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Diversity dimensions as antecedents of the quality of Leader-Member-Exchange

Cross-cultural Leadership

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ABSTRACT :

The physical borders of countries and nations have become blurred by the high level of globalization caused by travelling, emigration, and the internet, which has made the even the furthest parts of the world closely connected. These changes haves also impacted the business world, and big companies are no longer having homogenous teams in one country, but rather teams full of diversity. The managers and the subordinates are facing the challenges the diversity brings in their working relationships and therefore it is important to explore how diversity impact the quality of leader-member relationships.

This master´s thesis is exploring how diversity dimensions such the quality of leader-member working (LMX) relationship via the leader-member exchange theory. This theory distinguished between high quality LMX and low quality LMX. High quality LMX is defined by strong trust between leader and member, good communication, and better work opportunities for the subordinates. The high LMX is linked with high employee satisfaction, high work performance, organizational commitment and low employee turnover. On the other hand, in low quality LMX the trust in weak and the communication is not sufficient. This results in low employee satisfaction, performance, organizational commitment and high employee turnover. The main objectives of this thesis are (1) to provide a theoretical framework, (2) conduct interviews in one organization to better understand the leader-member relationship from members´ perspective, (3) to analyse the interviews to determine whether cultural differences, age and gender are antecedents of the quality of LMX and (4) how it affects the quality of LMX, (5) and to provide a better understanding of the member´s perspective on how their diversity impacts the quality of LMX, so that leaders in the chosen organization can acknowledge the importance of diversity management.

The master´s thesis reveals that diversity dimensions are antecedents of the quality of leader-member exchange which is in line with the existing research on this topic. However, the thesis shows that gender as diversity dimension does not impact the quality of LMX, from members´ perspective it is more of the personality traits of the leader than the gender. The thesis contributes by deeper insights on how diversity dimensions of culture and age impact the quality of LMX. When it comes to culture, the differences may not only create issues caused for example by different cultural traditions or language difference; but also serve as a benefit for example due to leader´s openness given by the nature of the culture, or lower level of power distance. Secondly, despite the literature review stating that age difference may lead to conflicts and lower quality of LMX, the interviews relieved that the age difference is a positive factor that makes the quality of LMX stronger –due to the possibility to learn from each other.

This thesis contributes to the existing research on the quality of LMX and diversity by providing a deeper insight from the member´s perspective in the company of Finnish and Indian culture.

KEYWORDS: diversity, LMX, leadership, culture, gender, age,

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1 Introduction

Successful leaders were crucial in the development of civil societies. Whether it was political leaders such as Mahatma Ghandí, military leaders such as Alexander the Great and Napoleon, or spiritual leaders such as Mother Theresa, all these leaders managed to influence their followers far beyond the borders of their countries. (Mendenhall et al., 2013) Leaders had to lead people by being flexible, thinking quickly, supporting people in uncertain times, and establishing rules that worked for each individual in spite of diverse backgrounds. Their leadership would still be relevant in today's complex world. (Landis & Hill & Harvey, 2014, p.97)

Leaders of big importance also play a role in the world nowadays, and their leadership affects lives of many people. Leadership is not only important for businesses to run but also for politics, religion, education, or sports. According to Yahaya & Ebrahim (2016), leadership issues are crucial when it comes to organizational success. Effective and strategic leadership impacts profitability, productivity, and competitive advantage. Organizational performance is affected by leadership.

Due to the existence of great leaders already in the past, leadership as a topic has been developed and studied by historians and philosophers since ancient times. Since then, there have been number of definitions of leadership. (Daft, 1999) Although, it is a phenomenon that everyone has an opinion on, there is no general agreement on what it is. (Jackson, Parry, 2011, p. 12) According to Kotterman (2006), there are as many definitions of this phenomenon as there are attempts of its explanation.

The majority of researchers, when studying leadership, approach this topic from the perspective of a leader. Definitions and theories are focused on a leader as the independent variable in the relationship with followers, who are dependent, affected by the behavior and traits of a leader. Followers represent the passive role in the leader-follower rela-

tionship. (Jackson & Parry, 2011) However, this approach might be misleading. Every follower has different personality traits, background, and often a different role in a group or a team. Hence, followers affect the leader and his leadership style on individual level.

There is a smaller number of studies from the follower perspective on leadership. For instance, Kellerman (2007) defines five types of followers based on the degree of engagement. Each follower type has a different contribution to the team, and it defines how the leader acts in the group. For example, when the level of engagement is low, the leader has to do the thinking for followers. Followers only complete tasks but do not actively participate in the group. On the other hand, active followers engage with each other and with the leader, actively support or oppose the leader and provide space for a different leadership style.

The study that is the framework for the master's thesis is the Leader Member Exchange Theory (LMX). This theory was developed in 1975 as a relationship-based theory by Graen, Uhl-Bien Dansereau and colleagues. Originally, it was named Vertical Dyad Linkage model of leadership. (Schriesheim et al., 1999) The theory measures the relationship of a leader and a follower and attempts to anticipate worker's outcome such as turnover, productivity, promotion potential and organizational commitment. The main difference between LMX theory and leadership theories is that it assumes a unique relationship of each follower with a leader. This variance then determines whether the follower is a part of an in-group or an out-group. (Van Breukelen et al., 2006)

The relationship of the follower and the leader results in different kinds of outcomes in the employee´s performance, job satisfaction, commitment and problems with the supervisor. The better the relationship, the better these outcomes are. The position of the follower is formed early in the relationship with the leader and it is affected by member´s and leader´s characteristics. If these are in line, the relationship is better and the follower is in the in-group. (Graen, 2015, pp. 257-258)

An in-group relationship of the follower and the leader involves higher level of assistance by the leader, delegating more responsible tasks, greater support, trust, and sensitivity, unlike in the outgroup relationship. Once the in-group relationship is built, it has high stability over time from both parties – the leader and the member. These behaviors are dependent on the interpersonal exchange, not the formal authority. The leader involves the follower in the decision-making, the communication is open and honest, and great support of the follower. On the other hand, the out-group relationship does not provide any kind of supervision to the follower and the relationship is purely defined by the employment contract. (Graen, 2015, p.258)

Followers in the out-group perform satisfactorily but do not perform excellently and receive less responsibility. On the other hand, followers in the in-group receive more information, influence, confidence, and concerns from the leader. Therefore, they are more motivated and determined to perform better than followers in the out-group. These followers commit more time and energy to the working group and the organization. (van Breukelen et al., 2006)

1.1 Research gap

The opportunity for my master´s thesis research comes from the significant gap between the number of follower-centered theories and studies on leadership and leader-centered theories and studies. To support this argument, Amazon offers only 254 non-fiction books about followership, while leadership can be found in more than 60 000 books. (Amazon, 2021) Academic Search Elite offers 195 776 results of articles concerning leadership, while followership is mentioned only in 423 articles. (EBSCO, 2021)

The gap in the existing research offers a great chance to explore the leadership from the follower-centered perspective and bring new insights into the dynamics of the relationship between a leader and a follower.

I intend to fill in the gap in the leadership research by providing an insight to leader-member relationship and the leadership from the perspective of members (subordinates) via interviews discussing their points of view on these topics within one organization. Additionally, the quality of the relationship perceived by subordinate is assessed using LMX7 questionnaire. Therefore, considering subordinates as unique individuals that shape the relationship with the leader.

Secondly, reviewing the literature and research on the Leader-Member-Exchange theory, there have been multiple studies proving how the quality of LMX affects the organization outcomes – such as performance, employee satisfaction, company turnover, company reputation, labor costs, organizational citizenship behavior and many more. (Walumbwa, et al., 2011; Gerstner & Day, 1997; Henderson, et al., 2009; Dulebohn et al.l, 2012) However, there is considerably less studies on the antecedents of the quality of LMX, especially considering diversity as a possible antecedent. Duchon et al. (1986) in their longitudinal study on LMX point out that very little research has been done on what variables anticipate a group member´s status (in-group or out-group). Even almost 3 decades of LMX research later, the influence of values and cultures on LMX quality has not been explored. (Terpstra-Tong et al., 2020) Similarly to Duchon et al. (1986), Henderson et al. (2009) comment that very little empirical attention has been devoted to the antecedents of the quality of LMX. Lastly, Bauer et al. (2015) in the Oxford Handbook of Leader Member Exchange state that much less research has examined the predictors of different types of LMX. On top of that most of the studies done on LMX and its antecedents were conducted by quantitative analysis of data. The potential gap in research is the exploration of the diversity dimensions as antecedents of the quality of LMX and the research done by conducting interviews with subordinates. This is to better understand what subordinates consider as key factors that influence their relationship with the leader.

Diversity and its dimensions are getting more attention in the globalized world we live in. Thus, I consider important to explore how diversity is managed in organizations and whether the subordinates feel like their diversity has an impact on the relationship they

form with leaders. It is also important for leaders to understand their subordinates as unique individuals and to acknowledge the diversity in the workplace. Therefore, I chose the topic of leadership and diversity from the perspective of those often forgotten – subordinates.

1.2 Company introduction

For my research I have decided to cooperate with global IT Company (later on referred to as a company X). Currently it operates in 400 locations worldwide including Finland. The company X employs over 76 000 consultants and professionals to serve more than 5 500 end-to-end service clients globally.

The reason why I consider this company to be a suitable partner for my research is the broad cultural diversity in working and project teams. Employees are mostly from Finland, India and Poland, but also from other countries working in Finland, just like I am (Slovakia).

Due to diversity in teams at the company X I would like to explore diversity dimensions of employees affect the relationship of the follower and the leader, and whether these differences influence the position of the follower in the group according to the LMX theory.

In conclusion, the need for this research to be done comes from the low amount of academic research of the leadership from the perspective of the follower. Majority of theories focus on the leader, whereas only few on the follower as an important variable. Moreover, globalized world provides diverse working environments and companies may struggle to find an effective way how to lead diverse teams. Therefore, there is an opportunity to research whether diversity dimensions have an impact of the relationship of the follower and the leader. Lastly, the company X I have the opportunity to cooperate with, has such diverse teams in its business units where people of different cultures (Finnish, Indian, and Polish) interact.

1.3 Research question and objectives

The goal of this thesis is to understand whether and how do diversity dimensions – age, gender, culture influence the quality of the leader-member-exchange. The importance of this topic comes from globalized world and the importance of acknowledging the diversity in organizations, and a research gap done on leadership from the perspective of the subordinate.

The objective of the thesis is to present a theoretical framework of leadership focused on the Leader-Member-Exchange theory, and diversity with focus on cultural differences, age differences assessed via generations and gender diversity. This will be done by literature review the review of existing studies of the leader-member exchange. Consequently, based on the knowledge gathered in theoretical part, the aim is to find out whether diversity dimensions are antecedents of the quality of leader-member-exchange in a chosen organization. Therefore, **the research question** of this thesis is:

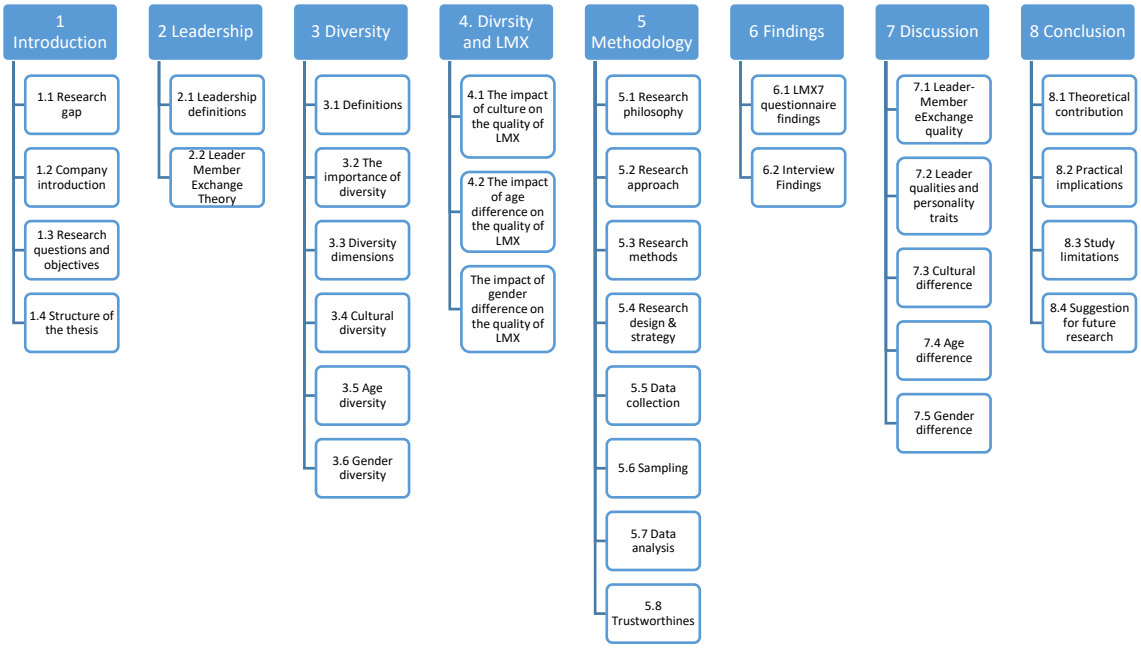
Are diversity dimensions – culture, age and gender antecedents of the quality of leader-member-exchange in the organization and if so, how do these dimensions affect the quality of leader-member-exchange?

To provide clarity and more detailed answer to the research question, I have set several research objectives. These are also to help the reader to develop a deeper understanding of the thesis. **The research objectives** are the following:

1. To provide a theoretical framework to support the research question
2. To conduct interviews with members in the organization in order to better understand the leader-member relationship from member´s perspective
3. To analyze the interviews to determine whether cultural differences, age and gender are antecedents of the quality of leader-member-exchange

4. To analyze the interviews to explore how do these diversity dimensions affect the quality of leader-member-exchange
5. To provide a better understanding of the member´s perspective on how their diversity impacts the relationship with the leader, so that the leaders in the chosen organization acknowledge the importance of diversity management

1.4 Structure of the thesis



2 Leadership

The core concept of master´s thesis is Leader Member Exchange Theory developed by Graen in 1975 and further developed by Densereau in 1990. The theory focuses on individual relationships of the leader and members and considers members to be unique, unlike traditional leadership theories. The relationships between the leader and the member have organizational implications such as impact on productivity, employee satisfaction and job commitment.

Companies are facing the challenge of diverse teams as a natural result of globalization. Teams are no longer homogenous but comprise of people with different cultural backgrounds that create minorities in organizations. Not only cultural differences, but also other diversity dimensions such as gender and age may have an impact on the relationships members form with their leader. Therefore, this thesis aims to evaluate the impact of the culture, age, and gender on the quality of the relationship of leader and member. The evaluation of the relationship is assessed from the member´s perspective.

The theoretical part of the thesis consists of the literature review of the leadership theories focused on the leader-member exchange theory. Further the literature review on diversity in organizations and its impact on organizational and individual performance. Lastly, the literature review of the cultural diversity or ethnicity theories and concepts as a sub-topic of the diversity.

2.1 Leadership definitions

Leadership is a phenomenon that everyone has an opinion on, but there is no general agreement on what it is. (Jackson, Parry, 2011, p. 12) According to Kotterman (2006), there are as many definitions of this phenomenon as there are attempts of its explanation. There is a lack of understanding of what leadership is and how it can be achieved. The existing theories are numerous but there is no cohesion among then to help to understand the link between them. (Graen & Uhl-Bien, 1995, p.220)

Leadership theories aim to find out what are the factors affecting people in order to foster successful leadership in them (Bass & Stogill, 1990). According to Cherry (2010) the most popular theories are:

- Great Man theory
    - Based on a popular quote “born to be leader” claiming that successful leaders are simply born with all needed attributes such as confidence, charisma and communication skills
- Trait theory
    - Theory based on a belief that people inherit qualities and traits that make them great leaders
- Contingency theory
    - The appropriate leadership style depends on the environment and circumstances, there is not one leadership style that would be the best in all situations.
- Situation theory
    - The appropriate leadership style depends on the situation. For example, when the leader is the most competent, intelligent and skilled member of the team, authoritarian leadership style might be suitable. When all team members are skilled, democratic leadership style can be more effective.
- Behavioral Theory
    - The opposite of Great Man theory, great leaders are not born but made.

All of the most popular leadership theories are revolving around the leaders and his / her personality, skills, trait and qualities. These theories consider different situations that the leader may face, however, the theories consider subordinates to be homogenous. The diversity of team members is not acknowledged.

2.2 Leader Member Exchange Theory

Interactions and working relationships between subordinate and supervisor are one of the central approaches of leadership research. The Leader Member Exchange Theory (LMX) particularly focused on the relationship that the supervisor forms with each of his/her subordinate.

The theory was developed in 1975 as a relationship-based theory by Graen, Dansereau and colleagues. Originally, it was named Vertical Dyad Linkage (VDL) model of leadership. The model was a reaction to previous theories that assumed leaders to adopt one consistent style towards all subordinates in their team. The differences in subordinates´ perceptions of the same leader were considered to be deviations. On the other hand, VDL claims that leaders do not adapt the same style and behave differently with subordinates, in the extreme cases even discriminate between subordinates. (Breukelen et al., 2006)

The primary idea of different relationships of leader with individual subordinates was the time and resource constraint of managers that need to delegate tasks and therefore need trusted assistants to help them with managing the team. The manager creates few stronger relationships with members, who receive special support, more attention and greater exchange with the leader. Such subordinates are part of in-group. The other subordinates with less strong exchange and relationship are out-group. (Breukelen et al., 2006) Nowadays, the reason behind differentiated relationships may also be different age, gender, cultural background, values and interests. Also, the differentiation of subordinates into out-group and in-group may not be on the same level in each organization. The leader may form stronger relationships with some members, however, the out-group subordinates may still have a positive relationship with the leader and some degree of exchange.

In the early 1980, the VDL theory was renamed to LMX and developed into 2 approaches. One developed by Graen and his associates, which studied how different relationships develop and combine with other relationships, and create networks.

Graen and Uhl-Bien (1995) define 4 levels of history of the development of LMX. Each level is built on the previous level. The developmental stages are:

1. The discovery of differentiated dyads
2. The investigation of characteristics of LMX dyads and their organizational implications
3. The description of dyadic partnership building
4. The aggregation of differentiated dyadic relationship to group and network levels.

(Graen & Uhl-Bien, 1995, p.225)

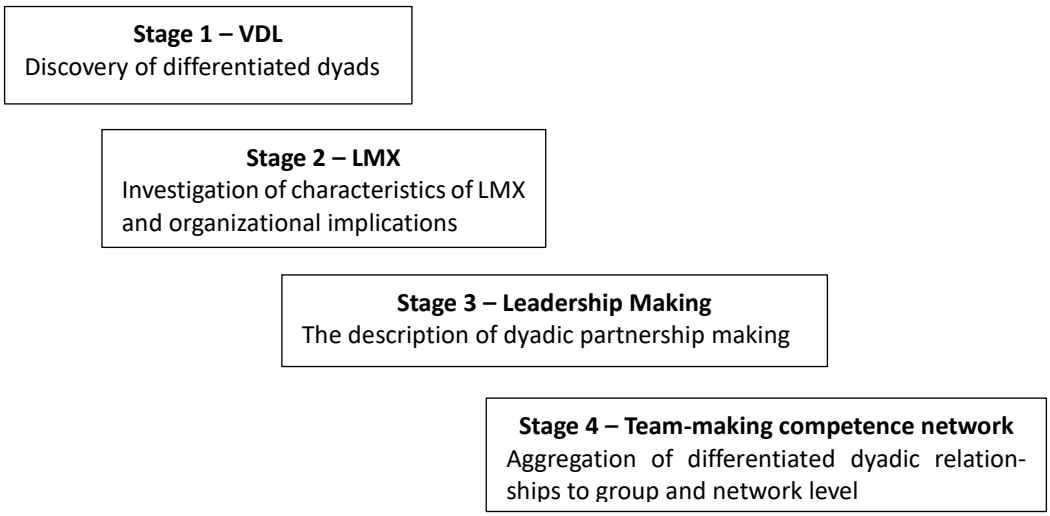


Figure 1 – Stages in Development of LMX Theory (Graen & Uhl-Bien, 1995, modified).

While Gean and Uhl-Bien (1995) put their focus on the process of development of leader-member dyads, their characteristics and interdependence of dyads within a team or network, Densereau and colleagues (Densereau et al., 1995) developed an alternative perspective on LMX, where the dyads are considered independent. Leaders react to each subordinate as unique individual independent of any other dyad or subordinate. The main focus is on how the leader succeeds in securing a satisfying performance of the subordinate by building a unique relationship.

In conclusion, the research based on LMX theory can either consider dyads to be dependent on the environment and other dyads as Graen and Uhl-Bien define, or independent of any other dyad and the situation in the team or the company, as is defined by Densereau.

2.2.1 Exchange

The dyadic relationship of the leader and the subordinate is defined by exchange. One of the theories that were in the background of the Vertical Dyad Linkage theory is the Social Exchange theory by Blau in 1964. According to this theory, strong relationships are a result of interpersonal exchange. Therefore, the power differentiation and social exchange are affecting each other. The exchange that Blau defined in his theory involves tangible and intangible activity between leader and subordinate, which is either costly or rewarding. The costs are viewed as activities and opportunities sacrificed by actors of exchange (leader, member).

The persistence of social exchange between leader and member is explained by reinforcement principles. These are the pay-offs generated either by the environment or other people involved in the exchange. (Cook et al., 2013)

In the social exchange of 2 people involved, one person's behavior reinforces the behavior of the other person, and vice versa. The value of the social exchange is determined by the history of person's reinforcement. The failure of reinforcement may result in the termination of the relationship (Cook et al., 2013) "Social exchange is the voluntary actions of individuals that are motivated by re-turns they are expected to bring and typically do in fact bring from others" (Blau, 1986, p.93).

2.2.2 Definition

Similarly, to leadership definitions, LMX definition is also not very clear. The core concept of the theory is that effective leadership happens when leader and the member are able

to develop a mature relationship and gain access to benefit that such relationship brings. (LMX and correlates article in notability)

The theory describes how leaders for different relationships with their subordinates. The individual relationship then defines the roles of subordinates within the leader´s group. The theory is relationship-based, thus does not focus only on leader or only on follower, but on the relationship that they form.

In the beginning of the relationship, supervisor and the subordinates engage in role-making process. The role-making process is significantly influenced by the subordinate's performance. It involves a testing period when the leader evaluates to which extent the sent roles are accepted or rejected by the subordinate. The degree to which the subordinate's performance satisfies the role requested by the leader affects the type of LMX that is formed. (Katz & Kahn 1978)

The supervisor delegates resources and responsibilities for subordinates to complete tasks. Those subordinates that perform well with the assigned tasks then receive more attention, responsibilities and trust of the leader. The leader trusts them with more demanding tasks. Such strong relationships are usually formed only with few members of the team. (Dissertation – Dienesh & Liden, 1986)

The LMX research divides the subordinates into two groups based on the quality of the relationship formed with the leader, the in-group and the out-group. The high-quality LMX (in-group) is characterized by high trust, support and formal/informal rewards, and interaction. The supervisor provides more information to in-group subordinates and they report greater job latitude. In-group subordinates make contributions within the leader-member exchange that go beyond their formal job duties and take responsibility for tasks most critical for success in their business unit. (Liden & Graen 1980, Yukl 2005, Ansari 2007)

Low trust, support, interaction and rewards are typical for the low-quality LMX (out-group). Out-group relationships are limited to exchange defined in the employment contract. Such members perform routine and mundane tasks and experience formal exchange with the supervisor. (Liden & Graen 1980)

2.2.3 The impact of Leader Member Exchange in a workplace

Strong leader-member exchange is a positive relationship between a leader and members, characterized by high levels of mutual trust, respect, and support. This type of relationship has been found to lead to a variety of positive outcomes for both the leader and the followers. On the other hand, low quality LMX has a negative impact on both, leader and member. The significant areas that quality of LMX affects are job satisfaction, motivation, organizational commitment, job performance, increased job security and opportunities for career advancement. (Graen & Uhl-Bien, 1995; Scandura & Graen, 1984, Liden, Sparrowe, & Wayne, 1997)

- Job satisfaction and motivation – employees with strong LMX are more satisfied with their job and are more motivated to perform well, while weak LMX results in lower job satisfaction and less motivation. (Graen & Uhl-Bien, 1995; Scandura & Graen, 1984)
- Organizational commitment - When employees have a strong relationship with their leader, they feel a greater sense of belonging and loyalty to the organization. On the other hand, employees with low quality of LMX don´t feel connected with the organization and therefore the commitment is lower. (Graen & Uhl-Bien, 1995; Scandura & Graen, 1984)
- Job security and opportunities – members who form strong relationships with their leaders are more likely to receive career development opportunities and strong job security. This is mainly thanks to high levels of mutual trust, respect, and support. The low quality of LMX is linked to higher turnover rates and decreased job security. When employees have a poor relationship with their leader,

they are more likely to leave the organization and seek employment elsewhere (Liden, Sparrowe, & Wayne, 1997).

3 Diversity

With the increasing degree of globalization comes the rise of migration that leads to increased confrontation of people from different cultures and social environments. The confrontation of diverse people often leads to division of the society into smaller homogenous groups based on the race, nationality, gender, beliefs, or other aspects of diversity. The development of international companies strengthens the competition pressure also on local companies. The competition on the labor market increases and qualified employees are becoming the most valuable resource of companies.

3.1 Definitions

The term diversity is related to differences among people in an organization. According to Cox (2001, p.4) diversity represents the variations of social and cultural identities among people living in a defined business organization. Other authors define diversity via attributed such as real or perceived differences between people regarding race, ethnicity, gender, age, physical and mental abilities, sexual orientation, religion, work and family status, appearance, and other attributes. (Bell, 2012; Bassett-Jones, 2005). These attributes can be distinguished as those obvious (ethnicity, age, gender, etc.) and those, which are not visible (religion, personality, values, etc.)

In the context of human resource management, Velíšková (2007) defines diversity as a concept which aims to create such conditions in the society, and especially in the business environment that would enable people, disregarding their individual differences, fully develop their personal potential.

The word diversity originates from Latin for “facing both ways” and “divers” or “diverse” has meant in English “various” since the 13th century. Recently, diversity is linked to variety of ethnic, sexual and other attributes. (Pole, 2018)

The perception on diversity in organizations comes from the 70s when the concept became a focus in the management. In the beginning, the term diversity was mostly used in connection with minorities and women as a part of workforce. For a long time, managers believed that diversity in the workplace means increasing the ratio of people of a certain gender, nationality or ethnicity. The goal of diversity was hiring employees from underrepresented groups.

Amstrong (2007) understands the diversity as a concept based on the acceptance and respect of all kinds of differences, and as a concept that goes beyond of what is traditionally perceived as equal opportunities. Diversity in this sense values every person as an individual. People coming from various environments bring new ideas and points of view to the workplace, which may positively affect work and the quality of services and products.

According to Dobbs (1996) the diversity means the differences (real or perceived) between people in varied demographic and in-depth factors such as gender, age, family status, religion, appearance, mental ability, which influence people´s behavior, relationships and interactions. People use these characteristics to identify themselves and others with groups. Although, in business the word diversity has deeper meaning. It is more of a process of creating conditions at the workplace that allow the company to fully leverage the potential of each employee, and maintain these conditions in long-term. Examples of measures that help to create such conditions are building diverse teams, encouraging leaders to be aware of the psychological aspects of team diversity management, trainings on diversity and cross-cultural communication, and similar.

Diversity from the point of view of its management means not only diversity on the workplace on the side of employees but also customers and clients, for example in terms of gender, age, nationality or education, life experience and views of the world, lifestyle, language or behavior. (Maříková, Čermáková, Křížková, 2015)

According to Herring (2013) the definition of diversity is inconsistent and often interpreted from different perspectives by different authors. In most cases the diversity is viewed as various practices people try in order to include people among themselves, who are for some reason considered to be different.

The term diversity is often linked to culture. Brunet-Thornton (2010) understands culture as system, in which people are able to organize their thoughts, emotions or behavior based on the environment, which they are a part of. Culture also teaches people how to behave. The author claims that even though people are born into culture, is not something we are born with, but rather something we learn.

Hofstede (2007) shares this thought and adds that culture is a phenomenon which shows collectively and in a group of people that shares the same environment and applies as some kind of unwritten rules. Hofstede also mentions culture relativism that assumes neutral perception to all cultures without making differences; so that it is scientifically not possible to define characteristics based on which one culture could be considered better or superior to other culture.

Based on the above-mentioned definitions there is a clear link between culture and diversity which together form narrower term. It is possible to define cultural diversity as a representation of people of one group in another group with significantly different relationships and cultural values. Cultural diversity covers individual categories such as nationality, age, gender, religion, etc. (Mazur, 2010)

3.2 Why diversity matters

Over the last two decades the use of the term diversity increased not only in the business and corporate environment but also in the government sector in many countries of the world. At the same time, the costs for investments to programs to support diversity increased too. One of the examples is the inclusion of women and ethnic minorities or

networking programs that give people of the same demographic characteristics the opportunity to meet. (Madera, 2013)

The need of managers to implement diversity management in today´s world in increasingly pressured by ongoing globalization, that causes heterogeneity in organizations, but also on labor market or in governments. Unemployment decline, increase in the number of employed women or people with disability, but also increasing migration over the past years creates a phenomenon in organizations that cannot be overlooked. A denial of this phenomenon could have fatal consequences on organizations. (Urbancová et al., 2016)

Authors such as Herring and Johnson agree that creating teams based on diversity may positively affect effectivity of the team, considering that these teams are well established and managed. According to Urbancová et al. (2016), a team with a good diversity management can not only affect the financial situation of a company, turnover, or effectivity, but also less easily measured attributes just as creativity of the team.

3.3 Dimensions of diversity

Similarly, to definitions of diversity, there are multiple approaches how authors define and classify diversity dimensions.

Gardenswartz & Rowe (2003) define 4 dimensions of diversity – organizational, external, internal, and personal. Diversity dimensions are similarly distinguished by Bedrnová and Nový in their publication Psychology and social management, and Keil et al. in the education manual about Diversity management.

- *Organizational dimensions* is linked to work and career and includes functional level, work content, work location, division/department/unit/group, union affiliation, seniority and management status.
- *External dimensions* include inner variability characteristics such as religion, income, recreational habits, personal habits, geographic location, educational background, appearance, work experience, parental status and marital status.

- *Internal dimensions* are those characteristics of an individual that cannot be changes and they should be handled on the basis of the principle of equality. These are age, gender, sexual orientation, physical ability, ethnicity and race.
- *Personality* includes innate and gained personal characteristics of an individual such as temperament, skills and abilities, motivation and personality traits.

Another perspective on diversity classification is primary and secondary dimension defined for example by Eger (2009).

- *Primary dimensions* – age, ethnicity, gender, mental and physical characteristics, race, sexual orientation. Primary dimensions represent a great role in a workplace. These are the characteristics that every individual has and they are easily observed. These dimensions are also called biographical characteristics and often lead to community creation. Individuals who are linked by a certain type of diversity are attracted to each other, based on which they form communities. (Hogg & Terry, 2000)
- *Secondary dimensions* – education, family status, military experience, religion, mother tongue, communication style, nationality, income level, work experience, work style, organizational role and status. These dimensions are important in the creation of a value system of a person, person´s life experience and expectations. Secondary dimensions have stronger impact on members in teams, since they are deeply rooted in the personality and the behavior, and their change is difficult. (Robbins & Judge, 2013). Teklaeb & Quigley (2014) state that if employees have similarities in certain secondary diversity dimensions, such as emotional stability, conscientiousness, and satisfaction, they are able to better handle the conflicts and prevent negative reactions in case of conflicts arise.

There are many perspectives on diversity dimensions that is proved by multiple classifications by different authors mentioned above. For diversity management in a company, social-organizational differences are important than individual differences. Hubbard

(2004) suggest to focus on 4 aspects of diversity in organization for the use of diversity management:

- *Workforce diversity* – demographical and geographical characteristics of employees. Companies should look at team and situational characteristics but also changes on the labor market.
- *Behavioral diversity* – including working style, learning, thinking, aspirations, communication style, value system, attitude and expectations of employees.
- *Structural diversity* – concerning the hierarchy, communication and cooperation of units within organization. The dimension covers relationships and communication from the hierarchy point of view.
- *Business diversity* – including segmentation, focus on customers, diversification of services and products, but also the business environment and competition. The importance of this kind of diversity is increasing mainly because of the competition pressure, globalization, technological development, demographic and customer preference changes on the local and global markets.

Lastly, diversity in a multicultural team can be distinguished as cognitive and behavioral. Cognitive diversity defines how an individual perceives challenges and opportunities that come up. Every individual has a different approach to group task solving. Behavioral diversity focuses on differences in language and cultural norms of behavior. It mainly touches the areas of communication issues and the possibility that individuals may react differently in the same kind of situation. (Francesco, 2005)

3.4 Cultural diversity

3.4.1 Culture

There are more than hundred definitions of culture (Thomas, 2008). One of the first attempts to define culture comes from Tylor (1903), who defined this term as a collection of knowledge, beliefs, morals and other factors such as law and customs, that a person acquires as a part of society. Culture can also be described as a way how a group solves

problems and dilemmas (Trompenaars, 2012). Thomas (2008) described culture as a subjective perception of a part of environments made by human. Thomas´ definition refers to terms related to culture such as attitudes and beliefs.

Hall (1973) defines culture as a factor that impacts individual´s behavior in a way that is not consciously observed, and therefore cannot be consciously controlled. Hofstede (1994) defined culture as a collectively programmed mind that distinguishes members of a certain group from the others. Culture is not innate, but comes from the social environment of individual. During life, the individual learns how to react in different situations, carries certain patterns of thinking and feeling. In the point when the individuals master a certain way of reactions or way of thinking, it is very difficult to change this behavior pattern.

Another way how to understand culture is to see it as a tool that helps people to adapt to circumstances and forwarding these learnt skills and experience to next generations. It tells us who we are and how we should behave. It is a tool that controls and directs our behavior and thinking. People in unknown environments coming from cultures with similar behaving patterns often connect and form groups. (Moran, 2011)

Culture can be divided into several levels According to Trompenaars (2012) it is national level or regional level (Finnish, North-European). The next level is corporate culture with the norms of behavior inside of organization. The last level is professional culture that comes from the specific function in the organization. Eliot (1949) divides culture into individual, group, and corporate. He assumes that organizational culture affects group culture, which consequently affects the individual culture.

The term culture is sometimes confused with human nature or individual´s personality. It is needed to distinguish these terms. Human nature is something that all the people have in common. It is for example people´s ability to walk, eat, feel love, anger, observe the surroundings and talk about it. These are the basic physical and mental abilities.

While personality is individual mindset that the person does not share with anyone and is party affected by genes and partly learnt. The perception on the border on these terms differs among scientists. (Hofstede, 1994)

3.4.2 Elements of culture

Cultural differences show in many different ways. Hofstede (1994) divided the term culture into four parts that all together form the whole concept of culture. The concept is called the onion diagram.

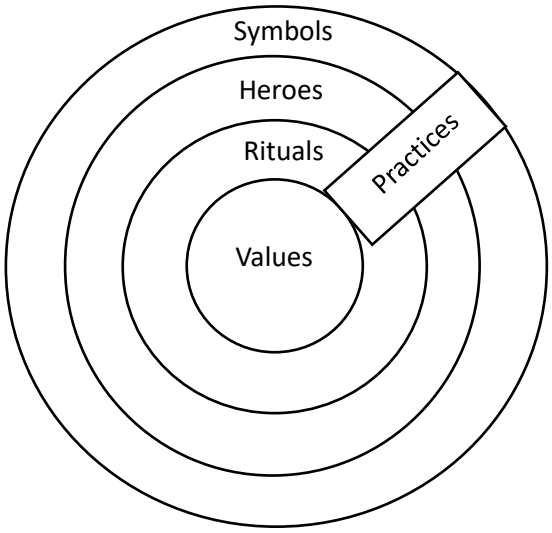


Figure 2– Onion diagram (Hofstede, 1994).

The four parts of the onion diagram are values, rituals, heroes, symbols. Symbols include words, gestures, style of clothing, slang, pictures with a certain meaning to members of the group. Symbols are usually exchanging within different groups and therefore they represent the most outer layer of the culture definition. Another reason for that is they are easily replaceable and can be changed according to needs. Heroes are the persons who represent characteristics highly appreciated in the particular group and create the model of the correct behavior. Rituals include activities that are considered as crucial in the group. For instance, the way of greeting people, showing of respect, and religious

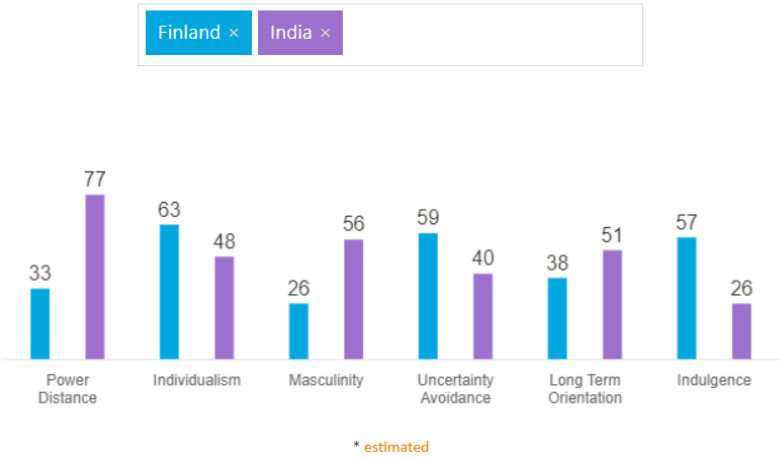
activities. The three above mentioned aspects of culture are obvious even to those individuals not belonging to the group, but the real meaning for individual groups depends on the interpretation of each term. The core of the culture is made of values that are considered to be the deepest level of culture. People form their values since early childhood and usually hold on to them their whole life. It is not possible to observe values from the position of a stranger, they can only be derived from behavior in diverse situations. (Hofstede, 1994)

Rothlauf (2014) defines values as an extension of emotions that people are often not aware of. If a person does not realize that people from different cultures have various cultural backgrounds that they come from, it can lead to faux pas or even significant problems in organization and personal life. Every culture has certain customs, patterns of behavior, values and attitudes that are different to other cultures. In order for people from different cultures to effectively communicate, it is needed to invest time into understanding of the other side, actively listen, know the language, history and current situation in the country (Moran, 2011).

The concept of onion diagram is facing criticism especially because it does not reflect the dynamic changes in the intercultural world that are caused by increasing globalization, the possibility of sharing information online and synchronized information sharing. (McSweeney, 2002)

3.4.3 Hofstede´s country comparison of Finland and India

Hofstede's cultural dimensions framework is a widely used model to describe and compare cultural differences between countries. Based on this framework, there are several cultural differences between India and Finland which are summarized in below graph:



Picture 1- Hofstede´s country comparison (https://www.hofstede-insights.com/country-comparison/finland,india/)

- Power Distance Index (PDI) is one of the dimensions in Hofstede's framework that refers to the extent to which people in a culture accept unequal distribution of power. India scores high on this dimension, which means that power is highly centralized in the country and there is a hierarchical system in place. In contrast, Finland scores low on PDI, indicating that power is distributed more equally in Finnish society (Hofstede Insights, 2021a). Differences in power distance can impact how business decisions are made. In India, it is common for decisions to be made by the highest-ranking person, while in Finland, decisions may be made through group consensus. This can lead to differences in communication styles and decision-making processes.

- Individualism versus Collectivism. India is a collectivistic society, where people tend to prioritize the needs of their group or family over their own individual needs. Finland, on the other hand, is an individualistic society where individuals tend to prioritize their own goals and achievements (Hofstede Insights, 2021b). In India, managers may be expected to have a more paternalistic approach to their subordinates, while in Finland, managers may be expected to empower their subordinates to make decisions on their own. This can impact how employees perceive their managers and how they are motivated to perform.

- Masculinity versus Femininity (MAS) is a dimension that measures the extent to which a society values competitiveness, achievement, and assertiveness. India scores high on this dimension, meaning that it is a highly masculine society where success and achievement are highly valued. In contrast, Finland scores low on MAS, indicating that it is a more feminine society where values such as caring for others, quality of life, and cooperation are highly valued (Hofstede Insights, 2021c). Differences in masculinity-femininity can impact teamwork. In India, teams may be more competitive and focused on individual success, while in Finland, teams may be more cooperative and focused on achieving a common goal. This can impact how well team members work together and their communication styles.

- Uncertainty Avoidance Index (UAI) is another dimension in Hofstede's framework that measures the extent to which a society feels threatened by uncertainty and ambiguity. India scores high on UAI, indicating that people in Indian society tend to avoid uncertainty and prefer structure and rules. In contrast, Finland scores low on UAI, suggesting that Finns are more tolerant of ambiguity and uncertainty (Hofstede Insights, 2021d). Differences in uncertainty avoidance can impact risk-taking behavior. In India, people may be less likely to take risks due to a preference for structure and rules, while in Finland, people may be more comfortable with taking risks and dealing with uncertainty. This can impact how businesses approach innovation and experimentation.

In conclusion, India and Finland have significant cultural differences in terms of power distance, individualism-collectivism, masculinity-femininity, and uncertainty avoidance.

These differences can have implications for business practices, communication, and social interactions between people from these two countries.

3.4.4 Language differences

Difference in cultural background most of the times also means a difference in the mother language that people speak. According to literature, there are several ways in which language differences affect the quality of relationships:

- Communication – language is the primary tool of communication between individuals. Having a language barrier can lead to misunderstandings and misinterpretations, which can cause unpleasant friction in relationships. (Gudykunst, 2003)
- Culture – language is often deeply connected with culture, and luck of understanding on cultural differences may cause tension between people. For instance, certain phrases, or gestures may have different meanings across cultures, and misunderstanding of these can lead to conflict. (Hall, 1973)
- Understanding – when 2 people speak different languages, it can be challenging to fully comprehend each other´s perspectives, emotions and experiences. This luck of understanding can lead to feelings of isolation and loneliness, failure to connect with the others, which can impact the quality of the relationship. (Giles et al., 1991)
- Bonding – language plays a crucial role in creating bonds between individuals. Bonding is also related to understanding. When people share common language, they can easier share jokes, stories, experiences, which can create a sense of connection and belonging. On the other hand, speaking the same language and having issues to share perceptions, feelings, and experiences may lead to feelings of exclusion from social integrations and bonding experience. (Giles, Coupland, 1991)

3.5 Age diversity

3.5.1 The phenomenon of generations

Generation is in general understood as a group of people born and grown up in approximately same time period, while the time period is usually defined between 20 to 25 years. (Jandourek, 2007). However, due to the increasingly fast pace of the development of the world, people belonging to certain generations are affected and formed by newer technologies, study and work opportunities. Therefore, this time span defining one generation group seems to be too wide, and therefore the generation is rather defined from the sociological than biological point of view. (McCrindle, 2014)

The author Karl Mannheim (1952), who is considered to be the founder of the generation phenomenon, also agrees that a generation cannot be viewed only as a group of people with the same year of birth. The generation is formed by three social characteristics: age, geographical location and historical background (Marada, 2007). From the sociological point of view, the generation is therefore defined as a group of people who grew up within the same time period and were formed by the same happenings, trends and factors such as wars, crises, or new technologies. (McCrindle, 2014; Kubátová & Kukelková, 2013)

Based on the current literature we can distinguish 6 generation groups, however, only 4 of those are currently in the labor market. These are:

Baby boomers – people born between years 1946 and 1964 (Kopecký, 2013; McCrindle, 2014; Giancola, 2006). This generation gain its name based on the population boom that happened in the USA after the Second World War (Kubátová & Kukelková, 2013). In Europe the baby boom came a little later, therefore baby boomers are also people born in 1970. It is the first generation to grow up without technologies and having to work with technologies in the work life. (Snydrova, 2014) The generation is often linked to by bu-

reaucracy, stagnation, low ability to adapt to new methods and technological development. (Vendramin, 2010) The generation is not significantly represented on the labour market anymore due to their age, however, those remaining are usually in the high positions in companies. (Kubátová & Kukelková, 2013)

Generation X – people born after 1960 until the beginning of the 80s (Constanza et al., 2012). The generation grew up in the times of social and financial uncertainty, when the employment rate was lower and their parents often lost their jobs. They are linked to lack of trust, cynicism, and low level of loyalty towards employer. (Smola & Sutton, 2002; O´Bannon, 2001). The generation is considered to be a bridge between previously less technically skilled generation of baby boomers and the following technically advanced generation Y. (Kotler & Keller, 2013)

Generation Y – people born approximately in the years 1980 – 1994 (McCrindle, 2014; Kotler & Keller, 2013). The upper year differs amongst authors in about 4 years. Sometimes even people born in 2000 are included. Due to this, the generation is often called "the millennials" or the "digital" and the "internet generation".
This generation was born into calm and stable time period with abundance and prosperity. (Kubátová & Kukelková, 2013) Millennials are affected by overly-caring parents who tried to ensure better and safer life for their offsprings. (Kopecký, 2013) These people are ambitious individuals with high goals, since they were assured since childhood that they can achieve whatever they aim for. They do not lack self-confidence and are not afraid to overcome obstacles, they seek creative working environment full of challenges. (Kopecký, 2013). It is the first generation to grow up surrounded by technologies. Due to unlimited access to internet they often prefer online contact with people rather than meeting face to face. This generation is able to better react to bad news that older generations thanks to exposure to big amount of information. (Kubátová & Kukelková, 2013) They are also able to think globally and are interested in international affairs, social and environmental problems. (Kotler & Keller, 2013)

Generation Z – people born from the mid-20s until approximately year 2010. (McCrindle, 2014; Kopecký, 2013). Individuals born after the massive technological development consider technologies as a basic part of everyday life, therefore are often labeled as "Digital Natives" (Döme et al., 2018). This generation is constantly in touch with technologies and thanks to mobile communication tools that they have constantly available, the world is an open book for them, where they are able to find any kind of information within few seconds (McCrindle, 2014). People from Generation Z are aware of their skills and consider them to be a competitive advantage (Döme et al., 2018). They like to share, however they prefer fast and short communication (Kubátová & Kukelková, 2013). According to McCrindle (2014) they are better able to accept information in a visual form, for instance from a video rather than from written text. They have the ability to multitask and put more focus on speed rather than quality, therefore they sometimes have lack of concentration. Education is of high importance for this generation, these people are also considered to be the most formally educated generation.
Typical features are shortcut thinking, impatience and low ambitions. (Kubátová & Kukelková, 2013)

3.5.2 Generation differences in a workplace

The differences between the 4 generations that are currently active in the labor market also impact the working environment. It is therefore essential for organizations to understand these differences and the needs of individuals from different generations. Dasek & Suchanec (2018) list three reasons why organizations should understand the generation differences:

1. The acknowledgement of differences between individual generations helps employers to better understand the needs of age groups within the company. If the management of the company pays attention to these differences in attitudes, values or motivation, and adapts the human resources strategy to those, it can achieve the improvement of the performance on employees and therefore the whole organization.

2. It is challenging to find and keep talented employees. Working conditions or employee benefits play a strong role where representatives of each generation put different importance to. The right understanding of values represented by each generation can help organizations to hire talented employees but also keep the key ones in the company.
3. It is essential for employers to know the factors that positively affect the motivation of employees

Strong leaders of companies that are aware of the existence of such differences among generations effectively support cooperation between each generation by forming multi-generational teams and sharing of understanding. (Wiedmer, 2015) Organizations that support age diversity do not only find the benefit in better access to talent, but also in improved skill and knowledge transfer and overall improvement of organization performance. (Horvathova et al. 2016; Pillinger, 2008)

3.6 Gender diversity

According to Mead (1935) the term gender is used to define a group of characteristics and behaviors formed by culture and linked with the concept of man and woman. Sex is a biological characteristic while gender is a social construction. The term highlights the differences of characteristics labeled as feminine and masculine that are related to expectations of roles of men and women.

Gender diversity is often linked to the issue of same opportunities for men and women. However, it is a term related to 2 issues. The issue of the same opportunities for men and women means mainly the absence of any obstacles restricting people, based on their belonging to any of the disadvantaged groups, form their participation in the economics, politics and society. (Bedrnová & Nový, 2007). Additionally, Trnková (2004) states that equal opportunities for men and women is a state where both sexes can freely develop their skills and access opportunities in the same way.

Reasons behind the gender inequality are diverse. The most common ones are roles, behavior and norms that are linked to different genders, and are defined primarily by the society, culture, and time period in which an individual lives. Therefore, factors that change over time. (Bedrnová & Nový, 2007) Another reasons for gender inequality can be for instance upbringing, gender stereotypes or natural preference of employment between men and women.

3.6.1 Gender equality

Gender equality is the most discussed topic in the area of genders. This concept asserts the right of free development regardless of the gender and without expectations resulting from gender roles and stereotypes.

Gender equality is also linked to equal opportunities for men and women. It is a demand for equal opportunities for both genders on economic, social and political life and removal of obstacles that disable this equality. (Pauknerová, 2012) The principle of equal treatment of men and women is understood especially as the removal of direct and indirect gender discrimination. According to Kuchynkova (2017) gender equality is beneficial for the whole society.

3.6.2 Gender in management

When it comes to gender diversity topic, the most discussed issue is the difference between the opportunities that men and women get when it comes to managerial positions. However, for the purpose of this thesis, the focus should be put on the differences that men and women bring to leadership styles and management. These differences may have an impact on the quality of LMX that the member and leader form.

Mikulastik (2015) mentions that despite equal opportunities for education and the development of one´s skills, there are still differences between men and women caused

mainly by traditional way of upbringing. Men are led to financial independence and independence in general, while women are led to financial dependence on someone (on men, that brings financial resources to the household) and to dependence on social environment (taking care of kids). The gender roles and stereotypes are represented mainly in this particular style of upbringing.

One of the most significant differences between men and women that comes from gender stereotypes is communication. Feminine communication style is usually criticized and it is expected that women leader will take on men ways of communication and leadership. However, Mikulastik (2015) and Dytrt (2014) agree that especially the feminine style of communication can be in certain circumstances the most successful.

Prime at al. (2009) in his research found out that gender stereotypes define women leaders as those that are caring and men leaders as those who lead, while both genders have certain advantage considering their typical traits. Women are supportive, reward success, inspire and are able to build a good team, they discuss their ideas with the team and maintain good relationships, and help the other to improve. Men as leader can excellently divide tasks, solve problems and are able to influence people on higher positions.

Mikulastik (2015) and Dytrt (2014) agree that in today´s modern world, a new way of working with people is emerging, what benefits women and their traits, style of leadership and way of thinking. It is about greater degree of team work, self-realization, and creative activity in the whole team. Especially in this way of working, women leadership style has a better opportunity.

Folkman (2012) in his study explored whether women are better leaders that men. 7280 managers participated in the study who were evaluated by their supervisors, subordinates and colleagues in 16 competencies. Women ranked better in 12 out of these 16 competencies. Based on the results, it can be concluded that women should be better leaders than men.

Lestecky et al. (2017) and Krizkova (2002) point out that women do not prefer significant hierarchy and while leading they try to create a friendly atmosphere in the team. Women leadership brings to the team less competitive atmosphere, trust, openness and empathic communication. Women are also more dived into work, more caring and responsible, however often less self-confident.

Based on the literature it can be concluded that leadership styles differ among men and women and some authors even claim that women leadership style may be more effective. Women leadership is care-oriented while men leadership is task-oriented. Whether this has a positive or negative impact on the quality of the LMX between leader and the member may also depend on culture, personal preferences and situations. One of the objectives of this thesis is to determine whether it has an impact on the quality of LMX.

4 Diversity and LMX

In today's globalized world, diversity has become a critical component of many organizations. Diversity in the workplace has been linked to various positive outcomes, such as increased creativity, innovation, and problem-solving abilities (Cox & Blake, 1991). One area that has received relatively little attention in the diversity literature is its impact on the quality of Leader-Member Exchange (LMX). LMX refers to the quality of the relationship between a leader and their followers, and is critical for understanding various outcomes such as job satisfaction, turnover intentions, and job performance (Graen & Uhl-Bien, 1995). This chapter will review the literature on diversity and its impact on the quality of LMX.

Diversity can have both positive and negative effects on the quality of LMX. On one hand, diversity can lead to greater creativity and innovation, which can improve the quality of LMX. This is because diverse teams are more likely to generate a wider range of ideas and perspectives, leading to better decision-making and problem-solving (Jackson, 1992). On the other hand, diversity can also lead to conflicts and misunderstandings, which can negatively impact the quality of LMX. For example, differences in communication styles, values, and beliefs can lead to misinterpretations and disagreements, leading to lower levels of trust and respect (Jehn, Northcraft, & Neale, 1999).

One factor that moderates the relationship between diversity and LMX is the level of cultural intelligence (CQ) of both the leader and the followers. CQ refers to the ability to understand and adapt to different cultural norms and expectations (Earley & Ang, 2003). Leaders who have high CQ are better equipped to navigate cultural differences and build high-quality relationships with their diverse followers. Similarly, followers who have high CQ are more likely to understand and appreciate their leader's perspectives and adapt their behaviour accordingly (Ang & Van Dyne, 2008).

Moreover, the impact of diversity on LMX can also depend on the type of diversity. For example, some studies have found that surface-level diversity, such as race and gender,

has a negative impact on LMX, while deep-level diversity, such as values and beliefs, has a positive impact. This is because deep-level diversity is more likely to lead to creative conflict and enhance team performance, while surface-level diversity can lead to stereotyping and prejudice (Jehn et al., 1999).

In conclusion, diversity is a complex construct that can have both positive and negative effects on the quality of LMX. While diversity can enhance creativity and innovation, it can also lead to conflicts and misunderstandings that can harm the quality of LMX. Cultural intelligence is a critical factor that can moderate the relationship between diversity and LMX, as it enables leaders and followers to navigate cultural differences effectively. Additionally, the type of diversity can also impact LMX, with deep-level diversity being more likely to enhance LMX than surface-level diversity.

4.1 The impact of culture on the quality of LMX

Culture difference can have a significant impact on the quality of Leader-Member Exchange (LMX) in several ways. Effective communication, power distance, collectivism vs. individualism, and trust are all factors that can influence LMX quality in different ways (Leroy, Mayer, & Bal, 2016; Abu-Saad & Agour, 2014; Singla & Mohan, 2017; Lin & Hansen, 2006).

Communication styles and norms can vary significantly across cultures. Indirect communication is preferred in cultures like Japan, China, Vietnam, India or Brazil. it is considered impolite or inappropriate to express oneself in a direct and explicit manner. This type of communication involves the use of hints, gestures, and nonverbal cues to convey a message, rather than directly stating what one wants to say (Gudykunst & Ting-Toomey, 1988). Indirect communication can be used to maintain social harmony, show respect for others, or avoid conflict in certain situations (Matsumoto, Yoo, & Nakagawa, 2008). In these cultures, indirect communication is viewed as a way to build and maintain relationships, rather than as a way to be evasive or deceitful.

However, this communication style can also lead to misunderstandings, especially for those who come from cultures where direct communication is the norm – like USA, Germany or France. (Kim & Leung, 2007). This can cause frustration and confusion, as the intended message may not be clear or may be misinterpreted. These misunderstandings, can negatively impact LMX quality (Leroy et al., 2016).

The degree of power distance, or the extent to which people in a culture accept and expect unequal distribution of power, can affect LMX quality. In high-power distance cultures, leaders are expected to have more authority and control, and employees may be less likely to challenge their decisions. In contrast, in low-power distance cultures, employees may expect to have more input into decision-making, which can lead to more egalitarian LMX relationships (Abu-Saad & Agour, 2014).

Cultures can also vary in their degree of collectivism versus individualism. In collectivist cultures, individuals prioritize the goals and needs of the group over their own, which can lead to more cooperative and harmonious LMX relationships. In contrast, in individualistic cultures, individuals prioritize their own goals and needs, which can lead to more transactional LMX relationships (Singla & Mohan, 2017).

Trust is critical for building high-quality LMX relationships. However, the degree of trust can vary across cultures. In some cultures, such as Japan, building trust takes time and requires the development of personal relationships. In contrast, in other cultures, such as the United States, trust can be established more quickly through business transactions and contracts (Lin & Hansen, 2006).

Moreover, research suggests that cultural differences can impact the criteria that leaders and subordinates use to evaluate LMX relationships. For example, in some cultures, respect for authority and hierarchy is highly valued, and subordinates may prioritize maintaining positive relationships with their leaders, even if they do not agree with their decisions (Chen & Tjosvold, 2007). In contrast, in other cultures, subordinates may value

more egalitarian relationships and may be more likely to challenge or question their leaders.

Overall, the impact of cultural differences on LMX relationships is complex. Understanding and navigating these differences requires cultural awareness, sensitivity, and adaptability.

4.2 The impact of age difference on the quality of LMX

Age difference can also affect the quality of Leader-Member Exchange (LMX) relationships in various ways. Studies have found that age can influence the perceptions and expectations that both leaders and subordinates have of each other, which can impact the quality of their LMX relationship (Erdogan & Bauer, 2010; Graen & Scandura, 1987).

One way in which age difference can impact LMX quality is through perceptions of similarity or dissimilarity between leaders and subordinates. People tend to prefer and identify more strongly with others who are similar to them in terms of demographic characteristics, including age (Erdogan & Bauer, 2010). Therefore, subordinates who perceive their leader as being similar in age to them may feel more positively about their LMX relationship and have higher-quality relationships with their leader.

On the other hand, age differences can also lead to power struggles and conflicts in LMX relationships. Younger subordinates may perceive older leaders as being less open to new ideas and resistant to change, while older leaders may perceive younger subordinates as being less experienced and less respectful (Graen & Scandura, 1987). These perceptions can create barriers to effective communication and collaboration, which can undermine LMX quality.

In addition to the impact of perceptions of similarity and power struggles on LMX quality, age differences can also affect the types of social support that leaders and subordinates offer each other. For example, older leaders may be more likely to provide mentoring

and career advice to younger subordinates, while younger subordinates may be more likely to provide technological and social media expertise to older leaders (Erdogan & Bauer, 2010).

Moreover, age differences can have varying effects depending on the context and cultural norms of the organization. For example, in some organizations, age may be viewed as a sign of experience and wisdom, and older leaders may be more respected and influential (Graen & Scandura, 1987). However, in other organizations that prioritize innovation and flexibility, younger leaders may be more valued and influential.

All in all, the impact of age differences on LMX quality is complex and depends on a range of individual and contextual factors. However, understanding the potential effects of age differences can help leaders and subordinates to be more aware of their biases and adapt their behaviours to improve LMX relationships.

4.3 The impact of gender difference on the quality of LMX

Similarly, to age and cultural differences, gender differences can also impact the quality of LMX relationships. Gender can affect both the perception and behaviour of leaders and subordinates, which can affect their LMX relationship quality (Kacmar, Carlson, & Harris, 2013; Eagly & Johnson, 1990).

Gender can impact LMX is through stereotypes and bias. For example, female leaders may be evaluated more harshly than male leaders for similar behaviours, and may face gender-based stereotypes that impact their leadership style and effectiveness (Eagly & Johnson, 1990). These biases can impact the perception of LMX relationship quality, as subordinates may be less likely to view female leaders as effective or trustworthy.

Additionally, gender can impact the types of behaviours that leaders and subordinates engage in within LMX relationships. Female leaders may be more likely to engage in nurturing and supportive behaviours towards their subordinates, while male leaders may

be more likely to engage in task-oriented behaviours (Kacmar, Carlson, & Harris, 2013). These gendered behaviours can impact the perception of LMX relationship quality, as subordinates may be more likely to view leaders who engage in nurturing behaviours as more supportive and positive.

Moreover, gender composition of LMX dyads can impact the quality of the relationship. For example, same-gender dyads may be more likely to develop high-quality LMX relationships due to shared experiences and identity, while cross-gender dyads may be more likely to face challenges related to stereotypes and bias (Kacmar, Carlson, & Harris, 2013).

In conclusion, gender difference may impact the quality of LMX due to gender stereotypes, gender-specific behaviours and perceived similarity between leader and the member.

5 Methodology

The following chapter describes and justifies the methodology choices in this master´s thesis. Firstly, the research philosophy followed by the research approach and research methods. Secondly, the data sampling, data collection and the data analysis. The last section is devoted to trustworthiness of the study.

5.1 Research philosophy

The process of research is influenced by beliefs and assumptions, for example about the realities faced in the research, the human knowledge and the assumptions of one´s own values impacting the process. Such assumptions shape the understanding of the research questions, methods, research strategy, data collection, analysis procedures, and interpretation of findings. This system of believes and assumptions is defined as the research philosophy. (Saunders et al., 2016)

A well thought-through and consistent research philosophy allows to design a coherent research project. (Saunders et al., 2016) Due to the impact of the research philosophy on the research process, it is essential to define it. (Eriksson & Kovalainen, 2015) There are three research philosophies – ontology, epistemology and axiology. In addition to these, there are five major research philosophies in business and management research. (Saunders et al., 2016)

The set of assumptions and beliefs about the nature of reality is **ontology**. Such assumptions shape the way research objects are studies and perceived. In business research these include individuals´ working life, organizations, management, and organizational events. Ontology is linked with what we consider as reality. **Epistemology** is linked to beliefs about knowledge and what defines legitimate, valid and believable knowledge. There is a wide variety of types of knowledge in business research setting, for example interpretations, stories, or numerical data. Lastly, the **axiological** assumptions look at

role of one´s own values in the research and how these should be considered when conducting a research. Additionally, it questions how the values of research participants should be considered. (Saunders et al., 2016)

When it comes to business and management approach to research there are 5 major philosophies:

Positivism - a philosophy that seeks to produce law-like generalizations with unambiguous and precise knowledge. Positivism works with pure data and facts that are not influenced by human bias or interpretation. In epistemology, positivistic approach considers organizations as real as physical objects. Focus is put on discovering measurable and observable facts, creating law-like generalizations and universal rules to help explain or predict behaviors and events in organizations.

Critical realism – this approach defines reality as external and independent but not observable by human beings. A person experiences reality through sensations, which critical realism considers to be deceiving. In business setting, critical realism explores the underlying causes and mechanisms that affect organizational events. This is often done by historical analyses.

Interpretivism – according to this philosophy human beings are different to physical phenomena and create meanings (Saunders et al., 2016, p.140). These meanings differ due to differences in culture, experience, situations. The purpose is to provide rich understanding and interpretations of social word. In business this means exploring organizations through the lens of different groups – managers, subordinates, minorities, women, men, customers. The differences among these group and the experience they get to have make the world of business so complex. The research is done with small samples with deep investigation using qualitative methods.

Postmodernism – “emphasizes the role of language and power of relations, seeking to question accepter ways of thinking and giving voice to alternative marginalized views”

(Saunders et al., 2016, p.141). The main aim is to challenge the common ways of knowing and thinking and encourage views that have been marginalized.

Pragmatism – this research philosophy tried to find a practical solution to a giver research problem. In business research this means choosing mixed methods of quantitative and qualitative research to come up with a practical solution to a problem. (Saunders et al., 2016)

In this master´s thesis the main goal is to determine whether diversity dimensions such as culture, gender or age are antecedents of the quality of leader-member exchange. From the above mentioned philosophies 2 of those fit for this type of research. Firstly, positivism as the goal is to generalize the outcomes of analysis on all the leader-member exchange relationships. Secondly, it is the Interpretivism, as the focus is on a particular group within organization – minority subordinates. The research will be conducted via short LMX7 questionnaire to evaluate the quality of the LMX followed by a semi-structured interview to gain deeper insight into this topic from member´s perspective. Therefore, the main research philosophy of this thesis in Interpretivism. The goal is to provide better understanding of differences between leader and member and how these affect their working relationship.

5.2 Research approach

The main aim in this thesis is to explore whether cultural dimensions are the antecedents of the quality of LMX between minority member and majority leader. The theoretical part of this thesis serves as a background to gather existing knowledge on diversity and leadership and to provide guidance when creating interview questions. Due to the research gap in the topic of diversity and LMX, the expected result of the research is a new contribution to LMX theory and the antecedents of the quality of LMX. Therefore, based on the data gathered in interviews with minority members of an organization, this thesis will draw conclusions and contribute to the theory of LMX. The sample is rather small

with only 6 (or 8) participants using the qualitative research method. This kind of research approach, when theory is developed based on the data, and small sample is examined using qualitative research method is called induction. (Saunders et al., 2016)

5.3 Research methods

In the literature there are two main domains of research – qualitative and quantitative. An appropriate research method must be chosen to obtain the best answers to research question. (Adams et al., 2013)

Quantitative research is mostly linked with positivism seeking to generalize the result of the analysis of data. The data collection is highly structured, and the data collected has numerical, percentage or monetary character. The focus is on examining the relationship between variables. Statistical and graphical techniques are common in this type of research. (Saunders et al., 2016; Krishnaswami & Satyaprasad, 2010) Sampling techniques can use monomethod – for example a questionnaire, or multimethod – for instance a combination of a questionnaire and a measurement. This research method is usually used in deductive approach – testing the theory by using data. (Saunders et al., 2016)

In interpretative approach to research where researchers try to make sense from subjective and socially constructed meanings, quantitative research method is the most common. It is linked to inductive research and theory development where new knowledge is created after collecting the data. The data collected are a subjective assessment of behaviour, attitude, opinions, impressions. The goal is to explore social relations and describe reality as experienced by research participants. (Saunders et al., 2016; Krishnaswami & Satyaprasad, 2010) It is also used to explore behaviour of people from different cultures. (Adams et al., 2013) The collection of data is not standardized and includes interviews, diary entries, observations, and other non-numerical procedures.

In addition to choosing one of these methods, researcher may also combine both. This is usually done in inductive and abductive research approach. It allows the researcher to provide a richer and more comprehensive understanding and response to the research question. (Saunders et al., 2016) The research method used in this master's thesis is a combination of qualitative and quantitative research within a single phase of data collection and analysis defined as concurrent mixed method research. (Saunders et al., 2016)

The participants of the research are asked to complete a short LMX7 questionnaire with 7 questions to determine the quality of the leader-member exchange from the minority subordinate point of view. Additionally, these participants are interviewed by the author to gain a deeper understanding of diversity dimensions as antecedents of the quality of LMX. The length of the interview is planned to be maximum 45 minutes.

The LMX7 questionnaire provides a better understanding of the quality of leader-member relationship. The score of the LMX7 questionnaire s the quality of the relationship. (Graen & Uhl-Bien, 1995)

5.4 Research design & strategy

In research it is possible to look at research question from five perspectives – exploratory, explanatory, descriptive, evaluative, and combined. Exploratory research provides space to ask open questions and get insights about a topic of interest. At the same time, it requires a flexibility of the researcher and the willingness to change the direction due to new data and new insights that come along with the research. Questions typically include "what" and "how" to get deeper understanding of an issue, phenomenon, or a situation

Descriptive research is especially in business often combined with exploratory research. The researcher needs to have a clear understanding of the phenomenon on which the data is collected prior to collecting. The aim is to provide a description of persons, events

or situations with questions usually starting with “Who”, “What”, “Where”, “When” or “How”. Explanatory research is applied when studying relationship between variables, usually using quantitative research methods. The researchers seek answers for questions including “Why” and “How”.

Evaluative research aims to understand how well something works. In business setting it might be an evaluation of business strategy, marketing campaign, internal policy, delivery of service, and others. The evaluation can be assessed through comparison. Lastly, combined research study combines more than one purpose for example by using mixed methods.

In this master thesis the primary approach in research design is exploration of how diversity dimensions affect the quality of relationship. This approach is combined with evaluative research assessing the quality of the relationship between the leader and the member via LMX7 questionnaire. (Saunders et al., 2016)

Research strategy is a plan of how the researcher will get the answers to the research question. It is a plan of actions to achieve the goal. Some of the most popular research strategies are experiment, survey, documentary research, action research or case study.

The strategy of this thesis is a case study. Saunders et al. (2016, p.184) defines the case study and an “in-depth inquiry” of a topic set in a real-life situation. The case can refer to an organization, a group, a person, an event, a process, or any other type of case subject. The case subject of this thesis is the leader-member exchange between the majority leader and minority member. To define a case study, it is necessary to determine the case subject and the boundaries. Case studies frequently use mixed research methods (Saunders et al., 2016) and so does this master’s thesis.

5.5 Data collection

A research interview is defined by Saunders et al. (2016, p.388) as “a purposeful conversation between two or more people, that requires the interviewer asking concise and clear questions to which the interview participant is willing to respond and to listen.”

There are 2 perspectives on interviews. Objective perspective collects the data from interview participants who are believed to witness the reality independently of them. The goal is to gather responses rather than understanding opinions, views, culture, and social aspect of interviewees.

A subjective approach on the other hand seeks for the perspective of the participant on a given issue, situation, event, person, organization – the case subject. In this approach participants are considered to be unique individuals and the goal is to gain a deep understanding how these individual traits affect the researched issue. (Saunders et al., 2016)

The research interviews can be classified as structured (strictly given standardized interview questions with standardized schedule), semi-structured (A set of some key questions resulting from themes of the research, questions may vary depending on the interview and setting, the sequence of questions may also vary), and unstructured (there are no pre-defined questions, however the topic of the interview has to be clear, the interviewee has a space to freely talk about the situation, observations, beliefs related to the topic). (Saunders et al., 2016)

Each type of the interview has a specific purpose in research. While structured interviews aim to gather data for quantitative analysis, the semi-structured interviews are more suitable for qualitative method in exploratory study with inductive approach. (Saunders et al., 2016)

Since this thesis uses primarily qualitative method, exploratory and inductive approach the best choice of data collection is semi-structures interview. The interview has 3 key topics – cultural differences, age differences from the perspective of generations, and gender differences from the perspective of different leadership styles of men and women. These topics are set in the context of leader-member exchange (relationship) quality. For each topic, there are questions outlines with space left for additional questions based on the direction of the interview. When it comes to context of relationship between the leader and subordinate, quantitative method using questionnaire is combined with a small number of additional questions to better understand the relationship.

The interviews are conducted online using Microsoft Teams tool. This is because of ongoing pandemic, but mostly due to physical distance between the interviewer and interviewees.

The second data collection method used in the thesis is the LMX7 questionnaire, developed by Graen & Uhl-Bienin 1995, to measure the quality of the leader-member relationship. Each question has 5 answers that are scored 1 to 5 points. The interpretation of the results is as follows:

- Very high = 30-35 points
- High = 25-29 points
- Moderate = 20-24 points
- Low = 15-19 points
- Very low = 7-14 points

Higher range scores indicate strong and high quality of relationship while lower range scores indicate lower quality of the leader-member exchange. In other words, in-group and out-group members. (Graen & Uhl-Bien, 1995)

5.6 Sampling

The data sampling is determining the population that will be examined. This is done based on the research questions and objectives set for the study. The process of sampling eliminated the population only to relevant sample that helps to answer the research question. (Saunders et al., 2016)

Non-probability sampling is often used in qualitative studies using interview data collection. Participants are chosen before the research. (Saunders et al., 2016) For this master's thesis non-probability sampling is the best option. The objective is to research the perspective on the LMX of a minority subordinate – which limits the participants to nationalities other than Finnish.

Due to the small sample of interviewees, it is necessary to limit the nationality to only one, to limit the possibility of personal traits being the antecedents of the quality of LMX rather than cultural differences. If many nationalities were chosen with sample as small as 6 participants, it would not be appropriate to generalize the impact of differences in behavior and values to the whole culture based on only 1 or 2 participants.

5.7 Data analysis

When analyzing the qualitative data, interviews are often recorder and transcribed. The research must not only capture what was said, but also the tone of how it was said. (Saunders et al., 2016). The interviews conducted for this research are recorded using Microsoft Teams and transcribed using the same tool. Due to language differences the interview transcripts are double checked by the author of the thesis.

This thesis uses thematic analysis to analyze the data gathered in interviews. According to Saunders et al. (2016) this process includes 5 steps summarized in the below table.

Step 1 Becoming familiar with the data	Getting to know the data, usually by transcription of the recordings. Actively observing meanings and patterns in the data
Step 2 Coding	Initial codes representing the patterns and ideas observed when familiarizing with the data. Defining codes: text, labels, colour coding. Linking parts of the data to codes.
Step 3 Searching for themes and recognising relationships	Identifying themes by binging together pieces of data associated with a particular code.
Step 4 Refining the themes and testing propositions	Reviewing the themes to make sure they are relevant for the research. Dropping themes with irrelevant or insufficient data, and merging themes with similar or same topics.
Step 5 Evaluation	Writing the report of the thematic analysis. The narrative should tell the story of the gathered data in a coherent way. Using quotes to support the thoughts and analysis.

Table 1 - Data analysis steps.

Information about participants and interviews

Interviewee	Nationality	Gender	Generation
In. 1	Finnish	Male	Y
In. 2	Finnish	Female	Z
In. 3	Finnish	Male	Z
In. 4	Indian	Female	Z
In. 5	Indian	Female	Y
In. 6	Indian	Female	Y

Table 2 - Interview participants information

5.8 Trustworthiness

Trustworthiness or the quality of the research can be assessed by reliability and validity. Reliability means the consistency or the stability of the measure, and its ability to produce consistent results the same is measured under different conditions. (Eriksson & Kovalainen, 2008, p. 292). According to Saunders et al. (2016), there are 4 common threats to reliability of the research: participant error, participant bias, and researcher error and researcher bias.

In order to minimize these threats in this master's thesis it is necessary to be transparent and provide explanation of what is done and how. The participants of this research have been carefully selected to meet the criteria of being a minority subordinates with a majority leader. All participants work in similar working environment. The interviews are conducted in a neutral manner to avoid bias or leading to a desired answer. Lastly, interviews are anonymous, and the supervisors of participants will not be informed about research participation in order to avoid influencing the research outcomes.

Validity of the research is given by the appropriateness of the research methods used to measure accurately what is intended to be measured. (Saunders et al., 2016) The objective of this study is to examine the antecedents of the quality of LMX from the subordinate point of view. The chosen qualitative research method – interview provides a deep and rich understanding of perspectives of research participants. The LMX7 questionnaire is used to measure the quality of LMX as it shows the highest reliability and largest correlations with other variables, as compared to other LMX measures (Gerstner & Day, 1997)

6 Findings

This chapter presents the empirical findings of the thesis based on the interviews with company subordinates and LMX7 questionnaires of the same participants.

Interview started with answering questions in the LMX7 questionnaire which aims to evaluate the quality of the leader-member exchange.

The following interview questions were focused on 5 main areas: 1. Quality of the relationship between leader and the member – to gain deeper understanding on the relationship on top of the LMX7 that also reflects the quality. The following 3 areas are related to diversity: 2. Cultural differences and the quality of LMX 3. Age difference and the quality of LMX 4. Gender difference and the quality of LMX. The last part of the questions was open for interviewees to express their other thoughts on what impacts the quality of the leader-member exchange. The main theme that emerged in the open part of the interview was the personality traits and qualities of the leader.

6.1 LMX7 questionnaire findings

The LMX7 questionnaire was conducted before the interview and the results are summarized in the table below. The table first describes the characteristics of Member (M), then characteristics of Leader (L) and finally the LMX7 final score.

Interview	Culture M	Generation M	Gender M	Culture L	Generation L	Gender L	LMX result
4	Indian	Z	female	Finnish	Y	male	**25**
6	Indian	Y	female	Finnish	X	female	**26**
1	Finnish	Y	male	Finnish	X	male	**27**
2	Finnish	Z	female	Finnish	X	male	**32**
5	Indian	Y	female	Finnish	X	male	**33**
3	Finnish	Z	male	Finnish	X	female	**34**

Table 3 - LMX questionnaire findings.

(35-30 very high; 29-25 high; 24-20 – moderate; 19-15 low; 7-14 very low)

Based on the LMX7 questionnaire, all members scored their relationship in the upper score range. According to Graen and Uhl-Bien (1995) it reflects higher quality relationships.

The strongest relationship based on the LMX7 is between leader and the interviewee 3. Both leader and the member in this relationship come from the same culture. However, there is a generational age difference with older leader and younger member, and a difference in gender too.

The second strongest relationship is formed between Indian member and Finnish leader, despite different cultural background. There is also a generational age difference with older leader and younger member, and a difference in gender.

The third best score is between a leader and a member coming from the same culture. There is a gender difference, the leader is male, and member is female, and generational age difference of young member and older leader.

The scores under 30 points are more significant in the relationship of a member and a leader of different cultural background, however, one of these relationships is between leader and a member of the same, Finnish culture. The lowest score in the LMX7 is between an Indian female younger member and Finnish male older leader.

It is not possible to clearly state from the outcomes of the LMX7 questionnaire what are antecedents of a strong leader-member relationship. Firstly, this is because of the small statistical sample. Secondly, it is due to the fact than even the same cultural background and gender, as in case of the interviewee 1, does not result in the highest possible LMX score. All the leaders and members have generation gap when it comes to age, therefore the difference is made with the gender and culture (not considering other factors that may affect this relationship's quality). The biggest similarity between the member and the leader is in the case of interviewee 1 and yet the score is below 30.

In order to provide better insights on what affects the quality of the leader-member relationship, it is needed to analyze the interviews, where members were asked more detailed questions about the relationship with regards to cultural background, age, gender, and other factors that may affect the quality of LMX.

6.2 Interview findings

This sub-chapter provides deeper insights into the quality of the LMX between the interviewed company employees and their supervisors. The interview questions were built to answer the research question and find out if diversity dimensions – culture, age and gender are antecedents of the quality of leader-member exchange in the chosen company. The objective of the thesis is also to find out in what way these dimensions impact the quality of LMX. There are 6 main themes that emerged in the analysis process of the interviews and were also determined by the interview questions itself. All interview themes are presented in the form of findings in the following subchapters.

6.2.1 Leader-Member relationship quality

The quality of the relationship between member and leader from the perspective of the member was first assessed with LMX7 questionnaire. This questionnaire provides categorization of relationship based on the points achieved. All 6 interview participants rated they relationships within the interval 25 to 34 points, which covers categories High and Very High LMX quality. This indicated that the relationships between members and leaders are of high quality despite diversity between these employees.

In order to understand the relationships deeper, the interviewees were asked more about the quality of LMX also in the interviews.

The positive characteristics of relationship were repeating with every interview participant which confirms the positive results of the LMX7 questionnaire. The most repeating

positive aspects of high LMX were mutual trust, good and easy communication which is enabled thanks to leader-member similarities, such as their background.

For one of the interviewees it was the same university background, and diversity dimensions as gender and culture serve as a connecting factor in the relationship with the leader:

> *"We come from the same school, we are both white males from the same culture, both not religious so these are common factors that bring us together, so informal communication is easy." Interviewee 1*

For another interviewee the similarity in the sense of humour and personality, or the ability to talk about family matters plays important role in the relationship:

> *"Being similar and having similar sense of humour can affect positively, it makes work atmosphere more relaxed. Being able to discuss things outside work, the informal communication, something funny or family stuff makes the connection." Interviewee 3*

According to another interviewee, regular communication with the leader and conversations on topics outside of work impact the relationship in positive way:

> *"We have weekly calls which makes the relationship good, we talk also about personal life." Interviewee 5*

Other important positive factors were openness in communication support and respect. One of the interviewees values the respect for opinions from the leader and the freedom to talk openly about feelings at work:

> *"I can talk about my issues and tell honestly how I feel about things. Leader is more like a coach to me than a supervisor, he respects my opinions." Interviewee 2*

Open discussion and honesty that is accepted by the leader, with reciprocal support, understanding and interest are positive aspects according to another interviewee:

> *"There is open dialogue and very much discussion involved, I feel like I am being listened to. This and also showing support are quite important, showing interest". Interviewee 3*

In opinion of another interviewee, a positive aspect of the LMX is a leader who listens and is willing to help:

> *"Leader is always ready to listen to my concerns and is willing to help in all areas, especially thanks to his vast knowledge." Interviewee 5*

On the contrary, there were also negative and neutral characteristic which were mentioned by two interviewees, both of them have a leader of different cultural background, and scored their LMX quality lowest out of all interviewees in the LMX7 questionnaire (25 and 26 points).

In case of one of the interviewees is the lack of directions that makes the LMX quality lower:

> "*The leader doesn´t provide good enough directions on work and it makes me feel like I don´t always know what is expected from me. I often have to specifically ask the leader and it impacts the relationship negatively. I also have difficulties saying no to my leader" Interviewee 6*

Similarly, another interviewee considers poor communication as a result of lower LMX quality:

> *"We are not sharing much information with my leader, we don´t have that kind of relationship. I consider myself as outgroup, I think it is given by the nature of IT industry." Interviewee 4*

From the description of the quality of LMX by members interviewed it is clear that good communication has a positive impact on the quality, and poor communication affect the relationship negatively. Important positive factors are also mutual trust, openness and similarities between members and their leaders which provides space for communication and bonding between member and leader.

6.2.2 Leader Qualities and Personality Traits

The interviewees were also asked to describe their leaders in terms of qualities and personality traits. This interview theme came up in the interview process when interviewees often mentioned that "it depends on the person". Therefore, I considered it important for this research to include the question of leader´s personality from members´ perspective.

The most significant leader characteristic that all interviewees mentioned was supportive leader willing to take responsibility for his or her subordinates.

One of the interviewees trusts the leader despite some issues, the trust comes from the extra step leader is willing to do for subordinates:

> *"... sometimes he forgets thigs but in general he is reliable and willing to make extra effort to help when needed." Interviewee 1*

Similarly, another interviewee also highlights leader´s will to help and step up for the subordinates:

> *"When some issue comes up the leader should be the one to step up first and take the responsibility – my leader is doing it in a perfect way." Interviewee 4*

> *"... My supervisor is listening to me and always willing to help." Interviewee 5*

Said in another words, support from the leader is also important for the next interviewee:

> *"She is caring in a good way – makes sure that every member has all they need to perform their job well." Interviewee 3*

Another interviewee values the knowledge of the leader and the ability to pass it on to the interviewee:

> *"He is also very helpful in my role, and taught me a lot about project management, finance and other stuff too." Interviewee 2*

Apart from support and willingness to help interviewees also mentioned good organization skills, hard working, flexibility, empathy:

> *"He is not so har on people and has "this is just life attitude". He doesn´t require to follow rules from word to work but provides more freedom, and understands when flexibility is needed. The best quality of my leader is that he understands that I have other life than just work life." Interviewee 2*

All of the interviewees mentioned that they believe the biggest impact on the quality of the relationship have personality traits. When asked to describe the personality and qualities of the leader, only few were mentioned by all interviewees. The most significant

one is support from the leader in the form of willingness to help. Less significant were knowledge of the leader, and flexibility.

6.2.3 Culture difference

Cultural background of the leader and the member is one of the primary researched LMX quality antecedents. Based on the literature review, cultural differences have impact on the relationships people build. The interviewees were asked to describe how cultural background of them and their leader impacts their relationship.

Three of the interviewees come from the same cultural background – Finnish culture. The other three interviewees come from India and have Finnish leaders. Despite the cultural difference, one of the Indian subordinates scored the quality of LMX with the second highest score out of all participants. In general, the results of LMX7 questionnaire are in favour of the same cultural background of both leader and member.

Same cultural background

According to one of the interviewees, coming from the same culture makes the communication and working with the leader easier:

> *It makes things easier, we can assume a lot of things and most of them are true, because we have the same cultural background, similar thinking. It gives more time and takes less effort to work on things that actually matter." Interviewee 1*

In the case of another interviewee, the leader treats the subordinates according to their professional skills and personality, not according to cultural background. However, coming from the same culture still has a positive impact:

> *"My leader supports diversity in the team and he does not care about the cultural background of people, but focuses on professional skills of the person. The leader is only interested in skills and potential. However, having the same culture, same language, same background, we studied the same school, affects the relationship in a positive way." Interviewee 2*

The next interviewee also believes that building of the relationship is easier with the leader of the same cultural background:

> *"It is pretty obvious that it makes it easier because you know the basics of the culture and underlying culture – like knowing the cultural references. Building of the relationship is easier." Interviewee 1*

Different cultural background

When it comes to Indian interviewees with Finnish leaders, the questions in the interview were based on the cultural differences that were defined by Hofstede.

There were 9 aspects of cultural differences mentioned by these interviewees: giving feedback, language (also mentioned by Finnish interviewees), hierarchy, openness in communication, trust, work-life balance, individualism-collectivism. The last 3 aspects are given by the cultural difference, however, are not related personally to member and leader. These are time difference, different national holidays, and physical distance between member and leader.

According to two of the Indian interviewees, the positive impact of different culture is the openness of Finnish leaders in communication, which reflects for example in feedback giving:

> *"When I am presenting something to Finnish leader I am more likely to receive a feedback. It is very useful for improving myself and gaining more knowledge." Interviewee 4*

The next interviewee also states the communication impact, especially feedback:

> *"It is very easy to reach out to Finnish leaders, thanks to regular meetings, and feedback provided by leaders. It affects the relationship positively because you have a direct knowledge of what you are doing right and what no." Interviewee 5*

In the point of view of another interviewee, openness in communication makes the member feel more understood:

> *"Compared to Indian leaders, Finnish leaders can have one to one direct conversation and directly say or express their concerns. It feels like leader understands needs of member better. " Interviewee 4*

On the other hand, one of the Indian interviewees finds it more difficult to connect with Finnish leaders due to different level of collectivism in Finnish culture:

> *"Finnish people are more reserved kind of people, Indians are little more social and can talk to other people in a very easy manner. With Finnish people, you never know if they are willing to talk or not willing to talk." Interviewee 6*

According to Indian interviewees, the time difference, physical distance and different holiday calendar affects the effectiveness of cooperation with leader of different culture, and decreases the efficiency of communication:

> "*Sometimes some deadlines are during Indian vacation. When it comes to vacation in Finland, members in India work but cannot reach Finnish leaders due to vacation time. The time difference affects the communication efficiency." Interviewee 5*

The physical distance given by different cultures creates an obstacle in communication for another interviewee:

> *"You are chatting virtually but you will actually never know. You assume something but you never know. I don´t know what exactly that leader means to say, it is hard to get the tone of the conversation." Interviewee 6*

One of the Indian interviewees finds it easier to make good relationship with her leader thanks to different hierarchy perception in Finnish culture:

It is very easy to reach out to Finnish leaders, thanks to regular meetings, feedback they provide, it affects the relationship because I have a direct knowledge of what I am doing right and what no." Interviewee 4

Language

Language as a part of culture was mentioned by all interviewees and received the most focus from interviewees in the interview part with culture. Both Finnish and Indian interviewees agree that language difference makes it harder to connect with the leader, and to have effective communication. The effectiveness of communication was one of the aspects that was mentioned in the beginning on the interview to be a positive determinant of a good relationship.

The positive impact of the same mother language was described by Finnish interviewees with leader of the same cultural background:

> *"It is easier to express everything in mother language, nuances of the language, certain things that just do not translate so easily. It is an advantage." Interviewee 1*

According to Finnish interviewees, being able to clearly say how one feels without too much explaining is an important factor:

> *"Thanks to the same language it is easy to express what you feel and it impacts the relationship in a good way." Interviewee 2*

> *"Language is playing a stronger role than culture. Being able to express yourself clearly is very important, not having to think so much about what you want to say. Not being able to express as clearly as you wish is a big factor that affects when you try to build deeper relationship with a person." Interviewee 3*

The interviewee also believes that same language provides more opportunities for discussion and serves as a bridge that brings people closer:

> *"Language also helps in every day topics, small talk that also helps to build relationships. I think language is very important, it is a bridge you use to build a relationship with people."*

Lastly, the same interviewee´s opinion on language is that people are more courageous to start a discussion when speaking the same language:

> *"Another thing is that people are usually more social in their native language because it is easier – they are not so confident in the second language."*

The negative impact of the language difference is obvious to Indian members with Finnish leaders. The language issue is stressed with the slang and accent that both nationalities have when speaking English:

> *"The slang and the accent are different. If they speak the same slang the understanding between leader and member is better. Speaking different English can cause confusion, miscommunication, and misunderstanding." Interviewee 4*

One of the interviewees sees difference in language as a source of misunderstandings with the leader:

> *"If I am expected to something but I am not able to reach that point because of language issue. I am doing things in a certain way but I am supposed to be doing it in another way. The reason is miscommunication and if affects then the relationship with the leader." Interviewee 4*

The second Indian interviewee faces the same issue with the effectiveness of communication:

> *"Language difference is affecting the communication efficiency, it is something that divides member and the leader, especially when it comes to pronunciation. It is one big difference that impacts the relationship." Interviewee 5*

The issue of different accent was brought up also by the third of the Indian interviewees

> *"Understanding what people are trying to say is difficult, like accent." Interviewee 6*

6.2.4 Age difference

In the theme of age, the interviewees agreed on the age difference to be a benefit for the quality of LMX. The reasons that were repeatedly mentioned were leader´s experience, different points of view, and the opportunity to learn for both member and leader.

One of the interviewees thinks that having older leader makes the relationship better due to wider knowledge that both possess:

> *"It may actually bring us closer because we both know something that the other person may not know and we tend to share these important bits of information. Interviewee 1*

The next interviewee agreed with the information sharing from both sides and added the benefit of the possibility to learn something new from experienced leader

> *"In a sense we are in a different phase of life – one is young starting the career and the other is already having a family living the busy life. But it doesn´t affect in a negative way. Thanks to age difference we get more different perspectives in work and other matters. Being a young person having old leader means a lot of opportunities to learn because the leader has a lot of knowledge and experience. It affects positively because I can grow as a person." Interviewee 2*

Another interviewee added to the topic that having older leader is a good value in organization having mainly older generation as employees:

> *"The age is the thing that affects the most. Being young in an organization where majority of the employees are much older, the viewpoints may differ. Having older leader helps to understand the dynamics and thinking in the*

> *organization. It doesn´t separate me and my leader, it strengthens the relationship because I get guidance from a person who has been working in the sector for few decades and that is something which has a big value." Interviewee 3*

The next interviewee confirmed what was already stated by the previous interviewees:

> *"It is good to have older leader because of their big knowledge and opportunity to learn from them, the way they handle things" Interviewee 5*

Two out of the three Indian members asked said that age difference is the biggest difference between then and their leaders, something that separates them the most and creates issues:

> *"People are not as friendly, it is more formal way of communication, it is difficult to ask questions, exactly what you want to ask. The older generation is very structured and plans everything, younger generation is more open to changes, the old generation is very structured and plans everything, younger generation is more open to changes." Interviewee 6*

One of the interviewees sees age difference as a source of negative discrimination from leader:

> *"I feel discriminated when it comes to age. It takes longer to gain leader´s trust than it takes for experienced person. For example, in our team, we have older members that leader prefers to trust over the young members, even if the young members are right, the leader does not consider our opinion because we are young. I wish that the leader would go with the truth instead on the age." Interviewee 6*

Age as a diversity dimension is according to the interviewees a dimension that makes them different the most. Both in a positive way where age difference brings more knowledge and information sharing, but also in a negative way where interviewees feel difficulties to approach the leader or even being discriminated.

6.2.5 Gender difference

Gender difference between member and leader had, according to the interview answers, the lowest impact on the quality of LMX. Some of the interviewees described situation when gender might make some difference in the quality of LXM, but the general agreement between interviewees was that gender does not affect it much:

> *"Gender should not affect but it might subconsciously, comparing previous leaders of different genders it feels like it doesn´t affect and it is more about the personality of the leader" Interviewee 1*

Another interviewee stated that gender doesn´t have any importance in professional relationship:

> *"Gender does not affect the relationship at all, I consider my leader as a professional, not in terms of gender." Interviewee 2*

The next interviewee mentions that bad and good experience comes with both genders:

> *"Gender does not play any role, I had experience with both – horrible and great male and female leaders." Interviewee 3*

One of the interviewees has a negative experience with the leader of the same gender, however, this experience was also depending on the team setting, not only on the leader:

> *"When I worked in the team where the leader was woman in the same age group, also the whole team was female members, there was a lot of gossip, drama, lots of competition. The relationships were not good. It is better to have more diverse environment in work." Interviewee 2*

Two of the interviewees mentioned that it would be easier to connect with their leader on the personal level if they were of the same gender:

> *"I would feel more comfortable opening to a female leader that to men leader about issues." Interviewee 5*

> *"When it comes to personal things it is easier to share it with the same gender. If leader understands that, being the same gender is one of the benefits."*

According to interviewees the relationship with the leader is not affected by the gender of the leader, however, some interviewees find it easier to connect with the leader of the same gender.

6.2.6 Other factors affecting the quality of LMX

At the end of the interview, participants were asked to openly talk about other aspects that affect their relationships with their leaders. The answers of all participants differed and there was no general conclusion on what is the reason behind the kind of relationships they have with their leaders.

One of the factors was the leadership style:

> *"Leadership style is important, in the past subordinates had to only do what the supervisor told them. Nowadays the communication and discussion are more important." Interviewee 1*

Two of the interview participants agreed that the good quality of LMX is a result of openness in the relationship, mutual respect, trust and personality traits of leader and the member:

> *"The best possible situation is that you do not have to think about diversity – if you have a good person coming to work it does not mater where you are from, who you are, what your personal life is." Interviewee 3*

> *"The key to our good relationship is openness, mutual trust, it is also a result of our personality traits, and my willingness to work hard and ear leader´s trust." Interviewee 2*

7 Discussion

The goal of this thesis was to understand if and how do diversity dimensions – age, gender and culture influence the quality of the leader-member exchange. The main objectives were to present a theoretical framework of leadership focused on the Leader-Member Exchange theory and diversity, with focus on cultural differences, age differences and gender diversity; to conduct interviews with members in order to understand the quality of LMX from member´s perspective; to analyse the interviews to find out if cultural differences, age and gender are antecedents of the quality of leader-member-exchange; to analyse the interviews to explore how do these diversity dimensions affect the quality of leader-member-exchange; and to provide a better understanding of the member´s perspective on how their diversity impacts the relationship with the leader, so that the leaders in the chosen organization acknowledge the importance of diversity management.

The discussion chapter follows the structure of the findings chapter and explores the meaning of the interview findings, addresses the research problems and compares them to existing knowledge of the impact of diversity dimensions on the quality of leader-member exchange.

7.1 Leader-Member Exchange quality

The literature divides the quality of LMX into low-quality and high-quality. The high-quality LMX (in-group) is characterized by high trust, support and formal/informal rewards, and interaction. (Liden & Graen 1980, Yukl 2005, Ansari 2007) Low trust, support, interaction and rewards are typical for the low-quality LMX (out-group). Out-group relationships are limited to exchange defined in the employment contract. (Liden & Graen 1980)

All participants of interviews reported their LMX quality to be high. The most significant aspects of high LMX mutual trust, good and easy communication which is enabled thanks to leader-member similarities, such as their background. Important positive factors are

also openness and similarities between members and their leaders which provides space for communication and bonding between member and leader. The interview results are in line with the existing research on what makes the relationships between leader and subordinates strong and of high quality. It was important to understand the positive aspects in these relationships to be able to examine whether diversity dimensions are the factors that impact these positive aspects.

7.2 Leader qualities and personality traits

The goal of the thesis was not to examine whether leader qualities and personality traits affect the quality of LMX, since the focus of the research is mainly of subordinates. However, many interview participants did mentions leader qualities and personality traits to be important aspect.

Despite these being mentioned often, when asked for details, the interviewees struggled to provide certain answers. The repeating answers were leader´s flexibility and knowledge. Both of these might be a result of diversity dimensions, as flexibility is often linked with younger leaders, while knowledge is linked to experienced older leaders.

Due to the high frequency in which the personality traits were mentioned, this small subchapter is included in the discussion chapter to acknowledge it´s importance in building a high LMX.

7.3 Culture difference

Cultural differences were the most significant topic in the interview, mainly due to the number of aspects culture has – such as language, social norms, power distance, individualism vs collectivism, and similar.

All participants reported their LMX to be of high quality despite cultural and other differences. In general, the results of LMX7 questionnaire are in favour of the same cultural background of both leader and member.

Participants who come from the same cultural background as their leaders reported that communication is much easier as well as building a strong relationship. There two aspects are interconnected and good an effective communication leads to strong relationships. As one of the participants noticed:

“It is pretty obvious that it makes it easier because you know the basics of the culture and underlying culture – like knowing the cultural references. Building of the relationship is easier.”

Based on the answers from the interviews it is obvious that building of relationship is more natural and goes easier when leader and member comes from the same cultural background, as there is les space for misunderstanding and more opportunities to bond – like having similar perspectives.

On the other hand, interview participants who come from different country and therefore do not share the same culture with their leader identified differences that have the impact of the quality of LMX they have with their leader. The impact of these differences is not only negative such as language difference, different level of collectivism vs. individualism, physical distance, but also positive, such as different level of openness of the leader thanks to different cultural norms and with that related direct feedback and communication.

As Rothlauf (2014) states, people coming from different cultures can lead to faux pas or even significant problems in organization and personal life if the cultural differences are not well acknowledged by both sides. Such example of lack of deeper understanding of these differences is the importance Indian subordinates assign to friendliness, sense of

community and belonging, which are signs of highly collectivistic country as India is. To Indian participants, Finnish leaders, or people (co-workers) in general are more reserved and “you never know if they are willing to talk or not willing to talk”. Finnish leaders tend to encourage independence while in India the needs of the groups as a whole are more important. As these differences are not acknowledged well from both sides, it makes it harder for the Indian subordinates to connect strongly with the leader and build high quality LMX.

Another issue related to people´s origin is the actual physical distance. Thanks to technological advancement and the experience of global pandemic, people coming from different cultures working together doesn´t necessarily mean also working at the same location. As this change has happened only recently, not all companies succeed to understand the complex impact it has. For example, interviewees mentioned Indian holidays, that are in a different time of the year that Finnish. Issues arise when working deadlines come from Finnish leaders towards Indian subordinates in times in Indian vacation. On the other hand, it is difficult for Indian subordinates to reach out to their supervisors especially in the summer, when most of the Finnish working people are on vacation. Such practical implications of different working locations and cultural differences lead to less effective communication and tension between leaders and members.

An aspect of culture that has received the most attention in all interviews was language. As well as the literature states that language difference may impact communication, understanding, bonding and cultural awareness, interviewees confirmed too that having the same or a different mother language plays a big role in the quality of LMX.

The positives of speaking the same mother language as the supervisor does are for example the ability to express everything better: “... nuances of the language, certain things that just do not translate so easily. It is an advantage.” Another aspect is being able to clearly express how one feels without too much explaining and thinking. As both member and the leader speak the same mother language, the understanding is deep

and comes naturally. Additionally, speaking the same language provides opportunities for simple discussions such as small talk and daily topics which serves as a bridge that brings people closer to each other. Lastly, according to interviewees it is easier to be social in native language – thanks to confidence, that is often lacking when speaking a foreign language.

When it comes to speaking a different native language and using English to connect with the leaders, several issues arose in the interviews. While literature mentions different communication styles – direct and indirect to cause troubles in LMX, the interviewee participants reported additional items such as understanding the slang and accent. Indian accent in English and the slang used differs to Finnish and causes misunderstandings, for example when receiving working instructions "... If I am expected to something but I am not able to reach that point because of language issue. The reason is miscommunication and if affects then the relationship with the leader." Indian members have in general issues with understanding the English their Finnish supervisor speak and they feel the same issue from the other side. All the participants agreed that this is a significant problem that affects their relationships with leader.

The differences in cultural background can also have a positive impact on the quality of LMX. While literature mainly focuses on these differences as a source of issues, the interviewee participants provided new insights to this topic. Some of these positive aspects which different culture brings are direct communication and openness typical for Finnish leaders. As an example, one of the interviewees mentioned the willingness to provide a direct feedback. According to the interviewee Finnish leaders are more likely to give instant feedback, which the subordinate finds useful for improving self and gaining more knowledge. Giving a feedback to subordinates indicates honestly which contributes to trust between the leader and the member. This has a positive impact on the quality of LMX.

Another interviewee highlighted the openness in communication that Finnish leaders have compared to Indian leaders: "... Finnish leaders can have one to one direct conversation and directly say or express their concerns. It feels like leader understands needs of member better." According to the literature, understanding is one of the elements that can be deteriorated when 2 people have different native language, leading to a sense of isolation, and failure to connect with the others (Giles at al., 1991). In this case, it is compensated by leader´s openness and thus the level of understanding is deeper, and consequently positively impacting the quality of LMX.

Lastly, the cultural difference that makes it easier for members to form strong LMX with their leaders is the power distance. Power distance is described by Hofstede (Hofstede Insights, 2021) as the extent to which people accept unequal distribution of power. India scores high in this cultural dimension meaning that there is strong hierarchy. On the contrary, Finland scores low and power is not centralized, opinions of subordinates are also considered in the decision-making. This makes Indian members feel like it is easy to reach out to Finnish leaders, thanks to regular meetings and discussions. As one of the interviewees mentions: "... it affects the relationship because I have a direct knowledge of what I am doing right and what no."

In conclusion, cultural differences do impact the quality of the LMX between members and their leaders. The impacts are negative when it comes to language, physical distance, different culture traditions such as holidays. On the other hand, cultural differences also bring positive impact in the form on openness of Finnish leaders, and direct communication. Cultural difference may as well as cultural similarity impact the quality of LMX in positive way.

7.4 Age difference

According to current finding, age difference in the workplace might be a source of issues, for example due to differences in attitudes, values and work motivation across different

generations. (Dasek, Suchanec, 2018). Another argument, to support the claim that age difference might have a negative impact, is the age difference assessed through the perception of similarity and dissimilarity between leader and subordinate. People tend to prefer and identify more strongly with others who are similar to them in terms of demographic characteristics, including age (Erdogan & Bauer, 2010).

Based on the arguments above, it was slightly surprising to hear the answers of the interviewees when asked about the impact of age difference on the quality of LMX with their leader. Most of the interviewees agreed that age difference actually serves them as a benefit. All members have at least by one generation older leader. The wider industry knowledge that comes in hand with higher age provides the opportunity to grow for subordinates, and to learn. Interviewees also say that this kind of positive exchange is reciprocal as: "... we both know something that the other person may not know and we tend to share these important bits of information." The age difference also means different lifestyle and different perceptions which impacts the relationship in a positive way: Thanks to age difference we get more different perspectives in work and other matters. Being a young person having old leader means a lot of opportunities to learn because the leader has a lot of knowledge and experience. It affects positively because I can grow as a person."

According to one of the interviewees, the age is the diversity dimension that affects the quality of LMX the most. Being young in the organization and having an older leader who has a wide knowledge about how the company works, and provides useful guidance to the subordinate strengthens the relationship, because the possibility to learn has a big value.

On the contrary, there were 2 interviewees that also mentioned the negative side of having the generation difference. In one case, interviewee feels discriminated because of the age difference between co-workers and supervisor. Leader tends to trust more

older members of the team, even when the interviewee feels like having valuable opinions and inputs too. Literature on LMX describes trusts as one of the factors important for high LMX (Liden & Graen 1980, Yukl 2005, Ansari 2007). Therefore, in this case the age difference negatively impacts the relationship between leader and the member.

Another interviewee finds the issue of age difference in flexibility. The older generation, according to the interviewee, is more structured and plans everything, while younger generation is open to changes. These differences may result in conflicts when younger subordinate proposes changes in the work processes which would be beneficial for the company, but older leader is not willing to change the already structured process. Lastly it is the means of communication that young generation prefers to use – such as Teams. Older leaders are not as friendly in this communication and prefer the formal style. This difference creates a distance between the leader and the member.

In conclusion, age, as well as culture plays a significant part in the quality of LMX. Majority of the interviewees agreed that age has a positive impact on the quality of LMX thanks to opportunity to learn and gain different perspectives on work matter. Some of the negative impacts were lower trust received from leader due to lower age and different communication styles across generations.

7.5 Gender difference

One of the objectives of this thesis was to find out whether gender difference between leader and member impacts the quality of LMX. According to literature, there is a difference in leadership styles between women and men. According to Mikulastik (2015) the differences are caused by the traditional way of upbringing. Women tend to be supporting, caring, reward success, inspire and build good teams where ideas are openly discussed and members maintain good relationships, and help each other. (Prime et al., 2009) On the other hand, men excel in task division, problem solving and the ability to

influence people on higher positions (Prime et al., 2009) The recent research on the preferred management style is in favour of women. (Mikulastik, 2015; Dytrt 2014; Folkman 2012).

The impact of the gender difference on the quality of LMX described in literature says that issue may arise from gender stereotypes, for example the members´ perception of women leaders to be less effective and trustworthy (Eagly & Johnson, 1990). Another impact is the member´s preference of leadership style, as mentioned above, there are significant differences. Lastly, the perception of similarity, if leader and member are of the same gender may make the quality of LMX stronger. (Kacmar, Carlson, & Harris, 2013)

The results of the interviews do not align with the existing literature. Most of the interviewed subordinates agreed that gender does not have any impact on the quality of the relationships they form with their leaders. There was only one interviewee who finds it better to have the leader of the same gender.

The shared opinion of gender not playing a role in the quality of LMX comes from members´ experience of "...both – horrible and great male and female leaders." In this case, the personality traits of the leader play greater role in the quality of LMX rather then the gender itself. Another argument for no impact of gender difference to the quality of LMX is the perception on the leader as a professional, not considering the gender as a factor at all.

The impact that gender had on the quality of LMX mentioned by interviewees was by the feeling of safety when opening up about issues to the leader of the same gender: "When it comes to personal things it is easier to share it with the same gender. If leader understands that, being the same gender is one of the benefits."

One of the interviewees also mentioned that gender homogeneity in the team – having a female leader and a team of only women often led to negative situations such as gossip,

unhealthy competition and drama. The quality of relationships between the team members and with the supervisor were low. However, in this case, the gender homogeneity of the whole team as a whole might have had the impact of the quality of LMX, not the single homogeneity between leader and member.

In conclusion, gender difference does not have a significant impact on the quality of LMX. It might be easier to open up to leader of the same gender with issues, however, most of the interviewees consider gender as unimportant factor when forming a relationship with the leader.

8 Conclusion

This chapter concludes the thesis by summarising the main research findings in relation to the research question and research objectives. The chapter also summarises the value, contribution and practical implications of the thesis. Lastly the chapter presents the limitations and opportunities for future research.

To summarize the purpose of this thesis – the thesis aimed to investigate whether diversity dimensions – culture, age and gender impact the quality of leader-member exchange in a chosen company. Furthermore, the thesis aimed to examine how these diversity dimensions affect the quality of leader-member exchange. In order to answer the main research question: *Are diversity dimensions – culture, age and gender antecedents of the quality of leader-member-exchange in the organization and if so, how do these dimensions affect the quality of leader-member-exchange?* a theoretical framework was presented on the topics of leadership, leader-member exchange, diversity, and diversity and LMX. Thanks to the theoretical framework it was possible to better understand the existing knowledge on this topic and subsequently construct an empirical research which was based on this theoretical framework. The empirical part of the thesis was conducted by qualitative research in form of semi-structured interviews combined with a short quantitative questionnaire to evaluate the quality of LMX. The interviews provided a deeper insight in what makes the relationship quality strong or weaker. The outcomes of the questionnaires and the interviews were analysed in order to contribute to existing literature on understanding how diversity affects the quality of LMX.

8.1 Theoretical contribution

The theoretical contributions of this master´s thesis are related to the existing knowledge on the impact of diversity on the quality of leader-member exchange. The thesis provides a unique perception on this topic when investigating the differences between Finnish and Indian cultural in relation to leader-member exchange theory.

Firstly, the thesis´s findings support the existing literature and show that diversity dimensions – culture and age impact the quality of the leader-member exchange. On the other hand, the thesis finding´s do not align with the literature on the impact of gender difference, as the thesis findings show that gender does not play a big role in the quality of leader member exchange.

Secondly, the thesis contributed by deeper insights on how these diversity dimensions impact the quality of leader-member exchange:

- Culture – the thesis contributes mainly by the findings that despite different cultural background of leader and member, the quality of the relationship can be improved, for example by leader´s openness which is given by culture, or by lower level of power distance that is appreciated by subordinates coming from the culture of strong power distance. Additionally, due to recent world pandemic and change of working when subordinates might be working from different locations than supervisors, the thesis also relieved that different cultural traditions such as holidays impact the quality of LMX negatively if they are not well considered in the workplace.
- Age – despite the literature review stating that age difference may lead to conflicts and weaker relationships in the workplace, the interviews relieved that the age difference is on the contrary a positive factor that strengthens the quality of LMX – mainly thanks to opportunity to learn from each other.
- Gender – interview results showed that gender does not play a significant role in the quality of LMX. In this case the personality traits and skills of the leader are more important for subordinates rather than the gender.

8.2 Practical implications

In today's globalized world, diversity has become a critical component of many organizations. Diversity in the workplace has been linked to various positive outcomes, such as increased creativity, innovation, and problem-solving abilities (Cox & Blake, 1991). The

findings of the thesis showed that cultural differences and age difference impact the quality of leader-member exchange. LMX is critical for understanding various outcomes such as job satisfaction, turnover intentions, and job performance (Graen & Uhl-Bien, 1995). Considering these, it is evident that understanding of cultural differences and age differences may help companies to achieve better outcomes – such as higher job satisfaction, lower employee turnover, and better job performance.

The impact of culture on the quality on LMX showed to be significant, especially through language. When it comes to Finnish and Indian culture, it is important that both, leader and members acknowledge the different accent and slag in English, the language in which communication is conducted. In practice, both parties should always ensure the key information of the communication was understood in the same way by both leader and member. Additionally, increased frequency of spoken communication between Finnish leaders and Indian subordinates can eventually improve the level of understanding the language and therefore minimise the negative impact on the quality of LMX. As the cultural differences were also a source of positive impact, it creates an opportunity for Finnish leaders to take the advantage of and put more focus on those areas when working and communicating with their subordinates.

Similarly, age difference between members and leaders showed to be beneficial from the perspective of mutual learning and opportunities to grow for the subordinate. In practice, the company could introduce a mentoring program where older leaders would pass on their knowledge and experience to younger employees with future leadership potential. Since negative impacts of age difference was also mentioned by the interviewees, it is important that leaders and members acknowledge the age difference in their communication and cooperation, and find a compromise in which the communication is effective. Thesis findings indicate that leaders who respect the ideas and opinions of their younger subordinates build higher quality LMX, therefore age difference should not play a crucial role towards trust and credibility of ideas and perspectives.

8.3 Study limitations

This master thesis contributed to existing knowledge about the impact of diversity dimensions on the quality of LMX, however, it also has limitations that are important to mentioned. These are number of interviews conducted, one-sided perspective of a relationship where the input of the second relationship participant is not considered, limitation to Finnish and Indian cultural differences, the fact that this is a master´s thesis, and limited experience in research of the author.

The first limitation comes up from the limited number of interviewees therefore smaller number of perspectives and opinions how diversity dimensions affect the quality of LMX. Therefore, the findings of these thesis should not be generalized. However, the aim of this thesis was not to generalize the finding, but rather contribute to existing knowledge on how diversity impacts the quality of LMX

Secondly, the one-sided perspective on a relationship in which 2 people are involved. To fully understand the quality of the relationship and the impact diversity has on it, it would be necessary to interview both – member and leader. However, this thesis aimed to look at the members´ perspective and was also limited by time.

Third, the cultural background of participants was Finnish or Indian, therefore the findings of the study, especially from the cultural point of view can only be applied on these kinds of leader-member exchange situations. Cultures differ in a great extent between each other, it is important to acknowledge these differences and the results cannot be generalized on any other combination of cultures that those involved in this research.

Lastly, the fact that this study is a master´s thesis and therefore there was limited time and restricted resources to conduct the research. The researcher of this master´s thesis is lacking research experience, therefore the limits of this thesis might be for example in the interview process, where questions might have been formulated in a more effective way to get deeper insights. The interviewee participants and the research speak different

native language, as it also comes up in the findings of this thesis, language differences may cause misunderstandings that might have reflected on the interpretation of the collected data.

8.4 Suggestion for future research

This subchapter presents possibilities for future research that are also linked to the limitations of this study.

Firstly, a similar research could be conducted including higher number of participants including leaders to gain a better understanding on the quality of LMX and the impact diversity dimensions have. The study could be supported by quantitative research where the relationship between diversity dimensions and the quality of LMX could be analysed by using statistical methods.
Additionally, many interviewees mentioned in their answers that the quality of LMX depends on the personality traits and knowledge of the leader. Apart from diversity, the topic of quality of LMX could also be assessed from the perspective of leaders´ personal qualities.

Another opportunity for further research is exploring different culture combinations. If a certain company has multiple employees of the same culture that differs to the one where the country operates, it could help the company leaders understand these differences better and improve the quality of LMX.

In conclusion, the further research could focus on collecting more data, collecting quantitative data to support the qualitative data, more culture combinations could be explored and personality traits and knowledge of the leader could be considered.

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Appendices

Appendix 1. Quantitative research questionnaire

1) Name:
2) Gender: male / female / other
3) Age (in terms of generations)
    a) Baby boomers – born between 1946 and 1964
    b) Generation X – born between 1964 and 1980
    c) Generation Y – born between 1981 and 1994
    d) Generation Z – born between 1995 and 2010
4) Age of your supervisor (estimate if you are unsure)
    a) Baby boomers – born between 1946 and 1964
    b) Generation X – born between 1964 and 1980
    c) Generation Y – born between 1981 and 1994
    d) Generation Z – born between 1995 and 2010
5) Nationality:

Leader-member exchange 7 questionnaire

1. Do you know where you stand with your leader; do you usually know how satisfied your leader is with what you do?

    Rarely *Occasionally* *Sometimes* *Fairly often* *Very often*

2. How well does your leader understand your job problems and needs?

    Not a bit *A little* *A fair Amount* *Quite a bit* *A great deal*

3. How well does your leader recognize your potential?

    Not at all *A little* *Moderately* *Mostly* *Fully*

4. Regardless of how much formal authority the leader has built into her/his position, what are the chances that your leader would use her/his power to help you solve problems in your work?

    None *Small* *Moderate* *High* *Very high*

5. Regardless of the amount of formal authority your leader has, what are the chances that he/she would “bail you out” (get out of a problem) at her/his expense?

   None *Small* *Moderate* *High* *Very high*

6. I have enough confidence in my leader that I would defend and justify her/his decisions if she/he were not present to do so?

   Strongly disagree *Disagree* *Neutral* *Agree* *Strongly Agree*

7. How would you characterize your working relationship with your leader?

Extremely ineffective *Worse than average* *Average* *Better than average* *Extremely effective*

Appendix 2. Interview questions

1) Could you please tell me more about the quality of the relationship with your leader?
2) How would you describe your leader in terms of qualities?
3) Would you define yourself as in-group or out-group members in the team? (members were informed about the basics of the LMX theory in the interview)
4) What are the most significant diversity dimensions for you that impact the relationship with your leader? (members were informed about what diversity dimensions are)
5) Do you perceive yourself to be different to your leader?
6) Are you aware of difference in the power distance given by cultural difference in the relationship with your leader? (members were acknowledged about the Hofstede´s concept of power distance) If so, how does it impact your relationship with the leader?
7) How important are clear directions from your leader, and knowing what is expecting from expected from you in your function?
8) Does your leader meet your needs of knowing what is expected and receiving directions?
9) In general, how do you think, how do cultural differences affect the relationship with your leader?
10) How does age difference between you and your leader affect your working relationship?
11) How do you perceive the impact of gender difference on the quality of the relationship with your leader?
12) How does age difference impact the quality of the relationship with your leader?