

## Cultural intelligence and managerial relational performance: a resource advantage perspective

### Abstract

**Purpose** – Since managerial rationality is often bounded; managers use their cognitive capabilities and social interaction to manage their operational cultural and environmental differences. Drawing on the resource-advantage theory, we theorize that import manager's cultural intelligence (CQ) is an intangible but valuable human capital capable of diminishing the effect of their foreign counterpart's psychic distance and ultimately, their relational performance.

**Design/methodology/approach** – Our measure of CQ in this study comprises metacognitive and motivational CQs to examine the relations between metacognitive and motivational CQs on psychic distance and its ultimate effect on relational performance. Survey data collected from 228 Nigerian automobile import managers were analyzed using Structural Equation Modelling (SEM) to examine the relationship among the study variables.

**Findings** – Our study revealed that metacognitive CQ reduces the effect of psychic distance in the exchange relationship. Moreover, in the presence of a low-level psychic distance, relational performance increases. This finding confirms the intervening role of CQ on performance relationship. The study offers insights into the under-researched area of CQ in international business research. It highlights the role of CQ and its influence on psychic distance in the success or failure of relational exchanges in the international market.

**Originality/value** – We present the concept of CQ as human capital that has the potential to improve managerial relational performance. We go further to advance the potential significance and relevance of CQ in improving international buyer-seller exchanges.

**Keywords** – Cultural intelligence, psychic distance, relational performance, human capital, buyer-seller relationship.

### 1. Introduction

The management of the exchange relationship between buyers and sellers remains a pillar of marketing theory and international business practice. The underlying assumption of exchange relationship is that a cordial buyer-seller relationship is important for value creation and capture (Leonidas et al., 2019; Cabrilo and Dahms, 2018; Theodosiou and Katsikeas 2013). In this regard, the existing research suggests that the perceptions of agents, in the form of psychic distance, about their trading counterparts tend to influence their decision making and execution during exchanges (Evans, Mavondo and Bridson 2008; Johnston et al. 2012). We define psychic distance as an agent's perception of differences between the operating environment of a foreign export counterpart (Klein and Roth 1990; Bello and Gilliland 1997). Psychic distance has been found to influence organizational

decisions related to entry and establishment mode choice (Swoboda and Elsner 2013; Evans, Mavondo, and Bridson 2008), joint and strategic partnership (Johnston et al. 2012), and partner/market selection (Whitelock and Jobber 2004). Nevertheless, extant theory has repeatedly emphasized the downside of psychic distance in organizing when a wide gap between perception and reality (Hutzschenreuter et al., 2014; Sachdev and Bello, 2014). Following Brewer (2007), we argue that the bridging of psychic distance in buyer-seller relationship, for example, can only be facilitated by cultural knowledge, skills, and capabilities or what has come to be known broadly as cultural intelligence (Dow and Karunaratna, 2006). Granting an extensive scope of what could be labelled as CQ in organizing, Ang et al. (2007) unpacks it as a specific type of intelligence aimed at understanding, reasoning, and acting effectively in multicultural scenarios. Thus, CQ helps agents to see beyond their context of socialization to exploit cross-cultural experiences in managing exchanges with others (Anderson and Gatignon 1996), in ways that minimizes perceived psychic distance, and in turn improving relational performance (Sharma, 2019).

Yet, we know very little about how CQ affect the perception of distance of those at the coalface of organizing impact on their relational performance. Rockstuhl and Van Dyne (2018), for example, has called on scholars to examine the dynamic effects of CQ and its critical role in managing global exchange relations (Magnusson et al., 2013, Sharma 2019). Contributing to this call, we draw on the resource advantage theory to examine the influence of CQ on relational performance. Following Hunt and Morgan (1995), we argue that human capital may contribute to competitive advantages if the skills and abilities of agents are essential for value creation and capture, and difficult to imitate. Specifically, we examined the role of import managers' CQ on their perception of their foreign export counterparts' psychic distance and ultimately, their relational performance. Developing our contribution within the context of the Nigerian automobile import industry, two fundamental research objectives drove our empirical inquiry. First, we examine the relationship between CQ and psychic distance of importing managers. The second focused on investigating the effect of psychic distance on the relational performance of these managers.

Our research makes several contributions to literature. *First*, by demonstrating that the import manager's CQ weakens their perception of their foreign export counterparts' psychic distance and ultimately, leading to enhanced relational performance. *Second*, the study introduces the concept of CQ as a human capital capable of improving managerial relational performance, and also advance the theoretical understanding of the concept's significance and application in the international buyer-seller relationship. *Third*, the study contributes to the emerging economies literature by providing an understanding of how Nigerian import managers utilize CQ to achieve international business success while operating in an advanced economy. *Finally*, this study offers significant guidance to managers as they attempt to advance effective international business strategies and provides practical implications for businesses seeking to recruit and develop active import managers.

The remainder of the paper is organized as follows. The next section reviews the literature and is followed by a section on hypotheses development. Then we illustrate research methods and data collection. The following section presents the results. The last section concludes the paper and presents the study implications and limitations.

## **2. Literature Review**

### *2.1 The Import Manager as a Human Capital Advantage*

Our focus on the import manager's CQ is rooted in the resource advantage theory of Hunt and Morgan (1995), which views the organization as a bundle of heterogeneous and imperfectly mobile capital. The resource advantage theory builds on the resource-based view of the firm (Barney 1991), but one important extension is its identification and categorization of seven specific capital: (1) physical, (2) financial, and (3) legal which is considered as tangible capitals; and (4) human, (5) organizational, (6) informational, and (7) relational capitals (Hunt 2000; Hunt and Morgan 1995). However, we focus on one of the intangible capitals – human capital – since competitive advantage arises from the development and leveraging of unique combinations of intangible human asset (Pena, 2000, Seggie and Griffith 2008). Therefore, by accumulating and deploying the right

combination of human capital, the organization can gain sustainable competitive advantage (Kamukama, Ahiauzu and Ntayi 2010; Cabrilo, Grubic-Nesic and Mitrovic, 2014).

Human capital is defined as an accumulation of knowledge, skills, abilities, values and social assets, that results in value creation and capture which ultimately effect organization's performance (Corvino et al., 2019; Bratianu, Jianu and Vasilache 2011; Bontis et al., 2000; Stewart, 1998). In addition, human capital includes an organization's employees and their characteristics, such as their knowledge, experience, commitment and motivation (Bontis, 1998; Kianto et al., 2010). Human capital is one of the dimensions of intellectual capital known as the largest and most important intangible asset for an organization (Allameh 2018; Castro et al., 2004). Human capital is constituted into three dimensions; knowledge, intelligence and value (Milost, 2007). To illustrate, knowledge includes both implicit and explicit elements (Bratianu, 2008), and intelligence is viewed in its diverse framework incorporating other elements of intelligence for example, emotional and cultural intelligence (Stewart, 1997), while values is seen as intangible asset (Bratianu, Jianu and Vasilache, 2011). Bratianu (2008) viewed knowledge, intelligence and value as facets under the umbrella term intellectual capital – since intellectual capital is the sum of everything everybody in an organization knows that can create competitive advantage (Stewart, 1997; Sanchez-Canizares, Munoz and Lopez-Guzman 2007).

Human capital is especially important for organizations because it is action-oriented and motivate the use of other resources (Hsu and Fang 2009). However, to a greater extent, human capital is embodied within the employees of the organization and are only the organization's asset to the extent the organization combines the asset personified within employees (Bratianu, Jianu and Vasilache, 2011). Accordingly, for an organization to establish and maintain a competitive advantage is dependent on their managers' skills and competencies (Kamukama, Ahiauzu, Ntayi 2010; Stewart 1997).

Essentially, global business managers are those at the coalface of organizing and managing international business activities. In a dynamic and complex foreign market environment, the global business manager should attain or have the required skills to foster, execute, and continuously recalibrate the organization's strategies (Pena, 2002; Bontis et al., 2000). In addition, a successful international business manager should

possess the requisite 'soft skills' in order to objectively and rapidly respond to the market environmental changes (Griffith and Hoppner 2013). Griffith (2010) highlights the complexity of the global market and states that international business managers must be able to accurately evaluate the differences in the business environment of their exchange counterpart in order to achieve successful relationship management.

Particularly, the value of an import manager's human capital is dependent on his/her ability to change and re-equip the business strategy of the organization. Consequently, the existence of CQ does not directly affect organizations' performance; instead, it is through the implementations of business strategies that the organization can grasp the value of CQ (Magnuson et al., 2013). Furthermore, how management decision-making influence organizations performance are further explained by the strategic choice theory of Child, (1972) and the upper echelons theory of Hambrick and Mason (1984), which alludes that an organization's performance depends on its managers' skills and competence. As a result, we extend the buyer-seller relationship literature by concentrating on the effects of import manager's CQ, as an attribute that influence decision making. In essence, the global business managers are crucial source of human capital.

## ***2.2 Cultural Intelligence as a multifaceted construct***

CQ has received significant attention in the international human resources literature (e.g., Adair, Hideg, and Spence 2013; Imai and Gelfand, 2010); however, minimal appearance has CQ made in the international business literature. Ang et al., (2007) build on Early and Ang (2003) conceptualized CQ as a four-dimensional construct consisting of (1) metacognitive, (2) cognitive, (3) behavioural, and (4) motivational dimensions. Ang et al. (2007, p. 338) define the four dimensions as follows: Metacognitive CQ "reflects mental processes to acquire and understand cultural knowledge". Cognitive CQ "reflects knowledge of the norms, practices and conventions". Behavioural CQ relates to individuals' actions rather than their thinking. It reflects their "capability to exhibit appropriate verbal and non-verbal actions" in cross-cultural settings. Finally, motivational CQ is the "mental capacity to effectively utilize energy which is critical to problem-solving in the real world".

Pioneer works of CQ view it as a cumulative multifaceted construct (Ang et al., 2007; Early and Ang, 2003). These studies findings indicate that CQ is directly associated with successful cross-cultural negotiations (Imai and Gelfand 2010), enhances social network efficiency (Fehr and Kuo 2008) and enable global managers to determine culturally relevant markets that could potentially foster organizational innovations (Elenkov and Manev 2009). However, studies claim that CQ dimensions can differentially affect organizational outcomes and should be taken into consideration and measured independently (Ang et al. 2007; Chua, Morris, and Mor, 2012). Previous studies have researched the four dimensions of CQ separately and found differential effects. For instance, Ang et al. (2007) uncovered that the metacognitive CQ is primarily related to cultural judgment and decision making, and motivational CQ is related to the improvement in cultural interactions. These findings indicate that, although these dimensions are similar, their unique effect is relatively impartial.

This implies that CQ facets should be evaluated independently and that research needs to establish the dimensions that are more important and for what form of interaction (Chua, Morris, and Mor 2012). In the same way, Ang et al. (2007) emphasized that different facets of CQ must be tested for various organizational outcomes. Consequently, some research has concentrated explicitly on motivational CQ (e.g., Templer et al., 2006; Ward and Fisher, 2008; Chen et al., 2010; Chen, Liu and Portnoy, 2012). Templer et al., (2006) find that expatriate managers with higher CQ usually perform better in foreign countries, Ward and Fisher's (2008) study revealed a positive correlation between motivation CQ and the adjustment of expatriates to a foreign market, Chen et al., (2010) found a strong association between motivational CQ and job adjustment between expatriates, and that the relationship is moderated by cultural distance, while Chen, Liu and Portnoy (2012) in their study of real estate and property market, found that estate agents with high motivational CQ achieve more sales transactions with costumers from different cultures.

Specifically, another stream of research has concentrated on the metacognitive CQ facet (e.g., Chua et al., 2012) find that managers with relatively high metacognitive CQ work effectively together with partners from different cultures. Klafehn et al., (2009), while exploring cultural implication on the success or failure of the business relationship, find

that metacognitive CQ is the prerequisite for a successful business relationship. Metacognitive CQ is specifically relevant since it improves "(a) contextualized (vs abstract) thinking: a thinking style characterized by high degrees of sensitivity to the cultural embeddedness of human motivations and actions, and (b) cognitive flexibility: the discriminative use of normative schemas and behavioural scripts in response to the shifting cultural expectations in the environment" (Klafehn, Banerjee, and Chiu 2009, p. 319).

Our review of the literature indicates that prior studies mainly concentrate on the motivational and metacognitive facets of CQ. We suggest that metacognitive and motivational CQs are especially relevant in the buyer-seller relationship management for two main reasons. *First*, metacognitive CQ is more than mere informational consciousness since it captures an individual's understanding of cultural differences and intended use of a person's expertise during an intercultural encounter (Ang et al. 2007). Accurately, people with high meta-cognitive CQ comprehend structure and business activities more adequately because they are recognizing possible cultural misinterpretations and rapidly change their behaviours following the cultural setting (Elenkov and Pimentel 2010). Thus, several studies have found that metacognitive CQ may be the most significant dimension in the field of CQ because it connects cognition and behaviours (Chua, Morris, and Mor 2012; Thomas et al. 2008).

*Second*, motivational CQ does not encompass the capacity of an individual; however, focus on the attempt to maximize insight and awareness of various cultures (Magnusson et al., 2013). The motivational component of the CQ, therefore, encompasses a narratively specific aspect by concentrating on motivation rather than on actual abilities (Chen et al. 2010). Furthermore, motivation CQ is a more significant dimension than cognitive and behavioural CQ, as it offers agentic influence of the impact, cognition and conduct that promotes the achievement of objectives (Chen et al., 2012).

Given the above arguments and supplementary literature, we propose that metacognitive and motivational CQs are necessarily relevant to the management of the buyer-seller relationship. Moreover, metacognitive and motivational CQs could well be related to an international strategic business plan (Magnusson et al., 2013). Metacognitive

and motivational CQs also leads to productive cross-cultural cooperation (Rockstuhl and Van Dyne, 2018). Since that import managers are responsible for carrying out management and operational decisions (Bello, Chelariu and Zhang, 2003), and that psychic distance affects the emergence and execution of these management decisions (Anderson and Gatignon, 1986; Li, and Ng, 2002a), we propose that import manager's metacognitive and motivational CQs are human capital capable of diminishing their perception of their foreign export counterpart's psychic distance and ultimately, their relational performance.

### *2.3 Psychic Distance*

Psychic distance concept was first introduced to the literature by Beckerman (1956) as a set of factors that generate a sense of dissimilarity/differences between countries pair. Later, Johanson and Wiedersheim-Paul (1975, p. 307) defined psychic distance as those "factors preventing or disturbing the flow of information between firms and market." Since the inception of the concept, compelling ways of conceptualizing and operationalizing psychic distance coexist. Some studies rely on the objective approach, i.e., measuring the differences between countries – for instance, per-capita domestic product, and the number of kilometres between countries (Brewer 2007; Dow and Karunaratna 2006). In contrast, the subjective approach relies on perception-based technique in collecting primary, individual-level data on these political, environmental, socio-cultural, and technological differences (Evans, Mavondo, and Bridson 2008).

Specifically, strong disagreement exists regarding the appropriate level of analysis of psychic distance. Some researchers claim that psychic distance is an individual phenomenon because it is associated with the way the individual sees the world (Fletcher and Bohn, 1998). Since psychic distance is considered subjective to some scholars, inconsistencies occur while gathering market information (Santos et al., 2014). The way managers minds process information about the environment is the reason behind psychic distance existence (Santos, Barandas and Martins 2015). According to Smith et al. (2011), psychic distance is the perceived challenge or problems a businessperson faces in the global market environment, should he/she wish to operate in a different/unfamiliar market environment. Dikova (2009) further highlight that psychic distance is due to the



dissimilarities/differences among local consumers, attitudes, cultures, and business systems that reduce local market conditions. Smith et al. (2011) argue that psychic distance must not be treated as a mechanism that affects managers equally in an organization since managers have different attributes. The perceptions a manager hold of the dissimilarity between the home and foreign market will be different due to knowledge, understanding and personal experiences (Sousa and Bradley, 2006; Ellis, 2007). Therefore, psychic distance should be assessed at the individual level (Sousa and Bradley, 2006; Ellis, 2007), since it is the managers that perceive psychic distance and not the organization itself (Child et al. 2002; Sullivan and Bauer- Schmidt 1990; Smith et al., 2011). When measuring psychic distance at the organizational level, it is particularly important to consider the perception of distance the manager holds, specifically the core decision-makers (Evans and Bridson, 2005).

Furthermore, the perception of the differences between the domestic market and that of their oversea partner's foreign market environment to an extent depends on the manager's knowledge, understanding and prior experiences which transpire at the individual level and not at the national or organizational level (Sousa and Bradley, 2008; Dow and Ferencikova, 2010). As a result, the appropriate unit of analysis for measuring psychic distance is the subjective-individual analysis, instead of the objective country-level measure (O'Grady and Lane, 1996; Petersen and Pedersen, 1997; Evans and Mavondo, 2002; Dow and Karunaratna, 2006; Sousa and Bradley, 2006, 2008; Ellis, 2007, 2008; Dow and Ferencikova, 2010; Smith et al., 2011). However, according to Sousa and Bradley (2008), the current indices measure psychic distance at a very high level of analysis. O'Grady and Lane (1996, p. 313) conclude that "measuring distance at the national level may overlook regional differences within the countries; cultural and structural differences that may exist by industry; and individual differences and experiences".

In this work, we build on the conceptualization and operationalization of psychic distance introduced in the literature by Klein and Roth (1990), that assessed psychic distance in terms of cultural and business differences. Their conceptualization measured cultural variations in terms of values, tradition and language, and business conceptualized as differences in the economic development, business practice, communication

infrastructure, legal and political system. Since management perception of differences affects decision making (Griffith and Lusch 2007), the perceptions of import managers of various aspects of psychic distance are likely to affect their decision making separately when interacting with their foreign counterparts. Our examination of the literature shows that buyer-seller relations are established to obtain collaboration by combining human capital and capacities (Pena, 2002; Hunt, 2000; Srivastava, Shervani, and Fahey 1998). These abilities allow firms to achieve their work relationship efficiency (Bontis et al., 2000). Buyer-seller relationship has been central to the study of the effectiveness of international business and marketing. Several outcome variables have been used to understand buyer-seller relationship including economic performance, market performance and strategic performance (e.g., Obadia 2013; Hultman, Katsikeas, and Robson 2011; Morgan, Kaleka, and Katsikeas 2004; Zou, Taylor, and Osland 1998). Of these approaches, relational performance has considerably been employed frequently in the international literature (e.g., Leonidou et al., 2019; Leonidou et al., 2017; Leonidou et al., 2011). This method is especially useful when working to understand the strategic decision of the import manager towards developing and maintaining a relationship with the foreign export collaborator as it focuses on how the relationship meets the requirements of the manager.

Given that import managers are tasked with the responsibility for establishing and executing business strategies, their ultimate goals are to foster sufficient relationships with overseas counterparts'. However, the perception of psychic distance there holds for their foreign partners makes the fostering and execution of these strategies challenging and demanding (Anderson and Gatignon, 1986; Li, and Ng, 2002a). For instance, the higher perception of psychic distance between trade partners raises the concern that business operations might not function properly, due to the differences/unfamiliar cultural and environmental practices that the partners may employ (Griffith and Dimitrova, 2014). However, metacognitive and motivational CQs help to deal with these challenges, as it enables import managers to see beyond their own context of socialization to exploit cross-cultural experiences in managing exchanges with others (Andresen and Bergdolt, 2016), thereby minimizing the perception of distance and potentially improving relational performance. The above arguments set the basis for the conceptual framework we explore

here (see Figure 1). Specifically, the framework depicts the influence of metacognitive and motivational CQs on psychic distance and its resultant effect on relational performance.

### **3. Hypotheses Development**

#### *3.1 Metacognitive CQ and Psychic Distance*

Recent empirical research suggests that successful buyer-seller interaction across cultures require metacognitive thinking (Caputo, Ayoko and Amoo 2018). High metacognitive people are found to be more effective in cross-cultural collaborations (Chua et al., 2012), task performance, cultural judgement, and decision-making effectiveness (Ang et al., 2007). Such individuals develop cultural knowledge while's interacting with people from a different culture; this is due to their perceptive cultural taking. Cultural perceptive taking means knowing and acknowledging the effect of others' cultural background and how they respond to cultural differences (Sharma, 2019). Individuals with high metacognitive CQ indulge in successful self-controlled mechanisms, such as perception and monitoring, hence mitigate the involuntary consequences of cultural knowledge and make effective use of cultural knowledge (Van Dyne et al., 2012). Understanding of cultural expectations and perspectives allows for greater use of cultural knowledge while checking cultural knowledge provides for rational assessment and the application of it (Sharma, 2019).

A blend of logical thinking and cognitive flexibility of cultural understanding (i.e. metacognitive CQ), will likely aid managers to make better use of cultural knowledge which in turn will enhance performance (Sharma, 2019). Logical thinking suggests that cultural perception shapes the feelings, beliefs, and actions of individuals (Sharma, 2019; Caputo, Ayoko and Amoo, 2018). Conversely, cognitive flexibility allows for the greater use of an individual's experience and response in a culturally diverse environment (Magnusson et al., 2013). Moreover, people with a higher level of metacognitive capabilities are less prone to behave ethnocentrically (Triandis, 2006). This is because they can evaluate intercultural experiences accurately from the viewpoints of other individuals, with a broader understanding of cultural alternatives (Ang et al., 2007). Therefore, their knowledge and understanding about foreign counterparts' culture, cognitive flexibility and their logical

thinking pave a way into diminishing the perception of the psychic distance they hold for their foreign counterpart market environment. Accordingly, metacognitive CQ helps managers to resist stereotypes about the differences/dissimilarities between their domestic market vs their overseas counterparts' foreign market. Consequently, they can contain problems and challenges arising from cultural differences. Based on the above discussion, we hypothesize that:

**H<sub>1</sub>:** The higher the metacognitive CQ of import manager, the lower the psychic distance.

**[Insert conceptual framework figure about here]**

### *3.2 Motivational CQ and Psychic Distance*

Motivational CQ is the capability to efficiently apply resources successfully to resolve issues in culturally diverse settings (Ang et al. 2007). High motivational cultural intelligent people have high interest and confidence to attain success in a different cultural atmosphere (Bandura, 2002). Empirical evidence shows that it is challenging to work in different cultural environments because of the disparities in expectations and behaviours (Ang et al., 2007). Moreover, motivational CQ allows individuals to relate to other cultures and eliminates cultural prejudices across societies (Sharma, 2019). Motivational CQ individuals are culturally and self-inspired (Peng et al., 2015), this leads to their cross-cultural understanding, paving the way to their effective fine-tuning of their actions in a culturally different environment (Chua et al., 2012). Cultural self-inspiration means an evaluation of the desire to achieve in a sophisticated cultural setting (Bandura, 2002; Templer et al., 2006). These individuals appreciate diverse culture and value interacting with people of the various cultural environment. Accordingly, managers with a high level of motivational CQ will be mindful about cultural differences in terms of business practices, communication method, culture, norms, and languages of a foreign counterpart, as a consequence manager will be able to contain these differences effectively. For this reason, import managers become motivated and self-reliant to muddle through problems and challenges that arise due to cultural and business differences (i.e., psychic distance). Based on the above discussion, we hypothesize that:

H<sub>2</sub>: The higher the motivational CQ of import manager, the lower the psychic distance.

### *3.3 Psychic Distance and Relational Performance*

Psychic distance is the extent to which an individual perceives an element of difference between his/her domestic market vs his/her trade counterparts' foreign operating environment (Klein and Roth 1990). Psychic distance deters trade partners from assisting each other achieve their objectives, as their varied business practices, norms and language can result in hostile actions (Leonidou, Barnes, and Talias 2006). In a global market, psychic distance between buyers and their foreign export seller is further compounded by issues such as socio-cultural, political-legal, technical, economic and other cultural and country differences (Stöttinger and Schlegelmilch 1998). In the situation of increased psychic distance, businesses lack adequate information that can guarantee that trade partners keep the agreement and meet standards, this can lead to uncertainty about the specific position and obligations within the relationship (Dong et al., 2016). Psychic distance often impedes the smooth running of the positive relationship as it prevents the fulfilment of commitments (Katsikeas, Skarmeas, and Bello 2009), interrupts the exchange of information, which is essential for the organization's operations (Nes et al., 2007), and decreases the motivation of each other in obtaining shared objectives (Leonidou et al., 2006). These detrimental consequences of psychic distance may contribute to a loss of integration of activities within the relationship (Andersen et al., 2009). this could impede the proper shifting of the resources between the exchange parties (Jean et al., 2017). A high level of psychic distance often raises both direct (e.g. transaction) and indirect (controlling cost) with adverse effects on relational performance. (Durand et al., 2016). Based on the above discussion, we hypothesize that:

H<sub>3</sub>: The lower the import manager's psychic distance, the higher the level of their relational performance.

## **4. Research Methodology**

### *4.1 Sampling Procedures*

The research was carried out in Nigeria, and samples were gathered from indigenous automotive importers. Randomly, we listed 1,200 importers using the Nigerian Marketing Research Association (NIMRA) database that contains contact info as well as other essential data to over 7,000 importers across the country. For each company selected, the person in charge of import operations was contacted by phone both to provide information about the study objectives and to confirm his or her interest in participating in the survey. These preliminaries resulted in 298 importers voicing interest to take part in the survey and consented for the questionnaire to be sent to them. Respondents were given the option of accessing the survey either online or by mail. Those who declined to take part in the study gave reasons; for example, organizations policy not to disclose information, time shortfalls or that they have stopped importation business.

#### *4.2 Unit of Analysis*

The unit of analysis in our study was the single relationship between a Nigerian importer and a particular export supplier. Importers have several relations with international suppliers located in many countries where relationships are likely to differ in terms of age, lengths of relationship and size of imports. We asked participants to focus on the third-largest international supplier that they do business with, in terms of size of importation. This was considered essential to facilitate information diversity and prevent the selection of respondents by concentrating only on productive relationships with international clients (Anderson and Narus 1990; Liu, 2012).

#### *4.3 Scale Development*

We derived the measurement scales for our constructs from the pertinent literature (see table 1 and 2). Specifically, motivational and metacognitive CQs was based on the work of Ang et al., (2007) and was operationalized as a higher-order reflective scale, containing 3-items for motivational and 3-item for metacognitive CQ. For psychic distance, 7-items were used to measure managers perception of distance. All the items were based on Klein and Roth (1990). We operationalized relational performance with 3-items taken from the work of LaBahn and Harich (1997).

<sup>1</sup> Following prior studies on buyer-seller relationship, we also include two control variables. We include relationship age to control for the number of years the importer and the exporter have been doing business with each other; and organization human capital advantages to control for import managers' work-related knowledge, commitment and expertise. Items for human capital was adopted from (Kianto et al., 2010).

#### *4.4 Questionnaire Design*

The survey instrument was a self-administered questionnaire, which was built around the items of the operationalized constructs. Each of the items was measured on a seven-point Likert scale, ranging from "*strongly disagree*" (1) to "*strongly agree*" (7). The questionnaire also included items evaluating different organizational and import-related demographic, such as relationship age. We also inserted a set of questions (measured on a seven-point scale, where 1 "*very low*," and 7 "*very high*") at the end of the questionnaire to assess the degree of familiarity, knowledge and trust of the respondents with the information provided (Cannon and Perreault 1999). The questionnaire was only prepared in English, as English is the official language in Nigeria. Before initiating the data collection process, we pretested the questionnaire with five academic professors and four importers in terms of relevance, flow, and readability.

#### *4.5 Data Collection*

We employed both mail and online technique to collect the data according to the respondents' preference. A cover letter outlining the goals, meaning and confidential nature of the research was included in each questionnaire. In other to increase the level of participation, we sent reminder letters and contacted importing firms by phone and, sometimes, personally. Of the 298 importers who received the questionnaire, 251 responded. However, 23 questionnaires were discarded because of incomplete information, inconsistency in the responses given and inadequacy on a key informant

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<sup>1</sup> Our study utilized both reflective and formative constructs. The hypothesized constructs (i.e., metacognitive and motivational CQs, psychic distance, and relational performance) were measured using reflective scales. While the control variable construct (i.e., human capital advantage) was measured using a formative scale. Formative scale as control variable has been used in prior research (e.g., Magnusson et al., 2013).

(scoring below four in a seven-point scale on any of the issues relating to familiarity, expertise and confidence).

#### *4.6 Controlling for Bias*

The key informants were individuals directly involved in the company's global activities: purchasing managers (56.6%), company owners (35.1%), and general managers (8.3%). These respondents provided high-quality data, as indicated by a mean score of 0.79 (out of 7) for their familiarity, knowledgeability, and confidence regarding the subject, respectively. In the context of non-response bias, we evaluated the answers by the Armstrong and Overton (1977) procedures for early and late respondents, which did not show a statistically significant difference between the two categories using a t-test technique.

## **5. Findings**

The data is analyzed in two steps using structural equation modelling, via the AMOS program. The first phase offers details on the measuring model and explains the method of data refinement. In the next step, in relation to main and mediating effects, we present the results of the structural model.

### *5.1 Measurement Model*

The predefined relationships between constructs and their indicators were tested using confirmatory factor analysis, where all measurable items were constrained to prior determination factor while the underlying factors allowed to correlate (Anderson and Gerbing 1988). We applied the elliptical reweighted least-squares technique to estimate the measurement model, revealing a acceptable fit to the data ( $X^2 /df$  2.48,  $p=.000$ ; normed fit index [NFI] .90; non-normed fit index [NNFI] .90; comparative fit index [CFI] .93; root mean square error of approximation [RMSEA] .05 (Diamantopoulos and Siguaaw 2009) (see Table 1). Concerning data refinement, convergent validity was achieved, as the t-value was always high and significant for each indicator, all the standard errors of the estimated coefficients were very low, and the average variance extracted (AVE) for each latent variable were equal and above the 0.50 minimum threshold. (Hair et al., 2018). Discriminant validity was also apparent since the confidence interval around the



correlation estimate for each pair of constructs examined did not include 1.00 (Anderson and Gerbing 1988), while the correlation for each pair of constructs did not exceed the square root of the AVE (Fornell and Larcker 1981) (see Table 1). Construct reliability was also satisfying, as Cronbach's alphas were higher than .70 for all constructs. Composite reliabilities also exceeded the minimum threshold value of .70.

We applied a confirmatory factor technique to control for common method bias, in which all variables included in the model were constrained to a specific factor (Venkatraman and Prescott 1990). The model fit indices showed very low values far below the acceptable threshold ( $X^2/df$  5.4783,  $p=.000$ ; NFI .78; NNFI .82; CFI.82; RMSEA.13). Then, by specifying the second-lowest positive relation between the constructs of our model, we used a post hoc identification of the marker variable (Malhotra, Kim, and Patil, 2006). Our results indicate that there was no significant correlation to this marker variable with the other constructs. In contrast, after the various partial correlation adjustments, the significance of the correlation coefficient did not change (Lindell and Whitney, 2001). In short, the results of the two tests did not show presence common method bias.

We then performed a two-phase lesser-square technique to evaluate the potential for endogeneity bias in our study using SPSS. We used motivational CQ and metacognitive CQ as instrumental variables for psychic distance. These instrumental variables were associated but not with the relational performance of the respective endogenous explanatory variables. Further, we measured the strength of instrumental variables with F-tests (Stock and Watson 2011) and added an efficient model and a constant model. The results of the Durbin-Watson test revealed that psychic distance correlated to relational performance, with the estimates of all instrumental variables yielding F-statistics higher than 10 (Stock and Watson 2011).

[Insert reflective constructs; items for construct measurement table about here]

## *5.2 Structural Model*

We employed the structural equation modelling to test our hypotheses by taking on board the elliptical reweighted least-squares technique. Given the various indicators ( $X^2/df$  1.99,  $p=.000$ ; NFI .93; NNFI. 95; CFI 96; RMSEA .06), the results of the structural

equation modelling demonstrated a tolerable model fit. Table 3 shows the standardized path coefficients with corresponding t-values for each hypothesis tested.

[Insert formative construct; tolerance and collinearity test table about here]

### *5.3 Main Effect*

Hypotheses regarding metacognitive CQ and psychic distance was supported, while hypotheses regarding motivational CQ and psychic distance were not supported. Finally, the connection between psychic distance and relational performance was confirmed.

[Insert construct correlation and discriminant validity table about here]

Specifically, in support of H1, metacognitive CQ is related negatively to psychic distance ( $\beta = -.21$ ,  $t = -3.10$ ,  $p = .002$ ). Contrary to expectations, no significant connection is found between motivational CQ and psychic distance ( $\beta = .46$ ,  $t = .46$ ,  $p = .508$ ), indicating a lack of support for H2. Finally, as foretold in H3, psychic distance is associated negatively with relational performance ( $\beta = -.26$ ,  $t = -3.90$ ,  $p = .000$ ).

[Insert structural model and control result about here]

### *5.4 Control Effects*

We also examined the impact of human capital advantage and relationship age as control variables on relational performance. Human capital advantage demonstrated a significant positive relationship on relational performance ( $\beta = .48$ ,  $t = 5.577$ ,  $p = .000$ ), indicating the importance of human capital advantage on relational performance. However, relationship age revealed no significant relationship on relational performance ( $\beta = .03$ ,  $t = .58$ ,  $p = .560$ ), meaning that the longer or shorter the duration of the relationship does not create a likelihood that the relationship will perform well.

## **6. Discussion**

This research sheds light on the relationship between cultural intelligence, psychic distance and relational performance. The hypothesis between motivational CQ and psychic distance revealed no significant relationship. However, we found support for the connection between metacognitive CQ and psychic distance. The correlation between psychic distance and relational performance was positive and significant, which suggest that organizations would benefit from more excellent knowledge of metacognitive CQ when

operating in a foreign market. However, we included two control variables (human capital advantage and relationship age). In the presence of these variables, we found a significant effect between human capital advantage and relational performance. These findings provide support to prior arguments that human capital may contribute to competitive advantages if the skills and abilities of managers are essential for value creation and capture, and difficult to imitate (Kamukama, Ahiauzu, Ntayi 2010; Stewart 1997; Hunt and Morgan 1995).

### *6.1. Theoretical Implications*

Our research contributes to theory in three main ways. *First*, by introducing import manager CQ to the buyer-seller relationship literature is important as this study is among the first empirical research that has taken into account the import managers skills and abilities in the management and operations of the buyer-seller relationship. Findings of this study suggest that import managers with a high degree of metacognitive CQ appear to communicate and function more with oversea partners, allowing them the ability to understand and grasp the business environment of their trading counterpart and consequently reduce their psychic distance perceptions. Furthermore, import managers with high metacognitive CQ seem to be more productive in intercultural collaboration and cultural evaluation, which in turn enhance the performance of their working relationship with foreign trade counterparts. Profoundly, greater metacognitive CQ allows import managers to develop a healthier strategic plan and exercise better decision-making when dealing with an oversea counterpart from an unfamiliar market environment.

Further, import managers with high metacognitive CQ are more mindful of cultural expectations (Earley and Ang 2003). Hence, metacognitive CQ can also improve cross-cultural skills and abilities by creating an understanding that trade counterparts' motivation and actions are influenced by their cultural backgrounds and greater cognitive flexibility. (Earley and Mosakowski, 2004; Thomas, 2006). Generally, our findings provide support to the concept of global business managers as a potential human capital advantage through the decisions they make for their organizations. Finally, global business managers high metacognitive CQ should be tangible human capital for their organization,

since they not only spot when cultural variations are required, they abruptly make modifications and exercise better judgment in determining how best to utilize their cultural knowledge when dealing with a foreign counterpart from a different market environment.

The *second* theoretical implication of this study relates to the level of analysis of psychic distance. Strong disagreements exist regarding the appropriate level of analysis of psychic distance. Some argue that psychic distance should be measured at the country-level based on quantitative variations in country features (e.g., Berry et al. 2010; Kogut and Singh 1988). While others maintain that it should be captured at the individual level since managers are ultimately responsible for making core strategic decisions, their perceptions of distance have greater explanatory power than that of objective country differences (Sousa and Bradley 2008; Child et al. 2002; Sullivan and Bauer-Schmidt 1990). Consequently, we contribute to this discussion by capturing psychic distance at the individual level. Since psychic distance deals with managers' perceived differences in observed phenomena, it is an essential determinant of global business strategy (Sousa and Bradley 2006).

Furthermore, an understanding of psychic distance will enhance the manager's insight into the complexity encountered in international business (Sousa and Bradley 2006). However, our study demonstrates that cultural intelligence creates such an understanding. Thus, we follow Sousa and Bradley (2006), and Child et al. (2002), among others, calling out the need to understand managers' perception of distance, i.e. psychic distance, when operating in a foreign market.

The *third* theoretical implication of this study pertains to the research scope. Aykol and Leonidou (2018), found that psychic distance research has focused predominantly on regions such as Europe, Asia, North and South America. Continent such as Africa, Oceania and Latin America has been largely ignored and under-researched. Moreover, the internationalization of firms has moved beyond the developed countries into developing economies due to globalization (Ghemawat, 2001). As a result, researchers are calling for more attention to the emerging markets. This current study responds to this need by expanding the scope of research geographically and socially by looking into relatively under-researched countries such as Nigeria. This offers a broader research base and

thereby further enhance research understanding of buyer-seller relationships within the international context.

### *6.2 Managerial Implications*

Our study provides managers with new ideas in three main respects. *First*, the study suggests different coping strategies wherein the buyer-seller exchange, the impact of psychic distance is unfavorable. Earlier research in this area of study have recommended varieties of coping strategies, (e.g., cross-cultural training, trips abroad, and language programme) (Leonidou, Barnes, and Talias 2006; Leonidou et al. 2011). Since psychic distance provides international managers with difficulties in the management of buyer-seller exchange relationship due to lack of common cognitive frameworks (Skarmeas et al., 2017), a deliberate strategy to strengthen import managers' metacognitive CQ will serve as a coping mechanism for firms and also support import managers in the development of successful business strategies in order to operate in an unfamiliar cultural and business environment effectively; which in turn will boost performance relationship.

*Second*, the outcome of the study will benefit import managers involved in international business as well as their hiring managers that are tasked with the responsibilities of selecting and recruiting managers for international business management positions. To demonstrate, for an organization to succeed in the global business environment, it is essential that their import and hiring managers should; (1) have or acquired a high degree of CQ with a particular function for metacognitive CQ, (2) allow their import managers to incorporate their different business activities by improving cultural knowledge as strategies for the growth of human capital, and (c) ensure the recruitment managers are acquainted with CQ concepts as more significant knowledge of CQ for their hiring managers will help the company develop its personnel pool in order to pick and hire import managers.

The *third* crucial managerial implication of this research goes further than the selection and hiring of import managers with high metacognitive CQ. It will be beneficial for organizations to nurture metacognitive CQ with the organization, mainly the managers

involved in their international business operations. Since the literature suggest CQ can be acquired and heightened (Earley and Mosakowski 2004), Moreover, previous studies (e.g., Adler, 2002; Mendenhall and Oddou, 1985) encourage firms to have metacognitive CQ training for managers involved in the management and operation of their global trade. This research applauds that present and future import managers should be subject to the same condition.

### **Research Limitation**

The findings of this study need to be interpreted while bearing in mind certain limitations. *First*, as an inquiry-based on a research survey, it may suffer from the typical weaknesses of self-reported research such as sincerity, knowledge, response capacity, impulsiveness, and other-process bias issues from respondents (Crompton and Wagner, 1994; Podsakoff, Mackenzie, Lee, and Podsakoff, 2003). Common method bias can interfere with the evaluation of the data. Consequently, future exploration may consider longitudinal research, using a qualitative and quantitative method, since CQ is a complex construct (Ang, Van Dyne, and Koh, 2006), the condition for its impact on psychic distance and performance implications will vary over time. Therefore, conducting a longitudinal study, as recommended by Crawford-Mathis (2009), can yield different insights and knowledge on these changes over time, and provide a greater comprehension of CQ and its impact on various performance outcomes. Furthermore, a longitudinal study where data are collected from export suppliers at the various stages of their relationship with their import counterpart could be undertaken to certify and extend the results of this study. Moreover, future investigations could also involve qualitative approaches with a longitudinal research design on export suppliers where cost and time permits.

*Second*, this study assessed two of the four facets of CQ. Future research can consider exploring the interrelations of the full four dimensions of CQ since CQ is a complex and a multidimensional construct that can be best studied at its full dimensional level. Consequently, future research may consider the inter-relationships of these four-facets of CQ. For instance, how metacognitive CQ moderates motivational CQ to effect psychic distance and its overall influence on performance outcomes. Since the importance of

multidimensional concepts sprawls in its distinct convergent accuracy of each of its components. (see Edwards, 2011). Furthermore, postulating how the various facets of CQ uniquely impact a wider variety of parameters rather than similar will be interesting for future research. Besides, CQ can also be explored at the organizational levels to accommodate diverse views of investigations – as this study analyzed it at the individual level.

*Finally*, we gathered information from one side of the dyad (i.e., the buyer). The perspectives from sellers could, however, provide a different view. Future studies should obtain and examine dyadic data as a means of offering a comprehensive and robust picture of the buyer-seller relationship. For instance, one side of the relationship can report high results for specific circumstances of relationship exchange, while the other side can document poor scores for the same circumstances. An evaluation of both sides in the relationship between buyer and seller would undoubtedly constitute a natural extension for this research.

## NOTES

1. We also assessed the model using partial least squares SEM and ordinary least squares regression. The alternative model yielded qualitatively identical results, increasing the robustness of our findings

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**Table 1. Reflective Constructs; Items for Construct Measurement**

	Loadings	Cronbach's alpha	Composite reliability	AVE
Psychic distance: I am familiar with the tradition (e.g., behaviours, way of acting) of this salesperson.	0.852	0.883	1.854	0.715
Psychic distance: I understand this supplier's foreign language.	0.814			
Psychic distance: I am familiar with the business values (e.g., principles, ethics, moral code) of this salesperson.	0.870			
Psychic distance: I am familiar with this supplier's business practices (e.g., how business is organised).	0.853			
Psychic distance: I have an understanding of the communication infrastructure (e.g., means of transmitting information) used by this supplier.	0.907			
Psychic distance: I have an understanding of the political and legal system (e.g., government policies, laws) in this supplier's country.	0.898			
Psychic distance: I am familiar with the level of economic development (e.g., standard of living) in this supplier's country.	0.865	0.928	2.025	0.743
Relational performance: I have found the time and effort spent on this relationship very worthwhile.	0.870			
Relational performance: The relationship I have with this supplier has been very productive.	0.876			
Relational performance: I have a very rewarding relationship with this supplier.	0.864	0.918	1.772	0.742
Metacognitive CQ: I consciously apply cross-cultural knowledge when interacting with people with different cultural backgrounds.	0.848	0.918	2.139	0.715
Metacognitive CQ: I adjust my cultural knowledge as I interact with people from a culture that is unfamiliar to me.	0.860			
Metacognitive CQ: I am conscious of the cultural knowledge I apply to cross-cultural interactions.	0.850			
Motivational CQ: I enjoy interacting with people from different cultures.	0.825	0.892	2.731	0.653
Motivational CQ: I am confident that I can socialize with locals in a culture that is unfamiliar to me.	0.855			
Motivational CQ: I am sure I can deal with the stresses of adjusting to a culture that is new to me.	0.852			

**Table 2. Formative Construct; Tolerance and Collinearity Test**

Organization Human Capital Advantage
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Please indicate to what degree you agree with the following statement			Tolerance	Variance Inflation Factor (VIF)
Mangers responsible for dealing with our foreign suppliers are knowledgeable and highly skilled at their jobs			.400	2.500
Mangers responsible for dealing with our foreign suppliers are highly motivated in their jobs			.478	2.092
Mangers responsible for dealing with our foreign suppliers have high level of expertise			.326	3.069

**Table 3. Constructs Correlation and Discriminant Validity**

Constructs	1	2	3	4	5	
Motivational CQ	1	0.743				
Psychic Distance	2	0.045	0.874			
Relational Performance	3	0.263	0.310	0.914		
Metacognitive CQ	4	0.715	-0.200	0.148	0.905	
Human Capital	5	0.202	0.007	0.284	0.099	0.842

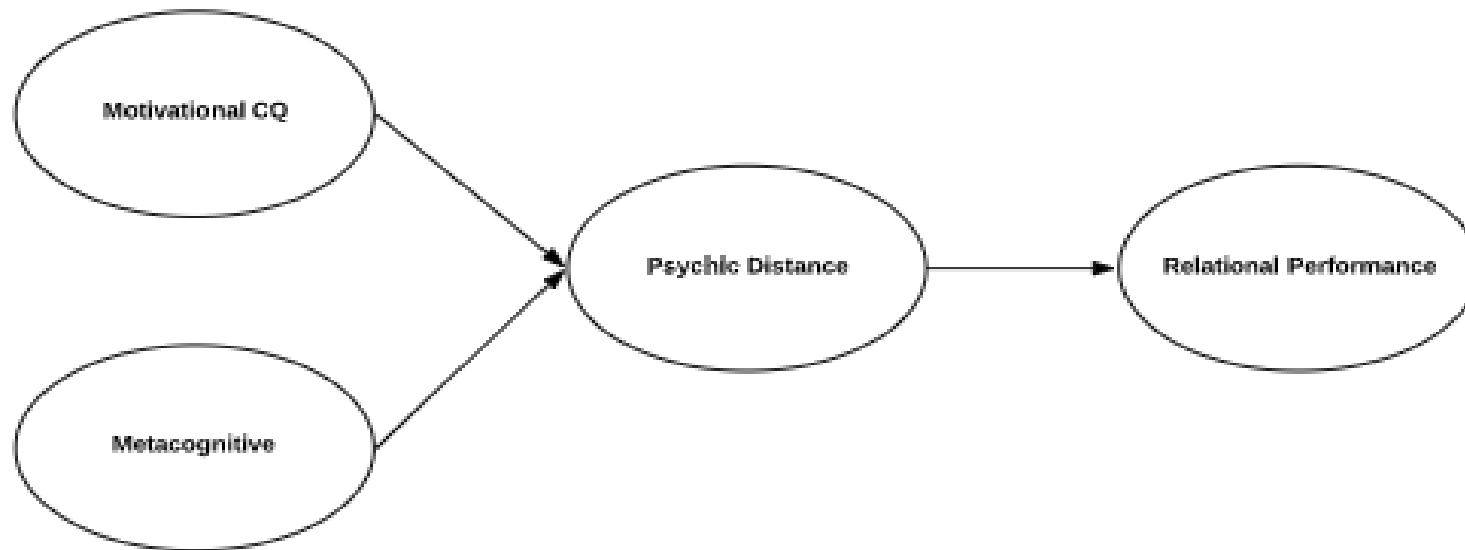
Notes: Scales reliability (coefficients alpha) are on the diagonal.

**Table 3. Structural Model Results**

Hypothesized Association			Standard Path Coefficient	t-Value	p-Value	
Main Effects						
H1	Psychic Distance	<---	Metacognitive CQ	-0.21	-3.10	.002
H2	Psychic Distance	<---	Motivational CQ	.46	.662	.508
H3	Relational Performance	<---	Psychic Distance	-.26	-3.90	.000
Control Effects						

Relational Performance	<---	Human capital advantage	.48	5.577	.000
Relational Performance	<---	Relationship age	.03	.58	.560

Figure 1: The Conceptual Model



Notes:  $\chi^2/df = 2.48$ ,  $p = 0.000$ ; RMSEA = 0.055; NFI = 0.90; CFI = 0.93; NNFI = 0.90. RMSEA = root mean square of approximation; NFI = normed fit index; CFI = comparative fit index; NNFI = non-normed fit index. We controlled for relationship age, the number of years the importer and the exporter have been doing business with each other; and organization human capital advantages the import managers' work-related knowledge, commitment and expertise.