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UNIVERSITY OF VAASA

Karen Pérez

Cultural Diversity as a Competitive Advantage and the importance of Cross-Cultural Management in the Internationalization Process of a company

The case of smart Europe GmbH

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UNIVERSITY OF VAASA**Faculty of Business Studies****Author:** Karen Pérez**Title of the Thesis:** Cultural Diversity as a Competitive Advantage and the importance of Cross-Cultural Management in the Internationalization Process of a company: The case of smart Europe GmbH**Degree:** Master of Science in Economic and Business Administration**Master's Programme:** International Business**Supervisor:** Susanna Kultalahti**Year:** 2022 **Pages:** 69

ABSTRACT:

Globalized economies, multinational corporations, rising migration flows, and a globally connected world have contributed to more intensive professional contact between people of various cultures. Hence, resulting in a more detailed display of intercultural differences and how these differences could affect individuals and their relationships with others in the workplace.

Therefore, the main objectives of this research are to study the effect of this cultural diversity on the success of a company and the importance of managing the diversity through cross-cultural management during the internationalization process of a company. Consequently, answering the research questions *"How can cultural diversity be a competitive advantage for a company? and Why is cross-cultural management important in the internationalization process of a company?"* focusing on the case of smart Europe GmbH.

The theoretical framework covers the relevant literature concerning cross-cultural management, multicultural teams, diversity as a competitive advantage, internationalization process, born global companies, global mindset, and the pan-European identity. Thus, these will be analyzed through a case study of the company smart Europe GmbH with a qualitative research method using semi-structured interviews with seven company employees.

This thesis highlights the definition of a born-European company as a mixture of a born regional company and the international new venture definition, placed together with a pan-European business strategy and the characteristics this one possesses. It also shows the importance of a global mindset in the internationalization process of a company trying to expand and have a presence in different markets, together with the need for skilled employees who can understand and adapt to culturally different settings. Finally, the study underlines the importance of cross-cultural management and the possible ways to allocate it since a company can have different settings depending on its level of multiculturalism and its identification as a company.

KEYWORDS: Cultural Diversity, Competitive Advantage, Cross-Cultural Management, Global Mindset, Born Global, Born Regional, Internationalization

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1 Introduction

The purpose of this thesis will be explained in this part. The research problem is addressed first, followed by background information about the subject. The aims and research question are next presented. Finally, the thesis's intended contributions, main themes, and framework are discussed.

1.1 Background and Problem Area

This work aims to analyze the challenges faced in cross-cultural management during the internationalization activities of smart Europe GmbH.

Current globalized economies, multinational corporations, foreign direct investment, the increasing migration flows, and the increasingly interconnected world have led to a more intensive professional contact of people from different cultures resulting in a more precise display of intercultural differences and how these differences can impact individuals and their relationships with others in the workplace (Arfken, 2012; Čuhlová, 2015; Kraimer et al., 2014)

Considerable research has been done on cross-cultural management topics as it is well known that human and relational capital is vital to the success of firms. However, little research exists on how to manage the change of these resources in response to firms' growth into a global environment or how cross-cultural differences can impact individuals at work (Brymer et al., 2020; Kraimer et al., 2014).

Furthermore, much of the research literature concerning cross-cultural differences and human resource management is primarily generated in large American multinational organizations (Bures & Vloeberghs, 2001). In the same situation with the knowledge related to global mindset and how to operationalize it, its effect on internationalization behavior is still unknown (Bowen & Inkpen, 2009; Felício et al., 2013).

Multiple multinational corporations misjudge the importance of managing human resources by focusing their human resource management on one-national employees (Čuhlová, 2015). Conceptualizations attempting to improve their multicultural teams' performance have primarily focused on the extent of team diversity and its effects but not on how this diversity can be best managed (Adler & Aycan, 2018). Additionally, previous research has continued to focus on the problems caused by team diversity rather than on its potential to generate benefits for the company (Adler & Aycan, 2018).

Research related to multicultural teams tends to focus on the adverse effects of team diversity rather than the benefits to business development (Stahl et al., 2010). When companies claim their comparative or competitive advantage in their cultural sensitivity to people's needs, it is necessary to mention cross-cultural management as a central activity in their management and leadership (Jackson & Claeyé, 2011).

To better understand the importance of cross-cultural management, Jackson and Claeyé (2011) mention in their research the following examples:

- The transfer of knowledge, technology, or the "best practice" from one country to another could be problematic without considering the cross-cultural implications.
- Leadership styles and methods may differ substantially from one culture to another, and choosing the appropriate one is a challenge.

1.2 Research Question

The research questions this study aims to answer are:

How can Cultural diversity be a competitive advantage for a company?

And why is cross-cultural management important in the internationalization process of a company?

Moreover, in order to answer the main questions in the case study selected, the following objectives have been selected:

- Distinguish the benefits of cultural diversity in the internationalization process of smart Europe GmbH
- Define the importance of a global mindset as a skill in the employees of smart Europe GmbH
- Evaluate the need for cross-cultural management at smart Europe GmbH.

1.3 Key Concepts and Definitions

The key concepts for this thesis are cross-cultural management, multicultural teams, diversity as a competitive advantage, internationalization process, born global companies, global mindset, and pan-European identity. A summary of each definition is presented here.

Cross-Cultural Management

Cross-cultural management is the study of people in organizations located in cultures and nations around the world; it explains the behavior of employees in these organizations and shows how they work in it with coworkers and clients from many different cultures (Adler, 1983; Adler & Gundersen, 2008). It describes organizational behavior and compares it across countries and cultures, seeking to understand and improve the interaction of coworkers, managers, executives, clients, suppliers, and alliance partners with different backgrounds. (Adler, 1983; Adler & Gundersen, 2008).

Multicultural Teams

Studies by Adler et al. from 2008 and 2018 have defined that firms can have multicultural teams if employees or clients come from more than one culture. Multiculturalism in working teams adds to the complexity of international firms by increasing the number of perspectives, types of approaches, and business methods used within the organization by having people from many countries or cultures regularly interact (Adler & Aycan, 2018; Adler & Gundersen, 2008). Multicultural teams are characterized by national,

cultural, and linguistic heterogeneity in a global environment, becoming an established form of organizing work in multinational organizations (Zander et al., 2012)

Diversity as a Competitive Advantage

The disparities in experiences, mental models, modes of perception, information processing, and approaches to issues that people from different cultures often have are related to the processes and mechanisms via which variety fosters creativity (Stahl et al., 2010; Stevens et al., 2008).

Internationalization

On the business framework, the University of Uppsala in Sweden marked a starting point with their descriptive intention of the "what, when, and where" developing the now well-known Uppsala Model. (Vahlne, 2021). This model focuses on the development of the individual firm and its gradual acquisition, integration, and use of knowledge regarding foreign markets and operations (Johanson & Vahlne, 1977). The same authors have also mentioned that companies go international for different motives, some reactive or defensive, and some proactive or aggressive (Johanson & Vahlne, 1977). The threat of losing competitiveness is the primary motivation for many businesses to pursue a world-wide expansion strategy (Deresky, 2014).

Born Global Companies

Born global companies have been characterized as "young, entrepreneurial start-ups that initiate international business, usually by exporting, soon after their inception" (Knight & Cavusgil, 2004). The emergence of born global companies was facilitated mainly because of globalization, the internet, and other modern communication technologies, and internationalization cost no longer seemed like a foreign expansion of small and under-resourced companies (Cavusgil & Knight, 2015).

Global Mindset

Pucik et al. (2017) stated that people with a global mindset tend to have broader perspectives than people with a traditional domestic mindset; they can understand the contexts for decision-making and are doubtful of "one-best-way" solutions. As they value diversity, they can channel it through teamwork and show more creativity in problem-solving; change is evaluated as an opportunity rather than a threat, and they show themselves open to new initiatives (Pucik et al., 2017).

Pan-European Identity

According to Bertels and Broadbridge (1999), most large multinational companies allowed their local country management to operate completely autonomously in the past. However, as companies become pan-European, meaning to identify with most or all European countries, this practice has changed. If a company would like to create a consistent worldwide image, consistent customer service and quality in all countries, and reliable processes and systems, it cannot continue to maintain local autonomy (Bertels & Broadbridge, 1999).

1.4 Structure of the Study

The rest of the thesis is laid out as follows. The next part presents the theoretical basis, including pertinent existing theories and literature on cross-cultural management, internationalization, and global mindset. The thesis methodology is discussed in the third section. The research method used in the thesis will be explained, and the nature of the study. The key findings will be presented in Chapter 4 and discussed in Chapter 5. The conclusions of the case study will be discussed in Chapter 6.

2 Theoretical Background

This section presents relevant literature and conducted studies on cross-cultural management, multicultural teams, diversity, internationalization process, global mindset, born global companies, and the pan-European identity.

2.1 Cross-Cultural Management

Managing people and business processes in countries other than the company own require a working knowledge of the cultural variables affecting management decisions and how to use it to adapt behaviors and expectations accordingly (Deresky, 2014).

From 1960 to 1980, discussing cross-cultural management meant focusing on studying organizational behavior and management systems from an outsider's view, as having cultural and organizational systems viewed as "foreign". Large, primarily American, companies began to look at overseas markets to boost their revenues; this was when the interest started in the literature uncovering how local culture, legal, business, and political systems operated worldwide. The difference was recognized, and home and host countries shared values and practices. Knowledge transfer was happening in a largely unidirectional sequence, from headquarters to subsidiary and from home country to host country (Bird & Mendenhall, 2016).

Starting with an early definition by Nancy J. Adler (1983), which many studies have referred to, cross-cultural management is defined as the study of people in organizations located in cultures and nations around the world. It focuses on describing and comparing the organizational behavior between countries and cultures and interacting with people from different countries sharing the same work environment within the same organization (Adler, 1983).

Adler (1983) differentiated between three types or categories of cross-cultural management research: unicultural, comparative, and intercultural. Unicultural research was

focused on organizational management within a single country. Furthermore, comparative research examined organizational management in two or more countries and compared them. Finally, intercultural research was focused on the interaction between or among organizational members from two or more countries (Adler, 1983; Bird & Mendenhall, 2016).

Bird and MendeHall (2016) noted that ten years later, in the 1990s, multiple organizations' leaders crossed borders across all dimensions of business and governments faster and more constantly than they had in previous decades. The business world was changing, and it became less "international" but more "global". It replaces the international word as the adjective commonly used to describe organizational and leadership strategies. The word "global" became the new norm, global supply chains, global markets, global communication in real-time with stakeholders, global finance systems, global competitors became more dangerous, global knowledge sharing, global competitors, and global careers became more critical (Bird & Mendenhall, 2016).

In the same study, it was found that what had changed in that decade was challenging to characterize, often called "globalization". Before this, the word "international" was related to working with people from other countries, but by the 21st century, those working relationships evolved. Managers were now working with ongoing interactions and relationships with people from multiple countries (Bird & Mendenhall, 2016).

Nowadays, no business can ignore globalization. Alliances and merges of companies from different countries are more common than ever, and as a result, the migration of people has also changed the ethnic composition of societies. It is common to find people of different national backgrounds work in the same organization. Therefore, there is a demand for managers skilled at working with people from countries different than their own. Globalization has led to the emergence of cross-cultural management as an important area of attention (Adler & Gundersen, 2008; Leung, 2008).

On the topic of cross-cultural management, the work of Geert Hofstede is of great importance. His research analyzed statistics found in more than 50 countries focusing on proposing in 1980 a cultural dimension theory, including five cultural dimensions: power distance, uncertainty avoidance, individualism/collectivism, masculinity/femininity, and long-term orientation (Hofstede, 2011; Zapata & Barrientos, 2013). This theory represented a new paradigm in social science research between country cultures based on their position on these factors. At first, It was faced with rejection, criticism, and derision, however, by the 1990s, many people had adopted the paradigm, and the focus had switched to the substance and quantity of dimensions. Several subsequent investigations into the characteristics of national cultures were inspired by this paradigm (Hofstede, 2011).

2.1.1 Multicultural Teams

A classification of teams can be made depending on the extent of diversity, and they can be token teams (with one single member from a different culture), bicultural teams (with members from two cultures), or multicultural teams (with members from three or more cultures) (Adler & Aycan, 2018).

Firms can have multicultural teams if employees or clients come from more than one culture. Multiculturalism in working teams adds to the complexity of international firms by increasing the number of perspectives, types of approaches, and business methods used within the organization by having people from many countries or cultures regularly interact (Adler & Aycan, 2018; Adler & Gundersen, 2008). Multicultural teams are characterized by national, cultural, and linguistic heterogeneity in a global environment, becoming an established form of organizing work in multinational organizations (Zander et al., 2012).

Culturally diverse virtual teams have been increasingly discussed thanks to the technological advances of the last decade; global virtual teams are defined as nationally,

geographically, and culturally diverse groups that communicate almost exclusively through electronic media (Adler & Aycan, 2018; Zander et al., 2012).

Stahl et al. (2010) described how the multicultural team had been a central focus of research in the international business context for many years. A group of people from different cultures with a joint deliverable for another stakeholder or the organization itself has become more common and of high importance thanks to the rapid rise of multinational and global interactions. Understanding how to manage and work within a multicultural team is highly recommended for companies developing their international exposure (Stahl et al., 2010).

The available theories and research and international and cross-cultural management tend to emphasize problems and barriers, but not on the possible aspects that could enrich cultural and counters and interactions within the company (Drogendijk & Zander, 2010).

The effects on diversity are not differentiated depending on the source; all sources of diversity can include: gender, age, function, culture, and ethnicity, are assumed to have the same impact (Stahl et al., 2010). Because cultural differences are sometimes unconscious, some consequences may go unnoticed. On the other hand, cultural variety is frequently a source of solid categorization and stereotyping. Therefore its impacts may be higher than those of other sources. This might equally be said of the sound effects of diversity, such as creativity and innovation (Stahl et al., 2010).

2.1.2 Diversity as a Competitive Advantage

"If people from different gender, nationality, and racial/ethnic groups hold different attitudes and perspectives on issues, then cultural diversity should increase creativity and innovation" (Cox & Blake, 1991, p.51).

The disparities in experiences, mental models, modes of perception, information processing, and approaches to issues that people from different cultures often have are

related to the processes and mechanisms via which variety fosters creativity (Stahl et al., 2010; Stevens et al., 2008). Previous experiences and mental models impact what is on people's radar screens and their cognitive appraisal of the predicted outcomes and pay-off of alternative behaviors (Stahl et al., 2010).

As a result, the broader the reference base of potential action-outcome linkages the team can bring on to inform action, the more diverse experience (consisting of both explicit and tacit knowledge) group members have accumulated and the greater diversity of alternative perspectives they use to evaluate problems (Cox & Blake, 1991; Stahl et al., 2010).

Cultural diversity has no direct effect on communication effectiveness. Stahl's study revealed that communication in multicultural teams was less effective than in one culture teams when the surface-level aspects of culture were measured (ethnicity, race, or country of origin). However, it was more effective when the deep-level aspects were measured (values or attitudes associated with culture) (Stahl et al., 2010).

Pucik et al. 2017 proposed three perspectives for better understanding diversity. Relating cultural differences between the context in which a company and its local subsidiary are located (know yourself and others), the institutional setting of the environment (know where you are), and the way of networking with the company (know whom you talk to) (Pucik et al., 2017).

2.2 Internationalization

Around the 1950s and 1960s, the postwar decades, rapid economic growth was experienced due to technological development and international exchange, trade, and foreign investment. Internationalization was an attractive point for academics of business and economics (Vahlne, 2021).

On the business framework, the University of Uppsala in Sweden marked a starting point with their descriptive intention of the "what, when, and where" developing the now well-known Uppsala Model. (Vahlne, 2021). This model focuses on the development of the individual firm and its gradual acquisition, integration, and use of knowledge regarding foreign markets and operations (Johanson & Vahlne, 1977).

From Deresky's study from 2014, it can be said that companies go international for different motives, some reactive or defensive, and some proactive or aggressive. The threat of losing competitiveness is the primary motivation for many businesses to pursue a worldwide expansion strategy. In order to remain competitive, they must act quickly to establish strong positions in major global markets, offering products or services that are suited to the needs of an increasingly global and diversified customer base (Deresky, 2014).

2.2.1 Internationalization Process

The Uppsala model describes and explains how Multinational business enterprises (MBEs) manage their current business and, at the same time, prepare for the future, being uncertainty a central contextual aspect (Vahlne, 2021).

The dynamics of the Uppsala model made evident the differences between state and change variables affecting each other, as can be seen in figure 1 (Vahlne, 2021). On the left side, the state aspects considered are the resource commitment to the foreign markets and the knowledge about foreign markets and operations. On the other side, the change aspects are the decisions to commit resources and the performance of the current business activities (Johanson & Vahlne, 1977).

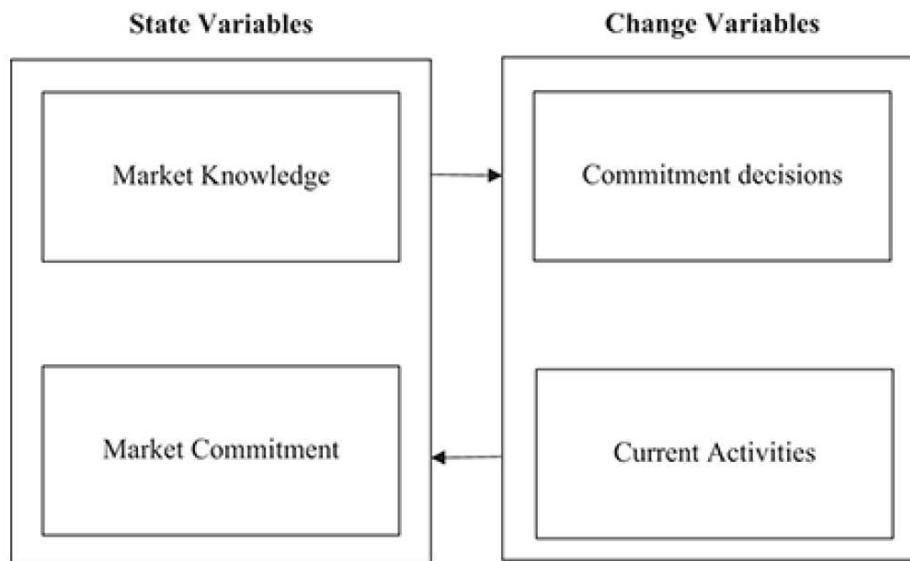


Figure 1. The Uppsala Model (Johanson & Vahlne, 1977)

This model has been kept in the same structure and mechanisms until now and probably in the future; this is due to the fact that the model is exceptionally parsimonious, general, and axiomatic in character (Vahlne, 2021).

For Bures and Vloeberghs (2001), during the internationalization process, one of the central dilemmas in the human resource management area concerns the degree of centralization and formalization of policies and procedures and the degree of decentralization and adaptation to local circumstances. The research marks the differences between companies with a relatively "multinational" nature and those with an "international" orientation (Bures & Vloeberghs, 2001).

Bures and Vloeberghs (2001) proposed distinctions between multinational, international, and transnational organizations shown in table 1.

| Organizational Characteristics | Multinational | International | Transnational |
|--|---|---|---|
| Configuration of assets and capabilities | Decentralized and nationally self-sufficient | Sources of core competencies are centralized, others decentralized | Dispersed, interdependent, and specialized |
| Role of overseas operations | Sensing and exploiting local opportunities | Adapting and leveraging parent company competencies | Differentiated contributions by national units to integrated worldwide operations |
| Development and diffusion of knowledge | Knowledge developed and retained within each unit | Knowledge developed at the center and transferred to overseas units | Knowledge developed jointly and shared worldwide |

Table 1. Organizational Characteristics of the Three Basic Models Used in The Study (Bures & Vloeberghs, 2001)

The study of Bures and Vloeberghs (2001) is of great relevance to this research as it also focuses specifically on the European cross-cultural patterns of internationalization and human resource management practices which can impact organizational effectiveness and competitiveness.

An international company has a centrally developed IHRM system with a high level of international coordination. Their local communication and responsiveness are less developed. Recruitment and selection process activities are managed at the central level, remuneration systems are imposed equally in all countries, and the appraisal system is built on standardized performance criteria (Bures & Vloeberghs, 2001).

Continuing with a multinational company, this one has significant local autonomy. The headquarters usually have a restricted control focusing mainly on financial control;

recruitment, selection processes, and remuneration systems are highly decentralized in this type of company. The central IHRM function is weak with its development left to the local affiliates, which allowed them to be highly responsive to local customers (Bures & Vloeberghs, 2001).

This, however, comes with the risk of becoming overly focused on the local situation but ignoring the international developments. Apart from companies, clients are also becoming more international and could wonder if prices are the same in all countries. In a multinational company, there could not be enough international coordination to effectively react to such developments (Bures & Vloeberghs, 2001).

Lastly, a transnational company can be viewed as an organization type or form that international and multinational companies evolve towards, but with different journeys (Bures & Vloeberghs, 2001).

2.2.2 Born Global

As previously mentioned, traditional theories of internationalization, often referred to as Uppsala theories, explain that companies go through different stages as they become international (Lopez et al., 2009). However, an alternative perspective has suggested that there are companies called *born globals*, which internationalize soon after their creation (Knight & Cavusgil, 2004; Lopez et al., 2009).

Evidence shows the existence of small, young firms with minimal resources that began to export right after their foundation (Lopez et al., 2009). In a study conducted in 2002, it was reported that, for a sample of Norwegian, French, and Danish firms, there was the existence of companies exporting a significant share of their total sales close to their establishment (Moen & Servais, 2002). Such evidence suggests that theories such as the Uppsala model are not the only way to describe a firm's internationalization process (Lopez et al., 2009).

The first definition of a born global firm was done by McKinsey and Co. in 1993 when analyzing a sample of Australian exporting firms. It described firms that had done internationalization processes faster than expected (compared to firms of similar size, age, and nature). These firms were defined as born globals (McKinsey & Co, 1993). The born global concept states that firms' internationalization does not necessarily have to go through the accumulation of capabilities and resources, but it can start from the exportation close to the moment they are created. It suggests that companies can enter markets far away (geographically or culturally), despite the limited resources they might have (Lopez et al., 2009).

Born global companies have been characterized as young, entrepreneurial start-ups that initiate international business, usually by exporting, soon after their inception (Knight & Cavusgil, 2004). The emergence of born global companies was facilitated mainly because of globalization, the internet, and other modern communication technologies; internationalization cost no longer seemed like a foreign expansion of small and under-resourced companies (Cavusgil & Knight, 2015).

Born global companies are an example of early and rapid internationalization; similar to this, international new ventures are defined as business organizations that, from their creation, seek to derive significant competitive advantage from the usage of resources and outputs' sales in multiple countries (Oviatt & McDougall, 1994). From a different perspective, Cavusgil and Knight's (2015) definition of early and rapid internationalizing firms emphasize young companies, the firm as the unit of analysis, and the pursuit of internationalization through exportation; as a young, resource-poor firm, most of those born global companies use exporting as their primary international entry mode.

Oviatt and McDougall (2005) defined rapid internationalizing firms as the ones which enclose young, internationalizing firms and new ventures created in older, established multinationals; a range of value chain activities, such as foreign manufacturing; and various entry strategies, for example, foreign direct investment.

While the term born global might be more expressive, an international new venture can be more accurate as some early internationalizing companies developed their global marks by limiting their export activities to a limited region, at least in their early years (Cavusgil & Knight, 2015; Lopez et al., 2009).

2.3 Global Mindset

Global leaders must have a global mindset to lead individuals, groups, and organizations. It involves the ability to take multiple perspectives and a variety of frameworks and schemas in making sense of situations involving people from different cultural backgrounds (Bird & Mendenhall, 2016; Zander et al., 2012).

Global managers and companies face new challenges, dualities, and paradoxes to a greater extent thanks to globalization. Therefore, standard structural solutions that are not targeting specific cultural contexts might not be effective anymore (Andresen & Bergdolt, 2017; Pucik et al., 2017).

A global corporate mindset is based on firm characteristics and its perspectives on the global market, bringing competitive advantage to organizations through a dual focus on cultural competence and strategic organizational impact; key decision-makers must have this "dualistic perspective" (Beechler & Javidan, 2007a; Felício et al., 2013; Zander et al., 2012).

Globalization has resulted in increasing cultural diversity; as firms globalize, managers face the challenges of overcoming the ethnocentric mindset, crossing cultural boundaries, interacting with employees from different cultural backgrounds, and managing these diverse organizational relationships (Levy et al., 2007).

A global mindset can be evaluated through a cultural perspective and the strategic one. The first one suggests that the answer to the managing problems mentioned before is

to move away from the ethnocentric mindset and move to a global one by accepting diversity and heterogeneity as an opportunity. It views a global mindset as the ability to work and accept cultural diversity. The core elements are cultural self-awareness and openness to and understanding of different cultures of one's own (Levy et al., 2007; Pucik et al., 2017).

Following this perspective, the term "transnational manager" is used to describe cultural "world citizens", individuals who are defined by their knowledge and appreciation of different cultures, the ones who can walk smoothly and expertly between cultures and different countries throughout their career (Adler & Bartholomew, 1992; Pucik et al., 2017).

People with a global mindset tend to have broader perspectives than people with a traditional domestic mindset; they can understand decision-making contexts and are doubtful of "one-best-way" solutions. As they value diversity, they can channel it through teamwork and show more creativity in problem-solving. Change is evaluated as an opportunity rather than a threat; they show themselves open to new initiatives (Pucik et al., 2017).

The second perspective on the global mindset focuses on a way of thinking or cognition representing conflicting strategic orientations, hence their label as strategic perspective (Pucik et al., 2017). Most studies emphasize the importance of understanding cultural diversity and going beyond national borders; studies focusing on the strategic perspective emphasize a global mindset in the increased complexity resulting from globalization (Levy et al., 2007).

Most multinational firms face strategic contradictions; therefore, different researchers have emphasized the need for "balanced perspectives", proclaiming that a critical determinant of success relies on the cognitive orientations of managers and their ability to cope with the complexity of the business (Levy et al., 2007; Pucik et al., 2017).

A manager mindset needs to hold together diverse roles and dispersed operations while understanding the need for multiple strategic capabilities and understanding problems and opportunities from a local and a global perspective. It does not mean that a sophisticated structure is needed, but creating a matrix in managers' minds (Bartlett & Ghoshal, 1989; Pucik et al., 2017).

Not all companies require to develop a global mindset to succeed across borders. However, many firms will need to develop their transnational skills like global efficiency, local responsiveness, and worldwide coordination (Pucik et al., 2017).

Being able to embrace a global mindset is an indispensable attribute of a firm's identity in a globalized world (Lappe & Dörrenbächer, 2017). A leader with a global mindset has an openness to and awareness of the diversity present across the business, countries, cultures, and markets; it can develop and interpret business performance independently of the assumptions of a single country, culture, or context and the skills to synthesize across this differences in different cultural contexts (Beechler & Javidan, 2007a; Gupta & Govindarajan, 2002).

According to Bures and Vloeberghs (2001), some techniques often used in the creation of a global mindset include:

- Stimulation of cross-cultural exchange, communication, and learning processes, resulting in helping organization members with different cultural backgrounds while understanding each other and working together towards a common goal.
- Developing and using professional and managerial human resources would help internationalize the internal labor market.
- Continuous development of required qualities for differentiated organizational tasks, roles, and responsibilities.
- Development of transnational networks and work systems where business units can be identified, together with task forces, and group projects, for controlling and stimulating entrepreneurship.

- Building international commitment to the company's mission and objectives.
- Development of international management development models, strategies, and practices, for example, training and development, are crucial in most internationalization processes.

A measurement is also an excellent tool for development. Surveys are a great way to measure global mindset, as it provides management with an indicator of the effectiveness of the activities development (Pucik et al., 2017). Global mindset has been measured in different ways; some select to focus on the psychological and cultural dimensions while others prefer the strategic (Levy et al., 2007).

It is possible to examine the competence of individuals to understand a complicated global strategy and so influence its implementation by measuring the strategic global mindset orientation of different multinational segments (Murtha & Lenway, 1998). This can be visualized in Figure 2.

| |
|---|
| Global efficiency/integration: the centralized management of dispersed assets and activities needed to achieve scale economies. |
| Local responsiveness: resource commitment decision taken by a subsidiary as a response to primarily local competitive or customer demands. |
| Worldwide coordination: the level of lateral interaction within and between the network of affiliates concerning business, function, and value chain activities. |

Figure 2. Global Mindset Measure Methods (Murtha & Lenway, 1998; Pucik et al., 2017).

We have now explained how global mindset works and its benefits, but how can it be developed? While it could be clear that multinational firms need more managers with a global mindset at the headquarters and across borders units, expressing this vision into a reality is not that simple (Pucik et al., 2017). Research has shown that the experience of being in complex roles over time can lead to an increase in the level of global mindset (Story et al., 2014).

According to Pucik et al. (2017), one of the most significant barriers to developing a global mindset relies on the impression of local staff worldwide that one's passport is more powerful or counts more than one's talent. If a company's development opportunities are restricted to people from the parent country or a selected few countries local employees will tend to retain the local perspectives as it would be the only relevant direction for their future career development (Pucik et al., 2017).

Equally important, cultural intelligence or cultural quotient (CQ) is an important skill. It measures how well a person can adapt and effectively manage in culturally diverse settings. It is the capability of an individual, a team, or a company to function in intercultural contexts (Deresky, 2014; Van Dyne et al., 2017). It was defined as the ability to understand unfamiliar contexts and the capability to blend in (Earley & Mosakowski, 2004). This definition could make a clear distinction compared to a global mindset, yet it can be proven that having a higher level of CQ can enhance the development of a global mindset (Story et al., 2014). Cultural intelligence is connected to emotional intelligence; a person with high emotional intelligence can understand what makes humans "human" and, at the same time, what makes each person different from one another (Earley & Mosakowski, 2004).

A person with cultural intelligence can acquire behaviors "on the spot" required in environments entirely different from what the person is used to. Culturally intelligent persons are not only required to understand or think about the new environment they are facing, but they must also act in appropriate manners (Story et al., 2014). Figure 3 can show how a global mindset can be identified as an interaction of global business orientation and cultural intelligence. Therefore, individuals with a global mindset can be aware and sensitive to the needs and characteristics of the local environment and culture while focusing on global operations and markets (Story et al., 2014).

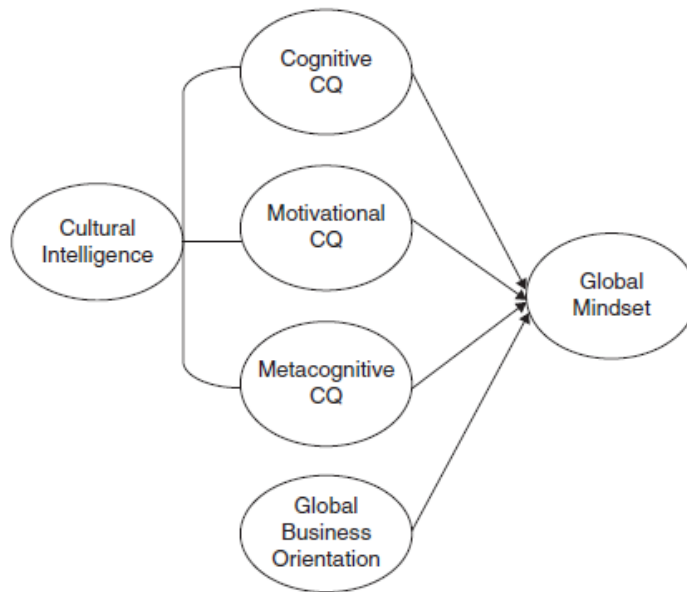


Figure 3. Indicators of Global Mindset (Story et al., 2014).

Global business orientation describes the attitudes toward internationalization and the ability to adapt to new business environments. This means that individuals have awareness and some knowledge of global markets and practices; those with a global orientation can make decisions not based on one's culture but embrace the diverse perspectives (Levy et al., 2007; Story et al., 2014).

2.3.1 Pan-European Identity

Most large multinational companies allowed their local country management to operate completely autonomously in the past. However, as companies become pan-European, this practice has changed. If a company would like to create a consistent worldwide image, consistent customer service and quality in all countries, and reliable processes and systems, it cannot continue to maintain local autonomy (Bertels & Broadbridge, 1999).

The attempt to master a Pan-European organization is not an easy task. While they must have a pan-European business strategy, they have to understand that there are differences in terms of national cultures and local preferences, different contingencies, paths

of development, business strategies, top management orientations, as well as different specific strategic and tactical choices (Bures & Vloeberghs, 2001; Deresky, 2014).

There are multiple advantages for a business to seek a global integration, or in this case, a European one. Some are economies of scale, links in the value chain, serving global customers, global branding, leveraging capabilities, world-class quality assurance, and competitive platforms (Pucik et al., 2017).

Integration of multiple countries does not necessarily mean offering identical products or services in the same way everywhere. Instead, it means that managers who can have an integrated global point of view make decisions about the methods to address local customer needs or market differentiation. Likewise, global integration does not equal the centralization of all operations, and it can also be limited to a particular function, product, or value chain segment. However, advertising and pricing of products can be adapted to local needs (Pucik et al., 2017).

Different from a born global company, a firm focusing on the presence of the European regional block can be called a “born regional” this would mean that although the firm can start exporting in the very early stages of its life, much of these exports are aimed explicitly at neighboring regional countries (Lopez et al., 2009).

Figure 4 shows the linkages between the topics and the research questions to summarize the theoretical background. Cross-cultural management is the center of the topic as it manages the multicultural teams' diversity. Furthermore, its inclusion in the internationalization process will be analyzed. The Global Mindset and the definition of Born Global companies relate to the pan-European identity, and its linkage in the case study will be analyzed further in this research.

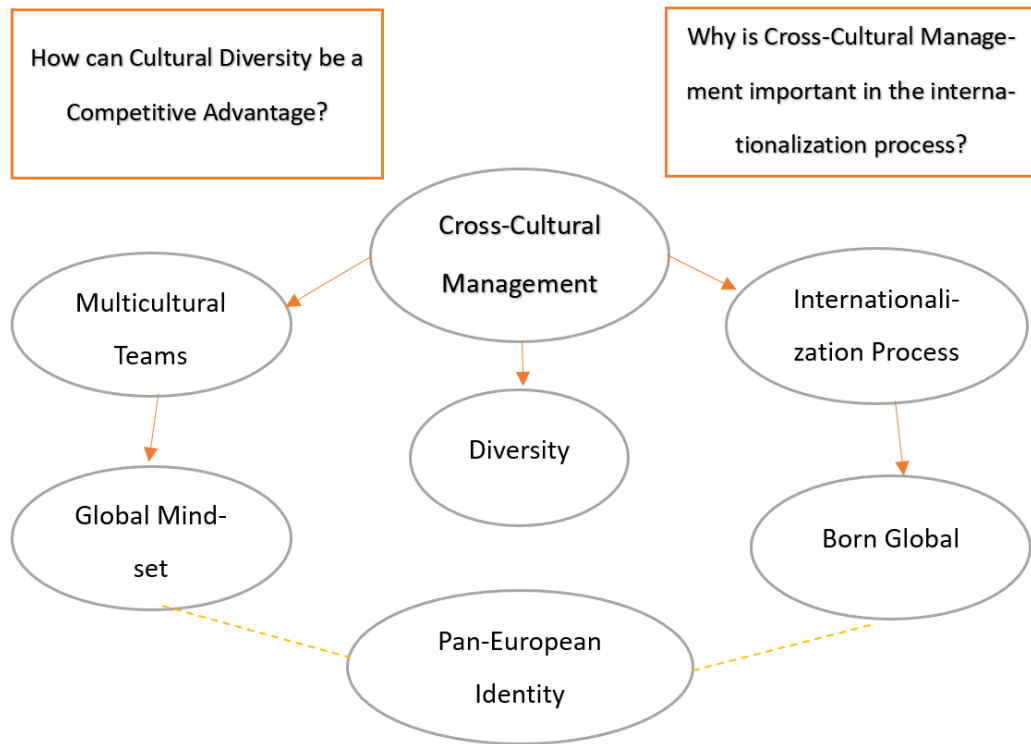


Figure 4. Theoretical Background Linkages.

3 Research Design

In this chapter, the research design will be presented and explained, together with the reasons behind the choice of research method. Additionally, the philosophical assumptions will be shown, and the data collection process will be discussed, together with the data analysis course of action. Finally, this research's limitations, reliability, and validity will be given.

3.1 Research Method and Philosophical Assumptions

After defining the problem area, research questions, and the research objectives, the next step is to describe the research design (Wrenn et al., 2002). Using the defined question and objectives as a starting point, the research design is a plan of action showing the steps needed to answer our questions, test hypotheses, and achieve the research purpose (Wrenn et al., 2002).

In the search for ideas, insights, and clarification, exploratory research is conducted for this study for its flexible and adaptable characteristics, and it will start with a broad focus to then become narrow as the research makes progress (Saunders et al., 2019; Wrenn et al., 2002).

The main tools used to conduct the exploratory research rely on literature reviews, personal interviews, and selected case analyses. While trying to generate ideas, insights, and hypotheses, reading what others have done and discovered can help save time and resources (Wrenn et al., 2002). Also, it helps set the study from a broader perspective. Therefore, the reader can better understand how the study can be related to other studies related to the topic (Saunders et al., 2019).

Personal interviews are one of the best ways to gain the desired insights, information, and clarifications by speaking with someone whose experience, expertise, or position grants them a unique perspective on the topic of interest; it allows the researcher to

connect casual relationships between variables (Saunders et al., 2019; Wrenn et al., 2002). The type of interviews used in this study are semi-structured interviews. This provides the opportunity to probe a response; these allow the interviewees to explain or elaborate more on their previous responses, with predetermined topics and critical questions helping coherently guide the interview. While the themes used are initially from existing theory, the data collection will be made deductively. By following an exploratory and emergent course of action through the interviews, the themes will evolve depending on what emerges from the analysis of the data collected and the previous theoretical background used (Saunders et al., 2019).

The final way used in this study to achieve the objectives of the exploratory research is to analyze selected cases; in this study, for better evaluation of the effects of cross-cultural management in the internationalization process of a company, a single case study will be conducted on the company smart Europe GmbH (Wrenn et al., 2002).

A detailed investigation forms a case study research to analyze the processes and context around the studied theoretical issues (Cassell & Symon, 2004). This type of research comprehensively investigates a topic or phenomenon in a real-life setting (Yin, 2018). The case in the study research can refer to a person, a group, an organization, a process, an event, or any other type of subject; in this case, the company smart Europe GmbH is the subject of the study (Saunders et al., 2019). Case studies can be used for more than exploratory studies, for example, for explanatory and descriptive purposes (Yin, 2018). An explanatory type of case study is likely to use deductive approaches, using theoretical hypotheses to test their relevance in the case study to build and confirm an explanation (Saunders et al., 2019).

This study is qualitative research, associated with a specific and prescriptive methodology. The research philosophy, theory approach, and development include analytical techniques closely defined (Saunders et al., 2019). Seven interviews will be used to analyze the topic better; qualitative research interviews can vary in methodological features,

specifically in length, style of questioning, and participant count (individual or group) (Cassell & Symon, 2004). Research interviews are purposeful conversations between two or more people. The interviewer asks concise questions while carefully listening to the interviewee's responses. By actively and attentively listening to an interviewee, the interviewer can explore points of interest and clarify and validate meanings (Saunders et al., 2019).

It is also important to mention that the philosophical assumptions around a research project will affect its conduct and design, together with the data collection and the analysis (Saunders et al., 2019). An interpretivist philosophy argues that depending on the circumstances, different people of different cultural backgrounds, at different times, can create different meanings and experience different social realities. Therefore interpretivist are crucial in developing universal laws that can apply to everyone (Saunders et al., 2019). This philosophy is used in this study for the business area. An interpretivist philosophy means looking at an organization from the perspectives of different groups of people, in this case, the employees who have different cultural backgrounds.

3.2 Case Selection

The case company selected for this research was chosen using the purposive sampling approach (Saunders et al., 2019). The author decided to use their judgment to select the company. Some of the reasons were:

- The company is currently expanding to new markets
- The company has a multinational team
- The author had access to the company
- The company showed a willingness to cooperate with the study

According to smart (2022), smart Europe GmbH is based in Leinfelden-Echterdingen close to Stuttgart, Germany. It handles distribution, marketing, and after-sales activities for the Europe region. The company smart Automobile Co., Ltd. is a 50/50 joint venture between Mercedes-Benz AG and Zhejiang Geely Holding Group, established in 2019.

Smart Europe GmbH is a wholly-owned subsidiary of smart Automobile Co., Ltd. It has been established to supply, sell and service future smart vehicles for the European market (Smart, 2022).

They were established in 2019, combining the greatest strengths of both shareholders by bringing in the best of both: the design of the next generation of smart vehicles coming from the worldwide Mercedes-Benz design network, while R&D is carried out by smart in China supported by Geely Holding Group (Smart, 2022).

In 2020, smart became the first automotive brand to switch from internal-combustion engines to all-electric drivetrains. That same year, Mercedes-Benz AG and Geely Automobile Group Co., Ltd. founded a new smart joint venture for the future generation of smart products. Launching in 2022, the new generation of smart vehicles will make good on the promise of electric mobility for the city (Smart, 2022).

In order to acquire all of this, the smart Europe GmbH team is conformed by more than 30 nationalities. The company prides itself on its diversity and values the differences by creating a future in mobility (Smart, 2022).

3.3 Methods of Data Collection

The data collected was through semi-structured online interviews. With the evolution of technology in the last few decades, online interviews have overcome time and financial constraints, including geographical dispersion and mobility boundaries (Janghorban et al., 2014). The interview questions were prepared, taking the theoretical background, research question, and the research objectives as a base. These were also adapted depending on the interviewee.

Seven interviews were conducted, including four employees in the Human Resource department to get insight into cross-cultural management development and two more employees from the eCommerce and Marketing departments, to analyze the employees'

perspectives on the topic. The length of the interviews was approximately 30 minutes each. All interviewees allowed the interviewer to record the interview for further analysis.

Regarding the interviewees' background, it is essential to mention that most of them share similar characteristics. All have had work and study experiences outside Germany but now live there, and some of them have different cultural backgrounds. Details about the interviewees can be found in Table 2.

| | Position in smart Europe GmbH | Nationality |
|---|---|--------------------|
| 1 | Head of eCommerce | German |
| 2 | Head of Human Resources | German |
| 3 | Specialist Marketing Operation | Italian |
| 4 | Human Resources Business Partner for the Legal Entities | Spanish |
| 5 | Senior Specialist Learning and Development | German |
| 6 | Human Resources Intern | Jordan |
| 7 | Payroll Analyst | Turkish |

Table 2. Interviewees Data

3.4 Data Analysis

For better analysis, all recorded interviews were transcribed and sorted in a logical order, and the most relevant information was highlighted. The theoretical background served as a guide for creating the interviews and the organization of the results. Responses were gathered and put together depending on the topic to analyze similarities in responses and cross-check them with the secondary data collected. These were also organized with the study's objectives to understand better the relationship between the secondary and the primary data gathered.

3.5 Validity and Reliability of the Study

Saunders et al. (2019) define validity and reliability as core to judgments about the quality of the research, especially in qualitative research. Reliability refers to the reproduction and consistency of the information; if a researcher can repeat an earlier research design and come up with the same results, the research is credible (Saunders et al., 2019). The validity refers to the suitability of the measurements used, the correctness of the analyzed results, and the findings' generalizability (Saunders et al., 2019).

To better understand the reliability of a research, Saunders et al. (2019) have proposed three guidelines in the form of questions that define the reliability of research:

1. Will the measures have the same results on different occasions?
2. Will other observers make similar observations?
3. Is there transparency in how sense was made from the initial data?

Now, moving to the threats that concern the reliability of a research, Saunders et al. (2019) has also proposed the following:

1. Subject or participant error
2. Subject or participant bias
3. Observer error
4. Observer bias

The nature of the qualitative research is based on the acknowledgments that individuals can make based on their perceptions. Therefore, it may not be ensured that the results would be equal if any other researcher performs the same research again (Saunders et al., 2019).

This research aims to provide more insights and perspectives on the existing theoretical background previously presented. Important to mention that the author is not claiming that the topic has not been previously analyzed. As a limitation, this research is done through a single case study research. Hence, the results should not be generalized to

larger samples or different companies. However, to some extent, the results can be transferred to companies that share similarities in size, location, and employee nationality base. Furthermore, when using interviews with people whose native language is not English, there might be a barrier in understanding questions and answers.

4 Findings

This chapter will present the key findings from the data collected through the seven semi-structured interviews. In Chapter 3, the background information from the company, the structure of the interviews, and the interviewees' backgrounds were explained. For a better understanding of the findings, the structure will follow the main objectives of this study, these are:

- Distinguish the benefits of cultural diversity in the internationalization process of smart Europe GmbH.
- Define the importance of a global mindset as a skill in the employees of smart Europe GmbH.
- Evaluate the need for cross-cultural management at smart Europe GmbH.

4.1 The Benefits of Cultural Diversity in the Internationalization Process of smart Europe GmbH

In this section, the company's perspective will be presented, this meaning the perspective of the interviewed employees and how they define the company and their corporate culture. Furthermore, because all the employees' perspectives impact their corporate culture, this will also be presented. Finally, the reasons or perspectives from the diversity at hiring, to then follow with the interviewee's perspective on the cultural diversity in their teams.

Beginning with the perspective of the company and its identity, it is essential to mention that for most employees, the environment of the company feels like a start-up company; this is because the company was formed not long ago, and the processes and systems are still being created, the company is now building up and growing.

“Dynamic environment, it's building up a company from scratch. A lot of change, a lot of uncertainty. Quite young, employee level...” (1)

"It's always also really nice to work in a startup environment because yeah, any idea, anything that you have in mind can be implemented" (6)

Apart from the feeling of the company's employees being a start-up-like environment, it was important for the study to understand how the company identifies itself, if its definition matched a born global company in the internationalization process or if this was more international, or even born regional. As smart Europe GmbH is a company established by Mercedes-Benz AG and Zhejiang Geely Holding Group, established in Germany, it was essential to identify their culture.

"I definitely work in an international environment [...] I think we are more a European wide company I wouldn't say we are German or German-Chinese company..." (2)

"I say it's definitely European. But that does not exclude the fact that it will go global" (7)

"I believe that Europe is a starting point for smart" (3)

"I would say Born European Company. I would not go that far that it's a German Chinese company, because [...] it's just too much distance, to less interaction" (1)

As the company is formed by its employees, and the company members also define the corporate culture, it is essential to mention that all employees have intercultural backgrounds; three of the interviewees are German but also have studied and worked in different countries, including China, Ireland, Australia, among other countries. The rest of the interviewees have migration backgrounds and international experiences at their professional level and education. Their nationalities include Italy, Jordan, Turkey, and Spain. A comprehensive range of nationalities is found at smart Europe GmbH. The company has 180 employees, all over Europe, including more than 30 nationalities.

Moving to the corporate culture, it was important for the study to identify if this existed, as there are multiple nationalities altogether; it is interesting to know how they can all be merged into one single culture, the *smart* corporate culture.

“We have people with different backgrounds, people with different experiences, expectations and across the board in terms of diversity, its different national backgrounds, different linguistic backgrounds, different age groups, different gender groups and so on. And that allows us to sort of create this culture of a very kind of open mind culture in a way [...] representing that sort of hybrid culture a bit better”
(5)

“Corporate Culture Is different in south and north Europe this is why on the first day we introduce our culture at smart, we give them insights of our core values” (2)
“there is a common culture, we have the values and we try to always bring them up when you plan specific stuff we like to mention it, but it's not like we're fixed on it”
(7)

Following with why smart Europe GmbH decided to go with international employees, apart from hiring local talent. Different answers were given, including the idea that it was not transmitted as a fixed plan of the company but more as a natural development for some employees. However, the Human Resources team gave more explicit reasoning behind it.

“I am not sure if it was a decision on purpose or if it developed in that way from the beginning [the company] had an international set up” (1)

“[The company] doesn't really look at the background [...] but it's also not the nationality, it's not the passport, definitely not” (7)

“We decided that an international team gives us more perspectives into our work and as well of course gives us the flexibility to hire more individuals” (2)

Continuing with their personal opinions regarding diversity as an advantage for the company, it was surprisingly positive. All of the interviewees used responses as definitely and 100% sure, but they gave a follow-up mentioning the challenges it brings up.

“For sure 100% [...] bringing people from different environments, different cultures would bring new fresh perspectives in [...] it's definitely a competitive advantage” (6)

“I think this can only be a perk. I think all the diversity, all the cultures, they can only bring more advantages [...] only German cannot do that” (7)

“Yes, because there comes a lot of different ideas up and different discussions. On the other side, it's also a challenge at the moment because too many opinions and too less decisions it's then lacking in speed [...] So medium, long term, yes, definitely short term It also has its challenges with the diversity” (1)

4.2 The Importance of Global Mindset as a Skill for the Employees of smart Europe GmbH

Having multiple cultures together in a company takes us to the next topic, Global Mindset. It is mentioned in the theoretical background how important it is for a leader to have this skill as part of their daily life, to be able to be open and aware of the diversity, and at the same time be able to develop and interpret business performance independently of the assumptions that could be made of a single culture (Beechler & Javidan, 2007b; Gupta & Govindarajan, 2002).

In the interviewee's responses, it was interesting that they all believe this is a required skill, present but in need of development in all employees.

“So the skill is there. And I mean, we have to do that because we are basically building a core processes for whole Europe” (1)

“It is a needed skill, especially for those who join us from abroad [...] we also have to adapt to local culture specific when expanding to the markets [...] we have this from point to point but we do not have a program right now, the people more or less have this mindset in smart Europe” (2)

“In my team I already see it in the present, it just needs to be developed and aligned according to cultural differences” (3)

“When we go back to work, we all use the global mindset. We all work in this global and also like this smart way of working” (7)

It is also imperative to help employees develop this skill to succeed in a multicultural environment. Therefore, it was asked how it is in smart Europe GmbH, if this is something being encouraged or motivated through different activities, and the responses were not an explicit yes or no, but the idea that something is going on, but it does not have a significant impact or acknowledgment.

“Not so far. I mean, I've done [cross-cultural exchanges] with [different company] before [and it was] super valuable for the team” (1)

“We are currently planning a summer party where all our countries come together and all celebrate together, this gives us a great possibility to talk to each other [...] we do not have a program right now” (4)

“It just needs to be developed and aligned according to cultural differences” (5)

"I find that to be a very crucial thing. It is important to communicate this carefully so that people don't, so that you don't flip it around essentially" (7)

4.3 The Need for Cross-Cultural Management at smart Europe GmbH

For this objective, the first question asked to the interviewees was about the current practices related to cross-cultural management performed by smart Europe GmbH. Different answers suggested current and future planned projects, but no clear responses were given on how it was managed.

"I think it really depends within the teams [...] I think also the fluctuation shows that it's working quite well. It could be more of use, I would say so" (1)

"We are currently planning to have different trainings on different nationalities" (2)

"I don't know if HR planned in the past trainings or workshop but I assume so" (4)

"I think at the moment [...] we still don't have that many employees. So I don't think we've ever faced that probably face that issue" (6)

Furthermore, when asked about the need for cross-cultural management responsible, the responses were mostly in favor. Some gave suggestions, and some explained personal experiences where they encountered differences, and communication training would have been helpful.

"For me, is more important that there is an understanding in the company on what diversity and inclusion is, [...] and the people have to accomplish this and acknowledge this, is not only for HR or people's team, is also for everyone in the company" (2)

"It's very important to have an international intercultural management that is essential for me. I would I would not imagine development of the company and a future here if this is not existing" (4)

"I have thought about suggesting in a cultural area a sort of shadow board of international younger employees who will be advising our board" (5)

"It is important that this is taken care of. Yes, of course. That's definitely that's really, really important" (6)

"For the future [...] as we're growing really fast, I can definitely imagine that it's crucial. I can see the point of it" (7)

To summarize, most of the interviewees understand the need and the importance of cross-cultural management in the company's development. However, it is also unclear to them if it is already being managed or how it should be done.

5 Discussion

This chapter will focus on discussing the key findings of this study, which were mentioned in Chapter 4 but in connection with the presented theoretical background. The case study needs to compare what the literature says in contrast with how the company lives diversity.

Similar to the presentation of the findings, the discussion will follow the order of the study's previously defined main objectives to answer the research question. This is cultural diversity as a competitive advantage of smart and the importance of cross-cultural management in its expansion.

Their prior international experiences helped them reflect in a better way on how they are living now the corporate culture at smart Europe GmbH. It served as a comparison of being international in other companies and the actual one.

5.1 Distinguishing the Benefits of Cultural Diversity in the Internationalization Process of smart Europe GmbH

Starting with the company's definition, the company's activities are mostly centralized, matching the employees' perception of being in an international company. This means that Bures and Vloeberghs's (2001) study is of great relevance, as it identifies an international company with centrally developed Human Resources Management systems with a high level of international coordination. As of right now, smart Europe GmbH functions in this way. Although their goal might be to move forward in a transnational setting, they continue to have centralized activities managed from Germany to the rest of Europe. The interviewees have confirmed what the authors previously mentioned. Recruitment and selection process activities are being managed at the central level.

Furthermore, most interviewees agree that the company shares an international environment. However, since the focus is to expand in Europe and have a presence and employees from and in Europe, they identified the company as a born-global company and a born-regional company. As one of the interviewees mentioned, smart Europe GmbH is *"very young, but with very wealthy parents"* this refers to the fact that smart Europe GmbH was created by a joint venture between two highly established and international companies, which created the effect of a born global company. Born global companies tend to internationalize soon after their creation (Knight & Cavusgil, 2004; Lopez et al., 2009). This type of company has been characterized as young and start-up, which matches the company's perspective of most interviewees, which is also the perspective of most interviewees. They defined the feeling of being in a start-up-like environment.

"Building up a company from scratch. A lot of change, a lot of uncertainty. Quite young" (1)

Confirming this feeling, Oviatt and McDougall (2005) definition of rapid internationalizing firms includes new ventures created in older and established multinationals, such as smart Europe GmbH. Moving on to the definition of an international new venture, smart

Europe GmbH can also be related to these characteristics, as it is internationalizing and developing its global identity by limiting its activities to a limited region, Europe.

Unlike a defined global company, smart Europe GmbH focuses on its presence in the European regional block. Hence, transforming the definition into a “born-regional” company means that although it started its internationalization process quite early, most of its activity was aimed at neighboring regional countries (Lopez et al., 2009).

When asked the interviewees about their opinion on the company, explaining the different possible definitions that the theory shares, they all defined the company as a Born-European Company.

“I would say born European company” (1)

“We are a European wide company” (2)

“Europe is the starting point for smart” (3)

“Definitely a European company” (6)

“At the moment it’s European but it will continue to be global” (7)

Although the theory has shown that adapting a Pan-European business strategy requires a high understanding of the possible differences in national cultures and local preferences, smart Europe GmbH has centralized activities (Bures & Vloeberghs, 2001; Deresky, 2014).

“smart currently has a common eCommerce and marketing line, centralized and shared with the markets” (3)

“All HR activities out of Germany to Europe is centralized” (2)

Despite the centralized activities, smart Europe GmbH understands the differences among other European countries and therefore focuses on developing multicultural teams that help identify these differences, understand them, and work with them.

“[For] all activities out to the markets its important for me that we meet also the needs in all countries” (2)

Following the solution, smart Europe GmbH has selected the possible differences they can encounter abroad, and to meet the need of all countries, the company has developed multicultural teams. By definition from Adler and Aycan (2018), the teams formed at smart Europe GmbH are multicultural, as they are made of members from three or more cultures. One hundred eighty employees make up the company with more than 30 different nationalities. Specifically, the eCommerce team has five nationalities, while the Human Resources team has at least four nationalities.

Confirming what the theory explains, smart Europe GmbH understands the power of a multicultural team. It adds to the complexity by increasing the number of perspectives and approaches (Adler & Aycan, 2018; Zander et al., 2012). All interviewees mentioned multiple benefits that have come with the multiculturalism of the company, which include:

- Multiple perspectives
- Different working approaches
- Possibility to specialize per country
- Flexibility into more options in recruiting
- Global Mindset

“We have people with different backgrounds, people with different experiences, expectations and across the board in terms of diversity, its different national backgrounds, different linguistic backgrounds, different age groups, different gender groups and so on [...] imagine, know, you have a room full of the same people as you with the exact same experience, you know, decision making is going to be top-notch easy because, you know, you all agree with yourself, but it's not it's not creative. It's not innovative”

The company, smart Europe GmbH, benefits from all this multiculturalism brought into their employees. The theory has explained that the present cultural diversity at smart Europe GmbH should increase creativity and innovation, two of the company's characteristics.

“Working with people of different nationalities puts you in contact with completely different working approaches; this allows you to think differently and broaden your horizons and achieve creative and innovative solutions together” (3)

To summarize this first objective, it is clear that the company understands the benefits of cultural diversity and the benefits this brings to their expansion in Europe. Having people from different cultural backgrounds also helps the company understand the countries they want to expand to. As the interviewees have mentioned, the company is trying to cater to a diverse audience (all of Europe); therefore, having a diverse portfolio of people helps understand and represent the future clients.

5.2 Defining the Importance of Global Mindset as a skill in the Employees of smart Europe GmbH

By having cultural diversity as smart Europe GmbH does, all employees face the challenges of overcoming the ethnocentric mindset, crossing cultural boundaries while interacting with colleagues from different cultural backgrounds (Levy et al., 2007). Therefore, it was important for this study to understand how the company can ensure their employees can overcome the differences to collaborate in their daily working lives. This leads to a Global Mindset. People with this skill tend to have a broader perspective when compared to people with a traditional domestic mindset; they can understand the contexts for decision-making while being in a multicultural setting (Pucik et al., 2017).

For smart Europe GmbH, this is highly relevant, as they have multicultural teams interacting with each other and with the international markets. For most interviewees, this is a skill looked for in recruiting, which is present now and should continue to be developed. As most of the employees have migration backgrounds, it is a skill already developed, they already had to learn to adapt to the new culture they now live in, and now they have to represent it when trying to adapt to local culture when expanding to different markets.

At present, one of the interviewed managers mentioned that he and the company face new challenges due to the multiculturalism in the company. Standard structural solutions that are not targeting specific cultural contexts might not be effective anymore (Andresen & Bergdolt, 2017; Pucik et al., 2017). Prior experience in other companies has shown valuable results from techniques for creating and developing a global mindset for some of the employees.

One of the techniques to stimulate the global mindset mentioned by Bures and Vloeberghs (2001) is the cross-cultural exchange, which results from helping organization members from different cultures understand each other and work together towards a common goal.

“I've done [cross-cultural exchanges] with [different company] before [and it was] super valuable for the team” (1)

When expanding to different countries and cultures, the company must have this global focus and mindset. It should be developed and make use of professional and managerial human resources, as most of the interviewees mentioned; it is a skill that is present in the company, but as this one grows, expands, and welcomes new cultures, it is essential to be aware of it, build with it and control it.

“In my team I already see it in the present, it just needs to be developed and aligned according to cultural differences” (3)

The company is now trying and planning to create more activities to stimulate the global mindset, including learning and development. As a direct activity mentioned, there is stimulating the cross-cultural exchange and the communication by putting together the different nationalities into a setting different from the office or work one.

“We are currently planning a summer party where all our countries come together and all celebrate together. This gives us a great possibility to talk to each other” (2)

To sum up this topic and its importance for smart Europe GmbH, it is crucial to mention that the company acknowledges this skill and continues to look for it in all its recruitment processes, but at the same time is trying to understand the way of developing even more. For the company, it is not clear who should be responsible for it. However, as the theory has mentioned, the stimulation of the global mindset could be an activity done by each team leader by implementing new learning processes with organization members with different backgrounds or by the company board by building international commitment to the company's mission and objectives (Bures & Vloeberghs, 2001).

5.3 Evaluating the Need for Cross-Cultural Management at smart Europe GmbH

Even though it was previously mentioned and proved that this multiculturalism has seemed favorable for the company and the number of advantages it brings makes it valuable, it is crucial to understand that it also has to be specially managed. Because some cultural differences can also be unconscious, their consequences can go unnoticed (Stahl et al., 2010). The interviewees also understand that to embrace this diversity and multiculturalism, the need for cross-cultural management exists.

As the theory has shown, managing people and business processes across different countries than the company's own requires working with and understanding the cultural variables affecting decisions in general and how this can be used to adapt behaviors and expectations accordingly (Deresky, 2014).

It can be seen as an effect of globalization, and smart Europe GmbH cannot ignore this. Alliances and merges of companies from different countries are more common than ever; smart Europe GmbH was born this way. It is familiar to find people from different national backgrounds working in the same organization, and a clear example is we are looking at more than 30 nationalities working together. This has led to the emergence of cross-cultural management as an important area of attention that smart Europe GmbH must take into account (Adler & Gundersen, 2008; Leung, 2008).

From the interviewee's perspective of the company, it is still *"quite young"*, *"building up"*, *"not very established as a company"*, and *"startup-like environment"* it is customary to see their responses regarding cross-cultural management not so clear. For some employees, this should depend on each team because, in the end, it is the people you work with. It is not the cultural differences that are a challenge but the communication styles, which theory would tell us that communication is part of each person's culture. It is something entirely unknown for people with less than a year of presence in the company. Either they were never part of it or did not feel that way. For others, it is more important to

show and explain the corporate culture and adapt to it, not precisely living your own culture but adapting to a common one.

“Definitely is something needed and is something that is happening. So we are building all the family at the moment, all the teams. And of course, it's very important to have an international intercultural management that is essential for me. I would I would not imagine development of the company and a future here if this is not existing” (4)

At the moment, the company is in the perfect moment to start implementing cross-cultural management practices; as of right now. So far, the lack of cross-cultural management creates no significant problems, and this is why the company is not acting on it, but when asking the interviewees if they had any troubles because of the cultural differences, some expressed the negative parts of a multicultural team, which included the following:

1. *“Too many opinions and too less decisions is then is then lacking in speed. And also having the diversity of the local markets and then very early stage is also a bit challenging because from a scope perspective that brings up discussions which are already solved” (1)*
2. *“You need just to get accustomed to, to work together and to collaborate. So, you know, everyone, regardless the nationality, is different” (4)*

From a different perspective, the problem-solving area of the company needs to be part of it, as a multicultural team can have problems, nationalities could feel less than others, as the study from Pucik et al. (2017) has questioned, how can the feeling of one person's culture over one's talent be avoided? One of the interviewees gave the following example:

“If we have a manager who's German and a team lead who is Chinese and they have a conflict, who resolves that or who mediates that? Is it a German HR person? So where's

the understanding and the empathy in that? So I do think we need more representation, we need more cross-cultural training for sure” (5)

Although this is the case that does not seem to happen in smart Europe GmbH as the Human Resource department has multiple nationalities as representatives, it can be a feeling within the company that the only way to avoid or transform it is with good use of cross-cultural management. This leads us to cultural intelligence, which, together with a global mindset, seems to be something already present in the company but needs development. Having team members with the ability to understand unfamiliar contexts and blend in could be the factor that would define the final of the situation previously presented (Story et al., 2014). In that specific fictional case, good cross-cultural management in the company would be able to train and develop the cultural intelligence of all employees, but specifically for the problem-solvers of this case, separating the problem from the culture is a necessary skill in all multicultural companies.

6 Conclusions, Limitations, and Suggestions for Future Research

In this section, the conclusion from the results of this research will be presented, together with recommendations for the company and future research, and finally, the limitation of this research will be underlined.

This study aimed to understand the importance of cross-cultural management better when being in a culturally diverse company, achieving this by responding to the research question “How can cultural diversity be a competitive advantage for a company?” and “Why is cross-cultural management important in the internationalization process of a company?” focusing on the case of smart Europe GmbH.

The research provides significant contributions, especially for the case company used. These have been adapted into three conclusions. *First*, it matches the definition of a born global company, but it transforms it into a born regional by providing its reasons. Being a born global by the definition of Cavusgil and Knight from 2015 but at the same time, merged with the definition of an international new venture from Lopez et al. (2009). At the same time, creating the smart Europe GmbH's definition of a born-European company. It opens the discussion into seeing a company merging definitions while creating its own, matching it with a pan-European business strategy, and discovering the challenges this presents.

Furthermore, the research contributes to the findings presented by Bures and Vloeberghs in 2001; this is of great relevance to the company, as it meets the definition of an international company with centralized activities moving forward into becoming a transnational, or as the interviewees mentioned, a global one.

Additionally, the study gives insight into the benefits of a born-European company, which could be applied to the case study company but also to other companies that decide to

start their strategies of expansion within Europe. By starting the company with a multicultural team, the benefits this brings to the company's innovation were previously presented. The case company used defines itself as a creative and innovative company that develops the future of mobility; this has been cross-checked with what the theory mentions, the multiculturalism that lives in smart Europe GmbH results in innovation and creativity for the company.

Second, this study contributes to the research of the Global Mindset, its importance, and the need for its development. It is essential to see in a real-life scenario how the global mindset is looked at in the recruitment processes, but at the same time, something visible in multicultural teams. It supports the theory from Pucik et al. (2017), which mentioned that people with a global mindset have a broader perspective compared to people with a traditional mindset, which is a valuable asset for the company used in this research. A company trying to expand and have a presence in different markets requires people in its team to have a bigger perspective and understand the differences and contexts of the different cultures in the markets.

This topic is exciting in human resources, specifically when dealing with international companies. If a company wants to expand and connect with different markets, they have to understand how other cultures work, but more importantly, they have to understand how to work with them, how to interact, and how to adapt. Therefore, recruitment processes need to define a global mindset as a critical skill for future employees.

Moreover, the study also showed the potential for the company and the development of the employees' global mindset. Although it was shown that it is a skill present, it was also shown that there is interest from the employees to develop and that they see that applying some of the techniques from the study by Bures and Vloeberghs (2001) can bring advantages for the development of the skill, specifically on the communication problems that can be avoided.

Third, evaluating the need for cross-cultural management in the precise setting from smart Europe GmbH provided interesting insights. As studying a born-regional/born-European company, with many nationalities merged into 180 employees and relatively young, understanding cross-cultural management has its key points. While having an area for cross-cultural management might not seem necessary for most employees, they have also mentioned that there are problems in terms of time and communication when working with colleagues from different cultures. Moreover, when asked how to control these problems, the confusion was visible, as they could not define who should be in charge. Which gave the study an interesting contribution to possible ways to allocate cross-cultural management; from theory, it would be simple to say that it is an activity that the human resource department should manage. However, this type of company setting should also be controlled by team members managing the multicultural team and applying it to different markets. Suggestions were made about this, but it would require future research on the possible settings of cross-cultural management.

Taking a broader look at the contributions this research presents, regardless of the company's setting, it is important that when working with multicultural employees, the need for cross-cultural management has to be evaluated. It is not enough for the human resources department to analyze it independently but to consider other practices to listen and understand the employees. In the end, different cultures express their ideas differently, and an International Human Resource department should be able to understand and assist. In the case study, it seemed like the human resource department believed there was no need for any action related to the cross-cultural approach. However, the employees expressed this differently.

This study suggests that all employees' diversity brought into a company is a competitive advantage given the outlined contributions. However, it also shows potential for future research. It would be interesting to study diversity as a competitive advantage compared to other automotive companies since some of the employees interviewed, most of them are usually very proud of their local entities and do not celebrate diversity as much as

smart Europe GmbH. Also, more research on the born-regional companies would be of high value; companies such as smart Europe GmbH are born-European compared to companies born-NorthAmerican, born-LatinAmerican, among other regional blocks.

For future research suggestions, it could be interesting to analyze the needs for cross-cultural management through a different methodology, for example, with a broad scale quantitative analysis based on questionnaires with Likert scales. This to statistically prove connections and correlations between the activities done by the company for cross-cultural management and the effect on the employees resulting in an advantage or disadvantage for the company.

As with every other research study, this one has its limitations. Starting with language, all the work done was done in English, the research, and the interviews. Although the company language is English, none of the interviewees has English as their native language. Therefore it could be a barrier to the understanding of the question. The conclusions were also based on the company smart Europe GmbH. Therefore, the findings may not meet another born-European company's results or the cases.

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8 Appendices

8.1 Appendix 1. Interview questions

Questions for the HR team:

1. Could you tell me a little bit about yourself? Where are you from, and where have you worked before?
2. Have you lived/studied/worked in different countries?
3. Can you tell me about your position at smart Europe GmbH?
4. How is your experience working here? How is the working environment for you?
5. How is smart conformed? How many employees? How many nationalities?
6. Why did smart decide to hire people with different cultural backgrounds and not just local / Germans?
7. How do you think the company benefits from having such a multicultural team?
8. Do you think that the innovation that drives smart comes as a benefit from the different cultural perspectives of its employees? How exactly?
9. Focusing on managing all employees with different backgrounds, HR activities are focused on these differences (training, workshops, etc.) If so, what exactly? (What results have you obtained from them?)
10. Some theories have defined companies as Multinationals, Internationals, and Transnationals, depending on the centralization of their activities, their role in other countries' operations, and their development and diffusion of knowledge. An international company has a centrally developed IHRM system with a high level of international coordination; most of its activities are managed by the headquarters' country. A multinational company has significant local autonomy, and headquarters focus mainly on financial control, but the rest of its activities, including HR, are strongly decentralized. Moreover finally, a transnational company is the maximum decentralization example where the company is managed depending on the country they are in; international and multinational companies often evolve towards this. In which of these definitions would you

place smart? How centralized are smart activities and processes? How much autonomy do local countries have? legal

11. Born global companies have been characterized as “young, entrepreneurial start-ups that initiate international business, usually by exporting, soon after their inception” they start their expansion quickly. Would you consider smart a born global company?

12. As we know, smart is focusing on developing the European market. Do you think this would change the previous definition of a born global? Is it maybe a born regional? Taking Europe as its area of expansion and its culture as a European culture

13. Do you see similarities among Europeans in working or when conducting recruitment activities and seeing their skills? Do you think smart has a European culture, or is it more German?

14. How would you describe smart’s corporate culture? What are smart’s values, or how are these translating into the global culture in the company? A global corporate mindset is based on firm characteristics and its perspectives on the global market, bringing competitive advantage to organizations through a dual focus on cultural competence and strategic organizational impact

15. A global mindset involves the ability to take multiple perspectives and a variety of frameworks and schemas in making sense of situations involving people from different cultural backgrounds. Is this a skill or characteristic looked for when conducting recruiting processes for future employees?

16. Are there any activities done by the company to promote and develop the global mindset for its employees? Stimulation of cross-cultural exchange, communication workshops, and training in learning processes, resulting in helping organization members with different cultural backgrounds while understanding each other and working together towards a common goal. - Developing and making use of professional and managerial human resources would help internationalize the internal labor market, training

17. One of the most significant barriers to developing a global mindset relies on the impression of local staff worldwide that one's passport is more powerful or counts more than one's talent. How do smart avoid this? Have you encountered anyone with this feeling?

18. Does smart have a European Human Resource strategy? Which differences are made in national and local preferences, and which factors stay the same for all of Europe?
19. How would you define the importance of cross-cultural management or international Human Resource Management for the company's development? HOW IMPORTANT
20. Finally, do you believe that the diversity brought by all the employees within the company is an advantage for smart compared to its competitors? Why?

Questions for eCommerce / Marketing team:

1. Could you tell me a little bit about yourself? Where are you from, and where have you worked before?
2. Have you lived/studied/worked in different countries?
3. Can you tell me about your position at smart Europe GmbH?
4. How is your experience working here? How is the working environment for you?
5. How is your team conformed? How many employees? How many nationalities?
6. Why do you think smart decision to hire people with different cultural backgrounds, not just local / Germans?
7. How do you think the company benefits from having such multicultural teams?
8. Do you think that the innovation that drives smart comes as a benefit from the different cultural perspectives of its employees? How?
9. Focusing on managing all employees with different backgrounds, HR activities are focused on these differences (training, workshops, etc.) If so, what exactly? (What results have you obtained from them?) Do you implement anything else in your team?
10. Some theories have defined companies as Multinationals, Internationals, and Transnationals, depending on the centralization of their activities, their role in other countries' operations, and their development and diffusion of knowledge. An international company has a centrally developed IHRM system with a high level of international coordination; most of its activities are managed by the headquarters' country. A multinational company has significant local autonomy, and its headquarters focus mainly on financial control, but the rest of its activities, including HR, are strongly decentralized.

Furthermore, a transnational company is the maximum decentralization example where the company is managed depending on its country. International and multinational companies often evolve towards this. In which of these definitions would you place smart? How centralized are smart activities and processes? How much autonomy do local countries have?

11. Born global companies have been characterized as “young, entrepreneurial start-ups that initiate international business, usually by exporting, soon after their inception” they start their expansion quickly. Would you consider smart a born global company?

12. As we know, smart is focusing on developing the European market. Do you think this would change the previous definition of a born global? Is it maybe a born regional? Taking Europe as its area of expansion.

13. Do you see similarities among the European regions when establishing a new process? How “easy” is it for smart to implement changes from Germany to Europe?

14. How would you describe smart’s corporate culture? What are smart’s values, or how are these translating into the multinational culture in the company? A global corporate mindset is based on firm characteristics and its perspectives on the global market, bringing competitive advantage to organizations through a dual focus on cultural competence and strategic organizational impact

15. A global mindset involves the ability to take multiple perspectives and a variety of frameworks and schemas in making sense of situations involving people from different cultural backgrounds. Is this a skill or characteristic looked for when looking for the future, or do you see it present with the actual team members?

16. Are there any company activities or your team activities to promote and develop the global mindset for its employees? (examples can be some cultural exchanges, visits to other countries, helping explain the cultural differences that could come when working with people from different countries) Stimulation of cross-cultural exchange, communication, and learning processes, resulting in helping organization members with different cultural backgrounds while understanding each other and working together towards a common goal. - Developing and making use of professional and managerial human resources would help internationalize the internal labor market, training

17. One of the most significant barriers to developing a global mindset relies on the impression of local staff worldwide that one's passport is more powerful or counts more than one's talent. Do you feel that in smart? How do you think smart to avoid this feeling?
18. Does smart have a common European eCommerce / Marketing strategy? Which differences are made in national and local preferences, and which factors stay the same for all of Europe? (if it cannot be explicitly said, the percentage of the activities would be acceptable)
19. How would you define the importance of cross-cultural management or international Human Resource Management for the company's development? What would you think would be helpful to have as part of the cross-cultural management activities?
20. Finally, do you believe that the diversity brought by all the employees within the company is an advantage for smart compared to its competitors? Why?