Impact of Cross-Cultural Diversity on Organizational Productivity

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Abstract: *Purpose:* **The purpose of this research paper is to understand the impact of cross-cultural awareness and diversity and its impact on organizational productivity and working.**

Research Methodology: **This paper only provides a preliminary understanding concerning cross cultural diversity and the impact it has over the brand equity of an organization and its people. Only secondary methods of research and only Scopus Indexed papers are utilized for this study.**

Research Findings: **Diversity in an organization if managed properly can have positive impact on its productivity and functioning. Although diversity in an organization may be hard to implement and manage due to several reasons such as conflicts, ignorance amongst workers etc., but not practicing diversity can lead to an organization missing out on talented workers, workers with better understanding of international/local markets, cultural sensitivity etc.**

Originality/Value: **This paper aims to discuss the effect that cross cultural diversity has on an organization, how an organization can benefit from diversity and increase its productivity, the impact of diversity on organizations who have actively adopted the strategy of diversity in the workplace and some challenges to managing diversity in an organization efficiently.**

Research Question: **Does cross cultural diversity have an impact on organizational productivity.**

Keywords: **Diversity, cross cultural awareness, inclusivity, productivity.**

1. Introduction

Diversity in a broad manner refers to the presence of people from various different backgrounds, cultures, race, age group etc. existing together in a group or a particular field. Organizational behaviour usually tends to portray the culture and diversity existing in society due to economic developments, effects of globalization, population etc. Unless a person works alone, it's very probable that everyone has at some point come into contact with someone from a different background and culture than them at their workplace whether it be a client, co-worker associate etc. Diversity in an organization has the potential to impact its productivity. Culture in an organization can imply the culture of the organization itself or the culture of the employees working in the organization. Towards the end of the 1980s there was a massive growth of researches studying how diversity in an organization impacts its functioning, something that was previously known to not correlate or have

an impact and found out that employees' cultural backgrounds often influenced the culture of their work environment, with positive results. Diversity in an organization has shown to not only help positively impact organizational productivity but also help the organization in many other aspects such as knowledge about local markets, boosting morale, giving an organization a bigger pool of talents to choose from etc.

2. Review of Literature

1. Savchenko, E. O., et al. (2019) In "Intercultural communication in management as a factor of business success. International Journal of Civil Engineering and Technology, 10(2), 1649-1655." The researchers review communication process, its classification and rules. They used the methods of observation, analysis of academic literature, communication with representatives of different cultures etc to conclude that companies should be ready to operate in cross-cultural environment. Thus, they are expected to know or have employees fluent in a few foreign languages, have a low level of ethnocentrism, high adaptive capacity and intercultural sensitivity.

2. Vitolla, F., et al. (2021). In "Do cultural differences impact ethical issues? Exploring the relationship between national culture and quality of code of ethics. Journal of International Management, 27(1), 100823." Aim to fill the gap of difference in ethic codes around the world by analysing the impact of Hofstede's dimensions, as an expression of national culture, on quality of the code of ethics, from an organisational control perspective by using a sample of 191 international companies belonging to 29 different countries and five continents and concluded that the quality of the ethical codes is related to five of Hofstede's six dimensions

3. Richter, N. F., et al. (2021). In "Motivational configurations of cultural intelligence, social integration, and performance in global virtual teams. Journal of Business Research, 129, 351-367." proposed that team members' cultural intelligence (CQ) favourably contributes to social integration in GVTs and increases performance. They used structural equation modelling and necessary condition analyses to investigate the relationships between motivational CQ and a team's social integration and performance using data from 263 GVTs. They concluded the must-have (bottlenecks) and

should-have (drivers) levels of motivational CQ among GVT team members.

4. Shrestha, P., et al. (2021). In "Impact of Workforce Diversity on Employee Performance. International Journal of Management, 12(2)." Investigated the relationship between workforce diversity and employee performance in Nepal's commercial banks with factors such as Gender, age, education, and cultural. The survey was carried out by distributing a series of structured questionnaires. They utilised 70.25 percent of the useful questionnaires from four Nepalese commercial banks and a multiregression model. They found that a substantial beneficial association between gender diversity and employee effectiveness.

5. Sawan, F., et al. (2021). In "Impact of organizational culture on knowledge sharing behavior. In Proceedings of the 4th International Conference on Research of Educational Administration and Management (ICREAM 2020) (pp. 331-335)." Aimed to fill the gap of lack of information on influence of organizational culture on knowledge sharing behaviour. They used means of meta-synthesis method with a meta-aggregation approach and concluded that organizational culture affects knowledge sharing both directly and through 8 mediating variables such as job autonomy, job satisfaction, knowledge-sharing opportunity etc.

3. Objectives of the Study

1. To highlight the implications of cross-cultural diversity in an organization.
2. To analyse the impact of cross-cultural diversity on organizational productivity.
3. To highlight cases of organizations promoting cross-cultural diversity.
4. To highlight challenges faced by an organization to practice diversity strategy.

4. Research Problems

The researcher faced problems finding newer papers that detail the impact of organizational productivity on a particular organization and studies that are specifically cantered around organizations that opted for a diversity strategy and the impact that it had on them.

5. Research Methodology

The researcher has utilized secondary methods of research in order to study the impact of cross-cultural diversity in an organization and has only utilized research papers from Scopus Indexed for this study to draw information on the subject. Further and more primary methods should be utilized for the topic.

6. Impact of Cross-Cultural Diversity on an Organization

Globalization has led to a significant surge in cultural exchange between individuals of different cultures, races, genders, and so on over the previous few decades, owing to increased travel, improved communication, and a higher level of living. Workplaces are one of the major areas of life that have been impacted by this diversity boom; since the 1980s, there has been an increasing growth in diversity in organisations all over the world. According to studies conducted on the consequences of this on a company, when diversity is properly managed, it has a beneficial impact on an organization's productivity. Several positive impacts rise from an organization being diverse such as- Organizations can have a bigger pool of talents to choose from and can find skilled workers faster and more efficiently as the number of eligible potential candidates increase. Organizations can come up with more creative ideas as diversity breeds creativity due to a variety of different viewpoints, opinions and ideas being exchanged. Having people of different cultures in the workplace also helps a firm in getting more of the local market knowledge and insights whenever a product has to be launched oversees, having workers from that particular culture could be beneficial in navigating through the language barrier, laws, customs and an overall better understanding of consumers preferences in that region, moreover a better understanding of culture helps in preventing several mishaps such as KFC advertising their tagline as "so good you will eat your fingers off" instead of "Finger lickin' good" due to poor translation. Studies have shown that diverse teams at work are more productive and happier due to a challenging work environment and breeding of healthy competition, Being in multicultural teams increases productivity of employees as it breeds competitive nature and an exchange of different ideas and opinions and experiences helps increasing employee morale. Ethnically diverse were shown to be 35% more likely to have financial returns above their industries median. Studies have shown that every 1% increase in diversity in an organization leads to 3% boost in revenue and higher levels of cultural diversity can increase revenues up to 15%, diverse workforce is also a major evaluating factor for most of the active job seekers in the market.

The impact of cross-cultural diversity has shown to have positive effects on many organizations like:

- *Sodexo:* Since 2008 the % of women in the organization increased to 55% from just 17% and around 58% of the board of directors are female. After finding an optimal balance in the organization gross profit has increased by 23% along with an increase in employee engagement.
- *L'Oreal:* The organization has multicultural product development teams which help them better understand the wants and requirements of their consumers in specific regions to market their products better and towards a wider scope of potential consumers which has helped them gain success in the east and south Asian markets and other countries worldwide.
- *Marriot:* Marriot has been named as one of the best multinational workplaces to work at due to their inclusivity and diversity of their workforce. Around 10% of their supplier chain are women owned businesses and due to LGBT inclusion being a top priority for them they have been named one of the best places to work for members of the LGBT community by HRCs 2016 corporate Equality Index.

7. Obstacles Faced by an Organization in Regards to Diversity

Diversity is extremely beneficial to organizations due to its wide array of benefits, but while being helpful diversity may pose hurdles to an organizations efficiency in functioning if not managed in a proper manner. One of the main factors that is common for all issues that may arise due to cross cultural diversity is ignorance. Employees, managers, clients, suppliers are all human and are prone to being ignorant and having stereotypes about each other. This poses a challenge to an organization as it can cause several issues and conflicts such as colleagues who are from other cultures who are a minority in the organization or the country may be treated differently and feel that their voices are not heard by their colleagues due to their preconceived notions about them. Prejudice and negative stereotypes arising from ignorance cause difficulties in forming and the integration of multicultural teams and negative cultural stereotypes may further alienate people in these teams after formation and clashing of different cultures may cause conflicts due to different opinions and beliefs. Along with inter colleague conflicts other problems such as not being able to understand or miscommunicating important information due to language barrier, difference in accents and speech patterns, different professional etiquettes in different countries etc may also cause loss for an organization.

Many of these conflicts can be overcome by an organization through diversity and inclusion programs, sensitivity training, celebrating and awareness of different cultures that the employees may be a part of, inclusion training etc. When there is a lack of ignorance amongst the people working in an organization, cross cultural diversity flourishes and leads to more productivity and better returns for an organization as well as increases employee morale.

8. Findings

Cross cultural diversity has steadily grown in many areas of life in the past decades. Cross cultural diversity is shown to have a positive impact on organizational productivity. Ethnically diverse organizations are 35% more likely to have a higher median return compared to other organizations in their industry. Every 1% increase in the diversity of an organization can lead to up to 3% increase in revenue and higher levels of cultural and ethnical diversity can increase organizational revenue by over 15%. Being in multicultural teams increases productivity of employees as it breeds healthy competition and an exchange of different ideas and helps increasing employee morale. Cross cultural diversity has shown positive impacts on many big organizations such as Sodexo, L'Oréal, Marriot, Google etc as it provides organizations with a bigger talent to choose from and gives them advantage of understanding local markets and tastes and preferences of the consumers in those markets which helps the organization expand their product line and launch newer regional products due to the help of local insights such as what L'Oreal did to enter the Asian markets and gave them success. One of the biggest issue an organization can have while practicing diversity is ignorance between workers. Prejudice,

preconceived notions, stereotyping and cultural stereotyping etc. stem from ignorance and reduce productivity and morale in an organization and alienate people belonging to particular cultures, cause conflicts and difference in beliefs, ideas and opinions becomes a hindrance in forming multicultural teams. Organizations can hold inclusion training, sensitivity training etc. to help overcome this issue. Practical issues such as communication issues, language barriers, legal issues etc. in different countries make it harder for organizations to expand their business in that area and are a demotivating factor.

9. Discussions and Conclusion

Cross cultural diversity in this age is crucial and a prerequisite in all organizations. Coming into contact with people of a different culture, race, gender etc. is standard especially when working in an organization where your colleague, client, boss may be of a different culture with you. Diversity in an organization almost unavoidable so studying the impact of it and learning how to manage diversity is crucial for every organization. Cross cultural diversity has several benefits which an organization can reap such as market knowledge, increased motivation between employees, ease of finding skilled workers due to the presence of bigger talent pool etc. Organizations can hold several inclusion programs to help their employees understand better and educate them so they can understand their colleagues better and not be ignorant to avoid conflicts or issues that might cause a hindrance in organizational functioning and that might affect its productivity.

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