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EFFECTIVE MANAGEMENT IN MULTICULTURAL TEAMS

Case: Nordea Estonia

Master thesis

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I hereby declare that I have compiled the paper independently and all works, important standpoints and data by other authors has been properly referenced and the same paper has not been previously presented for grading.

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ABSTRACT

This master thesis is an empirical study of multicultural management. It will introduce the basic ideas of culture, management and has an empirical research about how multicultural management has been done in a case company. It is divided into four chapters, culture, cultural differences, multicultural management and empirical research.

First part of this thesis will provide general knowledge about culture, how it is defined and how it can be deviated. It will also introduce cultural differences, mainly according to Hofstede's dimensions, which are still widely used. Last part of the theory will focus more on management, especially multicultural management. Thesis will introduce theory about multicultural teams and provide ideas how they can be effectively managed.

Last chapter of the thesis is empirical research which was made in case company Nordea Estonia. Several team leaders from multicultural teams were interviewed and based on their answers, multicultural leadership in the case company is analyzed. At the end thesis will provide answers to research questions and give additional ideas for effective management in multicultural teams.

Keywords: Culture, Multicultural, Management, Leadership, Business Administration,

INTRODUCTION

Multiculturalism is an interesting topic which has become more to our daily life. World has become more global, which seems to be continues improvement. Borders are getting down and cultures get mixed more often than before. This can also be seen in working culture when companies have more international environment. Inside companies' knowledge about cultures is needed and appreciated, and teams become more multicultural.

Multiculturalism can be seen as a challenge, even though if it is well managed, it is an opportunity. Managing different cultures is not an easy task and requires awareness. It has lot of challenges and can be more time consuming and with poor management skills it has negative impact. Knowledge of cultures and realizing the fact that they exist and are different, helps managers to get best out of different people. Adding this to good management skills makes cultural differences an opportunity. Idea of this thesis is to introduce which factors can make multicultural team more effective.

This thesis has been divided into four parts. First one is about culture. Culture has considered tough to defined and there are several suggestions. In this chapter thesis will introduce few of these definitions and an idea cultural deviation. At the end of the chapter it will also introduce stereotypes.

In second part thesis focuses on cultural differences. There are lot of dimensions which are used but this thesis focuses mainly on Hofstede's dimensions, but an additional idea is also introduced. In this chapter, there is also a short introduction to leadership in different cultures.

Third chapter focuses is about management and leadership. It will introduce some leadership approaches in general but then focuses more on multicultural management. First there is a definition of a multicultural team and then how these cultural diversities should be managed, what are the advantages and disadvantages. In the end of the chapter thesis provides steps in order to make teams more effective.

Empirical research studies multicultural management in the case company. Case company was chosen to be Nordea and their Estonian unit. They have several multicultural teams and their team leaders were willing to share their thoughts and experiences. Research is a qualitative and it was done by interviews. Outcome will be introduced at the end of the chapter.

Research questions

This thesis has two research questions which are answered to in this thesis:

- How multicultural teams get more effective? Is the main research question, which has been the basic of the research.
- What is multiculturalism and how does it affect leadership? Is an additional question which will also be answered on this thesis.

This thesis will also provide additional ideas how leadership could be improved in case company based on learned theory.

1. CULTURE

Culture is a part of human's life and behavior in many ways. It is not something inherited but something learned through social interaction. People living in the same environment have same adopted value system, same beliefs and same way of acting. This is called culture. Culture changes through years, but for example beliefs and values stays longer than for example clothing trends. (Mäkipää, Piili, 2009, 10)

1.1. Defining culture

Geert Hofstede, Gert-Jan Hofstede and Michael Minkov (2010) define culture as a mental software. Everyone learns from his or her social environment patterns of thinking, feeling and acting through lifetime. This is called programming of one person's mind. Collecting of these life experience starts within family, then expands in the living community, neighborhood, school and workplace. Most of it comes from childhood when person is most hungry for new information and learning new things and skills. Once a person has adapted a certain way of feeling, thinking or acting it is impossible to learn something new before unlearning these old patterns. Of course, unlike computers, people can react surprisingly for certain events, so comparing a person's mind to a computer is just generalization and gives understand of reactions that are likely. (Hofstede, Hofstede, Minkov, 2010, 4-5)

Hofstede, Hofstede and Minkov divide our behavior to three different levels. First one is human nature which all the people have in common in universal level. Our human nature means our physical and psychological basics such as our inherited ability to have feelings, and make observations in our environment. It is in our people's genes that we need to relate with each other and discuss about our observations, doesn't matter what is our background or what we have learned. Another level in our behavior is personality. Personality is the combination of inherited genes and leaned personal experience. This creates unique combination of inherit and learned factors which are specific to individual. Basically, this means that there is no one in whole planet

who is similar. Between these two levels there is culture level. This is something we have learned in some specific group through times. (Ibid., 6)

Another famous definition of culture is provided by Swiss professor Edgar H. Schein. He argues that culture has three levels: artefacts and creations, values and basic assumptions. He sees culture as an iceberg where only small part of it is visible above the water. This visible part is artefacts such as language, manners, technology, architecture, food, or clothes. Below the surface are beliefs values and religion. They are predicted from behavior that can be observed at the artefacts level. Last deep below the surface there are basic assumption. They are taken granted by members of certain culture and defines what to do in different situations, what to take into consideration and how to react emotionally. Understanding these things requires deeper knowledge about the culture. (Schein 2010, 23-24)

Third famous definition of culture is produced by Dutch theorists Fons Trompenaars and Charles Hampden-Turner (1998). They defined culture with famous fish theory: *“A fish only discovers its need for water when it is no longer in it. Our own culture is like water to a fish. It sustains us. We live and breathe through it. What one culture may regard as essential, a certain level of material wealth for example, may not be so vital to other cultures.* “(Trompenaars, Hampden-Turner, 1998, 20)

1.2. Cultural deviation

One definition for cultural deviation is by Polish author Paulina Jedrzejczyk (2007). Her idea is that culture deviation is difference between people with various nationality or ethnical background. However, according to Hofstede, Hofstede and Minkov people carry several levels of cultures. Some of them are carried at the same time, some changes through times. This comes from finding his/her place in many moral circles during life time. As Hofstede, Hofstede and Minkov describe culture as mental software, they also argue that we carry several levels of culture at the same times. These levels are for example:

- A national level according to country or countries,
- a regional, ethnical, religious or linguistic level,
- a gender level, whether one is a male or a female,
- a generation level dividing us if we are children, teenagers, parents or grandparents,

- a social class level, which separates us by our education, occupation or class,
- an organizational level for those who are employed. (Hofstede, Hofstede, Minkov, 2010, 18)

Still, probably the easiest deviation comes by looking into our passports and divide people into culture groups by nationality. Nowadays basically everyone get a nationality when they are born. It is true that nations are strong culture groups, they usually have same dominant language, history, political system, school system, national defends system, mass-media and economical market. Also, visible symbols such as flags, colors and anthems are well represented for example in sport events. Still it is important to keep in mind that national system is relatively young, it was first introduced in mid-twentieth century after colonial system. During colonial system, Western countries were more developed and divided all the territories of the globe between themselves which were not part of some other strong country. This deviation can still be seen especially in Africa where boarders from colonial period are stronger than cultural deviation of the people. (Ibid., 6, 20-21)

National culture deviation should be done carefully as they are not the same as societies. Societies are social organizations that have longer history and has developed through years. Basically, the concept of culture appears more in societies than in nations. Of course, that is not always the case, as there are nations that have united even though there have been two or more clearly different groups or minorities. (Ibid., 21)

1.3. Stereotypes

One problem in national deviation is stereotyping. Polish social psychologist Henri Tajfel (1981) defines stereotype as *“an over-simplified mental image of (usually some category of person, institution or even which is shared in essential features by large number of people.”* (Tajfel, 1981, 143) Simpler definition of stereotype is *“image which we keep in our minds”* (Barszczewska, Peti, 2011, 67)

Stereotyping means categorizing people in our minds and making preconceptions to some particular group, for example nationality group. Then people are not seen as individuals as they are in national stereotypes. This easily leads to a problem that people assume that stereotypes

applies for their colleagues as well, which then affects their behavior towards them. It means that they can for example prefer colleagues from their own or near-by country. Also, people can easily underestimate their colleagues if they come less economically or technically advanced areas. For example, Indian or Moroccan employee can get less respect and pre-assumptions that they are incapable just because of stereotyping nationalities. (Adler, 2002, 81, 142-143)

One common way of dealing with stereotypes is humor. It can be useful because some stories actually tell realistic even though satirical story of a certain culture. It is important to remember that it is helpful only as long as it is not taken too seriously and is used temperate. Some has also said that humor is the worst way of stereotyping culture and it should not be used in any cases. Anyway, many stereotypes are easy to observe with or without humor but it is necessary to have more structured way of understanding culture and stereotypes than humor. (Steers, Nardon, Sanchez-Runde, 2014, 85-86)

Stereotypes can also be seen useful depending on how it is used. In new situations stereotypes can be effective and help people to understand and act appropriately. Effective use of stereotypes requires that stereotypes are accurately described and people are aware of that they are talking about bigger groups and not individual person. It should not evaluate if something is good or bad but estimate what person from some specific group will probably be like and how is she/he most likely going to act. Effective use of stereotypes also needs modifications when needed. (Adler, 2002, 81)

2. CULTURAL DIFFERENCES

One of the world's most famous model about cultural differences is Hofstede's dimensions. It shows the difference between cultures in six different dimensions which are power distance, individualism/collectivism, masculinity/femininity, uncertainty avoidance and long term orientation. This model has been introduced already in Hofstede's book *Culture's Consequences* in 1980 but has been updated through years and is still seen as a valid measurement of cultural differences. (Beverland, 2018)

Hofstede's mention has also got lot of critics. It has been said that cultures cannot be defined with so few dimensions (Broaways, Price, 2008). One criticizer is Brendan McSweeney, who has argued that can two people from different countries who work in a same company can be said to share uniformity of culture. He argues that qualities can differ considerably between countries as well as within a county. (McSweeney, 2002, 98) Hofstede has also admitted that nations are not always appropriate unit to analyze but it is the best we have available. (Hofstede, 2001, 73)

International management professor Mark Peterson has said that "*perhaps the first edition of Culture's Consequences did not create the field of comparative cross-cultural studies but it certainly has shaped the field's basic themes, structure and controversies for over 20 years.*" (Peterson, 2008, 128) That's why Hofstede's dimensions have been chosen to be introduced in this thesis, but also additional dimensions by Fons Tompenaars will be presented.

2.1. Power distance

Power distance means the strength of social hierarchy and how people accept that in different cultures. In every culture, there people in different positions, it is usually because of people's physical or intellectual capabilities or wealth. Because of these capabilities some people have more power and they can affect easily to other people's behavior. In some cultures, it is common thinking that same persons have these qualities, which leads to a situation that class differences

are wide. On other cultures, it is not seen as a problem that these qualities are not combine and spread within more people. In these cultures, middle-class is bigger. (Hofstede, Hofstede, Minkov, 2010, 53-54)

In low power distance cultures, role of the team leader is smaller and leader's negotiations skills are appreciated. Correlation between employee and team leader is mutual and employees sees their team leader more as a member of the team. In these cultures, emotional distance between employee and leader is low and it is easier for employee approach and argue with the leader. Whereas in high power distance cultures correlations are one-sided and employees depend on team leader. In high power distance cultures, emotional distance is bigger and employees don't approach or argue with their team leader. This also varies between national cultures and lower power distance is common with more educated people and high power distance with less educated people. (Ibid., 73)

From team leaders point of view in low power distance cultures employees expect that their opinions are heard when making decisions. They appreciate negotiations and democratic approach where no one has any privilege. This also reflects to salaries. In high power distance cultures employees are expecting orders from leader. They also accept higher dimensions in salaries. (Ibid., 73-75)

2.2. Individualism vs collectivism

Individualism and collectivism measures if people are seen themselves as a part of group or more as individuals and which interest is more important, personal or common. In Individualism cultures links between individuals are not that strong and everyone is expected to take care themselves and their close family members. Children are learned to see themselves as I and they move away from childhood's homes relatively young. They are not expected to be depended on any group. (Ibid., 90-91)

As an opposite collectivism cultures people are part of strong groups since they are born. These groups protect individuals and in return demands every individual's loyalty. Worldwide collectivism cultures are more popular than individualism cultures. Main features are that families

are bigger, they include siblings, parents, grandparents, other relatives and personal connections. In collectivism cultures, interest of community is always ahead of personal interest. (Ibid., 90-91)

In working environment individualism cultures appreciate more personal valuations. Self-respect is increased by diplomas or good personal feedback. Relationship between employee and leader is based on mutual benefit. Recruiting and promotions are expected to base on personal skills. In general leadership is more task than personal oriented and is more seen as directing individuals. (Hofstede 1992, 100) Generally individualism countries are rich and collectivism countries poor, so aims of collectivism work is considered self-evident in individualism countries. (Ibid., 120-123)

2.3. Masculinity vs femininity

Masculinity and femininity reflects to traditional social gender roles appreciations and reflections in different cultures. In general men are expected to be more interest on accomplishments outside home. They are seen as strict, competitive and tough. Women are seen more home oriented and more focused on children and taking care. (Ibid., 139)

For masculinity pole four work goal items were strongly related to earning, recognition, advancement and challenge. It means that on masculine it is more important to have an opportunity to high earnings and get recognition for doing a good job. It also means that there needs to be an opportunity for higher-level jobs and work needs to be challenging. (Ibid.)

On the other end of the pole in feminine side work goal items are manager, cooperation, living area and employment security. This means that it is appreciated to have a good relationship with direct supervisor and to have a good group to work with. It is also seen important that one is able to work as long as wanted. For home, it is important to live in an area desirable for whole family. (Ibid.)

Biggest difference in working environment comes within problem situations and what how important work is in person's life. In feminine cultures problem solving is more based on compromises and negotiations whereas masculine cultures fight more with arguments and best argument wins. In masculine culture importance of work is bigger. It is believed that employee

gets paid based on success, idea is “*let the best man win.*” (Ibid., 166) Feminine cultures appreciate more stability and equality in salaries. (Ibid., 165-170)

2.4. Uncertainty avoidance

Uncertainty avoidance measures how uncertain and unknown situations is experienced in different cultures. With high uncertainty avoidance cultures these new situation affects stress so them should be avoided with help of written and unwritten rules. Some on the other hand has higher tolerance for new situations. (Ibid., 188-190)

Three basic ways to avoid uncertain situations are with technology, legislation and religion. Technology helps people to avoid uncertainty created by nature. Legislations fights against human behavior and religions helps people to accept uncertainties that cannot be fight against to. (Ibid., 189)

In working life, cultures with high uncertainty avoidance it can be seen as stress. Employees become more stressful when there is for example a change in companies’ management or ownership. They need more legislations, rules and regulations prevent uncertainties. In individual company, there is a need for formal and informal rules to control both leaders and employees. For the work process, there is also need for regulations. This is partly connected with power distance as well. (Ibid., 209)

Workplaces in countries with lower uncertainty avoidance rules and regulations can be seen ineffective. They don’t necessarily realize that these rules can satisfy people’s emotional need for formal structure. They think that lot of issues can be solved without formal regulations and that rules should be created only when it is necessarily like for example in traffic. (Ibid., 209-210)

2.5. Short-term orientation vs long-term orientation

Short and long-term orientation shows how cultures are focusing on past, present and future. Short-term oriented cultures focus more on past and present while long-term oriented more to the future. This can be seen for example how people are taking care of their personal finance, how they determinate “old” or for example how they see marriage. (Ibid., 241)

Typical qualities for cultures with high long-term orientation (LTO) are unyieldingness, thrift, having relationship by status and observing it and having a sense of shame. Another side with low-LTO can be divided into two different standards. First one includes traditions, face-saving, dignity on others' eyes, respecting marriage despite losing love and answering to gifts and favors as a social ritual. Another standard is more about satisfying wants quickly. This includes spending money and sensitivity to follow existing and upcoming trends. (Ibid., 236-237, 242)

In business life, short-term oriented cultures appreciate more freedom, equitability, achievements. Also free-time is well appreciated. In long-term oriented cultures appreciate learning, honesty, flexibility, trust and self-discipline. In organizations level this means making short and long-term oriented goals. Short-term targets are usually followed up yearly basis and long-term every five to ten years. (Ibid., 243-244)

In decision making there is some difference. When short-term oriented have more black-and-white way of thinking, long term-oriented can see several possibilities. Short-term oriented thinks that if one is right, another one must be wrong therefor there is a need for agreement in order to make a decision. Theoretical rationality is important. Long-term oriented thinking includes more flexibility, if one is right the other might also be right. Common sense is seen more important. (Ibid., 251)

2.6. Indulgence vs restraint

Last of Hofstede's dimensions is indulgence against restraint. This was added to dimensions in 2007 when it was introduced to Hofstede by Michael Minkov (Hofstede, Minkov, 2013, 12). Hofstede, Hofstede and Minkow define indulgence as "a tendency to allow relatively free gratification of basic and natural human desires related to enjoying life and having fun." Opposite restraint stands for "a conviction that such gratification needs to be curbed and regulated by strict social norms. "(Hofstede, Hofstede, Minkov, 2010, 251) It is important to understand that natural human desires mean humans need for enjoying life and have fun. (Ibid.)

In indulgence cultures people are allowed to act as they wish, spend money, spoil them on free-time and do fun things alone or with their friends. In these cultures, people evaluate themselves

happier than in restraint cultures, where this kind of behavior is not acceptable. In high indulgence cultures, personal health was rated higher than in restraint cultures. They are also more optimistic about their future. (Ibid., 281, 290)

In workplaces, this can be seen so that indulgence cultures for example smile more. They are also naturally politer to customers. If a company from indulgence country makes a market entry to more restraint country, this needs to keep in mind when training people. By instructing them to smile to customers they can do harm when customers basically think that they are crazy, not polite. (Ibid., 294)

2.7. Additional dimension theory

Fons Trompenaars has created his own version of cultural dimensions. His main idea was to create a theory of cultural dimensions which can specially be used in business world and in leadership. (Trompenaars, Hampden-Turner, 1998, 1-2, 8)

Trompenaars divides his dimensions to seven different categories. These categories are:

- Universalism vs. particularism,
- Individualism vs. communitarianism,
- Specific vs. diffuse,
- Neutral vs. affective,
- Achievement vs. ascription,
- Sequential time vs. synchronous time,
- Internal direction vs. external direction. (Trompenaars, 1998, 8-11)

Universalism versus particularism defines the importance of regulations and personal connections in different cultures. In cultures based on universalism it is important to follow rules and regulations, while in cultures based on particularism social connections and situations are playing more important role. In different situations rules can be decoded and followed in different ways. (Ibid., 31-32)

Individualism versus communitarianism measures communality of the cultures. Does people themselves as an I or as we? Individualistic cultures believe that they are all individuals while in cultures based on communitarianism they feel them as a part of a bigger group. (Ibid., 52)

Neutral versus affective shows how much people are willing to show their emotions. In neutral cultures emotions are kept inside and showing them is not socially as acceptable. In business life focus is more on achieving goals. Affective cultures encourage to show motions and business can be done more based on that. (Ibid. 69-71)

Specific versus diffuse reflects to how much privacy people need in business life. In specific cultures people don't need to know each other on personal level. It is important that contracts are signed and people are behaving based on them. Focus of their relationship is on business, not on their personal life and both respect this. In diffuse cultures, it is important to know business partners. In these cultures people believe that a person who they do not know can't be trusted either in personal or in business life. (Ibid., 81-82)

Achievement versus ascription tells how people earn respect. In other cultures, people create their status based on achievements such as education, working career or perhaps medals in sport events. In cultures based on ascription it is more appreciated to have certain inherited qualities. They create their status by born to a appreciated or wealth family, or are valued based their age or gender. (Ibid., 104-105)

Sequential time versus synchronous time are different because of their perception to time. In this dimensions there is two different angles: first, how much meaning is put on past, present and future, and on the other hand what is approach to time. Do things get one at the time or many things at once? In sequential cultures time is a line which has starting and ending point, while synchronous cultures sees time as cycles. In working life this affects planning the future, to companies strategies and purchases. (Ibid., 120-122)

Internal direction versus external direction shows how people are relating to their environment. Cultures based on internal direction believes that individuals have a change to control environment. They don't believe in faith or destiny, but things that individuals can change their future. In cultures with external direction people believe that an individual can't change his/her

environment and must live with it with harmony. They don't believe that they can affect to their destiny. (Ibid., 141-142)

2.8. Leadership in different cultures

Leadership can be defined in many ways and word leader has several meanings. In workplaces leader creates motivated workforce through own actions. Leadership is a management skill which focuses on development and commissioning vision, mission and strategy. In general, a leader is seen as a wider role than a manager. Just a job title doesn't make a person leader, it comes through actions. Leader guides others and influences on followers. (Marquis, Huston, 2009, 33)

Organizational structures have changed through history which has also developed concept of leadership in different cultures. Every culture modifies leaders and they are expected to behave in way which is seen as a traditional. History, environment religion and language affects what is appreciated in culture and which kind of individuals are selected as leaders. Power is divided in different way in different cultures, somewhere achievements are appreciated while others appreciate education, qualities, wealth or natural charisma. (Lewis 2008, 105-107, 110)

According to English theorist Richard D. Lewis cultures can be divided into three groups, linear-active, multi-active and re-active. In linear-active culture individuals accomplish tasks one after other. They are seen as introvert, patience, quiet and they have strong appreciation for privacy. Typical linear-active cultures are in USA and Northern Europe, for example Scandinavia, Germany and United Kingdom. Multi-active cultures lot of task are done at the same time. People are seen as extrovert, impatient, talkative and unpunctual. They don't need privacy as much as linear cultures. These cultures are usually in Africa, Latin-America and in Southern Europe. Also, Russia is seen as multi-active culture. Re-active cultures adapt qualities from other cultures. They can do task one after another or many as a same time, depending on another culture's habits. Typical re-active cultures are in Asia, for example Japan, China and Korea. (Ibid., 42)

In linear-active cultures, leaders are more task oriented. They prioritize technical competitiveness, facts and logic before emotions. They want to keep conversations short and are job oriented. Planning everything precise and sticking with it is important. Fixed hours are appreciated. Multi-active cultures on more free. They are extravert and trust with their speaking skills more than logic.

They use emotions and inspirations as motivation. They plan outline for everything and expect plans to change. Fixed hours are not necessary, they can work any hours. Re-active culture leaders are people oriented but still trust in knowledge and quiet control. They show modesty and courtesy and are patience. In re-active cultures leaders usually work in a same company for long period of time so they know their companies and they are good at creating harmonious atmosphere to workplaces. (Ibid., 33-34, 110)

2.9. Project GLOBE

A multicultural team of researchers made a project to study differences and similarities in cross-cultural leadership among countries. Project was named as Global leadership and Organizational Behavior Effectiveness, GLOBE for short. GLOBE collected data from 15,000 middle managers from organizations in different areas and industries in total 61 countries, which were divided into ten clusters: Anglo, Germanic, Latin European, African, Eastern European, Middle Eastern, Confucian, Southern Asian, Latin American and Nordic. (Liddell 2005, 5)

Project defined leadership as “the ability of an individual to influence, motivate, and enable others to contribute toward the effectiveness and success of the organization of which they are members” (House, Javidan, Hanges, Dorfman, 2002, 5). From 23 leadership styles, GLOBE researches eventually divided leader behaviors in six different leadership dimensions; those dimensions are: autonomous leadership, charismatic/value-based leadership, humane leadership, participative leadership, self-protective leadership and team-oriented leadership (Liddell 2005, 5).

GLOBE project uses nine different cultural dimensions, most of them from Hofstede, but some others were also added. These nine dimension are: power distance, uncertainty avoidance, humane orientation, institutional collectivism, in-group collectivism, assertiveness, gender egalitarianism, future orientation and performance orientation. (Ibid.)

As a result, researchers found out that charismatic/value based leadership was and team-oriented leadership was strongly endorsed in all clusters. Both were most appreciated in Latin American, Asian and Anglo clusters but still accepted everywhere in the world. (Steers, Nardon, Sanchez-Runde, 2014, 276)

Humane leadership was divided more unequally. It was strongly endorsed in Asian, Anglo and Sub-Saharan African cluster and less strongly in Nordic and Latin American clusters. Autonomous leadership was not too popular anywhere, however it was seen more positive in Eastern European and Germanic cluster than anywhere else. (Ibid.)

Self-protective leadership was endorsed most in Latin American, Eastern Europe, SE Asian, Middle Eastern and Confucian clusters. It was least endorsed in Anglo, Germanic and Nordic clusters. Participative leadership was other way around to Self-protective leadership. (Ibid.)

3. MULTICULTURAL MANAGEMENT

As in any team, first thing in multicultural management is to create a common sense of purpose which is the base for a success team. All team members should have a clear vision about team's mission. Too often it can be seen that teams are formed without idea of their rationale, which leads to a situation that team members easily lose their motivation. (Schneider, Barsoux, 2003, 222)

First step for manager is in general level to avoid making cultural stereotypes and select people based on task-related abilities. Cultural descriptions contain always only a limited amount of information and they should be seen as a first guess, not as a fact. Cultural descriptions should be looked objectively and they should not be used to evaluation. In best case, cultural descriptions provide an accurate description of values, beliefs and social norms but it is important to keep in mind that they change over time. (Steers, Nardon, Sanchez-Runde, 2014, 98)

Second step is to view cultural differences in neutral terms. It is not right to say that some cultures are good or some are bad, it just need to be understood that they exist and that they are different. Cultures are complex and there can be found contradictions in behavior so expanded cultural knowledge is needed. Managers should look for subtleties and nuances in people's behavior and attitudes in order to find out what others are thinking. (Ibid., 99-100)

Last important thing is to be prepare for the unexpected. This means adjusting the behavior in order to fit to the situation. For this there is six useful skills that managers should be aware of. First one is self-awareness, it means that also managers are produced by some cultures and that also they are affected by culture. Empathy is second one. This means understanding others and their cultural values. In some misunderstanding cultural expiations are valid and can help understand confusing or offensive behavior. Third and fourth skills is about information gathering, analysis and integration. Competitive managers gather information about other cultures and that way become more aware of cultures. That is not enough but gathered information needs to be putted in use. Fourth skill is behavioral flexibility. Managers need to accomplish task in more than one way.

For this they need ability to engage in different behaviors. Last skill is mindfulness. Managers need ability to be open minded and aware of themselves and others. In interaction they need to focus on their feelings and actions and also others' reactions. (Ibid., 101)

3.1. Leadership approaches

Trait theory is the most common leadership approach. It argues that certain qualities and abilities are something that a good leader should have. This theory makes assumptions that these characteristics that people are either learn or born with are the key for becoming a good leader. It is popular theory because it is an easy way of measuring quality of leadership. It is also widely criticized because these qualities cannot be defined easily and are not suitable in every situation. However, professors Stephen Linstead, Liz Fulop and Simon Lilley (2009) introduces six qualities that can be associated with good leadership performance. These six are knowledge of the business, leadership motivation, honesty and integrity, cognitive ability, self-confident and drive. (Linstead, Fulop, Lilley, 2009, 479-480)

Knowledge about the business means that leaders are aware of the company and the industry where they are operating. This is needed in order to plan strategies, making business plans and for creating visions. Leadership motivation is a quality which measures how willing leader is to actually lead and take responsibility. Honesty and integrity tell what the difference between words and actions is. This affects to employees and other followers how leaders can gain their trust. Cognitive ability shows leaders intelligence and how he/she is capable of solving problems. It does not mean automatically that they are geniuses rather than they have this type of quality. Self-confidence comes in place when followers is needed to be led towards new directions. It is also important when facing hard times and withstanding setbacks. Drive is a general quality that person has to make things happen. It is the difference between talker and doer. Leaders who have drive-quality gets things done and are not just talking about it. (Ibid., 479-480)

Author Kenneth Williams argues that transactional leadership is useful in development stage when expectations about team's behavior and their success are unclear. When done properly it can be considered to make team effective, especially when talking about multicultural team. Transactional leadership encourages leaders to motivate their employees by rewarding them with praise or some material rewards. Transformational leadership is similar, but it motivates

employees with inspirations, idealized influence and individualized consideration. With commitment, emotional engagement and fulfilment of higher order needs employees get motivation and higher level of motivation. Both of these leadership approaches are searched to be effective. Transactional leadership is increases team members' commitment and has positive impact on effectiveness, while transformational leadership increases peoples' satisfaction by individualizing considerations. (Williams, 2008, 150-151)

Another leadership approach is servant leadership. This can also be seen as an effective and appropriate method for multicultural team. Idea of this leadership style is that a leader becomes a leader by first becoming a servant. This builds a trust between leader and employee and makes it easier to have a cooperative relationship. Aim of servant leader is to listen followers' needs and help them to become more independent and increase self-confident which makes them more powerful. Servant leaders appreciate listening, empathy and acceptance. They appreciate all the team members equally which creates mutual respects within the team. With this method by supporting, promoting collaboration and valuing employee's servant leader can be seen as an effective leader. (Ibid.)

Usually, leader is seen as an individual. There is also an approach which changes this insight and is called as shared leadership. Idea with this approach is to share leadership functions aiming to have a team with no named leader. If leadership is just in hands of one or few individuals it can become a competition about leaders' position and break the atmosphere inside the team. When having a rotating team leader this problem doesn't exist. This method is tough to make work. In early stage, it requires a temporary leader, coach or someone who can develop leadership skill inside the time. It also requires support above from higher-level management, clear goals that are defined for the team, certain type of socializations among the team members, task that is appropriate for this kind of management, suitable information system, good communication skills and most importantly open-minded values. Everyone should accept and appreciate differences within the team and team member's leadership styles. As an outcome, this method can provide lot of effectiveness to the team. All team members feel valuable and they have control over team's work and major decisions. With more central role, they feel more powerful and self-governed and work better together. Within multicultural teams this leadership approach can bring lot of new insights. All the cultures have their own management styles so combining the best of those that are most suitable for specific team, it can work much more effective. (Ibid., 153-154)

3.2. Multicultural teams

According to professor Daniel Levi (2007) a group is more than just a collection of people. A group has a common mission, a purpose and a goal. They realize that they are connected to each other and communicate. A team is a one type of group, which is specially used in working environment. They have a common goal and its members interdependently work in order to accomplish it. (Levi, 2007, 4-5)

There are four different kind of teams. They are homogeneous teams and multicultural teams which can be divided into three different groups: token teams, bicultural teams and multicultural teams. Homogenous team means that the whole team has a same background. This can be measured in many ways. A team with Estonian male economics are homogeneous in terms of nationality, gender and education. But for example, a team with Estonian and Finnish bankers are professionally homogeneous but not culturally in nationality point of view. A token team means that there is a one person who differs from others. It is also possible to measure in many ways. One Finnish member in otherwise Estonian team is a token member and one male in otherwise female team can be seen as a token member too. Bicultural team is a team with two different cultures. In case they are represented fifty-fifty the team is equal in cultural point of view and both cultures are recognized and integrated equally. When the team is not equal for example seven from Finland and three from Estonia it is likely that Finnish culture is more dominating. (Adler, 2002, 139-140)

The last type of team is multicultural team which consist three or more cultural backgrounds. Multicultural teams have become reality worldwide and teams can have very different diversity in gender, nationality, race, age and ethnicity. Team members can have very similar or totally different background in terms of their experience or perspectives. This brings both positive and negative impacts to team depending on how it is managed. In best case scenario, multicultural team has more perspectives in different situations, which gives the team more insight, consequently and productivity. A team with more cultural diversity can have more ideas, meanings, and arguments which leads to the fact, that they have possibility to choose from more alternatives. More alternatives usually lead to better solutions and better decisions. In general, multicultural teams can be more effective and productive. (Ibid., 134, 140-143)

On the other hand, it can also have negative impact due to faulty process. Multicultural teams can have problems with understanding each other and then to act similar way in different situations. Team members can find it hard to communicate with colleagues from other culture and can have more misunderstandings. In case of language differences non-native speakers can feel less valued and translation can affect problems. Stress can also become an issue when team members have more counterproductive behavior and more tension. Overall this can lead to the case where team is less efficient and less productive. (Ibid.)

3.3. Managing cultural diversity

By considering team's task, it can be seen how much diversity is needed. Team where all the members are specialized in some specific task, needs more diversity than a team where everyone is doing the same thing. Specialized teams are usually also more effective. Nowadays when robots and computers can produce routine tasks, there is a wider amount of challenging and non-routine jobs available. High cultural diversity becomes helpful in these kinds of tasks which requires more creativity and innovation. (Ibid., 149-150)

American psychologist Nancy Adler (2002) argues that team's progress through three stages which are entry, work and action. In entry stage a team become a team. This basically means that they build a trust and start to know each other. In this stage, cultural diversity makes it more difficult because different cultures have different ways to build a relationship. In middle-Europe or United States people usually tend to spend less time to getting know each other than people from Southern Europe or Middle-East. If the first stage last for long time it can increase frustration in more task-oriented cultures. On the other hand, if entry stage is too short, people from relationship-oriented cultures may feel rushed and not trusting their team members. (Ibid., 150-151)

Second stage is work. In this stage team start to define their goals and assess their ability to solve problems. They see what is their potential and how it can be improved. Unlike in the first stage, in work stage cultural diversity becomes more helpful. It provides more perspective and through that wider amount alternative. Members in multicultural team don't easily renounce to groupthink and blindly accept alternative without a good argument. (Ibid., 150-152)

Last stage in team's progress is action, where it decides what to do and how to do it. A team needs to go through alternatives created in second stage and make a decision based on them. This requires consensus building, agreement, concerted action and implementation. Finding a mutual understanding can be more difficult in multicultural team than it is in single culture team. (Ibid.)

Cultural diversity might also bring some problems and challenges in workplace. There is a risk of ethnocentrism, which means that one favors their own cultural group over another. Prejudices, generalization and even discrimination are also possible problems in a team with cultural diversities. As a challenge there is lower group cohesiveness as it tends to be higher in homogeneous teams, which share same background and language. Language differences can also cause communication problems which are typical in teams with wide cultural diversity. (Ferreira, Erasmus, Groenewald, 2009, 432)

3.4. Multicultural communication

Communication means sharing information meanings and feelings through verbal and non-verbal messaging. Sender, an individual or a group, has an idea that needs to be impressed to another person or a group. Most important part of the communication is to share the meaning. Only when receiver understands the meaning, communication can be counted as successful. (Guffey, Rogin, Rhodes, 2009, 10)

In multicultural environment, this can cause problems because there are so many variables unknown to the communicators. Nowadays when world has become more global it is believed that cultural differences are opportunities not problems if they are well managed. In this sense, the most important thing is to avoid having language or stereotype barriers and appropriately show that someone has a different background and respect that. (Moran, Harris, Moran, 2007, 46)

Managers spend most of their time during a work day communicating. It is the most important tool to get things done, so it is extremely important to do it effectively. First thing in effective communication is realizing the fact that it cannot be avoided. Communication is much more than just verbal communication. All behaviors, verbal or non-verbal contains a message, even though it was not intended. Also, communication or talking does not necessarily mean understanding.

Understanding is when two persons share their interpretation after communication. (Ibid., 43, 46-47)

Communication is not one time event, but a continues and dynamic process. There is no need to have sender and a receiver, both can play both roles at the same time. It is also important to remember that communication is irreversible. When you have said something, or acted in some way it is impossible to take it back. It will most likely also affect to the experience and how you will be understood in the future. (Ibid., 47)

Often communication is misunderstood which then brings difficulties. Between many cultures there are similarities in communication, especially in non-verbal communication. Still misunderstanding can't be avoided. One big reason for misunderstandings is social rules, specially shared expectations about communication that is appropriate or inappropriate. For companies this is an area, which should be focused on when communication across cultures. Communication trainings help understand other ways of communication and brings new approaches which impact can't be overestimated. (Kotthoff, Spencer-Oatey, 2007, 59)

3.5. Steps of effective management

Professors Alexei Matveev and Richard Milter (2004) argues that multiculturalism brings new way of thinking to team, which is required in order to work in increasingly competitive and interdependent global environment. When a team gets wider insight, its members has different preconceptions how to start working as a team. Therefor them gets more ideas and viewpoint how to increase their knowledge and improve working methods. (Matveev, Milter, 2004, 107-108)

In theory, multicultural teams are more productive than other teams. Still usually they don't achieve their full potential. In order to make the team more effective, leader should take some actions, because team's productivity depends on that. Most important thing to keep in mind is to show cultural differences. Cultural differences require more time but they are not a bad thing. At first, when two cultures meet, they usually have difficulties understanding each other and different ways to act and behave. These can be annoying and frustrating from another perspective. However, when they continue working together they must start to understand each other and find new

common rules and ways to act. According to Nancy Adler (2002, 152-155) there are six steps to effective management:

1. Task-related selection. Team members should be chosen based on task-related abilities rather than ethnicity. Team is more effective when members are in same level in ability and on different level in attitudes. (Adler, 2002, 153)

2. Recognizing differences. Cultural differences should not be ignored or minimized. Multicultural team cannot communicate without recognizing, understanding and respecting their cultural differences. It is important to every team member to differentiate their stereotypes from actual personalities, that way they start to understand why team members from another culture think, feel and act in different ways. (Ibid. 153-154)

3. Establishing a vision or superordinate goal. In general members in multicultural team have more difficulties in agreeing on a purpose than members in homogeneous team. This is basically because people from different cultures can't understand each other's purpose, goals and strategy and they usually set the goal too early, in the stage where individual differences tend to dominate. Thus, it is up to team leader to set a common goal which crosses individual differences. (Ibid., 154)

4. Equalizing power. Teams are more productive when all the members participate. Cultural dominance, doesn't matter if it is members from the same nationality as the leader, host-country members, members from most technically developed or economically advanced countries, should be avoided. All the power should be managed according to ability to do the task not based on cultural superiority. (Ibid., 154-155)

5. Creating mutual respect. All the team members must respect each other. It starts from the team leader, he/she needs to select members of equal ability and minimize judgements based on ethnic stereotypes. Team members should have equal status, close contact and common goal which is reached by cooperation. (Ibid., 155)

6. Giving feedback. Once again multicultural teams face difficulties while making decisions more than single-culture team which share same values. For multicultural team, it takes time to

agree which ideas or decisions are good or bad, therefor team leader should provide positive feedback to team members as individuals and as a team. This encourages team to understand it's diversity as a positive thing which aids the team in viewing itself as a team. (Ibid.)

4. EMPIRICAL RESEARCH

Empirical research was made by interviewing different team leaders in case company Nordea Estonia. Nordea has lot of multicultural teams in their Estonian unit, so that is why it was chosen as the case company to this thesis. Interviews was carried out face to face and they consist most of the multicultural teams in Nordea Estonia. This chapter will first briefly introduce the case company, then goes through the interviews and studies the outcome. As an outcome, it will analyse the answers from the interview and provide additional ideas for more effective multicultural management.

4.1. Methodology

There are two types of different data which are quantitative and qualitative. Quantitative data is based on numbers which provides meanings. As a result, researcher gets numerical and standardised data which is analysed with help of diagrams and statistics. Qualitative data collects data which is expressed through words. Data is non-standardised and requires classification into categories. Final analysis is done through the use of conceptualisation. (Saunders, Lewis, Thornhill, 2009, 482)

This thesis provides qualitative research which means that inductive approach is used. Another approach is deductive which is normally used in quantitative researches. It tests data with existing theories and hypotheses while inductive approach creates new theories and hypotheses. Aim of a qualitative research is to understand the meaning of a phenomenon for those who are involved in research. In qualitative method, there is a research question which need to be answered with help of inductive approach. In this thesis data collection was made by interviews as it was seen as the best method. (Merriam, 2014, 5, 14-15)

According to Mark Saunders, Philip Lewis and Adrian Thornhill there are three types of interviews. These types are structured interviews, semi-structured interviews and unstructured interviews, which are also called in-depth interviews. Structured interviews are also referred as quantitative research interviews where respondents answer to same questions through questionnaires. Answers are usually pre-coded and they need to be read out exactly as written. (Saunders, Lewis, Thornhill, 2009, 320)

Unlike structured interviews, semi-structured and in-depth interviews are non-standardised, also called qualitative research interviews. Semi-Structured interviews are carried out so that researcher has themes or questions to cover, but they can vary depending on the respondent. Also, order of the questions doesn't need to be the same in every interview. Depending on the interviews, not all the questions can be asked and some additional questions may come up in order to find out more deeper thoughts. Data will be recorded for example by audio-recording or by taking notes during the interview. In-depth interviews are more open discussions, which is why they are also called unstructured interviews. In these interviews there is no questions but just an idea about the aspect that needs to be explore. Respondent gets to talks freely about his/her thoughts and interviewer is. (Ibid., 321)

4.2. Introduction to the case company

Nordea is the biggest bank in Nordic and one of the biggest in Europe. Since October 2018 Nordea has been Finnish, and it has it's headquarter in Helsinki in Vallila. It has permanent establishment in 18 countries, including Finland, Sweden, Denmark and Norway, which are their main market areas. Together they form 10th biggest economical area in the world. Nordea has 9,3 million personal customers and 500 000 corporate customers worldwide. They have almost 29 000 employees around the world. Company's revenue in 2018 was 9 billion euros. Nordea is listed in Helsinki, Stockholm and Copenhagen stock exchanges. (Nordea, 2018)

Nordea is not operating in Estonian market anymore and Nordea Estonia is a supporting unit for other countries. It has more than 450 employees, all of them located in Tallinn. In May 2019 Nordea Estonia have 19 different nationalities from all around the world, majority from northern Europe. In Estonia Nordea is working in finance area providing services within production, processes and back office operations. (Ibid.)

Nordea Estonia is offering 24/7 customer support for Finland, back office support to Finland, Sweden, Norway and Denmark, and also supporting in Group Financial Crime Prevention. This thesis interviewed team leaders from teams in Group Financial Crime Prevention, because they were more multicultural teams. Mainly, customer support and back office teams didn't have more than two nationalities and they were operating in local language to which they were providing services. Teams in Group Financial Crime Prevention have more nationalities and other cultural distribution. Some of these teams were investigation transaction in some certain countries while others where international investigation from all over the world. In these teams, their working language was English. (Ibid.)

4.3. Interviews

In this thesis data was collected in face to face interviews. Interviews was organized in case company's premises and all of them were audio recorded. Topic of the interview was given beforehand in the invitation to interview, but questions were not. One respondents preferred to read questions in advance in order to provide more fulfilled answers. All the interviews were done as a one-to-one interview.

Interviews in this thesis are semi-structured. Questions were divided into three areas and there were basic structure planned out beforehand. Still, some additional questions where added based on respondents' answers and some questions was not seeing as relevant. First area of the questions was general information about the respondent, nationality, team's size and task and how many different cultural distributions team includes. Second area was about multicultural teams, how they should be build, managed and what are the challenges and opportunities in managing them. Last area focused more on effective management, decisions making and giving feedback. List of the starting point questions can be found in appendix.

Respondents were chosen by their teams' cultural distributions. Team leaders from homogenous and token teams were not interviewed in this research. All the respondents still had experience in managing homogenous or token teams in their past, so they were able to compare their experiences in multicultural teams to their past.

4.3.1. General information

In the first part managers gave general information about themselves and their teams. Respondents had four different nationalities, which were Swedish, Finnish, Estonian and Russian. As Nordea Estonia is relatively young, and especially multicultural teams in crime prevention are established recently, the respondents didn't have too long working experience in Nordea. Shortest was six months and longest two years. Leadership experience had wider diversity, from six months up to 20 years. Respondents' team sizes were from 9-19 employees.

Number of teams' cultural distributions varied from three to six. Besides nationalities and other cultural distributions, some teams' team members had spent longer period of time abroad and were already used to other countries' working cultures. Teams also include persons who had been moving a lot and had experiences in several different countries. Teams' tasks affected lot to cultural diversity, international teams, focusing on customers around the world had a wider cultural distribution than teams focusing on more specific geographical area. Some language requirements, beside English were also in place which affected to cultural distribution. Some teams for example were supporting Finland or Sweden and needed local language knowledge for its team members.

4.3.2. Multicultural teams

Second part of the interview focused on multicultural teams. All the respondents found it as a positive thing to have multicultural team, even though sometimes it required more work and brought some challenges. *Challenging but interesting*, was an answer that from one manager. Biggest advantage of having a multicultural team was languages. Two of the teams operates in business areas which investigates transactions from all around the world, so all the language knowledges were needed. The teams worked just for Finland and one for Sweden, so knowledge of local language was required from most of the team members. This reduced the number cultural distributions in these teams. Managers from these international teams also appreciated more cultural variations. According to on an answer that manager would prefer to *have all the cultures in the world in the team*, it is easy to say that cultures are thought as a positive thing.

Another advantage was wider point of view in different situations. With more cultural distributions managers felt that their employees can provide more visions, wider thinking and different mindset in different situations. These bring more opinions and was only seen as a positive thing even though for example meetings take more time and it makes decision making harder. Also, managers

who had new teams less than a half a year old, found it easier to develop their processes when there were more cultures and more point of views, one managers told that *all the banks in Estonia are more or less the same. Developing process is similar, but if someone is coming Moscow, America or Spain they can give something that they have improved better and share that input.* According to one answer *cultures bring fresh blood to the teams and see things in different eyes.* It was also founded positive to team's atmosphere to have more Cultural distributions. They felt that different cultures bring more positive energy and a good mix is always a positive thing.

Besides the advantages there were also some challenges. Teams with wider cultural diversity found building the team as a challenge. Because of their international task, they need wider cultural and language knowledge. Starting from job applications managers noticed that from certain culture areas, like Africa or India job applications and CVs have more cheating. According to one answer *everyone know that you can buy certifications of your educations with money.* From these cultural areas, it was also more difficult to check these facts and they found it impossible to call their past universities and workplaces as information was not available. One example was that *person with "perfect CV" had major difficulties in Nordea's intern test, which required for example mathematical skills even though in job applications he should have been expert in this area.* Also, on the phone managers felt that they were speaking to person who was reading all the answers from the book. Based on their bad experience it was seen that job applications from certain areas started to be avoided, even though these specific language skills were needed and were still missing in their teams. Another big problem was that based on their experience in past there had been problems with visas. This usually occurred with people coming from Russia, so their information started to be double checked.

Otherwise managers in general claimed not have stereotypes towards any culture, even though it was admitted that they are suspicious about some nationalities or cultural areas, which affects their thinking. In one case, it was said that *unfortunately I have stereotype that they are lazy,* when there was an urgent need for that specific language skill in the team. Managers were also worried about some persons' capability of performing in this kind of job because in the past from this nationality there were person who *literally just wanted to push the button.* There are also some generalizations that comes from their previous experience which sometimes proves to be totally wrong. To prove it wrong an applicant needed to have special potential in order to get an invite for interview in a first place. Managers who admitted having some suspicious about some cultures, shared same national background and had several years of managing experience. All the managers agreed that

they have had cultural surprises. For example, it was told that *person from introvert culture is the most talkative and start to disturb others*. So, in some level stereotypes still exists even though they are being avoided and had proven to be wrong.

Another thing which turned out to be a challenge when building the team was that people from abroad, usually also outside Europe, change their job just few months after they started working. This had happened several times and it was noticed that there was more jumping around with people who didn't have anything else keeping them in Estonia than their job. It was told that in one team they started to look *does a person have any other interest of staying here than job*, and started to prefer people who had families, studies or something else keeping them in Estonia. This was seen as a cultural issue, but person's young age also played a big role in these kinds of situations.

There were also other issues regarding to employees age. One big issue was how their respect their managers. Older generations who have longer working experience had difficulties in having younger managers than they are themselves. Even though manager had several years working experience, managers felt that it is a problem and employees didn't listen to them. This have led to a situation that these specific teams have been avoiding older generations. Another challenge which was seen is that world is changing all the time and older generations didn't have capability to fit in younger mindset and they were not able to change their working habits which caused problems in teams. Also, they were not as capable as younger employees. In one case a manager told that the *training period turned out to be much longer than with younger generations*.

Managers didn't feel that their employees from abroad had any bigger shocks in Estonian working culture. Managers helped their employees with basic needs, like finding an apartment or a house and getting life going in a foreign country. Still in general, they felt little bit uncomfortable having a too close relationship with employees because *it might give wrong impression*. One issue that was noticed, is that people from some cultures which were more diffuse, prefers to spend time with colleagues after work, while others tend to keep work related friends at the office. It was seen *tiring for other persons within the team to take these people out all the time*, but also it was said that it's good for team *that they are willing to step out from their comfort zone in order to make their colleagues feel more home*. In this sense, most of the managers didn't change their behavior according to cultural differences in their teams. Still, they were organizing team events more often

than they did in homogenous or token teams and manager in one team *organize common breakfast events every now and then in order to make them happier.*

All the managers preferred to have multicultural teams rather than homogeneous team, but it was mainly because of the tasks. They agreed that need for cultural variation depends on the process what the team is doing. One could see that common opinion was that if their teams were *just working in Estonian market, homogeneous team would be better.* In international teams, it was seen impossible to have homogeneous team, because there are so much cultural factors which others are not aware of. It was a huge advantage to have people who knows the culture where they are delivering services. Managers with more international teams operating with international tasks would rather have even more cultures and languages in their team, even though they affect some challenges and more work.

4.3.3. Multicultural management

Based on studied leadership styles, Estonian managing way is seen democratic and there is low power distance. Respondents also thought so and preferred to have local way of managing. One opinion was that the manager *preferred to make decisions democratically, discuss and hear other opinions.* This seemed to be idelogic for most of the managers and it was seen as a positive thing within the teams and didn't affect bigger challenges. Teams with wider cultural diversity had some individuals who found it strange to have this way of managing. They usually didn't participate in decisions making and were waiting to get orders. Still, managers didn't feel that this affect their leadership styles. One thing which was mentioned was that people from more intrevert cultures *requeres more supervising.* While extrovert cultures are more open and tell their problems more honestly, intreverts keeps their problems themselves. According to managers this means that there is a need for certain follow up in order to make sure that no one is struckling with any problem without saying it out loud. One example was that manager asked if everything was alright and *employee said that he had been struggling with this problem for three days.* It was thoutfht that it would have never happened in extrovert culture and manager started to pay more focus on this kind of situations.

In general interviewed managers did not focus cultural factors while communicating with their team. It was said that their behavior is not any way different while discussing with people from other cultures. They were not willing to change their communication style but prefer their own

way. It was often mentioned that they find it easier to communicate with people from their own culture, for example, Russian manager found it *easier and more free to communicate with Russian employees* and said that she was able to make more joke with Russians. Same think was mentioned by Finnish managers. His opinion was that he can *feel more free and make more jokes with Finnish employees*. Finnish and Estonian managers preferred mainly their own way of communicating which is pretty straight to subject and cutting additional small talk. One exception was found when managers told that with a *new employee from a new culture, it is good to find out information from this person's culture beforehand to know how to communicate and avoid cultural misbehaviors*.

Feedback required more cultural awareness. Most of the managers told that they can't give feedback at the same way to everyone. Some cultures required a softer approach and could be little bit afraid of getting negative feedback, while others appreciate more straight feedback even though it is negative. All the managers agreed that feedback needs to be given and it should be honest and based on facts. According to interviews, there is a difference how different cultures react to negative feedback. Estonians were seen as toughest who can handle negative feedback. It was mentioned that *Russians immediately want to fix things which were wrong* and people from southern parts were immediately defending themselves. One answer claims that they *always have an excuse thought beforehand*. It was also seen that people from some culture needed feedback more often than others and it came out that they needed to know different things. Cultures from central Europe were focusing more on numbers and wanted to find out statistic of themselves compared to other team members. This was found weird in Nordic cultures and managers were not willing to provide feedback in that way and didn't start making statistics inside their teams.

When it comes to task dividing, all the managers agreed that there are no cultural factors which affects to it. Tasks are divided based on personal skills and preferences rather than cultural factors. All the employees were seen as individuals. One managers still considered herself lucky to *have big team so that employees can be changed to easier tasks and wise verse*. Ownership towards work was appreciated more than culture. If persons were willing to do for example overtime, then it was rewarded with more responsibilities. There were no cultural variations within people who were willing to do overtime. It was more question of generation and situations in personal life.

Motivating the team members was found to be challenging with some cultures. In few teams, there was a huge different in peoples' expectation how fast career path goes forward. In Estonian and

Nordic cultures, it is seen normal to work years in same position and they were not requiring promotions often. They were also satisfied with salaries. Within people from Middle European cultures this was not the case. They were expecting promotions and salary increases already after few months even though they were still learning existing tasks. This was seen as a problem in some teams and even led to terminations. One manager thought that these were the persons who never planned to stay for a long period of time and were just looking for *additional cash for the valet and that's it*. Based on these experiences managers started to have more transformational way of motivating their employees. One common way was supporting them and providing a stable environment to grow and achieve higher positions. As the teams are relatively young, results couldn't be seen yet.

When it comes to team work, managers found some differences between different cultures. According to interviews there was diversity of who are more willing to work together as a team. All the teams have mainly individual tasks, but sometimes team work is needed. There were different opinions in respondents answers which culture is most willing to work as a team and do team work. According to one interviewee *Estonian usually prefers to work in a team* and another said that *Finns start to work in teams even in individual tasks*. In every case that specific nationality or cultural distribution which was seen as the most united was also the majority in the team. Usually people from majority cultural distribution also have tendency to start talk more about not work related subjects. Managers still agreed that this is more individual quality than a cultural factor and there were several examples of people being from same nationality but still have totally different approach to team work.

4.4. Outcome of the interview analysis

By comparing interviews to learned theory it can be seen that several steps for effective management is done in Nordea Estonia. Stereotypes are mainly being avoided and people are seen as an individual. Some stereotypes still exists which affects for example recruiting, but avoidance of some culture is more based on experience and is in that sense more generalization than making stereotypes. Managers have expectations about cultures based on their history but in many cases it was changes when started to know the persons. Apart of avoidance of some nationalites, people are choosed based on tasks not by cultural factors.

Managers are also aware of cultural differences in their teams even though its not always seen as their leadership behaviors. Managers with less cultural distributions said that they find out more information about other cultures and tries to show them within team. Based on answers given in interviews and comparing team's employee turnover it was seen that showing cultural differences and finding out more about cultures had positive impact on termination rate but they are not comparable as the tasks and skill requirements are so different. Difference in managing experience can also be seen in answers. Managers with more experiences believes that they know about cultural differences and do not focus on them or think them as an issue as that much as less experienced managers.

As presented in theory part communication plays huge role in management. Managers agreed on this and they focus on this a lot. Still, there was not seen huge difference how they communicate with their team members even though there are cultural diversities. Everyone agrees that there is difference within cultures, but say that it does not affect their own communications or way of giving feedback. Again, more experienced managers had more self-confident to communicate in their own way and didn't prefer to adopt other cultures' ways of behaving.

As an additional suggestion managers in this case company should focus more on showing cultural differences within teams. Some teams have up to six different nationalities or other cultural distribution and there had been some challenges managing them. Some employees left after few months, which might have been avoided. More awareness about cultures and avoiding stereotypes is also suitable. In many answers it was said that stereotypes are avoided but still it affected for example to their recruiting and who to call to an interview.

CONCLUSION

This chapter concludes the thesis and provides answers to research questions introduced in introduction. It also gives ideas for future studies of similar type of researches. As answers to research questions it is more logical in this case to start from the additional question which is what is multicultural team and how does it affect to leadership? The answer for this is following:

- Multicultural reflects to a team which has several cultures presence in it. Team members have different backgrounds, values and behaviors. They have their own way of thinking and communicating. They possibly speak different languages and have different nationalities. Managers should understand and respect these cultures in their leadership styles. There are challenges when it comes to trust-building, effective communication, motivating the team members and other leadership functions.

All the teams are individuals and there is no right or wrong way to manage them, because teams are group of individuals. Leaders should take into account that backgrounds and cultures differ. Setting up rules and guidelines to team members is though because there can be lot of different dimensions and employees doesn't have same approach to them. Something that is normal for some people, might feel strange for someone else. Still, managers should respect all of these cultural variations. No culture is either good or bad, and there shouldn't be any judgment. Especially managers should be aware of this.

The main research question was how to make multicultural team more effective. As an answer, this thesis provides following:

- Managers should understand their own culture. They need to be aware that cultures exist and they are widely different. In multicultural teams there can be several cultural distribution which should be taken into account. Teams work more efficient when they are build task-oriented and tasks are divided based on performance, not by cultural reasons. People should be treated as an individual and everyone should understand and respect other cultures and avoid stereotypes. People might feel uncomfortable in unfamiliar environment and by learning about their cultures that can be changed and make everyone feel more comfortable which then makes them more effective employees. Also, as in any team, communication should be honest and feedback needs to be provided. Cultural factors affect

to how it should be provided so it is important to find a way that it will be understood correctly.

Basically, it all starts from the managers. He/she needs to understand his/her culture in order to understand other cultures. More cultures mean more opinions but it need to be seen as an advantage, not as an obstacle. A leader should understand that he/she can really affect to people and his/her actions matter in the team. Leadership is always on-going process which can always be develop. Even with many years of working experience managers can still learn something new every day. This is also a key for good leadership.

Especially when it comes to cultures there is always something to learn. There are many theories about dimensions and cultural distributions and none of them are either right or wrong. Cultures always change and develop through times. All the cultures require and appreciate different behaviors and when they get mixed, they are tough to manage. It is impossible to learn everything about all the cultures, important is to learn that they exist and are different. When managers understand and respect this, they can make their team more effective.

Ideas for future studies

This thesis focused on leadership and management of multicultural teams. Research investigates team leaders' thoughts and team members' opinions was not asked on this thesis. Another, employees point of view would provide totally different aspect and give new answers to this type of topic. It can be considered good for team leaders as well.

In interviews, difference in people generation was mention several times. As it was seen in interviews there were lot of factors which were more depending on employee's age rather than cultural distributions. A study researching influence of age on leadership would also be interesting and provide new aspects for team leaders.

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APPENDICES

Appendix 1: Questions

General information

- Nationality?
- How long have you worked in Nordea?
- How long have you worked as a leader?
- What is your team's task?
- How many employees you have?
- How many nationalities (or other cultural distributions)?

Multicultural management

- How do you feel working in multicultural team?
- What is in your opinion the biggest difference managing multicultural team comparing to culturally homogeneous team? Why that?
- What is in your opinion the biggest advantage of a multicultural team? Why that?
- What is the biggest challenge? Why that?
- Would you say that a multicultural team has advantages compared to unicultural teams or rather not? Why?
- Have you ever found a multicultural team to be a problem compared to a unicultural team or rather not? If yes, example.
- What cultural factors you think of when building your team? Why those?

- What cultural factors you think of when dividing tasks? Why those? Can you bring an example?

Effective managing

- How do you communicate in your team? Why so? Does it depend on something?
- How do you make decisions in your team? Why so? Does it depend on something?
- How do you give feedback? Why so? Does that depend on something?
- How do you motivate people? Does it depend on something?
- Based on your experience, have you noticed differences between people from different cultures when it comes to teamwork? Can you bring any examples?

Appendix 2: Transcribed interviews

Please find transcribed interviews behind this link:

https://livettu-my.sharepoint.com/:b:/g/personal/anlain_ttu_ee/EdZBoZk3EpRBizz_ThbCS1sBo9BGe6Xu651CDAt-aacsoQ?e=8NdbZI