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HUMAN CAPITAL

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Chapter 3

Kok-Yee Ng, Mei Lang Tan, and Soon Ang's chapter likewise concentrates on the firm as the context of human capital development and application, though their focus is on global firms. Their analysis reaches back into the urban sociology of Gouldner and Merton and adopts their classic distinction between 'locals' and 'cosmopolitans', the latter having several languages and travel experience to add to their human capital. Cosmopolitan human capital, they argue, is essential for firms competing in the globalized economy. Their intent is to understand how such human capital is developed. In a neat move they appropriate much of the human capital literature's thinking about the impact of parent attitudes, learning habits, and education on their children's educational development. They reposition the corporation as a form of intellectual parent, defined as the custodian or context of the relevant 'global cultural capital' and able to foster cosmopolitan human capital.

Taking off from Kanter's argument that travel alone does not make cosmopolitans, their analysis looks beyond postings in multiple countries to consider each individual's 'intercultural capabilities'. These imply a different kind of personal intelligence—the cultural intelligence (CQ) proposed by Bourdieu and Passeron—that parallels IQ and EQ (emotional intelligence). They draw on Sternberg and Detterman to argue that CQ's dimensions are: (a) metacognitive intelligence about the awareness and control of cognitions used to acquire and understand information, (b) cognitive intelligence about knowledge and knowledge structures, (c) motivational intelligence as the energy behind the engagement of intelligence, and (d) behavioral intelligence focused on individual capabilities at the action level. They report studies of the relationship between CQ and cultural adaptation and performance, expatriate effectiveness, interpersonal trust, team acceptance, and joint profits in intercultural negotiation dyads.

While the authors note that these effects are well known, they argue that little is known about how cosmopolitan human capital is developed. They turn to the international business literature to contrast different corporations' attitudes towards multicultural contexts. They note the firm's culture balances global integration and local responsiveness and the distinctions between 'parochial' and 'diffused' mindsets. They consider the literature on organizational routines to sketch out those that might increase CQ by (a) managing human capital flow globally, (b) developing intercultural talent, and (c) rewarding a global mindset. They conclude with a discussion of a program to test these notions empirically.

CHAPTER 3

GLOBAL CULTURE CAPITAL AND COSMOPOLITAN HUMAN CAPITAL

THE EFFECTS OF GLOBAL MINDSET AND ORGANIZATIONAL ROUTINES ON CULTURAL INTELLIGENCE AND INTERNATIONAL EXPERIENCE

KOK-YEE NG
MEI LING TAN
SOON ANG

The conventional wisdom...places formal educational institutions in a central role as the main producers of the skills required by the modern economy. It neglects the crucial role of families and firms in fostering skill, and the variety of abilities required to succeed in the modern economy.

(Heckman, 2000, on fostering human capital)

IN today's global and knowledge-intensive economy, a firm's human capital plays an increasingly strategic role in achieving and maintaining its competitive advantage

(Pfeffer, 1994). Research has established that variations in firms' human capital, defined as the education, experience, and skills of firms' employees, contribute to differences in firms' performance (for example, Daily *et al.*, 2000; Hitt *et al.*, 2001).

Given the importance of human resources to a firm's performance, and in the context of growing international trade, it is timely for research to reexamine the nature of human capital needed for individuals and organizations to be successful in the modern economy (Heckman, 2000). Kanter (1995) argued that for organizations to become world-class in today's global economy, they must develop a new breed of managers who can fulfil three important roles: 'integrators' who see beyond surface-level cultural differences to find common ground; 'diplomats' who resolve conflicts and influence locals to accept world standards; and 'cross-fertilizers' who help to transfer knowledge and best practices from one place to another (Kanter, 1999). Kanter (1995) termed these individuals 'cosmopolitans', borrowing the term from earlier sociological work of Gouldner (1957) and Merton (1957).

This chapter focuses on '*cosmopolitan*' human capital—the additional human capital needs required of global organizations to compete effectively in the world economy. Even though our focus is on organizations with international operations, we note that cosmopolitan human capital is similarly valuable to organizations operating primarily within one country, but with a culturally diverse workforce arising from the diversity of the country's population. Consistent with existing research, we define cosmopolitan human capital as the experience and skills that individuals possess that enable them to work effectively in many different cultures (Haas, 2006; Tung, 1998). Specifically, our key objective is to understand how cosmopolitan human capital in firms is developed internally. Why are some firms able to cultivate cosmopolitan human capital more effectively than other firms?

This is an important question for several reasons. First, two Economist Intelligence Unit (EIU) CEO briefings (2006, 2007), based on survey data from over 1,000 senior executives across forty nations, identified lack of high-quality talent that can operate in multiple cultures as the greatest challenge facing global organizations. As the demand for cosmopolitan human capital exceeds its supply, it is vital for firms to develop such global talent internally in order to sustain their competitive advantage. Second, given the social embeddedness of human capital (Chapters 2 and 16), cosmopolitan human capital involves some extent of firm-specific knowledge and skills, such as an understanding of the firm's global context and operations, and thus is not readily available in the open labor market (see Chapter 22). Given that cosmopolitan human capital is both valuable and unique to the firm, there is strategic incentive for organizations to develop these employees internally (Becker, 1964; Lepak and Snell, 1999).

We propose the concept of *global culture capital* to explain why some firms are more effective in developing cosmopolitan human capital. Our concept of global culture capital is drawn from sociologists Bourdieu and Passeron's (1990) concept

of cultural capital. (We label our concept global *culture* capital, to avoid confusion with the sociological term *cultural* capital.) Specifically, our central thesis is that, just as educated parents are able to create a home environment that transmits values and habits to their children to aid them academically, we propose that organizations that possess global culture capital provide a work environment that fosters the development of human capital through the process of situated learning (Brown *et al.*, 1989; Lave and Wenger, 1991). Our view is consistent with Heckman's (2000) argument, illustrated in our opening quotation, that families and firms play a critical but under-examined role in fostering the human capital required of individuals to succeed in this modern economy.

In the following sections we first review relevant literatures to expound on the concepts of cosmopolitan human capital and global culture capital. We then describe how global culture capital affects the development of cosmopolitan human capital

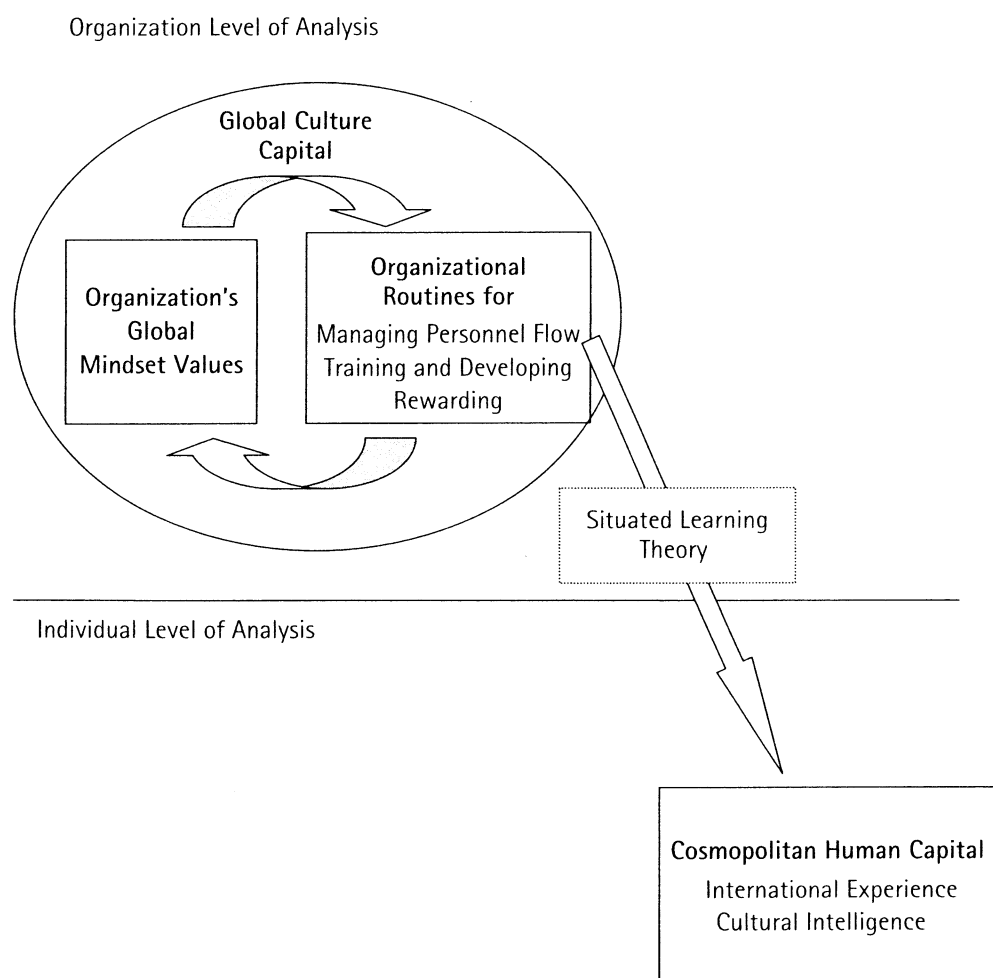


Figure 3.1. Conceptual Model

via situated learning theory (see Figure 3.1). We conclude the chapter with implications for future research.

3.1 COSMOPOLITAN HUMAN CAPITAL

Broadly, cosmopolitans refer to individuals who have the education, experience, and skills that enable them to work effectively in many different cultures (Haas, 2006; Kanter, 1995; Tung, 1998). By contrast, locals refer to individuals whose education, experience, and skills deal mostly with their original culture (Haas, 2006). The cosmopolitan–local distinction can be traced back to early sociological theories of role orientation by Merton (1957) and Gouldner (1957). In Merton's (1957) study of influential community members, he distinguished between leaders whose interests were restricted to their communities (locals) and leaders whose interests extended beyond their communities to relate to the world (cosmopolitans). Likewise, Gouldner's (1957) research in the context of organizations defined cosmopolitans as employees who were oriented toward external communities based on professional interests, versus locals who were oriented inwardly toward their organizations based on loyalty.

The study by Haas (2006) offered the most in-depth conceptual treatment and operationalization of the cosmopolitan–local distinction to date. Based on earlier research by Tung (1998), Haas (2006) distinguished cosmopolitans from locals along two attributes. Cosmopolitans are employees who have lived and worked in three or more countries, and who speak three or more languages, while locals are employees who have lived and worked in the project country, and who speak the local language. Hence, a primary feature of cosmopolitan human capital, as defined by Haas (2006) and others, is the amount of international experiences that individuals possess.

In this chapter we offer an expanded operationalization of cosmopolitans that goes beyond individuals' international experiences. Consistent with the general definition of human capital as consisting of both experiences and skills, we argue that an important but neglected aspect of cosmopolitan human capital is the capabilities that employees possess that enable them to be effective in dealing with diverse cultures. Incorporating a direct measure of employees' intercultural capabilities, as opposed to merely relying on a proxy measure of employees' international experience, would give a more accurate indication of how equipped the individual is in managing the challenges arising from the global workplace. This is consistent with Kanter's (1995: 23) assertion that 'it is not travel that defines cosmopolitans'. Likewise, research has shown that experience does not necessarily translate into knowledge or skills, and that individuals do not learn equally from their international experiences (Leslie and Van Velsor, 1996; Spreitzer *et al.*, 1997). Studies have found that individual

differences in cognitive abilities, self-esteem, personality traits, and competencies such as seeking and using feedback can affect the extent to which individuals learn from their expatriate assignments. Hence, we advance that a more complete operationalization of cosmopolitan human capital must take into account both the international experiences and the intercultural capabilities of the individuals.

3.1.1 Cultural Intelligence

Intercultural capabilities are captured by the construct of cultural intelligence (CQ; Ang and Inkpen, 2008; Ang and Van Dyne, 2008)—defined as a ‘person’s capability for successful adaptation to new cultural settings, that is, for unfamiliar settings attributable to cultural context’ (Earley and Ang, 2003: 9). CQ provides a timely and relevant set of capabilities for enriching the cosmopolitan human capital construct. The theory of CQ is drawn from Sternberg and Detterman’s (1986) framework of multiple intelligences, which integrates different perspectives of intelligence to propose four complementary ways of conceptualizing individual-level intelligence: (a) metacognitive intelligence refers to awareness and control of cognitions used to acquire and understand information; (b) cognitive intelligence refers to knowledge and knowledge structures; (c) motivational intelligence acknowledges that most cognition is motivated and thus focuses on the magnitude and direction of energy as a locus of intelligence; and (d) behavioral intelligence focuses on individual capabilities at the action level. This framework is noteworthy because it recognizes multiple forms of intelligence, unlike traditional research that has focused narrowly on linguistic, logical–mathematical, and spatial intelligence, while ignoring forms of intelligence related to self-regulation and interpersonal relations (Gardner, 1993).

Drawing on this multidimensional perspective of intelligence, Earley and Ang (2003) conceptualized CQ as a multidimensional construct with mental (metacognitive and cognitive), motivational, and behavioral components. Metacognitive CQ is the capability for consciousness and awareness during intercultural interactions. It reflects mental capabilities to acquire and understand culturally diverse situations and includes knowledge of and control over individual thought processes (Flavell, 1979) relating to culture. Relevant capabilities include planning, monitoring, and revising mental models. Those with high metacognitive CQ are consciously mindful of cultural preferences and norms—before and during interactions. They question cultural assumptions and adjust mental models during and after experiences (Nelson, 1996).

While metacognitive CQ focuses on higher-order cognitive processes, cognitive CQ focuses on knowledge of norms, practices, and conventions in different cultural settings, acquired from education and personal experiences. This includes knowledge of economic, legal, and social systems of different cultures (Triandis, 1994). Individuals with high cognitive CQ are able to anticipate and understand

similarities and differences across cultural situations. As a result, they are more likely to have accurate expectations and less likely to make inaccurate interpretations of cultural interactions (for example, Triandis, 1995).

In addition to mental capabilities that foster understanding of other cultures, CQ also includes the motivational capability to cope with ambiguous and unfamiliar settings. Motivational CQ is the capability to direct attention and energy toward learning about and functioning in situations characterized by cultural differences. Based on the expectancy-value theory of motivation (Eccles and Wigfield, 2002), it includes intrinsic motivation (Deci and Ryan, 1985) and self-efficacy (Bandura, 1997). Those with high motivational CQ direct attention and energy toward cross-cultural situations based on intrinsic interest and confidence in cross-cultural effectiveness.

The fourth aspect of CQ recognizes that cultural understanding (mental) and interest (motivational) must be complemented with behavioral flexibility to exhibit appropriate verbal and non-verbal actions, based on the cultural values of a specific setting (Hall, 1959). Thus, behavioral CQ is the capability to exhibit situationally appropriate behaviors from a broad repertoire of verbal and non-verbal behaviors, such as being able to exhibit culturally appropriate words, tones, gestures, and facial expressions (Gudykunst *et al.*, 1988).

Applying Sternberg and Detterman's (1986) framework of multiple intelligences to CQ provides a theoretical foundation that integrates the previously fragmented research on intercultural competencies. To date, there is a substantial body of research supporting the predictive validity of CQ (Ang *et al.*, 2010). Studies have found that CQ is positively related to cultural adaptation and performance (Ang *et al.*, 2007), expatriate effectiveness (Kim *et al.*, 2008; Templer *et al.*, 2006), adaptive performance (Oolders *et al.*, 2008), interpersonal trust (Rockstuhl and Ng, 2008), and joint profits of intercultural negotiating dyads (Imai and Gelfand, 2010).

To recapitulate, we argue that a more comprehensive operationalization of cosmopolitan human capital should reflect employees' international experiences as well as their intercultural capabilities, embodied by the CQ construct. Based on this expanded definition, existing research has demonstrated that cosmopolitan human capital has an important impact on performance outcomes at different levels of analysis. At the firm level, several studies have found that cosmopolitan human capital, reflected in the international experience of CEOs, was positively related to the corporate financial performance of international firms (Carpenter *et al.*, 2001; Daily *et al.*, 2000; Sambharya, 1996). At the team level, Haas (2006) found that project teams with greater cosmopolitan human capital, indicated by the number of members who have lived and worked in multiple countries and who speak several languages, outperformed other teams with members who are primarily locals. At the individual level, Ang *et al.* (2007) found that managers with higher CQ were rated as more effective in their jobs.

Although research has clearly demonstrated the importance of cosmopolitan human capital for firm, team, and individual effectiveness, there is little understanding of how cosmopolitan human capital in firms is developed. (For an exception, see Gibbons and Waldman's (2004) process-oriented view of on-the-job human capital accumulation via task-specific learning by doing.) In the next section we expound on the concept of a firm's global culture capital, and how it affects the development of cosmopolitan human capital in the firm. Before we elaborate on the concept of global culture capital, we first review the extant literature on cultural capital, on which our concept of global culture capital is based.

3.2 CULTURAL CAPITAL

The concept of cultural capital was originally conceived by Bourdieu and Passeron (1977) to explain the higher education success rates of children of educated parents. In the original formulation, cultural capital was sketched in abstract terms as 'the cultural goods transmitted by the different family pedagogic actions, whose value qua cultural capital varies with the distance between the cultural arbitrary imposed by the dominant pedagogic actions and the cultural arbitrary inculcated by the family pedagogic actions within the different groups or classes' (Bourdieu and Passeron, 1990: 30). In other words, cultural capital refers to the legitimized knowledge acquired in the home environment that enables children to achieve more advantageous outcomes during the educational process.

A basic tenet of the cultural capital theory is that children of educated parents have higher cultural capital and, as a result, are more likely to achieve greater academic success because of their familiarity with the academic culture, which is also regarded as the dominant or legitimate culture in society. According to Bourdieu and Passeron (1977), school preferences are not neutral; rather, schools are essentially institutions that adopt and favor particular linguistic structures, authority patterns, types of curricula, and classroom practices that, at any historical period, represent the social and cultural experiences of the intellectual and economic elites. As such, parents who have gone through the education system should be familiar with the academic culture, and be able to impart it to their children.

The concept of cultural capital by Bourdieu and Passeron (1977) emphasized two key sets of elements that parents transmit to their children: parents' values and attitudes, and the habits and practices regarding education. Values and attitudes are intangible, subjective beliefs about the importance of education and how to achieve success in the academic environment. Vryonides (2007) found that professional middle-class parents have stronger beliefs about how they should participate in

their children's education, compared to working-class parents who, due to their scant experience with education, are more likely to leave their children to manage their education process themselves.

Habits and practices are overt behaviors that reflect parents' beliefs about education. When parents are more involved in their children's education process, they are more likely to instill habits that will enable their children to perform better in school. Examples of habits and practices include employing appropriate study techniques and learning methods, reading newspapers and periodicals regularly, maintaining an interest in classical texts, music, film, theatre, and art appreciation (which help in humanities subjects) (Bourdieu and Passeron, 1979).

Through family socialization, cultural capital moulds human capital. Specifically, by modeling their educated parents, children are able to 'act the part' of a scholar and adopt attitudes and behaviors required for effective adaptation in schools. When these children display behaviors and mannerisms that are deemed appropriate by school teachers, they are evaluated and treated more favorably by the school system. Success in school, in turn, translates to higher human capital in the form of quality and quantity of education. Empirically, studies have shown a positive relationship between cultural capital and human capital (for example, Georg, 2004; Kurashi and Terano, 2008; van de Werfhorst and Hofstede, 2007). These findings support the theory that having cultural capital enables children to engage successfully in educational processes and institutions, thus influencing children's human capital in terms of educational attainment.

We propose that organizations, like parents, possess cultural capital which can help their employees secure advantages in the global economy. Applying the cultural capital construct to the organizational level may provide insights into the development of human capital within organizations. Whilst Bourdieu and Passeron (1977, 1979) focused on cultural capital of an academic orientation, we are interested in cultural capital with a global orientation. We term this bundle of elements as the firm's global culture capital, to distinguish it from individual-level cultural capital. We elaborate on the elements of 'global culture capital' below.

3.3 GLOBAL CULTURE CAPITAL

Consistent with Bourdieu and Passeron's (1979, 1990) concept of parents' cultural capital, we propose that a firm's global culture capital may be characterized by two major types of resources: the intangible cultural element in the form of organizational values toward globalization, and the overt cultural element in the form of organizational routines for promoting its global values. More specifically, we define the first element of global culture capital as a firm's *organizational values* that

embrace a 'global mindset', and the second element of global culture capital as *organizational routines* that promote a global mindset within the organization. The two major elements of global culture capital are interrelated since the specific content of organizational routines is often derived from and should be consistent with the organizational values (Begley and Boyd, 2003; Chandler, 1962; Miles *et al.*, 1978). Moreover, organizational routines, when enacted over time, also serve to reinforce the values. Below, we elaborate on each element.

3.3.1 Organizational Values: A Global Mindset

A firm's mindset characterizes how it perceives and interprets its global environment, and has important implications for its business strategies (Gupta and Govindarajan, 2002). According to several scholars, a global mindset is one that recognizes, and strikes a balance between, global integration and local responsiveness (Begley and Boyd, 2003; Gupta and Govindarajan, 2002). This is contrasted with a 'parochial' mindset that emphasizes uniformity across cultures and markets; and a 'diffused' mindset that favors market segmentation and differentiation without a global picture (Javidan *et al.*, 2007).

The value of global integration comes from the headquarters' imperative to maintain centralized coordination and control to monitor strategy implementation. When integrating globally, the organization emphasizes standardization, leverages economies of scale, and achieves optimal resource deployment by reducing duplication of efforts. On the other hand, the value of local responsiveness is rooted in the diverse requirements and capabilities of different locals in different countries. By being locally responsive, the multinational corporation has to allow each subsidiary autonomy and independence to customize according to local requirements.

To embrace a global mindset, the organization has first to think globally; that is, recognize when it is advantageous to create a uniform global standard. Second, it also has to think locally by being in tune with local peculiarities. Lastly, and most essentially in the spirit of a 'global mindset', an organization has to think globally and locally concurrently, recognize situations in which demands from both global and local elements are compelling, and strike a fine balance between global uniformity and local sensitivity (Bartlett and Ghoshal, 1991; Begley and Boyd, 2003).

3.3.2 Organizational Routines

How do organizations achieve a global mindset in their international operations? Scholars have proposed a myriad of organizational routines that can help firms focus on both global integration and local sensitivity simultaneously (for example, Bartlett and Ghoshal, 1991; Gupta and Govindarajan, 2002). A routine is a repetitive, recognizable pattern of interdependent actions involving multiple actors through

which work is accomplished in organizations (Cyert and March, 1963; Feldman and Pentland, 2003; Nelson and Winter, 1982). Scholars have likened organizational routines to an individual's habit (Nelson and Winter, 1982: 73) or programs and scripts that determine the sequence of actions to be taken (Cyert and March, 1963). Organizational routines are useful in that they guide organizational activity, create stability, and boost efficiency under normal circumstances.

Consistent with the knowledge-based view of the firm (Barney and Wright, 1998), we propose that routines for managing human resources play a particularly vital role in ensuring that firms are able to acquire local knowledge, and to integrate and utilize the information for global effectiveness. These human resource routines refer to the firm's established processes and procedures for hiring, deploying, rewarding, and training its human resources. Here we identify three types of routine that are critical in facilitating the firm's achievement of a global mindset.

Routines for Managing Personnel Flow Globally

To promote knowledge transfers across their subsidiaries, transnational firms need to manage their personnel flows effectively (Bartlett and Ghoshal, 1991). Traditionally, firms adopt two types of routine in managing their personnel flow. The first mode relies heavily on the use of expatriate managers in foreign subsidiaries because of their knowledge and experience of the parent organization (Black *et al.*, 1992). Organizations that adopt this mode of deployment often aim to achieve the purpose of control and coordination, while at the same time providing important international developmental experience for their high-potential managers (Black and Mendenhall, 1990). Scholars have termed this form of deployment as reflecting an exportive or ethnocentric orientation (Taylor *et al.*, 1996).

The second common mode of deployment is the use of host-country nationals to manage foreign subsidiaries. This form of deployment routine relies on locals with in-depth knowledge of the local culture to manage the firms' foreign operations. Typically, organizations that adopt this adaptive or polycentric approach exert only limited control from the parent organization, allowing the local subsidiaries to formulate their management policies and practices (Taylor *et al.*, 1996).

Both approaches, however, have important limitations that may impede the organization from achieving its global mindset values. A major criticism for the use of expatriates relates to their lack of local knowledge of the culture, which not only poses major difficulties for the expatriates' adjustment and performance (for example, Webb and Wright, 1996), but also impedes the organization's acquisition of local knowledge in service of its global operations. On the other hand, while the use of host-country nationals enables organizations to acquire diverse local knowledge, many of these host-country managers may be unable to share their knowledge because of the lack of knowledge of the operations and social networks in the parent company (Harvey *et al.*, 2001).

In response, research has promoted a third form of deployment routine that builds on the strengths of the earlier two forms of deployment. Rather than using expatriates or host-country nationals to manage subsidiary operations, the integrative approach emphasizes the use of the most qualified personnel regardless of nationality (Schuler *et al.*, 1993). This may include the use of third-country nationals—managers from neither the parent nor the host country—who have the requisite skills and experience to run the subsidiary.

More recently, Harvey *et al.* (2001) advocated the use of inpatriates as an important mechanism to achieve an integrative global human resource management orientation. Inpatriation refers to a formalized process of transferring either host-country or third-country nationals into the parent company on a semi-permanent or permanent basis. In doing so, inpatriation enables the parent company to acquire perspectives of its local markets and operations, while at the same time enabling the inpatriate managers to be socialized into their parent organization to understand the firm's global strategy. Hence, having inpatriates at headquarters not only facilitates the transfer and integration of local knowledge, but also increases the workforce diversity that is useful for innovation and the cultivation of social networks in the parent company (Harvey *et al.*, 2001).

In addition, several scholars have recently advocated an expanded variety of deployment options, including the use of contract expatriates, assignees on short- or medium-term overseas postings, international commuters, and virtual international employees (Briscoe and Schuler, 2004; Collings *et al.*, 2007). These options are particularly useful in cross-border team projects of short to medium lifespan, and where knowledge of local cultures is critical. Indeed, research is increasingly recognizing that short-term business travelers are important knowledge agents that facilitate the flow and use of information between headquarters and subsidiaries through providing formal training, informal mentoring, and social networking (Welch *et al.*, 2007).

Routines for Training and Developing

In a research involving sixty large multinational companies, Stroh and Caligiuri (1998) found that one of the three key aspects of people management identified as the most critical to the MNC's global competitiveness is the development of global leadership skills in its people. Organizational routines for developing global leaders range from didactic programs to intensive cultural experiences (Caligiuri, 2006). Didactic programs typically take the form of training programs aimed to equip individuals with specific knowledge, skills, and abilities (KSAs) such as greater awareness of cross-cultural differences, knowledge of appropriate behaviors when working with people from different cultures, and specific business knowledge such as international finance and project management, as well as the ability to converse

in a different language. Intensive cultural experiences, on the other hand, aim to develop individuals more holistically by exposing them to the challenges of living and working in a foreign environment (Leung *et al.*, 2008). Short- and long-term international assignments are examples of such developmental programs, and are increasingly recognized by organizations as the most effective way to help their employees gain a global orientation in the firm's operations. The growing emphasis on experiential approaches to global leadership development may be attributed to the importance accrued to CEOs' international experience for firm performance (Carpenter *et al.*, 2001; Daily *et al.*, 2000; Sambharya, 1996).

Notwithstanding the crucial role that international assignments play in global leadership development, most organizations and research to date have focused on the performance of international assignees, rather than the development of their global leadership skills. Adopting a developmental as opposed to a performance focus in international assignments requires several changes in assumptions (Ng *et al.*, 2009). A major and obvious difference is the emphasis on learning effectiveness, rather than on work effectiveness. This shift acknowledges that failures during international assignments can present excellent learning opportunities that help individuals hone their global leadership skills (Hall *et al.*, 2001), and contrasts starkly with the traditional view of failures as undesirable outcomes to be avoided. The focus on learning outcomes also moves beyond expatriate research that has commonly focused on ways to staff and manage those in international positions, such as pre-departure cross-cultural training (Morris and Robie, 2001), role clarity, and relational skills (Bhaskar-Shrinivas *et al.*, 2005). Adopting a developmental perspective based on existing theories of learning (for example, Gagne, 1984; Kraiger *et al.*, 1993), Ng *et al.* (2009) proposed that global leadership self-efficacy, ethno-relative attitudes, accurate mental models of effective leadership across cultures, and flexibility of behavioral styles are key developmental outcomes that organizations and individuals should assess.

Following Ng *et al.*'s (2009) model, we argue that organizational routines that emphasize the development of their employees' global leadership competencies during overseas assignments (or any assignments involving intercultural interactions, such as virtual teams) are key to the global culture capital of the firms. Based on Kolb's (1984) four-stage theory of experiential learning (concrete experience, reflective observation, abstract conceptualization, and active experimentation), Ng *et al.* (2009) proposed several organizational routines and practices to encourage leader development through international assignments and other relevant global experiences.

First, organizations should encourage their leaders to get involved in the host culture to gain concrete experience. This can be achieved by emphasizing involvement and leadership development as important objectives of the assignment. This framing should help global leaders view the experience as more than just another task assignment (Oddou *et al.*, 2000). Organizations can also structure international

assignments to facilitate interdependence with locals. Such routines not only provide leaders with more concrete and meaningful interactions with locals, but also aid the leaders in developing social networks and social capital. (For further discussion on the instrumentality of social capital in building human capital, see Chapters 2 and 16).

Second, to encourage leaders to engage in *reflective observation*, organizations can train and inculcate in their leaders the habit of documenting their cross-cultural experiences, insights, and learning points in a journal (Oddou *et al.*, 2000). By writing down their experiences and thoughts, leaders learn to reflect on past incidents to help them formulate theories and actions steps to be more effective in future interactions. Given that global leaders often have heavy workload and responsibilities, instilling the habit of reflection is critical for personal and professional effectiveness (Mintzberg and Gosling, 2002).

Third, Ng *et al.* (2009) suggest that organizations should provide training programs that focus on the development of inductive logic and reasoning skills to help global leaders make sense of, as well as translate, their concrete experiences and reflections into more abstract understanding of the culture. Currently, the majority of cross-cultural training programs focus on providing culture-specific knowledge to trainees (Earley and Peterson, 2004), which may have the adverse effect of promoting cultural stereotyping rather than help individuals develop a more dynamic approach to understanding and appreciating cultures (Osland and Bird, 2000).

Fourth, and consistent with the last stage of active experimentation in the experiential learning theory, organizations should encourage leaders to apply their newly acquired insights by providing resources that help them set specific and measurable developmental goals for exploration and experimentation. Cultural coaches, for instance, can work with individuals to set realistic and specific developmental goals, offer advice for implementation, and provide accountability for individuals to achieve their goals. Coaches or trainers could also facilitate virtual team interactions among global leaders in various locations and encourage them to share their experiences and sense-making with each other. All of these should promote active learning (for example, Oddou *et al.*, 2000).

Routines for Rewarding

Appropriate incentive systems must be in place for the deployment and training routines to achieve their purpose of facilitating a global mindset. For instance, research has shown that finding employees who are willing to accept long-term global assignments is one of the greatest challenges for organizations (Stroh and Caligiuri, 1998). Reasons range from the challenges of managing dual careers in the global assignment for married employees, family responsibilities, and repatriation issues that may adversely affect perceived career development prospects

(Collings *et al.*, 2007). Hence, organizations need to have appropriate incentive structures that overcome these challenges to motivate employees to accept global assignments. Specific practices include providing financial support for children's education overseas, income replacement for spouses or offering employment services to spouses, and offering significant rewards and a clear developmental path for employees who successfully complete a foreign assignment (for example, Briscoe and Schuler, 2004).

To encourage employees in international assignments to develop global leadership skills critical to the firm's success, it is important that reward systems for these employees do not overemphasize short-term business results at the expense of longer-term development of the employees. Apart from rewarding leaders for job performance, providing incentives for leaders to learn foreign languages and increase their knowledge of the local culture during their assignments should also facilitate and encourage cultural involvement (Oddou *et al.*, 2000).

Another set of incentive structures should focus on encouraging the transfer and utilization of knowledge across individuals from different subsidiaries. This is critical because the unwillingness of individuals and subsidiary units to share information (Szulanski, 1996) and to absorb and utilize new information (Cohen and Levinthal, 1990) can pose a serious barrier to achieving a global mindset and orientation for the firm. This problem usually arises because of asymmetry of goals between parent and subsidiary. While it is in the interest of the headquarters that a subsidiary shares its knowledge with other subsidiary units, the subsidiary may view the sharing of its knowledge as against its own interest.

To address this problem, MNCs can use a variety of mechanisms to align goals amongst units and individuals to facilitate the flow of knowledge. First, organizations should clearly specify performance evaluation criteria by which individuals and units will be assessed, that are consistent with promoting a global mindset. Hence, to facilitate knowledge transfer and integration between units, it is imperative that headquarters formulate and communicate performance criteria that assess the extent of knowledge transfer and integration in their subsidiaries. The explicit specification of knowledge sharing across units as a performance criterion not only raises units' awareness of the headquarters' objectives, but also serves to address issues of goal conflict by aligning the goals of the units with the headquarters (Bjorkman *et al.*, 2004).

Besides clarifying the criteria for performance assessment, incentive systems that encourage knowledge transfer and integration will encourage subsidiary managers to cooperate with and to learn from other subsidiaries (see Stroh *et al.*, 1996). Bjorkman *et al.* (2004) gave the example of basing the subsidiary's management's bonuses not only on the subsidiary's performance, but also on the regional or global performance of the MNC. Since the regional or global performance of the MNC is likely to be enhanced by greater knowledge transfers and integration amongst its units, such an incentive system will align subsidi-

ary's managers' interests with the interests of other managers, as well as with those of the headquarters.

In summary, we have argued that a firm's global culture capital consists of (1) organizational values of a 'global mindset'—that is, emphasizing the importance of achieving global integration and local responsiveness simultaneously—and (2) organizational routines that promote a global mindset orientation in its employees through systematic processes to manage its personnel flow globally, provide effective cross-cultural training and development, and build commitment through attractive reward systems.

3.4 GLOBAL CULTURE CAPITAL AND COSMOPOLITAN HUMAN CAPITAL

Building on our earlier arguments from sociological research on cultural capital, we argue that employees who work in firms with globally oriented culture capital are more likely to acquire cosmopolitan human capital in terms of international experience than those who work in firms with locally oriented culture capital. As firms with globally oriented culture capital emphasize the value of global mindset and are more likely to have in place organizational routines that promote the flow of people and knowledge across geographical locations, employees in these firms will therefore have more contact with people from different cultures, whether through overseas travel and assignments, or through virtual meetings and interactions, thus gaining more international experiences. Hence, our first proposition argues that:

P1: The more 'globally' oriented the culture capital of the firm, the more likely employees will gain international experiences.

Situated learning theory also suggests that firms' global culture capital can affect employees' acquisition of CQ capabilities—the other aspect of cosmopolitan human capital. Specifically, situated learning theory emphasizes the importance of context and the exposure to 'authentic' activities as a powerful source of learning and skill acquisition (Collins *et al.*, 1989; Lave and Wenger, 1991). Authentic activities are 'the ordinary practices of the culture' (Brown *et al.*, 1989: 25); the concrete acts and practices that are anchored in culturally specific learning contexts (Fox, 2006; Hedegaard, 1998). Hence, unlike conventional learning theories that view knowledge and capabilities as abstract, theoretical entities that can be acquired in isolated, decontextualized settings, the situated learning perspective views acquisition of knowledge and capabilities as a result of interactions between learners and the context (both social and cultural) (Rogoff, 1995).

According to situated learning theory, authentic experiences are more effective than contrived activities devoid of the social context for learning skills and knowledge, for

two key reasons. First, authentic activities provide problem-solving opportunities that require interpersonal and practical deliberations with immediate relevance to goal-directed activities. When efforts are goal-directed and grounded in specific situations, individuals are motivated to learn because the consequences are immediate and personal (Billet, 1996). Moreover, authentic activities provide holistic and complex experiences that allow development of cognitive, behavioral, and motivational capabilities. This contrasts with the dominant emphasis in traditional learning situations which focuses on cognitive knowledge (Anderson *et al.*, 1996). Thus, situated learning argues that more realistic experiences that are holistic and goal-directed are more likely to lead to internalization and enhanced capabilities that can be applied in other situations.

Second, authentic situations allow people to observe and compare themselves with others in the situation who have more experience. This follows from Lave and Wenger's (1991) idea of legitimate peripheral participation, which describes the processes whereby newcomers gain skills, knowledge, and habits and move toward becoming 'full' participants in the situation. Thus, by observing others who are more experienced, those in peripheral roles can pick up knowledge and skills through vicarious learning (Bandura, 1997) and practice their newly acquired knowledge and skills. These real-time practical experiences are sometimes termed 'social apprenticeship experiences' because they allow people to learn the knowledge, skills, and capabilities required in the situation. Situated learning, with its emphasis on real events embedded in social contexts, also provides opportunities for immediate feedback. For instance, the verbal and non-verbal reactions of others that occur in response to social interactions are important cues for assessing effectiveness and adjusting behaviors as necessary. This allows people to improve their knowledge and skills relative to specific situations (Billet, 1996).

By highlighting the importance of authentic activities and the social context for developing skills and capabilities, situated learning theory provides the theoretical link between a firm's culture capital and its employees' CQ. Firms that emphasize a global mindset and actively promote organizational routines that facilitate their employees' acquisition and integration of local knowledge (high in global culture capital) are in effect creating more opportunities for authentic intercultural interactions for their employees across different geographical locations to develop their CQ capabilities. Consistent with situated learning theory as well as social learning theory (Bandura, 1997), this acquisition of capabilities occurs through both direct experiences with people from different offices and cultures, and through indirect experiences by observing how others interact and manage cross-cultural working relationships. Below, we propose relationships for firm's global culture capital and each of the four CQ capabilities.

3.4.1 Cognitive CQ

We argue that through the multicultural activities and experiences that are more likely to occur in firms with higher global culture capital, individuals gain first-hand knowl-

edge of how cultures differ in their economic and business systems, as well as values and behavioral norms that are important for effective cross-cultural interactions. As a result, they develop a richer schema of cultural concepts and systems (cognitive CQ).

P2: The more 'globally' oriented the culture capital of the firm, the more likely employees will possess higher cognitive CQ.

3.4.2 Metacognitive CQ

Moreover, because of more exposure to multicultural experiences, individuals in firms with higher global culture capital are likely to have encountered more cultural surprises such as cultural paradoxes (Osland and Bird, 2000), defined as situations or interactions that involve contradictory norms or behaviors. To cope with and understand these cultural paradoxes, individuals are required to be flexible and open to disconfirming experiences, and to learn to interpret these situations. Through these experiences, they learn to hone their capabilities to question cultural assumptions, and to pick up and sense-make relevant cues in the situation (metacognitive CQ) (Triandis, 2006).

P3: The more 'globally' oriented the culture capital of the firm, the more likely employees will possess higher metacognitive CQ.

3.4.3 Motivational CQ

Situated in an organization that emphasizes interactions and exchange of information between offices should enhance the motivation of the employees to be effective in their intercultural interactions, since this has important ramifications on their work performance. Moreover, social cognitive theory (Bandura, 1997) suggests that individuals with greater multicultural experience are more likely to be confident of their ability to manage cross-cultural interactions effectively because of their exposure to and experience with overcoming cross-cultural challenges. Also, international experiences can affect the amount of effort that individuals are willing to exert for international assignments (Feldman and Bolino, 2000), such as a willingness to relocate, the willingness to work with others from different cultures (Richard, 2000), and a willingness to communicate with the host-country nationals (Mendenhall and Oddou, 1985).

P4: The more 'globally' oriented the culture capital of the firm, the more likely employees will possess higher motivational CQ.

3.4.4 Behavioral CQ

Finally, we argue that individuals in firms with globally oriented culture would have more opportunities to develop a larger repertoire of verbal and

non-verbal behaviors, thus enhancing their behavioral CQ. Individuals with greater multicultural experiences have more opportunities to observe the different verbal and non-verbal styles across cultures, and to learn to respond appropriately. This is consistent with studies that have found that individuals with greater international experiences are more likely to learn how to communicate and negotiate effectively with people from different cultures (Gudykunst *et al.*, 1988) as well as learn to be more proficient in different languages (Mendenhall and Oddou, 1985).

P5: The more 'globally' oriented the culture capital of the firm, the more likely employees will possess higher behavioral CQ.

3.5 CONCLUSION

Cultural capital is seldom evoked in organization studies; its relationship with human capital has rarely been explicitly considered. Instead, organizational researchers tend to devote most of their attention to human capital's relationship with capital in its economic or social form. In this chapter we have presented a framework that links firm-level global culture capital to culturally intelligent human capital in organizations. We hope to make several contributions to existing research.

First, we highlight the need for an expanded conceptualization of cosmopolitan human capital that goes beyond international experiences to include CQ capabilities, in order to reflect the nature of work and business environment in today's modern economy. Although previous work has attempted to capture the ability to function effectively in multicultural settings, a clear definition and operationalization of what this ability encompasses has not been well established. Empirical research has proceeded on the reliance on proxy measures such as international experience (Haas, 2006), organization tenure (for example, Hitt *et al.*, 2001), and work experience (for example, Hitt *et al.*, 2006). By incorporating CQ in the definition of cosmopolitan human capital, we propose a direct measure of intercultural capabilities that better reflects the ability of employees to overcome cross-cultural challenges of the global economy.

Second, we propose an organizational-level construct of global culture capital, based on Bourdieu and Passeron's (1990) concept of cultural capital, to explain why some firms are likely to achieve a greater competitive advantage in developing cosmopolitan human capital. Specifically, we argue that firms with a global mindset and organizational routines for managing their human resources to facilitate the achievement of a global mindset will create more authentic intercultural experiences for their employees that will enhance their cosmopolitan human capital.

The validity of our framework awaits empirical confirmation. Employees' CQ can be assessed with the Cultural Intelligence Scale (CQS)—a survey measure that assesses the four dimensions of CQ. The CQS has demonstrated discriminant validity as well as incremental validity over and above demographic characteristics, cognitive ability, and emotional intelligence in predicting individuals' cultural judgment and decision-making and interactional adjustment. The CQS has also demonstrated generalizability across samples, time, countries, and methods (self-report and peer-report) (Ang *et al.*, 2007). However, global culture capital is a new construct with no existing measures. Thus, an immediate future direction for research is to develop and validate a measure of global culture capital.

Our framework also points to other interesting research questions. First, within an organization, are there inter-individual differences in the development of CQ? Given that individuals are products of the same routines within an organization, do some individuals develop CQ better and faster? If so, what are the individual differences that contribute to the different growth trajectories?

Second, is there a level of culturally intelligent human capital that is optimal? For optimal firm performance, does every individual in an organization need to be culturally intelligent? Haas (2006) found that teams with high proportions of cosmopolitans (individuals who have lived and worked in multiple countries and who speak several languages) delivered projects of higher quality, but that teams with very high proportions of cosmopolitans delivered projects of lower quality. This suggests that the relationship between CQ and firm performance could possibly be non-monotonic rather than linear. To determine the precise nature of the relationship, researchers need to consider the mean, variability, and concentration of CQ within a firm; short-term versus long-term perspectives; and multiple measures of firm performance.

Third, although we have made the case for the importance of developing cosmopolitan human capital internally, there are many dynamic factors such as the firm's stage of internationalization that will affect the appropriate mode of acquiring the needed cosmopolitan human capital for each firm (for example, Mayerhofer *et al.*, 2004). Future research should explore the impact of these contextual factors that could moderate the decision to develop cosmopolitan human capital internally versus acquiring it externally (Lepak and Snell, 1999).

Our understanding of the relevance of CQ to human capital is still in its infancy. We have provided a theoretical framework and a research agenda to provide a link between the sociological concept of cultural capital and the economic literature on human capital. Whilst we have homed in global culture capital and cosmopolitan human capital, the cultural capital–human capital link can be further explored. Future organizational research should endeavour to uncover additional elements of firm-level culture capital that can contribute to specific dimensions of human capital. We hope to interest cultural capital and human capital scholars to pursue our line of inquiry and bring our understanding of these two forms of capital to maturity.

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