

# DEVELOPING CROSS-CULTURAL COMPETENCE OF EXPATRIATE MANAGERS FOR EMERGING MARKET ECONOMIES : SOME KEY ISSUES

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# The Paper

Explores the relevant literature and examines some key issues in developing Cross-Cultural Competence of Expatriate Managers for Emerging Market Economies (EMEs)

# It is broadly divided in to four parts :

1. Overview & Importance of Emerging Market Economies
2. The Cultural Challenges of Expatriate Managers in EMES
3. Developing Cross – Cultural Competence of Expatriate Managers in EMES – Some Key Issues
4. Concluding Remarks

## Overview & Importance of Emerging Markets

An emerging market economy (EME) is defined as an economy with low to middle per capita income. Such countries constitute approximately 85% of the global population, and accounts for about 50% of global GDP (in Purchasing Power Parity terms). The term 'Emerging Markets' was coined in 1981 by Antoine W. Van Agtmael of the International Finance Corporation of the World Bank.

Although the term 'emerging market' is loosely defined, countries that fall into this category, varying from very big to very small, are usually considered emerging because of their developments and reforms. EMEs are considered to be fast-growing economies. EMEs are characterized as transitional, meaning they are in the process of moving from a closed economy to an open market economy while building accountability within the system. Less developed nations throughout Asia, Africa, Eastern Europe, Former Soviet Union and Latin America are said to be emerging market economies. The developed world consists of mature markets in North America, Western Europe and Japan.

## As per the Bloomberg Markets Report 2015

The 25 most-promising emerging markets are: South Korea, Qatar, China, U.A.E, Chile, Malaysia, Panama, Peru, Latvia, Poland, Thailand, Czech Republic, Hungary, Colombia, Turkey, Brazil, Philippines, Mexico, South Africa, Indonesia, Morocco, Russia, Greece, India and Egypt

The importance of EMEs to the global economy has been emphasized recently in business reports. A very recent Euromonitor International report predicts that emerging market economies will grow three times faster than developed ones, accounting for an average of 65% of global economic growth by 2020.

As these countries develop, we can expect to see more and more manufacturing and service firms from developed nations relocate their operations to take advantage of lower labor costs and rising skill levels, as well as growing markets for their goods and services. This rapid growth brings several challenges to multinational corporations (MNCs), both those recently established in emerging markets and those that have already been operating in these markets for some time. The main problem that could be identified and discussed is the difficulties that MNCs will have in staffing managerial positions overseas with culturally competent managers (Lenartowicz et al., 2007).

This Observation by Lenartowicz and Johnson (2007)

is significant because the EMEs are culturally so divergent that developing cross-cultural competence of expatriate managers would be a real big challenge for MNCs of developed economies entering into the emerging markets.

## The Cultural Challenges of Expatriates in EMEs

Leung et al. observed that national culture shows some evidence of changing over the years, and progressively quicker following the introduction of pervasive information technology and social media (Leung, 2005). Relating their arguments to the question of national culture in emerging economies, it can be implied that culture experiences relatively greater pressure to change, compared to industrialized countries; this suggests that the expatriate's challenge of adapting to host country cultures is greater in emerging economies, where the pressures inherent between cultural conceptions of the past and future will naturally complicate the already significant challenge of simply acclimatizing oneself to a different culture (Reish, 2011)

Emerging economies naturally cover several civilizational clusters within the definition of Voss *et al* (2010) or even civilizations within the historic sense for Huntington or Toynbee. Interpreted within the framework of civilizational clusters of Voss *et al.*, emerging economies evidently include every civilization on earth except one of the four Western clusters (i.e., the Central-European cluster) and the Korean-Japanese cluster.

Thus the cultural challenges of expatriates in EMEs are immense as they would require understanding of several civilizational cultures and develop ability to adjust and adapt in those cultures.

## **Developing Cross-Cultural Competence Of Expatriate Managers for Emerging Markets: Some Key Issues**

Although International Business (IB) failure has often been ascribed to the low levels of Cross-Cultural Competence (CC) of individual managers - especially of US-based managers – Johnson et al (2006) found that CC in an IB context is ill defined, especially when compared with other areas of the social sciences. IB researchers have tended to characterize CC in terms of variables that can be relatively easily defined and measured, and this approach has resulted in a circular definition of CC in terms of its evident antecedents - the knowledge, skills and personal attributes that constitute an inventory of cross-cultural competencies (e.g., Leiba-O'Sullivan, 1999; Earley, 2002; Tan and Chua, 2003) - rather than focusing on how effectively these antecedents are applied. Cross-cultural training programs tend to emphasize the elements of this inventory that can be taught in short training programs, typically focusing on culture-specific behavioral skills and knowledge whose learning can easily be assessed, at the expense of culture-general knowledge and attributional knowledge that might enhance the trainees' metacognitive skills.

More recently, Earley and his colleagues expanded the traditional notion of CC by introducing the concept of cultural intelligence , which includes both behavioral and motivational facets as well as a metacognitive aspect. However, cultural intelligence, too, focuses more on learning than on doing. In order to understand and study CC, we must first be clear about what it really is, so Johnson *et al* (2006) offered a definition of CC as it applies to the field of international business that focuses on performance ( doing ) rather than one set of knowledge, abilities and skills (knowing ). Johnson et al (2006) developed and discussed a model of CC that incorporates Earley's (2002) concept of cultural intelligence without compromising the behavioral nature of CC, and they posited that institutional ethnocentrism and cultural distance are moderating variables that have a negative impact on CC. Johnson et al (2006) anticipate that this definition and model of CC will result in a shift of emphasis in the IB literature away from the constituent dimensions of CC and towards the behavioral outcomes that CC implies.

The next step is to develop a valid, reliable measure that captures the multidimensionality of CC and is culture-general. Later, it should be possible to refine the measure to include culture-specific items that will allow an assessment of CC in a culture-specific context. Testing the model will also scrutinize the underlying assumptions that institutional ethnocentrism and cultural distance play a central role in international business failure. In conclusion, the development of a valid, reliable measure of CC will be an important step in helping international firms create an environment that is conducive to the exercise of appropriate cross-cultural expertise (Johnson *et al.*,2006)

# Concluding Remarks

Research suggests that even if an expatriate is culturally competent in one overseas environment, there is no guarantee that s/he will be equally successful in a different environment (Johnson et al. , 2006) since environmental factors can have a negative impact on an expatriate manager's performance. In particular, we may draw our attention here to cultural distance and how it may affect managing employees in emerging markets. Cultural distance (Kogut and Singh, 1988) is a quantitative measure of the cultural difference between two countries; it has been recognized as a key factor in explaining foreign market attractiveness, modes of entry, internationalization patterns, the degree of adaptation of marketing strategies, and organizational performance (Evans et al. , 2000).

More so the literature suggests that there is less of empirical validation of developmental models for cross-cultural competence of expatriate managers in the context of emerging market economies. The emerging market economies are too complex culturally and expatriate managers from different countries need to be trained and developed differently to overcome the cultural challenges of their assignment in emerging market economies

More empirical researches need to be conducted to validate developmental models for cross-cultural competence of expatriate managers specifically in the context of emerging market economies.

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# THANK YOU

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