The Effect of Regional Culture on Social Distancing and Business Activities During the Pandemic

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SubProject

How do regional business policies affect small businesses' work hours at the early stage of the pandemic? The interactive effect of cultural tightness and community logic

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Introduction

- Extreme events like Covid-19 pandemic entails significant disruption in organizational, industrial, and economic levels(Brammer et al., 2020).
- To contain the spread of virus, it is desirable that businesses, especially small ones with large customer base, reduce their operation hours to maintain social welfare such as public health, at the *early stage* of the pandemic.
- We maintain that reduction of operation hours at an early stage of the pandemic constitutes a unique CSR scenario that has seldom been studied: CSR when facing *emerging* life-threatening event.
- We are particularly interested in regional differences that could facilitate small businesses to show the CSR behaviors when the Covid -19 pandemic is emerging.

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CSR when facing life-threatening event

- The past several decades have seen an increase in life-threatening events such as water and food crisis, natural disaster, terrorist attack, and pandemic disease
- life-threatening events could snowball in magnitude and impact regional and even global economies
- when facing life-threatening events, companies not only need to survive economically, but also need to obey the law, fulfill its obligation to do what is right and avoid harm to society, and, if possible, contribute resources to the community

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Challengers for CSR when facing life-threatening event

- life-threatening events may disrupt a firm's own operation (Mithani, 2020);
- there are few inoculation mechanisms enabling the firm to respond to such events (Mithani, 2020)
- given the urgency of the event, companies need to act rapidly.
- CSR in this case may require substantial monetary sacrifice.
- when the life-threatening event is emerging, there is often lack of government regulation on companies' behaviors

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The effects of government policies

- Government policies directly shape the institutional environment in which small businesses operate, and thus greatly affect their business costs and operation decisions
- Favorable policies help small business to reduce financial constraints, information asymmetries, and transaction costs
- We maintain that favorable policies substantially reduce small businesses' costs during the pandemic, making it relatively easy for them to survive and to engage in CSR behaviors such as reducing their business hours

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Regional cultural forces that may affect CSR when facing life-threatening event

- CSR decision (reduction of work hour) at the early stage of pandemic is difficult for businesses, as they are facing an ethical dilemma between protecting public health and keeping their business afloat during pandemics, and in particular Covid-19.
- Such decisions could be affected by the regional culture in which they are embedded
- We focus on two regional cultural forces, i.e., community logic and cultural tightness.

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Community logic

- Community logic refers to the extent to which community commitment, collective belief, and reciprocity are emphasized in a region
- Community logic revolves around the emotional connections or bonds among people, which motivates them to care about the common goods of community and participate in community activities
- The collaborative problem-solving approach promoted by community logic also enables community members to collectively develop new social norms when it is necessary.

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Cultural tightness

- Cultural tightness refers to the strength of social norms and tolerance for norm deviations
- Such societies strongly emphasize social coordination to ensure survival and stability (Gelfand et al., 2006).
- Social norms in a tight community are often clearly defined, and reliably imposed (Gelfand et al., 2011)

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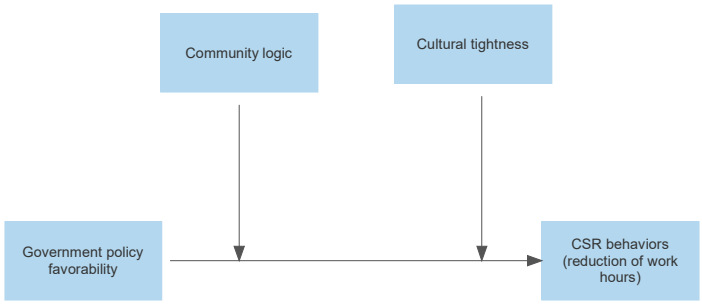
Research model



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Research hypotheses-Culturally tight community

It is relatively difficult to introduce new social norms in a culturally tight community. Thus, both community logic and cultural tightness are needed to form new social norms of social distancing and enforce such norms .

(a) Culturally tight community

Community logic	
High	Low
Cell 1: Small business policy favorability → - → Work hours	Cell 2: Small business policy favorability → + → Work hours

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Research hypotheses-culturally loose community

If a strong community logic exists, people are likely to view public health as important concerns. Small business owners and employees are likely to feel that they should reduce work hours to help contain the spread of virus.

(b) Culturally loose community

Community logic	
High	Low
Cell 3: Small business policy favorability → - → Work hours	Cell 4: Small business policy favorability → Work hours (the effect could be positive, neutral, or negative. If negative, the effect is weaker than Cell 3).

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Research context

- We study work hours of small businesses between March 1st,2020 and the date that their states issued stay-at-home orders.
- The Restaurant work hours data were provided by https://joinhomebase.com/, which offers free online tools for small businesses to schedule their employees' work hours.
- The database contains employee schedules of 19,443 restaurants and bars located in 1815 U.S. counties during the selected time period.

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Measures

- Favorability of small business policies is measured by the state-level 2019 small business policy index developed by Small Business and Entrepreneurship Council.
- Following York et al. (2018), we measure county-level community logic by using the social capital index developed by Northeast Regional Center for Rural Development.
- For cultural tightness, we use the state-level cultural tightness index developed by Harrington and Gelfand (2014) for the current study.

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Dependent variable

$$\text{Work time index}=\ln\left(\frac{W_M}{W_F*(Non-compliance\ index)}*100\right)$$

Where:

WM= average daily work hours for businesses (per business, per day) in a county during the selected time period.

WF= average daily work hours for businesses (per business, per day) in a county during the last week of February.

Non-compliance index is derived from social distance index provided by Unacast, Inc. (http://unacast.com/covid19/social-distancing-scoreboard).

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Analysis and results

- Because the analysis involves both county and state level variables, we analyze the data by using a series of mixed linear regression models.
- The county level variables are modeled as level 1 variables, while the state level variables are modeled as level 2 variables.
- Following Hofmann and Gavin (1998), Ohly et al. (2010), and Lin et al. (2019), we cluster-mean center the county level variables, and grand-mean center the state level variables, in order to better interpret the influence of the variables at the two different levels.

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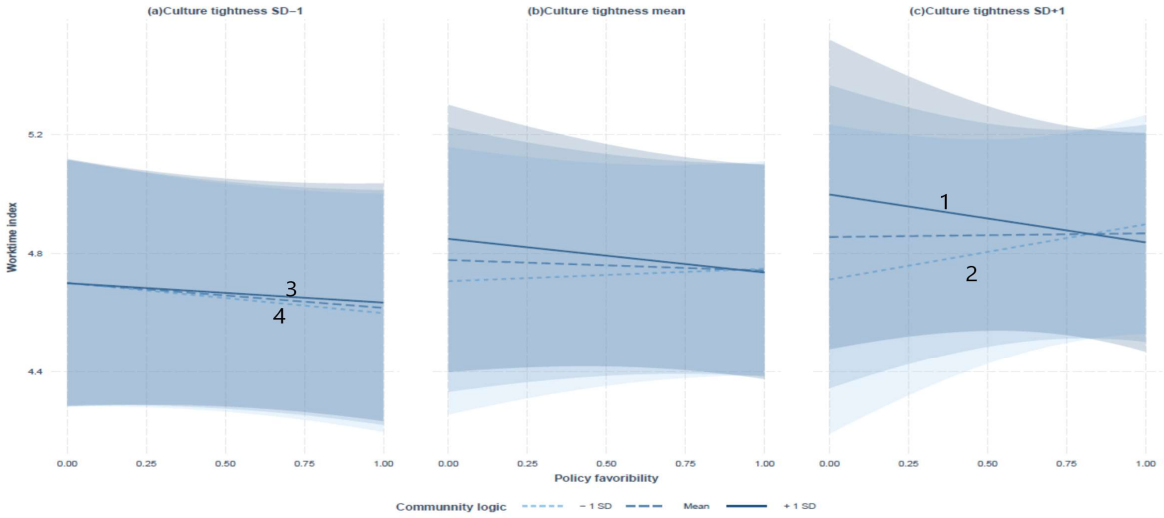
Analysis and results



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Conclusion

- Favorable government policies may motivate small businesses to either maintain or reduce work hours, depending on the cultural contexts
- Community logic and cultural tightness complement each other in motivating small businesses to reduce work hours during the early stage of the pandemic

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Conclusion

- it requires a combination of tight culture and new social norm enabler to produce desirable individual and business behaviors to contain the spread of virus
- in culturally tight communities without new social norms enablers, people tend to stick to the existing social routines. This results in relatively high restaurant work hours
- with low level of cultural tightness, new social norms enablers are not able to influence people's behaviors during the pandemic (supported by the findings that The slope of lines 3 and 4 are not statistically different).

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