

The Implications of Motivational and Metacognitive Dimensions of Cultural Intelligence on Psychic Distance in Inter-Organisational Relationship: The Relational Resource Perspective

Dr Emeka Smart Oruh

Brunel Business School, Collage of Business, Arts and Social Science. Brunel University
London. Uxbridge UB8 3PH, UK.
Email – emeka.oruh@brunel.ac.uk

Dr Arthur Egwuonwu

School of Management and Marketing
University of Westminster
London NW1 5LS
Email - a.egwuonwu@westminster.ac.uk

Dr John Mendy

Lincoln International Business School.
University of Lincoln. Brayford Pool, Lincoln, Lincolnshire. LN6 7TS
Email – jmendy@lincoln.ac.uk

Egwuonwu, Ambrose

Brunel Business School, Collage of Business, Arts and Social Science. Brunel University
London. Uxbridge UB8 3PH, UK.
Email – ambrose.egwuonwu@brunel.ac.uk

Dr Toyin Adisa

Royal Docks School of Business and Law, Business and Law.
University of East London
London, E15 4LZ
Email – t.adisa@uel.ac.uk

Dr Olusoyi Olatokunbo Richard Ashaye

University of Wales Trinity Saint David
London SW9 6EJ
Email – o.ashaye@uwtsd.ac.uk

Abstract

What has come to be known as psychic distance paradox suggests that entry into low psychic distance markets may improve performance. However, firms doing so may face shocks produced by unforeseen differences that could precipitate failure. In this developmental paper, we draw on Relational Resource Theory (RRT) to address psychic distance contradictions, by exploring the impact of Cultural Intelligence (CQ) on psychic distance – focusing on motivational and metacognitive dimensions. To achieve this, our study aims to test 5 hypotheses, and analyse 228 survey data gathered from participants in the Nigerian automobile industry. The hypotheses to be tested are: H₁: motivational CQ is negatively associated with psychic distance; H₂: metacognitive CQ is negatively associated with psychic distance; H₃: motivational CQ is positively associated with relational performance; H₄: metacognitive CQ is positively associated with relational performance, and H₅: psychic distance is negatively associated with relational performance. Based on the analysis of the above hypotheses, the findings and implications of the study are discussed.

Keywords: Psychic distance, Motivational and Metacognitive factors, Relational Resource Theory

Introduction

For decades, psychic distance has been a central focus of international business (IB) research, and it has been found to influence several critical organisational outcomes such as market entry strategy (Apostoloski et al., 2021; Ellis, 2008), joint action (Johnston et al., 2012), market selection (Brewer, 2007), and inter-organisational relationship (Magnusson and Boyle 2009). Psychic distance is typically referred to as an individual's perception of differences between the home and foreign market (Hakanson and Ambos 2010; Sousa and Bradley, 2005). The main reason why psychic distance fascinates academics is that research on the subject has shown conflicting outcomes. In the field of inter-organisational relationships, which is the centre of our study, research has mostly addressed the negative consequences of psychic distance (Sachdev and Bello, 2014) at the expense of other nuances.

Researchers have associated these equivocal findings with O'Grady and Lane's (1996) "psychic distance paradox". The paradox theorises that, while conventional internationalisation theory would encourage businesses entering low psychic distance markets to improve performance (Johanson and Vahlne 1977), organisations doing so face shocks produced by unforeseen differences between organisations and people. The explanation for the contradiction and conflicting findings is attributable, partly to a lack of contextual emphasis – as research in this domain has not thoroughly investigated the beneficial aspects of inter-organisational relationships in coping with the psychic distance barrier. Despite Dow and Karunaratna's (2006) call for empirical studies to improve understanding of coping mechanisms to mitigate cross-national distance, there is still a lacuna in IB research. This gap needs urgent consideration since it inhibits academics from providing evidence-based recommendations to guide managers to overcome psychic distance in their organisations' relations with trade partners. Hence, the objective of this study is:

To investigate the impact of CQ on psychic distance – focusing on motivational and metacognitive dimensions.

To address this research objective, we introduce the concept of cultural intelligence (CQ) to examine psychic distance in inter-organisational relationships. CQ is defined by Ang et al. (2007) as a form of intelligence focused on understanding, thinking, and responding successfully to intercultural differences. CQ enables individuals to see beyond their context of socialisation to leverage cross-cultural experiences in managing exchanges with others (Ang et al., 2007), minimising psychic distance perception and therefore boosting performance (Sharma, 2019). As a result, applying the concept of CQ allows for a more contextualised analysis of psychic distance in inter-organisational relationships.

We focus on the sub-dimensions of CQ (Ang et al., 2007). That is, we investigate the impact of two CQ facets on psychic distance: motivational CQ and metacognitive CQ. Ang et al. (2007, p. 338) define motivational CQ as "the capability to direct attention and energy toward learning about and functioning in situations characterized by cultural differences; and metacognitive CQ as "the mental processes that individuals use to acquire and understand cultural knowledge," and "relevant capabilities include planning, monitoring, and revising mental models of cultural norms for countries or groups of people." Examining these dimensions independently differentiates our study from predominant research on cultural intelligence (e.g., Sharma, 2019). Our research draws on Relational Resource Theory to develop and empirically test a framework linking different CQ facets on psychic distance. Specifically, we examine the relationship between motivational CQ and metacognitive CQ on psychic distance and the direct and indirect effects on relational performance to ascertain whether these could have positive impacts on relational performance, an aspect missed by previous scholarship.

We use a sample of 228 automobile importer and exporter relations to test our hypotheses. These are:

H₁: motivational CQ is negatively associated with psychic distance.

H₂: metacognitive CQ is negatively associated with psychic distance.

H₃: motivational CQ is positively associated with relational performance.

H₄: metacognitive CQ is positively associated with relational performance.

H₅: psychic distance is negatively associated with relational performance.

Our results are expected to support our theoretical reasoning and provide a positive response to the framework of this study. The key findings of the study are expected to align to motivational and metacognitive CQs affecting psychic distance and relational performance. The study's findings initial results agree that psychic distance can partially mediate the association between motivational and metacognitive CQs and relational performance. Equally,

the study is intended to make contributions to the literature. Theoretically, it is expected that the study would contribute to inter-organisational relationships and possibly other people relationships' phenomena that are impacted by psychic distance. The study is intended to reconcile the contradictory understands posed to academics by the psychic distance notion (Hakanson and Ambos 2010), because the study examines the relationship between two CQ facets on psychic distance and the effects these may have on relational performance. Furthermore, by drawing on Relational Theory, we intend to reconcile the apparently disparate academic treatment of the relationship between CQ and psychic distance – both of which researchers have largely been examined separately in the past. Our study also aims to provide practical implication, by exploring how individuals' cultural inclination and mental awareness (including knowledge and skills) can influence cross-national distance, which in turn can help determine the degree to which performance in international relationships among people and organisations can be strengthened. Finally, the expected practical implication is that organisations need to amplify training for their existing (or recruit new) managers that are competent in cultural intelligence, to effectively address the challenges that are associated with good management of psychic distance (Earley and Mosakowski, 2004).

Furthermore, to manage psychic distance challenges appropriately, organisations should consider recruiting culturally intelligent managers or train their existing managers to acquire cultural intelligence abilities – since CQ can be acquired by proper training and practice (Earley and Mosakowski, 2004). The order of the paper is set to begin with the literature covering the development of the theory-based hypotheses, which will be followed by the methodology, data collection processes as well as analysis and findings. The paper will be concluded with discussion on the implications, limitation, and direction for future study on the topic.

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