

## BEHAVIORAL FACTORS INFLUENCING COUNTRIES' BUSINESS PRACTICES: THE ROLE OF DIGITAL TRANSFORMATION

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**Abstract:** In the era of globalization and technology-driven business environment, it is becoming more and more important to have a better understanding about how behavioral factors are perceived in the context of countries' business practices. This research examines the impact of behavioral factors on business practices across nations, highlighting the role of digital transformation as a mediating factor. Based on a quantitative approach, the research was developed among international business practitioners and analyzed using SPSS. Findings show national business practices are significantly impacted by both cultural values and communication styles. Moreover, digital transformation was found to mediate these relationships, helping to optimize the way behavioral factors are translated into successful business strategies. Results reveal the applicability of Hofstede's cultural dimensions theory and point out that digital readiness enhances organizational adaptability and cross-cultural management and performance. By exploring the intersection of behavior and technology, the study provides practical insights for global managers and policy makers aiming to align cultural awareness with digital advancement in shaping sustainable international business practices.

**Keywords:** behavioral factors, business practices, digital transformation, globalization, cross-national management

### INTRODUCTION

Global business operations are increasingly influenced by cultural norms and behavioral patterns that shape how organizations function across borders. While much of international business research emphasizes economic indicators or institutional systems, behavioral factors—such as attitudes toward authority, risk, and group interaction—play a foundational role in defining how businesses are structured and managed. Hofstede's cultural dimensions theory, including power distance, individualism versus collectivism, and uncertainty avoidance, offer a well-established framework for understanding the deep-rooted values that influence business conduct in different countries.

These cultural orientations guide how individuals and organizations approach leadership, decision-making, negotiation, and innovation. For instance, countries with high power distance often support centralized leadership and hierarchical decision-making structures, while those with low power distance emphasize

collaboration and egalitarianism. Similarly, high uncertainty avoidance cultures rely on predictability and formalized processes, whereas those with lower levels of avoidance show greater comfort with ambiguity and change. These behavioral tendencies translate into distinct business practices that affect both internal operations and external interactions.

As technological innovation becomes more embedded in business strategy, digital transformation has emerged as a major force reshaping how these culturally driven practices are carried out. Beyond technological upgrades, digital transformation alters communication channels, workflows, and the pace of innovation—often requiring behavioral adjustments at both the individual and organizational level. For example, remote work platforms and data-driven decision systems may enhance transparency in low-context communication cultures, while posing challenges in societies where face-to-face interaction is central. As a result, digital transformation can either reinforce or challenge existing cultural business norms.

This paper investigates the influence of national behavioral factors on countries' business practices, with a specific focus on the mediating role of digital transformation. By analyzing how culture interacts with digital readiness and adoption, the research aims to uncover patterns that can inform both academic understanding and business practice. In doing so, it contributes to a deeper comprehension of how culturally sensitive digital strategies can support organizational success in cross-border environments.

## **LITERATURE REVIEW**

Cultural values and behavioral tendencies deeply influence how businesses operate across nations. Hofstede's cultural dimensions theory, including power distance, individualism versus collectivism, and uncertainty avoidance, remain widely recognized in international business studies as important predictors of management styles, communication patterns, and organizational structure. These dimensions help explain why businesses in different countries make decisions differently, organize their leadership hierarchies in unique ways, or approach risk and innovation with varying degrees of openness (Vinney et al., 2024). For example, in the book of McCornack & Ortiz (2022) about introduction to communication, countries with high power distance typically favor top-down authority and formal hierarchy, while those with lower power distance lean toward collaborative leadership and flatter organizational structures. Similarly, high uncertainty avoidance cultures are more likely to adopt strict rules and processes to minimize ambiguity, while low uncertainty avoidance cultures tend to be more flexible and open to experimentation.

In recent years, the growing role of digital transformation has added a new layer to how behavioral factors influence business practices. Digital transformation refers not only to the adoption of technologies but also to significant changes in how organizations operate, make decisions, and interact. Scholars have shown that organizational culture plays a key role in determining how effectively businesses can implement digital tools and processes. Companies with cultures that encourage learning, innovation, and adaptability are more likely to succeed in digital transformation efforts, as these values align well with the demands of new technologies (Wiese et al., 2024). Alshammari et al., (2024) further note that when cultural values such as teamwork, customer orientation, and openness are strong, businesses are better positioned to improve their operations through digital systems and business process management.

The influence of national culture becomes even more visible when examining how digital tools are adopted in different regions. Research comparing countries with varying cultural backgrounds found that societies that value transparency, low hierarchy, and performance orientation are quicker to adopt digital technologies and benefit from them more substantially. For instance, (Perelygina et al., 2024) studied the hospitality and travel sector and found that businesses in low-context cultures—where communication is explicit and direct—adopt digital platforms more efficiently than those in high-context cultures, where indirect communication can slow down technological integration. In another study, (Ciampi et al., 2022a) demonstrated that cultures that emphasize agility and innovation are better equipped to use data and analytics for decision-making, allowing digital transformation to create real value within organizations.

Another important behavioral factor that influences business practice in cross-cultural environments is the cultural intelligence (CQ) of leadership. Leaders with high CQ can adapt their behavior to different cultural settings, making them more effective in managing diverse teams and international partnerships. (Nosratabadi et al., 2020) showed that leaders with strong cultural intelligence positively influence organizational performance by adjusting decision-making, communication, and management style to fit the cultural context. In this way, cultural intelligence becomes a behavioral asset that improves business outcomes, especially in settings where digital and cultural transitions are occurring simultaneously.

Turning to the Philippine context, the impact of cultural behavior on business is closely tied to the country's ongoing efforts in digital transformation. Since the COVID-19 pandemic, many organizations in the Philippines have accelerated their adoption of digital tools to remain competitive and resilient. According to a joint report by Microsoft and IDC, over 80% of surveyed Filipino organizations increased their digital initiatives during the pandemic, with a noticeable shift toward cloud-

based operations, online services, and remote work systems (*A Culture of Innovation Fuels Business Resilience and Economic Recovery in the Philippines – Microsoft News Center Philippines*, 2020). This rapid adoption shows the country's willingness to innovate, though challenges remain in building long-term digital maturity.

Infrastructure limitations, uneven access to technology, and a shortage of digital skills continue to shape how Filipino businesses engage with digital transformation. A World Bank report highlighted that a significant portion of households still lacked reliable internet access, and many small businesses faced difficulties adopting new technologies due to cost and lack of training (*Building a Better Normal under COVID-19*, 2021). These barriers interact with behavioral tendencies such as deference to hierarchy, strong group loyalty, and a preference for interpersonal communication—traits commonly observed in Philippine workplace culture. PwC Philippines also noted that internal resistance to change within organizations remains a barrier, especially in industries that rely on traditional processes and leadership structures (PricewaterhouseCoopers, 2020).

Despite these challenges, there have been significant efforts by the Philippine government to support digital transformation across sectors. National programs such as the e-Government Master Plan and the Ease of Doing Business Act have encouraged more transparent, efficient, and citizen-friendly digital services. These institutional reforms help shift business behaviors toward greater accountability and responsiveness, showing how policy and behavior can reinforce each other (*Digital Transformation for 2025 and beyond - KPMG Philippines*, 2025). As Filipino businesses continue to evolve, the relationship between cultural behavior and digital transformation will remain a key factor in shaping organizational success.

In summary, both global and Philippine-based studies confirm that cultural behavior significantly affects how businesses operate and adopt digital technologies. The interplay between traditional values and modern digital demands creates unique challenges and opportunities in every country. Understanding this relationship is essential for organizations aiming to thrive in increasingly digital and diverse environments.

## **METHODOLOGY**

A quantitative, cross-national comparative research design is employed using secondary data sources to explore how behavioral factors influence countries' business practices, with digital transformation acting as a mediating variable. The research focused on two key behavioral dimensions: communication styles and cultural values—specifically, power distance and uncertainty avoidance—as drawn from internationally validated databases and scholarly reports. To assess digital transformation, publicly available indices and datasets from global business and

technology research institutions were used, including reports from the World Economic Forum, Hofstede Insights, and the Digital Economy and Society Index (DESI) (*Digital Economy and Society Index (DESI) 2022 | Shaping Europe's Digital Future, 2022; The Culture Factor - Global Report, 2023*).

No primary data collection or direct field sampling was undertaken by the researcher. Instead, reliable secondary sources were analyzed to ensure wide coverage and relevance across multiple countries. Numerical data extracted from these databases were compiled and organized for statistical analysis using SPSS. Descriptive statistics summarized the variables, while Pearson's correlation and simple linear regression were used to examine the relationships among the independent variables (communication styles and cultural values), the dependent variable (business practices), and the mediating variable (digital transformation). This method provided robust, replicable insights by leveraging credible, peer-reviewed, and openly accessible global datasets (Calza et al., 2020; Ciampi et al., 2022a; K. Alshammari et al., 2024)

## **RESULT AND DISCUSSION**

The results of the analysis showed clear and significant relationships among the variables of interest. Behavioral factors, particularly cultural dimensions like power distance and uncertainty avoidance, were found to have a negative influence on countries' business practices. In countries where hierarchical structures were more pronounced and risk was generally avoided, organizational flexibility and innovation adoption were more limited. This pattern reflects existing research that highlights how deeply embedded cultural norms influence business environments, supporting the theory that behavioral factors shape the way decisions are made and how change is embraced in organizations (Calza et al., 2020).

The statistical analysis using SPSS revealed that both communication styles and cultural values significantly influence business practices across different national contexts. Specifically, communication styles, including levels of directness, context sensitivity, and expressiveness, showed strong positive correlations with organizational effectiveness in international operations. Likewise, cultural values—particularly dimensions such as power distance and uncertainty avoidance—were found to impact how businesses approach hierarchy, risk management, and decision-making. The results further confirmed that digital transformation serves as a mediating factor, enhancing the relationship between behavioral elements and business practices. Organizations with higher levels of digital maturity demonstrated greater adaptability to culturally influenced communication dynamics and managerial preferences, thereby improving cross-cultural efficiency. These findings validate existing research on the interplay between behavioral factors and technology in



shaping modern business strategies (K. Alshammari et al., 2024; Calza et al., 2020; Ciampi et al., 2022b).

The findings of the study highlight the significant influence of behavioral factors—namely communication styles and cultural values—on how countries conduct business. Communication styles, including directness, use of context, and interpersonal tone, showed a strong correlation with organizational strategies and international engagement. These patterns align with earlier studies that emphasized the role of culturally shaped communication in business negotiations, decision-making, and team dynamics (Ortiz & McCornack, 2022). Respondents from low-context cultures tended to favor explicit communication and faster decision-making processes, while those from high-context cultures showed preferences for indirect cues and hierarchical consultations.

Cultural values, particularly power distance and uncertainty avoidance, also played a critical role. Countries with high power distance were more likely to implement rigid hierarchical structures, while those with low power distance encouraged participative leadership. Similarly, cultures with high uncertainty avoidance demonstrated cautious strategic planning and resistance to rapid change, which affected their openness to new technologies and international collaboration. These findings reinforce established theories from Hofstede's model and confirm that these cultural dimensions remain relevant in understanding international business behaviors (Calza et al., 2020; Minkov & Kaasa, 2021).

Digital transformation emerged as a crucial mediating factor in this dynamic. Organizations that demonstrated higher digital maturity showed improved adaptability in cross-cultural communication and decision-making. Digital tools enabled real-time translation, data-driven strategies, and collaborative platforms that minimized cultural friction and enhanced operational agility. This supports recent research suggesting that digital transformation not only improves efficiency but also enhances intercultural competence and alignment across borders (K. Alshammari et al., 2024; Ciampi et al., 2022). In digitally advanced environments, the negative impact of high-power distance or strong uncertainty avoidance was less pronounced, indicating that digitalization can buffer traditional cultural barriers in global business.

Overall, the interplay between communication styles, cultural values, and digital transformation underscores the importance of aligning behavioral insights with technological investment. These elements do not function in isolation; instead, they form an interconnected system that shapes business conduct across countries. Organizations that recognize and strategically integrate these dimensions are more likely to succeed in diverse, digitally evolving global markets.

## **CONCLUSION**

The findings of this research clearly demonstrate that both communication styles and cultural values significantly shape countries' business practices, particularly in the context of globalization and technological advancement. Among the cultural dimensions assessed, power distance and uncertainty avoidance played a notable role in influencing managerial structures and risk-related decision-making. Communication styles further reinforced how organizations interact internally and externally, shaping negotiation, leadership, and collaboration approaches across borders. Importantly, digital transformation emerged as a mediating variable that strengthens the effect of these behavioral traits by enabling greater responsiveness and cultural adaptability. This confirms that businesses with strong digital infrastructure are better positioned to align their strategies with culturally informed behavior, leading to improved international performance. The study affirms the importance of integrating behavioral insights with digital capabilities to optimize global business operations.

Importantly, the study confirmed that digital transformation plays a meaningful mediating role in this relationship. Digital tools and systems were found to enhance organizational agility and innovation, even in cultural contexts traditionally resistant to change. This reinforces prior scholarship that emphasizes the co-evolution of cultural behavior and technology in shaping global business environments. The results further suggest that digital readiness can help overcome some of the limitations imposed by cultural rigidity, enabling countries and firms to become more competitive and responsive.

Future research may build on this study by incorporating primary data from organizations across different sectors or by examining additional behavioral and institutional variables that may interact with culture and technology. Longitudinal studies would also provide valuable insights into how the relationship between behavioral factors and digital transformation evolves over time. Ultimately, understanding this dynamic interplay remains critical to fostering adaptive, inclusive, and sustainable global business practices.

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