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LEIZ CASE STUDY #4

# Managing Transcultural Teams

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DOI: 10.48586/zu/01220  
<https://doi.org/10.48586/zu/01220>

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2024

LEIZ CASE STUDY SERIES

## **Relational Economics in Practice. An Introduction and User Guide**

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The research program of relational economics constitutes the core of the Leadership Excellence Institute Zeppelin | LEIZ. Building on the publications of the Springer series "Relational Economics and Organization Governance" and the annual conferences of the emerging relational economic community, a theory is developing and establishing itself that represents a paradigm shift in the field of economics: the unit of analysis is no longer the actor or the market, but the relational transaction in its complex, polyvalent, uncertain, context- and time-dependent constitution. The aim behind this is to come closer to an understanding of the real conditions and consequences of economic action. For this reason, and in view of the fact that the corresponding conceptual description tools are now available, it seems highly plausible and expedient to focus even more on examples of application. If relational economics has the declared aim of depicting economic realities as precisely as possible, then such an undertaking of practical application should not only be productive in terms of concrete recommendations for decisions, but should also, in turn, further confirm the relevance of the theoretical concept.

The series of case studies presented here aims to offer nothing more and nothing less: We invite students, practitioners and colleagues to join us in trying out what relational economics has to offer in its application to real case studies. The analytical tools available for this purpose are briefly presented below in order to provide our readers with a kind of instruction manual without implying that real-world complexity can be dealt with in a one-size-fits-all manner. Rather, the analytical steps proposed here are intended to help describe a relational transaction as a basis for then working out more context-

and time-specific options for action. This is carried out using the stakeholder model as the basic analytical structure, which is complemented in the respective cases by further case-specific methods derived from the toolbox of relational economics.

The attitude of a thorough and competent detective is required if one really wants to capture and describe a relational transaction appropriately: identifying and analysing the stakeholders involved, their resources and interests, and above all their mutual interaction, which, in turn, changes them, play a central role before further theoretical building blocks of relational economics can be applied. Accordingly, this analysis step also forms the common denominator with which the analysis of all the case studies collected here finds its starting point. For this reason, the stakeholder model is placed in the foreground in this user guide and is now briefly explained - other models are then introduced in the individual case studies and discussed in the application of these cases.

## Stakeholder Model of Relational Decision Making

The theory of relational economics defines a firm as a nexus of stakeholder interests and invested stakeholder resources and corporate action via relational transactions that combine, in a cooperative and productive manner, the interests and resources of the stakeholders involved. The fact that, in particular, this takes place across cultural and sectoral boundaries is emphasised here and is related to the claim to take the real complexity and uncertainty of economic activity into account – thinking, for example, of global value creation networks or of the requirements from the ESG discussion.

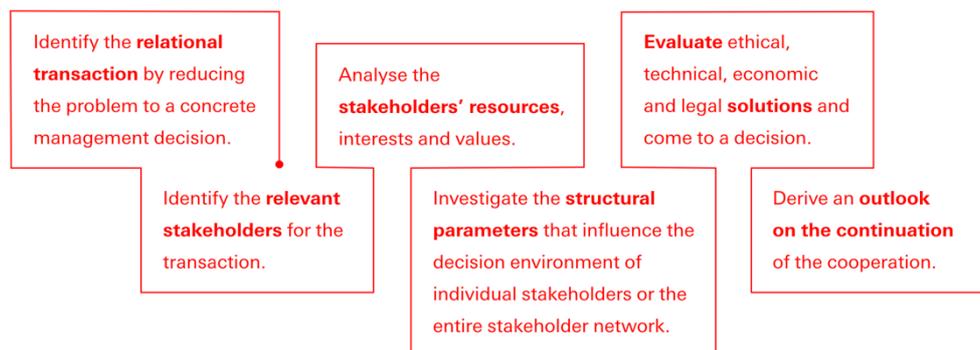
In order to derive a management decision in a specific constellation – for example, in the situations depicted in the LEIZ case studies – the stakeholder model provides the basic framework (Wieland 2020: 97ff.) and is presented here in a condensed form for the given purpose. The application of this model reveals the time- and context-specific microstructures of the relational processes and structures. It comprises six steps:

1. **Reducing the problem to a concrete management decision.** This concrete management decision ideally is a clearly narrowed down yes/no/alternative decision. This decision is the relational transaction that is to be analysed in the subsequent steps.
2. **Identifying the relevant stakeholders with reference to the transaction.** This includes the identification and prioritisation of the involved individual or collective stakeholders. Depending on the transaction, the stakeholders can be, for example, employees, management, customers, suppliers, investors, competitors, NGOs, political institutions or the public.
3. **Analysing the respective stakeholder resources, interests and values.** This entails a thorough look at the polyvalent constitution and motivation of each stakeholder. Such resources and interests could be, for example, economic, political, moral or professional, and the values can be, for example, performance values, communication values, cooperation values or moral values, that need to be combined and balanced.
4. **Investigating the problem along the structure of the decision environment.** This requires checking the relational transaction in-depth via the following eight structural parameters (Wieland 2020: 99):
  - I. Decision-making stress (for example, due to political or media pressure)
  - II. Intrapersonal values conflicts (for example, conflicting values arising from role-based expectations)
  - III. Inter-organisational values conflicts (for example, ideals held by the collective actors that are non-negotiable for them)
  - IV. Intercultural values conflicts (for example, differences in the moral doctrines of different groups)
  - V. Information deficits (for example, regarding the scope and consequences of an assigned task)
  - VI. Communication deficits (for example, resulting from the type of communication between the network partners)
  - VII. Responsibility diffusion (for example, who is responsible for creating and solving a given problem and on what grounds)
  - VIII. Rules deficits (for example, resulting from the lack of private or state regulation, or from its unenforceability).

5. **Evaluating ethical, technical, economic and legal solutions and reaching a decision.** In most cases, this decision combines ethical, technical, economic and legal approaches by evaluating the transaction-specific advantages and disadvantages of the available decision logics and considering their interdependency.
6. **Deriving an outlook concerning the continuation of the cooperation.** The question here is what new commonalities have been formed and to what extent the stakeholders involved have changed as a result of the transaction (Baumann Montecinos 2022).

**FIGURE 0**

**An outline of what such an analysis could look like in general terms**



Source: own illustration.

Thus, the foundations have been laid for working on the LEIZ case studies. We will be delighted if this material is used to promote learning and exploration of relational economics, particularly in its strength of practical application. Feedback from and exchanges between lecturers would be more than welcome.

## Literature

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## LEIZ CASE STUDY #4

## Managing Transcultural Teams

Jessica Geraldo Schwengber

### Introduction

This case study focuses on the management of transcultural teams. It describes a situation in which a manager is faced with a high level of cultural complexity in the execution of a project. The case study aims to illustrate that, while diversity can be a source of innovation and creativity, management must avoid allowing the challenges associated with diversity to obscure its potential for innovation and creativity. The discussion section highlights how theoretical concepts such as the contact hypothesis, communities of practice (CoPs), and transcultural competencies can provide conceptual insights into how to harness the potential of diversity in highly culturally complex contexts.

### Case Description

Ms Green is a project manager for Tech X Company, a multinational high-tech company with offices on every continent. She is responsible for a new multidisciplinary project to develop the new smartphone X. No details were given about the features of the new smartphone as long as it can meet the needs of customers.

In the project, Ms Green leads a group of twenty collaborators. Her twenty collaborators are heterogeneous (in terms of nationality, but also gender, generation, professional background, etc.). There are collaborators from all continents. The group comprises engineers, designers, and employees from marketing, production, and finance. Although English is the common language, they speak different languages as their mother tongue. They have attended different schools/universities and like to do different things in their free time. After getting to know the twenty staff members individually, she found they are very different and have different work styles, some are

very talkative and extroverted, others introverted. Because of their different professional backgrounds, almost everyone approached the task from different angles: The employees from the finance department thought about the possible costs and revenues, the engineers about the technical features of the smartphone. The designers stressed the importance of creating a smartphone with an attractive design. The marketing staff thought about a possible release campaign. The production staff pointed out the possibilities/limitations of the production capacity.

## Challenges

Ms Green also tried to understand their personal experiences and personalities. It turned out that some of them have lived in many countries. Others have never lived in other countries but have had the opportunity to visit many countries. Others have never left their home country. As human beings, they also have different prejudices and biases. Some people believe that their country's professional skills are the best and that no one in the world has the same skills (even though they have never worked with international companies/projects); others are sceptical of people with a foreign accent or from a certain religious persuasion. Others feel that the younger generations do not have the right skills. Others believe that older generations are not up to date and do not have the skills required in today's reality. There are yet others who think that only those who attended certain schools have the requisite skills to develop such a high-tech product. And, of course, they all have different opinions about what the perfect smartphone should look like.

After the first individual meetings, the team met online for the first time. Due to their different perspectives and opinions, they could not agree to start developing the new smartphone. Ms Green has to reflect on how to proceed to increase the team's willingness and ability to cooperate.

## Questions

1. Is there a high potential for creativity in the group? Why?
2. Some barriers to collaboration may be due to cultural barriers and associated prejudices/biases. What initiatives could Ms Green take to overcome such biases/prejudices?
3. What should Ms Green do to optimise transcultural communication?
4. What competencies should Ms Green have to lead a transcultural team successfully?

## Discussion

It is common knowledge that diversity promotes creativity. Nevertheless, a high degree of diversity could also hinder cooperation in cases like the one presented here. Team members differ not only in terms of nationality but also in terms of personality, language, gender, generation and professional background. Studies have already shown the difference between male and female styles. Different generations may have a different understanding and approach to the same problem. In different professions, there is the phenomenon of professional subcultures. The language one speaks also shapes one's understanding of the world. All this diversity leads to different worldviews and alternative approaches to the same task/problem. On the one hand, diversity allows for different perspectives on the task, which can increase creativity. On the other hand, if not appropriately managed, this diversity can hinder collaboration.

A scientific reason for such difficulties in transcultural cooperation can be found in the theory of social categorisation, according to which people from different social categories (different nationalities, professions, genders, generations, etc.). On the one hand, people tend to judge members of the same group more positively; on the other hand, this also leads to biases and prejudices against "outsiders" (people with different nationalities, linguistic backgrounds, generations, genders, professions, etc.).

According to social categorisation theory, contact can reduce prejudice (contact hypothesis). Following this theory, Ms Green should create contact opportunities (both virtual and offline or face-to-face meetings) to allow the heterogeneous team members to get to know each other and hopefully overcome some of their prejudices and biases.

Due to the geographic distance of the team members, this would mean frequent communication. Some examples would be video calls in addition to some face-to-face meetings. Opportunities for informal exchanges should also be offered so that the heterogeneous members can get to know each other beyond professional meetings. In a business context, creating communities of practice (CoPs) can facilitate such contact and communication. CoPs are communities in which members who share a common domain are connected and collaborate to develop practices to fulfil that domain. According to this theory, heterogeneous members connected by a genuinely shared domain can work together despite their diversity. In the case described, Ms Green should focus on and highlight the common domain that connects the team (developing a new smartphone).

Due to the heterogeneity of the team members, successful transcultural management of a geographically and culturally dispersed team would require specific competencies. In particular, Ms Green should be able to build cultural bridges. In this sense, she should possess the necessary skills of boundary spanning. These skills include, but are not limited to, knowledge of the various cultures involved in the project, language skills, cultural sensitivity, communication skills, and experience in international contexts.

## Literature

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## Keywords

Management, transcultural teams, contact hypothesis, communities of practice (CoP), transcultural competencies, cultural complexity

## Picture Credits

Figure 0: Josef Wieland, Julika Baumann Montecinos

Design: Zeppelin University, Philipp N. Hertel, Peter Schmid

## Edit & Setting

Dr. Matthias Niedenführ

## Cite as

Geraldo Schwengber, J. (2024). Managing Transcultural Teams, LEIZ Case Study 4, <https://doi.org/10.48586/zu/01220>

## Imprint

Zeppelin Universität gemeinnützige GmbH

Am Seemooser Horn 20

88045 Friedrichshafen

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