according to the respondents. Thanking each other within the team and complimenting good work was seen as flattering and good boost for self-confidence.

*"Sometimes there's really good comments from the colleagues, when someone is saying something nice like "excellent work" to other one (Interviewee 13)."*

In project teams feedback was mainly recognised as informal peer to peer feedback, but the formal structures were missing for top-down and bottom-up feedback. Respondents mentioned that retro meetings were used in some projects to review the lessons learned after the project closing. The retro meetings were mainly focusing on team performance rather than individual performance. Although retro meetings weren't organised after each project according to the respondents.

*"Project cooperation is usually much more distant than working with own functional team, and therefor it's harder to give and get feedback. If feedback is given, it's given orally and only if there will be an opportunity for that (Interviewee 6)."*

The senior management reported that showing appreciation in daily basis is very important. People should get continuous feedback from their work and possess their own personal KPIs in order to identify how they are doing in their job and which areas they need to improve.

## 7 Discussion

Due to the drastic changes in the financial sector caused by digital transformation and social- as well as regulatory changes, the non-bank FinTech companies are increasing their market share. These companies appear as increasingly attractive investment opportunities for investors due to their innovative and customer-centric low-cost services (Citigroup 2016, 3, 7-9, 14; Nash & Beardsley 2015, 3). As FinTech companies operate solely online, they possess much bigger opportunities in terms of scaling their businesses internationally compared to traditional banks. The online operating model also supports scaling in terms of personnel, as the companies can more freely hire skilled staff from across the world, as knowing local language is not a necessity.

A diverse workforce ought to bring substantial value to organisations as they possess comprehensive skillset and know-how, which increases the organisations' ability to grow and innovate (Edmondson & all 2017; Ayers 2017; Zhao 2005; Koryak & all 2015). The ability to grow is important, as the evolutionary principles apply to business as well; adapt to the environment or disappear (Hiltunen 2014). However, these multicultural virtual teams create new kinds of challenges for the organisations. These challenges can hinder the growth of the organisations or even pose a threat of failure, in case if they are not properly addressed and dealt with.

The case company was studied from the perspective of service innovation in a multicultural organisation from the point of view of the senior management and the employees. The key findings concerned setting clear and transparent goals and communicating them effectively, as well as setting up favourable supporting structures.

As the case company implements its' strategy in cross-functional project teams, the composition and the operational structures of the project teams are central to growth and survival. The main finding was, that majority of the staff did not recognise project groups as teams, and thus they did not identify themselves with the project groups. Some even reported never having worked in a project team in the case company. Employees thought that teaming activities are essential in building trust and setting up favourable structures for cooperation, however they reported not having these in project groups.

The second key finding was that diversity was seen as richness by the management, however employees considered diversity more often as exciting rather than beneficial. Therefore the case company needs to work on how to benefit from the opportunities as well as tackling the challenges that diversity poses.

Setting up clear and transparent goals was seen as a challenge that effected communication fluency. Communicational challenges manifested themselves mainly when communicating in a foreign language, especially when communication was done virtually across locations. The case company had not yet formalized an internal terminology, which resulted in mixed use of terminology causing misunderstandings and challenges in communication. Employees reported also receiving contradictory instructions and requests from their supervisors, which caused confusion. Employees felt they were not being involved in decision making, thus creating a feeling of distance towards management.

The speed of growth as well as changes in the organisation cause challenges in building innovative organisational culture and enforcing open communication. Based on this research, the author of this thesis provides development proposals that may help to increase communication within the organisation. The development proposals are presented in the appendices of

this dissertation. The results provide a good foundation for the case company to start developing their organisational culture and improve communications processes towards a more inclusive direction.

Organisational culture reflects the basic values of a company, which are based on the proven good ways of doing things in the past. These assumptions reflect the correct ways of doing things and solving problems, which are sustained in social interactions. Well-established culture provides norms and values, which indirectly enforce mutual understanding about what are acceptable behaviours and ways for communication. The function of an organisational culture is to provide guidance and direction for strategy implementation. On the other hand if the organisational culture fails in establishing behavioural and communicational norms, the effectiveness of an organisation may be considerably reduced. (Martins & Terblanche 2003, 65.)

Values, norms and beliefs are thought to be in key role in establishing organisation culture that supports creativity. However, if not established with care they could also impede creativity, depending on how they affect individuals and teams. The most important determinants for innovation culture are strategy, organisational structure, support mechanisms, behaviours that encourage innovation and open communication. (Martins & Terblanche 2003, 73.)

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Appendix 1: Path from an idea to an innovation .....	90
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