Cultural Intelligence as a Prism between Workforce Diversity and Performance in a Modern Organization

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Abstract
In today's globalizing world it is of importance for managers to manage the constantly growing workforce diversity. Besides the generally promoted idea of diversity management, often limited to fair employment, less attention has been paid to the advantages and hidden potentials of diversity. Previous research that has emphasized the link between diversity and organizational performance has indicated very different results. However it highlights mainly only the easily detectable level of diversity. In the present article a theoretical background is created proposing cultural intelligence as a tool linking different levels of workforce diversity and performance in organizations.

Keywords: *workforce diversity, values, cultural intelligence, multicultural organizations*

JEL classification: M14, Z10

Introduction

Today's world, where businesses get more global and many people have an opportunity to work in multicultural teams or organizations calls attention to the increasing need for managers and organizations themselves to tackle the constantly growing workforce diversity. As Earley and Mosakowsky (2004) put it, "In an increasingly diverse business environment, managers must be able to navigate through the thicket of habits, gestures and assumptions that define their coworker's differences". These differences stem from various demographic factors and experiences, but also cultural backgrounds. In many cases there is even no need to cross international borders to get advantage of cultural diversity, but it already exists in many organizations and in most of countries with heterogeneous populations. Besides, in this diverse environment not only coworkers but also customers, suppliers or other interest groups may be from different cultural backgrounds. The problem is that people often take culture as granted and a natural and right way to behave and think, and consequently people fail to discover the

existence of cultural differences (Plum et al, 2008). As such, cultural barriers can create misunderstandings that may cause ineffective interactions (Ang et al, 2006; Lievens et al, 2003) and may harm organizational performance (Glick, Miller, Huber, 1993). Furthermore, "interpersonal barriers rooted in cultural differences may impede the efficient coordination of human resources and the accurate flow of information on a corporate-wide basis" (Gomez-Mejia, Palich, 1997). Therefore it is important to realize these aspects because only this way they may be turned into advantages.

In theory and in practice comparatively little attention has been paid to the advantages and hidden potentials of diversity. The most common and acknowledged approach to tackling diversity is promoting fair employment practices. However, there are other views. According to Tsui and Gutek (1999:145), there are two approaches to why diversity needs to be embraced: first, it is socially responsible and desirable to give people from all social categories equal opportunities (equality approach) and second, it is economically wise because diversity has a hidden potential in providing different viewpoints and thus also novel solutions (managing diversity approach). In our article we concentrate on the second approach stating that diversity needs to be managed to give organizations an advantage in today's interconnected world.

Previous research has focused mainly on the most visible, surface level of diversity and the results concerning the impact of diversity on organizational performance are rather controversial. Very few scholars have considered that these findings may be related to cultural backgrounds, values and attitudes, which are not visible and represent the deeper levels of diversity. We propose that organizational performance depends on organizational members' ability to acknowledge cultural differences, be able to face them and then act according to this information – in other words, they should be culturally intelligent. Cultural intelligence may serve as a tool in reaching behind the surface level of diversity and to further use the potential it provides.

The aim of the paper is to integrate conceptualizations of workforce diversity and cultural intelligence into one model for future estimations of their effect on organizational performance. We will start with introducing the concepts of diversity and cultural intelligence based on the theoretical overview and empirical studies. Then we propose an integrative model and propose several suggestions from a managerial point of view.

Theoretical background

Workforce diversity and its relationships with group and innovation performance

Van Knippenberg and Schippers (2007: 519) define diversity as "a characteristic of a social grouping (i.e., group, organization, society) that reflects the degree to which there are objective or subjective differences between people within the group (without presuming that group members are necessarily aware of

objective differences or that subjective differences are strongly related to more objective differences)". Researchers mainly consider diversity when there is a certain attribute that can be used to distinguish people from other people (Williams, O'Reilly, 1998).

Most diversity research has focused on the diversity of easily detectable demographic characteristics such as age, gender, race and ethnicity, which are apparent after only a brief exposure to an individual (e.g. Pelled, 1996; Tsui, Egan, O'Reilly, 1992). It has not looked at other possible types of diversity, which may have differing or moderating impact. Yet, many researchers have called for the better conceptualization of diversity to estimate the effects of workforce diversity (Williams, O'Reilly, 1998; van Knippenberg, Schippers, 2007). According to Williams and O'Reilly (1998), different phenomena must be taken into consideration: contextual aspects (e.g. task and organizational characteristics), types of diversity (e.g. informational and demographic), and intervening variables (e.g. communication and conflict). Further developing this suggestion, Jehn, Northcraft and Neale (1999) distinguish between three types of workgroup diversity: social category, informational and value diversity (see Figure 1).
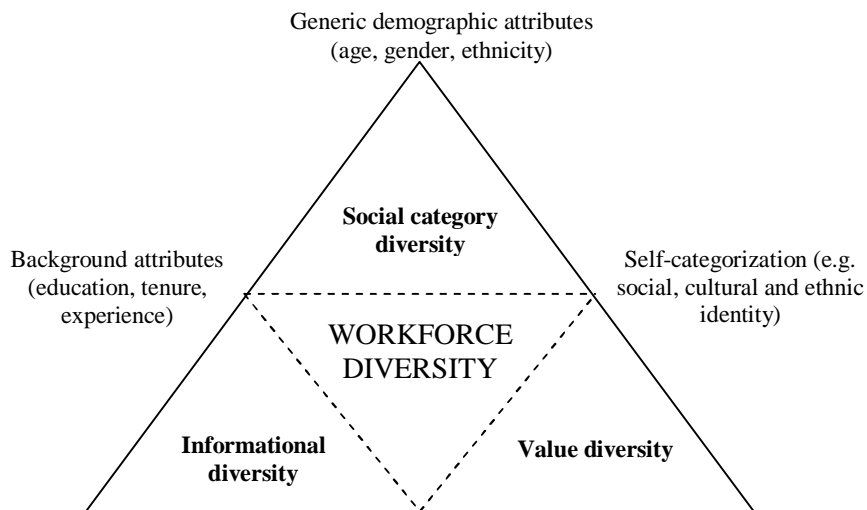
Figure 1 A framework of workforce diversity (based on Jehn et al.'s (1999) typology)

What is important in social categorization perspective is that differences between workgroup members may engender the classification of others as either ingroup/similar or outgroup/dissimilar; and these categorizations may disrupt group process (van Knippenberg, Schippers, 2007). Social category diversity can in its turn be divided into three types: 1) diversity of generic demographic attributes, which are easily detectable (age, gender, race), 2) background attributes (education, experience, tenure), and 3) hitherto vaguely defined diversity, which is based on people's self-categorization (e.g. social identity, cultural identity, ethnic identity).

There are plenty of studies linking demographic diversity and group and innovation performance. For example, Nahapiet and Ghoshal (1998) have found that demographic diversity undermines group creativity and innovation because it undermines, in general, group cohesion and thereby the processes and performance requiring high levels of cohesiveness (Nahapiet and Ghoshal, 1998, cf. Bechtoldt et al., 2007). On the other hand, it can also mean diversity of perspectives and ideas for creativity, innovation and performance (Chemers et al., 1995). However, few scholars have considered the probability that these findings may have to do more with other, deeper level phenomena, such as diverse viewpoints stemming from different cultural backgrounds, different values and attitudes. We regard it as a substantial shortcoming that needs a closer look, which we elaborate on further in the article.

Heterogeneity of functional background was found to be associated with innovation (e.g. Ancona, Caldwell, 1992, Wiersema, Bantel, 1992; cf. Tsui, Egan, Xin, 1995). Availability of multiple resources and skills causes members of diverse groups to be more innovative and creative in problem-solving than members of homogeneous groups (Earley, Mosakowski, 2000; Rink, Ellemers, 2006). We see the functional background diversity as closely related to and to large extent overlapping with informational diversity. The latter reflects differences in knowledge, expertise, and perspectives that may help work groups reach higher quality and more creative and innovative outcomes (van Knippenberg, Schippers, 2007). In support of this statement Souder and Jenssen (1999) assert that diversity of knowledge that different individuals possess is an important source and facet of organizational innovation. Informational diversity is more task- or job-related (Jehn et al., 1999) and therefore, should be examined in the specific situations.

Social identity is important, because it influences group interaction (e.g. Tajfel, Turner, 1986; cf. Jehn et al., 1999). More than an objective characteristic of a group, diversity is a subjective phenomenon, created by group members' self-categorization and categorization of others as similar or dissimilar: "A group is diverse if it is composed of individuals who differ on a characteristic on which they base their own social identity" (O'Reilly, Williams, Barsade, 1998: 186). It implies the importance of this type of workforce diversity. Nemeth (1986) claimed that minority views can stimulate consideration of non-obvious alternatives and interaction with persistent minority viewpoints stimulates creative thought processes, while Rink and Ellemers (2007) warn us that presence of social category differences (e.g. in gender or ethnic background) is likely to create uncertainty.

Value diversity is a workforce diversity category that uses an attribute situated at the deeper levels of human conscience and thus, is less observable, which becomes evident only after getting to know a person well (Jackson et al., 1995, cf. van Knippenberg, Schippers, 2007). Schein (1997) in his systematization of interactions between values and other "hidden" elements of culture has explained well the way values impact behavior of individuals: on the deepest level of consciousness there are basic assumptions, which are taken for granted and

treated as nonnegotiable. At the next level basic assumptions manifest themselves in espoused values, attitudes and beliefs, which compile more conscious, yet still non-observable at the everyday-basis level. These values, attitudes and beliefs manifest themselves in behavioral norms and observed everyday behavior. This is the point when cultural diversity becomes most evident to people from other cultures. Starting with the same set of basic assumptions, the greater the number of potentially divergent factors within the cultural unit (e.g. ethnicity, language, religion, etc.), the more one can expect variety in espoused values and attitudes and, finally, in observed behavior (Schein, 1997). Therefore, values may have a more lasting though less traceable effect on the behavior, which is more difficult to detect and to map out. In short, value diversity can be considered as the essence and the fundamental source of cultural diversity and thus it is most directly linked to the concept of cultural intelligence.

In organizations, values influence individual's behavior and expectations about behavior of others (Mead, 1994). O'Reilly, Chatman and Caldwell (1991) have shown that new employees, whose individual values differed from the mean values of others in their work groups or small organizations, were less satisfied, demonstrated lower organizational commitment, and were more likely to quit. Yet, it was also found that contact between workers from diverse backgrounds leads to the development of novel solutions to the tasks at hand (Jehn et al., 1999; Watson et al., 1993) and overall, value differences between team- and network members are beneficial to innovation performance (Möller, Svahn, 2004).

In the recent years there is a large amount of research done, exploring the effects of workforce diversity. It is seen both as a challenge and as an opportunity for organizations (Chemers, Costanxo, Oskamp, 1995, Williams, O'Reilly, 1998). Many researchers focus on diversity within specific teams, e.g. top management teams and therefore workforce diversity often is referred to more narrowly as work team diversity. For instance, Sessa and Jackson (1995) state that diversity within a decision-making team is recognized as important primarily because it is associated with differences in the perspectives, attitudes, skills, and abilities of team members.

"Differences in experiences and perspectives lead team members to approach problems and decisions drawing on different information, from different angles, and with different attitudes. Therefore, teams composed of people with diverse backgrounds and characteristics are expected to produce a wider variety of ideas, alternatives, and solutions – and thus perform better – than teams compose of people who are similar in terms of demographic characteristics." (Ibid.: 140)

There is also evidence that management team diversity predicts organizational outcomes, including innovation and strategic direction (see for references Sessa, Jackson, 1995). This way group performance is intertwined with innovation performance.

Yet, the review of forty years of diversity research by Williams and O'Reilly (1998) as well as meta analyses by Webber and Donahue (2001) and Jackson, Joshi and Erhardt (2003) and the most recent review covering years 1997-2005 by van Knippenberg and Schippers (2007) concluded that there are no

consistent main effects of diversity on organizational performance and they may vary from very negative to extremely positive. In a comprehensive review of diversity literature, Milliken and Martins (1996: 403) concluded that "diversity appears to be a double-edged sword, increasing the opportunity for creativity as well as the likelihood that group members will be dissatisfied and fail to identify with the group". We can conclude that different levels of diversity may have dissimilar impact on organizational performance. It is the matter of individual and organizational capability to understand the diversity and to identify the potential advantages of it. We believe that the concept of cultural intelligence is useful to provide the basis for approaching this issue.

Cultural intelligence (CQ)

Cultural intelligence can be defined as an individual's capability to function and manage effectively in culturally diverse settings that can be developed and enhanced through interventions (Ang et al, 2007). Brislin et al (2006) describe culturally intelligent individuals as people who are skillful at recognizing behaviors that are influenced by culture. Tan (2004) has argued that cultural intelligence can be positioned as a key concept in global economy because there is a constant need to adapt to different people from diverse cultures and to manage the interconnectedness of today's world.

Creating a way to make sense of culturally different situations is an important aspect in developing cultural intelligence. Culturally intelligent managers create a new mental framework for understanding what they experience and see, that is why cultural thinking is also what psychologists call higher-order thinking, because it refers to how we learn, not just what we learn (Tan, 2004). Triandis (2006) argues that one of the most important attributes in achieving CQ is the habit to suspend judgments until enough information becomes available.

The roots of cultural intelligence studies lay in early (1960s) organizational research on culture and intelligence. Later scholars have tried to integrate these concepts resulting with two existing approaches (Ng, Earley, 2006). First approach concentrates on cultural variation of intelligence (Berry, 1974, Sternberg, 1985; cf. Ng, Earley, 2006) and the second, more recent approach focuses on the concept of cultural intelligence (Earley, 2002). Cultural variation theory emphasizes that the concept of intelligence is culture bounded; its meaning, development, display and assessment are all embedded in cultural context (Berry, Ward, 2006) while cultural intelligence is claimed to be culture free concept that highlights the ability to adapt effectively in different cultural contexts. Indeed, these two concepts are interrelated, as culturally intelligent individuals need to understand what intelligent behaviors constitute in different cultures (Ng, Earley, 2006).

We have chosen to concentrate on the second approach, that is cultural intelligence approach because of its impact on today's global workplace where the ability to adapt with different people from different cultural backgrounds is of great importance.

CQ is regarded as multidimensional concept. According to Earley and Ang (2003) CQ is conceptualized to comprise four dimensions: metacognition (cognitive strategies to acquire and develop coping strategies), cognition (knowledge about different cultures), motivation (desire and self efficacy), and behavior (repertoire of culturally appropriate behaviors).

Metacognitive CQ reflects the mental processes that people use to acquire and understand cultural knowledge (Ang et al, 2007), this can be summarized as "knowledge of knowledge". Those with high metacognitive CQ are constantly aware of others cultural preferences before and during interactions (Ibid). Cognitive CQ refers to knowledge of other cultural norms and customs obtained from education and experiences. Motivational CQ is an ability to orient attention and energy to gather knowledge for constructive functioning in cross-cultural situations. Behavioral CQ refers to what people do rather than what they think in these situations (Sternberg, 1986; cf. Ang et al., 2007).

Different scholars conceptualize CQ in different ways (see Appendix 1), encompassing different levels of cultural intelligence. Many scholars refer special attention to the metalevel abilities that allow individuals to make sense of different cultures.

By now CQ has been mostly studied at individual level. Different researchers indicate its connectedness to multiple individual and situational factors. For example Ang, van Dyne and Koh (2006) examined the relationship between CQ and Big Five (Costa, McCrae, 1988) personality traits and found significant links between (a) conscientiousness and metacognitive CQ; (b) agreeableness and emotional stability with behavioral CQ; (c) extraversion with cognitive, motivational, and behavioral CQ; and (d) openness with all four factors of CQ. The intriguing finding of this study is that openness was the only Big Five personality trait that was significantly related to all four aspects of CQ. Their results indicate that openness to experience is a crucial characteristic for effective functioning in culturally diverse settings. However, Allik and McGrae (2004) suggested that traits like extraversion and openness are more valued and thus more readily endorsed in Western cultures. It can represent a certain bias in approaches to CQ. Yet, Triandis (2006) theorizes that individual attributes and especially idiocentrism - allocentrism need to be considered in dyadic relationships where the cultures of the two members differ.

Crowne (2008) studied how previous experiences abroad influence CQ and found that education and employment in different cultures increases cognitive and behavioral aspects of CQ while motivational CQ was higher for those who visited more countries for vacation and other purposes. In this context the results show that the best way to develop CQ is through engaging in activities involving intimate cross-cultural interaction, while passive activities are significantly less effective in nurturing CQ (Ng, Neo, 2007). The empirical research generally measures CQ by tests (for an overview see table 1).

Measurement and example questions of cultural intelligence on individual (a test) and group level (a dialogue)

Individual level, CQ; seven point Lickert Scale, where 1=strongly disagree and 7=strongly agree	Group level, CI; the statements that best describe your group: we are good at this, we could be better, we seldom or never do this
Motivation – I am confident that I can socialize with locals in a culture that is unfamiliar to me	Intercultural engagement – the emotional maturity and mental flexibility to question your cultural self-knowledge and preconceptions about other people
Metacognition – I am conscious of the cultural knowledge I apply to cross-cultural interactions	Cultural understanding – flexibility in terms of understanding so that it is possible to see a situation from different cultural positions and in a broader perspective
Cognition – I know the cultural values and religious beliefs of other cultures	
Behavior – I change my non-verbal behavior when a cross-cultural situation requires it	Intercultural communication – the ability to be persistent, to focus on the possibilities in the situation and seek feedback

Source: Based on Ang et al (2007) and Plum, Soderberg (2008).

Earley and Ang (2003) regarded motivational CQ as a critical CQ component and a key element in the adaptation to new cultural environments. Ang et al (2007) found that motivational and behavioral CQ are related to general adjustment in a sample of executives with international work scope. Motivational CQ triggers attention and effort, stimulates and channels an individual's cultural knowledge and strategies into guided action in novel cultural experiences (Templer et al, 2006). Behavioral CQ refers to behavioral capability to exhibit flexible actions that are culturally appropriate (Ang et al, 2007). According to Mäkiluoko (2004) managerial behavior in multicultural settings depends on whether the managers are task or relationships oriented. Managers who were only task oriented, expressed ethnocentric values, but those who express relationships orientation also act towards achieving group cohesiveness and avoid problems resulting from cultural differences.

Ang et al (2007) found cognitive CQ and metacognitive CQ to be positively related to intercultural judgment and decision making. This means that people who have cognitive capabilities and cultural knowledge are more readily making accurate judgments and decisions in culturally diverse settings.

Few studies have examined cultural intelligence also on team level. Janssens and Brett (2006) propose a fusion model as a culturally intelligent model for effective team collaboration. The central idea of the fusion model is the blending and coexistence of unique differences contributes teams to arrive at creatively realistic solutions that can be implemented across the whole global

organization. Plum and Soderberg (2008) argue that cultural intelligence is a group related attribute that can only be assessed through a dialog (table 1). They use a CI abbreviation and concept because they claim that it is not: a) an IQ concept (partly generic and partly social ability to learn) but refers to the capacity to learn, b) a quotient.

When considering workforce diversity from the lens of organizational performance, Gomez-Mejia and Palich (1997) refer to the concept of comprehensiveness of decision making. It is the extent to which a team attempts to be exhaustive or inclusive in considering alternative options or solutions to the task at hand (Ibid.). Gomez-Mejia and Palich (1997) regard it as a key intervening variable and as a byproduct of diversity and refer to the empirical study by Glick et al. (1993), who found that comprehensiveness makes a greater contribution to firm performance in "relatively fast changing, unpredictable environments" (cf. Gomez-Mejia, Palich, 1997). In this sense, comprehensiveness can be seen as another facet of CI. Table 1 presents a comparative overview of a few main principles of these differing approaches.

As mentioned above, recent studies have focused on cultural intelligence on individual and team level but the authors couldn't find any conceptual framework or study made on organizational level. In this article the authors are emphasizing how would the concept look like at the organizational level.

An integration of diversity and cultural intelligence conceptualizations

Although developing the CQ concept was triggered mainly by the need to cope with difficulties arising in cross-cultural encounters, we believe it can be applied also with respect to other differences, such as gender culture, generation's culture etc. as well as tackling with differences on other demographic attributes. As mentioned above, people tend to notice initially only the differences in the surface-level attributes, such as age, gender, race and ethnicity (referring to demographic diversity). However, under other circumstances or when people get to know each other better, this attribute might not be the most salient and most important marker of diversity (Williams, O'Reilly, 1998). In order to pass through the stage of understanding this faster and to avoid hurting others' feelings, developing metacognitive, cognitive, motivational and behavioral CQ will be of help. In this paper we approach diversity within the above considered workforce diversity framework linking it with performance in organization and using the metaphor of prism for estimating the potential effects of CQ (see Figure 2).

The model is derived from the multilevel approaches of these concepts. Value diversity is positioned at the bottom-line of the other diversity types, as it becomes salient after a certain period of time. According to synergy hypothesis, also referred to in cultural diversity literature (Triandis, 2006), contrasting values are potentially synergistic and cultures can benefit from it. The power of synergy lies in the idea that when solving problems, groups are often smarter than the smartest people within them (Surowiecki, 2004). Thus, it was found that mix of cultural values would be extremely helpful in fostering the success of new product

development and that complementary values are best suited for innovation processes (Nakata, Sivakumar, 1996; Hauser, 1998). Janssens and Brett (2006) further suggest that at team level the blending and coexistence of unique differences can be engaged to arrive at creatively realistic solutions that can be implemented across the whole global organization. If so, then the capability to function effectively in these diverse settings, which is defined as CQ by Ang et al. (2007), may provide a great tool for identifying these benefits.

As referred to above, the effects of different types of diversity can be both positive and negative (marked as + and – in the figure). When cultural intelligence is present in an organization and applied to tackle them, it works as a prism and these effects, like rays of light deflect and become positive. Thus we suggest that even the otherwise negative effects of diversity may be turned into advantages. At the same time, CQ itself is influenced by individual and collective experiences and its dimension of cognition (cultural knowledge and understanding) impacts on cultural judgment and decision making. Motivation dimension influences cultural adaptation, which further may influence behavior.
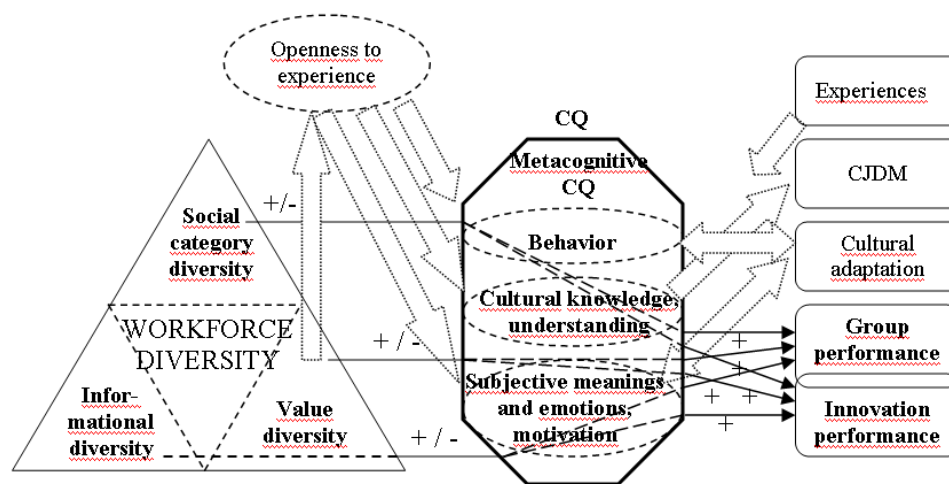
Figure 2 Cultural intelligence as a link-deflecting prism between diversity and group performance

Notes: CJDM refers to cultural judgment and decision making;
⊏⊐ - relationships found in previous research;
⟶ - proposed links.

Overall, openness to experience facilitates this process. Openness is not only a personality trait, but it is also a cultural value. Schwartz (1992) distinguishes between four main motivational domains of values, openness to change being a higher-order motivational domain of values. In its turn, it consists of stimulation and self-direction types of values, such as creativity, freedom, self-respect, varied life, exciting life, being daring, curious and independent. When these values are

endorsed in a certain culture, an individual is more open to change and new experiences. Thus, diversity of values provides more chances for these traits to be present in organization and further facilitates the effects of CQ.

Conclusions and implications

In this article we have discussed the potential relationships between workforce diversity and cultural intelligence from organizational perspective. As discussed above, workforce diversity may provide a useful organizational resource in today's world, but in order to get advantage of it cultural intelligence is needed. An organization is a collective creation (Trice, Beyer, 1984) and its effectiveness depends much on wider social context and organizational culture (shared values and assumptions that serve as a guide for behavior). We suggest considering diversity as an organizational value (what is seen as desirable and socially acceptable). If the members of an organization accept that diversity may serve as an important means for success and people are recruited based on traits related to cultural intelligence then the whole organization can benefit from it.

To create a culturally intelligent organization, several aspects should be taken into consideration. Openness to experiences was found to facilitate intercultural group performance and to be related to all CQ dimensions. Openness should be approached from two different angles. On the one hand, it is a personality trait, which can be relatively easily recognized and measured, for example, by using tests when hiring new employees and thus creating their personality traits portfolio. Employees with this trait are probably more adaptable and better accepting differences. On the other hand, openness can represent values learned and endorsed within a certain culture. Then identifying people who allocate the similar importance to these values may help in composing work groups. In addition, if needed, these values may be more or less endorsed or discouraged in organizations by the help of cultivating the according organizational culture.

Certain individual traits is a prerequisite for initiating these processes, further group efforts are needed. For example, for carrying out organizational changes, a crucial first step is valuing and managing diversity training (Cox, 1991). Thus, an emphasis has to lie on understanding the diversity and developing skills for achieving the potential synergy of it. These skills can be achieved trough group discussion and activities analysis.

In organizations, organizational members often use a readily detectable attribute that became salient or was made salient in the given situation as the basis for categorization. Applying CQ will help to get through the surface level of diversity for tackling the founding value-based diversity and identifying its potential advantages. Developing the CQ dimensions and skills will help to see beyond the surface level manifestations of diversity and thus understand the other better. Our proposition for further research is to study empirically the hypothesized effects of cultural intelligence. Creating a test for estimating individual as well as organizational CQ, which would estimate employees'' personality traits, values and other background characteristics would enable to move on from individual to group and organizational level in measuring and developing CQ.

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An overview of different conceptualizations of CQ

Authors / CQ dimensions	Earley, Ang	Thomas	Triandis	Hampten-Turner, Trompenaars	Brislin et al	Plum, Soderberg
Cognition	Cognitive strategies to acquire and develop coping strategies					Cultural understanding: self-, general and specific knowledge, "maps" & models, mental flexibility, situational understanding
Metacognition	Knowledge about different cultures	Mindfulness which entails awareness of and attention to the new cultural environment	Suspension of judgement	Reconciliation and integration of different values	Observe behaviors - introduce reasons for these behaviors – consider the emotional associations – transfer the new knowledge to other situations	
Motivation	Desire and self efficacy					Intercultural engagement: motivation, learning, emotional reactions, external drivers, e.g. strategy, managerial support etc.
Behavior	Repertoire of culturally appropriate behaviors	Behavioral ability to generate appropriate behaviors				Intercultural communication

Source: Authors' elaboration of Ng, Earley (2006) and Plum, Soderberg (2008)