



RESEARCH ARTICLE

A Review on Culture Diversity in Companies to Improve Competitiveness

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Abstract

Purpose: The purpose of this study is to bring together the disparate literature on culture diversity, as well as to shed light on future research avenues in the field of culture diversity management. **Design/Methodology:** This research looked at a variety of empirical and conceptual studies on culture diversity and its implications. Using the literature published between 2000 and 2022. The paper uses secondary data gathered for the review of culture diversity. **Findings:** The literature evaluation was assigned to focus on cultural diversity in the workplace. Through this review, it is clear to understand the implications of cultural diversity in the modern era. According to the findings of the review, there are many studies in diversity and their results from the past few years. Further studies are needed both to add future sources of literature on diversity, especially cultural diversity in the workplace. **Research limitations/implications:** Because the main aim is to make only a detailed literary review and bring up different views about culture diversity, there are no theoretical interpretations nor personal critiques about the writers' different perspectives in the paper. **Practical Implication:** This study examines the effectiveness of literature review in expanding existing knowledge in a particular area and formulating research prospects for future studies for researchers. **Originality/Value:** This study contributes theoretical perspectives as the key to managing diversity and developing diverse organizations.

Keywords

Culture Diversity; Culture Diversity Management; Dimension; Employee Performance

1 | INTRODUCTION

Understanding the development of human resources in the era of globalization provides an indication of the importance of managing diversity. The globalization period has opened doors and dissolved borders between nations, making labor migration easier and forcing organizations to deal with people from varied cultural backgrounds. The globe is becoming increasingly culturally diverse in the twenty-first century, with people of different races, ethnicities, genders, and languages moving about us on a regular basis. [1]. To achieve success in teamwork in multicultural organizations, the key to success is not the members, but the synergy of creativity in the process of team interaction - how they perceive, incorporate, and accentuate the differences between them. [2]. As a result of these changes in management methods, a multicultural workplace has presented Human Resource Managers with a new set of issues. [3]. If the company fails to face these challenges, it will have an impact on employee performance which in turn will also affect the company's future development. Companies need to understand how people from diverse backgrounds and nationalities contribute to their performance and whether having a diverse workforce would improve or worsen that performance [4]. Miscommunication, the construction of barriers, and dysfunctional adaption behaviors are examples of negative impacts, whereas positive benefits include creating a solid knowledge base with in-house talent, which can lead to an easier integration of the business into foreign cultures. [5]. Because managing diversity is still a difficulty in organizations, managers tend to master the managerial skills required in a multicultural working environment and equip themselves to teach others in their organizations to recognize cultural differences and treat all employees with dignity. [6]. This study has several objectives, including reviewing culture diversity through literature and underpinning theories; understanding the various dimensions of culture diversity; identifying the benefits of culture diversity on employee performance; and finally, understanding culture diversity management in the organization.

2 | LITERATURE REVIEW

In addition to the input and references, some academic articles on cultural diversity in businesses are displayed in table.

Tabel 1: Related Authors' Publications on Cultural Diversity

No.	Contribution	Reference
1	This essay investigates how cultural diversity affects working relationships and knowledge exchange in the workplace. Managers need to understand not only the cultural differences that exist within their own business and between organizations with whom they collaborate, but also the reasons behind these discrepancies.	Maham. Raj (2013) [7]
2	The purpose of this study was to investigate the connections between organizational commitment strategies (affective, continuation, and normative) and problems associated with cultural diversity (communication, discrimination, and training), and it was found that not all challenges of cultural diversity have a positive effect on organizational commitment approaches.	Mousa, Mohamed and Ruth Alas. (2016) [8]
3	In this paper, the author concluded that the only benefits of cultural diversity that the businesses cited were improved marketability and increased potential for hiring the finest employees.	Mazur, Barbara. (2010) [9]
4	Based on a literature analysis, this descriptive essay investigates the influence of Indian culture on the adoption of Enterprise Resource Planning (ERP) systems in a firm. Since most of the workforce in India is under 30 years old, taking advantage of the demographic dividend can help organizations achieve better business integration and business agility by fostering a collaborative corporate culture and flatter organizational structure.	Menon and Kemthose. (2019) [10]
5	In addition to discussing pertinent research findings that can be used to create useful paradigms for managing cultural diversity at work, this study also argues that a practicing manager must be aware of the advantages and disadvantages of mono- and multi-cultural arrangements.	Amaram, Donatus I. (2007) [11]

6	The relationship between workplace bullying and cultural diversity in international corporations will be the main topic of this essay. Therefore, it is crucial for the top management team to stop bullying and minimize it among employees from different cultures.	Leng, Chua Zi and Rashad. (2014) [12]
7	According to the research's findings, more than half of managers based across all nations believe that multicultural aspects are crucial when making managerial decisions and that they are cognizant of the various cultural backgrounds of their personnel. Additionally, as the research's findings show, most managers believe that culturally specific aspects influence how employees view their jobs, and that if one is aware of these factors, they can manage cultural disparities.	Mihaela and Sergiu Octavian. (2018) [13]
8	According to the findings of several meta-analyses, the authors draw the conclusion that cultural diversity in teams can be both a strength and a weakness. It finally comes down to how well the team can manage the process and the environment in which it functions to determine if the process losses brought on by cultural diversity can be reduced and the process gains can be realized.	Stahl et al. (2009) [14]
9	This study's primary goal was to determine whether cultural variety significantly affects the use of PR business strategy in a diverse workplace. The findings of this study showed that cultural sensitivity is crucial to excellent PR practice in the global context, where public relations is used by different ethnic groups from the Eastern and Western cultures.	Abdullah, Zulhamri. (2007) [15]
10	By first addressing three widely used viewpoints in the literature that are pertinent to understanding these processes, this work contributes toward bridging such constraints. Then it is stated that these viewpoints help organizations focus on various aspects of human variety and that, as a result, they shouldn't be separated when analyzing the intricate environments that culturally varied organizations represent. Data from an ethnographic fieldwork in a Danish multicultural organization is used to illustrate this.	Lauring, Jacob. (2009) [16]

3 | METHODOLOGY

Dimension of Culture Diversity

Culture is shaped by beliefs and values as well as shaping people's lives and directing human behavior to be studied and analyzed in different dimensions with different perspectives. The Hofstede idea is one of these strategies that is frequently referenced. Power distance, uncertainty avoidance, individualism/collectivism, and masculinity/femininity are the four aspects of national culture that Hofstede identified. [17]. These characteristics indicate individual variances in workplace conduct and attitudes. [18] The underpinning of cultural variety is national culture, which Hofstede's study was based on, and comprehending the distinctions is viewed as a competitive advantage. These four dimensions were specified by Hofstede as follows:

- The first-dimension power distance (PDI) is a measurement of the degree to which various approaches to the fundamental issue of human inequality may be distinguished. The degree to which people accept or detest hierarchies and the dominance of a select few over the majority can be shown in the power distance vs closeness scale. [19]. In contrast to high PDI score cultures, people want to be involved in the decisions made in reduced power distance civilizations. People behave as directed or desired by their superiors and/or managers in cultures with increased power gap. [20].
- The second factor is uncertainty avoidance (UAI), which has to do with how stressed-out society is about the future [20]. The Uncertainty Avoidance Dimension [21] focuses on how stressed out a group is while dealing with unforeseen and future events.
- The third dimension is referred to as individualism versus collectivism (IDV), the dimension related to the integration of individuals into the main group. Individualism against collectivism refers to how much a person views themselves as an independent individual (Individualism) or as a part of a close-knit group of individuals (Collectivism). Collectivism refers to the degree to which a person views individuals as interdependent with their group. Collectives value relationships with team members. Unlike people who like to focus on personal feelings, they feel better at ease in informal, volunteer teams [22].

- The fourth dimension, masculinity versus femininity (MAS), is related to the division of emotional roles between men and women. Masculinity against Femininity displays an emphasis on caring for others, solidarity, and cooperation (Femininity), as opposed to ambition, success, and competitiveness (Masculinity). According to Hofstede, a culture can be classified as masculine if the nature of hard effort and the materialistic urge to obtain more money is the main value in a community and the value attributed to humans is less important [23]. Societies with male cultural norms can be seen to be more innovative and have higher levels of entrepreneurship. Being dependent on others might be seen as a sign of failure in societies where men have a predisposition to handle tasks alone. Risks of all kinds must first be avoided if the goal is to be accomplished. Independence is valued above dependence in macho culture [24].

Benefit of Culture Diversity

In a multitude of ways, culture diversity benefits a company in a variety of ways. To begin with, cultural diversity brings benefits for the workplace, including a solid knowledge base formed by a variety of cultural experiences, an internal resource of cultural trainers and informers, and a better propensity for the company to expand into other cultures [25]. Second, cultural diversity can enhance the financial position of the organization, increase its profitability, and give it competitive advantage [26]. Third, diverse perspectives create a potential for better problem solving in workforces that are culturally diverse [27]. Fourth, a business that values diversity will attract a larger range of candidates to its job openings since it will be seen as a more forward-thinking organization and appeal to people from various backgrounds [28]. Fifth, Cultural diversity among the staff can result in many favorable benefits to an organization: these include lower absenteeism and employee turnover [29], and sixth, cross-cultural diversity has a number of advantages that an organization may take advantage of, including market knowledge, greater employee motivation, and the ease with which competent personnel can be found due to the presence of a larger talent pool [30]. As with all "cultural work" in businesses, creating an inclusive diversity culture is a challenging endeavor that calls for sustained effort [31]. Given all that has been discussed thus far, any firm that exhibits a certain level of cultural diversity ought to strengthen its management and develop a strategy plan. The creation of this strategic plan will give the organization knowledge of its workforce and working environment, as well as the challenges, objectives, and goals that will produce the anticipated results and sufficient information to allocate the required resources for the implementation of good diversity practices [32].

Table 2 : Empirical Studies of Culture Diversity that are Significant

No	Sample	Findings	Author
1	39 employees were chosen as the sample size for this study using a sample size calculator from a survey software system. This sample size will be used to poll Abu Dhabi University staff members.	After doing the analysis, there are two influences on Abu Dhabi University's performance level. Cultural diversity and the effectiveness of work teams can be correlated both positively and negatively. ADU employees appear to be content with their overall working environment and have no problems working in a multicultural team. On the other hand, some employees report having problems and claim that certain cultural clusters form that make it difficult for other team members to make decisions.	Cherian et al. (2020) [33]
2	To examine the effects of cultural diversity, twenty Karolinska Institute University workers participated in the study.	The study discovered that cultural diversity consistently fosters favorable benefits to customer-related issues. Additionally, it became clear that the organization's valving system always influences its performance system.	Goswami & Easwaramoorthy. (2019) [34]
3	22 public institutions that were chartered served as the sampling frame, and 245 managers were interviewed from this group.	The findings showed that organizational culture practices had a considerable, favorable impact on workplace diversity. The study's conclusions showed that public colleges in Kenya should work to foster a culture that will help them accomplish their objectives.	Bana et al. (2016) [35]
4	118 people have worked for up to six months or more. This represents the study's real population.	The results demonstrate how employees' capacity to form or participate in teams is greatly impacted by cultural diversity. Consequently, this has an impact on their productivity. According to this study, businesses should work to develop an organizational culture that not only recognizes and celebrates the diversity of its workforce's cultures but also encourages workers to form bonds with one another despite their differences in nationality and background.	Ukachukwu. (2013) [36]



5	As a sample for the study, workers for casual ethnic restaurants that employed both local and foreign labor were selected.	According to the research, each of the three diversity dimensions—collectivism, determinism, and orientation—had unique consequences on cooperation and/or production. This study helps restaurant managers be ready with strategic management on handling diversity across multicultural teams by offering the current occurrences in the workforce business.	Ab-Latif, Z et al. (2020) [22]
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Theoretical Foundations and Literature Review

1. Theory of Social Identity

Social identity theory is one of the aspects of “self-concept”, it's about how people see themselves as a person. Social identity theory states that people think, feel, and act as members of collective groups, institutions, and cultures [37]. This theory suggests that cultural homogeneity in management groups may increase satisfaction, improve performance and cooperation, and reduce emotional conflict [38].

2. Behavioral Theories

Social and behavioral scientists have developed a few theories and models in assessing and explaining individual behavior and groups. The theory of organizational behavior is a major part that needs attention in organizations because various behaviors are found and most of them are in accordance with the theoretical approach. Most previous research agrees that an organization is a collection of individuals and groups that perform repetitively mutually supportive activities that focus on goals [39].

3. Competency Theory

Competency theory is more prominent in the company. Currently, competence within the company is the main asset for the company, because it allows the company to adapt and adapt to market needs and to achieve competitive advantage and obtain large profits. Many studies have confirmed the positive correlation between employee competence and company results [40]. In the modern environment, the running of the company is determined by the process of globalization, uncertain environmental changes, technological developments, companies can achieve their goals through competency management. Therefore, management competence has attracted the attention of scholars and business professionals. Another reason why competency management is important is that nowadays companies are looking for people with special abilities to work for their companies [41].

Diversity in Culture's Impact on Employee Performance

The effectiveness of every company's workforce is essential. Employee productivity must be assessed to raise morale, reduce conflict, reduce stress, and ensure high performance. Performance, achievement, or accomplishment are all terms used to describe the act of carrying out a task, including tangible and measurable tasks. One advantage of having cultural diversity in the workplace is that it improves employee performance, resulting in increased productivity and innovation due to variances in educational backgrounds, nationalities, and languages [42]. The active discharge of one's responsibilities to achieve results is referred to as employee performance. A worker's capacity to complete the job's requirements is all that matters. Employee satisfaction "can frequently be influenced by cultural or ethnic diversity, every company has a corporate culture, and when the corporate culture meets cultural diversity, it will have both a positive and negative influence on employee satisfaction," claims Pirraglia. [43]. The author in one study found that there are several effects of cultural diversity among employees, these effects involve learning from each other, creativity, problem solving, motivation, satisfaction, commitment, team bonding and performance, and the factor that has influence on these effects is support from the company [44]. Companies are advised to hire culturally diverse employees. There are some obstacles that this could bring to firms, but the benefits outweigh the drawbacks; however, it will happen if challenges are managed well [45]. And according to Findler, “having higher trust and being in line with other diverse cultural groups provides a strong stimulant to encourage increased performance to encourage increased job satisfaction” [46].

Culture Diversity Management

Along with the times, today's economic activities open more opportunities for social and business interactions, as well as productive cooperation among the nations of the world. Multinational companies are a tangible form of interaction between various nations in the world. Recruiting and managing advancements from around the world and in various time zones is made possible by globalization [47]. The company designs specific programs and policies to increase, promote and retain employees from different backgrounds and cultures.

Basically, there should be no difference in the treatment of humans from one another, whether on the grounds of ethnicity, race, culture, religion, or class [48]. An organization needs diversity management to manage its various human resources

and maximize that diversity to meet its objectives [49]. Organizations adopt diversity management strategies in response to the growing diversity of the workforce around the world, especially from a cultural perspective, special attention is needed to address cultural diversity within an organization [50]. Cultural diversity is the collection of individuals who have come together in an organization to work toward shared objectives but who come from diverse geographic, educational, and demographic backgrounds [11].

Since each member of an international team has a background that undoubtedly influences the nature and functioning of the team, cultural management is crucial. Management plays a communication tool role in this situation, allowing for better understanding between the various team members and maximizing the performance of each individual member [51]. It is important to have a mixed culture in the organization. A diverse workplace culture helps in creating a harmonious and pleasant work environment for employees [52]. Therefore, it is important to understand the positive impact of culturally diverse organizational environments which are mentioned as follows: First, attracting and retaining a talented workforce [53]. Work teams with many different cultural backgrounds often bring different and unique perspectives to the discussion, which can lead to more creative ideas and solutions [54]. Second, cultural diversity naturally creates creative tension and different points of view. Although in some studies cultural differences have an impact on productivity, many studies show that there is a link between cultural diversity and innovation [55], and third, employees with diverse cultures will bring diverse perspectives and approaches to open opportunities that can improve the way organizations offer services and products to diverse consumers [56].

The conclusion is that cultural diversity in the workplace is not only good for employers and employees, but also good for the well-being of the company. Diversity can affect existing levels of productivity, interaction, creativity, and skills, as the dissemination of new problem-solving strategies and perspectives that come with having employees from different backgrounds leads to the adoption of new strategies and solutions that are useful for the advancement of the company [57]. Table 3. shows the various literature review done on the empirical studies of workforce diversity, the literature was diverse, resulting in a wide range of conclusions from workplace diversity management.

Table 3: Significant Empirical Studies of Culture Diversity

No	Contribution	Author
1.	This study shows that the existence of cultural diversity provides a creative advantage for the innovation team, but this can only happen if there is maximum cross-cultural competition within the team.	Jones, et al. (2020) [58]
2.	In this study, hiring employees from specific and heterogeneous cultures and nationalities can increase positive perceptions of multiculturalism in the workplace, thereby facilitating diversity management and encouraging inclusion in corporate culture.	Orisini and Magnier-watanabe (2022) [59]
3.	The results show that when team members favor cultural diversity, it has a positive impact on their innovation and performance in the team. Cultural intelligence was also found to have a direct impact on team member innovation	Kadam et al. (2020) [60]
4.	The results of the study found that cultural diversity and ethnolinguistics were independently positively related to national innovation. More importantly, the measures of cultural variation when taken together are significantly greater in national innovation levels	Puia and Ofori-Dankwa (2013) [61]
5.	Research shows that employees perceive more diversity in terms of insight and access to different groups in society. In addition, the contribution of cultural diversity to creativity and innovation in teams is reported significantly more often today than it was a few years ago	Hofhuis (2022) [62]
6.	Cultural diversity provides a creative advantage for the innovation team. However, dynamics within the team are an important factor in maximizing these benefits, and cultural diversity of team members is necessary	Jones and Wright (2020) [58]

4 | RESULT

Findings of This Study

- In today's world globalization has almost eliminated national boundaries that force companies/organizations to deal with people with diverse cultural backgrounds. While almost all authors agree that creating a multicultural work team is very important for the business world nowadays. It acts to improve a corporation's productivity if it is monitored and implemented in the right manner.
- Diversity brings many advantages for an organization such as efficiency, better employee productively and

organizational performance, at the same time managing cultural diversity has become the major issue for many organizations, such as negative stereotypes, miscommunication, and conflicting working styles. Everything is directly related to human behaviour, which ultimately leads to disaster.

- Cultural management is very necessary in an international group because the different backgrounds of each person in the group certainly affect the nature and workings of the group. Management has a role as a communication tool so that these elements can understand each other, so that the performance of each element itself can be maximized.
- In this study, we understand the various dimensions of cultural diversity in which employees participate in organizations. These dimensions include power distance, uncertainty avoidance, individualism versus collectivism, and masculinity versus femininity.

Gaps identify in the study.

- The numerous unstudied outcomes have not been examined. According to existing research, some outcomes, such language, and behaviours, have been extensively studied, but others, like values, attitudes, norms, perceptions, and lifestyles, have gotten less focus. The significance of cultural diversity and its impact on organizational performance have been researched by the author [63]. As a result, this research proposes that additional factors should be considered in future studies.
- On how cultural diversity may impact organizational performance, more research can be done. Research, according to reports, should shed light on how cultural diversity affects organizational performance across different industries and sectors [45]. The study can be used to determine the relationship between cultural diversity's positive and negative effects on the national cultures represented in the company.
- The body of research on cultural variety is extensive, and more study is required to comprehend how businesses manage their cultural diversity.

5 | CONCLUSIONS AND FUTURE WORK

This research is noteworthy since it provides a thorough analysis of the literature on cultural diversity. Cultural differences in the workplace can refer to the various mindsets, beliefs, and values that influence how people from a certain country, area, or group approach their jobs, their workplaces, and frequently how they interact with one another. Diversity in culture has both beneficial and bad effects on an employee's performance. A firm or organization should have a sound strategic plan in place so that the top management can maximize the benefits and minimize the drawbacks of workplace cultural diversity.

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