

# The Role of Cross-cultural Competence in International Business in the Twenty-first Century

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## Abstract

The aim of the paper is to discuss the requirements of cross-cultural competence for managers in international business in the 21st century. Cross-cultural competencies are indispensable for managers involved in cross-border interactions as cultural awareness affects the success of managing human resources in business operations, the integration processes, competitiveness and social responsibility. The components and methods of cross-cultural training programs are also discussed. This paper examines the attributes of cross-cultural competence and cross-cultural training on the basis of theoretical research.

## Keywords

Culture, communication, intercultural communication, cultural identity, cultural competence, cultural intelligence, cross-cultural competence, cross-cultural training.

## Introduction

Dowling, Festing and Engle Sr (2008, p. 9) state that the complexities involved in international operations are underestimated by many firms; however, "there has been consistent evidence to suggest that business failures in the international arena are often linked to poor management of human resources". The poor management of human resources is often caused by not being aware of the different cultural environments of the headquarters and the host location. Expatriate failure and the premature return of an expatriate can cause long-term negative consequences not only in subsidiary performance but also in the relationship with host government officials and key clients resulting in a loss of market share. On the other hand expatriate failure also affects the expatriate's career as it is often accompanied by the loss of self-esteem, self-confidence and the loss of prestige among peers (Dowling et al., 2008, pp. 112-113).

## 1. The significance of cross-cultural competence

Dowling et al. (2008) state on the basis of Caligiuri's (2000, as cited in Dowling et al. 2008) study that the attributes of cross-culturally competent expatriates "should include cultural empathy, adaptability, diplomacy, language ability, positive attitude, emotional stability and maturity" (Dowling et al., 2008, p. 120). We must add that possessing cross-cultural abilities is significant not only for expatriates but for host country managers as well to be able to interact in multinational and global enterprises.

However, when defining the required competences there is no consensus on their meaning and components (for example Early & Ang, 2003, p. 265, Dowling et al., 2008 p. 120). Cross-cultural competence, intercultural competence and cultural intelligence are terms that are used by researchers and practitioners interchangeably.

Intercultural competence is described as comprising the aspects of the individual's personality, attitude to foreigners and ability to relate to people from another cultural group (Dowling et al.

2008, p. 120). Early & Ang (2003, p. 170) defines intercultural communication as “interpersonal interaction between people of different cultures or shared bodies of knowledge”. Intercultural communication as a study focuses on analysing verbal and nonverbal behaviours in cross-cultural encounters.

An inventory of cross-cultural competences, defined by researchers, practitioners and consulting firms specializing in cross-cultural training, comprises (1) knowledge (cultural knowledge), (2) skills (communication skills), (3) abilities (ability to succeed in multiple and diverse environments, to adopt a dual focus: focus on both task and relationship) and (4) dispositional traits (tolerance for ambiguity, empathy, open-mindedness, flexibility, positive attitude to learning, tolerance for different styles and cultures) (Tan & Chua, 2003, p. 264).

The concept of cultural intelligence refers to “a person’s ability to adapt effectively to new cultural contexts” (Early & Ang, 2003, p. 59). Early & Ang (2003) argue that the most critical features of it are “the ability to construct innovative ways of conceptualizing, data gathering, and operating in a new culture” (Early & Ang, 2003, p. 93). Skills and capabilities, which help a person display cultural intelligence, have cognitive, motivational and behavioural components. Cognitive components comprise analogical elements, pattern recognition, self awareness and tacit cultural knowledge; motivational components refer to value questioning and integration and a person’s desire to adjust to new cultural circumstances, while behavioural components are practices, rituals, habits and variations of social behaviours across cultures (Early & Ang, 2003, p. 67).

## 2. Cross-cultural training programs

As multinational and global enterprises integrate managers from diverse cultural background it is indispensable to prepare them for cross-cultural interactions in a multicultural working environment to avoid potential pitfalls, which may have negative effect on the performance of the enterprises. Considering the above reasons, Tan & Chua (2003, p. 261) argue that cross-cultural training has become a strategic component in international business and management.

Cross-cultural training programs, which are also called intercultural management training and consulting, “aim at the delivery of skills that enable people to quickly become professionally productive and interpersonally effective when work-

ing on assignment abroad, or when working anywhere with others from an unfamiliar culture” (Tan & Chua, 2003, p. 265). Based on the aim and content, cross-cultural training programs can be designed as global management training, cross-cultural project management training, virtual team facilitation and executive coaching (Tan & Chua, 2003, p. 265).

Cultural awareness training is the most common form of pre-departure training programs, which are provided to expatriates before starting their assignment abroad “to assist individuals to adjust more rapidly to the new culture”. (Dowling et al., p. 139). Its components vary according to the country of assignment and the degree of the distance between the home culture of the expatriate and the host culture. Dowling et al. (2008, p. 141) emphasise based on Tung’s research (1981) that the larger the dissimilarity between the cultures and the higher the level of the expected interaction with host nationals is the more emphasis should be made on developing cross cultural skills. They support Tung’s recommendation that communication competence should be focused on and “Training should be more oriented to life-long learning than ‘one-shot’ programs with an area specific focus” (Dowling et al., 2008, p. 141.).

Based on Brislin & Hovarth’s (1997, as cited in Tan & Chua, 2003) comprehensive review of cross-cultural training methods, Tan & Chua (2003) described five approaches in cross-cultural training: (1) cognitive (transfer of cultural knowledge), (2) attributional (culture assimilators: critical incidents), (3) experiential (“hands-on” training), (4) self-awareness (awareness of their own culture) and (5) behavioural (practising and displaying appropriate behaviours in various cultural settings and scenarios) (Tan & Chua, 2003, pp. 268-269)

## 3. Guidelines to culture and communication

Cultural typologies serve as important guidelines to understand cultural diversities. The cultural knowledge of business professionals can be supported by using cultural dimensions and patterns in analyzing diversities and similarities in cultures so the cognitive components of cultural intelligence namely pattern recognition and self awareness can be acquired by cultural typologies. In this chapter we discuss how cultural dimensions of Hofstede, the types of communication and culture identified by Hall and cultural patterns described by Gesteland could serve as guidelines for man-

agers in the development of their cross-cultural intelligence.

### 3.1. Hofstede's cultural dimensions

Hofstede defines culture as “collective programming of the mind which distinguishes the members of one category of people from another” (Hofstede & Usunier, 1996, p. 5). National culture is a significant component of our mental programming which defines patterns of thinking, feeling and acting. Hofstede's research in the cultural values of employees conducted in the IBM multinational company in 72 countries between 1967 and 1973 revealed that values differed mainly along four dimensions: Power Distance, Individualism versus Collectivism, Masculinity versus Femininity, Uncertainty Avoidance versus Uncertainty Acceptance (Hofstede, 1991). The cognition, behaviour and communication of managers in international business are influenced by their national, professional and organisational culture.

Hofstede & Usunier (1996, pp. 121-126) draw attention to some presupposed consequences of related cultural dimensions in intercultural business negotiations. Large Power Distance indicates centralised control and decision-making during the negotiation process. Negotiators from collectivist cultures need stable relationships with their negotiating parties, and so the replacement of negotiators should be avoided. Sympathy for the strong and ego-boosting behaviour is indicated by Masculine cultures, while Femininity leads to ego-effacing behaviour and sympathy for the weak. A low tolerance of ambiguity and a distrust of opponents are the consequences of high Uncertainty Avoidance.

To be able to decode the other party/parties' communication and interpret their behaviour, negotiators should acquire “an insight into their own cultural values and the extent to which these deviate from those of the other side(s)” (Hofstede, 1996, p. 126). If negotiators are aware of the approximate position of their (and the other party/parties') national culture's value system in terms of cultural dimensions, they can predict significant aspects of their forthcoming negotiations in an intercultural environment.

### 3.2. Hall's types of culture and communication: high and low context communication

As words and sentences have different meanings, depending on their context, this determines the basic characteristics of interpersonal communication, consequently those of business communica-

tion as well. Hall considers the level of context as the basis determining communication and behaviour. He underlines that “The level of context determines everything about the nature of the communication and is the foundation on which all subsequent behaviour rests (including symbolic behaviour)” (Hall, 1989a, p. 91)

He argues that two entirely different but highly interrelated processes make contexting possible: “The first takes place in the brain and is a function of either past experience (programmed, internalized contexting) or the structure of the nervous system (innate contexting), or both. External contexting comprises the situation and/or setting in which an event occurs (situational and/or environmental contexting) (Hall, 1989a, p. 95). So, past experience (internal context) and the environment and situation of the communication (external context) can be used as communicational devices – but different nations use them at different rates.

Hall (1989a, p. 91) states that “A high-context (HC) communication or message is one in which most of the information is either in the physical context or internalized in the person, while very little is in the coded, explicit, transmitted part of the message. A low context (LC) communication is just the opposite; i.e. the mass of the information is vested in the explicit code”. Therefore, the level of context determines communication, since low-context cultures express themselves verbally, whilst high-context cultures transmit much information non-verbally. The former type of communication is also termed direct communication, as its message is verbally coded and explicit, whilst the latter type is termed indirect communication, since only a small part of the message is verbally coded and explicit, the rest being implicitly in the context.

Hall's research suggests that there are cultures where communication is significantly high-context and that there are others where it is low-context. He asserts that Western and Central Europe feature toward the lower end of the scale, whilst Southern Europe is at the higher end. Hall considers German and Swiss-German to be the lowest-context communication not only of Europe, but of the whole world and Japanese the highest context of all (Hall, 1989a, p. 91).

In the twenty-first century there is an increasing number of issues which require intercultural negotiations with the participation of people from high and low context cultures. Hall (1989a, p. 61) declares that “...all cultures arrange their mem-

bers and relationships along the context scale and one of the great communication strategies, whether addressing a single person or an entire group, is to ascertain the correct level of contexting of one's communication" (p.61). It might happen unconsciously within one culture, but the appropriate amount of context to use between cultures can be determined only consciously.

### 3.3. Hall's types of culture and communication: orientation to time

People belonging to different cultures handle time in different ways as it is rooted in their cultural tradition and social setting. After years of exposure to cultures Hall (1989b, p. 45-46) stated that "complex societies organize time in at least two different ways: events scheduled as different items – one thing at a time – as in North Europe, or following the Mediterranean model of involvement in several things at once. The two systems are logically and empirically quite distinct. Like oil and water, they don't mix".

Hall (1998b, p. 48) termed doing many things at a time as Polychronic (P-time) and doing one thing at a time as Monochronic (M-time). He states M-time as being tangible, and draws attention to metaphors, which are often used by M-time people: it is "being saved, spent, wasted, lost, made up, crawling, killed and running out". M-time is learnt as the logical way of organizing life. By contrast, P-time people such as Arabs and Turks interact with several people at a time, their world is dominated by human relationship and so tight scheduling is impossible (Hall, 1998b, pp. 46-50). The two different ways of organising time in different cultures means difficulties for business professionals doing business in an intercultural context.

### 3.4. Gesteland's cultural patterns

Gesteland (1999, p. 9) characterizes his book "as a practical guide for the men and women in the front lines of world trade, those, who face every day the frustrating differences in global business customs and practices". He intended to make business customs and practices in intercultural relations some more predictable by classifying them into logical patterns.

Gesteland (1999, pp. 19-32) identifies Deal-Focused vs. Relationship-Focused cultures as opposing ones. DF people are task-oriented while RF people are people-oriented in business relations. DF people use direct, frank, straightforward language, while RF people use indirect language

in a subtle, roundabout style when negotiating. This pattern of diversities in communication has its roots in Hall's low-context vs. high-context aspect of communication.

Informal vs. Formal Cultures are represented by their informal vs. formal behaviour in international business. These alternatives are dependent on different rates of equality in societies: small differences in status and power vs. steep hierarchies, major differences in status and power. This pattern has its roots in Hofstede's high vs. low Power Distance dimension (pp.43-54).

Rigid-time vs. Fluid-time Cultures refer to the same type of cultures as Hall's monochronic vs. polychronic systems of life: punctuality, schedules, fixed agendas and deadlines vs. flexible agendas, loose scheduling, doing more than one thing simultaneously (Hofstede, 1991, pp. 55-62).

Gesteland (1999, pp. 63-78) identifies Expressive vs. Reserved Cultures based on the behaviour and verbal, paraverbal and nonverbal communication of the members of related cultures. For example, members of Expressive Cultures use conversational overlaps and intense or firm eye contact when they are communicating, while members of Reserved Cultures use conversational turntaking and moderate or indirect eye contact in their communicational interactions.

Gesteland's patterns of culture categorise cultural variables in a simple way, which is why they are easy to use by business professionals in business interactions.

## Conclusion

Cultural knowledge means being conscious of the characteristics of one's own culture and those of other cultures. It is cultural dimensions and patterns, which provide the relevant means to compare and analyse diversities and similarities in the case of distinct cultures. If someone has acquired the knowledge and skills needed to use cultural dimensions and patterns, he has the ability to select the relevant information concerning the culture which he encounters in international business. Thus this is why it is important to involve cultural dimensions and patterns in cross-cultural training programs. The cultural dimensions of Hofstede, the patterns of culture and communication identified by Hall and the cultural patterns described by Gesteland are focused on because in the author's teaching practice these were found the most adequate means for developing students' cross-cultural competence. Using them consciously and trying to find the interrelated aspects of cultural

dimensions and patterns in respect of distinct cultures will help managers understand cultural cues.

Early & Ang (2003, p. 209) argue referring to Barlett & Ghoshal (1989) and Pfeffer (1994) that there is a consensus of researchers, that global managers and workers should be capable of coordinating global strategic efforts of the firm and integrating host-country strategies of its subsidiaries at the same time. So designing more efficient cross-cultural training programs is getting to be focused on by companies, however, much remains to be done, all the three components of cultural intelligence, the cognitive, motivational and behavioural ones, should be taken into consideration by the designers of cross-cultural training programs. **SM**

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