

# THE IMPACT OF CULTURAL INTELLIGENCE (CQ) ON GLOBAL BUSINESS

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## Abstract

*In nowadays business environment it is absolutely mandatory that we put the concept of culture in direct contact with the idea of leadership, because tomorrow's leaders have to be masters not only in what intelligence or emotional intelligence mean, but they also need to be equipped with cultural intelligence.*

*Cultural intelligence (CQ – cultural quotient), which is a recent concept in modern sociology, offers the ability to successfully operate across geographical and cultural boundaries, enhancing the set of skills needed in an efficient business world. Together with the IQ (intelligence quotient) and EQ (emotional quotient), CQ enables its possessors with the ability to bridge the gap between culturally different organizational structures.*

**Keywords:** cultural intelligence, Iceberg model of culture, Onion model of culture, cultural globalization

**JEL Classification:** D83

## 1. Introduction

The concept of CQ (cultural quotient) or cultural intelligence is related not necessarily with the ability of understanding the differences between cultures, but more with the problematics of adaptation to different cultural settings. So, the concept appeared from the need of solving the problems that international business people had to cope with, when relocating to distant spaces.

Cultural intelligence, or CQ (cultural quotient) is a core element in building interpersonal relationships, but also a very important tool that enhances skills such as creativity and innovation. In other words, a key aspect in international business.

Made up of four different components: CQ drive, CQ motivation, CQ strategy and CQ action, cultural intelligence can be built and strengthened through different communication channels: oral, written, verbal or nonverbal, through what specialists call *experiential learning*, or “learning through reflection on doing”. (Patrick, 2011: 1003)

## 2. Definition of Culture

The starting point of any study related to cultural intelligence should be the proper definition of *culture*. In this respect, from the wide range of materials available in the specialized literature, we have considered three of the most important definitions, whose

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authors, mainly anthropologists and sociologists, played an important role in shaping mentalities, raising awareness about the importance of the term, and helping develop a better understanding of the importance of cultural differences in the business environment.

Edward Hall is the author of the famous *Iceberg model of culture*, which will be explained in the next pages, Geert Hofstede is the Dutch sociologist who realized the importance of *cultural dimensions* in the business world, while Edgar Schein is the American management professor who realized that *culture* is like an onion with three layers, thus creating the *Onion model of culture*.

- “Culture can be likened to a giant, extraordinary complex, subtle computer. Its programs guide the actions and responses of human beings in every walk of life. (...) The essence of effective cross-cultural communication has more to do with releasing the right responses than with sending the right messages”. (Hall & Hall, 1990: 4)
- “[Culture] is the collective programming of the mind which distinguishes the members of one group or category of people from another” (Hofstede, 1994: 5)
- ”A better way to think about culture is to realize that it exists at several *levels*, and that we must understand and manage the deeper levels. (Schein, 2010: 21)

From the above given definitions of culture, we realize that *culture* is a way of doing things, sometimes as we are programmed, sometimes as the context dictates to us, some other times as the environment or the people around us suggest us to do. But it is mainly related to ideas, beliefs, customs and traditions.

Culture is more than a concept, it is a mode in which we are able to solve problems, as Fons Trompenaars suggests, but culture is visible at all levels: at family level, school level, group of individuals level, adult level, business level, corporate culture level, etc. “It is even found at the level of the whole industry because of the shared occupational backgrounds of the people industry wide”. (Schein, 2009: 19)

It is extremely difficult to make a list of all subcultures or how they impact society. They are sociological phenomena, changing in time according to the overall changes of mentality in a society, behaving as milestones or starting points.

There are different possibilities of presenting subcultures, but for the present study we will base our list on Nunez, Nunez and Popma’s study. Thus, we can talk about:

- Geographical subcultures: continental subcultures (European, Asian, North American, South American subcultures); country subculture (Japanese, Romanian, French, etc.); regional subcultures (Scandinavian, Bavarian, Moldavian, Transylvanian, etc.)
- Religious subcultures: Catholic, Orthodox, Jewish, Islamic, etc.
- Urban vs. rural subculture
- Gender
- Age: elderly, middle aged, generation Y, X, millennials, etc.
- Professional subculture: doctors, professors, economists, IT specialists, military, police forces, etc.
- Social status: middle class vs. rich people, for example.

- Corporate subculture: IBM vs. Oracle subculture, Vodafone vs. Orange subculture, ASE vs. RAU, etc.

Why are these elements important? Edward T. Hall suggests that they can help us learn the internal culture of other people and this is particularly true in our global society where working in multicultural teams, or with co-workers belonging to a different subculture from ours, is an absolutely normal fact. If we want to be efficient and proficient at the same time, we have to master the skills of cultural intelligence.

### 3. The Iceberg Model of Culture

In 1976, the American anthropologist Edward T. Hall, in his book *Beyond Culture*, developed the *iceberg analogy of culture*, which gives us a better understanding of what culture is, or more specifically of the fact that culture means more than what we see.

In his theory he compares culture with an iceberg, whose visible part, which is above the sea level, is smaller and less important than the invisible part, which is under the sea level, and which he calls the invisible culture.

Above the sea level he includes elements such as: language, dressing code, folklore, rituals, customs and traditions, etc., in other words all the elements that we see at a first glimpse, when we get in contact with a new culture, while under the sea level we have the important aspects, such as beliefs, values, unconscious feelings, biases, etc., as can be seen in the image below. (Figure 1)

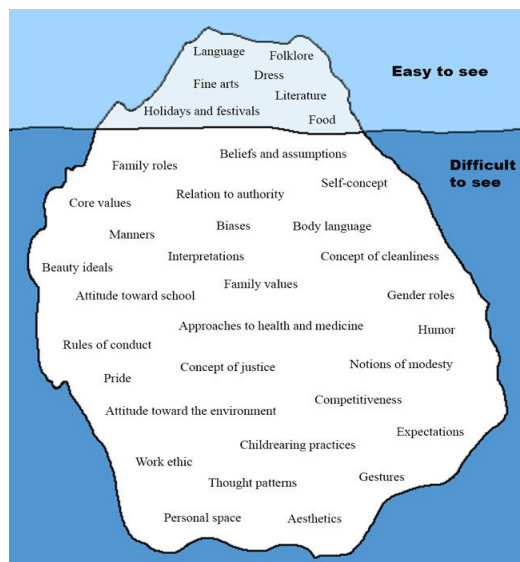


Fig. 1 The Iceberg Model of Culture

We cannot say that the invisible aspects are more important than the visible ones, on the contrary, they are equally important. However, an understanding of their role in shaping regional culture can help us gain a set of skills so that we can cope easier with cultural differences.

#### 4. The Onion Model of Culture

Edgar Schein, in the 1980s, developed the organizational culture model, also known as the onion model of culture.

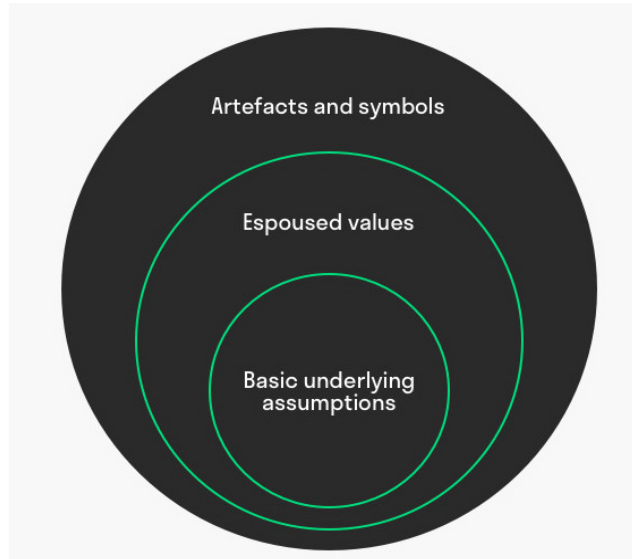


Figure 2. Onion Model of Culture

As can be seen in the picture above, this cultural model has three layers:

1. **Artifacts and symbols** which represent the external layer, that we face when we get in contact for the first time with a new culture. For example, when we travel to London, we immediately see that cars or trains travel on the “other” side, which is the opposite from the one we are accustomed to. Foreigners arriving in India will be immediately shocked at the style of dressing, in the street. The same is similar when coping with a company culture that is completely different from the one you were used to: companies have artifacts such as: logos, company style, dressing style, etc. “The most important point to be made about this level of culture is that it is both easy to observe and very difficult to decipher”. (Schein, 2010: 24)
2. **Espoused values and beliefs** represent the second layer of the model. As Nunez, Nunez and Popma suggest in their book, they are “written and unwritten standards of correct, desired behavior. (...) Norms and values are not as visible as artifacts. It takes some time to notice, let alone learn them. But with the necessary effort and observation they can be learned”. (Nunez, Nunez, Popma, 2017: 14)
3. The most important layer of the onion is made up of the **basic underlying assumptions**, which in our culture are assimilated to the so called *7 years from home*. Schein enumerates in this category the “unconscious, taken for granted beliefs, perceptions, thoughts and feelings (ultimate source of values and actions)”. (Schein, 2009: 21)

### 5. Cultural Intelligence (CQ)

Professor Guido Gianasso, from the Nanyang Technological University in Singapore speaks about the new *megatrends*, which can help us become global citizens, particularly at business level. He suggests that we, as a society, are at the crossroads of a couple of important issues: rapid urbanization, changing demographics, new technologies and accelerated innovation, and last but not least, hyper globalization.

That is why we need to develop new skills, in order to improve our personal portfolio. In this context, only the intelligence quotient (IQ), which is the total score designed to assess human intelligence, is no longer enough. New skills, such as emotional quotient (EQ) or cultural intelligence (CQ) become key aspects.

Emotionally intelligent individuals can master their emotions, even the negative aspects, such as frustration or sorrow. The American anthropologist Daniel Goleman who coined the term, speaks about five different components of EQ:

1. Self-awareness
2. Motivation
3. Empathy
4. Self-regulation
5. Social skills

*Cultural intelligence* represents the “capability to function effectively across a variety of cultural contexts, such as ethnic, generational and organizational culture”. (Livermore, 2011: 7)

The scope is not only to understand cultures that are totally different from our own, but to be able to solve problems, to adapt, overcome a culture shock and ultimately master a new culture, both for personal or business reasons. This happens because more and more people travel abroad for studies (annually it is estimated that more than a million students study abroad) and aim to find a job in a different country.

According to specialists, cultural intelligence is made up of four *capabilities*:

1. **CQ drive (motivation)** which refers to one’s trust and preoccupation with working and functioning in a culturally different environment;
2. **CQ knowledge (cognition)** which deals with one’s seek and understanding of how different or alike are cultures. This item is vital, as it develops in the individual a set of skills that will allow him/ her to function in a different culture;
3. **CQ strategy (meta-cognition)** makes us aware of the processes we need to follow in order to effectively experience culturally diverse environments;
4. **CQ action (behavior)** gives clear clues on how we need to adapt our behavior in order to tackle cultural challenges. It requires flexibility and immediate reaction in difficult situations.

All these four elements make up the cultural intelligence quotient, which can be assessed through different tests.

As Livermore suggests, CQ is not a fixed skill, but continuously progressing and improving, at the same time. “It can be helpful however, to think about them as four steps towards enhanced overall cultural intelligence”. (Livermore, 2011: 171)

One of the most important way in which we can improve cultural intelligence is by learning about the cultural values of any society. These values are “a society’s ideas about what is good, right, fair and, just” (Livermore, 2011: 88). However, we have to be very careful not to confuse these values with the cultural stereotypes, which are more abstract, rigid and unresponsive to reality.

## 6. Conclusion

Out of curiosity, triggered by the need to improve personal income or family revenues, or simply as a result of a need to change business environment, business people are sometimes tempted to make a drastic change, and settle in a new cultural environment, without even guessing the entire cultural shock that they are going to experience.

Culture shock theory was developed in 1954, by the Canadian anthropologist Kalervo Oberg, but improved since the present times. It appears in the shape of a U-curve, with four stages: honeymoon, negotiation, adjustment and adaptation, suggestive names which clearly explain the different phases until the final adaptation of the individual to a new environment. (Oberg, 2009)

If an individual is fully equipped with the cultural intelligence competences, he/she will be able to reach the fourth phase faster, or even skip the difficult negative stages. People will relate more effectively with neighbours, peers or co-workers and will have “a repertoire of strategies and behaviors to orient themselves when they encounter unfamiliar behaviors and perspectives”. (Livermore, 2011: 10)

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