

Productivity in Relation to Culture and International Business

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Abstract. What is national culture? How cultural diversity affects productivity? How to understand different cultural groups work differently in business and what exactly productivity? In this paper, we bring to light why diversity in business, in both the United States and International countries, can increase a business's productivity as well as foster growth.

Keywords: Productivity; Culture; Diversity.

1. Introduction

For as long as we can remember, people have been moving and immigrating into new countries for a variety of different reasons. Recently in the news, there has been a new wave of migrants fleeing their countries for safety and a better life in the United States. There has always been a generally negative connotation towards the incoming of new diverse groups of people and cultures into a nation. These negative views of diverse groups coming in from different culture tends to be because of a lack of understanding of their differences. While it is normal to fear change, blocking out those who are different due to fear will lead to those who are suffering and wasting valuable capital. To understand how cultural diversity affects businesses, we must first understand what national culture is. We then must understand if and how different cultural groups work differently in business and what exactly productivity?

2. Literature Review

2.1 Culture and Productivity

As Hofstede describes, "culture" is "the collective programming of the mind which distinguishes the members of one category of people from another" [1]. Here the "category of people" can be a nation, region, or ethnic group, women versus men, old versus young, a social class, a profession or occupation, a type of business, a work organization or part of it, or even a family. Based on these studies, five dimensions of national culture differences were identified: Power Distance; Individualism versus Collectivism; Masculinity versus Femininity; Uncertainty Avoidance; Long Term versus Short Term Orientation. But organizational culture is different from national culture. Six independent dimensions to describe most of the variety in organizational practices: Process-oriented versus Results-oriented Cultures; Job-oriented versus Employee-oriented Cultures; Professional versus Parochial Cultures; Open system versus closed system cultures; Tightly versus Loosely controlled cultures; Pragmatic versus Normative cultures [1].

Productivity has become a central concern of American business. In these hard-economic times, business is striving for growth in productivity. Organizations, visions, departments, unions, managers and workers use terms related to productivity to express how well they and others are doing. The culture of productivity consists of the shared understandings of workers in highly productive settings and the commonly known procedures and rules these workers use to understand productivity and be productive [2]. The culture does not cause productivity; rather, the culture is the insider's view of the fundamental structures and processes that constitute productivity in a particular setting.

2.2 Productivity and Business

According to The Microeconomic Foundations of Prosperity, “Wealth is actually created by the productivity with which a nation can utilize its human capital, and natural resources to produce goods and services”. Productivity is a natural phenomenon of a company's business cycle, and therefore the range of productivity for the business is dependent on the business type, such as manufacturer, service, or non-profit, and the company's philosophy.

Additionally, workplace productivity is measured by the amount of output produced for inputs used. International comparisons of productivity give us insight into different work practices that promote strong productivity. Information and Communication technology (ICT) refers to technologies that provide direct access to information. This includes the internet, wireless networks, cell phones, and other communication mediums ICT is used worldwide and can be a driver to show the cross- country differences in workplace performance. ICT has both a direct and indirect impact on productivity. The direct impact of ICT is observed by ICT capital investment while the indirect impact is seen more in the subtle capital changes that affect the overall productivity of a company. As reported by O'mahoney and Van ark, ICT has help pushed productivity in the U.S. and other European countries like the UK, France and Germany. Of the three European countries, the UK was most similar to the US with increases in ICT capital and total factor productivity [3].

2.3 Diversity and Business

From the paper of Sevasti Kessapidou, it shows that some researchers claim that management practices compatible with the national culture of the target or affiliated company can be used to produce better performance outcomes. This is true, for example, in the United States Companies have been looking for more diverse employees from different cultures with the hope to increase performance in the company.

A study by Ceren Ozgen, Peter Nijkamp, and Jacques Poot did research to find the impact of cultural diversity of a firm's employees on the firm's reported innovation with consideration of reverse causality. The study was done on data collected from two firms in the Netherlands, with a dataset that spanned from 2000 to 2006, and identified the human capital of immigrant workers as well as used the Simpson Index to identify overall diversity in the firms. It was found that innovation has more to do with a firm's scale, performance, external conditions and institutions, and, while innovation is increased by bring in higher skilled and youthful human capital, culture does not seem to have a purely positive or negative correlation to innovation in a firm [4].

Diversity can influence creativity and innovation but it can also create conflict and make communication difficult. There is significant evidence that shows when top management properly utilizes diversity, it can greatly benefit the company and influence the lower level employees to demonstrate inclusion. However, there is significant evidence that diversity in the workplace increases problem solving capabilities, and critical thinking. When we say diversity, we are not just implicating demographic factors such as ethnicity, race, language, gender, age, we are also implicating religion, sexual orientation, political parties, and socioeconomic status. Diversity includes many of these factors as well as how one another perceives the world around them [5]. With these characteristics combined, businesses can expand and have stronger knowledge sources in terms of business decision making, as well as competitive advantage and maximize profits. As stated in, *Prospects and Challenges of Workplace Diversity in Modern Day Organizations: A Critical Review*, “diversity can be a crucial link between corporate mission or vision and the overall performance” [5]. In order for businesses to retain and gain customers and employees, diversity is an important aspect, thus why businesses strive to create an open and inviting diverse atmosphere.

Not only does diversity strengthen the overall performance of a business, it also promotes corporate attractiveness to business partners and the society. It is proven that diversity in the workplace improves a firm's public opinion in a positive way from media, and other governments abroad. This can also contribute to current and future employees' attitudes towards the firm. In addition, because of diversity attributing to a firm's positive image, this can catapult businesses into added success.

When businesses have a variety of the factors discussed above, they are more likely to evolve and innovate. Firms are able to utilize skill and talents from their diverse talent pools grow in terms of innovation. This improved innovation could be shown with new knowledgeable ideas, marketing, customer orientation and improved satisfaction, problem solving, and technology. We can conclude diversity within firms can improve and strengthen employee growth and development, unification, corporate attractiveness, and innovation.

3. Empirical Analysis

Our research above has led us to two hypotheses. One being that productivity in business is not directly correlated with diversity in national culture, and two, companies that understand what motivates employees in international markets can increase productivity.

With our first hypothesis, we refer back to the article by Ozgen, Nijkamp, and Poot on the Netherlands diversity study that found culture seems to have no correlation with productivity. The co-location index is negative at the five percent level. The Co-Location Index is a measurement of the extent that a foreign employee is exposed to others who share his or her country of birth. It is believed that when you group individuals of the same culture together, they are more likely to exclude others of different cultural groups which would consequently lead to lower innovation. It is found though that these effects disappear when a firm fixed effect, such as unique variable also known as the “richness” of a country, are included.

With our second hypothesis, we explore what motivates employees in international markets to increase productivity. Motivational factors lead to satisfaction at work. When these factors are not fulfilled, employees receive no satisfaction from work which result in poor job performance. Factors that motivate international employees are more than just hygiene factors (context or environment at work). The most important motivational factors are achievement and recognition and these are achieved when employees succeed in their job and are acknowledged for the effort, they put in to work. These factors boost employee morale. International managers need to understand that the workplace culture they implement directly affects job satisfaction.

4. Business Implications and Overall Strategy

In developing or expanding a firm in an international market it is important to understand how to increase your firm's competitiveness through increasing productivity and understanding of the nation's culture. In our analysis, we find that having more diverse employees of different national cultures has no known effects on productivity within a firm. This does not mean that firms are all managed the same cross-culturally. As Hofstede argues, going into a country with an unfamiliar national culture, and no understanding of said culture, companies may have a hard time understanding the way of local businesses [1]. By being familiar with a cultures way you give your business a more stable basis to grow on. Additionally, motivation is another key factor in a business's success. As discussed above, understanding what motivates employees in certain cultures can increase productivity. It is important for firms to understand what an individual value, which is directly influenced by one's culture. In order for a business to succeed, productivity should be a priority as this will, in the long run, increase profits. However, the way to achieve productivity is to have productive employees as they are the backbone of the business. This can explain why firms should be attentive to what motivates the employees within their firm.

Culture can be a driving force, for instance, many communities of the same culture have goals in common, thus, affecting motivation levels. In addition, culture affects behavior or how we do things or why we do things and this also leads to motivation. In a study by the University of Gothenburg, found that culture traits do, in fact, influence what motivates employees. For example, the Chinese tend to get motivated by basic needs such as Maslow's Hierarchy of Needs, specifically, salary and working conditions, whereas, the Swedish are motivated by the appreciation they receive from their managers and the general feeling of accomplishment. In China, it is often that managers keep

information from workers and only tell them the necessities, thus, lower level workers do not have much concern for anything other than their specific task.

In addition, Chinese do seek praise from managers as they feel it is their duty to perform the job they are assigned. Some of these factors may explain the Chinese values within the workplace, which, as stated above are the simple necessities. The Chinese are also more concerned with teamwork and relationships, unlike the Swedish and the Americans who value individual accomplishments and recognition. The Swedish are motivated by working conditions and think the more effort exerted, he or she should be rewarded for. However, interestingly, after Swedes reach a certain salary level, they are no longer motivated because they feel they have reached a salary level where they can comfortably live off, and thus, valuing the enjoyment of life and feel they no longer need to work as hard as they once had, whereas Chinese feel they are dedicated to work their entire life. Like the Chinese, Swedes value teamwork, however, this team work includes all levels of employees from managers to first level employees, they feel managers should effectively collaborate with all employees of the organization. From this study, it is evident culture affects motivation. For some it may be basic needs such as salary, and for some it may be an individual accomplishment, regardless, one's culture plays a significant role in an individual's norms and values, thus affecting the level of personal motivation within the workplace.

5. Business Recommendations and Implications for Global Managers

We recommend that companies focus on productivity rather than making their companies diverse. In the constantly changing world, having the most advanced technology and human capital will propel your company. You want your business to be proactive in whatever market they are in or plan to enter. National culture is important when discussing products to appeal to certain demographics but as far as employees. It is not very important to hire people just based off of their national culture. On the contrary, when entering a foreign market, you want to be knowledgeable on the culture as well as the management theories of said country. But if a company were to just base their hiring procedure off of national culture, they would fall short in other areas. For instance, if you are a hiring manager looking to hire an accounting manager you want to hire someone based off of their qualifications and expertise. Their qualifications and expertise are important because you want to insure, they can perform the job and not just look the part. The culture that is important to observe at your company is the workplace culture. As a global manager, you want to ensure that the workplace culture at your company motivates your employees to increase productivity.

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