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## Intercultural competence of employees as a non-economic factor influencing competitiveness in the international market

Standardization of production, reduction of technology costs, and access to information mean that international enterprises compete not only in the fields of their ability to establish relationships with potential customers but also their understanding of the customers' expectations arising from their cultural conditioning. Being competitive in foreign markets often requires in-depth understanding of other cultures, openness, and ability to function beyond the stereotypes. The capacity to interact effectively with people of different languages and cultural backgrounds is one of the most important skills of a salesperson or a businessperson planning to internationalize their business. Employees aware of cultural differences may substantially improve the company's international performance. The aim of this paper is to discuss the change in the importance of non-economic factors influencing international competitiveness of companies, with particular reference to intercultural competence. To achieve this aim, the authors analysed both Polish and foreign literature, with emphasis on competitiveness theories. The following paper also presents representative techniques of assessing the above-mentioned competence.

### Kompetencje międzykulturowe pracowników jako pozaekonomiczny czynnik konkurencyjności na rynkach międzynarodowych

Standaryzacja produkcji, malejące koszty technologii i ułatwiony dostęp do informacji oznaczają, że na rynku międzynarodowym firmy nie konkurują między sobą wyłącznie oferowanymi produktami, ale także umiejętnościami ustanowienia relacji z potencjalnymi klientami oraz rozumieniem ich oczekiwań, wynikających z uwarunkowań kulturowych. Bycie konkurencyjnym na rynkach zagranicznych wymaga dogłębnego zrozumienia innych kultur, otwartości i odrzucenia stereotypów. Zdolność do skutecznego współdziałania z ludźmi o różnej proweniencji kulturowej i posługującymi się różnymi językami jest jedną z najważniejszych kompetencji niezbędnych w firmie planującej umiędzynarodowienie. Pracownicy świadomi różnic kulturowych mogą znacznie poprawić wyniki ekonomiczne przedsiębiorstw międzynarodowych. Celem niniejszego artykułu jest omówienie zmian w znaczeniu poszczególnych czynników wpływających na międzynarodową konkurencyjność przedsiębiorstw, ze szczególnym naciskiem na kompetencje międzykulturowe. Aby osiągnąć ów cel autorzy przeanalizowali zarówno literaturę polską, jak i obcą, ze szczególnym uwzględnieniem publikacji dotyczących teorii konkurencyjności.

W artykule przedstawiono również reprezentatywne techniki oceny kompetencji międzykulturowych.

Keywords: competition, intercultural competence, internationalization, multicultural environment, intercultural relations

JEL classification: F230, D590

## Introduction

Competition between companies is an inherent feature of the market economy. Depending on the industry or sector, it can occur on different levels, with diverse intensity, and through a variety of actions [Walczak, 2010]. Competitiveness reflects the company's potential – its resources and the ability to create an advantage over the competitors. It also contributes to its market value, being a multi-dimensional feature resulting from both its internal qualities and the ability to adapt to ongoing changes in the environment. Marek Stankiewicz [Stankiewicz, 2000, p. 79] perceives the companies' competitiveness as a mixture of the four below-listed elements:

- competitive potential,
- competitive advantage,
- competition instruments,
- competitive position.

Each of these elements describes a different aspect of competitiveness. Competitive potential comprises all of the company's resources that allow it to develop a competitive position on the market; competitive advantage is an effect of efficiently employed resources. Apart from the resources, companies use different competitive instruments in order to create value for customers and owners. Resources, competitive advantages, and properly employed instruments finally result in a certain competitive position – a relative standing of the company in comparison to other companies in the same business sector.

There are different concepts regarding the sources of competitive potential of companies. While traditional approaches regard cost level, quality, marketing, or market position as leading factors influencing the competitiveness [Porter, 2001, p. 200], contemporary theories tend to attach greater importance to "soft" factors, such as the ability to adapt to changes, innovativeness, or entrepreneurship. John Kay [Kay, 1996, pp. 95–175] considers competitive potential to result from three areas:

- relations ("architecture"), both internal and external, allowing a free flow of information and flexible adaptation to changing market conditions,
- innovativeness backed up by dedicated supporting strategies,

- reputation, as it is a guarantee of the product/service quality for potential customers or investors.

Much focus is put on that first area. Companies that are better informed and able to use the information to their advantage are supposed to have greater competitive potential. One could draw a conclusion that such companies will focus on acquiring the information from internal and external sources and will use it to better adapt to market expectations. At the same time, the internal architecture of the company provides its competitive strategy with a background that is unique and rather impossible to imitate. Stankiewicz [Stankiewicz, 2006, p. 14] agrees with such a conclusion: knowledge is the main resource used to develop competitive advantage. The knowledge definition used by the above-mentioned theories seems very wide. It includes not only the engineerial know-how, but also some elements of culture, internal relations, communication procedures, motivation systems, and others – being the effect of the company's accumulated experience gathered under certain environmental conditions.

Another approach emphasizing the importance of non-economic factors of competitiveness is represented by Gary Hamel and Coimbatore Prahalad [Hamel, Prahalad, 2001, pp. 79–91]. In their opinion, these factors are the resources used to develop core competences of a corporation. Such competences constitute a set of skills that:

- have the biggest influence on the value perceived by a customer,
- are more refined than those of its competitors and the access to them is unlimited,
- form a base for creativity and expansion to new markets.

In the still ongoing debate among several scientific disciplines their representatives try to clarify how the competitiveness of the companies should be measured and what factors affect competitive performance. Financial indicators are the most commonly used indicators of competitiveness [Liargovas, Skandalis, 2008, p. 4–6]. Taking into consideration the assumptions made by Hamel and Prahalad, several non-financial factors should also be included into the evaluation of competitive potential, amongst them the ability to understand a certain culture, tradition, or religion. Acquiring this ability can enable constant renewal of company's competitive advantage [Karlof, 1992, p. 58].

This paper is intended to provide literature review regarding intercultural competence and sensitivity as a non-economic factors influencing companies' competitiveness on the international markets. The authors analysed the literature and secondary data gathered by both Polish and foreign researchers, concentrating on the following areas: competition in terms of multicultural business environment, intercultural sensitivity, and intercultural competence.

## 1. Competitiveness in the international markets

Willy Brandt<sup>1</sup> once said: "If I'm selling to you, I speak your language. If I'm buying, *dann müssen Sie Deutsch sprechen!*" [Jay, 2010, p. 41]. There is an inevitable question to be asked – whether the same product, approach, and marketing methods may be offered and implemented across different cultures or should they be adequately adjusted. Theodore Levitt [Levitt, 1983] in his article entitled *The Globalization of Markets* induced a debate that remains relevant to this day – whether to standardize the strategy for all international markets or to adapt it to local expectations. Those companies which decided to standardize their businesses assume that differences in values, customs, religion, and languages are not crucial for their competition strategies and that overall profits derived from using economies of scale exceed the losses resulting from poorer acceptance of certain products offered on different markets. Other companies, however, perceive the elements of cultural differentiation as fundamentally significant for their competitive advantage.

The problem addressed by Levitt, although still important, was stated in market conditions completely different to the contemporary ones. Technology advancement and reduced trade barriers, together with decreasing costs of transportation and easier access to funding have sharpened the competition between companies in both local and global markets. It is harder than ever before to determine the factors that decide about the success of a company or a branch of economy, especially taking into consideration that similar companies and sectors of economy are not equally successful even if given the same conditions. While the differentiation of products is still a costly process, its cost has significantly decreased thanks to the IT revolution and process automation. Nevertheless, the main question remains the same: how closely should a company adapt the product to local needs of customers for it to be accepted and preferred to the others? In order to achieve this, it is required that companies improve their competitiveness, shifting from international product management to international relations/knowledge management. Bent Petersen [Petersen, 2008, p. 1097] notes that entering new markets often proves to be a challenge to the company's knowledge; it faces a gap between what it already knows and what it is supposed to know in order to succeed on the foreign market. As this gap needs to be closed, the entrepreneurs limit the risk it poses by carefully choosing the target markets. The more they know about the market, the smaller the gap, the lower the risk. The selection of the target market is thus dictated by its resemblance to the market of origin or by the company's ability to observe, learn, and adapt to the foreign market conditions. Such a skill would

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<sup>1</sup> The Chancellor of West Germany in the years 1969–1974.

constitute a base for developing international knowledge – a resource that is supposed to be a foundation of competitive advantage in international markets. Emilia Nordman and Sara Melén [Nordman, Melén, 2008, p. 173] describe it as both industrial and marketing knowledge, allowing to successfully manage relationships with foreign partners. While sequential models of internationalization assume [Rialp, Rialp, Urbano, Vaillant, 2005, p. 137] that international knowledge is a result of experience accumulated gradually along the process of expansion to new countries, the model of Born Globals' expansion posits that the competitiveness of a given company depends on interpersonal skills and international relationships of its leaders.

## 2. Intercultural competence as a competition factor in the international markets

One of the results of economic globalization is the growth in number of multinational corporations and the intensification of international trade. Intercultural interaction has increased due to globalization enhancing “the need for intercultural awareness, understanding, and training at all levels of business” [Sorrells, 2013, pp. 33–35]. Cultural differences play a significant role in team building, decision-making, negotiations, marketing, and advertising. Although the particular product and its quality might be enough to gain competitive advantage in the short term, building professionalism and developing international knowledge are of considerably greater importance in the long term [Kusa, 2004, pp. 338–340]. Companies are fighting for clients, trying to influence their decision as to which product they should buy. As the products very often seem identical to the average user, this fight between the competing companies moves up to a different, less tangible level. Assuming the similarity of the products offered, significant differences are to be observed in the area of consumer relation, advertising, and selling techniques. Innovation, both in technical terms and human relations, is hardly possible without a creative human capital. It is supposed to be the most valuable of the company's assets, because unlike other assets, it does not devalue – on the contrary, it increases its value through learning processes [Rosińska, 2007, p. 7]. It is also often perceived as a main source of competitive advantage, since the other assets of competing companies are often comparable. What is difficult to imitate in a company are human relations that constitute a basis for business relations of the organization: inner relations with co-workers and managers and outer relations with clients, suppliers, and institutions [Rosińska, 2007, pp. 3–5]. The modern economy is knowledge-based, hence the increase in importance of the intellectual capital of companies and such a strong focus on employees and their

ability to learn and to use the acquired knowledge. Human capital, as one of the company's resources, is the source of competitive advantage, which becomes of even greater significance on the international market. Acquiring skills and lifelong learning within an organization allow to maintain and renew company's competitive advantage.

The cultural diversity of different markets should not be perceived as a liability, but as an opportunity to expand the customer base – given that the company would be able to efficiently develop relations with partners on the chosen market; without intercultural competence, such an operation may not end in success. Intercultural mistakes in business can turn out to be rather costly, not only in the terms of finance but also reputation and customer relation, causing, in effect, poor organizational performance. This is the reason why understanding cultural differences is so important for companies competing in the international markets. Employees aware of cultural differences may substantially improve the company's international performance. Their intercultural sensitivity might be used as a tool for improving the competitiveness of the company. A number of researchers refer to such a skill as intercultural competence, intercultural communicative competence, transcultural communication, cross-cultural adaptation, or intercultural sensitivity. Intercultural competence is understood as “the ability to communicate effectively in cross-cultural situations and to relate appropriately in a variety of cultural contexts” [Bennett, Bennett, 2004, p. 149]. Intercultural sensitivity affects, among other things, such areas as communication in business, business etiquette, or negotiations and therefore allows entrepreneurs to gain competitive advantage in the international markets. It is not easy to develop, though – exposure to an international assignment is not enough.

Although researchers started to conduct studies on intercultural communicative competence as early as in the 1950s, first comprehensive approaches were developed in the late 1970s. Brent D. Ruben proposed a behavioural approach to the problem, stating that one of the most difficult barriers to overcome is the question of practical implementation of our knowledge about other cultures [Ruben, Kealey, 1979]. Therefore, to determine the level of cross-cultural adaptation, it is important to observe and measure the way the individual employs his knowledge. On the basis of performed research, a structure of seven dimensions was proposed. Those seven elements help individuals function effectively in intercultural settings [Chen, 1992, p. 64].

The above-listed elements, reflecting knowledge of foreign cultures and customs, were assessed through the means of observation of individuals, and not by implementation of self-assessment tools. The display of respect dimension refers to the ability to express positive regard towards others. It includes eye contact, tone of voice, and body posture. The interaction posture dimension is related to

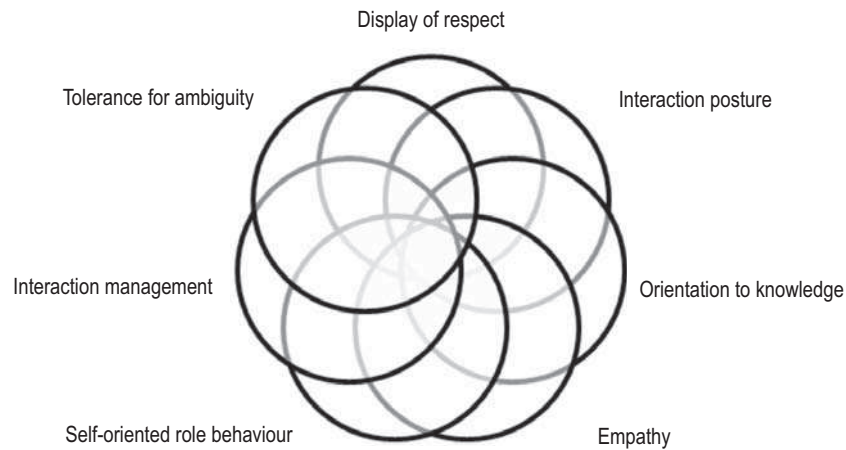


Figure 1. Ruben's seven dimensions of intercultural competence

Source: Own elaboration, based on: [Ruben, 1979].

the ability to provide neutral, non-judgmental response when interacting with foreign cultures. The next dimension, orientation to knowledge, encompasses the capacity to recognize the individual nature of knowledge, whereas empathy is the ability to understand the perspective of other people. The individual's ability to adapt to different situations and to undertake different roles in groups he pertains to is expressed through his self-oriented role behaviour. The capability to take part in discussions on the basis of accurate assessment of other interlocutors' expectations is reflected by interaction management dimension. The last dimension, tolerance for ambiguity, describes the individual's ability to smoothly adapt to unexpected and ambiguous situations [Ruben, 1976, pp. 339–341]. All of the above elements provide a frame to assess one's intercultural competence. The higher the level of each dimension, the better the individual's understanding of different cultures, traditions, values, or behaviours.

Another model, the European Multidimensional Model of Intercultural Competence, was developed in the late 1990s by Michael Byram [Byram, 1997]. It incorporates five factors, presented below on Fig. 2.

The five factors presented in the below model refer to a set of competences comprising one's intercultural competence. Attitude refers to the ability to relativize one's self and to value others, whereas knowledge expresses the awareness of rules for individual and social interactions. The first set of skills refers to the ability to interpret and explain events occurring in a foreign culture. The second one allows for the use of the existing knowledge in intercultural interactions and the acquisition of new knowledge regarding foreign cultures. The last element – critical cultural awareness – refers to the ability to conduct an evaluation from the per-

spectives and taking into account practices of both one's own and other cultures [Byram, 1997, p. 91–99].

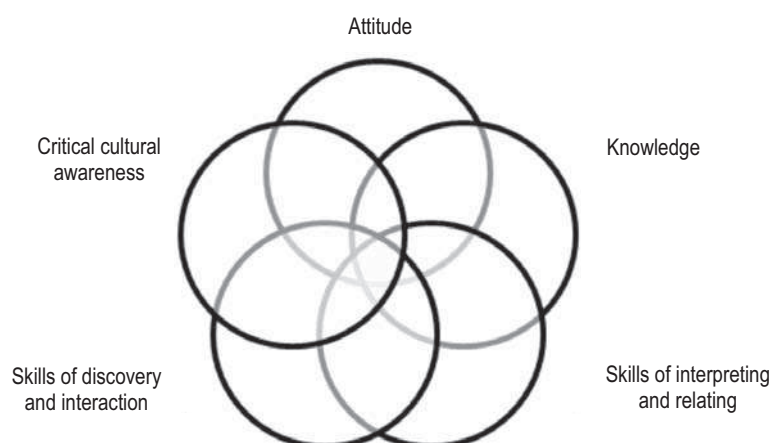


Figure 2. Byram's five-factor model of intercultural competence

Source: Own elaboration, based on: [Byram, 1997].

This framework was then enhanced by Karen Risager [Risager, 2007, pp. 5–11], mainly by her focusing on linguistic developments and proficiencies. From this point, other European researchers developed a tool utilising two sets of factors: one for the researcher, and another for the person of interest. Each of the factors is assessed on a three-point scale corresponding to the basic, intermediate, and full level. The said tool is called the INCA – the Intercultural Competence Assessment.

Table 1. INCA dimension sets

Researcher set	Subject set
tolerance for ambiguity, respect for otherness	openness
knowledge, discovery, empathy	knowledge
behavioural flexibility, communicative awareness	adaptability

Source: [Risager, 2007, pp. 5–11].

The technique implemented by the INCA tool is based on the assumption that intercultural competence is comprised of four abilities – to perceive, to interpret, to act, and to know – helpful in the situations in which people with different sets of cultural backgrounds interact with each other [Sinicrope, Norris, Watanabe, 2007, p. 6].



This multidimensional approach was then incorporated into different commercial and non-commercial tools, e.g.:

- Cross-Cultural Adaptability Index,
- Intercultural Sensitivity Index,
- Assessment of Intercultural Competence.

In all of these tools, the focus was placed on the proficiency of functioning in a foreign culture and the ability to tolerate and manage the possible ambiguities. The Developmental Model of Intercultural Sensitivity (DMIS), developed in the 1990s by Milton Bennett [Bennett, 1993] and further refined by Mitchell Hammer, Milton Bennett, and Richard Wiseman [Hammer, Bennett, Wiseman, 2003], as well as R. Michael Paige, Melody Jacobs-Cassuto, Yelena Yershova, and Joan DeJaeghere, [Paige, Jacobs-Cassuto, Yershova, DeJaeghere, 2003] describes not the different dimensions, but rather states or levels of advancement of an individual in regard to cultural differences. The proposed states were divided into two categories: ethnocentric and ethnorelative.

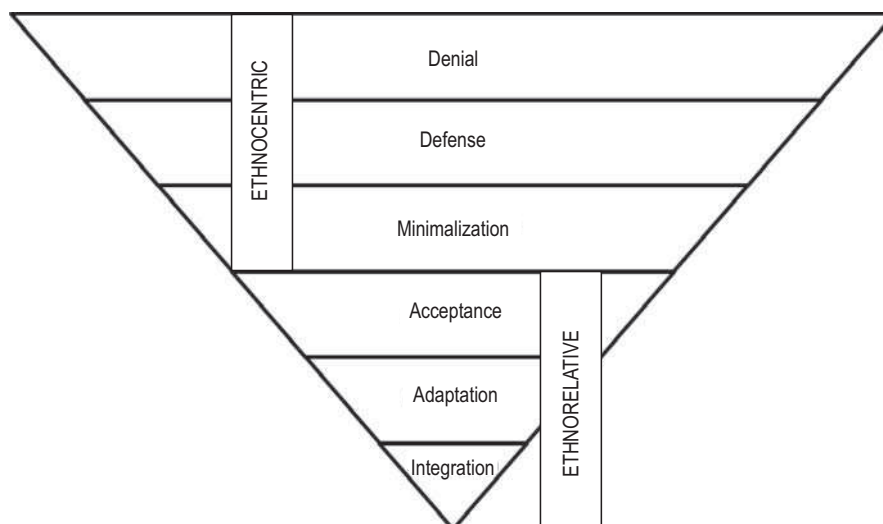


Figure 3. States of the Developmental Model of Intercultural Sensitivity (DMIS)

Source: Own elaboration, based on: [Bennett, 2004].

The DMIS model's aim is to present how an individual reacts to cultural differences and how his reaction changes with time. The first three stages are ethnocentric, which means that the individual's culture is the central worldview and the other cultures are thus perceived from its perspective. First, the individual denies the existence of any cultural differences or even of other cultures. The next level is the defence from other cultures, which are perceived as a threat; finally, in the

phase of minimalization, the individual admits that there may be some minor differences between particular cultures. The last three stages are ethnorelative, which means that the individual's culture is perceived as one of many equally valid worldviews. Acceptance refers to respecting cultural differences, adaptation means developing the ability to shift one's frame of reference to other worldviews, and, finally, to incorporate them into one's own in the last stage – integration [Garret-Rucks, 2012, pp. 18–19].

## Conclusions

A company is the basic unit of economy; therefore, its' competitiveness has been an important subject of scientific research and analysis, with a significant emphasis put on competitiveness on the international markets. Gaining and then maintaining competitive advantage is one of the primary aims of every company. One of the factors influencing the company's competitiveness are its resources. What has changed due to the ongoing globalization process is the nature of those resources, often perceived as strategic. Access to information, suppliers, and to raw materials is no longer problematic, and thus it hardly ever constitutes a competitive advantage. There has been a shift towards non-economic factors that affect competitive potential. With increasing number of companies on global markets offering similar products, it is impossible to ignore the cultural factors that provide a way to establish better relationship with foreign counterparts, exceeding traditional trading. Presented theories of competitiveness show the strong link between the skills and competences of employees and the competitive position of the company they work for. Those skills are what competitive advantage can be built upon. When competing on international markets using the strategy of differentiation, employees who present a high level of intercultural competence are a strategic asset for company's international performance. Therefore, it is crucial to be able to identify their level of intercultural competence. There is a number of ways to assess and measure the individual's intercultural competence; all of them focus on identifying various factors that could describe the ability to react to cultural differences. Those address the individual's awareness, openness, empathy, and other elements, allowing, in effect, to efficiently communicate, cooperate, and trade with representatives of other cultures.

Although the area of cultural differences and intercultural sensitivity seems well-described in scientific terms, there is surprisingly limited evidence of these descriptions' practical application. Available sources show that most of the research is based on samples describing population of students and their attitude towards intercultural differences. Quite obviously, the business recognizes the problem and

applies the knowledge regarding different cultures in the process of product positioning and market communications, but it does not use it to analyse the competitive potential gained from intercultural sensitivity of human resources.

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