1. Introduction

1.1 Relevance of research

Given the increasing complexity and intensity of work and increasing workforce diversity, MNT based work has been implemented within many organizations (Earley and Gibson, 2002). With the success of Japanese manufacturers, western organizations sought to identify keys to team success and strove to imitate these features in their own organizations. As a consequence, teamwork has been frequently adopted also in Western companies (Erez and Earley, 1993; Butler and Earley, 2001). Globalization has increased pressure on these teams by requiring them not only to perform at a high level, but also to do so simultaneously across geographically dispersed business units of the company. This trend suggests that an increased understanding of how best to make use of MNTs contributes to competitive advantage (Butler and Earley, 2001).

MNTs, though, only recently have been the subject of intensive empirical study (Jelinek and Wilson, 2005; Joshi and Lazarova, 2005; Earley and Gibson, 2002; Jackson et al., 2003; Mendez, 2003; Matveev and Nelson, 2004; Neyer, 2004; Canney Davison, 1995; Earley and Mosakowski, 2000; Gibson, 1999; Snow et al., 1996) and they still remain a relatively understudied field of research. Most of the MNT research has been carried out in a laboratory setting using students as subjects (Vallaster, 2005). Yet these settings do not account for the interplay between organizational and group context (Maznevski and Chudoba, 2000). To take proper advantage of MNTs requires a good understanding of the impact of environmental and organisational context on such groups. Gibson et al. (2003) argue that a more explicit consideration of team context is critical. The general context in which teams are embedded is very important.

Many hypotheses tested in studies of the relationships between contexts and teams concern unidirectional relationships between variables. This has led to a pattern of mixed results in studies of international diversity. Some studies have found its effects on performance positive by making it easier for teams to behave more cooperatively, to be more innovative and to derive higher quality solutions (Earley and Mosakowski, 2000; Elron, 1997; Ely and Thomas, 2001, Cox et al. 1991; O’Reilly et al., 1997; Kirchmeyer and Cohen, 1992). Others have found that international diversity is detrimental to performance in the long run, showing that homogeneous teams are more innovative and perform better (Watson et al., 1998; Watson et al., 1993) while MNTs are more likely to experience ineffective team processes that result in lower levels of team performance (Thomas, 1999). As common in most regression models, other variables not included in the study
might have moderated the relationships discovered. International studies tend to
be contextual and demand approaches that incorporate high levels of external
validity. To ignore or to minimize external validity is to assume that theories
apply irrespective of context, that is, that they apply under any political,
economic, cultural, legal, or historical situation (Adler and Boyacigiller, 1991).

Incorporating team context into research and practice concerning team
effectiveness in multinational organizations still remains an ongoing challenge
(Gibson et al., 2003). Neyer (2004) has provided a useful framework for
understanding the relevance of the complexity inherent in MNTs in bureaucratic
organisations. In her study she has clarified the influence of various categories on
MNT performance and their interrelations by conducting empirical research in the
European Parliament and the European Commission. In addition, Jelinek and
Wilson (2005) have identified the macro influences on MNTs and approached
such teams from a multi-level perspective, focusing on global business culture,
industry situation, and national political context as forces affecting MNTs. They
have explained how these factors affect team functioning through the centripetal
and centrifugal forces that they exert on individuals.

However, a more comprehensive framework connecting the internal dynamics
with contextual aspects of MNTs' functioning in business organizations is still
missing. Developing and testing the validity of such a framework would
substantially aid in the extension of MNT research. Without such a framework,
researchers will continue ignoring the fact that non-causal relationship between
variables can be produced to be causal due to existence of other, unexplored
variables.

Consequently, the aim of this dissertation is to develop a framework for MNT
effectiveness in business organisations by showing the impact that industry and
organisational context have on MNTs and the complex interplay between different
sets of variables that influence team performance.

The study has been conducted at VA TECH, an Austrian multinational company
that used to operate in the high-tech industry and is now part of Siemens; Henkel,
one of the most internationally aligned of German consumer goods companies;
and K&M International, the American world-leader in the production of nature
related toys.

The main contribution of this dissertation is to explore the influence of industry,
corporate culture, structure and strategy, and task characteristics on MNTs in
business organisations and to develop a more comprehensive framework
connecting the internal dynamics with contextual aspects of MNTs’ functioning in
companies operating in the high-tech and consumer good industries in Europe and the USA. The results show the impact of industry and organisational context on teams and the interplay between team members and leaders, team size, task and norms. The study contains many issues that can help managers to understand the value of MNTs and the factors that influence their performance in business organisations. In addition, it shows how MNTs reduce the complexity of operations by facilitating the creation and transfer of explicit and tacit knowledge and the transfer of appropriate dimensions of the home organisation’s culture between geographically dispersed business units.

1.2 Structure of this dissertation

This dissertation is structured as follows: (I) After this introduction, this thesis will present the major findings of an extensive literature review on MNTs that shows how society as a set of contextual factors, industry and organisational culture, structure and strategy influence team performance. Team task is aspect of team context. We will explain how task characteristics impact MNTs. A brief review of exemplary work on how multinational companies utilize multinational project teams in order to bring together individuals from different countries to work on complex projects and to reduce the complexity inherent in big corporations will be included. The literature review continues with a description of the complexity inherent in MNTs. It also provides a review on the role of MNT leadership. One factor that enables effective functioning of MNTs is leadership. This section will also include a brief review of the current research related to leadership. Team norms have a strong moderating effect on team performance. The type of team norms identified in prior studies will be presented. (III) The rationale for choosing a qualitative research approach will be given and the method of data collection and analysis discussed in more detail. (IV-VI) Section four to six of this thesis will present the empirical findings from the three companies under study, VA TECH, Henkel and K&M International. The three cases will be presented independently from each other. (VII) In section seven, we will summarize the major empirical findings and compare the categories resulting from the interviews conducted in different organisational settings. This section will also include the conceptual framework developed that connects the internal dynamics with external contextual aspects of MNT functioning in business organisations. (VIII) Finally, we will present general conclusions by focusing on limitations of this dissertation, implications for future research and managerial implications.