The Impact of Diversity on Company Performance

A Qualitative Global Case Study of Education First (EF)

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Abstract

Title: The Impact of Diversity on Company Performance: A Qualitative Global Case Study of Education First

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Keywords: Diversity, Company Performance, Diversity Management, External Factors, New Institutional Theory, Information Processing Theory, Social Identity Theory.

Research Question: How has diversity impacted performance in the Asian, European and American divisions of Education First?

Methodology: A qualitative case study using an abductive approach, aiming to detect how national corporate diversity impacts performance. Semi-structured interviews were conducted with 13 senior managers of Education First, providing empirical findings that were triangulated with the literature review and theoretical framework in the data analysis.

Theoretical Problem: The thesis aims to understand how national diversity impacts performance in the case of Education First on an international scale. Earlier studies indicate a research gap regarding the effect on performance of having different employee nationalities in one company with global operations and offices.

Empirical Foundation: The empirical findings are supported by existing research, presented in the literature review, and relevant theories, including New Institutional Theory, Information Processing Theory and Social Identity Theory, outlined in the theoretical framework.

Conclusion: The study demonstrates that national diversity at Education First has resulted in more positive than negative performance outcomes, while particularly emphasizing the complexities of the topic. The complex nature of performance finds significance in diversity management, enabling benefits while mitigating challenges, and external factors, such as contextual nuances.

Acknowledgments

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1. Introduction

To provide insight into the study, this chapter begins with an overarching background on the subject. A problematization of the research question is conducted, identifying present research gaps. Thereafter, the thesis' purpose and research question is stated, followed by outlining the study object and the thesis overview.

1.1 Background

The significance of organizational diversity has increased as a result of globalization permeating all businesses and the overarching intertwined worldwide economy (Nishii & Ozbilgin, 2020). Globalization is the increased interdependence of countries, reducing the perceived distances between nations (Guille, 2001; Meyer, 2017; Rugman & Verbeke, 2004; Verbeke et al., 2018). Political and ideological changes on an international scale have contributed to globalization, resulting in lower trade barriers and lifted restrictions on capital flows between countries (Czaika & de Haas, 2015). Regulatory changes can further explain the increased amount of immigrants in some nations, ultimately creating more diverse societies as a whole (Czaika & de Haas, 2015).

In order to remain competitive in globally-accessible markets, firms are pushed to continuously find new ways of optimizing performance, increasing value creation and maintaining relevance with external expectations (Ayega & Muathe, 2018). Richard et al. (2007) emphasize that companies' most valuable asset today is human capital, with a diversified skill set and knowledge possibly derived from different national perspectives. As a result of globalization, firms can optimize performance by challenging traditional corporate structures through incorporating diversity within their business strategy (Fatehi & Choi, 2019; Ayega & Muathe, 2018).

However, diversity and its performance impact is a highly debated topic in the modern business environment (Ayega & Muathe, 2018). According to Fatehi and Choi (2019), today's fast-changing business environment has resulted in organizations reaping the benefits of different nationalities in their business practices. High diversity levels are related to a wider range of opportunities and valuable competencies, strengthening the firm's competitiveness in the market (Prieto et al., 2009). Corporate diversity contributes to improved financial performance and organizational capabilities, including creativity, innovation, productivity and

market access (Graham & Wright, 2021). Further, diversity is increasingly significant for business conduct, and is predicted to continue to rise in the future in order for companies to stay relevant in the global market (Prieto et al., 2009).

Even though there is an upsloping trend for organizations to recruit a more diverse workforce, the question remains in terms of how much diversity actually affects the bottom-line performance of the company (Prieto et al., 2009). Several studies highlight the negative impacts of diversity within the context of the firm, including increased conflicts and misunderstandings as a result of a wider set of perspectives (Prieto et al., 2009; Richard et al., 2007; Gomez-Meija & Palich, 1997;). Thus, multinational workplaces have made managers deal with a set of challenges resulting from the differences between national backgrounds. However, Ayega and Muathe (2018) claim that these challenges are necessary in order for managers to implement new practices and improve overall management. Richard and Johnsson (2001) address that modern companies, due to globalization, are more motivated to implement new human resources practices, reducing the challenges that may arise from differences between employees. Several researchers further argue that diversity management is required to address the issues while gaining positive performance outcomes (Ayega and Muathe, 2018; Chu et al., 2023).

1.2 Problematization

The relationship between diversity and performance has been studied in various contexts. Cox and Blake (1991) conducted early research on how organizational diversity can increase the competitiveness of firms. In addition, Horwitz (2005), Jackson et al. (2003), and several others explored the dynamics of diversity and company performance. The recent studies analyzed the broad definition of diversity, including gender, sexual orientation, age and ethnicity simultaneously. However, Osman et al. (2022, p1122), suggest that increasing the international mix within an organization adds "valuable and diverse expertise" that increases "effectiveness," highlighting that different nationalities contribute with different strengths. Seeing as previous literature emphasizes these differences between nationalities, it is relevant to explore the effects of national diversity further. Thus, the existing literature indicates that more research should attempt to isolate national origins in organizational diversity discussions (Osman et al., 2022). Accordingly, an existing research gap is highlighted in more recent research (Eriksson, 2016; Peng et al., 2023), involving how diversity, in terms of

different nationalities, influences performance and competitiveness. Additionally, there is a research gap in studying this effect within a single company that has operations globally, enabling a comparison of this phenomenon across continents.

Thus, this study aims to contribute to the existing literature by investigating the research gap in the relationship between national diversity and performance on an international scale. The multinational company, Education First, operating in over 100 countries, is employed to examine national diversity's effects on performance across the Asian, European and American regions. Therefore, this specific case study allows for insights into the potential benefits of enhancing national diversity to generate increased performance. Furthermore, this study sheds light on negative performance outcomes resulting from national diversity, while accounting for external factors including the geopolitical and regional context of company divisions by covering several continents.

1.3 Study Object

The study object for this thesis' case study is Education First (EF), a multinational company initially founded in Sweden by Bertil Hult. The selection of case is further motivated and justified in *Chapter 4.1.1 Selection of Case*. EF has established itself as a significant actor in the private education sector due to its strong brand reputation and global reach. With operations in over 100 nations and more than 52 000 employees (EF, 2023), EF has gained recognition for its cutting-edge approach to language learning and its influence on global education. "Opening the world through education" is the organization's mission, which is accomplished by offering a wide variety of language learning opportunities for students of all ages, including exchange programs, educational tours and language courses. This research includes the sales and operational organizations of EF across its Asian, European and American regions, contributing to the interest of EF, as the study object enables the research to cover a global perspective.

1.4 Purpose and Research Question

The purpose of this thesis is to analyze the dynamics present in one company in order to draw broader conclusions on how national diversity impacts firm performance. This research intends to investigate the relationship between diversity and performance by carefully analyzing the particular case of Education First (EF) and its Asian, European, and American

divisions. Thus, the aim is to find if these different locations have experienced positive and/or negative effects on performance, including both financial and non-financial measurements, as a result of having different nationalities working together. The findings will be contrasted with existing literature, theories and research on the subject. In conducting this analysis, the thesis aims to add to the body of research concerning the advantages and challenges of national diversity within the business environment, ultimately contributing with generalizations and wider practical implications. Hence, the thesis' conclusions are anticipated to have real-world applications for managers and decision makers working to build more diverse corporations while simultaneously increasing performance.

The following research question has been developed in order to allow the thesis to fulfill its stated purpose:

- *How has diversity impacted performance in the Asian, European and American divisions of Education First?*

1.5 Delimitation

The thesis is delimited by several factors, including narrowing down the definition of the traditionally broad concept of *diversity*, by limiting it to *national variety* among employees, which is further explored in *Chapter 2.1*. Additionally, the definition of *company performance* was intentionally left open-ended, as presented in *Chapter 2.2*, allowing respondents to highlight broader performance elements impacted by diversity in their experience. The research is limited to a single case study of the organization Education First (EF), allowing for rich data to be gathered from a qualitative research approach, further motivated in *Chapter 4.1.1*. The case study targets the Asian, European and American divisions, thus excluding other divisions of EF (such as Oceania and the Middle East), as well as focusing on the branches of sales and operations, excluding the central functions branch, further justified in *Chapter 4.2.1*. Further, the thesis is delimited in terms of the number of offices included, where 13 senior managers at EF participated in the study, excluding other offices as well as lower-level employees. This decision was based on the relevance of the research question and aim, explicitly outlined in *Chapter 4.2.1*.

1.6 Thesis Overview

The thesis is divided into the following chapters: *introduction, literature review, theoretical framework, method, empirical findings, analysis, discussion,* and *conclusion.* The *introduction* provides a background, as well as a problematization of the topic highlighting current research gaps. Furthermore, it identifies the aim of the study including the thesis' research question. The *literature review* presents existing literature relevant to diversity and performance discussions. The *theoretical framework* includes three key theories; New Institutional Theory, Information Processing Theory and Social Identity Theory, as well as a conceptual framework. The aim of this chapter is to provide a foundation for the empirical analysis. Moreover, the *method* outlines how the qualitative case study of EF was conducted, and accounts for the research approach, the data collection and the data analysis, followed by ethical considerations and limitations of the study. The *empirical findings* present the results of the qualitative research conducted, which is followed by the *analysis* chapter where the empirics are analyzed in line with the theoretical and conceptual framework in the analysis. Lastly, the *discussion* and *conclusion* emphasize the implications of the study's results and suggestions for future research.

| Chapter 1 Introduction | Chapter 2 Literature Review | Chapter 3 Theoretical Framework | Chapter 4 Method | Chapter 5 Empirical Findings | Chapter 6 Analysis | Chapter 7 Discussion | Chapter 8 Conclusion |
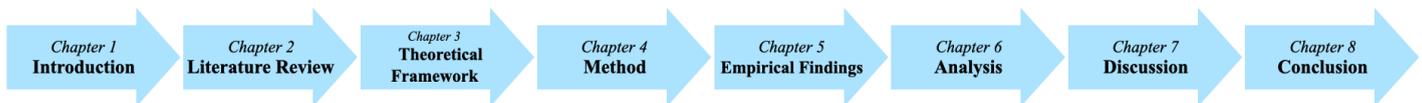
Figure 1, Overview of the Thesis.

2. Literature Review

The aim of the literature review is to outline previous research, relevant to the thesis' purpose and research question, in order to act as a foundation for the following theoretical framework.

2.1 Diversity

The following section gives a brief background on diversity, followed by a definition particular to this study. Diversity involves "the practice or quality of including or involving people from a range of different social and ethnic backgrounds and of different genders, sexual orientations, etc." according to the Oxford English Dictionary (Stevenson, 2011).

Earlier literature refers to diversity in a similar manner, exemplified by Thomas as a "collective mixture characterized by differences as well as similarities" that further "encompasses cultural backgrounds, educational level, personality style [and] lifestyles" (Thomas, 1990). Additionally, Reus-Smith (2018) illustrates how national backgrounds contribute to individuals' behavior patterns, indicating that diversity on an organizational level contributes to a wider spectrum of perspectives and affects expectations, beliefs, and practices.

To continue, Chu et al. (2023) emphasize that diversity is more complex than earlier literature suggests, since there are conflicting opinions concerning the impact of diversity on a corporate level (Peng et al., 2023). Diversity in this thesis will exclusively be used to refer to differences in nationality, considering that the study aims to detect how company performance is impacted by the level of multi-nationality among the employee base.

Definition of Diversity in this Study: This study has delaminated the definition of diversity to only include differences in nationalities.

2.2 Company Performance

Ittner (2007) states that company performance reflects how effectively a firm fulfills its objectives, and that it can be segmented into financial and non-financial company performance. Non-financial performance metrics include the level of innovation within the company and more operational aspects of performance (Hyvönen, 2007), whereas financial performance includes conventional accounting metrics such as profit margins and sales revenue (Huang et al., 2015). Hence, there are several measurements utilized in order to gain a perspective of how well a company is performing in the market. Moreover, corporations have the ability to impact their financial performance through several strategies, including investing in marketing schemes which subsequently can contribute to establishing a stronger brand reputation (Cox & Blake, 1991). Thus, high non-financial performance values have the ability to drive growth and revenue, i.e. financial performance of the firm.

Since EF is a privately held company, they do not release any quantitative data on profit margins or sales revenue (EF, 2021). Therefore, the definition of performance was left open-ended, allowing respondents to emphasize the aspects of performance most relevant to

diversity discussions in their experience, ensuring that no performance impact was missed or understated.

2.3 Impact of Diversity on Performance

Previous studies evaluating the effect of diversity on company performance have presented conflicting results. While some researchers observe a positive impact on firm performance as a result of increased diversity (Cox & Blake, 1991; Chu, et al., 2023; Armstrong, et al., 2010); others claim that employee diversity may be problematic for competitive firms (Farma et al, 2020; Richard, 2007). Thus, this chapter has been divided into two sections, *2.3.1 Positive Impact of Diversity on Performance* and *2.3.2 Negative Impacts of Diversity on Performance*, allowing for a realistic representation of existing literature on the subject. Outlining both perspectives in depth, an overarching conclusion is reached regarding the impact of diversity on firm performance that will be applied to the EF case.

2.3.1 Positive Impact of Diversity on Performance

Although previous work introduces opposing views on diversity's effect on performance, there is strong evidence and theories supporting the perspective that diversity *does* create a competitive advantage.

Discussions of diversity in the workforce were earliest raised by Thomas (1990) and Cox & Blake (1991); revolutionizing traditional thought of diversity in corporate settings by claiming the competitive advantage and improved performance it leads to. Both studies contend that diversity as a competitive advantage arises in the following areas: cost, resource acquisition, marketing, creativity, problem solving, and organizational flexibility. Based on the foundations established in Cox and Blake (1991) as well as Thomas (1990), below is a discussion of the following benefits of diversity: *Reputation & Marketing, Saving Costs & Profitability, Creativity & Innovation, Resource Acquisition, Problem Solving, Productivity and Organizational Flexibility.*

Reputation & Marketing Argument

Diversity positively affects firm performance, by improving marketing efforts and brand reputation (Goh & Okumus, 2020; Cox & Blake, 1991; Moore, et al., 2020; Flory, et al., 2021; Armstrong, et al., 2010; Richard & Johnson, 2001). Brand reputation can be improved

through marketing efforts, which thereby affect sales of goods and services (Cox & Blake, 1991). Diversity as part of a firm's reputation is becoming increasingly valued and important for all stakeholders of a firm (Goh & Okumus, 2020; Moore, et al., 2020); clarified by Armstrong, et al., (2010, p. 983) "organizations that value diversity and equality are more likely to be viewed positively by external stakeholders, including customers, investors, and the community."

Diversity leads to more diversity, in a sort of "positive feedback loop" since "companies with good reputations have correspondingly favorable public relations. Just as people… may prefer to work for an employer who values diversity, they may also prefer to buy from such organizations" (Cox & Blake, 1991, p. 48). Firms perceived as diverse "will attract high quality employees and maintain a positive reputation" (Armstrong, et al., 2010, p. 982), and according to Goh and Okumus (2020) firms then need to retain these "high quality employees," with diverse backgrounds, in order to remain competitive and improve performance. Building a diverse employee-base leads to building a positive market reputation, allowing firms to form "unique human capital, expand its scale, … and build better competitive advantages" (Moore, et al., 2020, p. 1031).

Further than the external reputational impact of diversity, it can also lead to internally improved employee satisfaction. As argued by Armstrong, et al., (2010) and Richard & Johnson (2001) a firm's workforce diversity has a direct positive effect on employee satisfaction and commitment.

Saving Costs & Profitability Argument
Workforce diversity leads to increased profits and general cost-saving within a firm (Chu & Hsu & Chang, 2023; Cox & Blake, 1991; Moore, et al., 2020; Osman, et al., 2022; Armstrong, et al., 2010; Richard & Johnson, 2001). Cox & Blake (1991, p. 34) were early to proclaim that profitability is an "inevitable effect of diversity."

Chu, et al., (2023, p 105) further contend that "workforce diversity can save labor costs, improve business performance and upgrade competitiveness." The notion of diversity increasing a firm's competitive advantage is strongly supported in previous literature, as it is argued that diverse firms are "more likely to achieve superior financial performance"

(Armstrong, et al., 2010, p. 977). Diversity allows a firm to target a wider customer base and market share, and also leads to "improved access to global markets and diverse sources of capital" (Armstrong, et al., 2010, p. 982). Additionally, when employee diversity increases it improves product development, R&D efforts and business opportunities; thereby resulting in lower product costs and higher market share (Chu, et al., 2023).

Although the direct financial impact of diversity may be hard to quantify, there are certain studies that have succeeded in proving a positive relationship (Cox & Blake, 1991)(Chu, et al., 2023). Cox & Blake's study (1991), among others, proves that diversity reduces the cost of turnover through increased employee satisfaction and commitment (Moore, et al., 2020; Richard & Johnson, 2001; Armstrong, et al., 2010). Lower turnover rates and company commitment thereby also reduce recruitment and training costs, as well as lower absenteeism (Cox & Blake, 1991; Armstrong, et al., 2010). Osman, et al., (2022) found that diversity also results in higher return on assets and return on equity. Outlined by these studies and specific metrics, diversity is demonstrated to have a direct relationship to financial factors of cost saving and profit.

On a different tangent of diversity's cost-saving effects, Moore, et al., (2020) argue that hiring a diverse workforce can mitigate future legal and financial losses such as discrimination lawsuits, legal requirements and equal employment principles.

Creativity & Innovation Argument

There is also a strong view that diversity leads to positive non-financial impacts on firm performance such as increased creativity and innovation (Cox & Blake, 1991; Kochan, 2003; Kanter, 1983; Armstrong, et al., 2010). According to Cox and Blake (1991, p. 34), diversity directly achieves "greater creativity and innovation and more successful marketing to different types of customers."

Cox and Blake outline why creativity is a byproduct of a diverse working environment, contending that the correlation arises when "racioethnic groups hold different attitudes and perspectives on issues, then… diversity should increase team creativity and innovation" (Cox & Blake, 1991, p. 50). Diversity therefore increases creativity, as people from different national backgrounds present different perspectives, opinions, mindsets and thought

processes (Cox & Blake, 1991; Richard & Johnson, 2001; Thomas, 1990). The creativity that arises from varying backgrounds working together in teams thereby also promotes innovation (Cox & Blake, 1991).

Kanter's (1983) study of innovation supports this correlation, as he found that the most innovative companies deliberately promote heterogeneous teams in order to reap the creative benefits of diversity (Cox & Blake, 1991). He argues that "heterogeneous teams" are established to, "create a marketplace of ideas, recognizing that a multiplicity of points of view need to be brought to bear on a problem" (Kanter, 1983, p. 167). Kanter's findings demonstrate that companies who hire diverse nationalities perform better in innovation compared to less competitive companies in the same industry. Cox and Blake (1991) emphasize that the positive relationship between diversity and innovation occurs most when employees are aware of individual differences, something that onboarding and internal training programs can improve.

A report by the Diversity Research Network (Kochan, 2003) was able to further prove this, in a more modern setting, demonstrating that diversity directly leads to greater creativity and innovation. This non-financial firm performance metric demonstrates a key reason as to why diversity has a positive impact on the firm with teams of people working together.

Resource Acquisition Argument

According to Cox and Blake (1991) as well as Chu, et al., (2023) easier access to a wider network of resources is a direct effect of a diverse workforce. This "inevitable effect of diversity" (Cox & Blake, 1991, p. 50) is caused by companies being able to better optimize their resources and factors of production through having a more flexible workforce with an overarching wider perspective and network. Chu, et al. (2023) further argue that this additionally causes spillover effects contributing to the development of the national economy.

Problem Solving Argument

Research suggests that diversity also has a positive effect on problem solving within a team (Cox & Blake, 1991; Kochan, 2003; Jackson, et al., 1995; Hoffman & Norman, 1961).

As discussed previously, Kochan's (2003) study found a direct relationship between increasing diversity and improved problem solving abilities in a group. Through a diverse workforce coming from different backgrounds, "diverse groups have a broader and richer base of experience from which to approach a problem" (Cox & Blake, 1991, p. 51). Cox and Blake (1991) argue that varying previous experience improves decision making abilities and allows for a more creative approach to solving problems. This relationship was proven by Hoffman and Norman (1961, p.404), who found that "65% of heterogeneous groups produced high quality solutions (solutions that provided either new, modified, or integrative approaches to the problem) compared to only twenty-one percent of the homogeneous groups."

The impact of diversity on problem solving abilities is argued to be an effect of mitigating groupthink. "Groupthink," as defined by Cox & Blake (1991, p.51), is "the absence of critical thinking in groups caused partly by excessive preoccupation with maintaining cohesiveness." Since a diverse group of people does not share a "cohesive" background and set of experiences, groupthink is less likely and people's individual perspectives are able to be expressed. Hoffman (1961) argues that different perspectives arise from general disparities between team members and relevant experience in other situations. A variety of perspectives on an issue, allows for "better decision making outcomes" through "higher levels of critical analysis of alternatives through minority-influence effects, and lower probability of groupthink" (Jackson, et al., 1995; Cox & Blake, 1991, p. 51).

Productivity Argument

Productivity is another aspect that improves with increased diversity in a firm (Cox & Blake, 1991; Adler, 1986; Chu & Hsu & Chang, 2023; Armstrong, et al., 2010; Richard & Johnson, 2001). The productivity argument is highly connected to both creativity and problem solving arguments that arise from a more diverse workforce (Armstrong, et al., 2010; Richard & Johnson, 2001).

In a study at the University of California Los Angeles, Adler (1986) found that most heterogeneous groups were more productive, while some were less – indicating that if diversity is managed well "they can make diversity an asset to performance." Even though

the study did not definitely find a 100% correlation, Adler was still able to prove that diversity is a significant asset for a firm's productivity.

Cox and Blake (1991, p. 48) and Armstrong, et al., (2010, p. 983) additionally found that diversity leads to "higher productivity levels." This positive impact of diversity is demonstrated to be an effect of flexibility, creativity and problem solving abilities that directly lead to a more productive workforce (Armstrong, et al., 2010). This effect is further proven in Richard and Johnson's work (2001), demonstrating that diversity efforts within recruitment and Human Resources improve overall firm productivity. They found that this relationship was strengthened by a "diverse workforce … [being] able to draw on a wider range of skills, experiences and perspectives" (Richard & Johnson, 2001, p. 184).

Organizational Flexibility Argument

A firm's organizational flexibility and effectiveness are also improved by diversity (Cox & Blake, 1991; Chu & Hsu & Chang, 2023; Kochan, 2003; Richard & Johnson, 2001). Cox and Blake (1991, p. 45) raise the point that "organizations should value diversity to enhance organizational effectiveness."

"Organizational effectiveness and flexibility" indicates an organizational culture "where all personnel can thrive"(Cox & Blake, 1991, p. 47) and that "understands that employees feel a sense of belonging when their collective and individual characteristics are respected" (Chu, et al., 2023, p. 104). The organizational benefits of diversity can be achieved if these values and initiatives are directly employed in the "broader organizational goals, strategies and practices" (Kochan, 2003, p. 17). Kochan (2003, p. 18) contends that diversity training programs during onboarding processes contribute to reaping benefits through "building awareness, knowledge and skills related to diversity as well as addressing the negative effects of diversity, such as communication barriers and conflict." This can be furthered through nurturing a business culture that fosters inclusion on all levels – especially in leadership and decision making roles – and systems monitoring the effectiveness of these initiatives (Kochan, 2003, p. 20).

Limitations of Positive Diversity Impact on Performance & Managing Diversity

Previous literature, although arguing the overarching positive impact of diversity on firm performance, also believe it is based on the environmental context and management practices of the firm.

Richard, et al., (2007; 2000) raise the complexity of the relationship between diversity and financial performance. They believe the positive effect is based on the environmental context of the workplace and more specifically based on the quality of communication and coordination in the group. Richard (2000) argues that the benefits of diversity are dependent on how well a firm is able to manage its workforce, and unite it through a common vision and set of goals. If managed well, these studies support the view that diversity ultimately leads to improved decisions making, innovation and organizational efficiency (Richard, 2000; Richard, et al., 2007). The influence that leadership and management roles have is "critical … in shaping the organizational culture and values that foster diversity as a resource" (Richard, 2000, p. 176). The overarching argument, supported by "substantial evidence," claims that diversity *is* a source of competitive advantage and "does in fact add value" but particularly when it is managed as a resource (Richard, 2000, p.178-179).

Similarly, Gomez-Mejia & Palich (1997) found that the relationship is contingent on the following two factors: the ability to manage diversity and the degree of cultural similarity among employees. They emphasize that firms should focus more on "creating a common organizational culture" in order to value, embrace and respect national differences, thereby leading to financial performance (Gomez-Mejia & Palich, 1997, p.327). Osman, et al., (2022) further this perspective by contending that the effectiveness of diversity is also dependent on the size of the firm – where smaller firms are able to manage diversity better and thereby reap greater benefits than comparatively large corporations.

The authors, discussed above, outline the necessity of managing diversity efficiently considering the complexity of the issue (Kochan, 2003). Overall finding a positive effect in most – if not all – contexts, the impact is found to be more severe when the goal of diversity aligns with the business strategy and management practices (Armstrong, et al., 2010; Kochan, 2003). The studies above contend that this can be done through diversity training programs that "focus on building awareness, knowledge and skills related to diversity, as well as

addressing the negative effects of diversity, such as communication barriers and conflict" (Kochan, 2003, p. 18).

Section Summary

An extensive overview of previous literature holistically suggests that "diversity does have a positive effect on firm performance" (Chu, et al., 2023, p. 100; Cox & Blake, 1991; Thomas, 1990)(Osman, et al., 2022; Flory, et al., 2021; Armstrong, et al., 2010; Richard & Johnson, 2001; Jackson, et al., 1995).

In order to maintain a competitive edge and effectively respond to the evolving global corporate environment, firms need to have efficient, high-performing, diverse teams (Chu, et al., 2023, p. 101). The literature suggests that firm performance positively benefits from an inclusive environment, with varied perspectives, which thereby nurtures employees to cooperate, create and innovate (Chu, et al., 2023, p. 104). Overall, creating unique human capital and expanding its scale achieves increased competitive advantage (Chu, et al., 2023; Moore, et al., 2020). Improved human capital is a result of different nationalities adding valuable and diverse expertise from their backgrounds – an intangible aspect that local members do not have (Osman, et al., 2022). This builds a creative work dynamic – through "embracing the unique perspective" and through "heterogeneous teams producing more innovative and unique solutions to problems" (Richard & Johnson, 2001, p. 190)(Jackson, et al., 1995).

Holistically, even considering challenges with diversity management and other possible limitations, diversity should be embraced as a source of strength, rather than a problem to be solved (Thomas, 1990). The statistical studies completed previously demonstrate that a diverse workforce creates a positive impact on both financial and non-financial measures mentioned of firm performance (Armstrong, et al., 2010; Jackson, et al., 1995).

2.3.2 Negative of Diversity on Performance

Although many studies support the positive relationship between diversity and performance, there are those that argue that the presence of different nationalities may have a negative impact on a firm's financial and non-financial performance (Prieto, et al., 2009, Richard, et al., 2007; Richard & Johnsson, 2001; Gomez & Meija, 1997). There are many studies arguing

that diversity may not be as important an indicator of performance as popular theory suggests (Gomez-Mejia & Palich, 1997; Richard & Johnsson 2001; Horwitz, 2005; Prieto et al., 2009; Farma et al., 2020). In previous research, two theories have frequently been used to explain the negatives of the relationship between diversity and performance: the similarity and attraction paradigm and the Social Identity Theory (Richard et al., 2007; Horwitz, 2005; Prieto et al., 2009).

The similarity-attraction paradigm suggests that people are more likely to be attracted to those who are similar to them in terms of physical characteristics, personality traits, and beliefs (Byrne, 1971). Members of a group are drawn to those who share similar characteristics, such as age, gender, personality, and nationality (Prieto et al., 2009). This theory explains why diversity may have a negative impact on organizational performance, as differences in attributes and characteristics can lead to decreased team performance and social integration (Millken & Martins, 1996). Similarity in attitudes are also proven to create better group cohesion, leading to better performance (O'Relly et al., 1989). Additionally, according to the paradigm, due to the similarity, homogeneous groups are better at building relationships and therefore more productive than heterogeneous groups, due to the conflicts that may arise from people differences (Horwitz, 2005). Moreover, having good relationships at work is crucial for job satisfaction which ultimately minimizes the risk of abstinence, leading to better performance (Roffey, 2016).

The second theory indicating a negative relationship between diversity and performance is the Social Identity Theory (SIT). In accordance with the similarity attraction paradigm, the theory suggests that individuals tend to form positive impressions of those who are similar to them and negative impressions of those who are different (Tajfel & Turner, 1986). This can lead to a decrease in creativity and overall team performance, as members may form cliques and be less accepting of diversity (Prieto et al., 2009). Further, SIT suggests that individuals will identify with a group similar to them. For example, teams composed of members with different national backgrounds will gravitate towards groups of their nationalities, resulting in decreased cooperation and communication within the whole team (Sabaneth, et al., 2016).

The similarity-attraction paradigm and SIT can explain the negative implications of diversity on performance (Richard et al., 2007; Horwitz, 2005). These two outlined theories lay the

foundation behind the following overarching negative impacts of diversity: challenges in communication, lack of trust, decreased efficiency and increased cost.

Challenges in Communication

Differences in nationalities within companies may lead to challenges in communication such as misunderstandings and conflicts (Pitts et al., 2010; Richard et al., 2007). Language barriers, working culture and differences in norms can cause clashes in communication between employees at the workplace (Madera et al., 2014). Pitts et al. (2010) also argue that organizations need to implement different approaches to communication and improve their collective values and teamwork in order to mitigate the risk of misunderstandings and improve performance.

Rosado (1994) argues that depending on the level of understanding and respect people have for different cultures, the outcome of the interactions between national groups can be positive or negative. Negative outcomes, including conflicts and misunderstandings, may arise from the concept of ethnocentrism (Rosado, 1994). The term ethnocentrism is defined in the Cambridge Dictionary (2023) as "the belief that the people, customs, and traditions of your own race or country are better than those of other races or countries". With the risk of ethnocentrism causing prejudices resulting in conflicts, Rosado (1994) argues that if individuals want to be successful, they need to develop a sensitive frame to national differences, which also can be applied to organizational teams.

Lack of trust

Amoha-Binfoh, Botwe and Masihi, (2016) argue that trust is a key factor in a successful organization, as it drives performance and encourages cooperation amongst individuals. The authors further explain that different backgrounds can cause conflict and lower the trust within the team causing individuals to be less motivated to contribute to group performance (Richard, 2001). Farmanesh et al. (2020) further argue that workplaces with high levels of diversity can have a negative impact on the level of trust within the organization. The authors explain that employees in a more diverse workplace tend to have less in common compared to an environment with lower diversity which may create a lack of collective trust affecting overall performance (Farmanesh et al. 2020).

Inefficiency

Due to the differences in communication and misunderstandings, diversity may lead to an inefficient working environment through slower decision making (Richard et al., 2007). Richard et al. (2007) suggest that in a more homogeneous group, employees collaborate better together due to the greater solidarity felt towards the group as a whole. Additionally, differences in the group may result in conflicts and inefficient working environments. When there is a low task complexity or not enough organizational structure, diversity may have a negative effect on economic performance as roles and responsibilities can become unclear, making it difficult to coordinate activities and achieve success (Richard et al. 2007).

Increased Costs

As the organization becomes more heterogeneous, Gomez-Mejia and Palich (1997) suggest that the hiring team needs to acquire more complex knowledge, which may lead to an increased cost. Additionally, resources such as support and training for new employees can be costly (Prieto, 2009). However, Prieto (2009) suggests that these costs tend to diminish over time if diversity management is effective. It is therefore critical for the firm to have a diverse hiring team with broad international experience to have an efficient onboarding process (Gomez-Mejia & Palich, 1997). Further, Richard and Johnsson (2001) suggest that diversity in the workplace can lead, in the minority groups, to lower commitment and increased intent to leave compared to the majority group. This can lead to a cost for the organization in terms of decreased productivity, and motivation, as well as increased recruitment and training costs. (Richard & Johnsson, 2001).

Section Summary

To conclude, the presence of different nationalities in an organization can have both positive and negative impacts on performance. The negative impacts, discussed by several researchers, include communication challenges, lack of trust, decreased efficiency, and increased costs (Amoha-Binfoh et al., 2016; Farmanesh et al. 2020; Prieto et al., 2009; Pitts et al., 2010; Richard et al., 2007; Gomez-Mejia & Palich, 1997). However, it is also discussed that the negative impacts can be reduced by implementing effective diversity management. This includes integrating strategies that promote understanding and respect for different nationalities and dealing with communication challenges (Prieto et al., 2009; Amoha-Binfoh et al., 2016; Ayega and Muathe, 2018).

2.4 External Factors Impact

It is important to consider the external factors that could additionally affect performance, other than diversity. According to Pitts et al. (2010), organizations adapt to and are affected by the external societal, environmental and geopolitical surroundings. The following section aims to explain external factors, such as institutional quality and macro-level events, that can affect performance.

Peng et al. (2023) highlight the importance of institutional quality and its impact on the performance of a diverse organization. Researchers suggest that when institutions are weak, there is a higher risk of conflict between different national groups (Peng et al., 2023). Diversity is then described as a major challenge that hinders economic performance in various ways, pinpointing external factors in which the relationship between diversity and performance is affected. Other factors affecting performance include political stability, national infrastructure, government policies and overall institutional quality. Peng et al. (2023) therefore add a new perspective on external factors, compared to earlier popular theories discussing diversity and performance.

Additionally, major events such as Brexit and the Covid-19 pandemic have had far-reaching implications on diversity and performance (Dashper & Finkel, 2020). Brexit has made it harder for organizations to hire and retain non-local employees due to the more strict regulation concerning employment and entry into the country (Sumption et al., 2022). Another example is the pandemic, which has led to a decrease in the number of available candidates due to the reduction in global mobility and restrictions on travel and immigration (Sumption et al., 2022). These events have caused decreased performance, both as a result of less diversity within organizations as well as increased financial pressures (Dashper & Finkel, 2020).

2.5 A Brief Presentation of Education First (EF)

The global organization Education First, EF, was founded by Swedish Bertil Hult in 1965. Initially, EF was a small language school in Lund, Sweden, but has since then experienced immense growth resulting in the organization becoming one of the largest private education firms on an international scale (EF, n.d.). EF is currently active in more than 100 nations,

employing more than 52,000 people across over 600 schools and offices (Education First, 2023). As the corporation is privately held, they are not required to provide information on profit margins and sales figures to the public. According to EF (2021), this decision is not based on an attempt to be secretive, but rather a way of increasing their competitive advantage by reducing rivals' ability to copy their strategies. Language courses, academic degrees, cultural immersion programs, and opportunities for experiential learning are just a few of the culturally diverse educational services provided by EF.

To continue, EF states that its mission is *"opening the world through education,"* and further highlights that they aim to ensure that people of all backgrounds, ethnicities, and ages gain confidence by participating in EF's products (EF, 2021). The company places great importance on its culture embracing inclusion and diversity, which they list as "one of our most important assets" in their *Blue Book* for 2021 (EF, 2021).

EF operates in a combination of four main areas: language, travel, academics, and cultural exchange. The study's focus has been conducted within the division EF International Language Campuses, which is the original product from 1965 – namely bringing students abroad to learn languages – and is still today the biggest product that EF sells. It was particularly interesting for this thesis since this division is the most internationally diverse, with operations spread globally across over 50 sales countries and more than 40 destinations and schools.

EF International Language Campuses is largely organized within three areas, outlined in collaboration with Sophie Hjärre (President of Operations, EF) below:
1) *Sales:* The sales organization is in charge of overall sales, more explicitly "recruiting students" to the various programs. Apart from the central sales management who are based in Zurich, Switzerland, every country manager is responsible for his or her sales results, i.e. the number of students departing from their country.
2) *Operations:* The operational organization is responsible for the production and delivery of the service. Apart from the central operations management, every destination has a school director who is incharge of the program delivery in his or her language campus. It consists of the head of operations, regional operations managers and school directors.

3) *Central Functions:* The central functions organization includes internal service functions such as IT, finance and human resources. We have not focused on central functions such as Finance, IT Support and Development, or Human Resources. This is because these functions and teams are typically not as internationally diverse.

Sales and Operations managers are included in this thesis and the interviews conducted. This decision is based on the fact that the two organizations have the greatest influence on overall performance directly in terms of efficiency, customer satisfaction, and productivity, among other factors. As a result, Central Functions are excluded from the study, mainly due to the branch's internal service function. Given that Sales and Operations are more closely linked to the thesis' purpose and research question, they were chosen as interview subjects, which is further motivated in *Chapter 4.2.1 Motivation of Respondents.*

3. Theoretical Framework

The theoretical framework presents existing theories that are in line with the conducted literature review. This chapter provides an outline of the theories, followed by developing a conceptual framework. Thus, Chapter 3 constitutes a relevant theoretical framework that will guide the empirical analysis of the thesis.

3.1 New Institutional Theory

New Institutional Theory, NIT, highlights how societal pressures can impact business decisions (DiMaggio, 1983). *Institutional behavior* is a significant concept within NIT, referring to culture, beliefs and practices that have evolved within the organization as a result of changing societal norms (Greenwood, et al., 2008). Institutional behaviors create a set of underlying *institutional rules,* embedded in the organization as a result of public perception and government regulations simultaneously, and should be followed by corporations to increase competitiveness (Starbuck, 1976).

In societies where the demand for national diversity increases and equality becomes more significant, NIT argues that businesses should engage in diversity management as it will result in increased profitability (Meyer and Rowan, 1977). However, NIT also highlights that attempts to increase diversity in environments that are less in favor of diversity, or have

prejudices against different nationalities, can be challenging and less profitable for the company. Thus, the company's socio-cultural environment, influencing customer demand, should determine how the organization operates. NIT can be utilized to explain why a company pushes for increased diversity initiatives, why such efforts can generate more profits and why it may be unavoidable in the foreseeable future.

Moreover, the *theory of legitimacy*, extending the NIT framework, further acknowledges the significance of conducting business in line with societal expectations, i.e. what society perceives as *legitimate* (Deegan, 2002). The theory states that in order for businesses to survive, they must evolve in line with societal changes, which include increasing demand for diversity, equality and CSR activities (Cowan and Guzman, 2018). Organizations run the risk of damaging their brand reputation, reducing market share and profitability, if they fail to appear legitimate by adapting to societal changes (Eriksson-Zetterquist, 2009). Furthermore, Deegan (2002) argues that when brand reputation and employee satisfaction are high, businesses can further attract new workers exponentially. Thus, diversity efforts have the capacity to attract significantly more employees in societies that highly value diversity. (DiMaggio & Powell, 1983).

3.2 Information Processing Theory

Information Processing Theory, IPT, emphasizes the role of information processing in enhancing firm performance. Information processing involves fostering all employees' individual contributions into shared organizational opinions, ideas and knowledge, ultimately improving decision making and problem solving (Gabaldon et al., 2018). Organizational outcomes can improve when the workforce is diverse, as this results in differences in factors including perspectives, backgrounds and ideas that ultimately enhance decision making, creativity and innovation (Amason, 1996, Bantel and Jackson, 1989, De Dreu, 2007, De Dreu and Carnevale, 2003; Golden and Zajac, 2001; Haynes and Hillman, 2010). Moreover, existing literature on national diversity within corporations highly suggests that a major disadvantage of homogenous groups is enhanced groupthink (Cox & Blake, 1991), i.e. when the organizational environment is categorized by similar mindsets and thus is less likely to change practices or promote creative outcomes.

To continue, De Dreu et al. (2008) highlight the importance of *how* diverse perspectives are shared within the organization, in accordance with the IPT framework, and that diversity alone will not impact performance, emphasizing the need for diversity management. Thus, businesses attempting to improve company performance by increasing diversity levels need to foster an inclusive environment where employees are encouraged to participate in problem solving and similar organizational activities (Gabaldon et al., 2018; Hirsch et al., 1997). Overall, IPT suggests that national diversity generates higher quality outcomes due to more effective information processing involving a wider set of perspectives and cognitive flexibility. As a result creativity, decision making and problem solving are improved, while reducing the negative consequences of groupthink (Gabaldon et al., 2018).

3.3 Social Identity Theory

The Social Identity Theory, SIT, provides a framework for how behavior and communication within a group are affected by individuals' feelings of belonging. SIT suggests that people identify themselves and others into different categories, such as, gender, race, age, religion and additionally, nationality which is one of the social identity groups that individuals feel the strongest belonging to (Sabanathan, et al., 2016). SIT also suggests that people within the same category, i.e. in-group, identify more with each other than individuals from the out-group (Horwitz, 2005). In short, the theory suggests that people are more likely to engage with people who share the same characteristics, directly outlining potential challenges with having a diverse team.

Moreover, SIT explains how individuals work and communicate within a group. The theory provides a foundational understanding of the challenges of having a nationality mix within a team. The segregated workforces that SIT suggests for diverse teams present managerial challenges in mitigating the risk of an excluding working environment (Horwitz, 2005). The similarity-attractiveness paradigm furthers the view of people being drawn to individuals more similar to them, which explains why diversity can have negative impacts on collaboration and communication within organizations (Prieto et al., 2009).

3.4 Conceptual Framework

The theoretical framework has outlined theories relevant to the study, creating a foundation for the empirical analysis that is conducted in *Chapter 6*. In order to provide an understanding

of the theoretical foundation, including the relationships and interactions between the presented theories, a conceptual framework is constructed and demonstrated in Figure 2. The conceptual framework illustrates the impact of national diversity on company performance, which is in line with the thesis purpose and research question, while accounting for the impacts of diversity management and external factors. The figure was developed by gathering all findings from the literature review on diversity and performance, including the presented theories. The aim of the framework is to provide a foundation for the empirical analysis in this study, and potentially aid future researchers and scholars conducting similar studies.
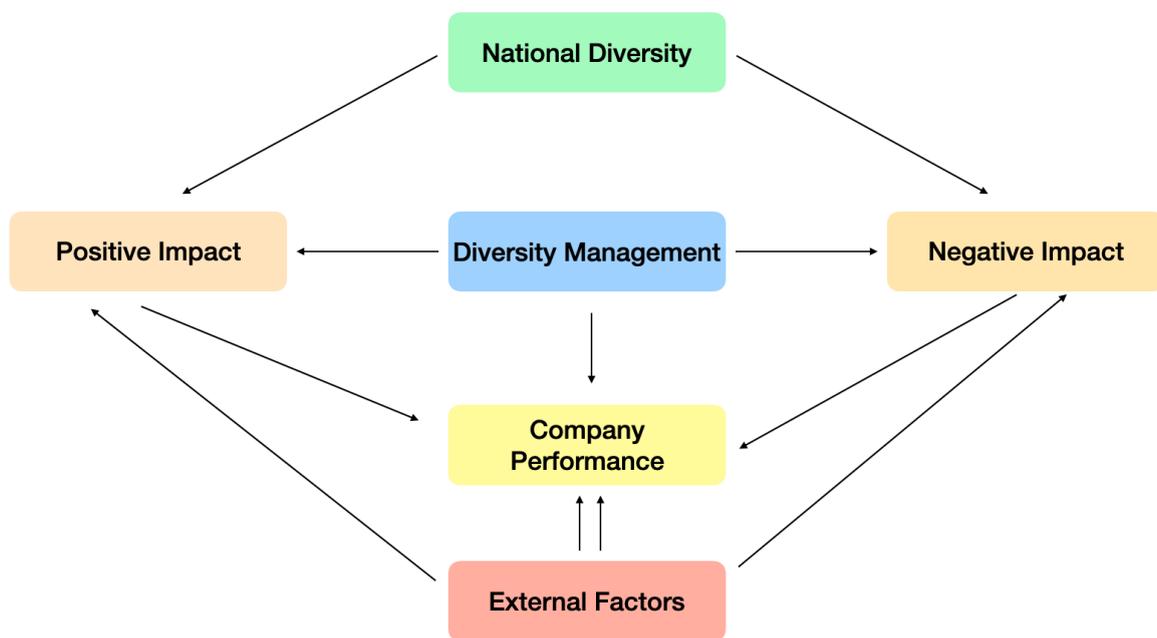
Figure 2, Conceptual Framework: Diversity's Impact on Company Performance.

The conceptual framework demonstrates how *national diversity*, defined as national diversity within the firm, results in positive and negative impacts on company performance. The *positive impacts* consist of reputation & marketing, saving costs & profitability, creativity & innovation, resource acquisition, problem solving, productivity and organizational flexibility, all improved respectively by diversity, based on the literature review, New Institutional Theory, Social Identity Theory and Information Processing Theory (Meyer and Rowan, 1977; Deegan, 2002, Gabaldon et al., 2018). In terms of *negative impacts*, increased diversity can result in conflicts, misunderstandings and thus decreased productivity within a firm, as theorized by SIT (Tajfel and Turner, 1986).

Moreover, the framework illustrates that *diversity management* impacts the potential positive and negative impacts of diversity on firm performance. This notion is in line with NIT, IPT and SIT, as they all emphasize that companies need to effectively manage diversity in order to reap its potential benefits, implying that ineffective diversity management can increase the costs of diversity while failing to gain from it. *External factors* will impact the positive or negative outcomes resulting from diversity, as well as the overall ability of the company to perform competitively in national and international markets. Such factors include the geopolitical and regional context, as well as the organizational structure and individuals' capabilities of the company. Thus, the conceptual framework demonstrates the impact of national diversity on company performance, while accounting for the importance of diversity management and acknowledging the unavoidable impact of external factors.

4. Method

This chapter justifies the method used when conducting the research. The research approach is motivated, including the case selected and the collection of data. Additionally, a quality assessment and ethical considerations are addressed, as well as the procedure for analyzing the data. Lastly, the limitations of the study are acknowledged.

4.1 Research Approach

This study aims to provide an understanding of the relationship between diversity and company performance. More specifically, evaluating whether a firm's performance increases proportionally to the diversity of its employees. In order to explain and understand this phenomenon, a qualitative research approach was chosen. Qualitative research methods are used to understand complex concepts and experiences, such as diversity; as well as comprehend opinion-based data, which is relevant in this study as the research question is subject to personal bias (Bhandari, 2023).

It is challenging to quantify the impact of diversity using numerical data due to its complexities. Additionally, EF is privately listed, and quantitative performance data, exemplified by financial statements, is not publicly published (EF, 2021). Thus, a quantitative method was excluded. Conducting a survey was further excluded from the method because it does not allow for more sophisticated responses. Hence, a semi-structured interview approach was implemented, in order to produce in-depth responses to the questions posed. It was

therefore important to ask open questions and follow-up questions to the initial responses, further presented in *Chapter 4.2*.

The study was developed through an *abductive approach*, enabling adjustments of the theoretical foundation, empirical findings and data analysis throughout the process, which is beneficial for evaluating the complexities of diversity's impact on performance (Yin, 2014; Bryman & Bell, 2011). A deductive approach was not suitable for the research, since diversity is influenced by external and contextual factors constantly, making it difficult to adhere to a fixed theoretical framework developed prior to the interview process (Robson, 2011). Similarly, an inductive approach, i.e. constructing the foundation of literature and theories after having obtained empirics, would possibly generate less relevant results (Bryman & Bell, 2013). Therefore, the flexible and adaptable nature of the abductive approach reduced the risk of relevant data being overlooked, exaggerated, or understated during the writing process. The abductive approach therefore also mitigated the risk of collaborating with a close family member, discussed further on. The research's flexibility further improved the data interpretations, ultimately resulting in reliable empirics and decreased impact of respondents' and researchers' biases (Yin, 2014). In terms of diminishing the impact of the authors' potential biases, a theoretical and conceptual framework was outlined subsequent to the literature review, as presented in *Chapter 3*, providing a clear theoretical foundation to guide the collection and analysis of empirical findings (Yin, 2014).

4.1.1 Selection of Case

The aim of the thesis is to gain an understanding of how national diversity within corporations can affect and influence performance. According to Bryman and Bell (2011), a case study provides a detailed analysis of one single case, where the research design is concerned with high complexity, providing an in-depth understanding of the research question. These conditions suited the research's purpose and allowed for extensive analysis of the research question.

Stake (1995) argues that investigating one single case company, i.e. an intrinsic approach, enables a comprehensive grasp of the phenomenon of interest and its broader implications. Larger cases (e.g. industry-wide studies) involve a greater scope which can improve generalizability. However, the selection of the case should be based on its capacity for sharing

valuable information and knowledge regarding the phenomenon analyzed (Stake, 1995). Thus, the company EF was deemed suitable for this particular intrinsic case study, allowing for as much rich data from the chosen sample as feasible. The case was chosen through purposive sampling, which is the process of selecting cases and respondents based on their value for the research (Etikan et al., 2016). As the original interest of the thesis was corporate diversity and its effect in the workforce, the personal connection of Sophie Hjärre facilitated the case choice and granted the initial access to the chosen respondents. EF, as an internal educational provider operating in over 100 countries, aligned well with the original focus of the question. Hjärre, having a central position in the firm, introduced the researchers to the most relevant departments, regions and roles in order to holistically answer the research question. This enabled a profound understanding of diversity's impact on performance within the case study.

Moreover, the case study assesses diversity and its performance impact, which requires that the company included in the case study has a relatively diversified workforce. The choice of EF was based on the grounds that the company operates on a global scale, aiming to bring nationalities closer to each other, indicating that the case study would cover different nationalities. To gain greater insight into the company, managers across the Asian, European and American divisions were included in the study.

4.2 Data Collection

Primary data was gathered through several semi-structured interviews. According to Bhandari (2023), phenomenological research involves describing and interpreting the experiences and attitudes of the respondents in order to understand an event or phenomenon. Therefore, using interviews as data gathering was most suitable for the primary data collection.

4.2.1 Motivation of Respondents

Respondant	Position	City	Organization	Interview date
EUROPE				
Charlotte Berry	Director of Operations UK & Ireland	London	Operations	25/4-2023
Roger Bugeja	Exec. Director Malta	Malta	Operations	18/4-2023
Sophie Holenstein	Country Manager, CHD Switzerland	Zurich	Sales	25/4-2023
Erik Stenbäck	Country Manager Nordics	Stockholm	Sales	25/4-2023
Natalia Anguas	Country Manager Italy	Milan	Sales	27/4-2023
AMERICAS				
Christian Groth	Exec. VP Operations, North Am.	Boston	Operations	5/5-2023
Elinel Atencio	Exec. Director LA	Los Angeles	Operations	26/4-2023
Christiane Bianco	Country Manager Brazil	Sao Paulo	Sales	27/4-2023
Jose Alberto Lora	Country Manager Colombia	Bogotá	Sales	20/4-2023
ASIA				
Yohan Kim	School Director Seoul	Seoul	Operations	19/4-2023
Angela Pereira	VP Operations, APAC	Singapore	Operations	5/5-2023
Linus Jonsson	VP Asia & President Japan	Tokyo	Sales	25/4-2023
Jing Ma (Maggie)	Country Manager China	Shanghai	Sales	25/4-2023

Table 1, List of respondents and their respective position, city, organization and interview date.

The selection of respondents aimed to cover a variety of perspectives, in order to answer the research question. Firstly, it was essential to choose respondents from several of EF's larger offices in charge of Sales and Operations across the three selected continents, more specifically 13 senior managers within the Asian, European and American divisions (see Table 1). The selection of offices was done in collaboration with Sophie Hjärre, President of Operations at EF, who is a close family member of one of the thesis' authors. The authors' relationship with EF's President of Operations facilitated the identification of the case company and the initial contact with respondents. The collaboration with Hjärre helped ensure that the most relevant offices and EF employees, in terms of the research question, were included.

In order to have a holistic view of diversity impact inside the company, it was deemed necessary to interview managers from different branches. The selection of branches was completed through interviewing Hjärre. The choice of geographical locations and branches was gradually made through semi-structured interviewing of Hjärre. Initially, open questions were asked about the management of EF, such as direct questions about the diversity and activities of the teams; gradually questions were also then asked regarding what her professional opinion was on which areas to focus on in order to best receive an accurate

answer to our research question. The President of Operations at EF emphasized that the Sales and Operations branches were appropriate to gain a profound overview of the impacts of diversity within the company. EF's overarching company performance is impacted by how well Sales and Operations function at a company-wide level at EF, in comparison to the Central Functions which act mostly as internal support. Limiting the scope of the study to Sales and Operations allows for a more focused answer to the research question, as it directly analyzes how EF's performance is affected by national diversity. The Central Functions branch of EF was excluded from the study since internal functions consist of financial accounting, human resources and IT-support; it does not have a direct impact on the overall company performance, according to Hjärre. Regarding geographical locations contacted, Oceania and the Middle East were excluded from the sample. In a similar method, geographical regions were decided during the interview with Hjärre, who based the exclusion on the divisions being relatively smaller in size. Other than allowing for a more accurate answer to the research question, the exclusion of Central Functions and certain geographical locations limited the scope. The selected locations and branches therefore aligned with the purpose and research question of the study through providing a holistic overview of diversity impacts.

Moreover, the level of experience each respondent had with EF was an important consideration when choosing respondents. As detected in Table 1, senior managerial positions, such as country managers, were favored over entry-level positions when selecting respondents. Due to their more extensive involvement with the organization, country managers and other managerial roles tend to have a more holistic understanding of the business operations and company performance.

4.2.2 The Interview Process

The semi-structured interviews allowed for a flexible interview process, where questions and wording were changed and added throughout the study (Bryman & Bell, 2011). During the interview process, an interview guide was utilized, ensuring that the interview remained on the topic of the research question, as well as narrowing down the scope of the responses collected, presented in the *Appendix*. In accordance, the thesis' definitions of *diversity* were explicitly described to all respondents prior to the interview, to assure that the answers were clearly connected to the research. *Performance* on the other hand was left open-ended in

order to let the participants guide the discussion of diversity's impact on EF's operations. The questions were divided into three categories: (1) background information of the respondent, (2) general information about how EF targets diversity and its potential impacts, and (3) role-specific questions.

With the approval of the respondents, all interviews were recorded and transcribed. Each interview, conducted via the video conferencing platform Teams, lasted between 35 and 50 minutes, and any additional questions to clarify answers or explore a subject further were asked as needed. For instance, all respondents were asked several questions concerning the potential costs and negative impacts of diversity, exemplified as the question *"What are some challenges and costs you experience while recruiting if you do have a nationality mix as one factor you evaluate?";* this was to make sure that the perceived negative impact of diversity was included in all interviews. If answers were insufficient, follow-up questions were added, resulting in respondents elaborating on vague initial answers. Thus, the interview process collected in-depth and thorough responses from participants while staying focused on the research question, and accuracy in data collection was established through the recording and transcription of interviews.

4.3 Quality Assessment

Since this research uses a qualitative methodology to analyze a single case study, it is essential to continuously assess the study's quality in order to establish its validity and trustworthiness. In order to clearly assess the quality of this research, Riege's (2003, p78-79) validity and reliability measures were adapted to the specific case study of EF, demonstrated in Table 2, including construct, internal and external validity, as well as reliability.

Case Study Design Test	Case Study Techniques	Applied in This Research
Construct Validity	Use multiple sources of evidence in data collection	Data collection includes the empirical findings, literature review and theoretical framework, and usage of triangulation.
	Establish a chain of evidence in data collection	Interviews were transcribed, structured and categorized into themes.
	Have key informants review draft report	All respondents were given the opportunity to verify, add and change the data provided prior to publishing the report
Internal Validity	Ensure that concepts and findings are systematically related	The theoretical and conceptual frameworks are applied to all empirical results.
	Use illustrations and tables to assist explanation	Applied. Examples on page 27, 37 and 52.
External Validity	Compare evidence with present literature	Extensive literature review, which is comparatively analyzed with the empirical findings through an abductive approach
	Define scope and boundaries in research design	See *Chapter 4.2 Data Collection*
Reliability	Give full account for theories and ideas throughout the research process	The abductive research approach allowed for this
	Ensure replication of method used	See *Chapter 4 Method*, and the interview guide (*Appendix 1*)
	Assure congruence between the research issues and features of the study design	*Chapter 4 Method* accomplishes this
	Record data and observations as mechanically as possible	Recording of all interviews, while 2 researchers simultaneously took notes througout the interview
	Assure meaningful parallelism of findings across multiple data sources	Accomplished in Chapter 5-7, *Empirical Findings, Analysis & Discussion*
	Use peer-review examination	The thesis was peer reviewed several times during the process. The final draft was faced by opponents that had reviewed it prior to publication.

Table 2, Riege's techniques for establishing validity and reliability in case studies (2003).

The semi-structured interviews can improve the validity of the research, due to the possibility of asking challenging follow-up questions to reach an accurate representation of the diversity impact on performance, further discussed in *Chapter 4.2.2*. Although unorthodox, leaving the definition of performance open-ended and defined by participants allows for more reliable findings, revealing their honest opinions of diversity's performance impact. In addition, the interviews were transcribed, demonstrating that the information was accurately collected and documented and that its accuracy can be reviewed and verified. Thereafter, data categorization was done by recognizing repeated themes and concepts discussed throughout all interviews. As a result, the validity increases, enabling a clear interpretation of the empirics (Riege, 2003). Moreover, the flexible research approach improves the external validity of the thesis and broadens the applicability of the empirical findings. Furthermore, the research increases its reliability through the comprehensive presentation of the method, where the transparency of all steps in the empirical process enables future researchers to duplicate the study. The empirics are recorded, transcribed and categorized, allowing for clear

evaluation and analysis of results, ultimately contributing to the validity of the study. Lastly, peers assessing and evaluating the research at every stage strengthens the legitimacy, thoroughly demonstrating the process of examination and critique before publication (Riege, 2003).

4.4 Ethical Considerations

According to Bryman and Bell (2013), it is important to prevent scenarios where the respondents could be harmed. Thus, the respondents were informed of what their contribution of information was used for, and that it would be publicly published (Bryman & Bell, 2013). Accordingly, the interviewees were all asked and consented to have their names and positions disclosed in the research paper. The option to remain anonymous increased the validity of the empirical findings. Without the opportunity to remain anonymous, respondents might provide answers that are biased in an attempt to satisfy demands made by EF management or other stakeholders (Bryman & Bell, 2011). This is essential as once the report is published, all EF managers, staff members, and stakeholders will have access to the information. Moreover, transparency is essential when conducting a study. Thus, the research procedure, involving the techniques used to gather and evaluate data, as well as potential conflicts of interest, was openly disclosed.

The respondents were selected through purposive sampling together with the President of Operations at EF, Hjärre, who has a close relationship with the authors. This poses the risk of biased responses, due to the fact that most respondents are subordinates or colleagues to Hjärre. Considering that Hjärre is a close family member who has facilitated contact to these senior members, the responses may be more positively skewed in favor of diversity. Bias can occur at any stage of the qualitative research process (Bryman and Bell, 2011), and it is the responsibility of the researcher to ensure that the study does not reinforce prejudices or biases, further discussed in *Chapter 4.6 Limitations*. To diminish this risk, a wide range of perspectives was included (13 different senior managers at EF) working in different nations across three continents. The bias was further mitigated through asking open-ended as well as negative questions in order to fully answer the research question. Therefore, the interview guide was carefully created to ensure that the questions asked were broad and objective in nature, making sure to cover the benefits and drawbacks of diversity respectively, as well as other factors influencing performance other than diversity, which is further explained in

Chapter 4.2.2 The Interview Process. As a result, the justification and fairness of the data selection were improved.

4.5 Data Analysis

The initial step of the data analysis process involved the transcription and organization of the collected data. Firstly, all the data gathered was transcribed. Following the transcription, the data were identified and clustered into categories systematically (Jacobsen, 2002). In line with the conceptual framework, the categories found were Positive Impacts, Negative Impacts, Diversity Management and External Factors, along with individual sub-categories. Thus, the important concepts and ideas that are most relevant to the research question were revealed by the categorizations, enabling a more concise presentation and analysis of the qualitative empirics. Thereafter, the empirics were carefully analyzed and interpreted while utilizing the themes identified by the cluster analysis. The process involved evaluating links between the topics, searching the data for patterns and trends, and drawing connections between themes (Jacobsen, 2002). Triangulation was used in the analysis process in order to increase the validity of the empirical findings, which involves contrasting the results with data from other sources, i.e. the literature review, and the theoretical and conceptual framework. Lastly, the empirical results were presented and analyzed in accordance with recognized categories, covering the findings from the case study, followed by a discussion of emerging themes, patterns, and trends.

4.6 Limitations

- *Scope and Generalizability:* The case study analyzes one single company, EF, raising the concern that results may not allow for a reliable generalization of diversity's impact on performance. Certain company or industry-specific elements will potentially not always hold true for the broader phenomena. Therefore, the relevance of this study may vary across different industries or companies due to differences in operational features. In order to account for this limitation, the empirical findings are applied to the previous research and theories presented in the extensive literature review and theoretical framework.

- *Qualitative Study:* It is hard to accurately measure diversity because it is not necessarily quantifiable. No concrete data is published or collected internally on EF's

national diversity. EF is a privately held company and does not publish any quantitative data on profit margins or sales revenue, which impacted the ability of research methods as it was not possible to get ahold of quantitative secondary data such as financial reports, preventing the study from conducting a statistical analysis involving hypothesis testing through finding potential correlation and regression.

- *Respondents' Bias:* Since the research question involves a polarizing topic, diversity, results may be affected by social desirability bias. Therefore, respondents may not share their true feelings, honest opinions, or accurate data observed, in an attempt to appear more socially desirable and politically correct (Grimm, 2010). Additionally, responses may be influenced by memory recall bias (Raphael, 1987), which means that respondents potentially exaggerate or understate the impact of diversity on performance by knowing the interview topic beforehand. As a result of respondents' biases, it is possible that the responses collected are skewed toward being in favor of diversity.

- *Authors' Bias*: The authors' bias may be an additional limitation of the study, implying the personal bias present when conducting research may unintentionally guide or affect the empirics discussed and questions asked. Therefore, it was important to be mindful of personal attitudes towards diversity as a result of individual backgrounds and Swedish nationality. It was crucial to challenge personal biases throughout the process in order to interpret the answers in an impartial and objective manner. In addition, all three authors analyzed all findings, in an attempt to gain a wider perspective of potential subcontexts present in responses. The objective interview guide and follow-up questions, including both benefits and costs of diversity, further helped to diminish the impact of possible biases from the researchers.

- *Authors' Relationship to EF:* As mentioned, the authors collaborated with a close family member, with a central role at EF, when choosing the branches of the company as well as the selection of respondents. The benefits of this collaboration include limiting the scope by geographical locations and to the Sales and Operations branches. Hjärre's help facilitated the initial contact and access to senior management. Although this relationship overall allowed for the opportunity to work with EF, the

risks and limitations should also be noted. Since the President of Operations guided the process and the overall inclusion and exclusion of different company sections, some results may be biased. For example, respondents may be keen to portray themselves positively in order to maintain their professional relationship with Hjärre.

- *Potential Inaccurate Interpretation:* The researchers' potential inability to concentrate during back-to-back scheduled interviews is a further limitation; this may lead to incorrect interpretations of answers. To account for this, longer breaks were scheduled between all interviews, and all three researchers were present at all interviews to ensure that if one was less engaged, the other two could account for this factor.

- *External Factors' Impact:* As company performance is impacted by a number of variables excluded from diversity, respondents were asked to freely define it. Thus, interviewees were allowed to highlight the performance elements they felt most relevant to diversity and the questions asked. It is challenging to isolate diversity in order to determine its effect on performance. This is problematic because fluctuations in both the financial and non-financial performance of EF that might appear to be related to diversity levels, may instead be created by entirely unrelated causes that are irrelevant to the study. Accordingly, the impact of *diversity management* and *external factors* are included in the conceptual framework, providing a more realistic foundation for the subsequent data analysis.

5. Empirical Findings

In this chapter, the primary data collected is presented and analyzed. The positive and negative impacts of diversity on performance are outlined respectively, followed by presenting empirics of diversity management and differences between Sales and Operation. Lastly, the impact of external factors is highlighted, along with suggestions of further steps EF could take in enhancing diversity.

Respondant	Position	City	Organization
EUROPE			
Charlotte Berry	Director of Operations UK & Ireland	London	Operations
Roger Bugeja	Exec. Director Malta	Malta	Operations
Sophie Holenstein	Country Manager, CHD Switzerland	Zurich	Sales
Erik Stenbäck	Country Manager Nordics	Stockholm	Sales
Natalia Anguas	Country Manager Italy	Milan	Sales
AMERICAS			
Christian Groth	Exec. VP Operations, North Am.	Boston	Operations
Elinel Atencio	Exec. Director LA	Los Angeles	Operations
Christiane Bianco	Country Manager Brazil	Sao Paulo	Sales
Jose Alberto Lora	Country Manager Colombia	Bogotá	Sales
ASIA			
Yohan Kim	School Director Seoul	Seoul	Operations
Angela Pereira	VP Operations, APAC	Singapore	Operations
Linus Jonsson	VP Asia & President Japan	Tokyo	Sales
Jing Ma (Maggie)	Country Manager China	Shanghai	Sales

Table 3. Overview of Respondents Participating in the Study.

Table 3 demonstrates all participants included in the study, along with their roles and geographical locations. The empirical findings outlined below accordingly refer to the respondents above.

5.1 Positive Impact of Diversity on Performance

All respondents emphasized a direct connection between diversity and performance, both with financial and non-financial measures, although in different ways. Interviews of these globally-based managers gave a holistic understanding of the impact of diversity, its goals and their personal view and experience of its integration and significance at EF.

When asked directly if diversity has an impact on performance, all 13 participants answered yes, regardless of geographic region or organization. Bugeja, Executive Director in Malta, emphasizes that "diversity is the key to success," a fundamental view echoed by all respondents. To drive an international business like EF, Stenbäck, Country Manager of the Nordics, concurs that "you need the view of many nations" since operations differ from country to country and it "would not work to have only Swedes working with all the markets." Kim, School Director in Seoul, and Jonsson, Vice President of Operations in Asia,

believe that diversity needs to be reflected in the staff for EF to really offer a "truly global experience." Seeing as all respondents emphasize the "huge impact of diversity on the success of EF over the last 25 years" (Groth, Executive Vice President of Operations in North America), being multinational is fundamentally viewed as imperative for success. Although all participants agreed that "diversity for sure has a concrete impact on performance" (Lora, Country Manager Columbia), the answers varied in regards to what aspects specifically are affected.

5.1.1 Non-Financial Positive Impacts

This section outlines the non-financial positive impacts of diversity at EF mentioned by the respondents in the following three categories: 1) Reputation and Marketing Approach; 2) Creativity, Innovation, Productivity and Problem Solving; 3) Organizational Flexibility and Effectiveness.

Reputation and Marketing Approach
Most participants raised the view that having a diverse workforce increases performance through improved reputation, marketing and customer satisfaction. Groth, North America, believes that "EF needs a diverse mind to appeal to all customers."

Jonsson, Vice President of Asia, heavily emphasized the perspective that EF has an improved marketing approach and brand reputation as a result of increased diversity. Externally, he believes a diverse workforce leads to a positive impact in reputationally appearing more international and inclusive. Internally, marketing is therefore able to target a wider group of people, through teams being able to realize applicable approaches. Atencio believes that their marketing campaigns in Argentina and throughout Latin America have had a "huge positive impact from the different points of view of varying nationalities," including the European and Asian perspectives. Stenbäck, Country Manager Nordics, further emphasizes the importance of marketing teams understanding nuances and practical cultural aspects of each region. Taking the entire customer base properly into account is something he believes only possible with diversity. Thus, the empirics show that marketing campaigns improve when multiple perspectives and nationalities are able to give input.

Moreover, Groth and Jonsson argue that brand reputation enhances through workforce diversity since it becomes a huge point of attraction for potential employees to be part of an international company. Atencio and Hollenstein support this by emphasizing that diversity and its ability to enrich the workplace is "one of the things that attract candidates most." This is one of the main reasons why Groth pushes for diversity in the Boston office and across schools over the United States - as they strive to be ranked "number 1 employer in the state and city." This ranking values diversity highly, and Groth sees it as an annual goal in order to attract new, smart and diverse talent. Hence, brand reputation ties to EF's ability in obtaining a more qualified and unique pool of human capital. Jonsson furthers this view, stating that long-term employees at EF stay due to its international diversity.

Brand reputation is also improved by staff diversity through higher customer satisfaction, according to Kim, South Korea. Giving an example, a Columbian hiree directly improved the quality of their product and customer satisfaction, according to the post-visit survey where students specifically tied their experience in Seoul to him. High customer satisfaction indicates that students were more likely to recommend EF to a friend, which indicates a direct improvement in brand reputation as a result of diversity.

Problem Solving, Creativity, Innovation and Productivity
All participants emphasized the effect of diversity on performance through teamwork abilities including improved creativity, innovation, productivity and problem solving. Jonsson, Vice President of Asia, claims that "the biggest benefits of diversity are the results of different backgrounds working together." Diversity allows people to see past stereotypes and differences in culture, through the shared mission of EF and through working together to solve issues from different perspectives (Ma, Country Manager China).

Diversity in a team fosters a better problem solving environment as assumptions, opinions and perspectives are actively being challenged. Accordingly, Bianco has seen concrete improvement in her employees' teamwork skills through them taking advantage of having different "examples in the office" and better understanding people's backgrounds. Kim, South Korea, builds on this, emphasizing that if his entire office were Korean, problem solving approaches and brainstorming processes would be more uniform and not respond as well to "constant differences in cultures" and "culturally sensitive issues" of students. Similarly,

Bujega, Malta, and Hollenstein, Switzerland, state that different colleagues from different countries have varied approaches to tackling issues. Sharing an example of this, Hollenstein has been pushed out of her comfort zone by a close Turkish colleague who lightheartedly called her "too Swiss" – being very exact and non-flexible. Hollenstein positively believes their different nationalities allow them "to learn from each other's differences." Pereira, Singapore, also believes that diversity leads to improved problem solving since different countries "have different ways of dealing with conflict." The dynamic created from different nationality perspectives cannot be matched to a mononational workforce, according to Pereira.

Furthermore, diversity pushes teams to be innovative and creative, by thinking "outside the box" and "walk[ing] out of their own comfort zone," according to Ma, Hollenstein and Lora. Pereira echoes this narrative by adding that different communication styles are what make a workforce more creatively dynamic. Different points of view in one organization "brings innovative strategies, developments, plans and ideas," something Atencio has "seen results of in all our workplaces." Innovation is also seen as an effect within sales teams, where Bugeja notices different nationalities being able to better approach situations and customers. Overall, all respondents holistically believe diversity encourages creativity and innovation during collaboration.

Jonsson furthers the effects of diversity on teamwork, claiming it "leads to better business" through higher productivity. Kim and Pereira further Jonssons point, stating that "a diverse workforce works better" and that different nationality perspectives "improves performance" and "plays a critical role in working more productively." Higher diversity elevates teamwork through being more effective, according to several of the respondents. Pereira agrees that diversity leads to higher productivity, with an example from her activities department, which has decreased in diversity from 30% to 10% in the last three years and taken a "huge hit from less diversity."

Organizational Flexibility and Effectiveness
The empirical findings indicate that EF's organizational flexibility and effectiveness are positively impacted by the diversity of its workforce. Ma and Jonsson note that the benefits are strongly tied to the EF culture valuing diversity, which ultimately leads to higher

effectiveness of the entire organization. Ma reflects that Chinese companies, in her experience, have a clear hierarchy that hinders company effectiveness and flexibility through certain types of segregation; whereas, EF values open and honest communication between all levels in the corporate ladder, something she believes is a result of diversity. Having a diverse and inclusive work culture allows for more organizational flexibility and effectiveness through achieving an enhanced working experience and a happier environment for the employees. Kim concurs by sharing that the addition of diversity in his team has further created an open and honest environment – specifically also signaling "you can bring up any issues" to the students creating a more effectively run organization overall. Atencio agrees with the flexible work environment at EF, as a result of diversity; she experiences her employees feeling comfortable, heard and treated equally regardless of nationality or other factors. Overall, furthered by Stenbäck, diversity builds a "stronger and better corporate culture."

Participants believe the organization's flexibility and effectiveness at EF are possible through diversity leading to "improved sensitivity, understanding and fostered a softer approach about the person next to you," as emphasized by Groth, Boston. Toning down aggressiveness and being made aware of other nationalities' attitudes and tendencies allows for a more empathetic and therefore effective work environment. Understanding the world is "critical" especially considering EF's industry and mission regarding spreading education globally – which is why diversity further allows for more effectiveness and flexibility as the internal structure mirrors the product sold.

5.1.2 Financial Positive Impacts

The financial impacts of diversity mentioned were considerably less than the non-financial aspects, primarily due to the lack of quantitative measures and public information at EF of this. Most participants therefore answered inconclusively and were not able to confidently assert the impact on financial quantitative performance. The following section is accordingly primarily tied to the participants' personal views and experiences of diversity's effect on saving costs, generating revenue and profits.

Within the operations organization, Kim, South Korea, claims that diversity "brings in more cash" as the product they are offering to students achieves a higher quality. Kim ties this

effect to higher performance and customer satisfaction, seen as a result of his diverse team and due to students highlighting this in their post-visit survey. Since students are from the entire world, he believes welcoming and responding to multiculturality is enhanced through his team being diverse, ultimately "selling more." Bugeja, Malta, agrees, restating the belief that diversity "definitely generates more revenue." Similarly to Kim, Bugeja asserts that having different nationalities in the schools adds value to the students' experiences as they are able to feel comfortable, resonate and bring up issues with the staff from their own country.

Within the sales organization, on the other hand, Lora, Country Manager of Colombia, among others, raises the point that his team is able to sell more as a result of having varying nationalities that contribute. In his experience, sales within his team have increased since becoming more diverse with different perspectives and backgrounds. Lora believes this increase in sales is due to improved problem solving abilities and being able to reach a larger customer base from having a variety of nationalities at the office in Columbia.

5.1.3 EF's Company Culture

The following section details the participants' view of the company culture and is included to give a broader insight into how deeply diversity is ingrained and valued at EF. Jonsson claims that "we [employees] all speak the EF language," which in itself becomes a way of embracing diversity and attracting a certain type of people. Bianco, Brazil, concurs with this by saying "we sell the world," and that in order to fulfill the EF product they inherently need to be a diverse company. This is reflected in the company culture, according to Jonsson, as nationalities connect through EF's mission which emphasizes "being what we sell" – a global product. The essence of the EF industry requires them to find an appropriate balance between local and international staff, in order to immerse the students in the language and culture of the country they are visiting. Bugeja adds that since they have diverse customers, the more they can understand their customers the better they can deliver their product and mission.

EF also gives a lot of help and support to employees, seeing as its culture is to bring awareness and bridge language barriers between nationalities across the world. Anguas view resonates with most participants saying "the company is the same regardless of location" due

to its strong internal culture. Atencio believes the culture at EF naturally allows everyone to feel welcome and heard - regardless of nationality.

5.2 Negative Impacts of Diversity on Performance

All participants also raised several negative impacts on performance and challenges that arise from working in a diverse team, including challenges in communication and misalignment costs.

Challenges in Communication

One of the main challenges brought up by the respondents during the interviews was the problem of efficient communication. Atencio, Executive Director of Los Angeles, discusses the problem foreign employees experience with language and behavior differences in a new corporate environment, which can impact team performance. Hollenstein, Country Manager of Switzerland, adds to this argument, believing that language barriers are an obstacle to efficiency in a diverse team. Hollenstein states that "it sometimes creates unnecessary misunderstandings which can take more time from delivering a task." Buegeja, Executive Director of Malta, also adds that "additional questions and explanations may be necessary in a more diverse team which is time consuming and inefficient for performance."

Anguas, Italy, also emphasizes that people have to understand each other in order to be efficient. In her experience of working abroad, her ability to perform at work decreased because of the language barriers and cultural differences in the work environment. Bianco, Brazil, also raises the potential cost of behavioral differences that many experience when entering a new country and working culture, claiming that "99% of the problem is culture shock." She further explains that the country's work environments are "very different," especially in Brazil, exemplified by the different living standards there compared to Europe, which can take time to adjust to, potentially lowering work performance in the short run.

Many respondents bring up examples of when misunderstandings and conflicts hinder the performance. Communication styles differ depending on nationality – emphasized by all respondents. Periera, Vice President of Operations in the Asia-Pacific region, discusses the cost of diversity in the workplace from personal experience. Moving to Japan, she proactively studied and took courses in order to better understand the impact that different cultures can

have on performance. She claims that "communication styles between different nationalities can be vastly different which can lead to conflict and lower productivity." Additionally, Bianco claims that people have different ways of speaking, pinpointing that, "in Brazil they are not so straightforward as they are in Europe," which can lead to misunderstandings and slow down efficiency.

The wider set of perspectives at EF, as a result of diversity, can reduce efficiency in decision making, implying that homogenous teams reach conclusions more quickly. Ma, China, raises this argument and highlights that the negative impact of diversity is often overlooked; emphasizing the difficulty in achieving efficiency and creativity simultaneously. She believes the diversity-value of the business culture fosters creativity and allows her Chinese efficiency-driven team to think outside the box and work together to find unique solutions. Holistically, there is a need for both efficiency and creativity, as well as diversity management targeting this tradeoff to effectively reap the benefit of both.

Misalignment Costs

Due to national differences several of the respondents also bring up misalignment costs, such as onboarding costs. Many respondents agree that it requires time in the beginning for the employee to adjust to the corporate culture. Atencio, North America, also highlights the challenge at the beginning of the onboarding process in those countries where diversity is not commonly accepted. She further explains that new employees tend to have a "difficult time feeling belonging," since locals are not always used to an international environment. Berry and Atencio further discuss the negative financial impacts of hiring more diverse people, "it can require more resources and competence from the HR team." Jonsson, on the contrary, refers to the onboarding cost of hiring diverse teams as "a good cost," and Bianco furthers this view by claiming that it is a worthwhile investment for the company. She emphasizes the positive tradeoff between onboarding costs and potential benefits resulting from having a more diverse team, with new perspectives and creativity.

Overall, Jonsson, offers a holistic view from his experience as the Vice President of Asia, perceives short-run rather than long-run diversity costs regarding "misalignment." These costs of having different nationalities and perspectives working together "align" more in the

long run, but Jonsson still sees misalignment costs, although less, even then. The initial misalignment costs considered an investment into expanding EF's unique human capital. To overcome the misalignment Jonsson emphasizes focusing on the shared mission to establish that everyone is working "on the same page" towards the same goal. Bianco also adds that "the challenges and cost of diversity pay off in the long run, but only if the person is open to learning."

5.3 Managing Diversity at EF

The empirical results show that diversity management, with onboarding procedures as well as effective management, essentially dictates how impactful diversity really is on performance at EF. Through effective diversity management, the benefits of diversity are further heightened and the costs mitigated. Managing diversity encompasses 1) onboarding and training processes as well as 2) effective management.

5.3.1 Onboarding and Training

Diversity is primarily managed with EF's onboarding and training practices, which lays the groundwork for the rest of the employment. Lora, Colombia, discusses that the onboarding encompasses an extensive overview of EF's culture and how to embrace diversity, including EF's *Blue Book* which includes detailed and clear guidelines on how to treat people and avoid issues between nationalities. The onboarding setup ensures employees feel valued and included regardless of background, which ultimately affects how well EF performs.

In accordance, Pereira, Singapore, emphasizes that EF offers extensive training opportunities on how to improve management and adaptation to local working styles. She states that "so many colleagues have done this," when relocating to new regions in order to "learn foreign teamwork dynamics allowing local teams to perform better." Pereira, along with Bugeja, emphasizes that diversity management is essential for performance as it is a constant learning curve – something EF is adamant about supporting.

5.3.2 Effective Management

The active role of leadership is an additional aspect the participants emphasized in terms of managing diversity to impact performance. Kim in South Korea and Lora in Colombia, among most participants, describe their role in fostering diversity as "leading by example" –

creating an inclusive work environment allowing for better performance. Hollenstein, Switzerland, furthers that a large aspect of managing diversity is being conscious and aware of own biases and actively being open-minded in the learning process. Thus, the role of managers is very important in fostering a "good working environment," as their attitude and how they treat others is further reflected in the treatment of customers. Ultimately, as stated by Bujega, "the job of the manager is to synchronize all of this together," in order to achieve enhanced performance.

To continue, Ma, China, emphasizes that a large part of the performance is fostering diversity's benefits and mitigating the costs by remaining politically neutral. Ma notices this difference, especially between other corporations located in Shanghai, where issues and conflicts arise, hindering performance, within the organization due to the company's explicit political stance. She believes that since EF's top management does not publicly push a political opinion, thus demonstrating broad empathy, employees feel more included and the benefits of diversity can flourish into improved performance.

5.4 Differences between Sales and Operations

Since the sales branch specifically targets calling and reaching out to locals of their regions, the language and even specific accents limit the hiring pool. Jonsson emphasizes that the majority of the work, within sales teams, concerns the local market and communicating with customers in the local language. However, even within the sales branch, recruiting people with an international background is still prioritized in order to achieve better performance. Accordingly, Ma is mindful of finding a good balance between local and international perspectives, in order to reap the benefits of diversity, by hiring people who have an international drive since the language requirement limits the diversity of the hiring pool.

Although sales in particular need to have a mono-national workforce, operations teams have a very diverse mixture. Johsson emphasizes that this is because of what operations branches do: bridging nationalities together on-site. Anguas underlines the same argument that having an international mixture of employees is necessary for performance within the operations branch. According to Bugeja, the language school in Malta is 90% international in comparison to 10% international 7 years ago, which has drastically improved the performance of his team.

5.5 External Factors

"Having diversity only would not bring business results;" there are external factors that affect performance and are out of management's immediate control (Ma, Country Manager China). The findings raise the geopolitical and regional context, as well as individual aspects and organizational capabilities as possible external factors. Ultimately, these external factors inevitably impact performance, which is outlined respectively in the following section.

5.5.1 The Geopolitical Context

When discussing external factors that affect performance and are out of companies' control, participants raise global crises such as Covid-19, protectionist measures, and the macro environment.

Ma, China, heavily emphasizes the impact of the Covid-19 pandemic on EF's ability to acquire a diversified workforce and performance overall. China, and many other countries, implemented restrictions and closed their borders for an extended period of time, leading to foreigners being both less "welcomed" and less inclined to live in Shanghai; these tightened measures led to the Shanghai school closing. Due to the traveling limitations, the performance at EF declined as less products were able to be sold. Furthermore, the effect of Covid is something she still believes contributes to her hiring pool being heavily mononational and therefore achieving lower performance.

Protectionist measures in general were discussed as external factors impacting performance due to lower diversity in the workforce, including certain regulations and visa requirements. This impedes EF's ability to attain a diverse set of employees and participants believe that this has led to lower performance overall. Pereira highlights that the Singapore office has decreased by 20% in international employees in the last three years, "due to legislation we are unable to have a high quota of foreign employees." These tightened protectionist measures have made it increasingly difficult and costly for EF to hire foreigners, and Pereira, among others, have seen direct lower performance, in terms of customer satisfaction surveys, as a result of this lowered diversity. Similarly in the UK, Berry still perceives they are "dealing with the aftermath of Brexit." Through global protectionist measures EF is not able to reap the benefits of diversity as easily; Groth, in Boston, mirrors Pereira and Berry's challenges of hiring diverse nationalities and all perceive that performance "has taken a hit" due to this.

Overall, respondents raise the macro environment as one of the largest factors externally affecting performance. This is in regards to the economic situation of the local country and the "global situation" – such as the pandemic and wars, according to Jonsson, which may for example affect flight prices and therefore performance of EF. The macro environment directly affects and is the largest uncontrollable external factor to performance at EF.

5.5.2 The Regional Context

The empirical results show that the regional context will influence performance, and the potential impact of diversity. Thus, this chapter presents how the specific region influences the effectiveness of diversity on performance outcomes.

The findings show that homogeneous traits of the European region allow for diversity to impact performance effortlessly, as emphasized by Bianco and Berry, mainly due to the European Union which allows for high labor mobility. Additionally, Ma, China, explains that EF's job opportunities are more "flexible and connected." Accordingly, 10 out of 13 respondents specifically stated that "diversity comes naturally in Europe," indicating that the division is able to reap the positive impacts on firm performance with fewer challenges and costs.

Similarly, labor mobility and homogenous culture are even more prevalent in Latin America than Europe, due to the countries sharing one common language, Spanish. Hollenstein, Switzerland, states that she "envies the Latin American market" for the "staff mobility that they can implement, which is a huge benefit" generating greater performance outcomes. However, Brazil is an exception, where the official language is Portuguese, resulting in labor immobility, according to Bianco, due to language barriers, impeding the positive impact on performance.

Groth, Vice President of Operations in North America, explains that the North American division is more actively taking steps towards national diversity since the US market is "furthest behind in incorporating diversity." Therefore, the region is less able to reap the potential performance benefits of diversity. Nonetheless, Atencio states that "EF as a

company is ahead," of North American market standards, implying that EF potentially has a competitive advantage by being early to incorporate diversity initiatives.

Jonsson, Vice President of Asia, highlights that Asian countries have clear individual differences and strong nationalistic corporate cultures. Thus, external opinions and values can sometimes be disregarded or looked down upon, suggesting that the less broad perspective can impede performance. Berry emphasizes that, at a management level, Asia is less diverse, partly as a result of the heterogeneous culture among the countries, resulting in a less open attitude towards international leadership. Pereira explains how her management style was ineffective in Asia, due to differences in expectations, insinuating that foreign management in the region can be less effective and generate lower performance.

The empirical findings demonstrate that regions that are more homogenous are able to better manage diversity within the same region, which thereby allows the benefits of diversity to improve performance.

5.5.3 Organizational Structures and Individuals' Capabilities

The additional impact of organizational structures and individual capabilities on performance was highlighted in all interviews, including employees' overall competence, training and motivation as well as various types of working structures. As summarized by Lora, Colombia, "if [employees] have the qualities they are good to go." Bugeja, in Malta, agrees, emphasizing that skill set, work ethics and attitude are most important. Holistically respondents perceive the "way you are," as claimed by Anguas, to be the largest internal determinant of performance.

Most respondents perceive the right motivation and training greatly affect performance. Bianco, Ma, Stenbäck and Anguas all emphasize that performance is tied to finding the best way of motivating staff. In discussing incentivizing employees, Ma raises using financial compensation while Stenbäck raises offering sales-based-awards tied to traveling to various school locations. Anguas further emphasizes discipline and resilience as individual factors affecting performance, in combination with training of employees. Training of employees from the beginning sets the best foundation for success, as Jonsson emphasizes: "A big part is how we onboard and train people from the start, if we don't take time to teach new people we cannot properly evaluate their performance." Jonsson contends that diversity alone "cannot

be a goal by itself, rather that it, in combination with competence, drive and motivation, should lead to better results."

Working structures are also mentioned as an organizational factor affecting performance. Lora notes that a hybrid working structure allows for better performance within his team. Building a business structure that pushes employees to take initiative and ownership is another example of an organizational factor affecting performance, according to Ma. Establishing effective communication styles between schools, managers and colleagues in other countries is also something that Berry believes is an important factor.

6. Analysis

The analysis provides an examination of the obtained empirical findings and results, analyzed in the context of the theoretical framework. The chapter is organized in coherence with the conceptual framework, enabling a methodical investigation of the data.

6.1 Analysis Overview

The conceptual framework, constructed in *Chapter 3*, is presented below and will be utilized to effectively analyze the empirical results in line with the theoretical framework. As such, *Chapter 6* is structured in accordance with the components of the conceptual framework, providing a profound analysis of the positive and negative impacts of national diversity (*Chapters 6.2 & 6.3*), the significance of effective diversity management (*Chapter 6.4*), while accounting for external factors impacting the effect of diversity and company performance respectively (*Chapter 6.5*).

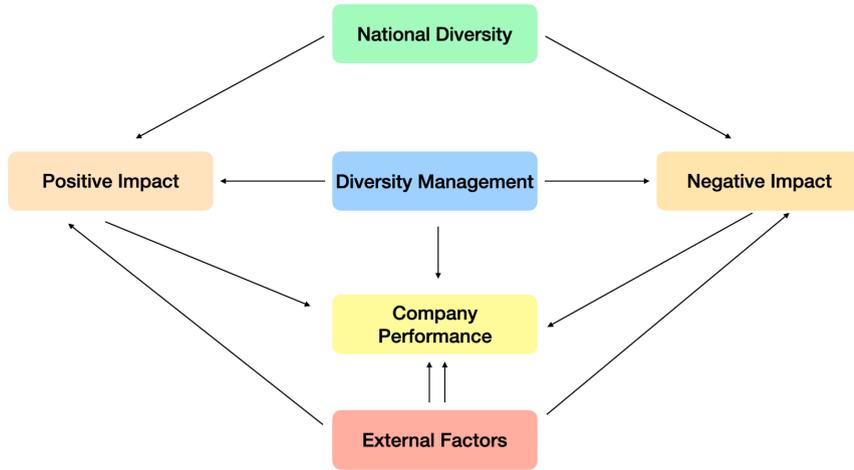*Figure 2, Conceptual Framework: Diversity's Impact on Company Performance*

6.2 Positive Impacts of Diversity on Performance

The table below presents a summary of the empirical findings regarding the positive impacts of diversity on company performance, according to the respondents. Following the table, a deeper analysis of the results will be presented tied to previous literature and theories discussed.

Positive Impacts		
Impact Category	**Supporting quote**	**Overview of Findings**
Non-Financial		
1) General Impact of Diversity	*"Diversity is the key to success" - Bugeja*	Diversity at EF has holistically had a definitive impact on performance, according to participants' views and perceptions.
	"Diversity for sure has a concrete impact on performance" - Alberto Lora	
	"... huge impact of diversity on the success of EF over the last 25 years" - Groth	
	"I don't believe in growing a company with the same kind of people" - Anguas	
	"To drive an international business you need the view of many nations" - Stenbäck	
2) Reputation, Marketing and Resource Acquisition	*"EF needs a diverse mind to appeal to all customers" - Groth*	Diversity at EF improves marketing approaches possible and brand reputation, attracting and retaining talented employees.
	"EF has an improved marketing approach and brand reputation as a result of increased diversity" - Groth	
	"A diverse workforce leads to a positive impact in reputationally appearing more global, international and inclusive" - Jonsson	
	"A company's reputation is improved when it is associated and seen to work with many different nationalities" - Stenbäck	
3) Creativity, Innovation, Productivity and Problem Solving	*"A diverse workforce fosters teamwork, creativity, problem solving, breaks down barriers and opens your mind through people bringing different perspectives" - Maggie*	Diversity at EF improves creativity, innovation, productivity and problem solving through different perspectives contributing and finding more comprehensive solutions.
	"... significance of different perspectives in producing better solutions" - Kim	
	"The more diverse a group is, the more comprehensive the possible solutions are" - Bugeja	
	"Different colleagues from different countries have other approaches to tackling issues" - Hollenstein	
	"Different nationalities have different life experiences, cultural beliefs and socioeconomic backgrounds - fostering a more creative workplace" - Pereira	
	"Different point of views...bring innovative strategies, developments, plans and ideas" - Atencio	
4) Organizational Flexibility and Effectiveness	*"EF's diverse, open and inclusive work culture enhances the working experience, creating a happier environment for the employees thereby making them more productive and effective overall" - Maggie*	Diversity at EF improves flexibility, openness and effectiveness of the organization, fostering a stronger and more inclusive corporate culture.
	"The inclusive work environment improves the overall performance of my team" - Atencio	
	"Working in countries different from your home country builds confidence, increases perspectives and makes employees more open-minded" - Hollenstein	
	"Diversity builds a stronger and better corporate culture" - Stenbäck	

Financial		
5) Saving Cost, Generating Revenue and Profit	*"[diversity] brings in more cash [as] the product offered to students gets a higher quality" - Kim*	Diversity at EF improves the product quality and quantity sold, leading to more sales as a result of higher customer satisfaction.
	"[diversity] definitely generates more revenue" - Bujega	
	"My team is able to sell more as a result of having varying nationalities that contribute" - Alberto Lora	

Table 4, Perceived Positive Impact of Diversity on Non-Financial and Financial Measures of Company Performance at EF.

In categorizing participants' answers regarding the positive impacts of diversity, an analysis is possible by connecting the empirical findings to the New Institutional Theory, Information Processing Theory and Social Identity Theory outlined in *Chapter 3.* Through the lens of these theories and categorized empirics, a conclusion can be drawn that diversity positively impacts company performance, strengthened by Category 1 empirics.

The *New Institutional Theory*, NIT, and the sub-theory of legitimacy align with the empirical findings of Category 2, Reputation Marketing and Resource Acquisition; Category 6, Saving Costs, Generating Revenue and Profit; and Category 4, Organizational Flexibility and Effectiveness.

As evident from Category 4, Organizational Flexibility and Effectiveness, managers at EF believe the value and support of diversity are deeply embedded in the organization's culture. In line with NIT, the external globalized environment where there is an increasingly public significance of inclusion, requires corporations to embrace diversity in order to remain competitive. According to empirics in Category 4, diversity leads to organizational effectiveness and flexibility as a result of EF's open and inclusive culture "enhancing the working experience" (Ma, Country Manager China). The "healthy work environment" is a result of diversity, according to respondents, seeing as the company culture "nurtures open-mindedness and a curiosity to learn more about each other" (Berry, Director of Operations, UK and Ireland). In line with NIT, Category 4 empirics support the view that diversity builds a stronger and better corporate culture.

Category 2 empirics, regarding reputation, outline participants' beliefs that EF's market reputation is improved through increased national diversity – supporting NIT seeing as this is in line with the external environment's demand for equality on all fronts. According to the sub-theory of legitimacy, corporations risk damaging their reputation if they fail to adapt to societal changes (Eriksson-Zetterquist, 2009), something EF has managed to remain competitive in through "appearing global, international and inclusive" (Jonsson, Vice President of Asia Operations). Most participants perceive this reputational improvement, particularly due to improved marketing campaigns "taking the entire customer base… into account," as a result of nationality diversity (Stenbäck, Nordic Country Manager). Furthermore, the theory of legitimacy argues that improved brand reputation attracts new talented workers exponentially (Deegan, 2002). This again, is supported by Category 2 empirics as participants holistically believe that employee diversity is what "attracts candidates most" to EF (Hollenstein, Country Manager Switzerland).

According to NIT, businesses should engage in diversity management as it leads to increased profitability (Meyer and Rowan, 1977). The notion of increased profitability as a result of diversity is somewhat supported by empirics in Category 6, (Saving Costs, Generating Profit and Revenue). Although most participants' answers were inconclusive due to the lack of public and quantifiable data on diversity's financial effect on performance at EF, there were some including Kim, Bugeja and Lora who offered personal opinions and insights on the impact. These participants perceive that higher profitability is a result of improved reputation of EF through higher customer satisfaction, sales, and product quality – directly supporting NIT. NIT describes that employee diversity leads to generating higher profits as a result of following institutional changes and societal expectations of hiring different nationalities in the workforce. NIT further outlines that increased profits and gaining a competitive edge can be realized from a diverse workforce as a result of societal alignments. This further connects to participants' belief that diversity has increased customer satisfaction by "adding value to the students' experiences" (Bugeja, Executive Director Malta).

Overall, the empirical findings demonstrate alignment to NIT, through participants believing that "a company's reputation is improved when it is associated and seen to work with many different nationalities" (Groth, Executive Vice President of Operations in North America).

Information Processing theory, IPT, aligns with the empirical findings of Category 3, Creativity, Innovation, Productivity and Problem Solving. Overall, IPT emphasizes that different perspectives, resulting from various nationalities, enhance decision making, problem solving, creativity and innovation within a firm (Gabaldon et al., 2018; Amason, 1996, Bantel and Jackson, 1989, De Dreu, 2007, De Dreu and Carnevale, 2003). Group information processing allows for better problem solving and is only possible through individuals having different backgrounds and ideas, such as having different nationalities in the workforce, according to IPT (Gabaldon et al., 2018). The benefits of national diversity, outlined in IPT, are supported by participants' beliefs in "the significance of different perspectives in producing better solutions" (Kim, School Director Seoul).

According to IPT, other than problem solving, creativity and innovation is thus also improved by diversity as heterogeneous groups are more likely to think independently. Homogenous groups experience "groupthink" where conforming to a similar mindset and background is less likely to produce change, innovation or creative outcomes. Holenstein, Switzerland, among most participants supports this by contending that "different colleagues from different countries have other approaches to tackling issues." Empirics demonstrate that diversity allows for more creativity and innovation in the workplace, complying with IPT, by encouraging varying perspectives and opinions of different nationalities.

The empirical findings also align with *Social Identity Theory*, SIT, suggesting that individuals identify themselves with particular social groups. Differences between groups can create clashes but due to employees belonging to EF's diverse culture, rather than their personal nationalities, this instead leads to increased motivation, engagement and ultimately performance. Category 4, Organizational Flexibility and Effectiveness, demonstrates that the employees strongly classify themselves part of the inclusive diverse culture at EF. Individuals derive their self-concept from the combined mission at EF of "opening the world through education," something that is constant regardless of the region and improves performance as participants are all working towards the same goal.

6.3 Negative Impacts of Diversity

The empirics showed negative impacts on company performance resulting from diversity, which is summarized in the table below.

Negative Impacts		
Impact Category	**Supporting quote**	**Overview of Findings**
Misalignment Costs		
1) Onboarding and Training Costs	*"Takes a while to adjust and learn, its a learning curve"* - Pereira	Increasing diversity can cause onboarding costs and challenges when integrating new employees into the organization.
	"[diveristy] can require more resources and competence from the HR team" - Atencio	
	"Onboarding cost pays off as long as the person is open minded" - Bianco	
Communication Challenges		
2) Language and Behavioral Barriers	*"99% of the problem is culture shock"* - Bianco	Language barriers caused by national diversity create insufficient communication and may lower the performance..
	"The challenge is not everyone is ready for it and cultural respect within team ... stereotypes and prejudices" - Bianco	
	"It sometimes create unnecessary misunderstandings which can take more time from delivering a task" - Hollenstein	
3) Misunderstandings and Conflict	*"If you don't understand each other, it can create clashes"* - Groth	The different mindset, background and ways of working in different countries can cause misunderstandings and even conflicts at the workplace, leading to lower performance.
	"Can make it challenging to collaborate" - Anguas	
	"Quite a few misunderstandings through teams chats - some not as fluent and can come across offensive" - Stenbäck	
	Communication styles are very different ... it leads to conflict - Pereria	
	Misunderstanding causes time delays that could affect costs - Berry	
4) Inefficiency	*"Dont have the same way of hatching conclusion, different ways of thinking"* - Maggie	Due to differences, increased national diversity can lead to inefficiency.
	"Additional questions and explanations may be necessary in a more diverse team which is time consuming and inefficient for performance" - Buegeja	

Table 5, Perceived Negative Impact of Diversity on Non-Financial and Financial Company Performance at EF.

As presented in the empirical findings, *Chapter 5.2*, there are also negative aspects of having a higher diversity which can be analyzed through using the theoretical framework as well as the previous literature. The negative impacts are categorized accordingly: Category 1, Onboarding and training cost; Category 2, Language and Behavior Barriers; Category 3, Misunderstandings; and Category 4, Inefficiency.

Respondents highlight the challenges in communication, Category 2 and 3, between different nationalities. *Social Identity Theory*, SIT, provides an understanding of this challenge through outlining how individuals interact and form groups based on shared characteristics in the workplace (Tajfel and Turner, 1986). All respondents agreed that different nationalities imply differences between employees; Periera, for example, claims that "communication styles are very different." Aligned with SIT, individuals are more likely to interact with those they share characteristics with, and easily misunderstand those they do not. SIT therefore explains the challenges in communication experienced between different nationalities; as supported by Groth,   According to SIT people form an in-group with those sharing the same characteristics and are not likely to interact with the people in the out-group.

Category 1, Onboarding Costs and Training, can be further explained by SIT and diversity management. When individuals from different backgrounds are integrated into an organization, their social identity may not always align with the existing organizational culture. This is the cause behind onboarding and training costs, as Pereira contends, "it takes a while to adjust and learn," the culture of the company. Previous literature demonstrates that when organizations are able to successfully manage diversity and create an inclusive culture, the benefits will outweigh the costs of onboarding and training these new employees (Prieto et al., 2009). Bianco accordingly refers to the onboarding cost as a good investment leading to positive outcomes, however, "only if the person is open to learning."

Category 1, 2, 3 and 4 are all tied to the *New Institutional Theory*, NIT, in which national diversity may impact performance negatively in societies where diversity is not commonly valued. NIT states that higher diversity can be challenging for organizations in countries where diversity is not encouraged (DiMaggio, 1983). This aligns with the findings, as Atencio discusses the difficulties for foreign employees to establish themselves in a new working culture and elaborates on the challenge of feeling belonging in "a country where diversity is not commonly accepted." Bianco adds that "not everyone is ready for diversity and cultural respect within the team due to stereotypes and prejudices." This also confirms NIT, which states that increasing diversity in an environment with prejudice against different nationalities may lead to challenges and lower performance for the company.

6.4 The Role of Diversity Management

Throughout the conducted research, the importance of diversity management was emphasized by all respondents, which is supported by the literature review and theoretical framework. A summary of how EF leverages diversity management to increase performance is included in the table below.

Diversity Management		
Category	**Supporting quote**	**Overview of Findings**
1) Onboarding & Training	*"A big part is how we onboard and train people from the start, if we don't take time to teach new people we cannot properly evaluate their performance."* - Jonsson	Companies need to implement onboarding and training processes that embrace differences and inclusion, which is done by strategic diversity management.
	"During onboarding [managers] talk about the culture already, [and provide] guidelines on how to treat people, avoid issues" - Alberto Lora	
	"[During the onboarding] we ensure employees feel valued, welcomed and included regardless of background" - Alberto Lora	
2) Effective Management	*"Managers have to live up to the standard and vision" - Alberto Lora*	The leaders play a vital role in fostering an open and diverse corporate culture, where all employees feel valued and encouraged to participate in problem-solving and team efforts.
	"Managers shape the organization, you need to allow different opinions" - Maggie	
	"Diversity is managers' big responsibility" - Bianco	
	"Everything i expect my team to do I should show & lead the way" - Stenbäck	
	"Important to align [the team] and find the golden path" - Stenbäck	
	"The team is going to follow the manager" - Anguas	

Table 6, Important Aspects of Managing Diversity.

Diversity management is segmented into Category 1, Onboarding and Training; and Category 2, Effective Management.

Information Processing Theory, IPT, aligns with both categories, i.e. onboarding and training, and effective management. IPT suggests that managerial efforts that involve creating an

inclusive environment, where employees with diverse backgrounds are comfortable to share their individual opinions, will improve decision making and problem solving (Gabaldon et al., 2018). The Category 1 and 2 empirics align with this view, showing that EF's onboarding process focuses on fostering an open and inclusive corporate culture early on, as several respondents mentioned the importance of creating a shared culture and teaching new employees the mission and values of EF instantly. Ma states that "managers shape the organization," building on this, Lora explains how they have to "live up to the standard and vision." Accordingly, through the lens of IPT, the significant emphasis on openness that encompasses all levels of the organization, including both the onboarding process and effective management, will result in higher-quality performance outcomes.

To continue, companies make organizational changes in line with societal expectations, according to the *New Institutional Theory*, NIT. Thus, EF can gain a competitive advantage by fostering an inclusive environment through training and effective management. Bianco states that "diversity is managers' big responsibility," implying that effective management, Category 2, is needed to reap the benefits of diversity. Consequently, brand reputation, as well as company legitimacy (Deegan, 2002), is enhanced through managerial efforts. In order to proficiently enhance diversity, managers need to set an example and further the inclusive nature of the company to all employees through proper training and onboarding.

Furthermore, the empirics accentuate how effective management, Category 2, is important in diminishing potential negative impacts of diversity on company performance. The results show that managers influence attitudes toward employees and customers, and encourage different perspectives in decision making and team efforts. Ultimately, in line with Category1 and 2, as highlighted by Stenbäck and Lora, diversity management can decrease the negative aspects of *Social Identity Theory*, SIT; including miscommunication, conflict and discrimination, to instead utilize diversity to generate greater firm outcomes (Tajfel and Turner, 1986). Thus, in line with SIT, successful diversity management, through continuous training efforts and effective leadership, creates an inclusive corporate environment while "build[ing] understanding" of differences (Ma, Country Manager China).

6.5 External Factors

While diversity was found to both positively and negatively impact company performance, the study also shows that external factors impact performance. The table below presents the external factors highlighted in the results.

Impact of External Factors		
Category	**Supporting quote**	**Overview of Findings**
1) Geopolitical Context	*"Due to legislation we are unable to have a high quota of foreign employees" - Pereira*	Protectionism and legislation, exemplified by Brexit and Covid-19 restrictions, can impede a company's ability to embrace organizational diversity.
	"Lower diversity ... could also be due to covid" - Berry	
	"We are dealing with the aftermath of Brexit" - Berry	
	"The EU has no visa restrictions [improving diversity within the division]" - Bianco	
2) Regional Context	*"Diversity can be challenging due to discrimination of minorities" - Bianco*	Cross-region differences in language barriers, labor mobility, norms and communication styles impact the effectiveness of organizational diversity. Additionally, societal inequalities impact attitudes toward diverse workforces.
	"... more work to do in the US overall [in terms of diversity]" - Atencio	
	"The staff mobility [the Latin American region] can implement is a huge benefit" - Hollenstein	
	"[the level of diversity] depends on how the country reacts to leadership" - Berry	
3) Organizational Structure and Individuals' Capabilities	*"[diversity] cannot be a goal by itself, rather that it, in combination with competence, drive and motivation, should lead to better results" - Jonsson*	Competencies, staff motivation, and other organizational capabilities will impact performance regardless of diversity levels. Thus, diversity as a single factor cannot generate company success.
	"Skillset, work ethics and attitude are the most important factors to improve performance" - Bujega	

Table 7, External Factors' Impact on Company Performance and Diversity.

External factors that impact performance are divided into Category 1, Geopolitical Context; Category 2, Regional Context; and Category 3, Organizational Structure and Individuals' Capabilities.

Social Identity Theory, SIT, theorizes that people prefer working and socializing with others of the same nationality (Tajfel and Turner, 1986). This aligns with Category 1 of Geopolitical

Context and Category 2 of Regional Context, due to the relatively effortless diversity integration in the European and Latin American divisions, as they are characterized by homogeneous traits and high labor mobility; effortless integration of diversity results in lower costs and challenges and therefore improves performance of the company. However, Pereira emphasizes that the differences apparent in the regional context, Category 2, including language barriers and "national differences regarding communication and conflict management," are a challenge for diverse companies according to the empirical results. In line with SIT, these differences can result in employees preferring working with people from the same country, and thus being less likely to hire or interact with international employees. Bianco explains that categorizing nationalities results in "discrimination of minorities," diminishing the positive performance effects of diversity while increasing the costs of miscommunication and conflicts. Accordingly, tensions in the geopolitical context, such as protectionist measures, can be a result of decision makers and public opinions being in favor of the local nationality, demonstrated in the empirics as Brexit, visa barriers and Covid-19 restrictions. Ma, however, perceives EF's "politically neutral stance" as an aspect that mitigates the potential challenges, outlined by SIT, between employees as well as towards the organization as a whole.

The *New Institutional Theory*, NIT, highlights the impact of pressures from stakeholders, including customers and regulatory bodies, by mentioning how they ultimately will determine the optimal way of conducting business within the geopolitical and regional context, i.e. Category 1 and 2 (Meyer and Rowan, 1977). Through the lens of NIT, Berry explains that diversity's effective impact on performance "depends on how the country reacts to leadership." Societal pressures for diversity result in improved performance by increasing company diversity. Oppositely, societies with high levels of prejudices and inequality indicate that companies may not as readily benefit from diversity, exemplified by how Atenio states that EF has "more work to do in the US overall," as a result of less societal pressures for incorporating diversity. The US market is furthest behind in terms of diversity, and in line with NIT, it is simultaneously the EF division that faces the most challenges in implementing a diverse workforce to improve performance.

In terms of Category 3, Individual Capabilities and Organizational Structures, consisting of all internal operational aspects excluding diversity, *Information Processing Theory*, IPT, highlights the significance of effective information processing mechanisms and management,

in impacting performance (Gabaldon et al., 2018). Thus, Jonsson believes that "[diversity] cannot be a goal by itself" without fostering an effective organizational structure which increases performance. Furthermore, Bujega emphasizes that individual capabilities of "skillset, work ethics and attitude are the most important factors to improve performance," which also generates greater individual information processing, ultimately resulting in higher-quality outcomes. Hence, in accordance with IPT and the study's results, external factors contribute to company performance regardless of the diversity of the firm.

7. Discussion

The primary focus of this qualitative case study was to examine the impact of national diversity on performance at Education First (EF). Specifically, the research question that guided this investigation was:

- *How has diversity impacted performance in the Asian, European and American divisions of Education First?*

In order to fully address the research question, the paper: explores the experiences and perceptions of EF managers regarding diversity within the organization; identifies key factors and mechanisms through which diversity may affect performance; analyzes the alignment and divergence of the empirical findings with relevant theories. The study was led by the research question and the theoretical framework, guiding the data collection process and subsequent analysis. By examining the perceptions of globally-based EF managers and analyzing these findings in light of theories, summarized in the literature review and theoretical framework, this study aimed to provide insights into the impact of national diversity on performance at EF.

7.1 Summary of Empirical Findings

Through qualitative semi-structured interviews conducted with a group of 13 managers at EF, rich data was gathered allowing for a profound exploration of the research question regarding the effect of diversity on the performance of the company. To answer our research question, diversity has impacted performance at EF both positively and negatively within the Asian, European and American regions. The findings can be summarized as follows:

1) *Improved Reputation and Marketing Approaches:* The empirical findings demonstrated the positive reputation and marketing effects of having a diverse workforce. Targeting a wider customer base, attracting talented employees and improving EF's brand image, through being diverse, leads to increased performance.

2) *Increased Creativity, Innovation, Productivity and Problem Solving:* The interviews revealed that national diversity at EF fosters a culture of creativity and innovation. Employees from different backgrounds contribute unique perspectives, ideas and problem solving approaches, leading to innovative solutions and more productive collaboration. This diversity of approaching challenges from different angles leads to improved performance.

3) *Enhanced Organizational Effectiveness and Flexibility:* The empirical findings found that diversity improves organizational effectiveness and flexibility – as a result of a more inclusive overarching culture at EF.

4) *Increased Revenue and Profits:* Although participants were not able to conclusively comment on the effect of diversity on financial performance, their personal views demonstrated a belief in a correlation between diversity and financial gain. Through non-financial measures, a diverse team is able to sell more of EF's products and decrease costs – potentially increasing profits and quantitative performance.

5) *Challenges in Communication:* The interviews uncovered challenges related to communication within diverse teams such as inefficiency, language and behavioral barriers. Differences in communication styles and attitudes between nationalities were identified as potential hurdles that may affect the efficiency and effectiveness of collaboration and therefore: performance.

6) *Misalignment Costs:* The empirical findings demonstrated costs that arise when attempting to mitigate the language and behavioral barriers between nationalities. These costs include onboarding and training costs, mostly present in the short-run of introducing diversity into a team, allowing for improved performance in the long-run. The interviews demonstrated that although these are costs in the short-run, they are considered investments into human capital in the long-run.

7) *Diversity Management*: The findings revealed that the impact on performance overarchingly relies heavily on the management of diversity. Effective diversity management mitigates costs and challenges through enhancing the potential benefits possible.

8) *External factors impact on Performance*: The empirical findings demonstrate an awareness of external factors impacting performance, additionally to the effect of diversity. Participants mention geopolitical and societal context as well as organizational structures and individuals' capabilities as factors impacting company performance.

Overall, the empirical findings suggest that national diversity has a significant and positive impact on performance at EF; although also revealing that diversity and its impact is a complex and multifaceted issue. By addressing the challenges associated with communication and misalignment costs, through diversity management, EF can further leverage the potential benefits of national diversity to drive organizational performance. External factors, potential negative impacts and the effect of diversity management are all aspects adding complexity to the answer of whether diversity does have an impact on performance at EF.

7.2 Empirical Findings Related to Conceptual Framework and Existing Research

To further understand and contextualize the empirical findings, the analysis part of the study examines how the participants' perceptions align or diverge from existing theories, outlined in the conceptual framework, on national diversity and workplace performance. In the analysis of the empirical findings from EF, the following theories emerged as particularly relevant:

1) *Social Identity Theory (SIT):* The findings align with SIT, which suggests that individuals derive part of their self-concept from their membership in particular social groups. The interviews demonstrate initial challenges in communication and misalignment costs, aligned with SIT, as employees initially identify with their nationalities before classifying themselves as part of the inclusive, diverse culture at EF. The presence of diverse nationalities at EF fosters a culture of inclusion and belonging among employees, leading to increased motivation, engagement and ultimately, performance.

2) *New Institutional Theory (NIT):* The interviews can also be interpreted through the lens of NIT, suggesting that organizations are influenced by external, social and cultural norms. The presence of national diversity at EF reflects the organization's

commitment to embracing diversity as a valued institutional norm. This alignment with external expectations contributes to EF's reputation as an inclusive and diverse company, attracting talented employees and positively impacting performance. NIT also aligns with the empirical view that EF needs to maintain diversity in order to remain competitive in the long run – as diversity is increasingly important in meeting customer expectations and demand. However, in some cases where diversity is not the societal norm, increasing diversity may have a negative impact on the performance.

3) *Information Processing Theory (IPT):* The empirical findings further align with IPT, which claims that diverse teams have an advantage in processing information and making better decisions. The diverse national backgrounds at EF bring a variety of perspectives and knowledge, allowing for more comprehensive information processing and reducing the risk of biases or blind spots in improved decision making processes.

Although the findings in general are supported there are also contrasts present where the interviews diverge from previous literature. These contradictions are present with NIT, SIT, and IPT, outlined below.

The findings somewhat diverge from NIT, as participants actively seek competence rather than diversity during recruitment, regardless of the increasing societal demand for diversity. According to NIT, EF should concretely aim for a diverse workforce in order to remain competitively aligned with the adapting demands of the market. Participants instead demonstrated indifference to diversity during the recruitment process and rather believe it occurs naturally, as a result of EF's company culture, mission and the global product they sell. Most participants believe that "diversity cannot be a goal by itself, rather that it, in combination with competence, drive and motivation, should lead to better results" (Jonsson, Vice President of Asia Operations). This demonstrates some contrast as participants do not actively seek diversity although NIT emphasizes they should in order to remain competitive and align with societal pressures.

The findings also somewhat diverge from the theories outlined in SIT, as participants do not believe that diversity leads to larger conflicts overall. Respondents demonstrate identification with the EF culture and mission, rather than personal nationalities; something SIT outlines may lead to conflicts when collaborating with different perspectives. The findings somewhat

support as well as diverge SIT, because although employees may initially identify with their individual backgrounds they grow to identify more with the company culture of inclusion leading to lower conflict.

Interviews also contrast IPT as some participants believe that fewer nationality perspectives can lead to more effective decision making. Ma, Country Manager of China, emphasized that sometimes a more homogenous group may make better decisions in a more timely manner - directly opposing the IPT concept that different perspectives improve decision making.

By relating the empirical findings to relevant theories, it becomes evident that the impact of national diversity on performance at EF can be understood through multiple theoretical lenses. The overarching alignment, although certain contrasts, with these theories provides theoretical support and lends credibility to the findings, offering a holistic understanding of the positive and negative relationship between national diversity and performance within the organization.

7.3 Importance of Findings

The findings of this study holds importance since it represents a new perspective on the relatively unexplored topic of how national diversity specifically impacts performance within a multinational company from a global perspective.

The influence of national diversity on firm performance is shown in this research. By identifying this pattern, our study emphasizes the importance of considering behavioral nuances and societal factors between countries when analyzing performance outcomes. The results highlight contextual differences' influence on the impacts of national diversity within organizations. Therefore, the study reveals that the relationship between national diversity and performance varies depending on its management as well as external factors, although holistically finding that the impact is more positive than negative. Valuable insights are provided into the complexities of managing diversity in multinational companies, as national differences imply different outlooks, and thus impacts, of diversity.

To conclude, new insights are provided into how national diversity can generate enhanced performance on a global scale; how diversity management enables this process; and the impact of contextual variations.

7.4 Explanation and Interpretation of Results

Although finding that national diversity has a significant positive impact on performance at EF, the empirical findings ultimately demonstrate that it is a complex and multifaceted issue – an unanticipated ambiguous conclusion. As outlined, participants raise negative impacts and some lack of impacts of diversity. Other than external factors' significance, the empirical findings additionally include the impact of diversity management on performance.

Diversity management is highlighted, by the empirical findings, as enabling benefits while simultaneously mitigating challenges and costs. The findings demonstrate that the outcome of diversity on performance, regardless of positive or negative, may rely entirely on how effectively it is managed. These findings suggest that the role of leadership in integration and inclusion has a catalyzing effect on the impacts of diversity. If diversity is managed poorly the costs and challenges will be amplified; whereas if it is managed effectively, the benefits overrule. Although findings holistically point to a positive impact of diversity on performance – this may be undermined by the significance of its effective management.

The negative impacts raised, unexpectedly, may be unrelated to diversity – rather depending on the individual employee and their personal attitudes. Diversity and its impact may, besides effective management, rely significantly on if the employees themselves have an inherently open-minded approach to foreign nationalities; as exemplified by Bianco, Country Manager of Brazil, who believes this can not be controlled by the organization. Further, the findings show that if employees do not understand each others' differences, the working environment may become more inefficient due to communication difficulties. Negative outcomes can ultimately cause organizational inefficiency, due to longer onboarding times and misunderstandings from differences between nationalities in a corporate environment.

External factors were found to have an unexpectedly large influence on how diversity impacts performance. Macro, regional and geopolitical contexts especially determine performance and whether diverse backgrounds are able to collaborate. The most likely

explanation for the significant effect of the external environment is a misalignment between values and norms – challenging the ease of operations. Diversity does impact performance but there is a clear difference, from the findings, on how much it impacts depending on the environment present. Findings demonstrate that a more open and welcoming society will better accommodate, integrate and reap the benefits of diversity.

7.5 Research Limitations

While the empirical findings of this qualitative case study provide valuable insight into the impact of national diversity on performance at EF, it is important to acknowledge certain limitations, presented below, that may have influenced the study's outcomes.

The sample size limits the generalizability of the empirical research. The study was conducted with a limited number of participants from EF (13), which may restrict the applicability of the findings to other organizations or sectors. Further, the unique shared organizational culture and specific characteristics of EF may limit the findings to companies that equally integrate diversity into their corporate culture. It is important to recognize that the findings of this study are specific to the context of EF. The organizational culture, industry, and geographic locations of EF's global offices may have unique characteristics that influenced the observed outcomes. Therefore, caution should be exercised when generalizing the findings to other organizations or sectors.

Additionally, relevance of participants may limit the empirical results. Since respondents were selected on the basis of their managerial positions, they are assumed to have an accurate collective overview of diversity and performance at EF. However, the sales teams were generally homogenous, indicating that sales managers have less experience with the impact of diversity. Therefore, increasing the number of respondents, as well as limiting the study to only include managers of diverse teams, could provide further data that are excluded from this study.

Since the empirics are derived from a limited perspective it primarily focuses on the perceptions and experiences of managers regarding national diversity and performance. The perspectives of other employees and stakeholders, such as customers, or external partners, were not explored. Including these additional perspectives could provide a more

comprehensive understanding of the impact of national diversity on various aspects of EF's performance.

The data collected in this study relied on self-reported experiences and perceptions of EF employees. Self-report bias, including social desirability bias or memory recall bias, may have influenced the participants' responses. Efforts were made to minimize bias through the use of open-ended questions and assurances of confidentiality. However, additional data collection methods, such as observations or objective performance measures, could increase the reliability of the findings.

Other factors within EF, such as organizational structure, leadership, or team dynamics, may have influenced the observed outcomes. Although attempts were made to control for such factors, the presence of confounding variables cannot be completely ruled out. Thus, it is challenging to assure that the effects of national diversity were isolated in the interview process. Participants may have unintentionally incorporated the broader definition of diversity, including gender, sexual orientation, age, etc., when discussing national diversity, although explicitly indicated at the beginning of the interviews, which may have impacted our results.

To conclude, the time restraints of this study limited the scope of the thesis. However, future research endeavors should address these limitations to further deepen the understanding of national diversity's impact on performance.

7.6 Generalization Possible from Results

The empirical findings derived from the case of EF suggest broader generalizations applicable to other companies and sectors, by revealing that national diversity generates positive performance outcomes, and by identifying associated challenges. The study has broader implications for other companies and industries since it emphasizes the multifaceted and complex nature of diversity. Organizations need to recognize that diversity yields positive and negative impacts on performance simultaneously, and that the impact of external factors, such as the geopolitical and regional contexts, is unavoidable. Thus, generalizations can be drawn from the results regarding the importance of accounting for contextual nuances in diversity and performance discussions.

The case study of EF further highlights the importance of effective diversity management, enabling organizations to reap the benefits of diversity while alleviating its potential drawbacks. Managerial strategies such as fostering inclusive communication channels, promoting cultural understanding, and implementing diversity training programs can help organizations navigate the complexities of diversity and enhance performance.

In conclusion, this case study presents a profound understanding of the positive and negative effects within the context of the multinational corporation EF. The results emphasize the need for organizations to adopt diversity management strategies adapted to the diverse workforce and the specific contextual factors at play. Ultimately resulting in the ability to leverage diversity as a source of competitive advantage and promote sustained organizational performance.

7.7 Practical Implications

The thesis' findings indicate several concrete practical implications for EF, including: enhancing diversity and inclusion initiatives, improving communication strategies, effective diversity management, continuously evaluating diversity's effectiveness.

EF can build upon its existing diversity and inclusion efforts by further promoting cultural sensitivity and awareness among employees. This can be achieved through improving onboarding training, and implementing further targeted training programs, workshops, and initiatives that encourage open dialogue and understanding of diverse perspectives. EF could additionally implement secondment or short-term exchange programs, influencing local offices with diverse perspectives. By fostering a culture of inclusion, EF can continue to leverage the positive effects of national diversity on performance.

Furthermore, EF should foster effective communication strategies, by developing strategies to address communication challenges that arise from language barriers and communication style differences. Providing language training programs, through encouraging cross-cultural communication, and establishing clear channels for communication can improve collaboration and overall performance within diverse teams.

Additionally, EF's leadership should demonstrate strong support for national diversity and inclusion. By actively promoting and modeling inclusive behaviors, leaders can create an environment where employees feel valued and empowered to contribute their unique perspectives. Leadership involvement in diversity initiatives can foster a positive organizational culture that embraces diversity as a strength.

EF should execute continuous evaluation and monitoring, by regularly assessing the impact of national diversity initiatives on performance outcomes. Ongoing evaluation can help identify areas for improvement and inform the refinement of diversity and inclusion strategies. Additionally, monitoring employee experiences and satisfaction related to national diversity can help identify potential challenges and address them proactively.

7.8 Suggestions for Further Research

The impact of diversity on performance overall requires further empirical evidence in order to account for the complexities and layers of the topic. To further the qualitative findings of this study, future research could employ quantitative methods to concretely examine the relationship between national diversity and performance at EF.

Additionally, future studies could conduct longitudinal studies that track the changes in performance outcomes and the dynamics of national diversity at EF over an extended period, providing deeper insights into the long-term effects of diversity initiatives. Longitudinal research allows for the identification of trends, causal relationships, and the assessment of the sustainability of the observed performance benefits.

In order to provide a broader understanding of the contextual factors that influence the relationship between national diversity and performance, comparative studies could be conducted across different organizations or industries. Examining several organizations and sectors would help identify the general challenges and opportunities associated with national diversity, providing further insights for the positive and negative effects that can arise from employee diversity. Through expanding the study's scope, the generalizability is improved allowing for a more comprehensive understanding of the phenomenon.

Moreover, future research could expand beyond employee perspectives and incorporate the viewpoints of other stakeholders, such as managers, clients, or external partners. Evaluating these perspectives on national diversity can provide a comprehensive understanding of the impact on organizational performance. Additionally, by targeting lower-level employees from diverse backgrounds, future research can contribute to addressing biases, dismantling stereotypes and fostering inclusive organizational practices through the perspective of a wider sample of participants.

In addition to nationalities, future research of EF particularly could broaden the definition of diversity, including gender, age, sexual orientation, class and disabilities. Larger-scale studies that encompass this comprehensive definition would allow researchers to gain a more holistic understanding of the impact of diversity. This expanded perspective enables the development of inclusive practices, encompassing a wider range of diversity dimensions.

8. Conclusion

This thesis investigates how national diversity impacts the company performance of EF, within its Asian, European and American divisions. The literature review and theoretical framework present the existing body of knowledge on the subject, demonstrating that national diversity has been found to have simultaneous positive and negative impacts on performance. It highlights the importance of diversity management and the impact of external factors on company performance. A conceptual framework was developed, using the established theories to create a comprehensive foundation for the empirical analysis.

The study utilized a qualitative and abductive research approach, by conducting semi-structured interviews with 13 senior managers from EF's Asian, European and American divisions. The empirical findings emphasize the complex nature of diversity, in line with the presented literature, theoretical foundation and conceptual framework. National diversity at EF was found to have more positive than negative impacts on performance outcomes, that can be controlled through managerial diversity efforts and are further affected by external factors. The results prove that diversity does impact performance but there is a clear difference regarding the extent depending on the environment present, such as: the geopolitical and regional contexts of the firm, and its organizational structure and individuals' capabilities. Thus, in order to generate higher performance, firms need to take into account contextual factors that inevitably impact performance.

To conclude, the findings of this study contribute to the existing body of knowledge regarding the dynamics between national diversity and performance on a global scale. Thus, practical and theoretical implications are provided, along with limitations and suggestions for future research.

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10. Appendix

10.1 Interview Guide

Thesis question: *How has diversity impacted performance in the Asian, European and American divisions of Education First?*

Diversity: *Exclusively defined as national diversity*

Performance: Left to be defined by respondents, i.e. includes financial and non-financial performance measurements.

Questions

Background Information of the Respondent:

- *Tell us a bit about your personal background.*
- *Tell us a bit about your history with EF. How many years have you been there? What positions and locations have you worked in? What is your current role?*

How EF Targets Diversity:
- *How does EF aim for diversity?*
    - *What actions is your division/region currently taking in order to achieve a diverse workforce?*
- *What is EF's goal in achieving diversity?*
- *Does EF measure the impact of diversity on company performance? If yes, how?*

Diversity's Potential Impact on Performance:
- *What are some of the benefits of having a diverse workforce, in your opinion?*

- *Can you describe any specific instances where diversity has had a positive impact on EF's performance or operations?*
- *Do you see any costs or challenges with having a diverse workforce?*
- *What areas would you say are affected negatively by diversity?*

Role-Specific Questions:
- *What factors are important when managing diversity in your team?*
- *Can you give some examples of other factors, excluding diversity, that do impact your performance?*
- *In what ways, if any, do you see the impact of diversity?*
- *Do you have positions or teams at EF where you rather have a more homogeneous nationality representation?*
- *Does your department/region recruit with the goal to have a diverse representation of nationalities in your work group? Why or why not?*
- *How does your region differ compared to other regions in terms of diversity and performance?*
- *In your experience has diversity at EF had a concrete impact on performance?*