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# ETHNIC DIVERSITY AND THE IMPACT ON MARKETING DECISIONS IN TEAMS FOR MULTINATIONAL ORGANIZATIONS

Dr. Thomas Tanner

Assistant Professor

Bloomsburg University of Pennsylvania

Bloomsburg, PA 17815

570-389-4756

Dr. Heather Kirkwood

Assistant Professor

State University of New York, Farmingdale State College

Farmingdale, NY 11735

631-794-6339

Mrs. Yvonne Tanner, MBA

Bloomsburg University of Pennsylvania

Bloomsburg, PA 17815

#### Abstract

Cultural diversity has been an important element in multinational organizations for the past several decades. Organizational leaders can and should make diversity a fundamental component of their decision-making process. More specifically, this paper focuses on ethnic diversity in decision making for companies looking to gain a competitive advantage in the marketing environment. The study provides practitioners an insight into the concepts of ethnicity and ethnic groups and their significance as an input in how marketing decisions are made. The study will also highlight how ethnic diversity in the process of making marketing decisions in teams can influence consumer behavior and target market decisions for multinational organizations.

**Keywords:** Cultural Diversity, Ethnic Diversity, Marketing Strategies, Multinational Corporations, Team Decision Making

#### Introduction

The complexities of globalizations, diverse geographies, cultural differences, and diverse organizations will create both winning and losing combinations. Leaders must find ways to

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share diverse and cultural experiences for the greater good of their customers. The extent to which organizations learn from these decisions will have a much greater impact on the sustainability of products and brands in the marketing community.

In more recent years, many organizations and firms have realized the dynamic market opportunities that the ethnic population, especially the ethnic minorities represents. These marketers have made tremendous efforts to reach minority consumers and focused on ethnic marketing as a common practice. There are many areas that can be examined to help categorize how decision making with respect to ethnic diversity would help impact the marketing community. A few focal points of interest tend to center around the acceptance of diversity among individuals, the formulation of diverse ideas and strategies, and the overall appreciation of globalization.

MacDonald (1995) postulated that when organizations make decisions, they emphasize firm capacity, core competence, and corporate culture. The objective is to discover what else and what more the firm might do with its existing resources for the public. This stresses the important for leadership to carry out a notion of biculturalism. This will help tailor to the needs of diverse groups and emphasize the practicality of cross-cultural decision making. When encountering markets with distinct cultural differences, a leader's global (and quite possibly-geocentric) position may be just to allow the product to take on different cultural meaning and emphasize the uniqueness the product conveys to each culture.

As a leader, it is understandable that this is not always the simplest of tasks. Law and Verville (2011) posited that understanding cultural forces enables us to understand ourselves better and that this may be a great starting point that many in leadership positions should really focus on when making decisions. Cultural implications and diverse members of an organization can dictate how products come to fruition in the marketplace. Cox and Blake (1991) stipulated that top management commitment is crucial but not always sufficient; commitment is also needed at lower organizational levels. In other words, everybody must be committed to the product idea, the strategic direction, and the acceptance of diverse and cultural differences every step of the way. Carter (2009) highlighted culture indicates what is important and should be emphasized. More importantly, culture also acts as a guide for acceptable behavior for individuals within an organization and how decision processes should be considered.

Day (2011) also echoed similar notions that a vigilant leadership team should nurture a supportive climate for gathering, sharing, and acting on information from diverse sources when making decisions. In doing so, three qualities distinguish vigilant leadership teams:

(1) *External focus: openness to diverse perspectives*. The first leadership quality is a deep sense of curiosity and a focus beyond the immediate. These leaders tend to be more open, seek diverse inputs, and foster wide-ranging social and professional networks.

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- (2) *Strategic foresight: probing for second-order effects.* To achieve strategic foresight, vigilant leadership teams use a longer time horizon, employ a more flexible approach to strategy that incorporates diverse inputs, and apply tools such as scenario planning and dynamic monitoring.
- (3) *Enabling exploration:* creating a culture of discovery. Enabling a creative culture is vital for encouraging vigilance and adaptability. This includes creating some slack so employees can explore outside their immediate job activities and encouraging adaptive experiments. Unfortunately, many cultures remain risk averse, with limited flexibility to explore (Day, 2011).

It is safe to assert that organizations often face difficult choices on how to incorporate changes and adapt to the ever shifting marketplace- however, if done effectively, there can be great rewards and outcome. Scott, Heathcote, and Gruman (2011) validated that the breadth and depth of research on organizational diversity reveals the complex nature of diversity in organizations and that organizational culture supportive of diversity is likely to contribute to that organization's success in reaping the benefits of diverse team decision making. With the ever growing diversity in the population, both internally and externally of organizations, the connection between organizations and customers become more and more imperative.

In attempts to target certain segments of the population with decisions designed specifically to encourage members of that segment to make mental connections between brands and consumers, firms are turning to team diversity building and focusing on ethnicity, religion, and cultural understanding (Cox & Blake, 1991; Korzeny, 2008; Senn, Thoma, & Yip, 2013). Target markets and members of the target audience would naturally be more attached to product choices if decisions impacting specific products and brands were closely related to their own cultural disposition. Grier and Brumbaugh (1999) stipulated that any persons outside the target market who could not relate to messages communicated by decision makers would more likely take a "negative referential position" and reject the meanings of the decision and distance themselves from the product itself. This would create a sense of distrust towards the firm by the target audience and the notion that decision makers can not relate unless they incorporated a diverse team composition that factors in ethnic identity and cultural awareness.

### Purpose

The purpose of this paper is to provide practitioners insight into how ethnic diversity can impact product and brand decision making processes in team environments. The study reviews the concepts of ethnicity and ethnic groups and their significance as an input in how marketing decisions are made. The study will also highlight how ethnic diversity in the process of making marketing decisions in teams can influence consumer behavior and target markets for multinational organizations.

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In an ever increasing diverse marketing environment, this paper presents a theoretical framework on how diversity can be an integral component of the decision process. A conceptual framework will be provided that focuses on ethnic diversity, the decision making process and the impact on the marketing environment. It is important to note that the consumer perspective may be incorporated to help highlight and define the results of the decisions made by an ethnically diverse team.

### Search Strategy

The search strategy utilized in this research comprised of several different approaches that consisted of detailed search strings and the corresponding journals and databases. Over the years, research in the field of culture and marketing has spanned across numerous publications. Although many more journals and publications were utilized, a sample of these publications is provided in three main categories: Scholarly Journals, Practitioner Publications, and Professional Associations. The sample list is provided below:

### **Scholarly Journals:**

Academy of Management Journal, Administrative Science Quarterly, International Journal of Sustainable Strategic Management, Journal of Consumer Marketing, Journal of International Marketing, Journal of Occupational and Organizational Psychology, , Journal of Management, Journal of Marketing, Journal of Marketing Management, Marketing Education Review, Marketing Intelligence and Planning

### **Practitioner Publications:**

Academy of Management Perspectives, Journal of Business Psychology, Leadership & Organizational Development Journal

### **Professional Associations:**

Academy of Management (Ao M), American Marketing Association (AMA), Society for the Advancement of Management (SAM), Society for Industrial/Organizational Psychology (SIOP)

For the purposes of this study, the search strategy exhausted and utilized keyword categories and employed the configurative approach to analysis and synthesis. The focus of the overall research catered to a few thematic concepts that centered on cultural aspects of ethnic diversity, team decision making, and the marketing environment.

Using a keyword search strategy to help focus and facilitate the research, a combination of the following terms were used to help narrow down the research of literature:

- **Culture**: Cross-cultural, Diversity, Ethnicity, Multinational, Racial, Traditional
- Marketing: Advertising, Consumer behavior, Brand, Product, Promotion, Segmentation
- **Team Decision:** *Groups, Group decisions, Team decision making, Work teams*

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The use of synonyms for keys words that either included the major terms in the research topic itself, or some variation of Boolean combination of terms was utilized. A search using these terms was conducted in both scholarly academic and scientific databases. The databases consisted of several electronic varieties that included: Web of Science, ABI/INFORM Global, Academic Source Complete, JSTOR, Business Source Complete, and Science Direct.

### Literature Review

The literature review will examine several significant areas pertaining to ethnicity and marketing decisions within multinational organizations. The literature review will focus on ethnic identity, diverse marketing teams, and decision making processes. The research will highlight key components of how ethnically diverse marketing teams impact product and brand decisions.

# Ethnic Identity & Diversity

Simon and Rowland (2011) posited that most literature did not provide a clear definition of diversity that immediately categorized and separated one form of diversity as positive and another form as negative. The authors found that most research did not provide a clear understanding of the types of diversity being examined. However, according to their study, Simon and Rowland (2011) found that most diversity being researched focused on demographic attributes, including "age, gender, race-ethnicity, and background. Ethnic diversity, which can also be termed race and ethnicity, was one of the more comprehensive definitions of diversity found in their research and provided both the clearest and most useful means of studying culture and diversity in many of studies examined.

Kennedy and Hall (2006) stipulated that ethnicity is closely related to culture but also included a genetic aspect that allowed for it to be better defined and examined. To put it simply, ethnicity can be viewed as a characteristic of racial group membership on the basis of some commonly shared features. Kennedy and Hall (2006) subsequently identified several major domains used by many scholars to categorize ethnic identity:

- Language use and proficiency in the culture concerned
- Affiliation with others of the same cultural/ethnic group
- Participation in cultural related activities that represent the cultural group
- Pride in being a member of the cultural group
- Preference for the food of the particular cultural group
- Spouse ethnic identity
- Mass media usage in the language of the culture
- Physical representations of the culture (objects, artifacts), and
- Level of emotional attachment to icons representing the culture.

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Ethnicity can also be described in terms of biological makeup of individuals which could also include consumption behavior (Jamal & Chapman, 2000; Kennedy & Hall, 2006; Raval & Subramanian, 2004; Popovici, 2011). The authors found that ethnic identity requires an individual to first label themselves as being part of a particular ethnicity. Similarly, Holland and Gentry (1999) in their earlier studies found that ethnicity characterized "people who perceive themselves as constituting a community because of common culture and pre-existing cultural attributes". Ethnicity (and ethnic identity) can be critical components in predicting strong behavior tendencies that can help organizations target specific markets with specific products and brands.

# **Diversity in Team Decision Making**

Leadership takes on this presumption of responsibility to ensure positive changes are taking place and appropriate decisions are being made. These decisions impact product acceptance in the consumer market- thus inevitably dictating the success of the brand in the marketplace. Kennedy and Hall (2006) expressed that a lack of mutual understanding can lead to poor rapport between partners (in this incidence; organization and public) with different cultures. When cultures are incompatible, the focal firm may misinterpret the rationale underlying their partner decisions thereby negatively impacting trust. This is a very compelling statement and holds much value and appreciation. Organizations must make correct decisions and leaders must stand behind these decisions once made.

Cox (1991) theorized and maintained that well-managed diversity can add value to an organization's decision making by:

- (1) Improving problem solving
- (2) Increasing creativity and innovation
- (3) Increasing organizational flexibility
- (4) Improving the quality of personnel
- (5) Improving marketing strategies to end-users (Cox, 1991).

Cox (1991) found that the benefits of a heterogeneous and diverse work team achieved higher rates of success in both short term and long term organizational goals.

Similarly, Horwitz (2005) postulated that team decision making in multiracial groups showed the potential to perform well and often generated more diverse criteria for evaluating alternatives than homogeneous groups. The study reported that "variations with respect to race and ethnicity favorably influenced both team decision processes and performance on team projects". This is particularly important when making decisions that may impact consumer perception. Popovici (2011) found that consumers experience a "chameleonic behavior", changing their practices, and usually asking for uniform global products but without giving up basic elements of ethnic identity.

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# Ethnic Representation in Product & Brand Decision Making

Sutarjo (2011) stipulated that diversity is the variation of social and cultural identities among people existing together in a defined employment or market setting. Leadership must control these distinctions and use diversity as an opportunity to create a greater good for the community. The products and services being offered to a specific community should meet the needs of those individuals. Taking culture into consideration and the increased focus of globalization before making decisions will help leaders stay focused on overall objectives and organizational goals. There has to be an agreement between the brand and the public for leadership to appear compassionate about communal similarities and differences.

Kennedy and Hall (2006) validated the degree of status attributed to various products differs across cultures and consumption of products was closely aligned with ethnic identity. It was found that consumption of ethnic products, such as food and clothes, retained a sense of belonging to their ethnic group and that buyer behavior of products was directly affected by their sense of identity (Jamal and Chapman, 2000; Ryu, Park & Feick, 2006). Over time, ethnic identity can change dramatically from one environment to the next and from one individual to another. The meanings attributed to that identity allows for consumer behavior to be predicted and "increases the effectiveness of product offerings and decisions" (Kennedy & Hall, 2006).

Ethnic groups are often accommodated by target marketing decisions of specific product and brand selections. A few seminal scholars (Cui, 1996; Holland and Gentry, 1999) confirmed that consumers were not all receptive to targeted ethnic decision making and that organizations had to modify their strategies to incorporate insight from heterogeneous perspectives. The research conducted by Holland and Gentry (1999) verified the need "to create energy and credibility by ethnic group members making strategic product decisions to become rooted in their ethnic cultural values and attitudes". This goes beyond simply conforming to an organization's target but becomes more about ethnically adapting products decisions to gain the approval of the targeted audience. Cui (1996) corroborated this study with his own research that argued the importance of decisions that attempted to attract consumers should contain components of ethnicity, acculturation, and be void of ethnocentric viewpoints.

Carter (2009) understood the importance of ethnic representation in decisions and found that ethnic identity in group decision making processes played a key role in mediating the gap between consumer acceptance and brand strategy. Carter (2009) found that the depth of member diversity in the decisions made on brand strategy "aspires brand identity, influences consumer behavior, and fashions diverse markets". Light (2013) examined similar findings in his study showing the formulation of decisions creating brand identity is a shared, collaborative, cross-geographical synthesis of decision leaders. The goal is to ultimately create consumer experiences that satisfy product and brand reputations in the marketplace.

### **Theoretical Framework**

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This review focuses on ethnic diversity, cultural differences, and the influences these factors have on product and brand decision making. In order to bring perspective to the research, the *Theory of Acculturation* can be utilized. The theory of acculturation (Berry, 1980, 1997) allows for strategies of cultural adaptation at both individual and group levels. Demangeot and Sankaran (2012) defined acculturation theory as the phenomena and outcome which results when groups of individuals having different cultures come into contact with one another. These phenomena can also be extended to "consumer behavior through the general process of movement and adaptation to the consumer's cultural environment" (Demangeot & Sankaran, 2012).

Seminal scholars (Berry, 1997; Jamal & Chapman, 2000) postulated that the theory of acculturation enhanced consumer behavior and brand preference in three categories: (1) use of information sources, (2) product preferences, and (3) consumption orientation (Jamal & Chapman, 2000). Similar findings were made by Ryu, Park, and Feick (2006) that stipulated diverse ethnic groups endorsing product information was effective on consumer responses toward that ad and brand. The ethnic identity of the group decision created a level of message persuasiveness and a sense of cultural knowledge and reality. Richardson (2012) posited that individuals with similar ethnic backgrounds to those who are being targeted increased brand-loyal customers and had higher returns on investment.

Jamal and Chapman (2000) found that ethnic identity and acculturation provided a framework of four strategies that enhanced the collaboration of decision making and consumer consumption patterns:

- 1. **Integration**: This reflects a desire of an ethnic minority consumer or an ethnic minority group not only to maintain his or its original cultural integrity but also to make a move to become an integral part of a larger societal framework.
- 2. **Assimilation**: This reflects a desire of an ethnic minority consumer or an ethnic minority group to relinquish his or its cultural identity over time and move into the larger society.
- 3. **Separation** or **rejection**: This reflects a desire of an ethnic minority consumer or an ethnic minority group to reject the mainstream society while maintaining identity with the culture of origin.
- 4. **Marginalization** or **decolouration**: This characterizes an ethnic minority consumer or an ethnic minority group that rejects movement into the mainstream society as well as any identification with the culture of origin.

These four strategies suggests varying levels in the relationships impacting consumer perception on decisions made about consumer environments (i.e. target market, segmentation) and ethnic representation in the decision making process.

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Several studies and seminal works on the theory of acculturation have noted the importance of "assimilation" and the use of this strategy to examine decision outcomes in the marketplace. Cox (1991) posited that the integration of ethnic identity within decisions and consumer acceptance of these decisions can be defined along the dimensions of acculturation theory. More specifically, Cox (1991) examined the mediating role of the assimilation strategy as being the most prominent in explaining the psychological changes in consumer behavior. Raval and Subramanian (2004) also found that the assimilation strategy identified greater explanations in appropriate positioning of products, ethnic identity, and consumer preferences. This strategy allowed for team members to internally identify cultural influences that may be aligned to the cultural dispositions of their target market.

The theory of acculturation can also be complimented by the *Cognitive Resource Diversity Theory* to better examine the role of ethnic identity and the decision making process. Horwitz (2005) stipulated that cognitive resource diversity theory created positive outcomes and performances due to the cognitive resources that each diverse team member brings to the decision. The assumption behind this theory is diversity adds value to the decision making process that allows individuals (i.e. consumers) to make more informed decisions. Horwitz (2005) postulated that diverse individuals with varying experiential, cultural, and racial/ethnic backgrounds add more dimensions to problem-solving and decision-making processes while providing multiple perspectives on issues. By allowing a variety of perspectives on the communication to consumers, this allows for greater possibility of connecting intuitively with the target audience and enhancing the consumer perception regarding both the firm and the product selection.

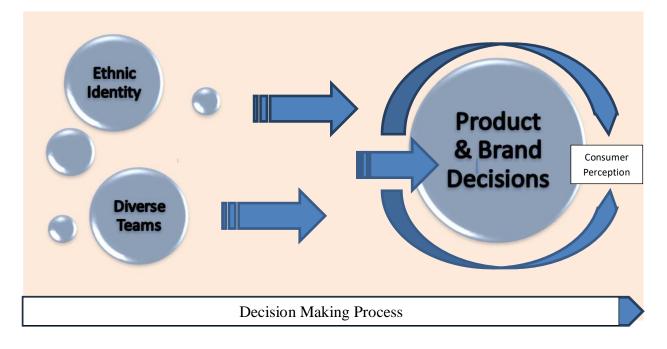
Kennedy and Hall (2006) acknowledged the importance of cognitive resources in teams stating ethnic identity is a complex internal process involving cognition, emotion, and knowledge that helps contribute to diverse team arrangements and decision outputs. Simon and Rowland (2011) effectively encapsulated the cognitive resource diversity theory, positing that the cognitive resources of each team member contributed to the overall success of the team and helped promote creativity and decision making capacity. As the theory of acculturation described, the use of these diverse team decisions can benefit consumers to help make informed product selections. Grier and Brumbaugh (1999) stipulated that decisions by the intended audience (i.e. target markets and/or consumers) are normally different than the decisions made by consumers who are outside the intended audience. The cognitive resources of the culturally diverse team should coincide with the consumer perception of that decision to create higher levels of consumer acceptance. Grier and Brumbaugh (1999) found that the team's *intended meaning* (the cognitive and affective responses the marketer tries to induce in target viewers of the ad) should be minimally different than the *actualized meaning* (the cognitive and affective responses the marketer decision of the ad) overall.

# **Conceptual Model**

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The following conceptual model provided offers a visual perspective on the various components surrounding the purpose of this study. As the model depicts, there are factors that go into the continuum of the decision making process. For purposes of this study, these factors center on ethnic identity and diverse team composition while making product and brand decisions. This increased diversity within the team composition allows for the possibilities of generating and assessing solutions from multiple perspectives. Ultimately, the diversity of perspective, ethnic identity, experience, and knowledge can be expected to result in a greater variety of solutions, enhancing the diversity and creativity of the team decision (Pires & Stanton, 2002; Salomo, Keinschmidt, & Brentani, 2010).



As the constructs of ethnic identity and diverse team compositions are factored into the decision making process, more comprehensive product and brand decisions should be communicated. When this occurs, a greater consumer acceptance of these decisions should be experienced. The conceptual model also allows for the consideration of consumer perception. As the diversity in team composition increases, consumer preferences become more customized (Palich & Gomez-Mejia, 1999) and consumer acceptance becomes more evident (Schilke, Reimann, & Thomas, 2009). Consumer perception of the product and brand decision can come at the forefront of the actual decision to actually help guide the direction of the product and brand decisions that are about to be made. Alternatively, consumer perception can be a product of the decision that was already made, especially once the product has entered into the marketplace. The conceptual model highlights each of these areas and presents a visual depiction of the process being discussed.

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#### **Discussion and Contribution**

Townsend, Yeniyurt, Deligonul, and Cavusgil (2004) posited that marketing is a complex set of functions that involves the following three roles: (1) *Tactics* which involves demand stimulation and selling; (2) *Culture* which provides a means to implement customer orientation; and (3) *Strategy* which translates the marketing concept into actions that create competitive advantage and customer acceptance of decisions. Because of the importance of the marketing functions to the survival of an organization, firms must find ways to connect with their customers and target audiences. Organizations must find ways to satisfy consumer perceptions of their brands or products by incorporating decisions that integrate cultural similarities with their target market. As Kennedy and Hall (2006) examined from a marketing perspective, the value of identifying the ethnicity of consumers lies in the ability to predict the consumption and buying behavior of a target audience who share the same ethnic characteristics. In doing so, this allows for the increase in usefulness and practicality of marketing communications and the ability to proficiently and competently deliver products and brands to meet consumer expectations.

The dynamics of team compositions must be considered carefully. As stated in several areas in the review, organizations benefit from a heterogeneous and diverse work team (Cox, 1991; Horwitz, 2005). Firms that understand the importance of cultural diversity appreciate the value that multicultural work teams can provide. Similarities in cultural backgrounds (i.e. ethnicity & ethnic identity) between decision makers and consumers in the marketplace are critical to gaining consumer acceptance of product and brand decisions (Carter, 2009). The development of a cultural mindset by organizations bringing together teams with diverse ethnic compositions can help promote communication to reach targeted audiences far more effectively than homogenous teams. Hult, Cavusgil, Deligonul, Kiyak, and Lagerstrom (2007) discovered in their research that diversity in teams instilled value that promoted appreciation for open communication and network structures that extended "strategic choice paradigms" which allowed the decision makers to relate and support consumer behaviors (i.e. consumer desires, perception, and acceptance) in the marketplace.

Another accepted perspective put forth by Townsend et al. (2004) maintained that leadership creates and manages cultural diversity within teams to establish a global orientation that conceptualized the team's ability to view the entire world as a marketplace. The advantage of this perspective allows leadership to not rely on individual markets and target audiences but rather make use of resources to achieve global marketing activities that extends over national and traditional boundaries. Although target markets should still be adopted to help focus on specific products and messages to specific audiences, "global orientation has had a positive impact on marketing programs that are not radically different from one specific market to another with similar ethnic identities". This helps validate the importance of ethnic diversity in teams making product and brand decisions to gain consumer acceptance and establish brand loyalty in the marketplace.

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This integrative review of literature and preceding discussion contributes to both management and marketing professionals and suggests that diversity in teams provide more comprehensive product and brand decisions if the team composition is ethnically diverse. This can be particularly of interest to human resource management as they begin the hiring process. There is extensive research that suggests numerous potential benefits of team diversity and organizations should attempt to capitalize and maximize these opportunities. More importantly, this can be of great interest to marketing management as they put together teams to launch their next product into the marketplace. By identifying their target market early, management can build the composition of their marketing team with various members that possess similar ethnic identities as their audience. This allows for greater team understanding of what their consumers desire, more variety in ideas and suggestions to meet these desires, and a deeper level of connection between the firm and their market. Ultimately, it is the hope that this review will benefit organizations at various levels and various departments of the firm but in the end, helps create a framework and template to be successful in communicating with their target market.

# **Limitations and Future Research**

There are various limitations to this review and room for future research to expand on this study. The initial results and findings are limited in transferability to other studies by the nature of design and research methodology of this review. The absence of a defined location and the void of a dominant culture increased the variability of the outcome. The research spoke in generalization and was not representative of a specific consumer environment, allowing for the growing consumption of the market to become exponentially abundant. Another limitation centered on the behavior strategies and the possible antecedents of these strategies to the overall study. The interpretation of consumer behavior was left as a myriad of possibilities due to the limitations of the research being conducted.

Taking into account these limitations, there are several possibilities for future research. An initial study can be conducted to define a dominant culture and a central location to bring more focus to the results being interpreted. This allows for future ongoing studies a definable and measurable template to gauge all other results. There can also be further analyses on consumer perception and the strategies identifying the behaviors of consumers and their selections of product and brand choices. Another complimentary study should focus on the ethnic diversity of team compositions. A great deal of interest can be derived from understanding the specificity of ethnic identity and cultural diversity in making team decisions that impact marketing environments.

# Conclusion

This review set out to examine how ethnic diversity can impact product and brand decision making processes for practitioners. The research identified several key areas to help define the influence that ethnic identity had on team composition and the impact this had on the decision

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making process. The acceptance of these decisions by consumers and the consumption of the products and brands by the target audience were explored in detail. The use of the *Theory of Acculturation* as a theoretical framework to observe how these relationships integrated proved insightful. The theoretical framework was complimented by the *Cognitive Resource Diversity Theory* to better help explain the outcome of team decisions from an internal team composition perspective. This study demonstrated a potential contribution to the marketing and management profession with the hopes that future research will continue bringing forth more knowledge and more practical implications to leadership.

As the seminal works of literature on ethnic identity (Holland and Gentry, 1999) and diversity (Cox & Blake, 1991) expressed the need for heterogeneity to promote cultural understanding and multiple perspectives to problem solving, this should certainly be taken into consideration when making marketing decisions that impact consumer perceptions. The increasing ethnic diversity in both organizations internally and the target audiences externally have created an absolute need to find effective ways to communicate product and brand decisions. As the current research shows, incorporating ethnic identity into the decision making process can prove to be successful. This creates opportunities to connect more intimately with the target audience and helps make more productive decisions that impact consumer perceptions and product selections.

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