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Ethnic Identity, Power and Communication in Top Management Teams*

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ABSTRACT

Purpose − This study explores the "black box" of top management team (TMT) processes such as communication and power distribution, examining the example of ethnically diverse TMTs in Latvia.

Methodology/approach − The study relies on case studies of two multinational companies operating in Latvia.

Findings − The findings suggest that ethnic diversity in TMTs leads to more informal and open communication in the teams, but has no clear influence on power distribution in the teams. The results highlight the importance of studying variables that could moderate the effects of ethnic diversity on communication and power distribution; throughout the study, these variables were identified as, but not limited to, environment and shared goals.

Originality/value of paper − This paper uses case studies to explore the black box of team processes, and proposes an alternative operationalization of cultural diversity, measured as ethnic diversity. It also advocates an alternative conceptualization of TMTs expressed in terms of decision-making power. The paper's major contribution is its opening up and exploration of team processes, usually avoided by researchers because of their assumed complexity. Moreover, the study contributes to TMT studies by presenting the Latvian environment as a unique research locus where ethnic identities are rich and various.

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Introduction

The study of top management teams (TMTs) has a long tradition in the field of business administration, rooted in the work of the Carnegie School theorists Cyert, March, and Simon, who argued that managers, being bounded in rationality, process information through their individual perspectives, which are formed through individual life experiences, including formal training and work history (Cyert and March, 1963; March and Simon, 1958). Pfeffer (1983) and later Hambrick and Mason (1984) developed the idea further, arguing that it is the top managers comprising the upper echelons of organizations who influence various organizational outcomes. This influence is argued to be predisposed by the top managers' particular perspectives, which arise from demographic characteristics such as age, gender, education, functional background, and race. Since the early 1980s, the TMT field has been dominated by research into TMT demographic composition and its various influences on organizational outcomes.

Although many studies have been done in the TMT field, these have lacked consistency in some very important respects. Unmeasured intervening variables, such as team processes and power structures, pose a problem for research in the field (Pitcher and Smith, 2001). The rationale, cited by many researchers, for not measuring such process variables is the assumption, put forward by Pfeffer (1983), that it would be impossible to measure all the intervening variables due to their complexity. Another problem identified in the TMT field is how various demographic variables are conceptualized (Pitcher and Smith, 2001). Among these variables, "culture" is the term assigned the greatest variety of labels, ranging from "race" to "nationality" and "racio-ethnicity". This inconsistency, in turn, has lad to divergent outcomes of studies dealing with culture. One side claims that cultural diversity causes problems for TMT survival and functioning (e.g., O'Reilly, Cardwell and Barnett, 1989), while the other states that cultural diversity creates competitive and innovative TMTs that contribute to the success of organizations (e.g., Bantel and Jackson, 1989; Hoffman and Hegarty, 1993).

In light of these problems, the present study inquires into the interrelationship between power structures, communication (one of the team processes), and cultural diversity (operationalized in terms of ethnicity). In doing so, this paper contributes to the study of TMT processes, by trying to open up the "black box" of team processes. Communication was chosen as the specific

process to be studied, since it is believed to be a key process affecting group performance (Smith *et al.*, 1994). The paper also contributes to the conceptualization of culture, which has often been conceptualized in static terms such as race or nationality, but seldom in terms of ethnicity – possibly a more appropriate and multidimensional concept than even culture itself. Finally, it contributes to the field by examining the complex interrelationships between ethnicity, power, and communication in TMTs.

Ethnic identity and ethnic diversity

Ethnic identity in groups is a topic of concern in the business literature that has been dominated by US-based researchers; however, the very concentration of this research in the US has led ethnic identity to be regarded as implying racial identity. This view deserves severe criticism, since ethnicity and race are different, albeit related, phenomena (Desfor Edles, 2002). According to Grosfoguel (2004, p. 315), "ethnicity is assumed to be the cultural identity of a group within a nation state, while race is assumed to be the biological and/or cultural essentialisation/naturalisation of a group based on a hierarchy of superiority and inferiority related to the biological constitution of their bodies".

Most researchers active in cultural diversity studies (cultural diversity has been gauged predominantly in terms of race in US-based research and in terms of nationality in European-based research) have employed large-scale surveys to determine the effects of cultural diversity on various team processes and team outcomes. The conceptualizations and measures of the term have remained rather static in both US- and European-based research. Respondents in American studies have mostly been given choices of racial identification, i.e., strictly defined racial labels, while in European research respondents have been asked for their nationality, which is a relatively narrowly defined measure, since a respondent might be of one nationality but associate him/herself with a different ethnicity (e.g., whether he/she was born to parents of a foreign background relative to the country of citizenship). According to Heijes (2006), what is needed in the field of management studies is a more flexible and multidimensional approach to culture, an approach that acknowledges the fluid nature of culture and its dimensions.

By drawing on a sociological view of culture (in particular, on the work of Voloshinov, 1973, 1976), this paper views ethnic identity as an individual-cum-social phenomenon that is both socially constructed and individually experienced. In other words, this paper views ethnic identity as a person's *self*-identification developed through individual experiences, the identification of this person *by others* representing the social construct side. First, self-identification is an aspect that emphasizes feelings of belonging and commitment (Ting-Toomey, 1981; Tzuriel and Klein, 1977), i.e., the sense of shared values and attitudes (White and Burke, 1987, p. 311) or attitudes toward one's group (e.g., Teske and Nelson, 1973). Second, self-identification is represented through the cultural aspect of ethnic identity in such matters as language, behaviour, values, and knowledge of ethnic group history (e.g., Rogler *et al.*, 1980). The same also applies to the perception of the person by others.

Moreover, according to Ting-Toomey *et al.* (2000), ethnic identity has two central issues: *ethnic identity salience*, referring to the importance of ethnic identity to the individual, and *ethnic identity content*, referring to the ethnic values that individuals subscribe to and practice. Thus, the present study postulates not only that ethnic identity arises from both self-perception and others' perception of the self, but that the holders of the ethnic identity vary in terms of salient feeling for their ethnic identity possibly, but not necessarily, depending on their ethnic identity content.

Since no articles were found that discuss the influence of ethnic identity, in the terms described here, on TMT communication and power relationships, the literature review concentrates on presenting a general overview of TMT communication processes and cultural diversity research. However, in presenting the cases, case analysis, and conclusions, the definitions of ethnic identity presented above are used and applied.

TMT process: communication

According to Shaw (1981), communication can be described as the heart of group behaviour and the essence of social systems (Katz and Khan, 1978). Communication is multidimensional and represents the total amount of interaction among team members, regardless of the informality or frequency of a mode of interaction. In measuring frequency, one must bear in mind that

interaction can occur in face-to-face meetings (whether in groups or one on one) or by telephone, mail, e-mail, and other Internet-related media (Smith *et al*., 1994). Informality of communication concerns the less-formal communication channels top managers prefer to use for interactions. While informal channels can be represented by unstructured meetings or spontaneous conversations, more formal channels are represented by formally structured meetings or mail correspondence. According to Shaw (1981), while these channels are conceptually distinct from each other, informal communication facilitates more efficient and effective communication.

Researchers agree that informal communication permits team flexibility and promotes more open discussion. Moreover, more informal communication results in the better flow of ideas and greater productivity and efficiency (Smith *et al*., 1994). However, when communication is discussed in the context of *heterogeneous* TMTs, both conditions and researcher conclusions change, since it is generally believed that demographic diversity in teams negatively affects communication (Smith *et al*., 1994). Especially when it comes to cultural diversity in teams, most researchers have stressed the strength of influence of this variable and its negative impact.

Cultural diversity and communication

One school of thought claims that culturally diverse teams offer a diversity of values, resulting in effective group discussions, ultimately leading to enhanced group performance (Hofstede, 1984; McCarrey, 1988). Moreover, culturally diverse groups are said to lead to more co-operative choices (Cox *et al*., 1991) and better performance than that of homogeneous groups in identifying various perspectives on problems and generating alternate solutions (Watson *et al*., 1993). The other school of thought, however, expresses itself more loudly and is supported by more empirical evidence. Researchers who claim that cultural diversity negatively affects processes and outcomes maintain that cultural diversity in teams results in interpersonal problems and communication difficulties (Ruhe and Eatman, 1977; Triandis, 1960), and consequently leads to misunderstandings and weakened team cohesiveness (O'Reilly *et al*., 1989). Many researchers have come to the general conclusion that cultural diversity negatively affects communication (Ruhe and Eatman, 1977; Triandis, 1960; Elron, 1997), resulting in emotional (Pelled *et al*., 1999) and competitive conflicts (Kirchmeyer and Cohen, 1992). However, the main criticism of research into the influence of cultural diversity on

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communication is its use of static measures of culture, such as nationality or race, which are almost impossible to change. When it comes to ethnicity – a much more flexible concept – one could assume that the person identifying him/herself with a certain ethnic group can act as a national of one country while differing ethnically from most people of that nationality. Thus, unlike national or racial identity, ethnic identity is a self-identification that can be more or less flexible depending on the context, which in turn leads us to propose that ethnic diversity in TMTs will lead to informal and open communication that fosters effective group discussion.

Proposition 1: Ethnic diversity in TMTs will have a positive influence on TMT communication.

Power distribution in TMTs

Power distribution has been identified by several TMT researchers as an area needing further investigation (e.g., Finkelstein and Hambrick, 1996). Previous empirical studies have come to conflicting conclusions regarding the effect of TMT power distribution on organizational outcomes (Smith *et al.*, 2006; Eisenhard and Bourgeois, 1988; Pitcher and Smith, 2001). Most researchers in the field have used the classic definition of power presented by Pfeffer (1981), who defines it as the capacity (or potential) of an individual to exert influence, causing change in the behaviour of a person or group in some intended fashion (Eisenhardt and Bourgeois, 1988). Moreover, according to Smith *et al.* (2006), power is always relative to other social actors, including other TMT members. While some research has investigated power relationships in TMTs, most of the literature has concentrated on CEO power in relation to organizational performance and processes (e.g., Eisenhardt and Bourgeois, 1988; Haleblian and Finkelstein, 1993; Michel and Hambrick, 1992) while claiming that investigation of TMT power distribution is "rare in the literature to date" (Finkelstein and Hambrick, 1996, p. 129). One notable study by Smith *et al.* (2006) attempted to link TMT composition and power distribution, claiming that age and experience are crucial demographic dimensions for power distribution in a team. Even though a search for studies of the influence of cultural diversity on power distribution in TMTs produced no results, the present study draws on research by Hofstede (1991) and Triandis (1994) concerning the interrelationship between culture and conflict, research that pays special attention to power.

Cultural diversity and power distribution

When it comes to the influence of ethnicity on power distribution in groups, it is mostly social psychologists who have contributed to the field (e.g., Moscovic and Mugny, 1983 Mugny and Papastamou, 1976–1977). This research primarily concerns ethnic minority and majority in-group behaviour, and their aspirations to power. It is believed that being of an ethnic minority usually implies lower status, while being of an ethnic majority implies higher status when the ethnic group constitutes a single group; this status difference is believed to reflect differences in power (Tajfel, 1982). This in turn leads individuals of the ethnic minority (lower status) to attempt to equalize their relationship with those of the more powerful ethnic majority who are believed to have higher status (Thibaut and Kelley, 1959).

More recent studies (e.g., Hofstede, 1980; Kaushal and Kwantes, 2006; Triandis, 1994) have posited that, to some extent, every interpersonal interaction (e.g., at home, school, and work) contains some element of power within the relationship. Moreover, the salience of this power variable may differ from one culture to the next, influencing processes taking place in human interactions such as conflict and conflict resolution (Kaushal and Kwantes, 2006). Drawing on this research, one might expect that the differences in "power distance" addressed in cross-cultural research (Hofstede, 1980) could result in different aspirations to power when it comes to nationality and/or ethnicity. In other words, when a person from a lower power-distance country is introduced into a TMT in which power distance is high, this will lead to more uneven power distribution in the team, which leads us to Proposition 2.

Proposition 2: Ethnic diversity will result in uneven power distribution in TMTs.

Method

The information presented in this study is a part of a larger study of ethnic diversity in TMTs and its influence on organizational outcomes. The first case study is based on five semi-structured interviews performed in April 2006 in a large retail company (Company A) in Latvia. The company is an autonomous subsidiary of a large holding group reporting financial results separately. The second case study is based on four semi-structured interviews performed in April 2006 in a medium-sized high-tech company (Company B), also in Latvia, which is part of a large

multinational corporation. As in the case of Company A, Company B is an autonomous subsidiary. The interviews explored interviewee views on team functioning, strategy, structure, processes, and performance. These two companies were chosen because of their ethnically diverse TMTs.

Case study

There are several reasons why the case study method was chosen for this study. First, this method is believed to uncover the causal processes linking inputs and outputs in a system (Gomm *et al.*, 2000); in this case the input is TMT ethnic diversity and the output is communication and power distribution in the TMT. Second, the method was chosen due to the complexity of the study of ethnicity and social interactions, where one should rely on multiple sources of evidence. Third, the proposed study is rich in context, meaning that there are more variables than data points. Fourth, the method was chosen because the studied phenomenon is not readily distinguishable from its context (Yin, 1993). Fifth and finally, the case study method was chosen since the proposed study aimed to attribute causal relationships, and not just to explore or describe the situation (Yin, 1993).

The case study method, however, is not without limitations, one of which is a lack of statistical generalizability due to the small number of cases examined in any one study. However, Hammersley (1992) argues that one can attempt to generalize from the analysis of a limited number of cases through obtaining information about relevant characteristics of the overall population of cases and then comparing the cases under study to these characteristics. Such a comparative approach directly tackles the question of generalizability by identifying both similarities and differences across a range of settings (Peräkylä, 1997 quoted in Silverman, 2001)

Interviewing has been chosen as the method for collecting data regarding team processes since it enables greater openness to the object of study. Discussion-based interviews, used here, allow the interviewer to ask follow-up questions and probe for new aspects of the phenomenon studied (Alvesson and Deetz, 2000). Interviewing, however, involves certain inherent limitations when it comes to exploring the "black box" of TMT processes, since it merely adds to our "understanding" of a phenomenon rather than capturing it in its "natural" setting, as could be

achieved through *in situ* observation (Rennstam, 2007). Even though observation would be desirable in the present study, one must realize the near impossibility of gaining access to formal or informal TMT meetings; thus, the use of interviewing as the sole source of data regarding TMT processes is justified, as otherwise these processes would have to remain unexplored in the "black box".

Defining TMT

Researchers have used various means to arrive at a suitable approach to identifying the TMT Boeker (1997) used CEO surveys to identify the TMT; other researchers regarded the TMT as comprising all officers reporting to the CEO (Finkelstein and Hambrick, 1990; Haleblian and Finkelstein, 1993), as first-level officers (Murray, 1989), or as those bearing titles of vice-president or higher (Keck and Tushman, 1993; Michel and Hambrick, 1992); and finally, some researchers relied on CEO interviews to identify the TMT (Eisenhart and Schoonhoven, 1990; Knight *et al*., 1999; Smith *et al*., 1994). This article, however, employs a different approach to defining the TMT, by asking employees at the director level who are the "decision makers" in the company; after obtaining this information from the first contacted director, the other decision makers were contacted and interviewed, and a similar question was asked. In both steps, the other directors identified the same individuals as decision makers in the company. This approach was chosen because the officers reporting to a CEO are not necessarily those who possess influence and power in the organization; moreover, not all officers on the board or those bearing the title of vice-president are decision makers. Thus, decision making power has been equated with the status of the top manager in the company.

Ethnic identity

Ethnic identity was observed by asking direct questions concerning people's native languages, their parents' backgrounds and places of birth, and open-ended questions about people's upbringing and where they grew up. Moreover, those identified as members of the TMT were asked what they knew about the ethnic identity of their peers, to determine whether people's self-perceptions of ethnicity were the same as their peers' perceptions of them. This was done based on the discussion of ethnic identity presented in the literature review part of the paper, since

ethnic identity can be multidimensional and consist of both self-perception and -attribution, and external-perception and -attribution.

Communication

Communication patterns in the TMT were determined using open-ended questions asking interviewees to describe how they communicated during formal and informal meetings with colleagues. As well, they were asked to define how they communicated with each colleague they perceived as a decision maker – i.e., a top manager in the team.

TMT power

According to Eisenhardt and Bourgeois (1988), power can be managed and is relevant only if another person recognizes it; thus, TMT power was captured by asking interviewees about the relative power of team members and about the relative importance of each area of responsibility of each team member. Moreover, power patterns were derived from various comments made by the interviewees assigning the more powerful and important roles of their peers.

Case 1

The sample

The TMT in the large retail company formally consists of 12 directors including the CEO. However, in the process of interviewing, nine company-level decision makers were identified. Of these nine decision makers, it was possible to arrange interviews with six; however, one of theses interviews, with an IT director, was disregarded since most interviewees did not identify him as a decision maker, but rather as serving a support role under the CFO of the company. Thus, five interviews were used for this case study. Unfortunately, the CEO of the company refused to participate in the study due to time constraints. However, the CFO, Latvian Retail Director, HR Director, Hard Discount Director, and Real Estate Director participated in semi-structured interviews ranging from 45 minutes to two hours in length. Based on the self-identification described in the ethnicity measurement section and on identification by others, the following ethnicities were attached to the interviewees: CFO – ethnically Dutch, Latvian Retail Director – ethnically Swedish, HR Director – ethnically Latvian, Hard Discount Director – ethnically Finnish, and Real Estate Director – ethnically Swedish.

The company

Company A is a leading retailer in the Baltic States. It is represented in Estonia, Latvia, and Lithuania and employs 9772 people in all three countries, 84 of whom are employed in the Company's Baltic Headquarters in Riga, Latvia. The company's main activity is retailing food and fast-turnover goods, through three chains: hypermarkets, supermarkets, and discounters. Until recently, and while the interviews were being performed, the company was a joint venture between two large retail companies. This joint venture was established in 2003 and, since re-branding and structural changes in 2004, has been operating under one shared brand. Recently, one of the joint venture partners, which holds 50% of Company A, has sold its shares to its joint venture partner, so today Company A has just one owner.

Since the company has been undergoing ownership changes, the TMT of the company has been changing quite often; however, at the time of the interviews, the management team was stable and there were no planned changes in TMT structure.

Ethnic identity and communication

The TMT of Company A is diverse in ethnic background. Particularly in this case, national diversity was the same as ethnic diversity. In other words, the nationalities interviewees possessed corresponded to the major ethnic groups in their countries of citizenship. The ethnic and national identities were checked according to interviewees' self-identification and to the identification of this person by peers on the team. There were no disagreements between how interviewees viewed themselves and how their colleagues viewed them with regard to ethnicity.

All interviewees said that they saw the strength of having such a diverse TMT, and that it was very interesting to work in a culturally diverse team. The interviewees all agreed that the team functioned very well and that there was very good communication flow. Interviewees admitted that open discussions were frequent, and there were no problems expressing their opinions. Moreover, all interviewees stated that the way they communicated with each other was informal. Although work communication was believed to be informal by all interviewees, most of them (except for the ethnically Swedish Latvian Retail Director and the ethnically Portuguese Group CEO) admitted that work communication was nonexistent after working hours. Some

interviewees stated that the good and open communication style was the result of cultural diversity, combined with orientation to a single goal and high professionalism. Most interviewees believed that the TMT performed very well and that the members of the group perform as a team. The ethnically Swedish Real Estate Director, however, admitted that the corporate mission and vision could be used to make the team even stronger, putting group communication at a different level; still, he noted team development was very positive and there were signs of strengthening group cohesiveness. To inquire into communication patterns in the team, questions concerning conflict were asked. All team members admitted that conflicts did occur in the team; however, these conflicts were work related and were always resolved, the conflicting parties always reaching consensus. Limited non-participant observations of top managers interactions indicated that they communicated very informally, and there was humour and ease in communication. One notable similarity among the interviewees was that they had all previously worked in homogeneous environments with people of their own ethnicity, before working in a diverse environment in the international company, and that the latter was preferred by all. The interviewees shared the belief that working in ethnically homogeneous environments is "boring" and there are no dynamic interactions, while in diverse multi-ethnic environments there are more challenges and dynamics, and more vibrant interactions, including communication.

Ethnic identity and power

According to the interviewees, most power was concentrated in the hands of the Portuguese CEO, and most interviewees believed that the CEO's ethnicity had something to do with the amount of power he possessed. When asked whether the power distribution in the TMT would be different if the CEO were of a different ethnicity, most interviewees said they believed that the power distribution would change. Most interviewees believed that southern European direct expression and more horizontal way of management, compared to that of other TMT members who mostly represented Northern European countries, could have something to do with their perception of the CEO as powerful and dominant. All interviewees, however, believed that power distribution in their organization was very dependent on their particular industry, in which finance and retail functions are of the utmost importance, compared to real estate or IT and other

support functions. However, the strong grip and power of the CEO, whom all interviewees considered to be a typical Portuguese, was noted by all interviewees.

Case 2

The sample

The TMT of Company B, a high-tech company, formally consists of five people including the CEO. The titles of the TMT members are CEO, CFO, Sales Director for Private Clients, Sales Director for Public Clients, and Technical Director. When asked who the decision makers were, the CEO identified all five members of the group as comprising the TMT of the company. Of the five TMT members, four agreed to participate in interviews ranging from 45 to 60 minutes. The Sales Director for Public Clients could not be interviewed due to time constraints. It was found that three of four interviewees' ethnic backgrounds corresponded to their nationalities: CEO – Swedish, Technical Director – Latvian, and Sales Director for Private Clients – Latvian; in contrast, the CFO of the company, though holding Latvian citizenship, identified herself as ethnically Russian, and was identified as ethnically Russian by her peers. The CEO, Technical Director, and Sales Director for Private Clients also identified themselves with the above ethnicities, and were identified as such by others.

The company

Company A is a subsidiary of a global provider of telecommunication and related services to mobile and fixed network operators. The company began operating in Latvia in 1993, and the autonomous subsidiary was established in Riga, Latvia in 1998. Since then, the company has been growing in terms of number of employees; it now employs 12 in its office, and is still expanding. Three months before the interview, the company had acquired a smaller company on the Latvian market; several employees and one manager (Sales Director for Private Clients) included in Company B's TMT were from this smaller company.

Ethnic identity and communication

The TMT of Company A is diverse in ethnic background. However, in terms of *national* identity, the TMT was relatively homogeneous: only the CEO was a foreign – Swedish – national, while all other TMT members were Latvian nationals. *Ethnic* diversity was more apparent, Swedish,

Latvian, and Russian ethnicities being represented in the team. There was no divergence regarding ethnicity between how interviewees viewed themselves and how they were viewed by others.

Communication in the team was described by most interviewees as balanced and productive. Most interviewees pointed out that communication in the group was informal and that there were no apparent conflicts in communication. Discussion during meetings was described by all interviewees as open and honest, and the issues raised − as during informal conversations − were discussed without particular formal barriers. The CEO of the company said that his management style was Swedish, in that he believes in a vertical type of management closer to coaching than to formal leadership. He believed that this style of management practice should encourage more informal and open communication. Other top managers agreed that the horizonatl management style of the CEO did encourage more fluid and balanced communication. When asked whether ethnic diversity added anything to their workplace, the CEO and other members of the team said that the mix of the ethnicities in the team strengthened the whole company. Some interviewees also expressed their satisfaction at working in an ethnically diverse environment: they stated that in previous, ethnically homogeneous work environments they had experienced unneeded intrigue and rumours, instead of productive work. Moreover, the CEO stated that his previous working experience in the Middle East had taught him the value and great potential of ethnic diversity in the workplace.

Ethnic identity and power
According to all interviewees, power was evenly distributed in the team, and the CEO was more of a team member, representing a coach than a formal boss. Most interviewees were content with how power was distributed in the company; there was no power struggle, which many of them associated with unevenly distributed power. Some interviewees mentioned that it was the CEO's management style that created evenly distributed power, and that it had something to do with his Swedish ethnic background, which interviewees associated with equality and structure.

Analysis

When it comes to Proposition 1, Case 1 has a tendency to support the assumption that ethnic diversity will positively influence communication in the TMT. However, it became apparent there are variables that mediate the connection between ethnic diversity and communication, most notably striving for shared aims and past experience in both heterogeneous and homogeneous groups. Throughout the interviews, the interviewees had emphasized their foreign work experience, citing it when asked what they thought were their, and their colleagues', strongest characteristics. When it comes to shared values, these findings are in line with a small stream of research into TMT (e.g., Chatman *et al*., 1998; Ely and Thomas, 2001; Jehn *et al*., 1999; Larkey, 1996) that argues for the moderating effects of values and shared goals, and for an ability to discern the value of cultural diversity, an ability that can be derived from past experience.

The implications of Case 1 for Proposition 2 are relatively unclear. On one hand, all interviewees noted that the power distribution in their team was closely connected with the particular industry they were in, rather than with the ethnic composition of the executive team. On the other hand, the case indicated that the CEO's ethnic identity, and how it was viewed by his executive team, might have something to do with power distribution in the team. So at this point it is relatively difficult to conclude whether the view of ethnic identity had something to do with the CEO's being Portuguese or with the particular retail sector studied.

Case 2 also tends to support Proposition 1. On one hand, as in Case 1, the positive effects of ethnic diversity on communication can be explained by team members' previous rather negative experience of homogeneous work environments, versus their predominantly positive experience in ethnically diverse work environments. While the CEO in Case 2, like other members of the team in Case 1, had previous international experience that could have affected his view of the value of ethnic diversity, the other group members, who were Latvians by nationality, could have been influenced by the diverse Latvian social environment in which they grew up and lived. In other words, the Latvian nationals who were diverse in ethnic background (the CFO was identified as ethnically Russian) were influenced by their diverse ethnic environment and were

more familiar with the complex interactions characteristic of it. This made it easier for them to interact with each other, knowing the undercurrents of ethnic tension and how to avoid them.

Case 2 neither directly supported nor refuted Proposition 2, though it highlighted that the ethnic identity of the CEO could affect power distribution and power relationships in ethnically diverse groups. The interviewees believed that power distribution in the TMT was dependent on CEO management style; this style was identified by both the CEO and TMT members as "horizontal" or "Swedish", a style that let top managers feel equal in power to each other and to the CEO.

Conclusions

Both cases lead to several conclusions. First, the study indicates that there are important factors that moderate the influence of ethnic diversity on TMT communication processes. These moderators are primarily shared aims and goals, which lead to informal and open TMT communication. On top of this, it is past international experience that fosters an understanding of the value of ethnic diversity; as well, the environment in which people grow up and live could also exert a positive moderating influence, fostering communication in an ethnically diverse TMT. Second, when it comes to the effect of ethnic diversity on power distribution in the TMT, Case 1indicates that the particular industrial sector might exert a stronger moderating influence on power distribution in the TMT than does ethnic diversity *per se*. Both studies also indicate that the ethnic identity of the CEO could have a strong effect on power distribution in the TMT, depending on the CEO's view of his/her role in the team and on CEO management style, which are in turn reflected in relationships between TMT members.

Thus, this paper indicates that, by trying to employ a different definition of culture, and by performing case studies that allow the researcher to look more thoroughly into the phenomena studied, one can discover the complex interrelationships in the TMT, relationships that have been referred to as a "black box" of processes by some researchers (Smith *et al*., 1994). The present paper makes several contributions. First, it establishes and uses a flexible concept of ethnic diversity, rather than the static and inflexible labels of nationality and race employed by most researchers in the field. Second, through using the case study method, this paper inquires into the black box of team processes in the context of examining TMT communication. Third, this paper

uncovers variables that could well moderate the influence of cultural diversity, represented in terms of ethnicity, on team processes.

Researchers into TMTs are thus encouraged to use case study methods to explore the complexity of interrelationships in TMTs and to use more flexible definitions of culture that better reflect the complexity of cultural identity in teams. Moreover, researchers should look further than conventional TMT research models, and allow environmental and other moderating factors to surface and explain the positive influences of cultural diversity in TMTs on various process and organizational outcomes.

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