



Cultural Intelligence: Bridging the Cultural Differences in the Emerging Markets

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ABSTRACT

In the emerging markets, cross border management has become a big challenge among the organizations. Researchers have suggested that a high IQ and emotional intelligence may not be sufficient to successfully handle the global situations, interaction and complexity tasks for an organization due to diversity in cultures. As organizations rely on the emerging markets for revenue growth and expansion, they need to familiarize with different cultures and need to communicate well with other cultures. If these cultural differences are not well managed, misunderstanding and conflict may rise in the business across the world and organizations could be at risk if management fails to deal with the cultural difference. Fortunately, researchers have recognized that cultural intelligence is a critical factor to overcome the challenges of cultural differences. The realities of contemporary organizations demonstrated that cultural intelligence has vital implications for individuals and organizations in the globalization as cultural diversities require organizations to interact with people from a variety of backgrounds. When the cultural diversity is handled properly by incorporating cultural intelligence in the organizations, it will be a competitive advantage for the organizations. Organizations operating in the cross border business now need to incorporate cultural intelligence to overcome the challenges of cultural differences in the emerging markets.

KEYWORDS

Cultural Intelligence, Emerging Markets, Globalization, Cross-border management, Cultural differences

Introduction

In the emerging markets, cross border management has become a big challenge among organizations. In this regard, the decision of organizations in order to expand their businesses by establishing a new market and new clients have always been a challenge due to unfamiliar location with its own particular culture and characteristics. Yan Chen (2011) suggested that a high IQ and emotional intelligence may not be sufficient to successfully handle the global situations, interaction and complexity tasks for an organization. As organizations need to rely on emerging markets for revenue growth and expansion, organizations need to familiarize with different cultures and communicate well with other cultures. Husain (2010) also suggested that to achieve success in the emerging markets is to understand the cultural differences. Now, organizations need to have people who possessed certain capability to adapt different cultures to overcome these problems created by cultural differences. Fortunately, researchers have recognized cultural intelligence as the critical factor to overcome the challenges of cultural differences. If this cultural diversity is handled properly through cultural intelligence organizations, it will be a competitive advantage for the organizations in the emerging markets.

1. Issues of cultural differences in the Emerging Markets

Globalization causes different individuals come together and interact with each other from different cultures (Earley et al. 2006). These differences lead to cultural barriers that can create misunderstanding and further caused ineffective interactions (Lievens et al. 2003; Ang et al. 2006) and harm organizational performances (Glick, Miller, Huber, 1993). Chin, C. O., et al. (2006) acknowledged that communication, negotiation, social behavior, decision making process and team building in the company will be confusing without adopting local culture or bringing a cultural synergy. Also cultural differences may hinder the co-ordination among the employees and the flow of information in the organization (Gomez-Mejia, Palich, 1997). Statistics showed many companies faced bankruptcy when they lack the understanding of different cultures (Inkson and Thomas, 2004). In the recent study conducted by Unit, E. I. (2012), they found that 90 percent of executives from 68 countries gave their opinions that 'cross-cultural management' as their greatest challenge in working across borders. In the cross cultural interaction, it creates uncertainty and anxiety due to unfa-

miliar cultural codes that affects their performances (Bücker, J. J., et al. 2014). Furthermore, the levels of cross-border assignments are on rise due to globalization which is a challenging task for the organizations. This has created difficulties for the employees to adjust in a new working environment, social culture, climate condition and languages. Andreason (2003) highlighted that the failure rate is 70% for underdeveloped countries and 40% for developed countries. It has been clearly suggested that if this cultural diversity is not handled correctly, it will jeopardize that whole organization in the emerging markets (Unit, E. I., 2012). With the increased interactions in the globalization, there are also greater chances of conflict due to cultural differences (Kaushal & Kwantes, 2006). Stone-Romero et al. (2003) found that employees perform poorly in a different cultural set up when they fail to understand the cultural differences necessary in executing their roles as anticipated, and, hence, do not conform to their role expectations and they can't establish a good relationship with their supervisors. Therefore, leaders in the organizations are required to effectively handle and recognize cultural differences to face the different pattern of thinking, business practices and negotiating styles (Senge, 1990; Adler, 1991; Friedman, 2005). Now companies need those leaders who can effectively adapt to fit diverse multicultural conditions involving customers, suppliers and associates employees from different cultural backgrounds (Livermore, D., Linn Van Dyne & Soon Ang, 2012). It is a matter of fact that no company should neglect the cultural context of leadership in the global business development. It has been reported that organizations could be in pitfalls such as losing cross-cultural business opportunities, reluctance in sharing ideas when others cultures are not well understood and possibly losing revenue for the organizations (Janssens & Brett, 2006). If these cultural differences are not well managed, misunderstanding may rise in the business across the world that will lead to greatest obstacle in productivity of the organizations. So, organizations could be at risk if businesses and leaders fail to resolve the conflict due to cultural differences in the emerging markets.

2. Cultural Intelligence (CQ)

Cultural Intelligence is defined as a person's ability to adapt effectively to new cultural contexts bound to the values and beliefs of a given society or culture. It is a form of intelligence that contributes to adapt culturally behaviors (Earley & Ang, 2003: 26). Cultural intelligence is about being skilled and flex-

ible in understanding other cultures; learning more from the interaction and slowly adopting one's thinking to be more understanding to the other culture and one's behaviors during interaction (Thomas & Inkson, 2003, p. 14).

3. Elements of Cultural Intelligence Cultural Intelligence (CQ) is conceptualized into four critical elements necessary for effective intercultural interaction: metacognitive, cognitive, motivational, and behavioral.

(i) Metacognitive CQ: It represents the mental processes that individuals utilize to get and understand cultural knowledge including awareness of, control over and individual thought process relating to culture (Flavell, J. H., 1979). Individuals with high metacognitive CQ are aware of others' cultural preferences; adjust their mental processes in their interactions (Brislin, Worthley, & MacNab, 2006; Triandis, 2006).

(ii) Cognitive CQ: It reflects knowledge of norms, practices, and rules in different cultures gained from education and personal experiences. It comprises knowledge of economic, related to legal system, sociolinguistic, and interpersonal arrangement of different cultures and subcultures (Triandis, 1994) and basic context of cultural values (Hofstede, G. H., & Hofstede, G., 2001). Those with high cognitive CQ can recognize the resemblances and diversity across different cultures (Brislin et al., 2006).

(iii) Motivational CQ: It manifests the ability to direct attention and energy for learning and carrying out tasks in situations characterized by cultural differences. It provides control of affect, cognition and behavior that assist in goal achievement (Kanfer and Heggstad, 1997). It drives a person to the interest and curiosity to adjust to an unfamiliar environment to respond to ambiguity.

(iv) Behavioral CQ: It is the ability to manifest that appropriate verbal and nonverbal actions with people from different cultures during interactions. Individuals with high behavioral CQ show appropriate behaviors in the interactions such as appropriate words, tone gesture and facial manifestation (Gudykunst, Ting-Toomey, & Chua, 1988). It is needed in order to keep effective and appropriate intercultural relationship (Earley & Ang, 2003; Earley & Peterson, 2004).

4. Implication of Cultural Intelligence in the Emerging Markets

Lisa A. Hoeklin in the Economist Intelligence Unit (1993) revealed the importance, need, effectiveness, and impact of cultural competence in the global business development process. Triandis (2006) stated that cultural intelligence is a necessity to be successful in multinational organizations and create a good association with individuals from different cultures. Several studies have proven that cultural intelligence is the tool to increase an individual's ability to connect with others outside their own culture (Brislin, Worthley, & MacNab, 2006; Earley & Ang, 2003; Ang, Van Dyne, Koh, Yee Ng, Tay, & Chandrasekar, 2007) and reduce intercultural impediment and facilitate people to deal with cultural diversity (Isfahani, A. N., et al. 2006). In the empirical study conducted by Rockstuhl, T. et al., (2011), they suggested that leadership with cultural intelligence is positively associated with cross border leadership effectiveness. They also found out that emotional intelligence predicted only general leadership effectiveness and not cross border leadership effectiveness. Schein (1997) also recognized that culture and leadership supplement each other in bringing excellence to the enterprise. Successful leadership in modern organizations relies more and more on cultural intelligence leadership (Rockstuhl et al., 2011). Thus, cultural intelligence will contribute to use culture as a competitive advantage to build the mutual understanding in diverse team in the organizations. Leaders with high cultural intelligence also have positive influence on organizational commitment (Anvari R. et al, 2014). It can be said that cultural intelligence is essential for leaders to be effective in the emerging markets. Individuals with high meta-cognitive CQ are aware of the cultural preferences of other people in interactions (Ang et al., 2007) and they adjust their mental process to establish good relationships with their supervisors and customers (Triandis, 2006). Today, compa-

nies send expatriates on the international assignment to establish new markets, facilitating organizational coordination and control, transferring of knowledge and skills (Klaus, 1995; Huang, Chi, & Lawler, 2005). It is suggested that cultural intelligence are immense important for expatriates working on international assignments within contemporary organizations (Alon & Higgins, 2005). Moreover, expatriates with cultural intelligence are positively associated with cross cultural adjustment and far better than others in general adjustment which implies that significance of cultural intelligence in the international assignment (Subramaniam, A., et al., 2011). It shows the reason why some people interact and familiarize more effectively in diverse cultures than others. Research showed that the cultural intelligence affects the intercultural adaptation of employer and employee to multinational environments (Ward & Fischer, 2008; Templer et al. 2006) and contributes to the increase of performance (Oolders et al. 2008). Another research indicated that cultural intelligence decreases the burnout among employees (Tayet al. 2008) and the findings demonstrated that the cultural intelligence positively affects individual in intercultural and multicultural backgrounds and has a detractive effect on burnout. Cultural Intelligence is also positively associated with high level of communication effectiveness, job satisfaction and reduces anxiety multinational companies (Bücker, J. J., et al., 2014). Hence, cultural Intelligence is strongly associated with cultural adaptation, behavioral and interactional adjustment, effective cultural judgment and decision making. There is a systematic pattern of links between aspect of CQ and particular intercultural effectiveness outcomes (Soon Ang & Linn Van Dyne, 2007). Studies have established that higher level of cultural intelligence helps in increasing individual's ability to fine-tune with a diverse cultural situation, which extend helps in developing interpersonal trust with other team members (Rockstuhl & Ng, 2008). Since those individuals who have high levels of cultural intelligence experience fewer social problems during intercultural interactions, they feel less depressed and therefore they have lower levels of burnout. (Ward et al. 2008). It is stated that particularly managers' burnout levels rise in multicultural environments but cultural intelligence emerges as a preventive factor in these unwanted situations (Farber, B. A., 2000; Stokes, 2013). With better cross-border collaboration, there has been a great impact in the company's financial performances and is being widely recognized that better cross-border collaboration through cultural intelligence offers increasing performances of organizations (Unit, E. I., 2012). Thus, managing cultural differences is a key factor in building and supporting organizational competitiveness in the emerging markets. The significances of cultural intelligence in the emerging markets can be summarized in the fig. 1.

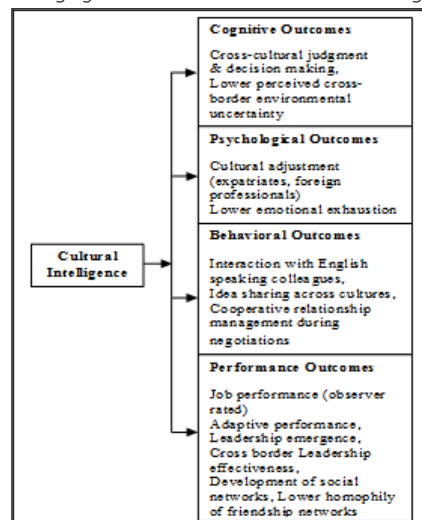


Figure 1. Cultural Intelligence Research Findings

Source: Ng, K.Y., Van Dyne, L., & Ang, S., (2012). Cultural Intelligence: A Review, Reflections, and Recommendations for Future Research. In A.M. Ryan, F.T.L. Leong, & F.L. Oswald (Eds.), *Conducting Multinational Research: Applying Organizational Psychology in the Workplace* (pp. 29-38). Washington, DC, American Psychological Association.

4. Developing of Cultural Intelligence

Kiznyte, J., Ciutiene, R., & Dechange, A. (2015) has designed a framework for cultural intelligence (CQ) based on the Four-factor Model Cultural Intelligence (Fig. 2) for project management. It consists of four steps – (i) Enhance CQ Drive, (ii) Develop CQ knowledge, (iii) Build CQ strategy and (iv) Adapt CQ action. This framework can be adopted for incorporating cultural intelligence in the organizations. Based on their framework, the four steps in incorporating cultural intelligence are as follows:

STEP 1: Enhance CQ Drive. It is to raise the awareness of cultural differences and its pros and cons too. It is also to understand how CQ can be valuable for every individual to bring benefits for the organization. The top-level management will support in raising the awareness of cultural differences and take decision to incorporate CQ in the organization. It is their duty to set goals for it and design the approach of how CQ should be incorporated in the organization. In the process of creating a model for CQ incorporation, following aspects should be considered:

- Form of activities: training, workshops, coaching, peer-to-peer coaching, e-learning, etc.
- Content of activities: cultural sensitivity, conflict solving, cultural differences identification etc.
- Time to hold activities: on-the-job, off-the-job.
- Approach to individual development: individual training (distributed according individual needs), team training (collaborative methods).
- Team structure: virtual, distributed, outsourced, remote, on-site, etc.

STEP 2: Develop CQ Knowledge. In this stage, it is more emphasized on the theoretical approach to gain basic knowledge about cultural diversity that would be applied to managers and team members. E-learning should also be blended with seminars. It is to suit individual knowledge needs more of-the-approach to form baseline awareness about cultural differences.

STEP 3: Build CQ Strategy. In order to justify the individual knowledge about intercultural encounters with real tasks (on-the-job approach), trainings should be more practical with 'hands on' approach. Building CQ strategy would be on the basis of coaching for managers and team members, sharing best practices from their experiences, designing 'what if' circumstances for the future relationship and simulating cultural-diverse situations.

STEP 4: Adapt CQ Action. In order to check if CQ has been developed, this stage emphasized in re-self assessment. It is to ensure that CQ knowledge is being applied during cross-cultural interactions and to find out the challenges during the workshops to discuss lessons learned, give feedback and increase knowledge about the conflict solving from real time situations. They have suggested that CQ development should be perceived as cycle of actions that create incentives to one another such that cultural drive raises motivation to acquire new knowledge; knowledge forms the basic understanding about cultural differences and this understanding is the foundation to build a strategy for cultural interactions that leads to certain actions when individual is facing cultural interactions. The process goes on with several cycles to achieve high CQ with self-assessment in order to scrutinize the improvement.

Conclusion

Finally, it is clear that cultural intelligence enables employees to recognize cultural differences and able to adjust properly in different cultures across the world which lead to increased organizational commitment, communications, effective teamwork, collaboration, successful negotiations, reduce burnout, increase financial performances and increase the efficiency of employees. Organizations operating in the cross-border businesses now need to incorporate cultural intelligence and they need to adopt a strategic cultural intelligence models and

training plans that will enhance cultural intelligence in the organizations to bridge the cultural differences to remain successful in the emerging markets.

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