

CULTURAL INTELLIGENCE (CQ): FROM NEW IDEA TO CONCEPTUAL MODEL. WHAT IS IT, AND WHY IS IT A CRUCIAL FACTOR IN TODAY'S INTERCULTURAL BUSINESS NEGOTIATIONS?

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Abstract. *We live and work in a very multicultural world, and it is reasonable to interact with people from different cultures and backgrounds, people with different values, norms, and beliefs. Cultural intelligence, new construction of the 21st Century, plays a prominent role in this increasing interaction. It is also relevant to consider and mention that cultural intelligence becomes an almost vital skill in a world where crossing the borders of a country has become a routine, and your workmate, your friend, or your professor can come from the farthest corner of the globe. The ability of individuals to work effectively across culture, but most importantly, as international practice demonstrate- the ability to negotiate with people from different cultures improve the relationship, build a long-lasting relationship and help to understand cross-cultural differences across the globe better.*

The main objective of the present research is to help develop a better understanding of the cultural intelligence concept. Secondly, based on the data provided by the international practice and recent research, this study aims to identify whether cultural intelligence is a factor in negotiation outcome and to determine the component of cultural intelligence that has the most significant influence on negotiation outcome.

Keywords: *Cultural intelligence, Emotional intelligence, cultural differences, intercultural negotiations, negotiation effectiveness*

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I. Introduction

Have you ever thought about the concept of cultural intelligence? Why do we need cultural intelligence? Why is cultural intelligence so crucial in the outcome of negotiation?

We are a conglomeration of many diverse communities, cultures, values and norms, backgrounds and beliefs, languages, and religions. Each of us seeks to have his personal view of the world—a proper way to receive information (be it human actions, someone's unfamiliar and ambiguous gestures or speech patterns a person encounters), processing, and making decisions. We call that cultural intelligence or CQ, defined as “*a person's capability for successful adaptation to new cultural settings*” (Caputo, Ayoko, 2016:1).

In a world where globalization has opened the way for human interaction, CQ becomes a vitally important aptitude and skill, and not just for leaders and international bankers, managers, and negotiation practitioners. However, for most of us, this concept is still unknown or foreign.

II. On Cultural Intelligence

Cultural intelligence is a new construct that was introduced and developed by Professors Christopher Earley and Soon Ang in their 2003 book of the same name as a researched-based way of measuring and predicting intercultural performance, and many practitioners later acquire it. According to researchers, the fundamental concept of cultural intelligence can be defined as “a person's capability to adapt as he interacts with others from different cultural regions,” and has behavioral, motivational, and metacognitive aspects. Today, the meaning of this concept is perceived, according to Julia Middleton (Founder and Chief Executive of Common Purpose Charitable Trust), as the ability to cross the divides that exist between people and thrive in multiple cultures. Fundamentally, CQ is a process or social attitude. It is about understanding our own culture, what it means to us, and the multiple sub-cultures we belong to. It is also fully aware of what makes us who we are and how our culture influences the way we work with other people.

The Cultural Intelligence Center defined the Cultural Intelligence (CQ) as a “globally recognized way of assessing and improving effectiveness in culturally diverse situations; is the capability to function effectively across various cultural contexts—national, ethnic, organizational, generational.”

From a theoretical point of view, the concept of cultural intelligence, as given in the business dictionary, means a measure of a person's capacity to function effectively in a multi-cultural environment. Employers and organizations apply CQ as a way to foster tolerance and enhance cross-cultural interactions.

After almost twenty years, the concept of cultural intelligence evolved from new idea to a must-have skill for our multicultural world, from an academic construct to a practical framework, from an analytical method/process to a social attitude, so it is challenging to identify the most relevant definition. In essence, Cultural Intelligence, also known as Cultural Quotient (CQ), which derive from the now well-established notion of Intelligence Quotient (IQ), is related to Emotional Intelligence (EQ), Cognitive Intelligence (IQ), and Social Intelligence (SQ) because it assumes familiarity with cultural context, but it goes a step further. It is likely a combination of all of these elements, which strives to assess the capability of individuals to adapt to new, unfamiliar cultural settings successfully.

In simple language, it measures how we behave in diverse situations. Hence, cultural intelligence is needed to function effectively in culturally diverse environments. Most recent studies show that cultural intelligence predicts vital outcomes in the real

world. For example, people with higher cultural knowledge can understand what makes us different, and they can exclude from the human behavior that is specific to a group or affiliation, which is neither universal nor personal. They make better decisions in intercultural situations, are more effective global leaders, achieve better results in cross-cultural negotiations and international business, build better rapport with people from around the world, are more creative and innovative, tend to develop more culturally diverse social networks, and experience less burnout when working globally (See more, Center For Creative Leadership: 2020).

III. Components of CQ

We conceptualize cultural intelligence into four factors and on four dimensions.

The four-factor model: Drive, Knowledge, Strategy, and Action, it is a practical approach to understand why some individual function more effectively than others in a diverse, multicultural situation. Together, these four capabilities make up your overall cultural intelligence quotient (Livermore, 2011:7) These factors of CQ are a critical component of CQ for several reasons. On the one hand, the drive is a person's motivation to cross cultures, and it is imperative. On the other hand, without the energy and willingness to channel the power, you cannot really attain the knowledge of different cultures, or strengthen awareness, planning and monitoring one's experience of crossing culture (what we call Strategy), or flex behaviors appropriately (Action) when crossing cultures (Ang, 2020).

For better understanding the Cultural Intelligence Map based on the four-factor model, we need to explore Figure 1 that establishes how to build a strategy or an action plan to measure your CQ or your team's CQ. Interpreting Fig. 1 based on international practice, one can see that compared to most cultural competency programs, cultural Intelligence begins with:

- CQ Drive—the curiosity and motivation needed to work well with others.
- Next is CQ Knowledge—understanding the kinds of differences that describe one group versus the next, without resorting to stereotyping specific cultures.
- The third is CQ Strategy—learning how to plan effectively in light of cultural differences.
- Furthermore, finally is CQ Action—being able to adapt to behavior when the situation requires it (Cultural Intelligence Center).

To demonstrate the effectiveness of this structure and to determine the impact of the cultural differences on peoples' cultural intelligence, we conducted research based on a real case study.

According to the data provided by the Cultural Intelligence Center, the University of Michigan was engaged in an impact study to establish students prepares for the global workplace. So, 169 students participated in a variety of faculty-led, study abroad programs in different locations around the world. The programs varied in length from 2-8 weeks, and the main goal was to determine the impact of the study abroad experiences on students' cultural intelligence. In the beginning, each student completed the Pre- and Post CQ Assessment. Based on Pre and Post CQ Assessment scores, students showed significant improvement in three of the four CQ capabilities (CQ Knowledge, CQ Strategy, and CQ Action).



Figure 1. The four-factor model of Cultural Intelligence
Source: (RedHead Communication 2020)

In conclusion, based on cultural intelligence research, the university can be confident that the students improved the following skills:

- Cross-Cultural Adaptation;
- Intercultural judgment, decision-making;
- Cross-border negotiation;
- Strategic leadership effectiveness.

We talked about the four dimensions of CQ.

CQ, as a multidimensional concept based on metacognitive, cognitive, motivational, and behavioral aspects. Interpreting the data from the studies Konanahalli et al. and presented in the research of MJ Ahn and L. Ettner, we came to base some practical aspects. First, high Metacognitive CQs constantly adjust and revise personal assumptions and mental maps of other cultures before and during intercultural interactions. Second, high Cognitive CQs have already gained a sound knowledge of other cultures and can quickly identify similarities and differences between them effortlessly. Motivational CQs show energy and enthusiasm toward learning about other people's cultures. Behavioral high CQs demonstrate the capacity to use culturally appropriate terminology, tone, and body language when communicating across cultures (Sutherland, David, Duncan, 2015:34).

Therefore, those individuals who repeatedly ask why do we need Cultural Intelligence must know that developing the CQ concept allow attuned to the values, beliefs, and attitudes of people from different cultures, and respond with informed empathy and real understanding. Moreover, with cultural intelligence, people will know how to strategically use cultural differences to come up with more innovative solutions.

IV. The importance of Cultural Intelligence (CQ) in negotiations

This research is aimed to study cultural intelligence as a factor for negotiation outcomes because it has been argued that successful interactions across cultures require

“cultural intelligence.” Negotiation is a fact of life. Every day we negotiate something. Negotiation outcome is categorized into two main domains, which are integrative and distributive negotiation. Integrative negotiation can also be known as a win-win or problem-solving approach. Distributive bargaining is known as win-lose negotiation, where one party gained a larger pie. Integrative is known as creating value, and distributive is value claiming. CQ increases understanding of nonverbal cues and raises awareness on motivating individuals of a different culture (Goh, 2014:3). The good news is that the negotiation outcome improves.

We know that cross-cultural negotiations can potentially be the most complex because cultural barriers can easily cause misunderstandings that impede effective interactions. Prior research suggests that international negotiations frequently fail due to an overall lack of understanding and knowledge of the multiple cultures involved in the transactions (but knowledge about different cultures is crucial in cross-cultural negotiations), an inability to communicate with persons from different cultural backgrounds, and limited behavioral flexibility to adapt to culturally unfamiliar contexts. (Grove, Feyerherm, Gu, 2014). This intriguing phenomenon drives us to explore the significant impact of cultural intelligence in contemporary cross-cultural negotiations, which become an increasingly important and essential capability for building long-lasting partnering relationships in today's increasingly globalized world market.

Cultural intelligence, a newly introduced term to the international business world and implemented during cross-cultural interaction, can be considered the key to success in the field of negotiation. It helps to understand better the significant differences between cultures and how to use them to provide benefits for all parties. Also, CQ can influence the negotiation process, strategies, approach, and outcome. Moreover, international practice has shown us that the ability of individuals to negotiate effectively across culture improve the business relationship and organizational performance.

Many practitioners have claimed that negotiators with higher CQ have more cooperative motives and will engage in more effective integrative negotiation processes, which will allow them to achieve higher joint profits. Without making quick judgments or falling back on stereotypes, they can interpret "what is happening in any cultural setting and adjust their behavior accordingly." Additionally, Livermore asserted that when faced with the ambiguity of intercultural communication, with high CQ, people are more likely to persist and invest significant effort in reaching a win-win despite the absence of cues that help to negotiate effectively in a more familiar environment. Heightened CQ gives a better understanding of how to read the nonverbal cues during the negotiation and makes people more aware and motivate. There are many reasons why CQ is a crucial factor in negotiations. Firstly, it helps to work effectively with people from different cultures and understanding of cultural differences. CQ can also give insights into the culture of every organization work with to explore opportunities for win-win solutions. Secondly, CQ allows being attuned to the values, norms, beliefs, and attitudes of people from different cultures to create a culturally intelligent perspective and to respond with informed empathy and real understanding. Finally, in intercultural negotiation is essential to avoid making assumptions or generalizations based on any single aspect.

For example, let's say you have multilateral business negotiation with an American, a Chinese, an Australian, a Norwegian, and an Arabian stockbroker. Do these persons behave the way they do because they are Americans or Chinese; because they're stockbrokers or because they come from different cultures and have their norms, assumptions, or belief? Or is it because they are a millennial, or an introvert? For their

tendency to be tough, canny negotiators, or almost the complete opposite? It is likely a combination of all of these elements, so aim to avoid making assumptions or generalizations based on any single aspect. Moreover, as Professor Zhenzhong Ma has mentioned in his unique research, it is essential” to put yourself in others’ shoes” to create a culturally intelligent perspective.

V. Conclusion

As we mentioned earlier, cross-cultural negotiations can be particularly challenging. When people from different cultures negotiate, they often feel uncertain about how to act and confused by one another’s statements and behavior. The potential for misunderstandings and conflict is usually high as a result. There is a need for a simple but powerful cultural (CQ concept) concept that will help to understand cultural differences and contribute to getting more at the negotiating table. Thus, cultural intelligence can be seen as the bedrock of securing a competitive advantage and a necessary strategic capability for successful and productive intercultural negotiations.

Goh Harn Jean, in his research “The impact of cultural intelligence on negotiation outcome,” consider that that cultural intelligence is a factor in negotiation outcome, and motivational cultural knowledge has the most substantial influence on negotiation outcome. Moreover, the influential level of every component is not distinctively different; thus, it can be said that each element (cognitive, metacognitive, behavioral, and motivational) is equally essential to each aspect in achieving higher cultural intelligence.

In this context, it is essential to note that Cultural intelligence :

- assesses the impact of people’s strategic capability of adaptation to different cultural settings;
- is a critical predictor useful as well as performance-related outcomes in culturally diverse situations, over and beyond several other constructs;
- Increases understanding of nonverbal cues and raises awareness on motivating individuals of a different culture. Thus, cultural intelligence can be seen as the bedrock of securing a competitive advantage and a necessary strategic capability for successful and productive intercultural negotiations (Zhenzhong Ma, 3);
- Help acquire the most beneficial skillsets for intercultural negotiations and facilitate cross-cultural interactions in the globalized world and work effectively with people from different cultural backgrounds.

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