

**Cultural diversity and economic innovation** – *Ricarda Bouncken (Economics of Innovation), University of Greifswald (Germany)*

Firms constantly search for novel ideas to promote the innovativeness of their products and services. Cultural diversity of individuals has been regarded to bring across greater knowledge of the globalizing markets that improves the international success of products and services. Therefore, globalizing firms increasingly start to implement teams with greater cultural diversity within the innovation process. While some studies have found that cultural diversity creates barriers to social interaction and makes effective team work difficult, there is also evidence to suggest that the different perspectives brought to the team enhance problem solving, creativity, and innovation, and provide a potential for higher performance. Therefore, the benefits of cross-national innovation teams that have so far in majority been understood to improve the market orientation of products and services, can be extended to positive effects of cultural diversity on creativity. The diversity of mind sets and behaviour in cross-cultural teams has the potential to generate a positive tension that improves creativity. But, the drawbacks associated with misunderstanding due to cultural differences can produce high costs that reduce effectiveness of the innovation process.

In an attempt to reconcile these conflicting perspectives and findings on diversity in cross-cultural teams, this exploratory empirical study analyzes benefits of cross-national innovation teams on creativity and obstacles on team effectiveness in innovation projects. The starting point of the study is an analysis of cultural dimensions in the tradition of Hofstede, Trompenaars&Turner, and Hall&Hall. The individuals' different scores on cultural dimensions (Individualism, Masculinity, Status, Polychronity etc) and their impact on innovation teams' performance are measured. After analyzing and interpretation our interviews of different innovation projects in a multinational company we find that some cultural dimensions produce more benefits in terms of creativity respectively others more drawbacks on effectiveness. In particular, results show that diversity in terms of status is a major obstacle to creativity. Instead, differences in time use, Polychronic vs. Monochronic, can increase creativity but this often by the cost of processes taking more time.

