



INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT AND MANAGEMENT

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CULTURAL INTELLIGENCE (CQ): LEVERAGING EFFECTIVENESS OF INDIAN BPO SECTOR

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ABSTRACT

World has become a global village. This is true in many hard core areas of development like technology, communication etc. But still many soft issues are challenge to the companies. One of them is cultural difference and cultural diversity. This is a very sensitive and critical issue to any organizations now days. With increasing globalization, many sectors in Indian economy have grown tremendously, one of which is IT and ITeS industry. Thus, it brings heavy pressure/ urgency for companies to understand and react as per the changes BPO industry encounter major challenge on cultural differences. This paper introduces the concept of cultural intelligence (CQ) and discusses its relevance and implications in the ITeS industry. It proposes a model highlighting CQ as a major critical individual capability affecting companies to bridge the gap between cultural disparities with special reference to Business Process Outsourcing (BPO) sector.

KEYWORDS

Management, Cultural intelligence, Culture, Training and Development

INTRODUCTION

With increasing globalization, cultural intelligence becomes more critical to business success. Livermore points to a study done by The Economist which found that 90% of executives from more than 60 countries said cross-cultural leadership was their top management challenge. When world has become a global village everything else have become small. Manpower is high in transit mode, which gives a challenge to the key drivers of the economy to diversify. It includes all the major stakeholders of our economy. In the process of building and sustaining cultural diversity both at micro and macro level of the economy. The major player has to take up the charge of controlling and redefining the process of maintaining cultural diversity. Now days with the changing environment and patterns of society, organizations have started realizing the need to be culturally competent to understand the cross cultural patterns of people. If any organization wants to survive for long in the competition, they have to diversify vertically and horizontally. This in turn results in internationalization, multinational, multiculturalism, and diversification.

With the changing pattern of manpower, organizations have to be more adoptive and adaptive towards cross cultural difference. The flow of culture is always from top to bottom, that means this kind of change will first have to accept by top management and then carried by everybody else. People belonging to different nations, communities, cultural background definitely reflect some contrasting beliefs, attitude, values, perception, expectation and assumptions. All these reasons create a lot of pressure to the industries which are encountering this change most. One of these industries is IT enables service industry in India.

The Indian information technology (IT) - business process outsourcing (BPO) sector including the domestic and exports segments continue to gain strength, experiencing high levels of activity both onshore as well as offshore. The companies continue to move up the value-chain to offer higher end research and analytics services to their clients. ITeS, which started with basic data entry tasks over a decade ago, is witnessing an expansion in its scope of services. It now offers services such as knowledge process outsourcing (KPO), legal process outsourcing (LPO), games process outsourcing (GPO) and design outsourcing, among others. The Indian BPO sector has not only added scale in the last nine years, but has also matured significantly in terms of scope of service offerings, buyer segments served and service delivery models. Apart from achieving maturity in the horizontal segment, providers are increasingly developing vertical/ domain specialization to capture greater value. Further, as per DIT, the ITeS-BPO is being seen as the fastest growing segment within the Indian IT-BPO sector and is predicted to reach export revenues of about US\$ 12.4 billion in 2009-10 as compared to US\$ 11.7 billion in 2008-09, growing at 6 per cent.

Globalization has helped improve living standards and promoted cultural diversity and global integration. Nonetheless, on the flip side, rapid social and cultural transition, due to influence of western culture and values has changed a lot of young Indian mindset. And a major role is played by BPO sector. BPO sector being a service provider takes a foot forward when dealing with international customers. If service managers are unaware of the core cultural expectations of customers, it will result in gap of performance of service (Mohsin, 2006). Thus, while considering the case of BPO industry it becomes all the more important to have high CQ because half of the time service provider and customer don't meet physically. Therefore, understanding and accommodating towards cultural difference is the need of the present service provider as competition inside the industry is becoming stiff and tuff.

However, one the major tool for dealing with people of different cultural background is "Cultural Intelligence". Cultural Intelligence (CQ) is a person's capability to function effectively in situations characterized by cultural diversity. It aims at providing a better understanding of cultural differences and reducing cultural distance between customer and service provider. Thus creating an awareness and education on Cultural Intelligence is essentially required in ITeS sector.

The present piece of research has been presented in this backdrop, wherein the role of cultural intelligence is seen as an intervention by focusing on specific capabilities that are important for high quality personal relationships and effectiveness in culturally diverse settings. The paper has been presented in the following paragraphs, under eight sections.

PROBLEM STATEMENT

The author identified that service manager/ executives in the BPO industry has problems when dealing with the customer of diverse cultural background which implies a set of varying cultural values, beliefs, perception, attitude, expectation, and basic underlying assumption. When interaction between the service provider and customer on the grounds of cultural is not satisfactory, it creates dissatisfaction and leaves an inappropriate impression on the customer. One major reason behind this failure could be that executive directly handling customers may not be culturally intelligent to deal the global customers. Thus if the industry designs a standardized curriculum for training and developing cultural intelligence among the workforce, it may result in future long term benefits.

RESEARCH OBJECTIVE AND AIM

The research objective is to identify in terms of relevant literature, whether individuals, employees and customers need to be culturally intelligent in order to be successful in cross cultural interactions. It is hoped to asses the current status of cultural intelligence with reference to BPO sector. And to identify how cultural intelligence can used as tool to reduce differences.

RESEARCH METHOD

The review of theoretical global relevant literature shall provide a foundation and conceptual framework of Cultural Intelligence (CQ), its application and usage, the understanding of cultural differences in BPO sector, Also, research engines such as scholar google, Emerald, scibd and published works of various researchers in the respective will be incorporated.

Literature on cultural intelligence is available between the period (2003-2010) as the concept relatively new and that on the impact of culture on the respective industry from the year 2000.

On the basis of the literature, theoretical models are created to understand the relationship between cultural Intelligence and its applicability in the BPO sector.

LITERATURE REVIEW

Cultural Intelligence

In managerial contexts, this calls for the ability, among other things, to identify and solve problems sensitively and effectively in cross cultural situations. These situations are often characterized by considerable complexity and ambiguity. According to Thomas and Inkson (2004), a manager who is high on CQ will, first, be *knowledgeable* about cultures and fundamental issues in cross cultural interactions; second, be *mindful* of what is going on in intercultural situations, having a sensitivity to cues and an ability to interpret them; and third, have a repertoire of behavioral skills that enable them to respond appropriately to different intercultural situations. To the extent that their jobs require cultural intelligence, it is important that HRM managers evaluate ways in which the CQ of employees can either be acquired (by careful selection) or developed (by appropriate training) (Earley, Ang & Tan 2006). Before addressing the question of how this might be done, it is important to examine why cultural intelligence is important.

Traditionally, the importance of cultural understanding in international business has been determined by several factors. First, the countries and cultures in which the business has been conducted, in the sense that – as a result of differences in what has been described as ‘cultural distance’ – some countries are more difficult to do businesses than others. Second, the areas of the firm’s business that are most directly impacted, the impact of cultural differences in areas such as sales and marketing being greater, say, than on accounting services. Third, whether the firm has sizable numbers of expatriates/ foreign clients, in which case it has been recognized by the company to give particular attention to how those persons can best be selected and trained for their assignment in order that their personal adaptation and job performance are ensured. Overall, it might be said that an understanding of how and why CQ is important in international business has been more obvious in relation to some things than to others.

Cultural Intelligence (CQ) is a person’s capability to function effectively in situations characterized by cultural diversity (Ang, Van Dyne, & Koh, 2005; Earley & Ang, 2003; Earley & Mosakowski, 2005). In today’s increasingly global and diverse work settings, the ability to function effectively in multi-cultural situations is important for employees, managers, and organizations.

Knowledge of Cultural Intelligence provides insights about their capabilities to cope with multi-cultural situations, engage in cross-cultural interactions appropriately, and perform effectively in culturally diverse work groups. Knowledge of the Cultural Intelligence of others provides insights about how best to interact with others in multi-cultural situations, engage in cross-cultural interactions appropriately, and perform effectively in culturally diverse work groups.

CQ-Cognition is how a person makes sense of inter-cultural experiences. It reflects the processes individuals use to acquire and understand cultural knowledge. It occurs when people make judgments about their own thought processes and those of others. This includes strategizing before an inter-cultural encounter, checking assumptions during an encounter, and adjusting mental maps when actual experiences differ from expectations.

CQ-Motivation is a person’s interest in experiencing other cultures and interacting with people from different cultures. Motivational CQ is magnitude and direction of energy applied toward learning about and functioning in cross-cultural situations. It includes the intrinsic value people place on culturally diverse interactions as well as their sense of confidence that they can function effectively in settings characterized by cultural diversity.

CQ-Behavior is a person’s capability to adapt verbal and nonverbal behavior so it is appropriate for different cultures. It includes having a flexible repertoire of behavioral responses that are appropriate in a variety of situations and having the capability to modify both verbal and nonverbal behavior based on those involved in a specific interaction or in a particular setting.

Despite of being a new subject, it was able to capture a lot of attention from academicians and researchers. Ang et al. (2007) found CQ to be significant in explaining the variance in performance.

5.2 Impact of culture on Indian ITes Industry

The mode of international business is changing. Though the notion of locating parts of a firm’s business in different countries is not new, the general move to global outsourcing has accelerated rapidly in recent years, impacting on firms in both the product and services sectors (Mol, van Tulder & Beije 2005). Again, this requires new sorts of cultural skills. For example, the establishment of call centres in India, to service businesses around the world has created a vast number of interesting problems.

The circumstances and challenges for both foreign and local enterprises vary enormously across many different countries in Asia (Lasserre & Schutte 2006) and it would be dangerous to overly generalise. The issues in highly developed countries such as Japan, South Korea and Singapore are vastly different from those in much less developed places. However, it is fair to say that within the majority of countries in Asia, and most particularly those in the ‘developing’ category, there are several very challenging ‘cultural’ issues that have to be confronted by local firms. BPOs have faced with much more challenging conditions in the countries in which they operate, especially in India.

When people are aware of the potential differences in thought processes, they tend to make isomorphic attributions, defined as interpreting behaviour from the actor’s perspective and giving it same meaning as intended by the actor (Triandis, 2006). This holds true in the case of BPO sector also where three parties are involved. One is the parent country, second the host country and third are customers from anywhere. BPO center acts as mediator between the client and the customer. Thus gives a bigger challenge to the outsourced center to understand the culture and processes of parent company and then respond to the client. When customer expectations are not met this often leads to disappointments, fear, loneliness which result in cultural conflicts (Weiermair, 2000).

BPO industry is highly complex industry culturally. The host company has to behave as a representative of the parent company to client, without even encountering the real cultural conditions of parent company. In short, the construction of cultural difference is a tool for the management of ‘multicultural’ workforces. In the case of outsourcing, standard notions of national difference (Indian/ Western) feed into corporate discourses about work and underwrite the development of strategies to manage software workers. In doing so they are following standard ‘cross-cultural management theory’, which tends to attribute all problems and conflicts in ‘multicultural’ work situations to cultural difference. Communication gaps or the inability to deliver on time, for instance, are attributed to inherent cultural barriers (different communication styles, different attitudes to time) rather than to organizational or any other such problems. But more important than this cultural explanation of differences in behaviour and perception is to search for underlying structural reasons that may linked to the outsourcing situation itself. The cultural construction of difference thus masks the operation of the structural factors (deadlines, unrealistic project estimates) that lead to longer working hours -- not to mention the tacit pressure that comes from above, especially in the software services companies. In the case of Indian BPO services companies, the relationship between the Indian outsourcers and the clients is structurally unequal because it is a relationship between customer and service provider.

Thus, the very structure of these ‘multicultural’ virtual teams implies a hierarchy that tends to follow the lines of ‘culture’ or nationality. Yet when managers analyze and attempt to solve problems in such teams, they are invariably identified as ‘cultural’ in origin – and in many cases understood as cultural deficiencies of employees. In this context, managers draw on cross-cultural management theories as well as commonly articulated ideas about cultural difference in order to manage and control this diverse workforce. Because of the dominance of this framework, when there are difficulties in multicultural teams they are usually attributed to cultural differences among team members. As a result, much time and money are invested in inter-cultural training and other such strategies to overcome these problems.

IMPLICATIONS OF CULTURAL INTELLIGENCE FOR THE BPO INDUSTRY

On the basis of literature review, it is very much clear that the BPO sector composed of various components from different cultural backgrounds; it becomes important to acknowledge the differences in order to succeed. In order to control cultural variance, cultural intelligence is essential.

As a result, it enables the managers to leverage the differences that exist on the basis of culture in the form of values, attitudes, beliefs, behaviour, communication, personal space etc. The quality of employee – customer interactions have been recognized as the key strategic weapon of service organization

which in turns make both the parties responsible for creating and sustaining healthy relationship for mutual benefits. Such interactions require great deal of understanding and research about each other in terms of social, cultural and economic aspect. Thus, it is important to strengthen the interactions by various tools to gain a competitive advantage, satisfy customer and achieve excellence. Research indicates that employees who are culturally sensitive provide better service. Such employees have a capability of adjusting their service style in order to meet the cultural needs and expectations of customer.

On the basis of available literature, a model has been developed in order to determine how cultural intelligence can help to develop a successful BPO. Generally a BPO is a mediator of the client and its customers. Thus a lot of responsibility lies on BPO center to coordinate the information smoothly between the two. In almost 90% of BPO business in India, the client and company are from different countries, which create customer expectation of being culturally intelligent. If the mediation is done properly than the situation is win-win for all the parties.

Fig.1 reflects a model the impact of Cultural Intelligence on BPO service. The model contains three basic function; antecedents/ inputs, process and output. All the BPOs, no matter big or small have input but if the organization is cultural intelligent than stage 1 to 3 will be smooth and than then the outcome will be positive improving the overall effectiveness of an organization and individual.

The model states that all the BPOs are basically service providers to two different set of people i.e. the client and customer. The client helps in providing input to the service provider in the form of enterprise management, HR procedure and work settings. Stage 1 is the beginning of process wherein Organizational Intelligence has to be created by the BPO in terms of individual intelligence with cultural intelligence. Stage 2 states the service part of the BPO wherein some or the other service is given to the client on the basis of their requirement. Stage 3 shows that services are delivered to customers meeting their expectations, instrumentality and demands. Stage 4 is the final representation of delivery in the form effectiveness of organization and individual.

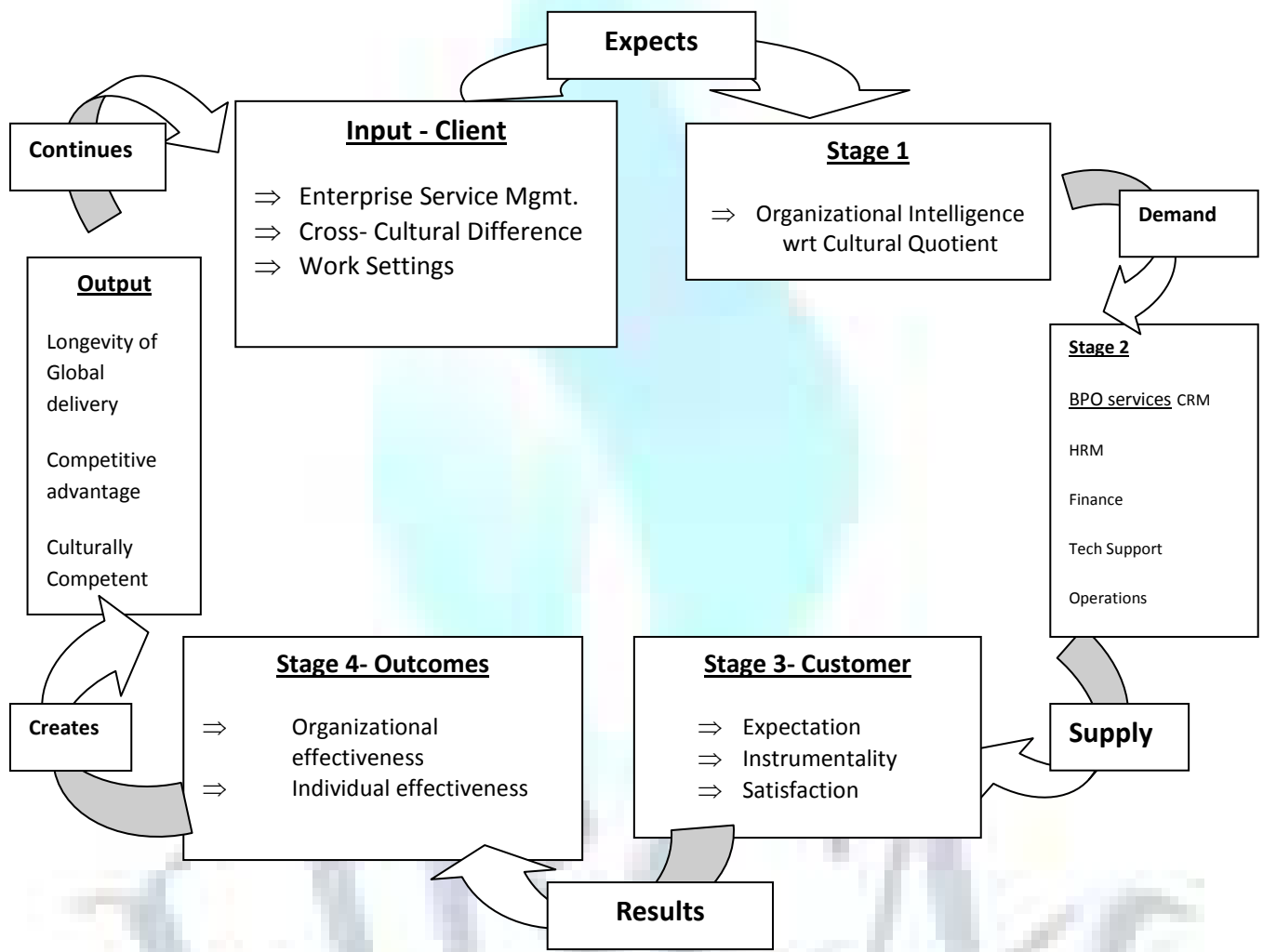
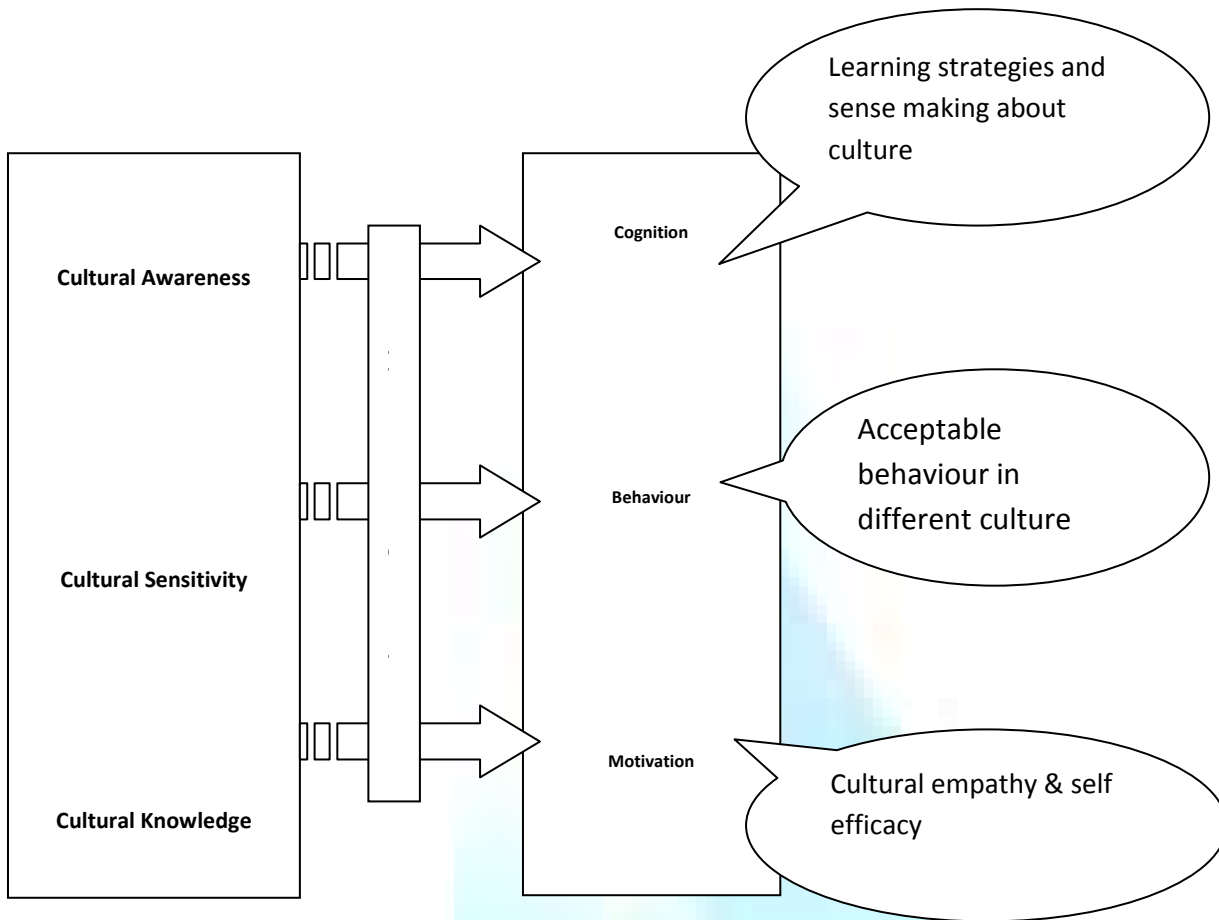


Fig. 1

FIG. 2: HOW TO CREATE STRONG CULTURAL QUOTIENT



To achieve best output stage 1 to 3 are very crucial and important. Thus needs extra attention from the professionals. That is the reason; a separate model on How to create a strong cultural quotient is made in Fig. 2. This model reflects that there are three major domains of developing cultural intelligence – one is cognition, behaviour and motivation. These areas can be developed with cultural awareness, sensitivity and knowledge.

It is very much essential for any organization to create a framework for assessing cultural intelligence because it gives them confidence to survive in highly unpredictable environment and also makes them competent with ever changing cultural conditions.

CONCLUSIONS

The growth of ITeS industry in India has led to increased cross cultural dealing. As employees have become more and more exposed to diversity in all respects, as competition has increased in the industry, as the cultural expectations and demands have increased, as customer have become more knowledgeable about environment, as communication becomes prime vehicle to conduct; it creates challenges which needs to be addressed in order to be beneficial.

It can indeed be concluded that culture has an impact upon the intercultural interactions. Managers, who are part of ITeS industry, cannot achieve their goals unless they are open and sensitive to the cultures of their customers, employees and client. Thus cultural intelligence will provide an insight and streamline the procedures.

LIMITATIONS

The primary limitation encountered during the conduct of the study was dearth of literature. As cultural intelligence is comparatively a newer area of research, as the present very large volume of literature is not available.

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