A Theoretical Perspective of Cultural Intelligence for African Organizations in a Global Market: Leveling the Terrain for Firm Performance

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Received: June 23, 2017; Accepted: July 7, 2017; Published: August 10, 2017

Abstract: The need to equip employees, managers and leaders with skills that help them operate in a global market has gained momentum with the African Region warming up to globalization through the establishment of Special Economic Zones and the implementation of African Union economic blue print which was built to enable Africa to achieve economic growth through empowering entrepreneurial activities and exploitation of the countries’ resources. This has seen a number of private organisations going global. Higher and Tertiary Education has also opened markets across the globe in an effort to attract students from various cultural settings. This has necessitated the need to review literature on some useful skills that may help the organisations in this ever changing environment. Cultural Intelligence is a new field of intelligence that has immense relevance to the increasingly global and diverse environment. Literature review has indicated the importance of cultural intelligence as a vital tool for organisations who deal with diverse customers, partners, competitors, and other business players. The paper highlights the types of culturally intelligence available to all organisations and their effects. Desk-top research was used to review literature from journals, internet and government publications. It is recommended that organisations acquire cultural intelligence to improve employee and firm performance on the globe.

Keywords: Cultural Intelligence, Diverse Environment, Small Medium Enterprises, Firm Performance, Sustainability

1. Introduction

Globalisation has seen emerging markets that comes with the potential for business growth that goes far beyond domestic markets and the attraction of potential talent pool to run those organizations effectively. Cultural diversity is now part of our everyday life and an unavoidable condition. Organizations need employees who know how to design and adapt products and services that meet the needs of these increasingly diverse environments. This has brought with it a number of challenges that come with working across borders and in diverse groups. Knowing how to manage multicultural workforce in diverse markets may help organizations retain top talent, attain profitability and implement cost cutting measure in organizations (Livermore 2015) [18]. Leveraging the opportunities of the 21st-century world requires a strategy and acquisition of skills that help in assessing and developing cultural intelligence.

Cultural intelligence is the capability to manage cultural diversity which covers the set of knowledge, skills and abilities required to recognize, understand, reflect on and adapt to cultural differences. It is defined by Livermore (2015) [18] as the capability to function effectively across national, ethnic, and organizational cultures. When one has high cultural intelligence there has to be willingness to work with diverse others, the understanding of culture and cultural differences. Cultural intelligence is a set of skills that enable an individual to function or succeed effectively in different cultural settings or in multicultural settings (Brislin, Worthley and Macnab 2006) [6]. This simply means an ability to recognize cultural differences and adapt to them. One should be able to socialize and work together with people from different cultures and backgrounds without cultural conflicts. Cultural intelligence also include the general understanding of the world’s varied economic, business, legal and political
systems. Every nation has distinct systems governing how members distribute products and services, how they govern and pursue justice. There is need for corporations and workplaces to prepare an environment which help understand multi-culturalism to be effective in a globalized environment.

The need to equip employees, managers and leaders with skills that capture the global market in Africa has gained momentum with the regional organization warming up to the global market through the establishment of Special Economic Zones and the implementation of AU economic blue print which was built to enable Africa to achieve economic growth through empowering entrepreneurial activities and exploitation of the countries’ resources. Today’s business world has typically gone global and cross-cultural interaction is an important element of this contemporary business environment. Given this setting in international business, cross-cultural research has become paramount given the extent of multi-culturalism in many societies. Cultural factors have long been known to influence the communication and success potential of competition in conducting international business. It is broadly recognised that cultural factors act as invisible barriers in service provision across national boundaries. Understanding cultural differences is one of the most significant skills for firms to develop in order to have a competitive advantage in international business. This has necessitated the need to review literature on some useful skills that may help the national, regional and international businesses in this ever changing environment.

The paper articulates the introduction, methodology used in writing the paper, the emerging markets, diverse labour force and cultural diversity, the concept of cultural intelligence, employee and firm performance, effects of cultural intelligence performance, theoretical and practical implications, limitations and future research directions lessons and conclusion.

2. Methodology

The research used desktop research to review published literature in books, journals, newspapers and internet. Review of available literature helped in explaining the importance of cultural intelligence using the empirical evidence. The paper proffered recommendations from gaps identified from the emerging markets and diverse labour force which make cultural diversity unavoidable. This was cost effective and saved time as the information was easily accessible.


Although globalization has made the world seem smaller and ‘flat’ in many ways (Friedman 2005), increasing cultural diversity creates challenges for individuals and organizations, making the world ‘not so flat’ after all. For instance, a sizeable body of research demonstrates the challenges of cultural diversity for multicultural domestic work teams (Brislin, Worthley and Macnab 2006) [6], multinational work teams (Earley and Gibson, 2002) [8], global leaders (Van Dyne and Ang, 2006) [25] and those in overseas work assignments (Bhaskar-Shrinivas, Harrison, Shaffer and Luk 2005) [5]. Livermore (2015) [18] argue that most leaders and managers appropriating to 16 to 40% on international assignments fail to adapt in foreign environments and are called back before the project is complete. This is said to have cost implications ranging from $250 000.00 to $1.25 million associated with movements and direct and indirect costs. The challenge is also faced by employees who travel abroad on short trips to work with colleagues and customers. This help justify the importance of organizations equipping their employees with cultural intelligence.

The potential growth of businesses in various countries, regions and global market has seen the need for emerging markets in different national settings. Globalisation has resulted in different cultures meeting through alliances, mergers, and even companies relocating besides opening new markets. This has seen organizations both large and small medium enterprises being able to participate in regional and international markets due to reduction in trade barriers and advances in information and transportation technologies. This has opened opportunities for small firms in Africa who may now participate in international trade. According to Ikechi and Bewayo (2009) [14] small firms in Africa may now open markets, and locate production facilities in countries where labor and other production inputs are cheaper. An increasing number of small entrepreneurial firms are crossing national borders among which are Delta corporation, MTN and Orange cellphone industries, Woolworths and SABMiller (Zhang, Beatty & Walsh 2009) [26]. Another good example is that of the firm industry which has experienced a dramatic growth in service exports over the past decade. Econet which is original from Zimbabwe, currently have offices, operations and investments, in the following countries, around the world Zimbabwe, South Africa, Botswana, Lesotho, Zambia, DRC, Kenya, Uganda, Burundi, Rwanda, Nigeria, Mauritius, United Arab Emirates, China, UK, USA, Bolivia, Dominican Republic, New Zealand. According to Strive Masiyiwa who is the owner of the business “the last time, I counted the nationalities, of people working in businesses that we are involved in, it was well over 50, then I stopped counting!” (Financial Gazette in Zimbabwe 2009) [13]. The owner of this fast growing company gives credit to the company’s ability to manage cultural diversity over and above other variables. Masiyiwa further alleges that one may not want to be global while s/he not comfortable to work with white people, Asians, black people or people from another tribe. Companies may not think of going global when they are not comfortable in hiring Muslims, Chinese, South Africans, Zimbabweans or Nigerians among others. This implies that there is strength in cultural diversity. Organisations who want to expand regional and international may need to accept and respect the difference of others. This calls for the need for employees, managers and leaders to acquire skills and capabilities that help them level the terrain they are operating
in as they face the increased competition from emerging economies, such as China, India, and Brazil. Many organizations find themselves serving customers whose tastes, behaviors and assumptions are different (Livermore 2015) [18]. The task of managing diversified and workforce and customers has become a big challenge for organizations. Human Resource Policies, motivational strategies and performance reviews may need to be adapted to suit various cultural groups in organizations. Acquiring and understanding cultural intelligence will help bring insights to why some employees, managers, leaders and firms will thrive in culturally diverse settings while others do not. Today’s workforce must be ‘glocal’ (Livermore 2015:18) [18]. This imply that the workforce must strive to act global and local as there is no uniform global culture. Higher Education has not been left behind in opening markets across the globe as the admissions offices for most Universities have attracted students across the globe. This calls for employees who know how to design and adapt products and services that meet the needs of these increasingly diverse environments. Cultural diversity has been considered one of the main factors for economic success in today’s environment. It has thus become important to closely look at human resource skills that help manage a diverse labour force as well as business management skills that help increase performance. Research by Ang and Van Dyne (2015) [3] has concluded a direct link between cultural diversity efforts and customer satisfaction.

The growing diversity of the workforce can be considered valuable or a liability to the organization depending on how it is managed. When organizations put culturally diversity on their strategy and combine it with cultural intelligence organizations may reach diverse markets more effectively. The link between customer/consumer diversity and workplace diversity provide a clear point that organizations may have challenges or opportunities in managing culture hence the need for employees to acquire cultural intelligence. Livermore (2015) [18] postulates a case where leaders and followers in 62 countries were examined on their expectations of leaders ‘most important attribute and clarity’ was one of the most important characteristic required by followers everywhere while ‘unethical behavior’ was not expected. However the author explains that clarity and unethical behavior are defined differently in different organizations and contexts. A good example given was a case where organizations in Germany value participative management while organizations in Saudi Arabia believe in authoritative leadership which is seen as helping in bringing clarity at workplace. It may thus become a challenge for a manager to lead a team where Germans and Saudi Arabia are in the same team. Understanding different cultures through looking at how people think, work and relate may be the first step toward harnessing the potential of diversity within the organization and the diversity of customers. However sensitizing people about different cultures is not sufficient hence the need for people to acquire cultural intelligence. Organizations need leaders, teams and staff who can simultaneously advance the values and needs of an organization while adapting to the cultures touched by the organization (Brislin et al 2006) [6]. Yeşil (2010) [23] points out that managers and leaders with cultural intelligence are the most important strategic assets for organizations. Another empirical study given by Livermore (2015) [18] on the importance of cultural intelligence is where homogeneous team outperformed a diverse team when cultural intelligence was low while the same team was outperformed by a diverse workforce where cultural intelligence was high. This was attributed to the importance of cultural intelligence which help align expectations of diverse workforce, minimize conflict and maximize diverse perspective. Today’s organizations are looking for individuals who are able to continually adapt in a different culture and have the ability to manage cross-cultural communication hence the need to acquire cultural intelligence becomes critical.

4. The Concept of Cultural Intelligence

There are three definitions of cultural intelligence. Cultural intelligence may be defined as a person’s capability to function effectively in situations characterized by cultural diversity. Sternberg and Detterman’s 1986 model categorizes cultural intelligence in four complimentary ways (Sternberg and Grigorenko 2006) [24]. The Four Factor Model of Cultural Intelligence addresses Metacognitive cultural quotient, Cognitive cultural quotient, Motivational cultural quotient and Behavioral cultural quotient. The metacognitive factor of cultural intelligence refers to one’s ability to plan and adapt when crossing a new cultural environment. One would be expected to make a plan before entering a multicultural set up, check assumptions in that culture during the encounter and adjust when expectations differ. According to Van Dyne (2009) [25] one may use cultural knowledge to plan an appropriate strategy, accurately interpret what’s going on in a cross-cultural situation, and check to see if expectations are accurate or if behavior need modification. The cognitive cultural quotient involves the level of understanding about culture and culture’s role in shaping the way to do business and interact with others across cultural contexts. A person’s knowledge and understanding of how cultures are similar or different help in decision making. Similarities and differences in culture may cover the general knowledge in culture including the economic, legal systems, norms for social interaction, religious beliefs and language among others. Motivational cultural quotient include showing interest, confidence, and drive to adapt cross-culturally. A person’s capability in directing energy and effort towards learning a different culture and their sense of confidence in handling these helps one to be effective across cultures. The fourth factor is the behavioral cultural quotient which involves one’s capability to adapt verbal and non-verbal behavior for different cultures. One should know when to adapt to another culture and when not to do so. The importance of the four factor model is that it equips individuals with capabilities to operate in diverse cultural contexts. Metacognitive cultural intelligence helps one to draw upon cultural understanding so one may plan and
interpret what’s going on in diverse contexts. Cognitive cultural intelligence provides individuals with an understanding of basic cultural cues. Motivational cultural intelligence gives the energy and self-confidence to pursue the needed cultural understanding and planning. Behavioral cultural intelligence provides individuals with the ability to engage in effective flexible behavior across cultures. Employees, managers and leaders who are found high in cultural intelligence may be able to manage cultural diversity. The second definition of cultural intelligence is given by Early, Ang, and Tan (2015) [3] who define cultural intelligence as the capability to observe and understand other cultures, feel the motive of reactions and interactions and pass from thought to action. The definition emphasizes the three factors of cultural intelligence which are cultural knowledge and a way of thinking, the motive to translate ideas to actions with patience and confidence, and the third being taking appropriate action to deal with given circumstances. Cultural knowledge involve understanding patterns of behavior for the other culture. This help employees, managers and leaders operating in different environments to understand and appreciate the norms and values of other cultures. The motive for cultural intelligence helps make the purpose and intention clear so that ideas may be turned into actions. Taking appropriate action as behavioral part of cultural intelligence indicates the capability to observe, recognize, adjust, and act in contact with other cultures. According to Early et al (2015) [3] understanding norms and values of other cultures occurs in the head, then the motive takes place in the chest with the ability to maintain confidence, patience, and goal-oriented attitude to relate to others. The whole body then respond and modify behavior to suit the situation. Peterson (2004) 20 defines cultural intelligence as a combination of knowledge and recognition of culture, and specific skills. The knowledge of culture includes knowing the facts and cultural characteristics while recognition represents awareness of oneself and others and specific skills means behavior. This means that cultural intelligence means using knowledge and skill to modify behavior. This definition is not very different from the other two. All the three definitions however agree that people may acquire knowledge and skills that help them operate in diverse environments hence cultural intelligence is the requisite skill in the global village.

Cultural intelligence may be distinguished from personality and other multiple intelligences. Personality can be defined as what an individual can do across time and situations while cultural intelligence refers to what a person can do to be effective in culturally diverse settings hence cultural intelligence is not a personality. Cultural intelligence is similar to mental and emotional intelligences in that it is a set of capabilities rather than a preferred way of behaving (Mayer, Caruso and Salovey 2000) [19]. The abilities for these three intelligences however differ in the nature of abilities with mental ability focusing on cognitive abilities which do not have behavioral and motivational aspects and not contextualized to different settings. Emotional intelligence focuses on the ability to deal with personal emotions and does not consider the cultural context and this makes cultural intelligence a distinct concept.

5. Employee and Firm Performance

Performance has been defined as “the act of doing or executing anything organized or promised (Armstrong 2002:7) [1]. The definition implies that employee performance is an expressed outcome behaviour which help an employee to take action to give the intended results. Brumbach 1998 in Isfahani, Jooneghani and Azar (2013) [15] postulates that employee performance includes behaviours and results where a person turns performance from a thought into action. This implies that performance are results of mental and physical activities. According to Isfahani, Jooneghani and Azar (2013) [13] employee performance factors include the behaviour and process factors. Among the behavioural factors expected from an employee include the ability to conform to administrative rules, starting work at the scheduled time and completing assigned tasks among others. Appropriate behaviour given to the customers and clients by employees may include appropriate reception, effort to solve and follow up on the client’s problem and friendly relationships with co-workers among others. This implies that as employees express such kind of behaviour they may be careful to acknowledge differences in customers, clients and other stakeholders which is the cultural intelligence ability. The employee, manager and leader must be flexible and accommodate other people’s beliefs and values thus addressing cultural diversity. The process factors include amongst others the factors related to work conditions, issues of getting respect of management, establishing friendly relationships, appreciation and encouragement with lack of prejudice. Livermore (2011) [17] exemplifies cases of Human Resource practitioners with high cultural intelligence who are able to handle Muslim employees who abscond important business conference during Ramadan. Another example given is of hospital leaders who are effective in treating immigrant patients which help the hospital get few lawsuits from misdiagnosis. Cultural intelligence help leaders in getting collaboration and co-operation in decision making, conflict resolution, negotiations, relationship building and effective leadership among others. These are some of the attributes that influence employee performance and organisational performance.

A definition for firm performance has been controversial with a number of researchers not agreeing on the dimensions used to define and measure firm performance. By nature of its multidimensional components, the study used the stakeholder performance model by Freeman (1984) [11] which had dimensions relevant to the need for employees, managers, leaders to acquire cultural intelligence to meet the expectations of stakeholders responsible for measuring firm performance. According to Freeman (1984:46) [11] a stakeholder is any group or individual who can affect or is affected by the achievement of the organization’s objectives. Clarkson (1995) [7] further suggest that while the stakeholder constituency may be too broad, shareholders and employees
should always be present in the analysis as they have a better understanding of the firm’s objectives. The other main stakeholders directly affected by a firm’s operations are suppliers and customers. If employees, suppliers and customers are involved in measuring the firm performance then behavioral and process factors must be inclusive to satisfy these stakeholders. Cultural intelligence is the missing link for an all-encompassing approach that help give a competent management, competent employees and competent organization. Similarly, managerial cultural intelligence expresses the capacity of managers to successfully interact with all stakeholders that are associated with the organization in order to be able to successfully interact with the individuals from different cultures and at the same time to reach the goals and objectives of the organization (Stevenson & Jarillo, 2007) [22] in multicultural environments.

Secondary stakeholders who are indirectly affected by a firm operations are government, trade associations, communities and political groups among others. While these have different agendas towards the firms they are indirectly affected by the organization’s capability to manage diversity. The stakeholder theory supports the need for organizations to acquire cultural intelligence which may help customers, suppliers, shareholders, management and employees to assess firm performance in a positive way.

Aspects to be measured by the stakeholder performance theory are financial performance, profitability, growth and market value as measured by shareholders, customer and employee satisfaction, social performance and environmental performance as measured by indirect stakeholders like governments and communities that are affected by a number of firm's actions. Cultural intelligence becomes one of the requisite skills required by organisations to satisfy various stakeholders through complying with the expected quality of service and products, safe environment practices and other cultural norms and values in context.

6. Effects of Cultural Intelligence on Performance

Research conducted on multinational employees of a global organization concluded that cultural intelligence impacted positively on cases such as intercultural leadership, communication competence effect, task performance, resiliency and organizational citizenship behavior (Ang & Van Dyne, 2015) [3]. Studies have also shown that cultural intelligence is effective in team work dimensions and positively related to organizational citizenship behaviour and task performance (Ang et al. 2006) [2]. It is critical that team members understands the different communication styles between cultures (Brislin et al., 2006) [6]. For example there are some cultures that value a more direct and explicit approach to communication like the Germanic and Nordic cultures versus Asian and African cultures that value a more indirect and implicit approach. Managers may find it difficult to effectively solve conflicts on multicultural teams without understanding direct versus indirect approaches to communication (Ang & Van Dyne, 2015) [3].

Isfahani, et al (2013) [15] concluded a positive relationship between cultural intelligence and employee performance with the motivational aspect having the highest effect with a coefficient of 0.69 and the behavioural aspect having the lowest effect with a coefficient of 0.19. Metacognitive, cognitive and motivational cultural intelligence help people to use their culture correctly after they plan their behavior in their mind before encountering the new culture hence they comply with the situation. This help influence employee performance as the individual has a desire to learn and interact with new settings and implement the desirable behaviour for the task at hand. This help influence employee performance which will eventually lead to improved organizational efficiency and effectiveness. Ang et al. (2006) [2] established that international managers with higher cultural intelligence performed better on intercultural business task, controlling for cognitive ability and international experience. Cultural intelligence was also found important in improving the firm's ability to scan the environment and to evaluate the market and competitors which help firms in moderating its activities and achieve the organizational goals. International business competencies are the firms’ capabilities that allow them to effectively conduct international business and have a positive effect on firm performance (Knight and Kim 2009) [16]. The authors suggest that international companies should develop competencies that are unique and inimitable in order to maximize their international performance. A firm's competence is embedded in unique ways of coordination, which among are organizational routines for collecting and processing information and knowledge, for connecting customer experiences with product and service design choices, and for coordinating factories and component suppliers (Bergh (2008) [4]. These differences in coordinative routines and capabilities reflect level of mastering cross-cultural differences.

Cultural intelligence has also been found to contribute to profit, reduces costs and improves efficiency when organizations open new markets (Livermore 2015) [18]. Organizations are thus encouraged to be alert that cultural insensitivity may have a negative reputation to the organization, products and services.

Sauer (2008) [21] in a study of 125 Black South African leaders and 295 White South African concluded that the black South Africans had higher cultural intelligence as compared to white South Africans. This may indicate that the collective approach of most African nationalities may make it easier for employees, managers and leaders in African organisations to express cultural intelligence in diverse settings.

7. Theoretical and Practical Implications

The theoretical implications are that globalisation has made a village which still have some invisible barriers to penetrate and operate effectively hence more insights should be given
on what organisations may do to level the terrain they operate in diverse contexts. Employees, managers and leaders need to be equipped with skills that help organisations compete in the global village.

8. Limitations and Future Research Directions

The study was limited to a theoretical perspective on the importance of cultural intelligence as a skill that help equip employees, managers and leaders to operate effectively in diverse settings in light of globalisation and its effects on performance. Future research may collect empirical data on the effects of cultural intelligence on both employee and firm performance in African corporations. Future research may also look at the relationship between cultural intelligence and other variables like customer satisfaction, customer loyalty, customer value, service quality, service failure recovery and organizational variables like profitability, productivity, competitive advantage, improved corporate image, retained customers, market share, growth, improved revenue and sales, organizational effectiveness in multi-national corporations that deals with international clientele.

9. Conclusions

Although globalization has made the world seem flat and accessible village to all, there seem to be increasing cultural diversity for individuals and organizations, making the world village not familiar after all. Living and operating in a global village are no options as globalization has made it unavoidable. Individuals and organizations need to identify the invisible barriers among which is cultural diversity and acquire the cultural intelligence to level the terrain organizations operate in. Literature has concluded that there is a link between cultural intelligence and employee behavior that may lead to firm performance.

References

