

Leader Cultural intelligence and firm's effective internationalization

Regina, Ekiyor

Department of Business Administration and Management, Ken Saro-wiwa Polytechnic, Rivers State, Nigeria

Abstract: *The focus of this paper was on the link between leader cultural intelligence and firm's effective internationalization. The paper reviewed literature on the features, attributes, and manifestations of leader cultural intelligence and its implications for firm's effective internationalization. Content shows a dominant position in views and theories which identify cultural diversity as intrusive and imposing on behaviour and even business exchanges, identifying leader cultural intelligence as a prerequisite for effective market penetration and internationalization. In conclusion it was stated that leadership cultural intelligence enhances the features of the firm's products and services within its foreign markets by way of cultural specifications and standards, and as such contributes towards firm's effective internationalization.*

Keywords: *Internationalization, leader cultural intelligence, culture, leadership, diversity*

Date of Submission: 14-06-2019

Date of acceptance: 29-06-2019

I. Introduction

Research reveals that there is a surge in organizations engaging in international markets and expanding their businesses across global frontiers (Autio & Sapienza, 2000; Beamish, 1990). While this may appear to be a trend in today's business world, given the imperatives of globalization, not all of these businesses are successful or able to maintain their international status. Effective internationalization goes beyond just keying into gaps in other economies or regions, it also requires an understanding of their culture and other related diversity facets that define their demography (Benito & Welch, 1993). There has been a growing interest in research with regards to identifying the prerequisites of effective internationalization given its implications on the survival and performance of businesses within international markets, one of such interests is linked to cultural diversity in the achievement of firm's internationalization (Beamish, 1990).

Studies (Chatterjee & Lim, 2000; Johanson & Vahlne, 2009; Liroyd-Reson, 2003) on firm's service or business internationalization have over the years emphasized on the need for adopting or engaging the right personnel, utilizing appropriate technologies and adopting specific practices suited to servicing a variety of clients. Kale and Singh (2016) noted in their study that the concept of internationalization entails the adaption of services and the customization of service or product features to suit the expectations of a variety of people. Similarly, Pinho and Prannge (2016) argued that organizations that are most successful in internationalization activities are those that are able to structure their forms and outputs in line with the nature of the economies of their interest. While these studies identify the notable differences in service and product forms, technologies and overall features as imperative to effective internationalization, a notable part of this draws essentially from the cultural diversity and unique perceptions, experiences and interpretations of reality accustomed to different peoples.

An understanding of culture and the dissimilarities it portrays between peoples and economies is significant in understanding the success and effective internationalization because it offers a basis for people's interpretations and as such the extent to which they accept or patronize products or services significantly dissimilar to what they are accustomed to. Algahtani (2014) opined that there is a growing need for culturally intelligent leaders who understand the possible effects of underlying historical experiences, values and norms on the behaviour, actions, decisions and choices of particular peoples, nations or regions. Leader cultural intelligence implies the understanding of the underlying differences and unique features of each context, as well as the required modes of engaging and relating with the peoples and market of such a context. Alzeer (2016) argued that given today's global imperatives, leader cultural intelligence should be prioritized across organizations; primarily due to the position that it offers a stronger and deeper level of interaction or exchange between organizations and their clients.

This paper builds on the theories and assertions of previous studies as it revisits the issue of culture as a form of diversity with mitigating effects on internationalization. In this case, the focus is on leader cultural intelligence and its link with firm's effective internationalization. The paper offers a positioning of organizations within international markets that emphasizes on knowledge and acquaintance with cultural values, norms and

peoples; in this vein it contributes significant as it offers insight as to the role and essence of cultural intelligence in developing, shaping and building more effective businesses, services and products that are viable, sustainable and suited to the satisfaction gaps in international markets and foreign economies.

II. The Concept of Internationalization

Classic internationalization theories have been noted to explain internationalization from the position of developed nations. These have preferred a description of internationalization bothering on enhancing competitive advantages, exploiting opportunities within other markets and generally expanding business positions and markets; however, from the position of developing nationalities, the goal of internationalization is often based on addressing existing disadvantages in their own markets. Based on this view, a more harmonizing (firms within developing and developed economies) conceptualization of internationalization, as noted by Pinho and Prange (2016) would involve the expansion of business interests into foreign market frontiers for the purpose of growth, competitiveness and survival. This aligns with Huo and Hung's (2015) view that most firms consider internationalization as a gateway into other contexts, regions or economies with higher sales potentials and benefits.

Gill and Singh (2012) notes that while to some organizations, internationalization is identified with growth and competitiveness, to others (especially those in developing national contexts) it is a means of escaping the stifling disadvantages, poverty and lagging industrial structures which pervade their nations and economies. In such a case, internationalization assures the firm or business of other means or platforms for survival and sustenance, especially when their services are poorly received due to pricing issues and the cost of doing business within problematic and challenging contexts riddled with insecurity, poor power supply, and the lack of technological infrastructure. Hence internationalization is considered a means of engaging markets and economies which offer a different contextual experience and as such enhancing the organizations survival and success. Hsu and Boggs (2003) noted that through internationalization, firms are also able to learn and interact with partners which offer them requisite knowledge on technologies and processes that can be adapted to enhance their own success and performance within their localities (Hsu & Pereira, 2008; Li, Qian & Qian, 2012; Newman, 2000).

The conceptualization of internationalization presented above identifies three key attributes which previous classical theories have ignored, (a) internationalization can be a form of escape for organizations facing problematic contextual factors or systems that negatively impact and mitigate on their performance, (b) internationalization is also a learning experience and serves as a platform through which firms can acquire knowledge of technologies, processes and systems that can be adapted to support their functions in the home base, and (c) internationalization can also reflect a firm's market preference in terms of pricing and cost of operations. This in line with the advantages that accrue from competitiveness and exploitation as reflected in most firms from developed contexts, offers a more embracing and relatable conceptualization of internationalization. Matthews (2002) opined that apart from the financial benefits and increased market frontiers availed through internationalization, there are also non-financial advantages, such as global visibility, enhanced trustworthiness and higher business ratings. These factors enhance their likelihood for service choices within markets and their ability to also engage in meaningful partnerships (Lu & Beamish, 2001; Burpitt & Rondinelli, 2000).

III. Culture in Internationalization Research

Organizational culture describes the unique qualities and ways adopted by organizations in perceiving, interpreting and engaging their world. According to Bennett (1993), the culture of the organization is the organization. This suggests that to understand the organization one must understand the culture of the organization. This rule can also be said to apply to markets, societies and nations. Within every social base and exchange framework exists what can be described as "their way of doing things" or "how things are done around here". These may include their religious inclinations and as such their preference for certain products, prevailing norms which describe acceptable and unacceptable business practices, their values with respect to underlying patriarchal systems or emphasis on gender equality (Bass & Bass, 2008; Alon & Higgins, 2005; Ang & Inkpen, 2008).

Culture can therefore be regarded as a pervading and highly intrusive factor which imposes itself on individuals and guides their behaviour; hence it determines in most cases what services are often demanded, the products that sell, and the response or receptivity of the market to the business. Culture is therefore critical in understanding internationalization outcomes and the extent to which products and services fare within international markets. It is also important to note that while most services may be considered as basic and required within all contexts, especially consumables, simple yet ignored factors such as packaging or advertising forms may also conflict with cultural tenets and as such may be prohibited, banned or simply avoided by the consumers. A good understanding and knowledge of culture as a form of diversity goes a long way in ensuring

effective firm internationalization as it reflects consideration and respect on the part of the business (Divvashree, 2016; Doh & Quigley, 2014).

Ang and Inkpen (2008) opined that the process of internationalization should begin with the identification and acknowledgement of differing cultural forms and tenets. Businesses should take the time to research and learn about the cultural preferences and values prevalent within their various markets as this often has a strong influence on their sales and positioning within such markets. Dheer and Lenartowicz (2016) also observed that one of the reasons businesses fail when it comes to internationalization, despite having well equipped systems, up-to-date technologies and even products considered as required within such contexts, is that their activities, behaviour and services go against the dominant and prevailing cultural attributes and values of the society and market they seek to engage and do business in. Hence, culture offers much more than just a behavioural blueprint, it is also an underlying factor in choice and relationships.

IV. Leader Cultural Intelligence

Leadership is a function and describes the process of directing and effectively channelling followership towards a goal or course. Leadership is therefore a means through which goals are attained and individual efforts coordinated and integrated effectively (Ayman & Korabik, 2010). Thus, leaders are individuals equipped, appointed, elected or predisposed to lead or engage in leadership. This positions them within a framework of groups, parties or other individuals who may have or hold different views or dissimilar beliefs; thereby hoisting upon them the responsibility of harmonizing group or individual values, beliefs and orientations with that of the organization. This is so because it is impossible for the organization to survive without collaboration or cooperation between groups in the organization. Leadership therefore should be attuned to the various expectations and differing orientations or backgrounds within the organization. Such level of awareness and recognition serves as the foundation upon which cooperative relations emerge and through which leadership can attain success and effectiveness (Aziz, 2016; Ang et al, 2011).

The awareness and ability to manage and relate with different cultural forms, what some refer to as cross-cultural competency, is core to effective relationship building and interpersonal success. At the organizational level, it determines the extent to which leadership is able to effectively permeate and engage diverse groups and networks within and even outside the organization. Ababneh (2016) describes this form of awareness as leader cultural intelligence, which according to him, is an essential feature of effective leadership in today's global business environment. Likewise, Alzeer (2016) stated that leader cultural intelligence is important in establishing workplace cohesiveness, collaboration and trust within the organization. It is noted as contributing towards positive out-group perceptions. It also enhances the overall health and wellbeing of the organization as it fosters adequate communication, transparency and correspondence between members of the organization. (Al-Dossary, 2016; Adler, 1997)

Leader cultural intelligence describes the leader's awareness, consideration and willingness to accommodate, and relate with the different diverse culturally diverse groups or stakeholders within and outside the organization. Leader's cultural intelligence encompasses relational skills with diverse groups, but also emphasizes on the leader's ability to understand events and outcomes from the position of various groups. This is expected to begin with the leader's recognition of such groups as being significant stakeholders of the organization and as having rights, valid expectations and demands from the organization. Such a premise identifies the leader's relationship with such groups or elements as imperative for the success and effectiveness of the organization. Ang et al (2006) affirmed that leadership should offer succour all groups within its followership parameters and should be able to identify with the needs, values and expectations of all groups, while at the same time aligning such with the overall goals and objectives of the organization (Baker & Delpechitre, 2016; Badenas, 2012).

While studies on leader cultural intelligence have often focused on the leader's ability to understand and harmonize internal differences due to the evidence of workplace diversity, this paper extends such a knowledge unto the external context of the organization as it examines leader's effective relationship based on cultural intelligence of groups, peoples and social frameworks outside the organization. Leader cultural intelligence is not confined to organizational settings alone, but expresses the leader's capacity to manage it various stakeholders and to effectively navigate the organization through myriad diversity related factors and unique environmental challenges and expectations. It is an indicator of the leader's openness, and receptivity of diversity and also indicates the leader's position on the difference and the equal rights of groups dissimilar to his or her own.

V. Leader Cultural Intelligence and Firm's Effective Internationalization

The relationship between leadership and organizational outcomes has been established as significant over the years Badenas (2012). While most studies have immersed themselves within the research boundaries of leadership styles, leadership skills and leadership models, not much is evident on the relationship between

leadership cultural intelligence and its role in organizational outcomes. Ang et al (2015) observed that organizations which are able to recognize their placement and role within today's highly diversified and multi-cultural marketplace have a high chance and propensity to survive and be effective. This view is shared by Aziz (2016) who acknowledged that cultural intelligence is a predictor of performance and business viability within the context of global business today.

In their study Ang and Van Dyne (2008) observed that there is a strong relationship between sales and the extent to which organizations abide and adopt the cultural tenets of their foreign markets. That is to say, internationalization requires not the content of the service or product itself, but also the adaption of the forms and features associated with the products and services. Such adaption should buy into the dominant ideologies and values of the society and belief systems of the people of the region of interest. In this way, the organization not only sells or services its markets but identifies with the values of the context and as such can be considered as enhancing communication and understanding. Similar views are shared by Pollard (2001) and Zacharakis (1997) who noted that cultural intelligence pre-emptly respects and the positive perception of organizations and their products or services.

Barlett and Goshal(1992) observed that to be culturally intelligent implies the understanding, value and regard for other beliefs and values that do not originate with one. It is a reflection of the organization's receptivity of diversity and the willingness to collaborate with groups that are apparently different and hold different opinions from ones own. Cultural intelligence denotes the consideration of all significant parties in decision making and the setting of objectives. As such, cultural intelligence points to the considerations placed on the respect for the beliefs and values of the peoples of the region wherein one's market is located, in the design, packaging, promotion and distribution of goods and services. Furthermore, cultural intelligence with regards to internationalization indicates the organization or firm's willingness to submit and abide by the general norms and guiding cultural values of its host regions, which within the institutional theory is prescribed as a prerequisite for success and survival.

IV. Conclusion

Relationships are critical to firm's effective internationalization. A great deal of quality relations between firms and their markets are premised on the respect for values and consideration of cultural differences. Such recognition and the adoption of behaviour, policies or actions suited to engaging foreign markets within their specified cultural boundaries, facilitates a more cordial, collaborative and cooperative relationship. Cultural intelligence supports the mutuality of market and business goals as it acknowledges cultural boundaries and expectations, and on the basis of value and respect for such boundaries, engages the market within the parameters specified. The review of literature reveals that while it fosters product and service receptivity and enhances sales, it also fosters trust and customer or client identification with the firm and its services or products; key ingredients which necessitate and enhance firm's effective internationalization. This study concludes that leadership cultural intelligence enhances the features of the firm's products and services within its foreign markets by way of cultural specifications and standards, and as such contributes towards firm's effective internationalization.

References

- [1]. Ababneh, R.I. (2016). Successful leadership components: A qualitative approach. Paper presented at the WEI International Academic Conference, March 7-9, Barcelona.
- [2]. Adler, N.J. (1997). Global leadership: Women leaders. *Management International Review*, 37(1), 171-196.
- [3]. Al-Dossary, S.A. (2016). Psychometric properties of the cultural intelligence scale in a Saudi Arabian context. *International Journal of Selection and Assessment*, 24(4), 305-311.
- [4]. Algahtani, A. (2014). Are leadership and management different? A review. *Journal of Management Policies and Practices*, 2(3), 71-82.
- [5]. Alon, I., & Higgins, J.M. (2005). Global leadership success through emotional and cultural intelligences. *Business Horizons*, 48(6), 501-512.
- [6]. Alzeer, J. (2016). Swiss Scientific Society for Developing Countries: A concept of relationship. *International Journal of Social, Behavioral, Educational, Economic, Business and Industrial Engineering*, 10(1), 374-377
- [7]. Ang, S., & Inkpen, A.C. (2008). Cultural intelligence and offshore outsourcing success: A framework of firm-level intercultural capability. *Decision Sciences*, 39(3), 337-358.
- [8]. Ang, S., & Van Dyne, L. (2008). Conceptualization of cultural intelligence: Definition, distinctiveness, and nomological network. In S. Ang, & L. Van Dyne (Eds.), *Handbook on cultural intelligence: Theory, measurement and applications* (pp. 3-15). Armonk, NY: M.E. Sharpe.
- [9]. Ang, S., Van Dyne, L., & Koh, C. (2006). Personality correlates of the four-factor model of cultural intelligence. *Group & Organization Management*, 31(1), 100-123.
- [10]. Ang, S., Van Dyne, L., & Rockstuhl, T. (2015). Cultural intelligence: Origins, conceptualization, evolution, and methodological diversity. In M.J. Gelfand, C. Chiu, & Y. Hong (Eds.), *Handbook of advances in culture psychology* (pp. 273-323). New York, NY: Oxford University Press.
- [11]. Ang, S., Van Dyne, L., & Tan, M.L. (2011). Cultural intelligence. In R.J. Sternberg, & S.B. Kaufman (Eds.), *The Cambridge handbook of intelligence* (pp. 582-602). New York, NY: Cambridge University press

- [12]. Autio, E. and Sapienza, H. (2000). Comparing Process and Born Global Perspectives in the International Growth of Technology-based New Firms. Working Paper Series, Helsinki University of Technology, Espoo, Finland.
- [13]. Ayman, R., & Korabik, K. (2010). Leadership: Why gender and culture matter. *American Psychologist*, 65(3), 157-170.
- [14]. Aziz, A.M. (2016). The role of cultural intelligence on expatriate adjustment and performance: A case study of Malaysia. *Journal of Administrative Management, Education and Training*, 12(4), 176-197
- [15]. Badenas, R. (2012). Looking for (present) truth. *Dialogue*, 24(3), 8-12.
- [16]. Baker, D.S., & Delpechitre, D. (2016). An innovative approach to teaching cultural intelligence in personal selling. *Journal for Advancement of Marketing Education*, 24(1), 78-87.
- [17]. Bartlett, CA and Ghoshal, S. (1992). *Transnational Management: Text, Cases, and Readings in Cross-Border Management*, 2nd Edition, Irwin, Boston, MA
- [18]. Bass, M., & Bass, R. (2008). *The Bass handbook of leadership*. New York, NY: Free Press.
- [19]. Beamish, P.W. (1990). The Internationalization Process for Smaller Ontario firms: A Research Agenda. In Rugman, A. (ed.) *Research in Global Strategic Management: International Business Research for the 21st Century, Canada's New Research Agenda*, Greenwich, JAI Press
- [20]. Benito, G. and Welch, L. (1993). Foreign Market Servicing. Beyond Choice of Entry Mode, Working Paper Series 4, Helsinki School of Economics and Business Administration, Centre for International Business, Helsinki.
- [21]. Bennett, J.M. (1993). Cultural marginality: Identity issues in intercultural training. In R.M. Paige (Ed.), *Education for the intercultural experience* (pp. 109-135). Yarmouth, ME: Intercultural Press
- [22]. Burpitt, W.J., & Rondinelli, D.A. (2000). Small firms' motivations for exporting: To earn and learn? *Journal of Small Business Management*, 1-14
- [23]. Chatterjee, S. R., & Lim, C. H. (2000). Regionalization strategies of the SME sector: An empirical study of Singapore managers. *Journal of International Business and Entrepreneurship*, 8(2), 15-31.
- [24]. Dheer, R.J.S., & Lenartowicz, T. (2016). Multiculturalism and entrepreneurial intentions: Understanding the mediating role of cognitions. *Entrepreneurship Theory and Practice*.
- [25]. Divyashree, S. (2016). Cultural intelligence in contemporary business organisations. *Imperial Journal of Interdisciplinary Research*, 2(7), 1539-1541.
- [26]. Doh, J.P., & Quigley, N.R. (2014). Responsible leadership and stakeholder management: Influence pathways and organizational outcomes. *The Academy of Management Perspectives*, 28(3), 255-274.
- [27]. Gill, A., & Singh, L. (2012). Internationalization of firms from China and India: theory, evidence and policy. *Millennial Asia*, 3(1), 23-44.
- [28]. Glaum, M., & Oesterle, M. J. (2007). 40 years of research on internationalization and firm performance: more questions than answers? *Management International Review*, 47(3), 307-317.
- [29]. Hsu, C. & Boggs, D. (2003). Internationalization and Performance: Traditional Measures and Their Decomposition. *Multinational Business Review*, 11(3), 23-50.
- [30]. Hsu, C. C., & Pereira, A. (2008). Internationalization and performance: The moderating effects of organizational learning. *Omega*, 36(2), 188-205.
- [31]. Huo, D., & Hung, K. (2015). Internationalization Strategy and Firm Performance: Estimation of Corporate Strategy Effect Based on Big Data of Chinese IT Companies in a Complex Network. *Journal for Economic Forecasting*, 2, 148-163.
- [32]. Johanson, J., & Vahlne, J.-E. (2009). The Uppsala internationalization process model revisited: from liability of foreignness to liability of outsidership. *Journal of International Business Studies*, 40(9), 1411-1431.
- [33]. Kale, P., & Singh, H. (2016). Management of overseas acquisitions by developing country multinationals and its performance implications: the Indian example. *Thunderbird International Business Review*.
- [34]. Li, L., Qian, G., & Qian, Z. (2012). Early internationalization and performance of small high-tech "born-globals". *International Marketing Review*, 29(5), 536-561.
- [35]. Lloyd-Reason, L. (2003). Competing in global markets: Internationalization strategies of small and medium sized enterprises in central and eastern Europe. *Fifth International Conference on "Enterprise in Transition"*, 635-651.
- [36]. Lu, J W and Beamish, PW. (2001). The Internationalization and performance of SMEs. *Strategic Management Journal*, 22(6/7), 565-586.
- [37]. Mathews, J. A. (2002). Competitive advantages of the latecomer firm: A resource-based account of industrial catch-up strategies. *Asia Pacific Journal of Management*, 19, 467-488.
- [38]. Newman, K. (2000). Organizational transformations during institutional upheaval. *Academy of Management Review*, 25, 602-619.
- [39]. Pinho, J. C., & Prange, C. (2016). The effect of social networks and dynamic internationalization capabilities on international performance. *Journal of World Business*, 51(3), 391-403.
- [40]. Pollard, D. (2001). The Internationalization of SMEs in transformation economies: A research blackhole? *International conference on Enterprise in transition*, 2744-2759.
- [41]. Zacharakis AL. (1997). Entrepreneurial entry into foreign markets: a transaction cost perspective. *Entrepreneurship Theory and Practice*, 21(3), 23-39