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Effective Practice Guidelines Series

# Cultural Intelligence: The Essential Intelligence for the 21st Century

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## Cultural Intelligence: The Essential Intelligence for the 21st Century

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## FOREWORD

In a recent survey from the Economist Intelligence Unit, 90 percent of executives from 68 countries cite 'cross-cultural management' as their top challenge in working across borders. Today, as business becomes increasingly global, even managers in domestic organizations are likely to work with employees from a variety of cultural backgrounds. To do this effectively, they need to develop cultural competence.

Culture can be defined as "deeply rooted patterns of values, customs, attitudes and beliefs that distinguish one group from another." Culture subconsciously guides our behavior and thoughts, and often influences our sense of belonging, motivation and effectiveness at work. Developing an understanding and awareness of different cultures can help managers and employees from different backgrounds interact more effectively. Cultural intelligence (CQ) focuses on how well individuals can relate and work across cultures.

This report explains the importance of cultural intelligence and how it can benefit your organization. It also provides guidance on how to assess and develop cultural intelligence in your employees in order to create a higher-performing organization.

The SHRM Foundation's Effective Practice Guidelines series now includes more than 20 titles. Created in 2004 for busy HR professionals, the series integrates research findings with expert opinion on how to conduct effective HR practice. It provides the tools to successfully practice evidence-based management. Other recent reports include *Evaluating Worksite Wellness*, *The Aging Workforce* and *Leveraging Workplace Flexibility for Engagement and Productivity*. To ensure the material is both practical and research-based, the reports are written by subject-matter experts and are then peer-reviewed by both academics and HR professionals.

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A close-up photograph of several interlocking metal gears, rendered in a monochromatic teal color. The gears are in sharp focus in the foreground, with others blurred in the background, creating a sense of depth and mechanical complexity. The lighting highlights the metallic texture and the precision of the gear teeth.

Leveraging the opportunities of the 21st-century world requires a strategy for assessing and developing cultural intelligence.

## CULTURAL INTELLIGENCE: THE ESSENTIAL INTELLIGENCE FOR THE 21<sup>ST</sup> CENTURY



In today's global economy, human resource professionals, managers and employees work with people from a variety of cultural backgrounds daily. Who should adapt to whom, and how can organizations make the most of the burgeoning diversity across the workforce? Many employees encounter awkward and confusing situations on a regular basis. For example:

- You're talking to a person from a different culture, and he doesn't look you in the eye. Is it a cultural difference or a personal quirk? How do you know, and how do you deal with it?
- You're ready to sign a contract after months of intense negotiations with a new international client. At the eleventh hour, the client puts everything on hold and says she needs to get back to you in two weeks. How do you reply?

Success in these situations requires a unique set of skills known as *cultural competence*. Organizations and managers sometimes dismiss cultural competence as a set of elusive, soft skills that cannot be measured or taught. But that is not the case. These skills can be developed, and a number of intercultural models and inventories exist that can help. This report is focused primarily on *cultural intelligence (CQ)*, an innovative, research-based approach for working effectively across national, ethnic and organizational cultures.<sup>1</sup> The good news is, anyone can become more culturally intelligent.

This report summarizes the research on cultural intelligence and presents evidence-based strategies for assessing and developing CQ. The cultural intelligence research includes surveys of more than 50,000 people from every major industry and region of the world. The specific action steps described will help individuals and groups enhance their CQ skills to benefit their organizations.

**WHY CULTURE MATTERS:  
THE BUSINESS CASE FOR  
CULTURAL INTELLIGENCE**

*“CQ is a critical capability for navigating today’s increasingly global and diverse business environment. It’s so important that we made it one of our core behaviors at PwC.”*

*—Robert Mortiz, Chair  
PwC, United States*

Only a few years ago, cross-border travel and intercultural negotiations were reserved for high-flying executives from multibillion-dollar companies. Now technology and relatively easy travel allow any organization to work internationally and recruit a diverse workforce. The potential for business growth goes far beyond domestic markets, and the potential talent pool does as well. But significant challenges come with working across borders and in diverse groups. Note the alarming statistics in Figure 1.

Leveraging the opportunities of the 21<sup>st</sup>-century world requires

a strategy for assessing and developing cultural intelligence. But first, we need to consider the role of culture in the workplace and why cultural intelligence is the essential intelligence for the 21<sup>st</sup> century.

**What Is Culture, and Why Pay Attention to It?**

*Culture* is a catch-all term that can refer to the style and ethos of an organization, national customs and foods, or even the latest trends in fashion, movies and music. Dutch psychologist Geert Hofstede says culture is the “collective programming of the mind” that sets one society apart from another.<sup>2</sup> Some put it more simply by describing culture as “the way we do things around here”. Culture is usually taken for granted until we come into contact with a different culture, and the contrast brings it to our attention.

We are using *culture* in this report to describe deeply rooted patterns of values, customs, attitudes and beliefs that distinguish one group from another.<sup>3</sup> It subconsciously guides behavior and thoughts and thus influences just about everything that happens in an organization: a

worker’s motivation to complete a task, a leader’s influence over his or her team or a marketing campaign’s effectiveness.

Whether it’s tapping the opportunities in emerging markets, avoiding a cultural faux pas that goes viral on Twitter, attracting and retaining the best talent, or increasing profitability and cost-savings, the ability to work and relate effectively across cultures addresses a burgeoning number of organizational concerns. Top executives agree.

- Mikkel Ohlsson, CEO at IKEA, believes getting people to work effectively across cultures is both the right thing to do and makes business sense. He says, “My leadership on this is vision-driven from a business point of view and values-driven at the foundation.”<sup>4</sup>
- Jonathan Broomberg, chief executive of the South African insurer Discovery Health, is convinced that the nation’s mosaic of cultures is its most valuable source of creativity and innovation.<sup>5</sup>

The primary reasons CQ is so important are 1) the growth of diverse markets, and 2) an increasingly diverse workforce.

**Diverse markets**

*Fortune* 500 companies expect their greatest revenue streams over the next decade to come from emerging markets, and top universities are recruiting students from around the world, including groups previously underrepresented on their campuses. As a result, organizations need individuals who know how to design and adapt products and services that meet the

**Figure 1: Challenges of Working Across Borders: By the Numbers**

International ventures that fail because of cultural differences	<b>70%</b>
People who will join the middle class by 2025	<b>1 billion</b>
First-year expenses of moving an employee overseas	<b>\$700,000</b>
Multinational firms losing money in China	<b>82%</b>
Executives from 68 countries who say cross-cultural management is their top challenge	<b>90%</b>

Source: Economist Intelligence Unit

needs of these increasingly diverse customers. According to Doug Flint, Chair of banking giant HSBC:

If you were to go into any business forum in Europe and America and ask which country is going to be most important in the global environment in the next 25 years, I suspect that a vast majority would say China, and the second-highest number might say India. If you then ask how much do people in Europe and America understand about the history and culture of those countries, the answer would be a negligible amount.<sup>6</sup>

### **Diverse workforce**

The growing diversity of the workforce can be an asset or a liability, depending on how it is managed. When internal diversity is used strategically and combined with cultural intelligence, firms can reach diverse markets more effectively. Rather than relying solely on market research and surveys, a diverse workforce provides first-hand insights as to the motivations and concerns of a broad range of customers.

Ajay Banga, CEO of MasterCard, and Brian Moynihan, CEO of Bank of America, personally chair their companies' diversity and inclusion councils. They believe there is a direct link between their diversity efforts and customer satisfaction. Moynihan says, "When internal diversity and inclusion scores are strong...[we] will serve our customers better, and we'll be better off as an organization."<sup>7</sup>

The convergence of consumer diversity and workplace diversity provide a point of connection for the

great challenges and opportunities of a culturally intelligent approach. Understanding culture and its seminal role in how people think, work and relate is the first step toward harnessing the potential of diversity within the organization and the diversity of customers. But cultural awareness isn't enough. *Organizations need leaders, teams and staff who can simultaneously advance the values and needs of an organization while adapting to the cultures touched by the organization.* This requires more than cultural sensitivity and awareness, and it is where cultural intelligence becomes the truly essential intelligence for the 21<sup>st</sup> century.

### **HOW CULTURAL DIFFERENCE IS EXPRESSED IN THE WORKPLACE**

Although we rarely think consciously about our cultural identity, national culture is the kind of culture that most strongly shapes most people's thinking and behavior. In many organizations, people sit in lunchrooms separated by functions: IT people eat with other IT people, engineers eat with other engineers. But if you visit the overseas offices of these same companies, the lunchrooms are more likely to be segregated according to nationality, with Indians seated together at one table, Chinese at another and Australians at yet another.

Nationality is only one of several cultural spheres that influence what happens inside organizations. Ethnicity, gender, age-group, sexual orientation, profession and organizational culture are all part

of an individual's cultural identity and have profound effects on organizations.

The source of cultural differences is less important than the different values and perspectives that emerge from these differences. Understanding cultural protocols for passing business cards or gift-giving etiquette is helpful, but what matters more is understanding the cultural differences in how people communicate, plan and execute tasks. How should today's leaders integrate the expectations and work styles of four generations, a dozen nationalities and many subcultures to achieve a shared vision and shared strategies for an organization?

Cultural intelligence can help.

### **DEFINING AND APPLYING CULTURAL INTELLIGENCE**

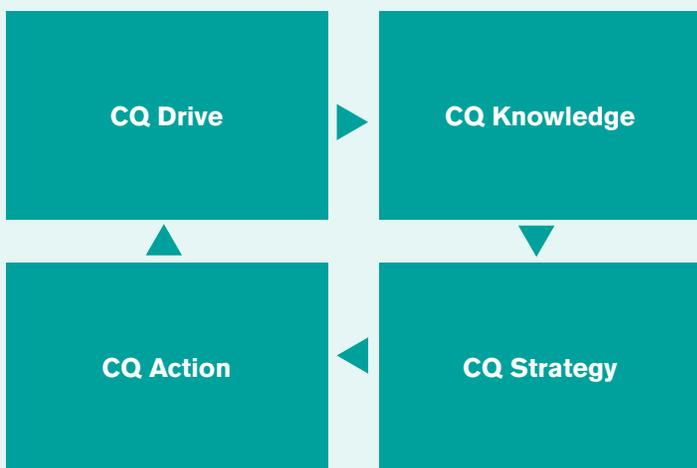
The critical question behind CQ research is: *What is the difference between individuals and organizations that succeed in today's multicultural, globalized world and those that fail? Or restated: Why are some individuals able to adeptly move in and out of dozens of cultures daily and others cannot? Going beyond existing notions of cultural sensitivity and awareness, it is important to identify the recurring capabilities of individuals who can successfully and respectfully accomplish their objectives, whatever the cultural context.* Awareness is the first step, but it's not enough. Leaders must also learn to effectively manage people and projects across different cultural contexts.

### More than Small Talk

Most North Americans welcome a brief period of informal discussion with colleagues about family, the weather or what they did over the weekend before getting down to business at a meeting. In India, however, the norm is to spend much more time building relationships, particularly when meeting a colleague or customer for the first time. In Germany, minimal or no small talk at all is the norm in work-related meetings.

One American woman who managed a German team discovered that generating informal conversation at the beginning of a meeting actually eroded her credibility. She normally would have considered her employees' disregard for informal conversation to be dysfunctional. But she learned that the best way to build rapport and trust with her German counterparts was to immediately address the task at hand. Her evolving understanding of culture and its role in her organization's life was essential to working effectively with her colleagues.

**Figure 2: The Four CQ Capabilities,**  
Cultural Intelligence Center©



Researchers have identified several types of intelligence, including academic intelligence (IQ), emotional intelligence (EQ), and social and practical intelligence.<sup>8</sup> Cultural intelligence picks up where these other forms of intelligence leave off, providing the practical, interpersonal skills needed when

the cultural context changes. There are four capabilities, included in cultural intelligence, each of which includes more specific skills, or sub-dimensions, that can be measured and enhanced. Below, we examine each of the four capabilities in depth.

### CQ Drive (Motivation): The Interest, Confidence and Drive to Adapt

CQ Drive is the motivational dimension of cultural intelligence, measuring the level of interest, drive and energy needed to adapt cross-culturally. Challenges and conflicts inevitably accompany intercultural work. Do your managers and employees have the confidence and drive to work through them? The ability to engage and persevere through intercultural challenges is one of the most novel and important aspects of CQ.

Team members often approach diversity training apathetically, going through the motions just because it is required. And workers headed to an international assignment are often more concerned about moving and adjusting their families to a new situation than they are about developing cultural understanding. But without adequate motivation for understanding the culture, pre-departure training is unlikely to have much value.

CQ Drive includes three sub-dimensions that can be assessed and developed:

- *Intrinsic interest*, or the degree to which a person derives enjoyment from culturally diverse situations.
- *Extrinsic interest*, or the tangible benefits a person gains from culturally diverse experiences.
- *Self-efficacy*, or the confidence that a person has about being effective in intercultural encounters.<sup>9</sup>

All three of these sub-dimensions play a role in how people approach

**Table 1: A Comparison of Key Cultural Values**

Cultural Value Dimensions (CQ Knowledge)				
Cultural Dimension	Types	Definition	Examples*	Potential Challenges
Direct vs. Indirect	Direct	Emphasis on explicit communication (words)	Germanic/Nordic	May be perceived as blunt/rude
	Indirect	Emphasis on indirect communication (tone, context)	Asian	May be perceived as obtuse or unclear
Individualism vs. Collectivism	Individualism	Emphasis on individual goals and rights	Anglo	May be perceived as a lone ranger
	Collectivism	Emphasis on group goals and personal relationships	Asian	May be perceived as lacking personal initiative
Uncertainty Avoidance	Low	Emphasis on flexibility and adaptability	Arab	May be perceived as unprepared
	High	Emphasis on planning and predictability	Confucian Asian	May be perceived as uptight
Universalism vs. Particularism	Universalism	Emphasis on rules; standards that apply to everyone	Nordic	May be perceived as inflexible
	Particularism	Emphasis on specifics; unique standards based on relationships	Latin American	May be perceived as showing favoritism
Assertiveness	Low	Emphasis on collaboration, harmony and warmth	African	May be perceived as weak
	High	Emphasis on competition, success and results	Anglo	May be perceived as combative
Tight vs. Loose	Tight	Emphasis on conforming to social norms	Arab	May be perceived as narrow-minded
	Loose	Emphasis on freedom of expression	Anglo	May be perceived as rebellious

\*These are examples of cultures where this cultural value is strong, but always be prepared for exceptions in any culture.

diverse markets, diverse groups and the diverse workforce.<sup>10</sup>

**CQ Knowledge (Cognition): Understanding Intercultural Norms and Differences**

CQ Knowledge is the cognitive dimension of cultural intelligence, referring to knowledge about culture and its role in shaping interactions and work. Do your staff understand the way culture shapes how people think

and behave? Do they have an overall understanding of how cultures vary?

CQ Knowledge includes two sub-dimensions that can be assessed and developed:

- *Cultural-general understanding*, which is a macro understanding of cultural systems and the cultural norms and values associated with different societies.

- *Context-specific understanding*, which involves understanding the relevance of culture to specific domains.<sup>11</sup>

**Cultural-general understanding**

includes the ways communication styles, religious beliefs and role expectations for men and women differ across cultures. If employees lack an understanding about the basic norms for how men and women should relate, they can be

perceived as rude or possibly even inappropriate. Or if they fail to appreciate the historical context of a culture, they can be perceived as ignorant and myopic. In particular, team members need to understand the different communication styles between cultures. For example, some cultures value a more direct, explicit approach to communication versus a more indirect, implicit approach. Direct communicators are often frustrated by what they perceive to be obtuse, unclear forms of communication. And indirect communicators are offended by what appears to them as a blunt, rude style. Germanic and Nordic cultures tend to favor direct, or *low-context*, communication. In Asian and African cultures, indirect, or *high-context*, communication is the norm. Managers will not be able to effectively address conflict on multicultural teams without understanding direct versus indirect approaches to communication.<sup>12</sup>

Other common markers that differentiate cultures include the following:

- *Individualist* cultures emphasize personal responsibility and decision-making, while *collectivist* cultures stress shared responsibilities and consensus-building.
- Some cultures emphasize the *equality* of everyone, regardless of their function; others favor making the *hierarchical differences* explicit.
- Many cultures are high in *uncertainty avoidance*, where people are often uncomfortable with unknown, unpredictable outcomes; others emphasize *flexibility and adaptability*.
- *Universalist* cultures believe rules should apply to everyone equally, whereas *particularist* cultures tend to judge each situation in its own right.<sup>13</sup>
- Some cultures put a premium on *assertive* behavior, aggression and toughness; others prioritize *collaboration* and collegial behavior.<sup>14</sup>
- Cultures also vary in the degree to which they stress conformity to social norms, something described as how *tight* or *loose* a culture is.<sup>15</sup>

Although many members of your workforce may be unfamiliar with terms like “uncertainty avoidance” or “universalism,” they experience these realities daily when working across cultures. For example, they may encounter high uncertainty avoidance when working with colleagues from Japan or Germany, for whom careful preparation and contingency planning may be considered crucial. Personality and one’s function in the organization can also play a part in one’s cultural value orientations. For example, attorneys and engineers tend toward a higher degree of uncertainty avoidance than sales managers and HR directors do.

As individuals improve their CQ Knowledge and begin to understand cultural differences, they will also better understand colleagues who come from a variety of cultural backgrounds.<sup>16</sup>

There is enormous diversity *within* all cultures, so it is dangerous to generalize about everyone from a specific culture or nationality. We cannot assume that all Germans are direct, all Koreans are hierarchical,

or all Latinos are collectivists. But CQ Knowledge provides the ability to identify when and how certain cultural values are influencing the way an individual thinks and behaves.

Cultural-general understanding also includes an understanding of the world’s varied economic, business, legal and political systems. Every nation has distinct systems governing how members distribute products and services, how they govern and pursue justice, and how they mate and raise children. Understanding how families work in a particular culture might seem unnecessary, but that knowledge is key when you are trying to develop human resource policies. For example, you will need to know whether the majority of your employees are caring for senior members of their extended families.

### **Context-specific understanding**

includes adapting and applying cultural intelligence to highly specific domains. For example, effectively leading a global business is different from effectively leading a multicultural university. The way an information technology company works across borders differs from the way a charitable organization or a military initiative does. Each requires specialized, domain-specific cultural knowledge combined with a macro understanding of overarching cultural differences.

Many approaches to managing people across cultures emphasize CQ Knowledge (understanding cultural differences) first and foremost. However, it is important to integrate the other three capabilities of cultural intelligence as well. Although CQ Knowledge is valuable,

by itself, it does little to solve to real-life intercultural challenges and it can potentially be detrimental.<sup>17</sup>

### **CQ Strategy (Metacognition): Making Sense of Culturally Diverse Experiences and Planning Accordingly**

CQ Strategy is the metacognitive aspect of cultural intelligence, measuring a person's ability to strategize before, during and after crossing cultures. The challenge is slowing down long enough to carefully observe what is going on inside one's mind and the minds of others. Employees who possess strong CQ Strategy can draw on cultural understanding to solve complex problems.

CQ Strategy has three sub-dimensions, which can be measured and developed:<sup>18</sup>

- *Planning* is simply taking time to prepare for an intercultural encounter—anticipating how to approach the people, topic and situation in light of the cultural differences.
- *Awareness* is being in tune with what is going on in one's own mind and in the minds of others during an intercultural encounter.
- *Checking* is comparing one's actual experiences with prior expectations and adjusting mental models as appropriate.

CQ Strategy emphasizes the importance of thinking consciously and is, therefore, the lynchpin between understanding cultural issues and actually being able to use this information to be more effective in the 21<sup>st</sup> century workplace.

### **CQ Action (Behavior): Changing Verbal and Nonverbal Actions Appropriately**

CQ Action, the behavioral dimension of cultural intelligence, is the ability to *act* appropriately in a range of intercultural situations and effectively accomplish goals. One of the most important aspects of CQ Action is knowing when to adapt to another culture and when *not* to adapt. A person with high CQ Action learns which actions will and will not enhance effectiveness and acts on that understanding. Actions should always be flexible and tailored to specific cultural contexts.

The three dimensions of CQ Action are:

- *Speech acts*: the specific words and phrases used when communicating different types of messages.
- *Verbal actions*: the adjustment of one's volume, tone and pace of speech
- *Nonverbal behaviors*: adapting gestures, proximity, and facial expressions as needed.<sup>19</sup>

It is impossible to master all the dos and don'ts of various cultures, but certain common behaviors should be modified in particular cases. For example, Westerners must learn the importance of carefully studying business cards presented by Asian colleagues. And Asians must learn the art of small talk to build trust with North Americans. Some basic verbal and nonverbal behaviors, including the volume of a person's voice, vary from culture to culture in terms of what they convey about leadership. Almost every approach to intercultural work emphasizes

the importance of flexibility, and CQ Action is a way of assessing and improving specific types of flexibility.

These four CQ capabilities offer a coherent framework for addressing the needs and opportunities of diverse markets and a diverse workforce. They can be used to create strategies for recruiting culturally intelligent staff, working through day-to-day intercultural challenges, and assessing and developing cultural intelligence across all levels of an organization.

### **MEASURING CULTURAL INTELLIGENCE**

One of the most important developments in the field of intercultural competence has been the emergence of inventories that assess intercultural competence. Many organizations use these assessments to develop members' intercultural awareness and skills. Intercultural assessments can provide individuals and organizations with a mechanism for understanding what areas need the most attention. In addition, assessment data can reduce the sense that intercultural skills are vague and elusive, and provide a way for HR professionals to benchmark performance against worldwide norms and standards.

- Intercultural assessments can be used as part of the *onboarding process*—not as a contingency for employment, but to help a new team member succeed in culturally diverse environments. Feedback based on an assessment can help new hires focus on the areas that need the most attention for personal development.

- Some organizations include *multi-rater assessments* (e.g., 360°) in their high-potential programs. Participants can see how their colleagues, supervisors and subordinates perceive their intercultural skills and can use the leadership development program to improve their cultural intelligence.
- The most forward-thinking organizations include *assessments for people all across the workforce*—both as a way to see how the company fares against the norms in other organizations and to offer all team members individual insights into where they can most profitably focus their energies, use their strengths and improve their skills for working across cultures.

### Selecting the Right Assessments

Managers and HR professionals face a difficult decision when selecting an intercultural assessment from the many available. There are more than 300 constructs related to intercultural competence and dozens of instruments that claim to measure it. Many of these assessments can yield useful insights, but some approaches offer more actionable steps than others.

Some intercultural inventories assess an individual's traits and demographic characteristics— areas that typically do not change and are not responsive to interventions. This would be similar to what is measured in a personality inventory like Myers-Briggs or DISC, but with an emphasis on traits related to intercultural interactions.

Other inventories focus on assessing attitudes and beliefs,

### Opt for Clarity, Not Jingle and Jangle

Michelle Gelfand, a well-known scholar of intercultural behavior, describes the field of intercultural studies as suffering from the *jingle and jangle fallacy*, in which “constructs with the same meaning are labeled differently while constructs with different meanings are labeled similarly.”

For an assessment to be useful, it needs to provide clarity as to what aspects of intercultural competence are being measured, why they are important, and how managers can use the information to help the organization become more culturally intelligent.

Source: Gelfand, M., Imai, L., & Fehr, R. (2008). Thinking Intelligent about Cultural intelligence. In S. Ang & L. Van Dyne (eds.), *Handbook of cultural intelligence: Theory, measurement, and applications* (p. 375). Armonk, NY: M.E. Sharpe.

which develop in early childhood through unconscious socialization. People are often unaware of their implicit biases, and it is difficult to measure or change these orientations.

Still other inventories focus on measuring intercultural *capabilities*—the skills one possesses to be effective in an intercultural context. In contrast to the other aspects of intercultural competence (individual traits, attitudes, beliefs), intercultural capabilities can be developed and enhanced by training, goal setting and direct involvement in intercultural activities and interactions. Thus, instruments that assess intercultural capabilities and interventions focused on enhancing intercultural skills are often more useful to managers and human resource professionals than instruments that assess less malleable characteristics such as traits and beliefs.

Some assessments attempt to address all these areas of intercultural competence by including a mix of questions on

personality, attitudes, beliefs, opinions and capabilities. This is problematic because the feedback is confusing to participants. Mixing different components of intercultural competence together and treating them as if they are the same makes it difficult for organizations and participants to know how to use the results.

When selecting an intercultural assessment, first and foremost, be clear about what you want to measure.

- If you are interested in measuring individual differences that are unlikely to change, consider an assessment that focuses on demographic characteristics and personality traits, such as bio-data, the Big Five dimensions of personality, or the Multicultural Personality Questionnaire (MPQ).
- If you are interested in the degree to which your team is open and ready to explore cultural differences, consider the Intercultural Development Inventory (IDI).

- If you are primarily interested in exposing unconscious biases, consider the Implicit Association Tests (IAT).
- If you are interested in measuring and predicting how individuals will adjust to and perform in culturally diverse settings, consider the Intercultural Adjustment Potential Scale (ICAPS) or the Cultural Intelligence Scale (CQS).

*No tool can measure everything effectively. Select the instrument that measures what you most need to know.* Just as you wouldn't use a thermometer to measure the length of a table, don't use an assessment designed to measure intercultural attitudes and preferences if you're trying to assess intercultural capabilities.

It is critically important to investigate the reliability and validity of the instruments you consider. Some assessments have been created without using a rigorous psychometric design, and some do not provide peer-reviewed, published evidence of their reliability and predictive validity. Responses to scale items must be correlated to provide evidence that

each dimension is measuring one thing at a time. Dimensions must be related, but not so related that they do not assess different things. The dimensions and the pattern of relationships among the dimensions should be stable across samples and across cultures.

Any scale you use must have demonstrated predictive validity, that is, it must predict meaningful outcomes. A scale that aims to predict intercultural performance should include both self and observer assessments and should predict things like negotiating effectively across cultures, making quality decisions, and adjusting to different cultural norms for time and authority. Scales developed using only self-report data lack validity and should be avoided.

### Quick Tips for Choosing an Assessment

- Examine published academic literature on the assessment being considered to make sure the instrument measures what you want to measure.
- Confirm that the tool is reliable and valid. One very useful way to do this is to read published

articles that compare different assessments. For example, psychologists David Matsumoto and Hyisung C. Hwang published a review in the *Journal of Cross-Cultural Psychology*. Below are three of the reliable inventories they reviewed: the Intercultural Adjustment Potential Scale (ICAPS), the Multicultural Personality Questionnaire (MPQ) and Cultural Intelligence Scale (CQS).<sup>20</sup>

✓ **The ICAPS** predicts potential for intercultural adjustment based on eight psychological skills: emotion regulation, critical thinking, openness, flexibility, interpersonal security, emotional commitment to traditional ways of thinking, tolerance for ambiguity and empathy. ICAPS predicts adjustment and adaptation to culturally diverse contexts above and beyond what can be predicted by different demographic variables, personality or general intelligence.<sup>21</sup>

✓ **The MPQ** predicts multicultural effectiveness by measuring seven personality dimensions that are important considerations for adjusting to the demands of a culturally diverse environment: cultural empathy, open-mindedness, emotional stability, orientation to action, curiosity, flexibility and extraversion. The results of the MPQ offer insights into the level of job satisfaction a manager will feel when leading individuals from multiple cultural backgrounds. MPQ predicts adjustment

**Table 2: Selecting an Intercultural Assessment**

What Do You Want to Measure?	Sample Assessments	Ideally Suited for
Individual preferences (traits, personality, cultural values, beliefs, etc.)	Cultural Values Profile CultureWise GlobeSmart Multicultural Personality Questionnaire (MPQ)	Individual contributors Self-awareness Hiring (to understand "fit")
Cultural awareness and readiness (attitudes and worldview)	Implicit Association Tests Intercultural Developmental Inventory (IDI)	Diversity programs Overseas assignments
Intercultural skills	Cultural Intelligence Scale (CQS) Intercultural Adjustment Potential Scale (ICAPS)	Inclusion initiatives Multicultural teams Global leadership roles

and adaptation beyond demographic considerations and overall personality.

✓ **The CQS** predicts effectiveness working in a culturally diverse environment. The scale measures the four capabilities and related sub-dimensions of cultural intelligence reviewed earlier—motivation (CQ Drive), cognition (CQ Knowledge), metacognition (CQ Strategy) and behavior (CQ Action).<sup>22</sup>

Organizations measure what they value. If an organization is committed to developing cultural intelligence, managers and human resource professionals need to create plans for measuring it. Use a reliable and valid instrument to understand the levels of cultural intelligence across the organization as a whole and to offer individuals feedback for developing their intercultural capabilities.

Assessments by themselves accomplish little. But when combined with feedback and professional development opportunities, they can be an extremely important part of developing cultural intelligence in your workforce.

## DEVELOPING CULTURAL INTELLIGENCE

Cultural intelligence is malleable, and everyone can improve their CQ through a variety of proven strategies. All of these strategies work best when an individual begins by completing an assessment of her or her current intercultural skills. It may be helpful to retake the assessment multiple times

**Figure 3: Strategies for Developing CQ**



throughout the developmental process in order to monitor progress. In this section of the report, we describe three complementary strategies for helping people develop cultural intelligence: 1) experience and reflection, 2) training and coaching, and 3) personal CQ development plans, (see Figure 3).

### Experience and Reflection

There is no substitute for on-the-job training when it comes to improving CQ. Ideal experiences allow participants to be fully immersed in another environment or cultural context, without all the familiarity of home. When people are traveling with colleagues, working in an overseas office or staying at an international hotel, they can take an evening walk through a night market, ride on public transit or have dinner at an international colleague's home. These experiences do wonders for developing cultural intelligence. Closer to home, one can visit neighborhoods or stores catering to particular cultures and

talk with people from different backgrounds about work-related issues to get a different perspective.

Many organizations have employee resource groups for different populations. With permission, employees outside that population may be able to sit in on a session and ask questions. When people directly experience intercultural differences—rather than just reading or hearing about them—they are far more likely to internalize and understand them.

One experience is not enough. People learn and grow more when they reflect on multiple experiences and test their interpretations with active experimentation. And concrete experiences should be followed by thoughtful reflection about what individuals have observed and experienced. Ideally, someone who understands both the home culture and the new cultures should be available to help process everyone's reflections.<sup>23</sup>

### Cultural Immersion, IKEA Style

At IKEA, direct experience in cultures informs the ways the company customizes its approach to various markets. Employees frequently conduct home visits to get a firsthand glimpse of how people live in Milan versus New York versus Shenzhen.

When visiting homes in Shenzhen, IKEA designers discovered that most of the Chinese people they met sat on the floor and used the sofa as a backrest. This challenged the company's assumptions about what is important in the design of a good sofa. As a result, IKEA developed an alternate strategy for selling sofas in the Chinese market.

Direct experience provided a chance to enhance individual employees' CQ and to gain insights about specific initiatives they were working on. Ideally, IKEA employees would also step back to reflect on similarities and differences in the living rooms of Milan, New York and Shenzhen, and what they learned about themselves.

Source: Kowitz, B. (2015, March 15). It's IKEA's world. We just live in it. *Fortune*.

### Training and Coaching

Training and coaching programs are not a substitute for direct, hands-on experience, but they are another effective way to enhance cultural intelligence. After people complete an assessment and review their results, a training session can be scheduled.

#### Introductory training and assessments

Some of the assessments listed in Table 2 on page 9 provide feedback on an individual's personal orientation in several cultural values, such as those in Table 1. For example, an assessment may indicate whether a person prefers direct or indirect communication. Trainers and coaches can begin by explaining key cultural value differences and discussing assessment results.

An effective way to use the results from cultural values inventories is to place participants in groups and ask them to discuss the ratings they gave themselves. Then the group can create a composite that

maps their differences along each dimension and discuss ways their similarities or differences might influence the team positively or negatively. They can also discuss how to use their differences strategically to benefit clients and customers. This kind of exercise is particularly beneficial for in-tact teams, but it can also be useful as a learning exercise for any training group.

Starting with the cultural value dimensions can be a useful way to introduce cultural intelligence because it provides neutral terms for describing cultural differences and further establishes the need for cultural intelligence. Most groups will immediately see the diversity of cultural values across their groups, leading to questions about how to effectively manage and use those differences.

Many organizations already have courses that teach cultural values based on the research

of Hofstede, Edward Hall or the GLOBE leadership project. And many organizations use tools like GlobeSmart, Cultural Navigator, CultureWizard or the Cultural Values Profile found in the CQ assessments. These courses and tools are ideally suited to supplement an overall training approach to cultural intelligence because the CQ framework provides an integrative mental model for working effectively across cultural value differences.

When training focuses only on teaching cultural values, participants will improve their CQ Knowledge, but may not improve in other areas and may not be able to apply their new understanding practically. Furthermore, as noted previously, CQ Knowledge without the other three CQ capabilities can lead to stereotyping, or assuming that everyone from a specific culture is the same. In reality, an Indian living and working in Dubai may be very different from an Indian living and working in Delhi. And two Indians working alongside each other in Delhi have individual differences as well as some shared cultural similarities.

Nothing erodes an inclusive, productive culturally diverse team more quickly than perpetuating generational, cultural or other stereotypes. Teaching cultural values and norms is useful when done within the broader framework of cultural intelligence. CQ provides a coherent model and a shared language for discussing cultural values and intelligence, and creating strategies for intercultural effectiveness.

### **Targeted training**

A two- or three-hour introduction to cultural intelligence for a cross-functional group is usually highly effective, but is ideally followed by targeted training on cultural intelligence that addresses the needs of specific groups or functional units. For example, a workshop on marketing with cultural intelligence or on working virtually with cultural intelligence allows facilitators to focus on the immediate challenges facing each group.

Additional training about specific cultures and regions can also be useful, as long as it occurs after a more general introduction to CQ. Without the broader understanding of cultural intelligence, employees might take away an overly simplified understanding of doing business in a specific culture.

### **Coaching individuals toward a personal plan**

Coaching—either face-to-face or virtual—is especially valuable for senior leaders who may struggle to get straightforward feedback from their teams. Coaching is also a strategic component of many successful programs in which participants work on a personalized plan for developing their intercultural skill sets. A coach will help participants review their CQ scores and create a way forward. This can include a discussion of any feedback they found surprising or troubling.

Coaches also help people develop plans for using their CQ strengths and brainstorm concrete goals and action plans to improve their weaker CQ capabilities. Agreeing on specific, measurable goals and target dates for completion

allows coaches to monitor progress. Deadlines and follow-up plans make it more likely that participants will avoid the usual trap of good intentions getting lost in the busyness of daily demands and preventing the transfer of learning into changed behavior. Accountability to a coach makes it more likely that people will follow through and benefit in the long term.

Some companies are now using coaching as the primary way to support their expatriate (expat) personnel. Rather than offering training before individuals move abroad, expats take the CQ assessment, and a personal coach follows up to help anticipate potential challenges in the new location in light of their CQ results. The coach continues to follow up after the move and can be available via Skype or other electronic media as questions arise.

### **Personal CQ development plans**

People are most likely to enhance their cultural intelligence when they create a personal CQ development plan. Intercultural assessments have little value unless people reflect on their strengths and weaknesses and create a plan for using the feedback. Training and coaching are only helpful if participants take personal ownership to develop a plan and

follow it. Several steps are essential in creating a development plan:

- Reflect on the intercultural challenges individuals face and ways their CQ capabilities may help to resolve these challenges.
- Consider long-term professional goals and how enhanced CQ can help accomplish those objectives.
- Review CQ strengths and weaknesses, and identify which CQ capabilities need the most attention to address those challenges.
- Develop specific actionable goals, including goals that capitalize on CQ strengths and goals that focus on enhancing weaker CQ capabilities.

This strategy is most likely to be useful when there is a plan for accountability. Participants should share their plans with supervisors or a peer and set a date for follow-up. Another option is to make a CQ development plan part of the annual review process—not for evaluation, but to ensure ongoing assessment and development of this critical form of intelligence.

Time and experience alone will not prepare people to work more effectively across cultures. But with experience and reflection,

### **Global Innovation Requires a Diverse Workforce with CQ**

Google executive Nancy Lee acknowledges that the tech giant has a long way to go to change its white, male-dominated workforce. She is concerned because Google wants to be a company that welcomes and includes a diverse workforce and continues to thrive as a global innovator.

Lee explains, “To succeed in business today, you need ideas coming from every perspective and background. Period.”

Source: Nancy Lee, quoted in *USA Today*, Nov. 9, 2014

training and coaching, and personal development plans, cultural intelligence can be enhanced. The results will benefit individuals and their organizations.

## RETURN ON INVESTMENT FOR INDIVIDUALS

We now know that an individual's CQ predicts how he or she will perform when working in culturally diverse situations—whether living or traveling internationally, working on a project with diverse colleagues, suppliers and customers, or working across two different organizational cultures. Ninety percent of leading executives from 68 countries identify intercultural skills as among the most important capabilities required to remain competitive.<sup>24</sup>

The higher an individual's CQ, the more likely he or she is to outperform others, gain new opportunities, and experience success working in a global context. Specific returns predicted by CQ include:

- Intercultural adjustment.
- Cultural judgment and decision-making.
- Intercultural negotiation effectiveness.
- Trust, idea sharing and creative collaboration.
- Overall performance.

See Table 3 on page 15 for a list of which CQ capabilities are most strongly correlated with these specific outcomes.

### Intercultural Adjustment

Cultural intelligence predicts an individual's personal adjustment emotionally and psychologically

when encountering unfamiliar cultures. Assessing and developing CQ for those who take on an international assignment or work in highly diverse environments helps with adjustment in two ways:<sup>25</sup>

- *Individuals with high cultural intelligence are less likely to experience burnout from their intercultural work.* CQ predicts an individual's level of stamina, energy and productivity when working across borders, which is especially relevant to short-term travelers who are expected to fly in and out of many different places from month to month.<sup>26</sup> Even those who thrive on walking the streets of a new place and trying the local food eventually grow weary of repeatedly adjusting their approaches, plus jet lag can tax even the savviest travelers. Those with high CQ are able to persevere and bounce back from the inevitable stress and fatigue of cross-border work, making it more likely that these assignments will be enjoyable and profitable for everyone involved.
- *Cultural intelligence allows people to adjust internally and externally to shifting expectations and demands when working with culturally diverse colleagues face-to-face or virtually.* High CQ provides a map and reference points for interpreting what's occurring, what's not occurring, and making sense of confusing situations. With high CQ, individuals can focus on their roles, adjust to the challenges of culturally diverse teams, enjoy intercultural interactions, and recognize the value of adjusting to the novelty of different cultural perspectives.

*CQ Drive and CQ Action are especially important for handling the psychological, emotional and day-to-day adaptations people have to make in a new culture.*<sup>27</sup> Genuine curiosity and flexibility in modifying verbal and nonverbal behaviors help people adapt without creating high levels of personal stress.

### Cultural Judgment and Decision-Making

Understanding customers across multiple contexts is one of the biggest challenges faced by senior executives.<sup>28</sup> Cultural intelligence helps people understand the perspectives and priorities of others and work cooperatively to develop mutually acceptable decisions. This is important because the common sense, lead-with-your-gut approach to making decisions that often works in a person's home culture does not work when leading culturally diverse groups or when functioning in a different culture.

*With high CQ—especially CQ Knowledge and CQ Strategy—people can diagnose situations from multiple perspectives and make effective decisions in culturally diverse contexts.*<sup>29</sup> Without the insights offered by cultural intelligence, employees are at a disadvantage when making strategic decisions, particularly in the midst of a crisis.<sup>30</sup>

### Intercultural Negotiation Effectiveness

High CQ is important for effective intercultural negotiation, whether it is the formal negotiation of contracts or the day-to-day give-and-take required to reach agreements with staff, colleagues, vendors and clients from different cultural backgrounds.

Negotiating between cultures typically requires more time and greater patience to persist through the process.<sup>31</sup> Understanding the other parties' perspectives and creatively collaborating across cultures are critical for negotiating deals that are not only agreeable but celebrated by everyone involved.<sup>32</sup>

*CQ Drive and CQ Strategy are especially important to negotiations occurring cross-culturally.* CQ Drive provides the motivation to interact with negotiators from other cultures and the confidence required to adapt to different negotiation practices and standards. CQ Strategy helps people develop appropriate negotiation plans, remain mindful and aware of what's going on in the midst of the negotiation, and follow up to check the accuracy of their interpretations.

### **Trust, Idea-Sharing and Creative Collaboration**

Diversity can play a powerful role in fostering innovation, but not

always. Multicultural teams with low CQ underperform homogenous teams, but when CQ levels are high, diverse team members are more likely to trust each other, share ideas and come up with more innovative solutions than homogenous teams.

CQ attenuates the potential risks of speaking up among a group of culturally diverse peers. For example, Novartis, the Swiss pharmaceutical giant, combines its commitment to cultural intelligence with multicultural employee resource groups to provide market research for launching new brands. Members' different cultural perspectives provide a valuable in-house resource that offers better ideas than traditional market research, for little cost.

All four CQ capabilities are important for making the most of a diverse team, but *CQ Knowledge and CQ Strategy are especially critical for building trust, exchanging ideas and collaborating on a multicultural team.*<sup>33</sup>

#### **Using CQ to Navigate Business in China**

"For the Chinese government, social stability overrides economic considerations. Politics come before economics. For business, it is wiser to leave the fight over ideologies to the politicians and focus on the business agenda."

—Eva Cheng, Hong Kong-based executive  
March 10, 2014

Many Western organizations want a presence in Asia, especially in China. Leaders with high CQ are more likely to negotiate effectively with Chinese officials and companies. In China, companies are often asked to make sacrifices for the interest of the nation. That idea is strange to many outsiders. On the other hand, many Chinese insiders believe the high-pressure negotiation tactics used by Western leaders erode their opportunities in China.

If your organization decides to move into China with a new idea, product or service, you must fully convince the government why what you propose is good for the nation, the economy and the Chinese people. Your team will need cultural intelligence to manage all that.

### **Overall Performance**

Cultural intelligence gives HR professionals and the staff they support an overall gauge of how individuals and teams will perform in culturally diverse situations. With heightened CQ, individuals are more likely to perform effectively when their boss or subordinate comes from a different cultural background. It also predicts how one will behave on a multicultural team and the way one will lead across cultures.<sup>34</sup> In addition, CQ predicts adaptive performance,<sup>35</sup> expatriate performance,<sup>36</sup> sales performance in the context of selling to clients with different cultural backgrounds<sup>37</sup> and export performance.<sup>38</sup> CQ also predicts team effectiveness and leader effectiveness.<sup>39</sup>

*CQ Strategy and CQ Action are most relevant CQ capabilities for predicting the performance of leaders who are required to move in and out of many different cultures, situations and tasks.*<sup>40</sup> Research into CQ and performance also extends to other areas, including creativity,<sup>41</sup> team-shared values,<sup>42</sup> interpersonal trust in multicultural teams, team knowledge sharing,<sup>43</sup> team learning,<sup>44</sup> leadership potential,<sup>45</sup> effective communication, and mergers and acquisitions.<sup>46</sup>

### **BUILDING CULTURALLY INTELLIGENT ORGANIZATIONS AND TEAMS**

The best way to develop culturally intelligent organizations is to help employees improve their CQ through the kinds of experiences, training and personal development

plans reviewed previously. However, there are three additional strategies that will help build culturally intelligent teams and organizations: 1) leadership commitment, 2) an organizational CQ audit, and 3) an organizational CQ strategy (see Figure 4, page 16).

### Leadership Commitment

Senior leaders must make CQ a priority if it is going to become a guiding characteristic throughout the organization. Leaders need to demonstrate their commitment to cultural intelligence through their strategic vision and through their actions.

Questions to explore with senior executives include the following:

- What are your key performance goals and targets?
- What are the biggest challenges hindering you from reaching those goals?

- How does culture influence these challenges (e.g., a dispersed workforce, multicultural teams, culturally diverse customers, culturally diverse markets, expatriate assignments, short-term travel, employee turnover)?
- How could improved cultural intelligence help the organization overcome challenges and accomplish its goals (e.g., better insights into diverse customers, improved employee engagement, innovative opportunities, expansion into new markets)?

Ideally, cultural intelligence should not be isolated as only relevant to those doing international work. A truly global organization will integrate cultural intelligence across all functions and as part of the strategic plan. Senior executives should lead the way by taking an assessment

of their intercultural skills to ensure that they are personally committed to improving their CQ—for their own benefit, for the benefit of the organization and for the message it will communicate downstream.

To respond to fast-changing circumstances and develop a global strategy, senior leaders will have to draw on the four capabilities of cultural intelligence. This is particularly true for those who are managing and leading teams, projects and expansion across culturally diverse contexts.<sup>47</sup>

### Organizational CQ Audit

Leaders can assess the organization’s progress toward cultural intelligence by conducting an audit. The audit can focus on the organization as a whole or on a specific division, set of teams

Which CQ Scores Matter Most?*					
<b>Intercultural adjustment</b>	Global assignment (expat)				
	Global manager	✓			✓
	Multicultural team member				
<b>Cultural judgment and decision-making</b>	Marketing		✓	✓	
	R&D				
	Technical specialist				
<b>Intercultural negotiation</b>	Business development				
	Supply chain manager	✓		✓	
	Legal				
<b>Intercultural trust and idea sharing</b>	Multicultural team member		✓	✓	
	Global virtual team member				
<b>Expanding into new markets</b>	Sales	✓	✓		
	Business development				
<b>Strategic leadership and intercultural task performance</b>	Executive				
	Leader of global team			✓	✓
	Strategic HR professional				

\*Optimum intercultural performance requires all four CQ capabilities, but some capabilities are especially relevant to some outcomes.

**Figure 4: Strategies for Building Culturally Intelligent Teams and Organizations**



or human resource practices. Questions can include the following:

- To what degree do the practices, policies and marketing messages of the organization reflect a culturally intelligent approach?
- What cultures are represented in the organization? What cultures are underrepresented?
- To what degree do you have diverse representation from various cultures on your teams, and how have you equipped teams to engage with that diversity?
- To what degree do the leaders value, demonstrate and promote culturally intelligent behavior?
- How does the organization consider CQ when hiring and promoting individuals?

The audit can also include a qualitative assessment of the cultural intelligence of the organization and HR policies, as well as input from customers and suppliers on how they view the cultural intelligence of the organization.

An organizational audit should ideally include the aggregate results of personal CQ Assessments

completed by senior executives as part of their leadership commitment, and assessments of the units and departments that have regular interaction across cultures. Develop a plan for working through other areas of the organization so that everyone can gain the insights that come from assessing their CQ and thinking about how to use their strengths. Compile the aggregate results from the individual assessments and track the progress over time.

An organizational or team audit can become the basis for future human resource training and development programs. This will allow you to strategize about where you are and where you are going. And it can sometimes create the platform for gaining attention from senior management for building this essential skill set across the organization.

### **Organizational CQ Strategy**

After the audit, it is time to formulate a strategy for becoming a more culturally intelligent organization. Just like any strategic plan, this plan should include milestones, action steps and target dates. The strategy

should also include organization-level plans for administering assessments, providing hands-on experiences, and facilitating reflection, training, coaching and personal development.

A cultural intelligence strategy should be integrated into your human capital routines.

Create a plan for cultural intelligence across the recruitment, development and retention of talent. Senior leadership should lead the way in embracing and prioritizing cultural intelligence, but eventually, everyone in the organization needs some level of CQ. The most obvious positions where cultural intelligence should become a required skill include:

- Those who source market and sell your products and services to different cultural groups, both domestically and internationally.
- International project managers.
- Individuals taking overseas assignments.
- Representatives who travel internationally on your behalf.
- Members of virtual teams.

- Technical specialists who help with installation and start-up of major new programs across borders.
- Professionals from the home office who interact with branches and subsidiaries in other parts of the world.

**Don't neglect support staff.**

Support staff answer e-mails and return phone calls, and they are your organization to those on the other end of that e-mail or phone call. The faculty member teaching students behind closed doors in the classroom is your university to those students. The nurse treating newcomers and immigrants is your hospital to patients and their families.

**Develop culturally intelligent**

**employees.** Ask job candidates to describe their cultural intelligence and explain how they would resolve specific intercultural scenarios. You can also include questions about the person's intercultural attitudes and behaviors when doing reference checks. In sum, hiring and promotion decisions should include consideration of CQ. If a person has good technical skills for a particular role but limited CQ capabilities, make sure that developing CQ is an expected requirement that is communicated explicitly.

**Celebrate diversity and reward culturally intelligent behavior.**

When someone is hired or promoted who has prior experience working effectively across cultures, be sure to highlight that as part of how you announce the hire or promotion. And be sure to include culturally intelligent behavior on performance

reviews and reward those who demonstrate working with CQ. Keep in mind that cultural and individual differences influence what motivates different team members. For some, financial remuneration is the most compelling incentive, but for others it might be job fulfillment, job security, flextime or status.

Your organization will not succeed in developing CQ across the board unless there is a strategic plan in place. As it becomes part of your mission, values and daily routines, you will emerge uniquely positioned to thrive in the global arena.

**RETURN ON INVESTMENT FOR ORGANIZATIONS AND TEAMS**

The most important return on investment of culturally intelligent organizations and teams is that the firm is more likely to accomplish its mission in culturally diverse situations. Barclays, a mammoth financial services provider, uses cultural intelligence to deal with the company's rapidly growing operations across multiple continents. Weaving cultural intelligence through top levels of the company, Barclays increased local ownership across its widespread global workforce. Previous attempts to collaborate around a shared vision had not been as successful, but with cultural intelligence as a priority among the top leadership, there is a marked difference. Other companies with successful CQ stories include Lloyds TSB and Levi Strauss.<sup>48</sup>

Organizations with employees who have high CQ can expect the following outcomes:

- Expansion into culturally diverse markets.
- High-quality service to diverse customers and clients.
- Speed and efficiency.
- Productive assignments.
- Being an employer of choice.
- Team effectiveness.
- Profitability and cost savings.

**Expansion into Diverse Markets (Global and Domestic)**

A majority of executives surveyed are investing in international expansion because they realize the greatest opportunities for growth are outside domestic markets.<sup>49</sup> NTT, a giant Japanese telecom, is aggressively expanding its presence in Africa and the Middle East. German-based Rocket Internet has grown by moving into Nigeria. Wal-Mart, Tesco and Carrefour are bumping up against each other in the race to lure the emerging middle class in previously overlooked markets. And Larry Lieberman, owner of a small decorative lighting company in Long Island, New York, says sales to foreign markets, including Europe, China and Japan, were the only thing that kept his business alive during the recession: "If we only had domestic sales, we would have been in big trouble in 2012." All of these companies used cultural intelligence to retain their corporate identities while adapting the way they deliver their products and services to diverse markets.<sup>50</sup>

Expansion goes both ways. Chinese organizations are looking for talent to help them expand internationally; they want to brand, sell, invest, acquire and incorporate abroad. They need

culturally intelligent staff and leaders to support and head these efforts.

One of the best examples of a Chinese company that has used the benefits of high CQ to expand internationally is the Dalian Wanda Group, a conglomerate in the real estate, tourism and entertainment business. After acquiring AMC Entertainment Holdings, it identified and recruited talent with the ability to work effectively in different cultures and also sought individuals with language proficiency for specific target markets, including English, Spanish and Russian. When China's Suanghai acquired Smithfield Foods for \$4.7 billion, it looked for bilingual, culturally intelligent executives to help the company manage its relationship with the United States' largest pork producer.<sup>51</sup>

One study reported that 45 percent of Chinese business leaders surveyed considered

cultural challenges to be one of the biggest barriers to successfully acquiring or partnering with Western businesses. As a result, a growing number of Chinese companies are putting greater emphasis on hiring culturally intelligent talent.<sup>52</sup> One Chinese sector that has already done a remarkable job of integrating international talent is the technology industry. Companies such as Baidu, Alibaba and Lenovo have successful track records recruiting top foreign graduates into their ranks to support their international communications, operations, and research and development work.

### Service to Culturally Diverse Stakeholders

In the age of instant posts and photos, it has never been more important for organizations to provide good service to constituents, regardless of their cultural background. Organizations with leaders and team members who

have high CQ are better able to anticipate the best ways to serve culturally diverse customers, and when mistakes occur, they know how to respond. Customers will give their business and loyalty to those who understand them and help them solve their problems. Organizations that use cultural intelligence to understand customers' problems and design relevant solutions quickly stand out from those that simply do business as usual.

### Speed and Efficiency

Most businesses, government agencies and nonprofit organizations are trying to do more with less. Culturally intelligent organizations are likely to achieve results in culturally diverse contexts more quickly. They understand customer needs and close deals faster.

But speed and efficiency are relative. Deals almost always take longer when they involve different cultures, but high cultural intelligence allows organizations to adjust timelines and expectations based on the cultural value orientations involved, facilitating long-term relationships.

### Productive Global Assignments

Sending personnel overseas is costly, and there is often only a 50/50 chance that an expat will complete the assignment, much less be productive. Global assignments are much more likely to be effective when CQ is high—and even more effective if the expat's partner and children also have high CQ. Organizations that assess and develop the CQ of employees who go overseas are more likely to plan for the next career step after the

### All Employees Need a Little CQ

Coca-Cola is well known for the high priority it places on recruiting and developing culturally intelligent leaders. As one of the most globally successful companies in the world, Coca-Cola recognizes that its leaders must understand international issues and be able to adapt to the needs of an array of culturally diverse markets and staff.

But Coke has also begun to emphasize cultural intelligence among the thousands of employees who will never sit through an executive development session in Atlanta. Coke understands that local grocers, hotel managers and restaurant owners are more likely to form an opinion about the company based on the CQ of their delivery truck driver than Coke's CEO. That's why it's important that the driver delivering Coke products has at least a moderate level of CQ. This is part of an overall strategy for becoming a more culturally intelligent organization. The more cultural diversity and cultural distance encountered by employees in their daily roles, the more important it is for them to understand and grow in cultural intelligence.

### **Amway Adapts and Succeeds in China**

Imagine investing over one hundred million dollars in a new market only to have the government shut you down. That's what happened to Amway, the U.S. direct-sales giant. When the Chinese government decided that China wasn't ready for the direct-sales model, Eva Cheng, executive vice president for Amway Asia at the time, considered how to advise her American bosses. Should the company invest even more time and money in China?

Cheng drew on cultural intelligence to convince Amway executives to change their business strategy to align with the Chinese government's priorities, yet remain true to non-negotiable strategies of the company. Not only did China change its policy on direct selling, but the Asian arm of Amway began to shape Amway's business practices back home, too. The company recognized the value of a long-term approach and worked deliberately to build trust and local ownership among all markets—at home and abroad.

Today, Amway Asia is the largest revenue stream in the company's growing bottom line, far outpacing revenues from any other part of the world.

assignment, including finding ways others can learn from the expat's overseas experience.<sup>53</sup>

### **Being an Employer of Choice**

Attracting and retaining talent is another pressing need identified by executives globally.<sup>54</sup> An organization is more likely to be an "employer of choice" when recruits see that cultural intelligence is valued and modeled throughout the organization. Companies such as Novartis and Nike discovered that their best recruits identified a culturally intelligent environment and reputation as one of the most important characteristics they sought in potential employers. Millennials, in particular, want to work where they can grow and develop their CQ by seeing it modeled and prioritized.<sup>55</sup>

### **Multicultural Team Performance**

All the dynamics and challenges that exist on any team are exacerbated when the team includes culturally diverse participants. When led well, a multicultural team offers organizations tremendous resources for innovation. Team leaders must emphasize and apply cultural intelligence as they facilitate the group and develop the cultural intelligence of each member. Organizations that improve cultural intelligence will see improved communication and performance among their diverse teams.<sup>56</sup>

### **Profitability and Cost Savings**

What about the all-important bottom line? As discussed, a large body of research shows the benefits of CQ for individuals, teams and

organizations. When organizations use CQ to improve individual and team performance, expand into and serve new markets, improve efficiency, increase effectiveness in global assignments and decrease turnover, cultural intelligence can have a direct impact on the bottom line.<sup>57</sup> Although CQ is a relatively new concept, the early evidence suggests that it positively affects the bottom line.



The higher an individual's CQ, the more likely he or she is to outperform others, gain new opportunities and experience success working in a global context.



## CONCLUSION

Whether you are leading people in a small startup or managing and supporting talent across a multinational corporation, cultural intelligence is an essential skill set. CQ helps minimize conflict and maximize the broad perspectives of a diverse workforce, allowing your organization's leadership and staff to pursue your mission across a variety of cultural contexts. Creating a strategy for measuring and developing cultural intelligence is more important than ever.

A growing number of leaders in business, government and nonprofits are integrating cultural intelligence assessments and training. From longtime multinationals like IBM, Coca-Cola and Novartis to tech giants like Google and Alibaba to universities like Harvard Business School and Nanyang Business School to hundreds of small and mid-size organizations, business leaders around the world are adopting cultural intelligence as a critical way to more effectively respond to the demands and opportunities of the 21<sup>st</sup> century world. CQ is more than just a "nice-to-have" set of capabilities. It has become a critical differentiator. And best of all, as you prioritize the development of cultural intelligence, you not only improve performance at your own organization, you create a group of culturally aware individuals, who, in turn, will make the world a better place for us all.

A close-up photograph of several interlocking metal gears, rendered in a monochromatic teal color. The gears are in sharp focus, showing their teeth and the circular paths they follow. The background is blurred, emphasizing the mechanical details. A white horizontal band is positioned across the middle of the image, containing text.

Senior leaders must make CQ a priority if it is going to become a guiding characteristic throughout the organization.

## ENDNOTES

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A truly global organization will integrate cultural intelligence across all functions and as part of the strategic plan.

## SUGGESTED READINGS

**Banaji, M. R., & Greenwald, A. G. (2013). *Blind spot: Hidden biases of good people*. Random House.** An accessible description of the research on unconscious bias.

**Ferraro, G. (2010). *The cultural dimension of international business*. Pearson.** A foundational book describing the impact of culture on business.

**Gaiman, N. (2002). *American gods*. Harper Collins.** A novel written by an outsider; captures one perspective on the American spirit.

**Hickson, D. J., & Pugh, D. S. (2002). *Management worldwide*. Penguin books.** A foundational text on different management styles for various cultures.

**Livermore, D. (forthcoming 2016). *Driven by difference*. AMACOM.** An evidence-based process for managing diversity with cultural intelligence to drive innovation.

**Livermore, D. (2015). *Leading with cultural intelligence*. AMACOM.** An overview of the cultural intelligence model and how it relates to effective leadership.

**Livermore, D. (2013). *Expand your borders: Discover ten cultural clusters*. Cultural Intelligence Center.** A quick overview of the 10 largest cultural groupings in the world.

**Livermore, D. (2011). *The cultural intelligence difference*. AMACOM.** A book with dozens of strategies for improving the four CQ capabilities.

**Markus, H. R., & Conner, A. (2013). *Clash! 8 cultural conflicts that make us who we are*. Hudson Street Press.** A review of how our cultural background shapes everything from how we run our governments to how we raise our children.

**Meyer, E. (2014). *The culture map*. Perseus Books.** A description of cultural value dimensions and their relationship to business.

**Molinsky, A. (2013). *Global dexterity*. Harvard Business Review Press.** A practical book specifically oriented around an often neglected area—how to adapt behavior between cultures.

**Morrison, T., & Conaway, W. A. (2006). *Kiss, bow, or shake hands*. AMACOM.** The best-selling guide to going business in more than 60 countries.

**Rapaille, C. (2007). *The culture code*. Broadway Books.** An anthropologist's approach to how businesses can effectively decode a culture.

**Trompenaars, F., & Hampden-Turner, C. (1997). *Riding the waves of culture*. McGraw-Hill.** A description of important cultural value dimensions.

**Woodard, C. (2011). *American nations*. Penguin.** A history of 11 distinct regional cultures that shape North America today.

**Zimbardo, P. (2008). *The time paradox*. Atria Books.** A series of paradoxes that capture the ways our lives and work are shaped by our approach to time.

**Multiple authors and dates. *The Culture Shock Series*. Graphic Arts Center Publishing.** Any of these country-specific books is worth reading.

## Online Resources

**Cultural Intelligence Research and Resources:**  
[www.culturalq.com](http://www.culturalq.com)

**BBC country profiles:**  
[http://news.bbc.co.uk/2/hi/country\\_profiles/](http://news.bbc.co.uk/2/hi/country_profiles/)

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