

MANAGING CULTURAL DIVERSITY: THE ROLE OF HR AND LEADERS IN EFFECTIVE MULTICULTURAL TEAMS

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Purpose: This article investigates how HR teams and leaders facilitate effective collaboration in multicultural teams. By examining real-world practices in European companies, the study identifies practical strategies for managing cultural diversity.

Design/methodology/approach: This qualitative study employs semi-structured interviews with representatives from various multinational corporations in Europe. Data were analyzed using thematic analysis to identify key strategies and challenges in cultural diversity management.

Findings: The results indicate that leadership adaptability, cultural awareness, and HR-led initiatives play a crucial role in fostering team cohesion and enhancing performance. Inclusive policies and structured frameworks strengthen the unique advantages of diverse teams, driving innovation and supporting business objectives.

Originality/value: This article contributes to the field by offering practical strategies and empirical insights on improving team performance through cultural diversity management. It provides actionable recommendations for organizations seeking to leverage diversity as a competitive advantage.

Keywords: cultural diversity, HR, leaders, multicultural teams, adaptive leadership styles.

Category of the paper: Research paper.

1. Introduction

In today's globalised workplace, cultural diversity is no longer just an asset—it is a necessity. Managing culturally diverse teams is both rewarding and challenging, as diverse perspectives can drive innovation but also lead to misunderstandings if not effectively managed. This study explores the dynamics of multicultural teams, focusing on how leadership adaptability, organisational support, and team structure foster collaboration and boost productivity. Set within the European context, where cross-cultural integration is increasingly prevalent, it offers practical approaches that move beyond theory.

As organisations expand internationally, managing diverse teams has become a crucial skill for leaders and HR professionals. A McKinsey report highlights that companies in the top quartile for ethnic and cultural diversity are 36% more likely to outperform those in the bottom quartile, illustrating the competitive advantage diversity offers (McKinsey & Company, 2018). However, the same report warns that improper management can lead to misunderstandings and reduced team cohesion.

Building on prior research—such as Hofstede’s (1984) cultural dimensions and Earley & Ang’s (2003) work on cultural intelligence—this study examines how European organisations can harness the strengths of multicultural teams through adaptive leadership and structural support. By incorporating real-world insights from professionals actively managing diversity, it provides relevant strategies for creating inclusive, high-performing environments essential in a globalised market.

While studies like those by Thomas and Ely (1996) and Hofstede (1984) highlight how diversity fosters innovation, they often lack practical strategies for overcoming real-world challenges. This research addresses that gap by exploring the experiences of HR managers and team leaders in Europe. Through interviews, it investigates how professionals handle cultural differences and adapt leadership styles to improve team performance. Additionally, it examines the impact of foreign versus local leaders, drawing on Deloitte’s findings that cultural intelligence is a key skill for global leaders (Deloitte, 2019).

By bridging theory and practical examples, this study offers HR professionals and leaders evidence-based strategies for managing multicultural teams. It not only emphasises the importance of diversity but also provides actionable solutions to foster effective collaboration in diverse teams across Europe.

The main objective of this study is to explore how adaptive leadership styles, organisational policies, and team structures influence team dynamics and performance in multicultural settings. Through detailed interviews, this research uncovers strategies that leaders and HR professionals can apply to enhance collaboration and productivity within culturally diverse teams, thus translating theoretical knowledge into practical recommendations.

To gain a deeper understanding of the elements that contribute to successful multicultural teams, this study addresses the following research questions:

- How do leaders adapt their strategies to manage multicultural teams effectively?
- In what ways do organisational support and policies enhance or hinder team cohesion in diverse settings?
- How does the structure of a team impact collaboration and performance in a multicultural context?

This article unfolds in four main sections. First, we explore key literature on multicultural team management and cultural diversity. Next, outline the research approach, including the methods and variables at the core of this study. Then, we dive into the findings and discuss

what they reveal about cultural dynamics in teams. Finally, we wrap up with key insights, practical takeaways, and ideas for future research on managing diverse teams effectively.

2. Literature review

Cultural diversity in organisations offers a fascinating paradox. On one hand, it ignites creativity, fosters innovation, and brings fresh perspectives to problem-solving. On the other hand, it can create friction, misunderstandings, and conflicts if not managed thoughtfully. This dual nature of cultural diversity is what makes it both a challenge and an opportunity for modern organisations (Comu et al., 2011).

Hofstede's (1984) seminal work on cultural dimensions provides a foundational lens for understanding how national cultures shape behaviours, from communication styles to attitudes toward hierarchy. Building on this framework, Earley and Ang (2003) introduced the concept of cultural intelligence, highlighting the ability to adapt behaviour to cultural contexts as a crucial skill for enhancing team cohesion and effectiveness. Cultural intelligence—the capability to function effectively in multicultural contexts—is a critical competency of effective global leaders. When leaders work primarily in domestic settings, organizations should place more emphasis on developing within-culture capabilities, such as EQ. In contrast, when leaders work extensively in international or cross-border settings, organizations should emphasize development of cross-cultural capabilities, such as CQ (Rockstuhl et al., 2011).

These insights lay the groundwork for exploring how leaders and HR managers in Europe navigate the complexities of diversity management. Diversity in teams has often been described as a "double-edged sword". Mannix and Neale (2005) illustrate how diverse teams, when led effectively, can unleash unparalleled creativity and innovation. However, without skilled leadership, these same teams risk falling prey to misunderstandings and clashes arising from conflicting work styles. Ely and Thomas (2001) add another dimension by stressing the importance of inclusive organisational structures. They argue that fostering an environment where differences are celebrated rather than suppressed enables teams to harness the full potential of cultural diversity.

Walaszczyk and Mazur (2019) highlight both the challenges and opportunities of managing cultural diversity, especially in Poland. They point out common issues like communication gaps, misunderstandings, and conflicts that can weaken team cohesion. However, they emphasize that skills such as cultural awareness, emotional intelligence, and conflict resolution can turn these challenges into opportunities, helping teams work better together and unlock the full potential of diversity.

Further supporting this perspective, Kim and Ko (2021) conducted a longitudinal study involving 347 senior business students organized into 84 teams. Over a 12-week simulation game, their research demonstrated that higher levels of team emotional intelligence significantly enhanced team cohesion, with trust and self-efficacy serving as mediators in this relationship. This finding underscores the importance of emotional intelligence in fostering cohesive and high-performing teams.

Additionally, Iskhakova and Ott (2020) investigated the development of team-level cultural intelligence (CQ) and its impact on performance. Their study, which included 23 teams comprising 86 participants, revealed that working in culturally diverse teams fosters the development of team-level CQ, which in turn positively influences team performance. This suggests that exposure to cultural diversity within teams can enhance collective cultural intelligence, leading to improved outcomes.

These findings suggest that organizations should invest in training programs focused on enhancing emotional intelligence and cultural intelligence among team members. Such initiatives can mitigate potential conflicts arising from cultural differences and promote a more cohesive and productive work environment.

Leaders who demonstrate empathy and a willingness to understand cultural differences are better equipped to build trust and open communication channels. Walaszczyk and Mazur (2019) highlight that the need for intercultural competence has become a necessity for organizations, they emphasize that these competencies are not inherent but can be developed through targeted training initiatives. To address this need, they advocate for integrating cultural sensitivity workshops and leadership development programs into organizational training frameworks, preparing leaders to effectively navigate the challenges of managing multicultural teams.

Managing diversity offers many advantages but also presents challenges, particularly its high costs. Successfully handling diversity often requires significant investment in training programs for supervisors, employees, and managers to improve interactions with diverse colleagues and clients. These programs can be expensive, with substantial costs for travel and participation (Dike, 2013).

Another perspective highlights that diversity can be highly cost-effective, as diverse teams often contribute more than traditional teams. As Gardenswartz et al. (2010) state, "Diverse workforces can bring a wider variety of intellectual power and life experience to support the challenge of creating innovative solutions and products". Diversity management practices and programs are increasingly observed in enterprises, particularly in large corporations. However, they are less frequently systemic actions that form part of a human resources strategy (Rakowska, 2014).

Diversity and Inclusion (D&I) programs are essential in shaping organizational culture, defined as "a system for identifying and processing information" (Kostera, 1999, p. 10) and "a common system of meanings that forms the basis of communication and mutual understanding" (Furnham, Gunter, 1993, pp. 70-71). Investments in cross-cultural training

should be seen as initiatives with measurable returns on investment, enhancing communication, collaboration, and organizational effectiveness. Research supports the link between robust D&I practices and improved performance; for example, Khan et al. (2023) found that firms with higher D&I scores showed better financial outcomes based on an analysis of 8089 firm-year observations from global companies. However, the effectiveness of D&I initiatives, particularly diversity training, remains contentious. Dobbin and Kalev (2016) reviewed three decades of data from over 800 U.S. firms and found that mandatory diversity training often fails, sometimes activating bias or causing backlash. They emphasize the need for tailored, voluntary initiatives such as mentoring and data-driven recruitment over one-size-fits-all training programs. These findings underscore that D&I initiatives can enhance organizational performance but require careful implementation and alignment with organizational contexts. A nuanced approach, including continuous evaluation and customization, is critical for success. This study examines whether training programs alone suffice or if alternative approaches are necessary to foster cross-cultural understanding and leverage team diversity effectively.

Building on these insights, the study focuses on how European leaders and HR managers can transform cultural diversity challenges into strategic advantages. By integrating theoretical frameworks of cultural intelligence and inclusivity, it explores how leadership behaviors, organizational structures, and team dynamics influence high-performing multicultural teams. “Good relations with a business partner lower transaction costs, build customer commitment, and allow access to knowledge and technology — increasing the length and intensity of cooperation” (Danik, 2015, p. 8). By understanding these dynamics, organizations can develop targeted strategies to optimize performance in diverse environments.

3. Research methodology

This study adopts a qualitative research design to examine how leaders and HR professionals manage cultural diversity in multinational organisations. A qualitative approach was chosen for its ability to capture rich, nuanced insights essential for understanding the complexities of diversity management, which quantitative methods often overlook. By focusing on participants' lived experiences, this method highlights real-world strategies and challenges faced by those working with multicultural teams.

Data were collected through semi-structured interviews with 10 HR managers and team leaders from multinational organisations across Europe. This flexible method allowed participants to share personal experiences while addressing consistent themes. Interview questions were informed by foundational literature, including Hofstede's cultural dimensions and Earley and Ang's cultural intelligence framework, ensuring alignment between theoretical insights and practical applications (Hofstede, 1984; Earley, Ang, 2003). The open-ended format

enabled participants to elaborate on their experiences, covering critical topics such as leadership adaptability, organisational policies, and team dynamics.

Thematic analysis, as outlined by Braun and Clarke (2012), was used to identify recurring themes and patterns in the data. Key aspects of diversity management, such as decision-making, intercultural communication, adaptation to local customs, and organisational support, were examined. An iterative coding framework, informed by the literature (Neale, 2016), provided a structured yet flexible approach to analysing and refining themes as new insights emerged, ensuring alignment with both theoretical constructs and practical realities.

The combination of qualitative methods and thematic analysis effectively captured the depth and complexity of cultural diversity management. This approach emphasised individual perspectives and real-world strategies, offering insights often missed in quantitative studies. Thematic analysis further provided a clear narrative of the challenges and opportunities in managing multicultural teams.

4. Results and Discussion

Respondents noted that culturally diverse teams bring unique insights, enabling organizations to better understand and serve diverse customer bases. This aligns with Cox and Blake's (1991) assertion that diversity can enhance organizational effectiveness by broadening perspectives and improving problem-solving approaches. One participant shared:

My experience was always positive because diversity brings productivity and fosters new ideas. It took us a couple of months to align and understand what everyone could contribute, but the productivity was amazing once we achieved this [Anna].

However, the findings highlight a critical distinction: diversity alone is not enough. Without intentional efforts to foster inclusivity, organizations risk superficial diversity — where cultural differences exist but fail to translate into meaningful contributions to team dynamics. This disconnect can result in misunderstandings, weakened cohesion, and missed opportunities to leverage the full potential of diverse teams.

The second aspect worth highlighting is the role of leadership in managing cultural diversity, which emerged as a critical factor. Leaders with high cultural intelligence (CQ) were consistently identified as instrumental in creating cohesive and high-performing teams. These leaders demonstrated a deep understanding of cultural nuances and adapted their behaviors accordingly. For instance, one respondent noted:

In the Middle East, building trust takes time and often starts with personal connections. You need to establish emotional safety before delivering feedback. This approach is vastly different from the U.S., where feedback is context-driven and data-based. Effective leaders recognize these cultural dynamics and adjust accordingly [Oleh].

This ability to navigate diverse communication styles helped foster collaboration and mutual respect within culturally diverse teams.

Emotional intelligence was also crucial. Leaders who showed empathy and openness built stronger trust and connections with team members from diverse cultures. This aligns with Goleman's (1998) research, which highlights the importance of self-awareness and interpersonal skills in leadership. My research confirmed this idea. One respondent shared:

To build trust in the Middle East, you need to show genuine interest in personal lives. This empathy strengthens relationships and improves business interactions [Oleh].

Effective leaders in multicultural environments need to develop both cultural and emotional intelligence. Training programs focused on enhancing these competencies can equip leaders with the skills necessary to navigate cultural complexities. Additionally, organizations should consider cultural intelligence as a key criterion in leadership selection and development processes.

A key takeaway from the study is the interplay between personal relationships and professional working styles, particularly in leadership and communication. Many respondents emphasized that in certain cultures, personal connections serve as the foundation for effective professional collaboration. One participant shared:

In international companies, personal and professional lives often overlap. This diversity has enriched both aspects of my life and helped me grow in many ways [Ben].

Another noted:

Personal and professional lives intertwine daily. It allows for continuous growth and learning [Oleh].

Culture extends beyond formalities or the principles of organizational culture. It often reveals itself in how individuals act according to their cultural roots, rather than strictly adhering to organizational norms. One interviewee highlighted the importance of informal interactions in uncovering and understanding cultural nuances:

The French place great importance on personal relationships. To build trust, you need to understand their interests, especially when it comes to food and drinks. They value informality and personal conversations, which might not work during first meetings with Americans or British people, but with the French, it works perfectly [Jakub].

This approach contrasts sharply with the more task-oriented nature of Western cultures, where professional relationships are typically prioritized over personal ones. Reflecting on these differences, one respondent shared:

Through daily interactions with people from different cultures, I not only gained new professional skills but also developed empathy and understanding for other perspectives. These experiences enrich both my professional and private life, making me more open and flexible in approaching diversity [Wiktoria].

Working in multicultural environments offers unique opportunities for personal and professional growth. Many individuals value such settings for broadening perspectives and fostering development. A Polish employee in a Scandinavian company reflected:

Working in this culture really suits me. Before joining the company, I felt that Polish culture didn't entirely align with my personality. For example, in raising my son, I noticed that Polish culture is more based on 'very strict rules,' whereas Scandinavian culture promotes a more relaxed approach and emphasizes individuality. This environment aligns with my values, fostering learning and nurturing my beliefs [Wiktoria].

Another individual highlighted the value of adopting meaningful rituals from other cultures:

In this culture, at the start of our daily meetings, we share how we're feeling or if something might be distracting us. This helps everyone understand what's going on and not take things personally. These check-ins set the tone for our meetings — they're not just about work but about recognizing that we're all human [Oleh].

Such practices encourage open communication, mutual understanding, and supportive work environments. The interlocutors claim:

I love working in a culture that values how we feel and encourages us to bring our whole selves to work [Jakub].

Our team's success came from embracing our differences and learning from each other's experiences [Paulina].

These insights underscore the power of diversity to drive innovation and client understanding:

Thanks to diversity, we can better understand the needs of our clients and implement innovative solutions [Kinga].

Embracing diversity and cultural practices enriches individuals personally and professionally, enabling them to bring their best selves to work while enhancing collaboration, innovation, and client satisfaction.

6. Conclusions

This study demonstrates that adaptive leadership, cultural intelligence, and HR strategies play a crucial role in effectively managing multicultural teams. The findings confirm that inclusive leadership and organizational support facilitate better collaboration, creative problem-solving, and goal achievement among multicultural teams. These results support the thesis that appropriate management practices transform cultural diversity from a challenge into a strategic asset.

The study corroborates Cox and Blake's (1991) assertion that cultural diversity contributes to increased organizational effectiveness, understood as an organizational resource. Respondents emphasized that diverse teams provide unique insights, enabling organizations to better understand and serve diverse customer bases. However, the study also highlights that diversity must be accompanied by inclusivity to fully realize its potential. Without deliberate inclusivity measures, diversity may remain superficial, leading to misunderstandings, reduced team cohesion, and missed opportunities.

A key theme in the study is the integration of personal and professional relationships, particularly in the context of leadership and team dynamics. In cultures such as the Middle East, France, and India, personal relationships form the foundation of effective professional collaboration, whereas in task-oriented cultures like the United States, greater emphasis is placed on formal processes. This duality underscores the need for cultural flexibility and the role of informal interactions in building trust. Integrating personal and professional relationships fosters empathy, enhances collaboration, and promotes innovation by leveraging diverse perspectives.

Multicultural work environments offer unique opportunities for both personal and professional development. Respondents shared how exposure to different cultures broadened their perspectives, improved their interpersonal skills, and aligned their personal values with professional practices. For instance, adopting cultural rituals, such as daily emotional check-ins before meetings, contributed to a supportive and empathetic work environment, enhancing team dynamics and overall productivity.

From a business perspective, the study underscores the importance of training leaders to develop cultural and emotional intelligence. By doing so, organizations can create inclusive environments where all employees feel valued, fostering innovation and improving team performance. Based on the research findings, several practical recommendations are proposed:

- Organizations should prioritize training programs that enhance cultural and emotional intelligence to enable leaders to effectively manage multicultural teams.
- Fostering inclusivity alongside diversity is essential to maximizing team potential and avoiding superficial diversity.
- Organizations should recognize the importance of personal relationships in professional settings, particularly in multicultural environments. A relationship-oriented approach can be instrumental in designing inclusive policies and practices.
- Companies should leverage the unique cultural insights of their teams to develop innovative solutions tailored to the needs of diverse customers.
- Encouraging employees to adopt valuable practices from other cultures can support both personal and professional growth, fostering a more empathetic and dynamic work environment.

This study is qualitative in nature, based on interviews with a limited group of interlocutors, and therefore has constraints in terms of generalizability. Due to its qualitative approach, the study does not precisely quantify the extent to which factors such as adaptive leadership or cultural intelligence influence team effectiveness. A logical direction for further research would be to conduct a quantitative study to establish statistical relationships between cultural intelligence, inclusivity, and team performance. Future research could also seek to identify the variables that have the most significant impact on multicultural team effectiveness. Additional investigations could examine the effectiveness of various leadership styles in Polish multicultural teams, the impact of cultural diversity on innovation in Polish companies, or best practices for implementing inclusivity policies in Polish organizations.

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