

Investigating the cultural intelligence level of two small informatics companies and how it affects their international communication: a case study



Abstract

In our globalised world intercultural competence or cultural intelligence is a very important skill. Measuring and developing it is indispensable to enterprises' better performance. In large multinational companies, intercultural management aspects are basic parts of company management and communication, but they are increasingly gaining ground in small and medium-sized enterprises as well. This case study measures the cultural intelligence level in two small informatics companies and examines its impact on the effectiveness of their international communication. The cultural intelligence of the companies' staff was measured using a mixed methodology: questionnaires and follow-up interviews. The findings of the research show most of the participants when communicating with people from different cultures had problems with changing their body language, with modifying their speech style, and their confidence level in the face of challenging situations. The interviews revealed that the difference between high and low context communication and the language problems cause most of the conflicts with foreign partners.

Keywords: small and medium-sized enterprises (SMEs), intercultural competence, cultural intelligence, survey, interviews, intercultural conflicts

JEL Code: M14

Note:

This is the revised English version of the study "Két informatikai kisvállalkozás kulturális intelligencia felmérése, ill. interkulturális kommunikációs konfliktusainak elemzése" (Measuring the cultural intelligence level of two small informatics companies and analysing their intercultural communication conflicts), published in the electronic Conference proceedings of the Third Farkas Ferenc International Scientific Conference held at the University of Pécs in 2022.

INTRODUCTION

Our 21st century can be called the 'global' century where a certain homogenisation of cultures can be seen. At the same time, however, the importance of recognizing and dealing with cultural diversity is increasing. Even though business practices and organisational cultures across the world show similarities, they need to be adapted, in varying degrees, to local conditions. Research on expatriates has found that crossing

from one's home culture into a foreign one creates significant uncertainty and that those who have a reasonably high tolerance for ambiguity tend to cope and adjust better (Gregersen et al., 1998). Constantly crossing cultural, language, social, and economic borders makes business complex and uncertain. Therefore, constant learning is required for success. Working in different languages and across different cultures can be demanding and tiring. Businesspeople can never be completely certain that their skills can be transferred to various business environments without any change. 'When cultures come into contact, they may converge on some aspects, but their idiosyncrasies will likely amplify' (Javidan-House, 2002, 1). As a former CEO of Coca Cola Corporation pointed out, "...the fact that the business world is becoming increasingly global does not mean that cultural differences are disappearing or diminishing. On the contrary, as economic borders come down, cultural barriers go up, presenting new challenges and opportunities in business" (Javidan-House, 2001, 291).

We can say that with the increasing internationalization of business life measuring and developing intercultural competence, and cultural intelligence is an indispensable factor on the way to better organisational effectiveness and performance all over the world. In the case of large international companies, intercultural management aspects have obviously been a basic part of international organisational management and the whole organisational communication system for several years now. As such aspects are increasingly gaining ground also in small and medium-sized enterprises (SMEs) the objective of this case study is to measure the cultural intelligence level of two small informatics companies and examine its impact on the effectiveness of their international communication. This is all the more important for SMEs if they want to become players in the field of international business.

In the first part of the case study the definition of cultural intelligence will be discussed, the background of the study will be explained, to be followed by the method of data collection and the analysis of the findings.

1. INTERCULTURAL COMPETENCE, CULTURAL INTELLIGENCE AND HOW TO MEASURE THEM

There are several definitions of the concept of intercultural competence. Most experts specify the most important parts of the concept focusing on cultural competence as a developmental process that evolves over an extended period. We can summarize the most important elements of intercultural competence as the ability to understand each other's viewpoints; to look at ourselves from the outside, to exercise self-assessment; to adapt to a new cultural environment through listening and observation; to demonstrate a general openness to intercultural learning and to learn from other cultures, as well as to adjust to changing intercultural communication and learning styles (Falkné Bánó-Kolláth, 2018; 2019).

The concept of cultural intelligence is relatively new, but as it was earlier pointed out the definition comprises similar competences as the definitions of cultural/intercul-

tural competence. The concept was first used by Earley and Ang (2003) and Earley and Mosakowski (2004). Cultural intelligence (CQ) can be defined as “[...] an outsider’s seemingly natural ability to interpret someone’s unfamiliar and ambiguous gestures the way that person’s compatriots would” (Earley and Mosakowski, 2004, 139). According to them although some aspects of CQ are innate, anyone reasonably alert and motivated can attain an acceptable level of cultural intelligence.

The three sources of CQ or its three components are: the cognitive, (CCQ) i.e. the head, our mind with which we consciously observe behaviour; the physical, (PCQ) i.e. the body which refers to the copying of behaviour; the emotional/motivational, (ECQ) i.e. the heart which refers to the ability to step inside a foreign culture. An individual with high cognitive CQ devises learning strategies to notice clues to a culture’s shared understandings. High physical CQ indicates the ability to mirror the customs and gestures of the people around you. By adopting people’s habits and mannerisms, you eventually come to understand in the most elemental way what it is like to be a member of the other culture. (E.g. How you shake hands, how you order coffee, etc.) The level of people’s emotional/motivational CQ indicates to what extent they wish to adapt to a new culture. People who do not believe themselves capable of understanding others from unfamiliar cultures will often give up after their efforts are not successful. By contrast, people with high motivation will, upon confronting obstacles, and experiencing failure, tend to reengage with even greater energy and motivation (Earley–Mosakowski, 2004). Cultural intelligence links the emotional, cognitive, and practical dimensions of intercultural interactions and enables people to engage in more effective intercultural cooperation (Borgulya, 2010).

Research has identified different individual and organisational-level predictors which contribute to developing cultural intelligence. These are personality (Caligiuri, 2000 in Kadam et al., 2021), cross-cultural training (Caligiuri et al., 2001 in Kadam et al., 2021), self-monitoring, self-efficacy, company support (Hechanova et al., 2003 in Kadam et al., 2021), language ability, clear job description, and attitude to work (Kadam et al., 2021). Earley and Ang (2003) considered CQ to be an important factor in adjustment to different cultures. Templer et al. (2006) first tested this hypothesis in their study of global professionals. The results indicated that motivational CQ has a significant impact on cross-cultural adjustment.

2. DISCUSSION OF FINDINGS

The following part describes the background to the research, the methodology used to collect and analyse the data, and discusses the results.

2.1. METHODOLOGY

The two small companies we had access to through personal connections, started in the 1990s; one of them is an informatics enterprise, the other deals with industrial-informatics services. Both companies have connections with American multicultural

suppliers. A typical characteristic feature of multinational companies is that in the partner countries they keep contact through regional managers of different nationalities, who are changed every two-three years. These regional managers are, in our case, representatives of British, German, French, Israeli and Turkish cultures. They show the dominant American business cultural characteristics, but at the same time the effects of their own national cultures can be traced as well. This is an interesting phenomenon, and it indicates that the Hungarian managers and employees have to cope with increasingly diverse intercultural communication situations and practices.

The basis of our research was the 12-item questionnaire designed by Earley and Mosakowski (2004). This questionnaire measures the cognitive (CCQ), physical (PCQ) and emotional/motivational (ECQ) parts of cultural intelligence. There are four statements in each part, which reflect different aspects of cultural intelligence.

The participants are asked to rate each statement along a scale from 1 to 5 where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree. The mean of each set of statements is calculated. When analysing the data, the three scores are taken in comparison to one another since CQ is a combination of the three (Earley–Mosakowski, 2004, 143).

The original questionnaire was extended with some of our own additions (see Appendix). Seven control variables were included to underpin the diversity of our results. Age, gender, nationality, language skills, level of education, time spent working for the company were controlled for as was whether they had taken part earlier in any kind of intercultural training. The participants were also asked to describe an interesting intercultural communication situation they had been involved in (Falkné Bánó–Kolláth 2018, 2019). The responses given to the three groups of questions were compared and evaluated as cultural intelligence results from the three factors (Earley–Mosakowski 2004). The average and the frequency of the responses given to the three components were calculated.

In addition to the quantitative survey, the leaders of the two small companies were also interviewed thus gathering qualitative data to supplement the information given in response to the questionnaire. The interviews were not structured. Similarly to the questionnaires, we asked the individual's age, gender, the time spent working for the company, command of foreign language(s), and whether they had taken part earlier in any kind of intercultural training. They were also asked to describe a challenging intercultural communication situation they had been involved in (Falkné Bánó–Kolláth, 2018; 2019).

2.2. ANALYSIS OF THE RESULTS

The questionnaire was completed by 24 employees of the two small companies between January and March, 2022. Of the participants, 16 had regular contact with foreign partners. The frequency of these contacts ranged from weekly to several times monthly. The other employees met the foreign partners infrequently or not at all. Thus, our research focused on the 16 employees who had regular contacts with the

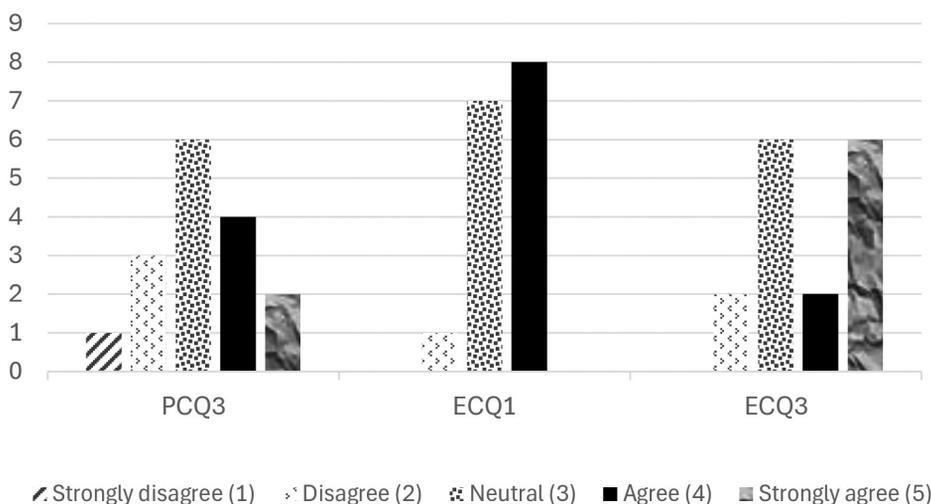
foreign partners. Of the 16 participants, four had advanced level language knowledge, eight intermediate level and two basic level. Ten employees had BA degrees, one had a master's degree, two had technician's diplomas and three had secondary school leaving certificates. Two employees from this group while studying for their university degrees took part in intercultural training.

Looking at the frequency data we concluded that most of the problems perceived by the participants related to changing their communication style (PCQ3), dealing with members of another culture (ECQ1), and adapting to the lifestyle of other cultures (ECQ3).

In our calculations we decided to combine the negative and neutral responses, feeling on the basis of the interviews that the participants tended more towards the negative as the underlying meaning of their neutral responses is 'don't know', 'no opinion'.

Figure 1 shows that the negative and neutral responses to the three questions were relatively high. In the case of communication style (PCQ3), 63% of the participants gave a negative or neutral response, while in the case of the other two questions the response rate of negative or neutral answers was 50-50%. The high proportion of the participants giving neutral (3) answers needs to be noted. In-depth interviews or intercultural training can reveal the reason for the participants' choice of this option.

Figure 1 Frequency scores of the three problematic behaviours, n=16



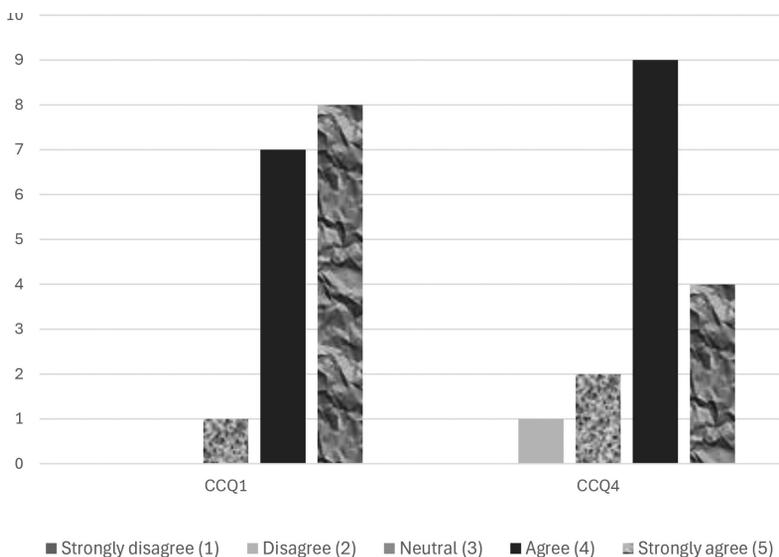
Source: Own figure based on questionnaire research

Further analysis of the responses shows that only in the case of two questions did most of the participants give a positive answer (Figure 2). These behaviours relate to the planning of the communication before going into negotiations with people from a different culture (CCQ1) and the ability to discern whether the communication is going well or not (CCQ4). The high rate of positive answers to these two questions can

be explained by the fact the participants are expert negotiators and it is a must for them to prepare for every negotiation in order to ensure a favourable outcome.

The rate of the negative or neutral responses to the remainder of the questions was well over or exactly 25%. The results indicate that the employees who frequently meet foreign partners would need to develop their physical and emotional cultural intelligence to be completely confident when working together with people from different cultural backgrounds.

Figure 2 Non-problematic behaviours, n=16



Source: Own figure based on questionnaire research

It was surprising to find that to our question 'Could you give some examples, when in your work or in any other situation you felt something went wrong during your communication with a person from another culture?' out of the participants only one gave examples from his workplace experience. We used this question as our starting point in the interviews, and then carried on the conversation in an informal manner on the intercultural problems they had experienced during their work activities.

The above employee's comment on his intercultural communication conflict is similar to one of the typical complaints of Hungarian managers and employees about American and British managers during our earlier research in American–Hungarian and British–Hungarian international companies (Falkné Bánó, 2001; 2008). *“In the case of interpersonal communication, I had unpleasant experiences, e.g. at partner meetings, when the regional managers attacked me and wanted to force their centralised standard opinion down my throat without knowing the actual situation, or my activity. On such occasions, I feel completely paralysed, also my body language is negative, and my reaction is defensive and rejecting. This is even more discernible when the language of*

communication is English and I feel helpless because of my poor communication skills. On the other hand, my poor English communication skills tend to come in useful in such forceful situations, as I usually understand everything, but by the time I am ready with my answer in English, the conversation goes on and if I nod and smile, the negotiating party believes I identify with what he wants to tell me and right away considers me a good man.” “Several foreign managers are mostly interested in my agreeing with them, but when and how their expectations are realised is not that important for them, and if the business results are good, they are sure that these are due to their excellent proposals.”

In the case under consideration, the partners were based in the Czech regional centre. They felt they were in a higher position in the hierarchy of the multinational company, and they were strictly following the American centralised standard opinion. This was pointed out by the Hungarian manager of one of the informatics companies during the interview. Here we can see a typical feature of American low context direct communication, giving and needing detailed, precise information (Hall–Hall, 1990). Compared to Hungarian, even the Czech culture tends towards more low–context characteristics. Higher context Hungarians, especially over the age of fifty or fifty–five find this condescending towards them and become resentful when they feel they get too much information (Falkné Bánó, 2008). The managers of the other company also mentioned that the German, and British regional managers ‘give too many details of things’ but, for example, the Turkish colleague ‘is not like this’. It is understandable; his national culture is higher-context, more like the Hungarian one. These intercultural frictions and at the same time of course also the personality characteristics of the given individual play a role in the intercultural relationships.

The question of language also comes up in the answers to the questions of the quoted employee and in the interviews as well. This is also a typical problem from different aspects. In his answers to the questions in the questionnaire the employee considers his poor command of English ironically as an advantage, he rather keeps silent and smiles, so he is considered a good and complying employee.

All three managers of the small companies were talking about the language problems. Of course, managers cannot just keep silent and smile. All participants agreed that it was advantageous for them to negotiate with individuals who were also speaking a learnt language as it facilitated comprehension. In contrast, negotiating with British or American individuals who spoke their native language was perceived as more challenging.

It is especially typical of the British that they speak in the same way and as fast with foreign partners as with their own compatriots, therefore it is difficult to follow what they are saying. The party using a learnt language is always at a disadvantage compared to the one using their mother tongue or a learnt language acquired since childhood and therefore having a high command of it. Several Hungarian managers and employees mentioned this during our earlier research as well (Falkné Bánó, 2001; 2008).

Another aspect of this question is, as one of the managers commented during the interview, ‘when the French regional manager is speaking, for some time I am not sure if he is speaking in English or in French.’ It is especially difficult to understand the French, if their knowledge of English is not very good. But it is the same with some

other foreign partners and accents if the negotiating party does not speak English very well. Therefore, we think in higher education language teaching in general and language teaching for business purposes in particular should get back its earlier high importance for the managers and employees of the future. Language trainings at the workplace can also contribute to improving the international communication of the companies.

It should be pointed out that during the interviews the pandemic situation and its impacts were mentioned several times. In 2020–2022 most of the partner meetings and all trainings were online, which, in all interviewees' opinion, made communication more difficult. They emphasized that in the case of personal meetings gestures, the body language, the speech style, the partners' intentions were much easier to perceive. Two years later, to some extent online meetings with their undeniable advantages, e.g. in terms of logistics, are still typical, but there are also partner meetings with personal participation.

3. CONCLUSIONS

The aim of the case study was to investigate the cultural intelligence level of the employees of two small business enterprises to determine the effectiveness of their communication in their international activities. Quantitative and qualitative data were collected using a questionnaire (Earley–Mosakowski, 2004) and conducting interviews. Measuring intercultural competence and its conscious development in business life is an important factor in making businesses become effective and efficient. In the case of large international companies, this is an integral part of company management and communication. It is now becoming increasingly important for small and medium-sized companies too. The results helped pinpoint the kind of intercultural problems they are faced with when doing business with foreign companies.

The data collected from managers and employees who are regularly in contact with their foreign partners showed they can communicate well on the cognitive level with people of different cultural backgrounds. However, they show uncertainty when required to draw on their physical and emotional cultural intelligence. Changing their communication style and dealing with people from a different culture proved to be especially problematic for them. The third problem we encountered was the lack of ability to adapt to the lifestyle, i.e. to the attitudes, values and worldview of other cultures.

Besides the quantitative data, we also collected qualitative data through in-depth interviews with the managers of the small companies. It transpired from the interviews that the major source of conflict was the difference between low–context (British, German and Czech partners) and high–context (Hungarian and Turkish) communication styles. On a different level, the differences in language skills also created communication problems.

Based on the results of the questionnaire and the interviews it is possible to conclude that for the employees who regularly communicate with foreign business partners, an all–round cultural intelligence and cultural sensitivity development training would be necessary, as this would increase the efficiency and effectiveness of these companies in terms of their international communication.

The limitations of the study pertain to the small size of the sample and the fact that the results of the case study may not be generalised because they are specific to two companies specialised in a particular area of business and further research would be necessary to determine whether they apply to other small companies operating in different areas of business.

Future research could involve the analysis of the possible effect of participation in intercultural training on the business performance of these companies. As a start, taking part in regular partner meetings and trainings provides useful insights into the intercultural management practices of the different participating countries.

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APPENDIX - QUESTIONNAIRE

Dear Participant,

This is a short questionnaire the aim of which is to give us an idea of your cultural intelligence (CQ). The results of the survey will be used to facilitate our work in multicultural groups.

The questionnaires are anonymous and the data will be used for academic purposes exclusively.

Thank you for taking the time to fill in the questionnaire.

Dr Klara Falkne Bano
Dr Katalin Kollath

BEFORE YOU START TO FILL IN THE QUESTIONNAIRE, PLEASE GIVE THE FOLLOWING INFORMATION:

Age:

Gender (sex):

Nationality:

Language skills

Level:

Education:

Length of time working for the company:

I have previously attended an intercultural course (Underline as appropriate):

YES

NO

Study the statements and rate the extent to which you agree with each. Use the following scale:

1 = strongly disagree; 2 = disagree; 3 = neutral; 4 = agree; 5 = strongly agree.

Cognitive CQ (CCQ)					
Before I interact with people from a new culture, I ask myself what I hope to achieve.	1	2	3	4	5
If I encounter something unexpected while working in a new culture, I use this experience to find out new ways to approach <i>other</i> cultures in the future.	1	2	3	4	5
I plan what my attitude will be to people from a different culture before I meet them.	1	2	3	4	5
When I come into a new cultural situation, I can immediately feel whether something is going well, or something is wrong.	1	2	3	4	5
Physical CQ (PCQ)					
It's easy for me to change my body language (e.g. eye contact or posture) to suit people from a different culture.	1	2	3	4	5
I can alter my expression when a cultural meeting requires it.	1	2	3	4	5
I modify my speech style (e.g. accent or tone) to suit people from a different culture.	1	2	3	4	5
I easily change the way I act when a cross-cultural meeting seems to require it.	1	2	3	4	5
Emotional/motivational CQ (ECQ)					
I have confidence that I can deal well with people from a different culture.	1	2	3	4	5
I am certain that I can befriend people whose cultural backgrounds are different from mine.	1	2	3	4	5
I can adapt to the lifestyle of a different culture with relative ease.	1	2	3	4	5
I am confident that I can deal with a cultural situation that is unfamiliar.	1	2	3	4	5

Please give examples of when you felt that during your work or in other situations communication with people of different cultural background did not go well. This can be either oral or written (e.g. e-mail) communication.