

Managing Multicultural Teams: A Case Study of IT Professionals of Developing Countries

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ABSTRACT

Aim of the Study: This research aims to explore the challenges faced by managers in managing international multicultural teams and to examine how cultural diversity affects organizational performance, employee performance, and the behavior and expectations of individuals.

Methodology: To achieve this aim, a quantitative study will be conducted using a systematic questionnaire distributed to employees in software companies in Pakistan, Australia, Ukraine, Iran, Nepal, and India. Data will be collected through a web-based system using Google Forms.

Findings: Managers in software development organizations encounter multiple issues when managing culturally diverse teams. To understand and explore these problems, cultural dimensions are utilized. Previous research indicates that common challenges faced by project managers and team members include ineffective communication, differing working styles, and varying expectations.

Conclusion: To address these challenges, it is crucial to embrace diversity and encourage team members to learn and grow from it.

Keywords: Cultural diversity, Multinational organizations, Effective communication, Team expectations, Employee performance.

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1. INTRODUCTION

In today's globalized business environment, multicultural teams have become commonplace. Companies are increasingly hiring individuals from various countries. According to Brent Radcliffe (2022), this trend is driven by increased mobility and the need for a global workforce. Advanced information technology plays a crucial role in this context, enabling the use of diverse media forms for communication. N. Sharon Hill and Kathryn M. Bartol (2018) noted that the growing need for communication has led to the adoption of various web-based tools to support and facilitate collaboration among virtual teams. These teams often comprise members from different departments, organizations, cultures, and countries. To ensure these teams perform effectively and efficiently, advanced IT is essential.

George A. Marcoulides and Ronald H. Heck (1993) highlighted that the work and performance of these teams can be directly or indirectly influenced by the cultural contexts that team members bring to the

workplace. In this setting, advanced IT for collaborative work offers the potential for enhanced performance and multicultural understanding among individuals from different nations. Despite the ease of communication provided by IT, challenges in managing multicultural teams persist. This is because culture significantly impacts attitudes and relationships among people, as well as technology transfer and other company activities.

This study aims to focus on the challenges of managing multicultural teams and the necessary solutions. Specifically, it seeks to highlight the problems faced by managers in handling cultural diversity, rather than the issues encountered by team members. The research will primarily target managers working in multinational companies in Pakistan, Australia, Ukraine, Iran, Nepal, and India.

1.1.Problem Statement

In the 21st century, business dynamics have transformed significantly, necessitating operations in culturally diverse environments to compete in the global market. Poor communication and intercultural skills make it challenging to work in organizations that embrace cultural diversity, as teams comprise individuals from various backgrounds with different languages, behaviors, and mindsets. These differences lead to varied expectations and potential conflicts within teams. The core issue is that managing a multicultural organization is critical as it impacts overall performance. To minimize misunderstandings and inefficiencies, effective management of cultural diversity is essential. Managers face numerous challenges in reducing team conflicts, which affects their performance. They must consider cultural differences when planning strategies and executing routine tasks.

1.2.Purpose of the Study

This explanatory research aims to identify the challenges faced by managers of multicultural teams and develop solutions to enhance organizational performance. The importance of cultural diversity has increased globally, with many multinational companies (in Pakistan, Australia, Ukraine, Iran, Nepal, and India) focusing on hiring global talent. While this diversity benefits businesses, it also presents challenges. The study participants will include management and higher-level staff from selected multicultural IT companies in the aforementioned countries.

1.3. Research Questions

1. What is the impact of communication on managers' performance?
2. How does a lack of knowledge related to diversity affect managers' performance?
3. What challenges do managers face due to differences in behavior and expectations?
4. How does cultural diversity impact managers' performance due to behavioral and expectation differences?

1.4.Research Objectives

1. To explore how improving communication can enhance managers' performance.
2. To examine how educating managers about cultural differences can improve their performance.
3. To identify ways to reduce conflicts arising from behavioral and expectation differences.
4. To understand how different behaviors due to cultural diversity create challenges for managers.

1.5.Significance of the Study

Cultural diversity is a crucial factor in organizational management, affecting both performance and presenting challenges to management teams. Managers must create an environment that enables maximum performance from all team members. This study aims to identify the challenges managers face

in managing multicultural teams and propose solutions to improve the performance of multinational organizations.

2. LITERATURE REVIEW

There is a clear relationship between workforce diversity and organizational performance. The performance of an organization can be significantly or insignificantly affected by workforce differences such as demographics, language, behavior, and other factors. Alia Hussain, Jamal, and Amer (2021) noted that diversity is an emerging and trending theme in many companies worldwide. Effective diversity management in any work environment is crucial for achieving organizational goals, improving efficiency, and fostering development. A comprehensive approach includes demographics, work-related, and task-oriented diversity, as well as visible and invisible factors that influence organizational representation. This study provides a thorough review of workplace diversity management attributes from past research conducted between 1991 and 2021, covering key factors responsible for better management of workplace diversity.

Fakhar Shehzad et al. (2017) emphasized the importance of organizational culture, which includes shared values, practices, and role expectations that make a company's system operational. This study reviewed Pakistani companies, highlighting their technical functionality and connection with innovative interactions, expanded data sharing, and global competition. The main focus was on variables influencing organizational culture, supported by data collected through Google forms.

Henry Inegbedion, Eze Sunday, and Abiola Asaleye (2020) explored organizational efficiency created by addressing and managing diversities within companies. They examined the extent to which diversity impacts organizational effectiveness through conflict management, diversity administration, and perceptions of collaboration and employee attitudes. The study used a sample of 178 respondents from nine organizations in Nigeria, employing structured data collection techniques. The results indicated that managing diversity, addressing marginalization, and handling conflicts significantly impact diversity management. Additionally, there is a positive correlation between effective diversity management and organizational effectiveness.

Akbaba (2020) discussed the relationship between diversity and organizational performance, explaining various theories related to diversity management, demographics, organizational performance, and social network theory. The study found that diversity in an organization leads to increased creativity and innovation, impacting decision-making and diversity management. Properly managed diversity positively affects organizational performance, while poorly managed diversity can lead to conflicts that negatively impact performance.

3. RESEARCH METHODOLOGY

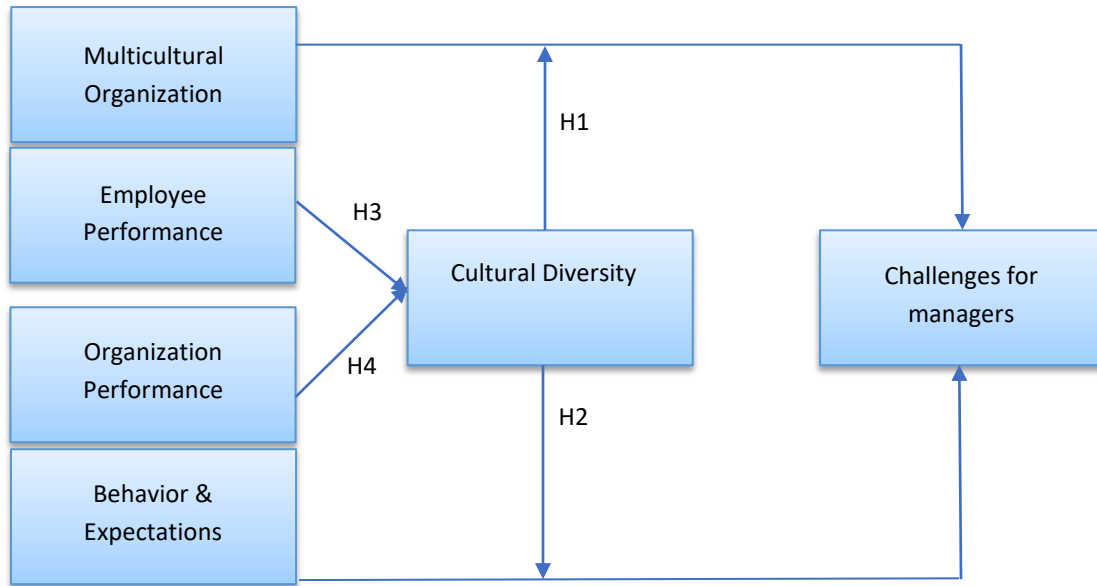
This study will collect statistical data through questionnaires distributed to software development organizations in Pakistan, Australia, Ukraine, Iran, Nepal, and India. To ensure accuracy, data will be gathered directly from managers and supervisors, who often deal with the challenges of managing cultural diversity in their organizations. The questionnaires will be designed using a five-point Likert scale. After data collection, a detailed analysis will be conducted to gain an in-depth understanding of the issue under investigation.

3.1. Conceptual Model

In this model, the Multicultural Organization (MO) serves as the independent variable, directly influencing the Challenges for Managers (CM), which is the dependent variable. Cultural Diversity (CD) functions as a moderator in this relationship. Behaviors and Expectations (independent variable) are directly impacted by Cultural Diversity, leading to Challenges for Managers (dependent variable). Employee Performance (independent variable) also has a direct relationship with Cultural Diversity (moderator), thereby creating challenges for managers (dependent variable). Additionally, Organizational

Performance (independent variable) is affected by Cultural Diversity (moderator), which in turn creates Challenges for Managers (dependent variable).

Fig 1. Conceptual Model



3.2. Structural Equation Modeling

The Regression model (Equation) used in this study is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

3.3. Multicultural organization and Challenges for managers

In this research study, Cultural Diversity (CD) is used as a moderating variable between

Multicultural Organizations (MC) and Challenges for the Managers (CM). The regression equation developed for moderator is as follows:

$$CM = \beta_0 + \beta_1(MC) + \beta_2(CD) + \beta_3(MC \times CD) + e \quad (1)$$

Whereas β_0 is the intercept coefficient, β_1 , β_2 and β_3 are the coefficient of variables and e is the error term.

3.4. Behaviors/Expectations and Challenges for Managers

$$CM = \beta_0 + \beta_1(BE) + \beta_2(CD) + \beta_3(BE \times CD) + e \quad (2)$$

Cultural Diversity moderates the relationship between Behaviors and Expectations (BE) and challenges for managers. Behaviors and Expectations is regressed on the dependent variable challenges for managers (CM). Whereas β_0 is the intercept coefficient, β_1 is the coefficient of variable and e is the error term.

3.5. Employee performance and Challenges for managers

$$CM = \beta_0 + \beta_1(EP) + \beta_2(CD) + \beta_3(EP \times CD) + e \quad (3)$$

Cultural Diversity moderates the relationship between Employee Performance and challenges for

managers. Where the independent variable Employee Performance (EP) is regressed on the dependent variable Challenges for Managers (CM). Whereas β_0 is the intercept coefficient, β_1 is the coefficient of variable and e is the error term.

3.6.Organizational Performance and Challenges for managers

$$CM = \beta_0 + \beta_1(OP) + \beta_2 (CD) + \beta_3 (OP \times CD) + e \quad (4)$$

Cultural diversity moderates the relationship between Organizational Performance and challenges for managers. Where the independent variable Organizational Performance (OP) is regressed on the dependent variable Challenges for Managers (CM). Whereas β_0 is the intercept coefficient, β_1 is the coefficient of variable and e is the error term.

3.7.Hypothesis Development

Considering the available literature, the following are the hypotheses.

Hypothesis 1: *Cultural diversity creates challenges for the managers in multicultural organizations.*

Hypothesis 2: *Cultural diversity effects behaviors and expectations which creates challenges for the managers.*

Hypothesis 3: *Cultural diversity has an impact on employee performance.*

Hypothesis 4: *Organization's performance can be improved by managing its cultural diversity.*

4. RESULT

4.1.Descriptive Analysis

Table 1: *Descriptive Statistics of Variables*

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis		
	Statistics	Statistics	Statistics	Statistics	Statistics	Statistics	Std. error	Statistics	Std. error
CM	226	1.0	4.4	2.3	.966	.871	.162	-.524	.322
CD	226	1.0	4.6	3.111	.8327	-.175	.162	-.843	.322
EP	226	1.125	4.500	2.60011	.859265	.391	.162	-1.258	.322
OP	226	1.000	4.750	3.14381	1.02580	-.088	.162	-1.362	.322
BE	226	1.0	4.70	2.69	1.12	.406	.162	-1.368	.322
MO	226	1.00	5.0	3.0015	1.14288	.142	.162	-1.527	.322
Valid N(listwise)	226								

4.2.Correlation

In the table below, the correlation between Challenges for Managers (CM) and Cultural Diversity (CD) is 0.415, indicating a significant relationship. This suggests that as cultural diversity increases, the challenges for managers also rise. The correlation between Employee Performance (EP) and Cultural Diversity (CD) is 0.66, demonstrating a strong and significant relationship, which implies that cultural diversity greatly impacts employee performance. The correlation between Organizational Performance (OP) and Cultural Diversity (CD) is 0.629, signifying that cultural diversity significantly affects organizational performance. The correlation between Multicultural Organization (MO) and Challenges for Managers (CM) is 0.38, indicating a significant correlation and suggesting that multicultural organizations create challenges for managers. Lastly, the correlation between Behaviors and Expectations (independent variable) and Challenges for Managers (CM) is 0.447, meaning that behaviors and expectations, influenced by cultural diversity, significantly create challenges for managers.

Table 2: *Correlation*

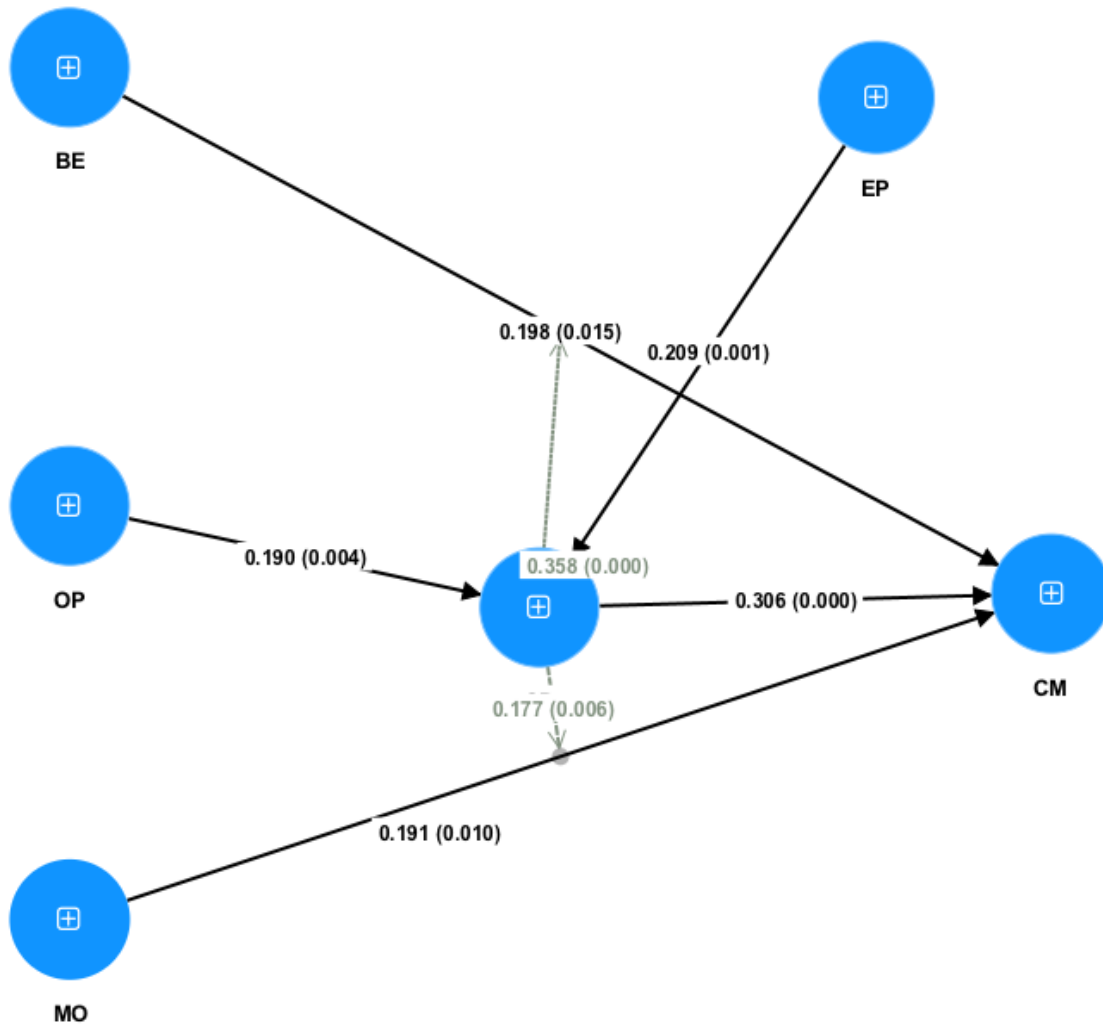
		CM	CD	EP	OP	BE	MO
CM	Pearson	1	.415**	.645**	.411**	.447**	.384**
	Correlation						
	Sig. (2-tailed)		<.001	<.001	<.001	<.001	<.001
	N	226	226	226	226	226	226
CD	Pearson	.415**	1	.660**	.629**	.744**	.497**
	Correlation						
	Sig. (2-tailed)	<.001		<.001	<.001	<.001	<.001
	N	226	226	226	226	226	226
EP	Pearson	.645**	.660**	1	.595**	.663**	.560**
	Correlation						
	Sig. (2-tailed)	<.001	<.001		<.001	<.001	<.001
	N	226	226	226	226	226	226
OP	Pearson	.411**	.629**	.595**	1	.665**	.444**
	Correlation						
	Sig. (2-tailed)	<.001	<.001	<.001		<.001	<.001
	N	226	226	226	226	226	226
BE	Pearson	.447**	.744**	.663**	.665**	1	.675**
	Correlation						
	Sig. (2-tailed)	<.001	<.001	<.001	<.001		<.001
	N	226	226	226	226	226	226
MO	Pearson	.384**	.497**	.560**	.444**	.675**	1
	Correlation						
	Sig. (2-tailed)	<.001	<.001	<.001	<.001	<.001	
	N	226	226	226	226	226	226

**. Correlation is significant at the 0.01 level (2-tailed)..

4.3. Beta Values

The diagram below illustrates the beta values for the relationships among various variables. It shows that the relationship between a multicultural organization and challenges for managers is moderated by cultural diversity, with a value of 0.177. This indicates a positive relationship, meaning that as cultural diversity increases in a multicultural organization, the challenges for managers also increase.

Fig 2. Graphical Output



4.4. Summary of Hypothesis

Table 3: Summary

Hypothesis	Description	Remark
1	Cultural diversity creates challenges for managers in multicultural organizations.	Accepted
2	Cultural diversity affects behaviors and expectations which creates challenges for the managers.	Accepted
3	Cultural diversity has an impact on employee performance.	Accepted
4	An organization's performance can be improved by managing its cultural diversity.	Accepted

5. RESULT AND DISCUSSION

As discussed earlier, the researcher developed four hypotheses based on theoretical background and literature review. The findings for each hypothesis are discussed below:

Cultural Diversity and Managerial Challenges: The first hypothesis proposed that cultural diversity creates challenges for managers in multicultural organizations. Regression analysis yielded a value of 0.177, indicating that an increase in cultural diversity within a multicultural organization leads to an increase in managerial challenges. This positive relationship demonstrates that the connection between cultural diversity and managerial challenges is significant, supported by mathematical calculations.

Behavior, Expectations, and Managerial Challenges: The second hypothesis posits that behavior and expectations create challenges for managers due to cultural diversity. Mathematical calculations confirm that cultural diversity strengthens the relationship between behavior, expectations, and managerial challenges. The regression value of 0.358 indicates that as cultural diversity increases, the impact on behavior and expectations also increases, thereby creating more challenges for managers.

Cultural Diversity and Employee Performance: The third hypothesis states that cultural diversity impacts employee performance. Regression analysis reveals that a 1-unit increase in cultural diversity results in an average increase of 0.209 units in employee performance. This indicates a direct relationship between cultural diversity and employee performance.

Cultural Diversity and Organizational Performance: The fourth hypothesis suggests that managing cultural diversity can improve organizational performance. Regression analysis shows that a 1-unit increase in cultural diversity leads to an average increase of 0.190 units in organizational performance. This demonstrates that effective management of cultural diversity positively impacts organizational performance.

6. CONCLUSION

This research was conducted in software development organizations across Pakistan, Australia, Nepal, Iran, India, and Ukraine. The study demonstrates that cultural diversity creates challenges for managers. Differences in behavior and expectations among individuals in culturally diverse organizations lead to difficulties for managers in managing diverse teams. The study also highlights the impact of cultural diversity on employee performance, indicating that organizational performance can be improved by effectively managing cultural diversity. In conclusion, it is recommended that software development organizations establish policies and procedures to minimize conflicts arising from cultural diversity. Since cultural diversity is an essential factor for entering the global market, it should be managed properly to enhance overall performance.

6.1. Limitations

Given that the data is collected from 226 respondents, it may not be sufficient to represent the entire population of software development organizations in Pakistan, Australia, Nepal, Iran, India, and Ukraine. Therefore, it is recommended to select a larger sample size in future research. Additionally, since the research design is cross-sectional, it cannot strongly validate causality between variables due to data being collected at a single point in time. To enhance the validity of the results, a longitudinal research model could be employed in future studies. Furthermore, the current research focuses specifically on software development organizations in Pakistan, Australia, Iran, Nepal, India, and Ukraine.

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Conflict of Interest


Authors declared NO conflict of interest.


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