

Cultural Intelligence and the Global Economy

Joo-Seng Tan

Among the twenty-first-century skills that are frequently talked about are the ability to adapt constantly to different people from diverse cultures and the ability to manage the interconnectedness of today's world. The global workplace requires individuals to be sensitive to different cultures, to interact appropriately with people from different cultures, and to analyze new cultures as they are encountered. To do all this, individuals, whether they are at home or abroad, need cultural intelligence. It is needed to manage the stress of culture shock and the consequent frustration and confusion that typically result from clashes of cultural differences. It is essential in facilitating effective cross-cultural adjustment.

Positioning cultural intelligence as a key concept in the global economy raises several questions that concern both individuals and organizations:

- How do individuals develop their capability to adapt effectively across different cultures?
- Why do some individuals possess superior capacity to deal with the challenges of working in different cultures?

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- How do individuals reach full productive potential working in culturally diverse work environments in their home countries and overseas?
- How do organizations build capability for effective work assignments in locations around the world?

Cultural strategic thinking refers partly to the general thinking skills that an individual uses to create an understanding of how and why people in a culture new to that individual act as they do.

- How do organizations optimize individual and collective performance when they harness the cultural diversity of their people across the world?

In *CQ: Cultural Intelligence at Work* (Stanford University Press, forthcoming), co-authors Ang Soon (execu-

tive director of the Center for Cultural Intelligence at the Nanyang Business School in Singapore), Chris Earley (professor of organizational behavior at the London Business School), and I tackle these questions by explaining what cultural intelligence is and showing how cultural intelligence is applied in the workplace.

MAKING ADJUSTMENTS

We suggest that one way to understand cultural intelligence is in relation to emotional or social intelligence. Emotional intelligence presumes that people are familiar with their own culture and that they (often unconsciously) use familiar situations as a way to interact with others. Cultural intelligence picks up where emotional intelligence leaves off—it involves dealing with people and situations in unfamiliar surroundings.

Cultural intelligence determines a person's ability to adjust to new cultures. Thus cultural intelligence can be defined as a person's ability to successfully adapt to new cultural settings, that is, to unfamiliar settings attributable to cultural context.

Cultural intelligence has three key parts: thinking and solving problems in particular ways (*cultural strategic thinking*), being energized and persistent in one's actions (*motivational*), and acting in certain ways (*behavioral*).

Cultural strategic thinking refers partly to the general thinking skills that an individual uses to create an understanding of how and why people in a culture new to that individual act as they do. This understanding captures not just what the people believe or value but also the procedures and routines that they are supposed to use as they work and act. The ideas that we have about what people in a new culture believe or value are called *declarative knowledge*, or knowledge about the state of things. For example, if I know that in Bali children are named according to their birth order, this is declarative knowledge (knowledge of facts). However, if I know that in China one empties one's glass after a toast (*gan bei*), this is knowledge of procedures, or *procedural knowledge*. Thus cultural knowledge encompasses both the facts that we hold about another culture and our knowledge of how things operate. In addition to cultural knowledge, cultural strategic thinking involves cultural thinking and learning, that is, the process through which we gain our cultural knowledge. This kind of cultural thinking and learning, called metacognition by psychologists, has also been referred to as *thinking about thinking* or *learning to learn*. These two elements work together; cultural strategic thinking guides the strategies that people use to acquire knowledge about country-specific information. Clearly, cultural thinking and learning and acquiring cultural knowledge are both critical to success.

Creating a way to make sense of new and radically different situations is an important task in developing cultural intelligence. Culturally intelligent managers aren't just learning the ways that people act and behave in a new place. They are also creating a new mental framework for understanding what they experience and

see. That is why cultural strategic thinking is also what psychologists call *higher-order thinking*; it refers to *how* we learn, not just *what* we learn. In contrast, in applying approaches such as emotional or social intelligence, people use their existing knowledge of how things function in their culture to decide how and when to act in any particular situation.

GETTING MOTIVATED

Personal knowledge alone, however, isn't enough. Certain actions not

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within a person's current repertoire may be needed for an appropriate response in a new culture. Simple examples abound in the anecdotes of international managers, which tell of everything from discovering the proper way to shake someone's hand in Ghana (involving a finger click at the end of the handshake) to learning to eat exotic local delicacies without showing hesitation or disgust.

The difficulty is that many of these actions are easily overlooked yet they have a cumulative impact on the quality of our interactions with others. One manager from Canada relayed the story of meeting a group of managers from a Mexican joint venture. He noticed after several minutes of talking with his Mexican counterpart that they had moved around the meeting room as if engaged in a dance. He later realized that as they spoke, the Mexican man-

ager would draw closer. As he did so, the Canadian manager would unconsciously draw back. The two managers were acting like two magnets with a common charge.

So without proper motivation, you won't adjust. If a person is unmotivated and won't engage the world, why should we expect to find successful adaptation? Here, for example, is what one Korean manager said of his experiences on a multinational team:

They were trying not to listen to me. Sometimes they were changing the topic after my speaking. They were not paying attention. It went on like this for at least one or two months, and this was a bad experience. Later I just gave up trying to speak.

This manager was able to understand what was going on and why, but he was not motivated to try to deal with the cultural situation. His attitude reflected his own low motivation and lack of confidence in his ability to work effectively, so he disengaged from his team. Cultural intelligence means knowing *and* trying.

ACTION PLAN

The final piece of cultural intelligence is a person's ability to *do the right thing*, to engage in action that is adaptive. An unfortunate oversight in most of the current work on intelligence is that an action component is often neglected. I suppose this occurs because psychologists often pigeonhole their work, seeing it as belonging to either cognitive psychology or behavioral psychology, each type having its own independent supporters. From a management perspective, it seems to me woefully shortsighted to separate what people think from what they do. Ultimately, business requires action, not simply intention.

Similarly, cultural intelligence is not stagnant when it comes to behavior. A person's actions are dynamic and must adjust to the changing nature of the work environment. It's not enough to have a *potential* for action; potential realized through one's actions partly determines cultural intelligence.

To summarize, cultural intelligence reflects an intersection of three paths—thinking about a new culture (the individual has direction), being motivated and feeling confident to act (the individual is energized), and creating the actions needed for the situation (the individual is adaptive).

To me, cultural intelligence isn't meaningful unless it means that actions are completed. As we know from popular folklore, deeds are worth a great deal more than intentions, and that is why cultural intelligence must involve the ability to carry out the actions needed in a particular culture. Without appropriate action, a person may know what to do and feel motivated to act, but it will all be for naught.

CORPORATE MODELS

Today more organizations and individuals see cultural intelligence as a competitive advantage and strategic capability. In this section I present evidence that various corporations already possess an orientation toward cultural intelligence, are enjoying the benefits of hiring individuals who are culturally intelligent, and have cultural intelligence as a core part of their corporate strategy.

IBM firmly believes that cross-cultural competence is the glue that enables cohesiveness and collective performance. In the high-performance environment of the global marketplace, cultural intelligence is a

strategic capability of leaders and managers. Organizations and individuals who see the strategic value of cultural intelligence are able to effectively leverage cultural differences for competitive advantage and achieve competitive superiority in the global marketplace.

In the global scramble for talent, organizations aspire to be the employer of choice. They hope to attract, develop, and retain the best talent in their organizations. Organizations such as Novartis and Nike see the competitive advantage

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of hiring individuals who are culturally intelligent. These organizations also adopt cultural diversity as an integral part of their human resource agenda. They identify focus areas for cultural diversity and link cultural diversity and the HR business case.

Culturally intelligent individuals who can respond effectively to customers from different cultures are also welcomed at Lloyds TSB. In fact, Lloyds TSB takes the challenge of improving customer relationships so seriously that it has a diversity strategy to deal with it. The strategy has contributed to increased income streams and better cost management.

Culturally intelligent individuals who are able to leverage cultural

diversity to align marketing and product development with consumers can provide a competitive edge in product development and marketing strategies for consumer groups in different countries. Levi Strauss capitalizes on this strategy to grow its business globally.

Lufthansa believes that culturally intelligent individuals constitute a precious organizational asset during times of crisis. At Barclays, culturally intelligent individuals will help the organization gain local ownership and commitment in the United Kingdom and beyond. As suggested by Lynn Offerman, a professor of industrial and organizational psychology at George Washington University, individuals' ability to work and adapt in an environment where assumptions, values, and traditions differ from those they are accustomed to reflects cultural intelligence. This adjustment requires skills and abilities very different from those that individuals might use in familiar surroundings.

It is evident that organizations leverage culturally intelligent individuals to achieve organizational goals and strategies. Individuals who are culturally intelligent provide a source of competitive advantage for multinational companies. From a leadership perspective, culturally intelligent leaders can improve the cooperation of employees from different countries and cultures. ✍

Joo-Seng Tan is associate professor of management at Nanyang Technological University's Nanyang Business School in Singapore and program director of the school's Center for Cultural Intelligence. Currently he is a visiting research scholar at Cornell University. He holds a Ph.D. degree from Malaya University.

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