Chapter 4
Impact of Cultural Intelligence on Global Business

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ABSTRACT

In today's globalized business world, intercultural effectiveness is crucial to a firm's survival. Cultural intelligence, CQ, is a four-dimensional construct that helps one to understand how the individual cultural beliefs and values influence motivations and behaviors (Ang & Van Dyne, 2009). CQ is related to the three aspects of intercultural effectiveness that include cultural judgment and decision making, cultural adaptation, and task performance (Ang et al., 2007). CQ plays an important role in the areas of global leadership (Van Dyne & Ang, 2006), achievement of managers (Rahimi et al., 2011), global strategic alliances, cross-cultural communications, negotiations, multinational teams (Early & Gibson, 2002), culturally diverse domestic teams, overseas work assignments (Bhaskar-Shrinivas, 2005; Lee & Sukco, 2010; Ramalu et al., 2012), global business competencies, and organizational effectiveness in the global marketplace (Creque, 2011). CQ is also relevant in establishing global identity in culturally diverse virtual teams (Adair et al., 2013).

INTRODUCTION

In today's culturally diverse, increasingly inter-connected world, global business leaders, managers and employees have to interact with their counterparts from different national cultures. For successful international business transactions, one has to go beyond the ethnocentric world-view and develop a global mindset. It involves the awareness, sensitivity and skills about the national culture of the international business partners. Inter-cultural differences can lead to misunderstandings and have a negative impact on the organizational effectiveness (Adler, 2002; Lievens et al., 2003). Effective international work interactions require an understanding of differences in perspectives, motivations, behaviors and communication styles. Examples of inter-cultural work interactions include the global leaders (Van Dyne and Ang, 2006), multi-national work-teams

(Early and Gibson, 2002), multi-cultural domestic teams (Tsui and Gutek, 1999), and expatriates (Bhaskar-Shrinivas, 2005). Such inter-cultural interactions require culture-translation, which is analogous to learning a foreign language.

In this chapter, a brief review of the concept of national culture is presented. The concept of cultural intelligence, CQ, is discussed in the context of a globalized business world requiring cross-cultural interactions. The four components of CQ – metacognitive, cognitive, motivation and behavior are discussed. The 20-item cultural intelligence scale (CQS) that measures cultural intelligence, CQ, is reviewed. CQS is reliable, stable and valid. CQ is conceptually and empirically distinct from other types of individual differences such as cognitive intelligence (IQ), emotional intelligence (EQ), social intelligence, SQ, and the five personality traits (conscientious, agreeable emotionally stable, extravert, openness to new experience). Cultural Intelligence (CQ), Cognitive intelligence (IQ), Social intelligence (SQ) and Emotional intelligence (EQ) are different but related concepts in the multiple intelligences theory (Crowne, 2013; Gardner and Moran, 2006). CQ is conceptually and empirically distinct from other individual differences such as cognitive intelligence (IQ), emotional intelligence (EQ) and the 'big five' universal personality characteristics (Ang et al., 2006). A brief review of the difference between cultural socialization and cultural indoctrination is presented. The published research on the practical uses of CQ in the inter-cultural interactions at the individual and firm level is reviewed. The role of CQ is discussed in the areas of effectiveness of the global leaders, achievement of managers, international strategic alliances, cross-cultural negotiations, inter-cultural communications, members of multinational teams, expatriates or overseas work assignments and multi-cultural domestic teams.

CULTURE, PERSPECTIVES, MOTIVATION, AND BEHAVIOR

To understand the perspectives, motivations, behavior and communication style of people in a culture, one has to understand the role of the national culture in determining their beliefs and values. Culture has been described as patterned ways of thinking, feeling and acting (Kluckhohn, 1951, 1954 1962) and "software of the mind" (Hofstede, 1980). "Culture is to a society what memory is to individuals". Individual memory plays a key role in establishing individual values and beliefs. Culture determines the society's values and beliefs. Hofstede's seminal work on culture was originally based on work values in an organizational setting. He defined culture as the collective mental programming of the human mind through socialization that distinguishes one group of people from another (Hofstede, 1980). Culture is reflected in the meaning people attach to various aspects of life and which become crystallized in the institutions of a society. This does not imply that everyone in a given society is programmed in the same way. There are considerable differences between individuals within a group (Hofstede, 1980; Hofstede, 2001; Hofstede et al., 2010).

The value or belief system is like the mental software and is a core element of the culture. These values become the lens through which they see the world. Citizens of a nation acquire the national cultural values by the process of socialization at an early age. The cultural values stay with the individuals even when they move to another country with different cultural values. The cultural values of people are hidden from each other until they become visible in the individual's behavior. The visible behavior of the people is like the tip of the iceberg above the waterline whereas their cultural values remain hidden below the waterline. Culture can provide us with many answers on how and why people behave differently around the globe. The

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