



# Re-examining the functional diversity–performance relationship: The roles of behavioral integration, team cohesion, and team learning<sup>☆</sup>



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## ABSTRACT

The role of cross-functional teams has been a topic of discussion for years. This study develops a theoretical model that extends prior research by exploring how functional diversity influences team performance through team cohesion and team learning. In addition, the model examines the conditions (team behavioral integration) under which the expected negative nonlinear relationship between functional diversity and team cohesion is mitigated. Hypotheses were tested using longitudinal data from 45 teams working on a semester-long simulation. The findings not only supported the moderating role of team behavioral integration in the relationship between functional diversity and team cohesion, but also revealed support for the mediating hypothesis of team learning on the team cohesion–team performance relationship. Overall, this study addresses a prior research gap by clarifying why (the underlying processes) and when (context) functional diversity leads to higher team performance.

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## 1. Introduction

Organizations have increasingly relied on cross-functional teams (Lovelace, Shapiro, & Weingart, 2001), composed of members with different functional backgrounds (Keller, 2001). The two main theoretical traditions in the team diversity literature, however, have diverged in their predictions regarding how functional diversity might impact team effectiveness. The first perspective includes social categorization theory (SCT), social identity theory (SIT), and the similarity-attraction approach (SAA) (Byrne, 1971; Tajfel, 1969; Tajfel & Turner, 1979). Collectively, these three theories suggest that “homogeneous teams should be more productive than diverse teams because of the mutual attraction shared among team members with similar attributes” (Bell, Villado, Lukasiak, Belau, & Briggs, 2011, p. 711). Hence, according to these theories, diverse functional backgrounds negatively influence team performance. The second theoretical perspective on team diversity suggests

the opposite. Specifically, the informational diversity–cognitive resource perspective (IDCRP; Cox & Blake, 1991; Williams & O’Reilly, 1998) argues that dissimilarity among team members serves as the knowledge base for them to draw ideas and perspectives for problem solving and innovation, thus improving the quality of the team’s performance. Hence, this theory proposes that functional diversity actually helps teams achieve higher levels of performance, particularly when creativity and innovation are priorities.

Paralleling these conflicting approaches, prior empirical evidence of the effects of functional diversity on group effectiveness has been mixed. That is, functional diversity has been found at times to be positively related (e.g., Buyl, Boone, Hendriks, & Matthyssens, 2011), negatively related (e.g., Ancona & Caldwell, 1992), and unrelated (e.g., Smith et al., 1994) to performance. In an attempt to resolve this inconsistency, van Knippenberg, De Dreu, and Homan (2004) proposed a third theoretical perspective, the categorization–elaboration model (CEM), which integrates the SCT and IDCRP on the diversity–performance relationship. According to van Knippenberg et al. (2004), the relationship between diversity and team effectiveness is more complex than a simple association and can only be understood in the presence of other intervening variables and/or by teasing out the conditions under which the expected positive or negative outcome is derived. Following van Knippenberg et al. (2004), recent studies have started addressing when and how functional diversity leads to higher performance (e.g., Buyl et al., 2011; Homan et al., 2008; Shemla, Kearney, Wegge, & Stegmann, 2012).

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Drawing insights from van Knippenberg et al.'s (2004) study and others in top management teams (TMTs) that focus on functional diversity as the predictor of firm performance (e.g., Boone & Hendriks, 2009; Cannella, Park, & Lee, 2008; Carpenter, Geletkanycz, & Sanders, 2004; Few & Joshi, 2013; Finkelstein, Hambrick, & Cannella, 2009; Tuggle, Schnatterly, & Johnson, 2010), the present study seeks to shed light on the relationship between functional diversity and team performance in three ways. First, previous studies have advanced our understanding of the role of intervening variables on the diversity–team outcomes relationship (e.g., Bunderson & Sutcliffe, 2002; Jehn, Northcraft, & Neale, 1999; Liang, Shih, & Chiang, 2015), but only a few of these have focused on the mediators of the functional diversity–team performance association (e.g., Bunderson & Sutcliffe, 2002; Keller, 2001; Lovelace et al., 2001; Somech, 2006). While a recent meta-analysis (Bell et al., 2011) suggests that functional diversity is, in fact, an important antecedent of performance, previous studies noted that it may not be possible to entirely understand the diversity–outcome relationship without opening the “black box” of team processes (van Dijk, van Engen, & van Knippenberg, 2012; van Knippenberg, van Ginkel, & Homan, 2013; van Knippenberg et al., 2004). This is consistent with the input–process–outcome model (McGrath, 1984) of team effectiveness, which suggests that there might be intervening variables mediating the effect of team diversity on team outcomes. Despite this observation, research that examines process variables on the relationship between functional diversity and team performance is still limited. Therefore, the first purpose is to extend prior research by examining whether cohesion and learning serve as mediators in the functional diversity–performance relationship.

We focus on team cohesion, defined as “the tendency for a group to stick together and remain united in the pursuit of its instrumental objectives” (Carron, Brawley, & Widmeyer, 1998; Tekleab, Quigley, & Tesluk, 2009, p. 174), and team learning, which refers to “a relatively permanent change in the team’s collective level of knowledge and skill produced by the shared experience of the team members” (Ellis et al., 2003, p. 822), as the literature emphasizes the importance of these emergent team states (Marks, Mathieu, & Zaccaro, 2001) for effective team performance. A limited number of studies have examined how functional diversity influences cohesion, though SCT, SIT, and SAA suggest that team cohesion would be negatively related to all types of diversity. Moreover, some research has begun to address the relationship between diversity and learning in work teams (e.g., Gibson & Vermeulen, 2003); however, little research has examined how functional diversity specifically affects team learning (e.g., Somech, 2006). Hence, we seek to highlight the importance of cohesion and learning on the link between functional diversity and team performance.

Second, previous studies have investigated linear relationships between functional diversity and relevant outcomes (e.g., Bunderson & Sutcliffe, 2002; Keller, 2001; Polzer, Milton, & Swann, 2002). Recent empirical evidence, however, suggests that the impact of diversity may not be strictly linear (e.g., Earley & Mosakowski, 2000; Gibson & Vermeulen, 2003). Thus, researchers have called for more work examining potential nonlinear effects of team diversity (e.g., van Knippenberg & Schippers, 2007; Webber & Donahue, 2001). Therefore, this study responds to this call by investigating a possible nonlinear relationship between functional diversity and team cohesion.

Third, an issue with prior group diversity research linking diversity to effectiveness is that firms may not benefit from such research unless guidelines are provided on how to mitigate negative consequences or maximize positive outcomes of team diversity with respect to functional background. One point of leverage for managers might be team behavioral integration (Hambrick, 1994; Saldan & Bowyer, 2009), which refers to “the degree to which mutual and collective interaction exists within the group” (Hambrick, 1994, p. 188). Thus, this study contributes to this body of literature by examining the moderating role of team behavioral integration in the link between functional diversity and team cohesion, responding to the call for investigating the conditions

underlying the positive effects of diversity (van Knippenberg et al., 2004). The overall hypothesized model is presented in Fig. 1. We use a longitudinal design to explore the hypothesized model.

## 2. Hypotheses

### 2.1. Functional diversity and team cohesion

According to SIT (Tajfel, 1978), SCT (Turner, 1982), and the SAA (Byrne, 1971), increasing diversity within teams triggers the social categorization process, which, in turn, increases emotional conflict while decreasing team cohesion (Polzer et al., 2002; Webber & Donahue, 2001). Despite these theoretical arguments, empirical evidence on this relationship reveals inconsistent findings. For example, Keller (2001) shows that functional diversity has a negative impact, through job stress, on group cohesiveness. Nevertheless, Webber and Donahue (2001), a meta-analysis, found that there was no relationship between both highly task-related and less task-related types of diversity and group cohesion. To reconcile their results with earlier findings, Webber and Donahue (2001) suggested that the relationship between diversity and team cohesion may be curvilinear. This is consistent with Lau and Murnighan (1998), which argued that the diversity–team outcome relationship may not be linear. Indeed, empirical evidence also demonstrated that the negative effect of diversity caused by the social categorization process is most likely to occur in teams with a moderate level of diversity (Earley & Mosakowski, 2000; Gibson & Vermeulen, 2003; van Der Vegt & Bunderson, 2005).

In line with previous research, we argue that increasing functional diversity undermines team cohesion by triggering subgroup formations among team members. Team members with engineering, finance, or marketing backgrounds, for example, may be more likely to identify and agree with other individuals who have been similarly trained to interpret reality in certain ways because of their professional socialization experiences (Bell et al., 2011; Lovelace et al., 2001), causing the emergence of subgroups along functional diversity lines. Therefore, the effect of functional diversity on team cohesion will be initially negative as the level of diversity increases. However, after a certain level of functional diversity, subgroup formation, social categorization, and in-group biasing are less likely to occur since few commonalities exist among team members (Earley & Mosakowski, 2000). At that point, team members may respect each other’s differences, and the team may again function cohesively (Gibson & Vermeulen, 2003; Lau & Murnighan, 1998). Therefore, we propose:

**Hypothesis 1.** : There will be a negative nonlinear relationship between functional diversity and team cohesion.

### 2.2. The role of behavioral integration

Behavioral integration is a meta-construct, which includes the team’s information exchange, collaborative behavior, and joint decision making (Hambrick, 1994; Simsek, Veiga, Lubatkin, & Dino, 2005). Evidence from upper echelon research demonstrates that behavioral integration among TMT members may influence various team and organizational outcomes (Carmeli & Halevi, 2009; Li & Hambrick, 2005). Extending this concept to work teams, we examine how behavioral integration affects team cohesion. Although it may seem that behavioral integration and cohesion are similar team phenomena, they are conceptually and operationally distinct (Li & Hambrick, 2005). While cohesion (an emergent state; Marks et al., 2001) taps into team members’ interpersonal harmony and focuses more on team spirit, behavioral integration emphasizes substantive interaction and communication (Li & Hambrick, 2005).

In this study, we suggest that team behavioral integration will have a positive effect on team cohesion. This is because teams with high levels

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