Track 5: OBHR

INTERNAL AND EXTERNAL FIT OF MULTICULTURAL TEAMS WITHIN MULTINATIONAL CORPORATIONS

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Presented at the Academy of International Business

Phoenix, AZ, 2000

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ABSTRACT

The strategic importance of teams that are diverse in functional as well as cultural backgrounds is becoming more critical in an era of market globalization and increased competition from corporations around the world. However, research that examines teams from both aspects has been lacking. Homogeneity or heterogeneity in a group, i.e., diversity, has been conceptualized to have a unitary effect, either positive or negative, on team effectiveness. This article takes a bi-dimensional view of diversity and proposes a contingency model of multicultural team within multinational corporations (MNCs). The effects of team diversity on team effectiveness are proposed to depend on two contingent factors: MNC strategy and team task. Internal fit between diversity and team task and external fit between diversity and MNC strategy are examined. The implications of this model are discussed.

(Multicultural Teams; Multinational Corporations; Contingency Model)

INTRODUCTION

The spectacular globalization of firms in the course of the past decade has been a key challenge for practitioners and researchers alike. Strategy researchers have attempted to pin down the various alternatives for firms to gain competitive advantages in international markets (Ghoshal, 1987). They have also considered the challenge of managing across borders and implementing a global strategic management process (Bartlett and Ghoshal, 1989, 1992). Forming multicultural teams has been one of the organizational responses taken by multinational corporations (MNCs). Surprisingly however, while anecdotes and war stories of multicultural teams abound, systematic investigation of the drivers of their effectiveness is scarce (see Snow, Snell, Davison and Hambrick, 1996; Hambrick, Davison, Snell, and Snow, 1998, for noteworthy exceptions). In this paper, we begin addressing this lack of research by proposing a conceptual model of multicultural teams linking diversity to effectiveness, taking into account the contingencies of internal fit with team task and external fit with MNC strategy.

A team can be conceptualized in various ways depending on the characteristics of interest to researchers. For example, self-managed vs. traditionally managed teams differ on the focus of control from externally imposed to internally generated (e.g., Manz and Sims, 1987). Leader-staff versus jury-like teams focus on group structure and leadership styles (e.g., Hollenbeck, Ilgen, Sego, Hedlund, Major, and Phillips, 1995; Hollenbeck, Ilgen, LePine, Colquitt, and Hedlund, 1998). Functional versus cross-functional teams vary in the functional background of the members (e.g., Denison, Hart, and Kahn, 1996; Ford and Randolph, 1992; Uhl-Bien and Graen, 1998). Finally, homogeneous versus heterogeneous teams emphasize the overall diversity in composition, for which the distinction of functional versus cross-functional is but one way of distinguishing teams.

Another dimension of team diversity is national culture (e.g., Hambrick et al., 1998; Snow et al., 1996). A precise definition of multicultural teams does not exist, but generally the term multicultural refers to teams where three or more cultures are represented among members (Adler, 1997). In today's major MNCs, multicultural teams have become a reality due to increased globalization and diversity in

the workplace, and the clear trend is towards even more of them in the future (Adler, 1997; Hambrick et al., 1998).

Diversity (heterogeneity) has been posited to have either a positive or negative effect on team outcomes. In general, diversity in multicultural teams has been conceptualized in a unitary fashion. This unidimensional focus may have led to conflicting results concerning diversity effects (Pelled, 1996). However, a team can be homogeneous or heterogeneous with regards to different diversity variables: national culture, functional backgrounds, gender, and others. As a result, examining the particular mix of diversity variables seems to be an important criterion in assessing team effectiveness. In this article, the notion of diversity mix in terms of national culture and functional background is investigated.

Furthermore, we incorporate the notion of fit from strategy and strategic human resources management (SHRM) and examine the potential moderating effects of firm strategy and team task. Thus, the main objective of this paper is to develop a contingency model of multicultural teams by focusing on three factors: team diversity, team task, and MNC strategy as important determinants of team effectiveness.

OVERVIEW OF MULTICULTURAL TEAMS

There is a variety of terms used to describe a team composed of members from multiple cultures and nationalities. Adler (1997) refers to this type of teams as multicultural; Hambrick and colleagues (1998) use the term multinational; and Snow and colleagues (1996) use the word transnational. However, all these terms essentially refer to a similar concept, i.e. a team consisting of members from three cultures or more. We chose the term *multicultural* to refer to this type of teams within MNCs throughout the article because the term - multicultural - more accurately depicts the nature of the teams that we are interested.

There are many different types of multicultural teams, for instance: a project team developing a product suitable for multiple countries, a business team responsible for formulating and implementing global strategies, or a task force in charge of rationalizing worldwide manufacturing. While many multicultural teams are created temporarily for specific purposes, they do not have to be project-based or

time-bound. They can be permanent teams. For example, top management teams are becoming increasingly multicultural in order to be more effective in the global arena (Bartlett & Ghoshal, 1989).

The literature devoted to multicultural teams is relatively scarce and recent. In cross-cultural management, there have been a number of simulations using business student subjects and field studies of airline employees (Smith and Bond, 1998). These studies have reported the difficulties associated with culturally diverse teams and how these difficulties can be addressed overtime given proper management of team processes. In global strategy, Snow et al. (1996) reported the results of their study on 35 business teams at 22 MNCs. The same authors built on their study to propose a model of team effectiveness based on cultural heterogeneity and task (Hambrick et al., 1998). Finally, recent efforts emphasize specific aspects of multicultural teams such as geographic dispersion (e.g. Hinds and Bailey, 2000) or social capital (Maznevski, Ahanassiou, and Zander, 2000). Our contribution to this literature is to augment Hambrick et al.'s (1998) model in two respects: 1) introduce a diversity mix instead of a unidimensional approach, and 2) consider both external and internal contingencies of the team context, task and MNC strategy.

CONTINGENCY MODEL OF MULTICULTURAL TEAM EFFECTIVENESS

Our contingency model of multicultural team effectiveness is depicted in Figure 1. In essence, the model focuses on two different types of contingencies: the "*external" fit* between MNC strategy and team diversity and the "*internal" fit* between team task and team diversity. The relationship between MNC strategy and diversity is external in the sense that MNC strategy is outside the team context. The relationship between task and diversity is internal because task belongs to the team context.

Each component of the model is described in the first section. Then, the notion of fit applied to multicultural teams is developed, and discussed for specific types of task and MNC strategy. Our propositions are summarized in Figure 2a and 2b. Finally, the contingency model is integrated in the last section and synthesized in Figure 3.

Insert Figure 1 about here

Model Components

Team Diversity

In organizational behavior, demographic heterogeneity as a determinant of team effectiveness has been the object of increasing scholarly attention as firms have been confronted with an increasingly diverse workforce (e.g., Ancona and Caldwell, 1992; O'Reilly, Caldwell, and Barnett, 1989; Pfeffer, 1983; Zenger and Lawrence, 1989). In addition, strategy scholars have examined the composition of top management teams and their effect on strategic leadership (e.g., Finkelstein and Hambrick, 1996, Hambrick and Mason, 1984). In the "top management team" (TMT) literature, various demographic variables have been studied including age, gender, race, tenure, functional background, and education (e.g., Keck, 1997; Priem, 1990; Smith, Smith, Olian, O'Bannon, and Scully, 1994; Wagner, Pfeffer, and O'Reilly, 1984). However, the results of these studies regarding the effect of diversity on team performance are equivocal.

For example, some studies have found that top management team heterogeneity is associated with improved decision quality (Eisenhardt and Schoonhoven, 1990; Bantel and Jackson, 1989; Hambrick, Cho, and Chen, 1996). Other studies however have concluded that group heterogeneity can have a negative effect on group performance (e.g., O'Reilly and Flatt, 1989; Ancona and Caldwell, 1992; Tuckman, 1965). Two considerations appear important when examining the effects of diversity on team effectiveness. The relative benefits and costs of team diversity depend on: 1) the specific variable considered (Jackson, 1992; Pelled, 1996); and 2) the nature of the task being undertaken (Hambrick and Mason, 1984; Jackson, 1992).

We use Pelled's (1996) work to better understand functional background and national culture, the two diversity dimensions considered in this paper. Pelled (1996) provided a typology of diversity variables based on two categories: visibility and job-relatedness. Demographic variables can be classified as high or low on either dimension. On the one hand, age, gender, and race are categorized as high in visibility but low on job-relatedness. On the other hand, organizational tenure, education, and functional background are characterized by low visibility but high job-relatedness.

Pelled (1996) argued that team heterogeneity for high visibility variables increases the level of affective conflicts, which subsequently leads to team turnover. However, high heterogeneity for job-relatedness variables leads to a higher level of substantive conflicts, which is associated with better cognitive performance. In addition, she proposes that affective conflict moderate the relationship between substantive conflict and task performance. The effect on performance of high team heterogeneity on job-related variables is lower for a team with a high level of affective conflict.

While her typology and model are informative in explaining the effects of various demographic variables, it is limited in two aspects: 1) it restricts the possible interactions among the variables; and 2) it ignores the nature of team task.

Team Task

Several typologies of group tasks have been offered in the literature on small groups (Jackson, 1992). However, in most analyses of group heterogeneity, the extent of routinization in the groups' task has provided the most theoretical leverage among classification schemes (Jackson, 1992). A recurring idea is that routine problem solving is best handled by a homogeneous group, while more novel and innovative endeavors are best handled by a heterogeneous group, in which diversity of perspectives and opinions allows more wide-ranging generation and airing of alternatives (Hambrick and Mason, 1984).

Jackson (1992) provided a typology of group tasks by extending the creative versus routine dichotomy that includes creative, problem solving, and task execution. Hambrick and his colleagues (1998) adapted her typology in their field study of multinational groups. They identified three major types of tasks in which multicultural teams engage: *coordinative*, *computational*, and *creative*.

A coordinative task requires elaborate and well-orchestrated interactions among group members. The successful conduct of this type of task does not require innovativeness or ingenuity as much as interpersonal reliability, speed and accuracy of interaction, and a capacity for prompt agreement among group members. A computational task is one in which a "bounded amount of fairly clear-cut information needs to be assembled and analyzed, and for which there are relatively objective standards for assessing the correctness or superiority of a particular solution" (Hambrick et al., 1998: 194). Finally, a creative

task needs to be approached from multiple directions, involves a variety of stimuli or information, and has no objective and verifiable correct answer (Jackson, 1992). Some of the key challenges when engaging in a creative task are generating a broad array of ideas, evaluating multiple contingencies, and coming to a consensus.

In this article, we rely on Hambrick and colleagues' (1998) categories of coordinative, computational, and creative to characterize tasks of multicultural teams.

MNC Strategy

This section introduces MNC strategy, the final contingency factor in our model. Three types of MNC strategies are generally recognized: *multinational*, *global*, and *international* (Bartlett and Ghoshal, 1989, 1992). For firms following a multinational strategy, the main objective is to be responsive to local market conditions. Each national affiliate or foreign subsidiary is given great autonomy and managed as an independent business unit. In contrast, firms following a global strategy focus on world markets. Their emphasis is on global efficiency accruing from economies of scale and scope. Finally, firms pursuing an international strategy emphasize transfer of knowledge and expertise to overseas affiliates that are less advanced in technology or market development. Affiliates are more or less treated as appendages to corporate headquarters. While affiliates may often adapt business strategies and products to the requirements of the local markets in which they operate, they are dependent on the parent company for new products, process innovation, or creative market strategies. As a result, there is more coordination and control by the parent company for an international strategy than for a multinational strategy.

In this section, we positioned functional background and national culture according to Pelled's (1996) typology of team diversity. We also underscored that team task as well as MNC strategy are two important contingencies in an MNC context. Thus, examining the contingent relationships that may exist for multicultural teams along these dimensions appears to be important.

The Concept of Fit

The notion of fit has been a mainstay in the strategy field and has been applied in a variety of ways (Hax and Majluf, 1993; Mintzberg, 1997). Some of the major perspectives in strategic management

imply that firms need to align their resources with their goals and strategies (Chandler, 1962), respond to external opportunities and threats taking into account their internal strengths and weaknesses (Andrews, 1971), position themselves for advantage in an industry (Porter, 1980), or accrue unique resources to maintain their competitive advantage over time (Barney, 1991; Peteraf, 1993). Organizational theorists such as Lawrence and Lorsh (1967) and Thompson (1967) have studied in great detail the fit of organizations with their technology and environmental contexts. Using cases in the plastic, food and containers industries, Lawrence and Lorsh (1967) focused on firms' need for differentiation or integration depending on the maturity of the industry in which they operate. They pointed out the role of integrators, chartered with the resolution of conflicts appearing between various departments. Thompson (1967) also developed a model, where structural and human variables are contingent on the technological and environmental context of the organization. In particular, Thompson (1967) emphasized the importance of coalitions to ensure the control organizations operating in heterogeneous environments with complex technologies.

Along these lines, dominant coalitions have been studied in the strategic management literature (Finkelstein and Hambrick, 1996, Hambrick and Mason, 1984). In particular, Finkelstein and Hambrick (1996) emphasized in their comprehensive review of the TMT literature the " pervasive effects that contextual conditions that arise from environmental, organizational, and CEO factors may have on TMTs" (p. 130). At the same time, they noticed the scarcity of research in this area: "researchers rarely develop or test models of managerial fit" (p. 357).

Similarly, scholars in the field of strategic human resource management (SHRM) have focused on the concept of fit. In SHRM, two types of fit, external and internal, are usually distinguished. In essence, *external fit* refers to a contingent relationship that exist between firm strategy and HRM systems – a bundle of HR practices and policies (e.g., Wright & Sherman, 1999). *Internal fit* represents synergy or complementarity among HR practices and policies that provides leverage over and above individual HR practice or policy and influences firm performance (e.g., Baird and Meshoulam, 1988; Lengnick-Hall and

Lengnick-hall, 1988; Milgrom and Roberts, 1995; Snell, Youndt, and Wright, 1996; Wright and Sherman, 1999).

External fit is considered important due to its effect on firm performance. Several empirical studies have examined the relationship between strategy and HRM systems on performance and found supportive evidence for the external fit argument (e.g., Arthur, 1992; Delery and Doty, 1996; Snell and Youndt, 1995; Wright, Smart, and McMahan, 1995). For example, Arthur (1992) studied American minimills and found that firms with better external fit between strategy and HRM systems achieved higher performance than firms with less fit. In other words, external fit is based on the notion that performance requirements for a particular strategy are different from those for other types of strategy (Jackson, Schuler, and Rivero, 1989; Miles and Snow, 1984; Schuler and Jackson, 1987; Wright and McMahan, 1992) and having congruent HRM systems facilitates the execution of the strategy, resulting in higher firm performance. Along these lines, the resource-based view of the firm (e.g., Amit and Schoemaker, 1993; Barney, 1991) suggests that possessing external fit provides the firm with a competitive advantage through an effective use of human resources.

Internal fit is also considered important in SHRM due to the improvement in firm performance that synergy within a bundle of HR practices and policies can provide. For example, Ichinowski, Shaw, and Prennushi (1997) found that a set of innovative HR practices achieved substantially higher levels of productivity than a set of HR practices that were not complementary. In addition, Huselid (1995) tested "the prediction that the impact of high performance work practices on firm performance is contingent on both the degree of complementarity, or internal fit, among these practices and the degree of alignment, or external fit, between a firm's system of such practices and its competitive strategy" (p. 636) and found stronger support for the internal fit hypothesis.

As these studies indicate, both concepts of fit are important in explaining team performance. The next two sections describe how the notions of internal fit and external fit apply to multicultural teams. Our results are summarized in Figures 2a and 2b.

Insert Figure 2a & 2b about here

Internal Fit: Task and Diversity

In SHRM, internal fit refers to the synergy of various HRM practices and policies. In the context of multicultural teams, "internal" fit refers to the complementarity that exists between various team characteristics. Our focus here is on team task and team diversity. As noted previously, instead of looking at diversity as either homogeneous or heterogeneous with regard to only one dimension, we examine the interactive effects of both functional background and national culture.

Eisenhardt and Bourgeois (1994) found that top management teams in high performing firms had high task conflict without interpersonal animosity. According to Pelled's (1996) typology, this scenario would only occur among teams that have high job-related but low visible demographic variables. In her model, a high level for visible variables would lead to affective conflict and lower performance, and a high level for job-related variables would lead to substantive conflict and higher performance. However, while national culture is a highly visible variable, some culturally diverse teams have been found to be effective (Snow et al., 1996). Camaraderie was one of the adjectives used to qualify the most effective multicultural teams described by Snow and colleagues (1996). The term camaraderie does not connote the existence of affective conflict. Hence, the effects of cultural diversity on team effectiveness appear to depend on team context. Here, we use nature of the task as one of the critical dimensions of team context. Hence, we propose the following:

> **Proposition 1**: The greater the fit between team task and team heterogeneity, the greater the effectiveness of a multicultural team within a MNC.

We examine in more details the implications of this proposition for multicultural team effectiveness according to the task typology of coordinative, computational, and creative.

Coordinative Task

A coordinative task requires elaborate and well-orchestrated interaction among group members (Hambrick et al., 1998). Examples of such tasks include execution of a business plan, response to an

environmental crisis, and currency arbitration (Hambrick et al., 1998). Diversity in functional background (a job-related variable) may not be effective if the team is working on a coordinative task, because of the need for team members to interact with speed and accuracy. One way of ensuring fast and accurate communication is to have team members well versed in a common "language" or jargon. For instance, team members sharing an engineering background will communicate better about the implementation of a new technical specification. On the other hand, cultural diversity ensures that different contingencies that exist among different cultures are taken into account. Continuing with the engineering example, countries may differ on the requirement for emission control systems. A team of environmental engineers from various countries will be better equipped to determine a corporate-wide solution. Hence, a mix of high cultural diversity and low functional diversity seems to be more effective for a coordinative task. Therefore we suggest that:

> **Proposition 1a**: All other things being equal, multicultural teams with high cultural diversity and low functional diversity will be more effective when the task is of the coordinative type.

Computational Task

Hambrick and colleagues (1998) define computational task as one in which a bounded amount of fairly clear-cut information needs to be assembled and analyzed, and for which there are objective criteria for assessing the correctness or superiority of a given solution. Examples of computational tasks include world-wide manufacturing operations, global inventory and logistics planning, and tariff rationalization (Hambrick et al., 1998). For such tasks, the main challenge is to make sure that complete information and appropriate skills relevant to the issue are available the team. High functional diversity ensures that full range of information is searched and collected and that the necessary resources are present for implementation. However, for this type of task, high cultural diversity would be detrimental due to difficulties of communication. Thus:

> **Proposition 1b**: All other things being equal, multicultural teams with low cultural diversity and high functional diversity will be more effective when the task is of the computational type.

Creative Task

A creative task needs to be approached from numerous directions, involves multiple stimuli or information, and has no objectively verifiable right answer (Jackson, 1992). Examples of creative tasks include the conception of new product or the selection of a manufacturing site. For such task, functional diversity as well as cultural diversity can be expected to enhance team effectiveness by providing means of exploring multiple issues relevant to the task. When members come from diverse countries, they have different cognitive schema shaped by their education and culture (Smith and Bond, 1998). Similarly, if members have different functional backgrounds, the issues that are most salient and the solutions that are most acceptable to them are different. For instance, when a customer problem arises, a marketing manager tends to offer solutions in terms of products and price. On the other hand, a human resource specialist belonging to the same team is more likely to perceive the issue in terms of staffing or relationships. Thus, the solutions coming out of differing perspectives are likely to be more creative. Therefore we conclude that:

> **Proposition 1c**: All other things being equal, multicultural teams with both high cultural diversity and high functional diversity will be more effective when the task is of the creative type.

External Fit: MNC Strategy and Team Diversity

The notion of fit has also been incorporated in global strategy to address the particular context of international markets (Bartlett and Ghoshal, 1989, 1992). For instance, Porter (1991) emphasized fit between configuration and coordination. While configuration deals with MNC's choice of operating locations, coordination determines the MNC's ability to benefit from a particular configuration. Bartlett and Ghoshal (1989, 1992) also expanded on the idea of fit between strategy – multinational, global or international – and structure – geographic, product, or combination. For instance, MNCs pursuing a multinational strategy are more likely to implement a geographic structure. As is the case for many other coordination mechanisms, we would expect multicultural teams to "fit" with MNC strategy in order to be effective (Bartlett and Ghoshal, 1992, Martinez and Jarillo, 1989).

Along the same lines, external fit as discussed in SHRM generally refers to the contingent relationship between firm strategy and HRM systems (e.g., Taylor, Beechler, & Napier, 1996; Wright and Sherman, 1999). As applied to the multicultural team context, we view external fit as the congruence or fit between MNC strategy and team diversity. While it may seem intuitively evident that multicultural team's objectives and composition match the MNC's strategic objectives, it is not always the case. There might be instances when the congruence between strategy and human resource management does not exist. For instance, Pil and McDuffie (1996) mentioned organizational inertia and politics as possible reasons for reducing external fit. Applying the concept of external fit to multicultural teams, we suggest that:

> **Proposition 2**: All other things being equal, the greater the fit between MNC strategy and team diversity, the greater the effectiveness of a multicultural team.

We further develop propositions associated with the multi-national, global, and international types of MNC strategy.

Multinational Strategy

When implementing a multinational strategy, the MNC's overarching concern is to be responsive to the needs of the markets in which it is present (Ghoshal, 1987, Bartlett and Ghoshal, 1989). As a result, primary operational responsibilities are devolved to the MNC's foreign subsidiaries. When a multicultural team is formed it is important to have a representative of each country involved in the team. Otherwise, some critical elements of the total business would not be included. Representation from all countries matter so that the multicultural team has a comprehensive view of the issue it is dealing with. We would therefore expect that high cultural diversity is required in the context of a multinational strategy. However, functional diversity may not be necessary. In the multinational strategy context, a multicultural team generally does not have operational responsibilities and therefore does not need a wide array of functional skills. On the contrary, sharing the same functional background may facilitate communications between the members of the multicultural team. These considerations lead us to propose that:

> **Proposition 2a**: All other things being equal, multicultural teams which are high in cultural diversity and low in functional diversity will be more effective within MNCs following a multi-national strategy.

Global Strategy

In the case of a global strategy, the MNC's objective is to maximize efficiency and exploit global economies of scope or scale (Bartlett and Ghoshal, 1989, Ghoshal, 1987). The requirements for a multicultural team will therefore be quite different. Representation from each affiliate may not be necessary. Products are rolled out globally, the same standard processes are adopted worldwide, and all foreign subsidiaries follow a similar marketing approach. We would therefore expect the requirement for cultural diversity to be fairly low in the case of a global strategy. However, in order to attain maximum efficiency, high functionality diversity will be needed. This will ensure that the broadest range of alternatives is generated and that all functions implement in unison the solution selected. From the above discussion, the following proposition is advanced:

> **Proposition 2b**: All other things being equal, multicultural teams which are low in cultural diversity and high in functional diversity will be more effective within MNCs following a global strategy.

International Strategy

In the case of an international strategy, the MNC derives its competitive advantage from organizational learning (Bartlett and Ghoshal, 1989, Ghoshal, 1987). Learning occurs because the MNC is adept at spotting new opportunities in world markets and agile at transferring new capabilities from one affiliate to the other. In order to raise awareness of international opportunities, representation from all countries in the multicultural team matters so that there is a rich exchange of information between the participants. Through interactions between members, organizational benchmarking of best practices emerging in various countries is possible (Szulanski, 1996). At the same time, functional diversity of the multicultural team also matters. Functional diversity ensures that all aspects of knowledge transfer are understood and that implementation issues are addressed. There exists a certain stickiness when best

practices are transferred that can be smoothed by the representation of multiple functions (Szulanski, 1996). Therefore, we believe that:

> **Proposition 2c**: All other things being equal, multicultural teams which are high in cultural diversity and high in functional diversity will be more effective within MNCs following an international strategy.

As the examples provided by Snow et al. (1996) illustrate, multicultural teams, when effectively deployed, can contribute substantially to overall firm performance. However, not all multicultural teams are successful. One possible reason is the incongruence between MNC strategy and multicultural team diversity, as discussed above. Another reason is the incongruence between multicultural team task and diversity. Or the combination of both could explain failure. To address these issues, we develop below a contingency model of multicultural teams, taking into account both internal fit and external fit considerations.

Interactions between Internal Fit and External Fit

The remaining section explores the specific interactions resulting from internal fit and external fit. Figure 3 summarizes the proposed relationships. Our overarching proposition is as follows:

> **Proposition 3**: Multi-cultural teams will be more effective when both external fit and internal fit between team diversity, team task, and MNC strategy exist.

Insert Figure 3 about here

We further develop propositions regarding the relationships between multicultural team diversity and team effectiveness that are contingent on internal fit and external fit.

Context 1: Coordinative Task and Multinational Strategy

When the task is of the coordinative type, and when MNC strategy is multinational, having members from different cultures provides multiple inputs into the decision-making process. However, this variety in perspectives is not likely to translate into viable alternatives if team members can not decide on a particular option. Homogeneity of functional backgrounds ensures cognitive schema common to the multicultural team members from which they can work toward accomplishing their objective. The

cognitive schema, in essence, acts as a lighthouse, guiding the members to follow certain paths, although multiple, different paths can be followed to reach the final goal (Finkelstein and Hambrick, 1996). Therefore, we believe that:

> **Proposition 3a**: All other things being equal, multicultural teams possessing high cultural diversity and low functional diversity perform better in a context characterized by coordinative task and multinational strategy.

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Context 2: Computational Task and Global Strategy

In contrast, a multicultural team's objective in this context is to contribute to increased global efficiency, which requires the integration of various functions spread around the world (Ghoshal, 1987). We would expect that such team's effectiveness would be increased by the participation of members with various functional backgrounds. Together, these functional experts can optimize the configuration and coordination of the value chain. However, diversity in cultural background will deter the multicultural team from effectively implementing a chosen solution. Difficulties associated with cross-cultural communications are unwarranted when the task is computational and the MNC strategy is global. It is recognized that some diversity may not be detrimental even for teams following global efficiency because they do need to consider certain contingencies. However, as argued above, agreement among team members take precedence in this type of integration task. Hence, we expect the following:

> **Proposition 3b**: All other things being equal, teams possessing low cultural diversity and high functional diversity perform better in a context characterized by computational task and global strategy.

Context 3: Creative Task and International Strategy

In the context of creative task and international strategy, the main objective of the multicultural team is to foster learning. Therefore the multicultural team attempts to generate a variety of ideas, seeking diverse and multiple perspectives on problems, assessing different contingencies, and leveraging the experiences of the various team members. As such, we argue that both functional and cultural diversity will be useful in this context. High functional diversity will provide the team with diverse perspectives on ways to approach the task, the contingencies to consider, and relevant outcomes or inputs. High cultural

diversity will also augment the diversity of perspectives because members of different cultures tend to possess different values and preferences, and frame and process information differently (Hofstede, 1980). Hence, we propose the following:

> **Proposition 3c**: All other things being equal, teams possessing high cultural diversity and high functional diversity perform better in a context characterized by creative task and international strategy

DISCUSSION

Previous studies that examined the effects of diversity on team member perceptions and attitudes have frequently taken a one-dimensional view and argued for or against homogeneous or heterogeneous groups. Homogeneity and heterogeneity were considered as the opposite ends of the continuum. However, this one-dimensional view may not be warranted, given the variety of diversity factors that can come into play within multicultural teams. According to more recent conceptualizations, diversity factors fall in two categories: as either high or low in job-relatedness or high or low in visibility (Pelled, 1996). This research expands on the ideas contained in Pelled (1996) and Hambrick et al. (1998), and further examines the diversity associated with multicultural groups. In particular, we focused on two dimensions of diversity, functional background and national culture, and two concepts of fit, internal and external. Admittedly, the relationships among MNC strategy, team task, and team diversity are more complex than those depicted in this model. However, the model described in the paper provides a first step toward a more comprehensive view that complements previous theorizing and empirical findings. The article's main contribution lies in drawing attention to potential contingencies that exist between multicultural team diversity and effectiveness within MNCs. We argued that internal fit between team task and team diversity as well as external fit between firm strategy and team diversity are important contingencies that need to be considered.

Out of the multiple questions that this paper raises, we have noted three. The first question concerns the concept of fit or congruence developed here. In our model, we included MNC strategy, multicultural task, and team diversity and discussed fit among the three. Admittedly, there are many more factors at the individual, team, and organizational levels that could be included in such a model.

The second question regards the fairly static perspective that we have adopted to formulate our model. As noted in the overview section of multicultural teams, dynamics of such teams are complex. Task may change overtime, new members may be added, or the team may be dissolved. Maznevski and her colleagues (2000) are pursuing a promising social capital approach to address some of these process and dynamic issues.

The final question pertains to the definition of team effectiveness, on which there is limited agreement. For instance, Hackman (1987) proposed that effectiveness for on-going teams must capture both short-term and long-term performance. In his framework, the first important measure of team effectiveness is the team's current performance. The second critical measure of team effectiveness is an assessment of team members' willingness to continue working as a unit – this willingness may also be termed team viability. Configuration or fit of the multicultural team may depend on the expected results – e.g. long-term versus short-term. For example, a multicultural team that is high on functional diversity and high on cultural diversity may be ineffective in the short term but viable in the long term as members learn and resolve communication issues.

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FIGURE 1. CONTINGENCY MODEL OF MULTICULTURAL TEAMS: AN OVERVIEW

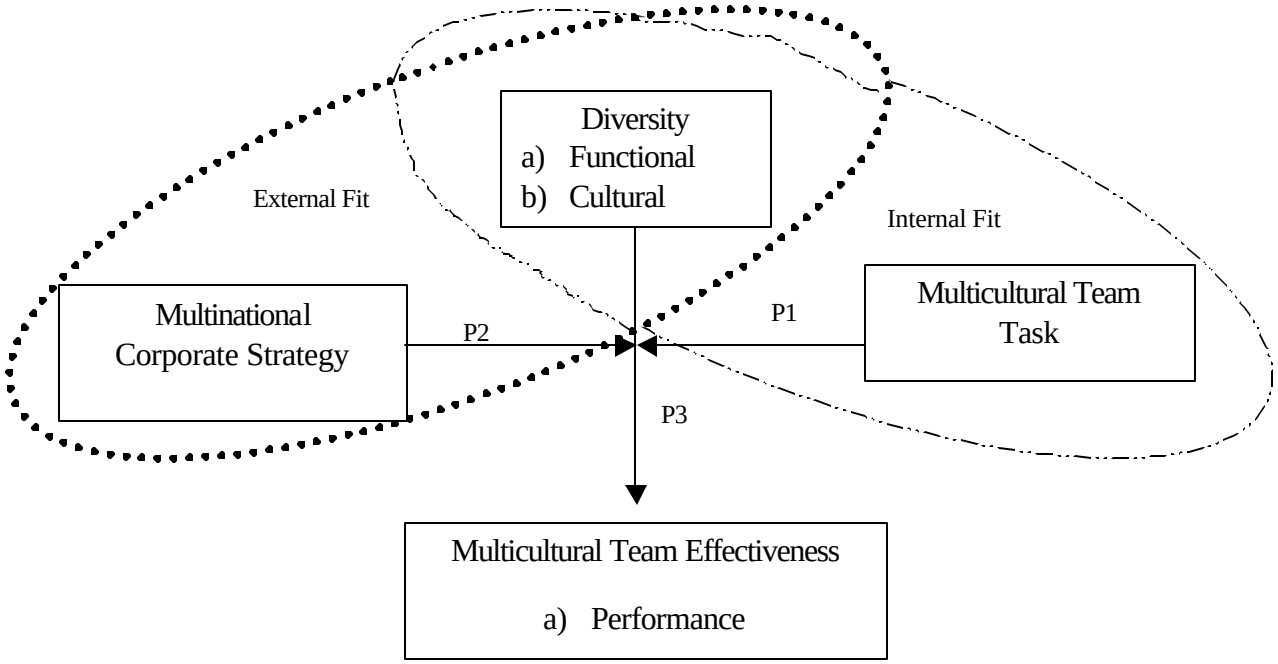

FIGURE 2A. INTERNAL FIT

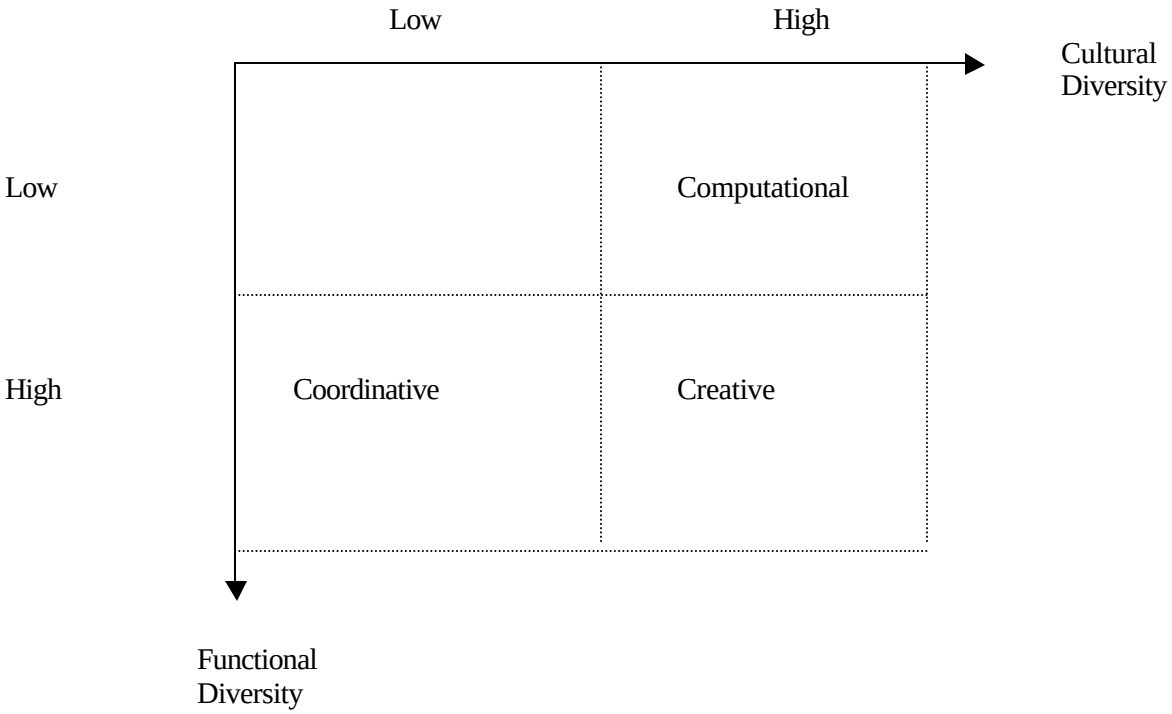

FIGURE 2B. EXTERNAL FIT

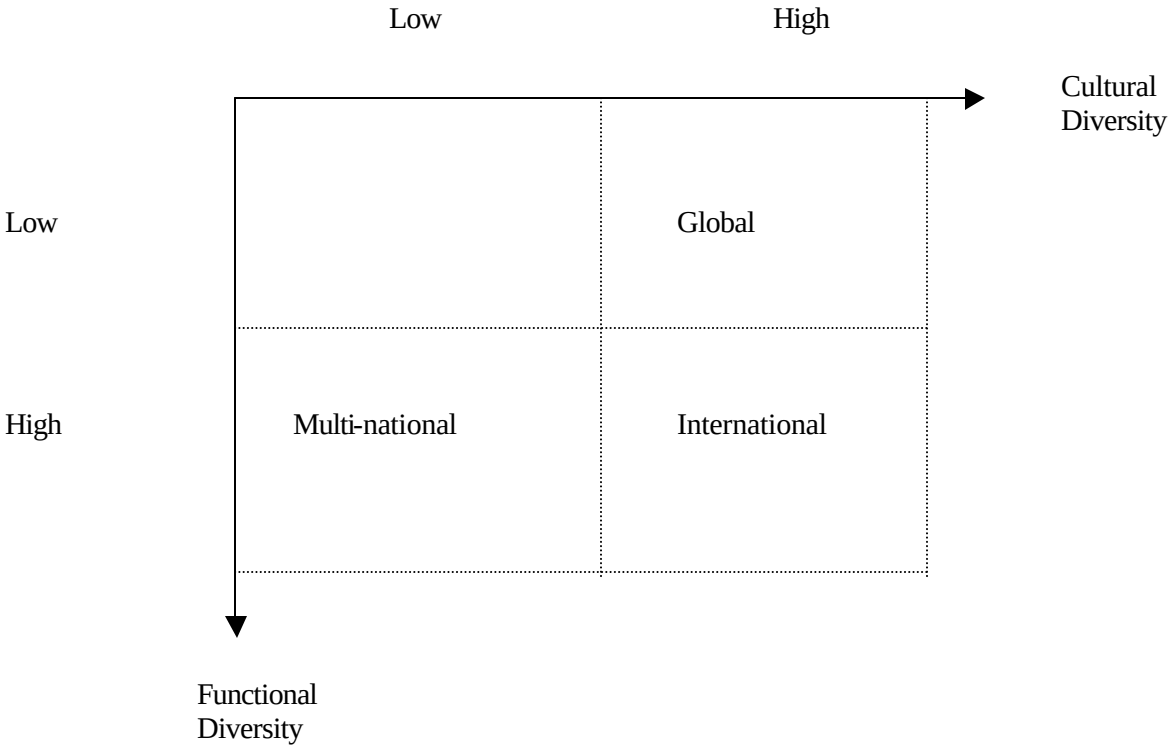

FIGURE 3. COMBINATION OF EXTERNAL AND INTERNAL FIT