

## LINKING INDIVIDUAL AND ORGANIZATIONAL CULTURAL COMPETENCES: ONE STEP CLOSER TO MULTICULTURAL ORGANIZATION\*

Jasenko Ljubica\*\*  
Želimir Dulčić\*\*\*  
Ina Aust\*\*\*\*

Received: 17. 7. 2015  
Accepted: 5. 2. 2016

Preliminary communication  
UDC 005.73

*The main purpose of this paper is to empirically examine the link between individual (IC) and organization (OC) cultural competence leading to the multicultural organization development (MOD), as proposed in earlier studies. We built on theoretical postulates that define OC as management of IC and that assert that MOD is achieved through organizational adaptation to multicultural surroundings. We proposed the managerial role as the independent variable reflecting the link between the IC and OC and assigned MNC subsidiary organizational innovativeness (OI) the dependent variable role reflecting the degree of MOD. Accordingly, we constructed a new expatriate IC model and tested its impact on OI as MNC's subsidiary. We introduced contingency variables with the aim to increase the robustness and the merit of the research model. The survey was carried out in Croatia, on a sample of 146 expatriates by using the questionnaire method. The research results confirmed most of the hypotheses. The main contributions of this paper are the theoretical formulation of the new IC model (as an independent variable) and its empirical verification through examination of its relation with a subsidiary OI, as a dependent variable.*

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\* A previous version of this paper has been presented and discussed at the 11th International Conference "Challenges of Europe: Growth, Competitiveness and Inequality", organized by Faculty of Economics Split, in May 2015. *Management – Journal of Contemporary Management Issues* is one of the supporting journals of the Conference. All the papers have been reviewed and revised, according to the standards of this Journal.

\*\* Jasenko Ljubica, PhD, Instituto Tecnológico y de Estudios Superiores de Monterrey, Campus Guadalajara, Mexico. Phone: 01 33 804322171, e-mail: [jasenko@itesm.mx](mailto:jasenko@itesm.mx)

\*\*\* Želimir Dulčić, PhD, University of Split, Faculty of Economics, Split, Croatia. Phone: 385 (0) 21430614, e-mail: [zdulcic@efst.hr](mailto:zdulcic@efst.hr)

\*\*\*\* Ina Aust, PhD, Louvain School of Management (LSM), CRECIS, Université Catholique de Louvain, Belgium. Phone: 32 (0) 10 478448, e-mail: [ina.ehnert@uclouvain.be](mailto:ina.ehnert@uclouvain.be)

*Keywords:* cultural competence; subsidiary organizational innovativeness; multicultural organization.

## 1. INTRODUCTION, BACKGROUND AND PURPOSE

Since the introduction of the cultural competence (CC) concept, organization and individual CCs were commonly observed separately. Contemporary studies, however, proposed a link between the two as these sub-dimensions were frequently found to overlap, which was attributed to the multi-faceted and interconnected nature of cultural competence (The Lewin Group 2002; Fox, 2003; Leiba-O'Sullivan, 1999; Sue, 2001; Hammer, Bennet & Wiesman, 2003; Bhawuk & Brislin, 1992). CC has further been associated with successful outcomes in multicultural contexts as the link between CC and performance in such contexts needs to be examined in order to confirm that the cultural competence is actually present (Dodd, 1998). One of the studies that considered these relations was D.W. Sue's (2001) multidimensional model for developing cultural competence (MMDC) which proposed congeniality between person/individual and system/organizational cultural competence foci leading to the *multicultural organization development (MOD)*. The basic premise of the MOD concept is that organizations, like individuals, vary in their receptivity of cultural issues and that the road to multicultural organizations must recognize the interrelationship and interaction between an individual and organization CC (Sue, 2001; Mayeno, 2007).

The outcomes of such relations and, hence, the degree of MOD, would be visible in both, organizational processes and results, i.e. in organizational institutionalisation of cultural knowledge and its particular features and the pursuit of organizational goals by adapting to these features instead by assertively imposing organizational interests (Sue, Carter, Casas, Fouad, Ivey & Jensen, 1998; Jackson & Holvino, 1988; Foster, Cross, Jackson & Hardiman, 1988; Lucia, 1999; Sanches, 2001; Barr & Strong, 1987). In addition, studies based on the integrated individual-organization CC approach to MOD, although scarce, confirmed this presumption. Accordingly, certain studies (Kersien & Savanevicien, 2005; Johnson, Lenartowicz & Apud, 2006) observe OC as a system consisting of individuals, management and the interaction of these elements. They view OC as an organizational value placed on an individual who is able to perform and act in ways that are valued and required by the organizations (Miller & Katz 2002; Chesler, Lewis & Crowfoot. 2005). For others, OC is an organizational resource consisting of personal/individual competences necessary to work effectively across cultures integrated in organizational practices and manifested in organizational adaptation to the

multicultural surroundings (Imahori & Lanigan, 1989; Cross, Barzon, Dennis & Isaacs, 1989). Such propositions are grounded in the *resource-based theory of the firm* and its later extension, the *theory of core competence* (Prahalad & Hamel, 1990) which observe OC as a product of organizational learning from and management of diverse individual skills aimed at the achievement of organizational goals and competitive advantage. Although these relations are highly encouraging for investigation, to our knowledge, so far no researches have been undertaken in order to examine and determine their existence. Accordingly, this paper is primarily concerned with addressing this research gap.

In order to do so, there are several steps that need to be followed. First, we underline the critical importance of the managerial factor in the MOD. Sue (2001) emphasizes that the organization cannot ensure the development of cultural competence without genuine, full, and lasting support and direct involvement of the top management. The core competence theory (Prahalad & Hamel, 1990) states that OC arises from the individual talent and skills and implies productive management of IC aimed at realization of organizational goals. Therefore, the managerial role is critical in the MOD as expatriates are responsible for ensuring that employees are doing the right things, and for helping organization align internal behaviors and skills with the strategic multicultural direction of the company.

Accordingly, the managerial role becomes the "melting pot" of IC and OC and reflects the link between the two as both managerial factor and the OC imply the management of individual competencies aimed at achieving organizational goals. Second, a research by Dodd (1998) indicates that CC is associated with successful outcomes in multicultural contexts. Using the integrated individual-organizational CC approach and with respect to the dualism of the managerial role in the MOD, in order to examine the proposed link between individual and organization foci of cultural competence, we argue that the impact of managerial CC on the organizational outcomes in a multicultural context needs to be observed. This necessity draws attention to the organizational performance variable that should reflect the degree of multicultural organization development. Although relevant studies offer several sets of indicators and standards for measuring the degree of MOD (The Lewin Group, 2002; Siegel, Haugland, & Chambers, 2004; Weiss & Minsky, 1996), we have adopted the integrated cultural competence approach where the presence of multicultural attributes of an organization is reflected in the manner organizations operate, i.e. the level of acquisition and integration of cultural knowledge as a basis for adaptation to the cultural contexts (Cohen & Levinthal 1990; Sue, 2001; Imahori & Lanigan, 1989; Cross, Barzon, Dennis & Isaacs, 1989). In the context of this survey, we decided

to focus on the internal multicultural environment of an organization and the degree of organizational efforts pointed towards productive management of the multicultural workforce. Organizational progress towards multiculturalism is shown in how an organization treats culturally different employees and supports individual competencies in their stated policies, procedures, and implementations (Foster et al, 1988; Tarique & Caliguri, 2003). On these grounds, we propose organizational innovation as a dependent variable depicting the degree of MOD.

The *Theory of organizational change* (Burgelman, 1991) sees organizational innovation (OI) as an adaptation to the (multicultural) surroundings. The *Theory of strategic adaptation* (Child, 1972) highlights the key role of managers and the imperative of permanent organizational adaptation in such an environment. These theories define OI as an organizational response to changes in the environment that result from strategic managerial decisions. Here the managerial factor plays a "cultural conduit" role in the MOD by integrating cultural knowledge of the multicultural workforce, transforming and implementing it within the organization in the form of culturally responsive practices that facilitate multiculturalism. Therefore, we argue that OI is an adequate tool for testing the link between the IC and OC and, thus, the degree of MOD, as workforce cultural diversity can be exploited by the organization by recognizing it as an asset and applying it to achieve its goals and competitive advantage (Cohen & Levinthal, 1990; Dowling & Welch, 2004). Such exploitation implies organizational change and adaptation through adopting, adapting, creating, and implementing new and innovative ways of organizational management derived from cultural diversity and resulting in the improvement of organizational cultural capabilities (Gomez-Mejia & Palich, 1997; Gudykunst & Hammer, 1984). The proposed link between IC and OC can be tested at two levels: micro and macro. The micro level entails the expatriate role within the subsidiary in terms of his/her management of individuals (employees) and their potential and the impact of that management on the organization's (subsidiary) outcomes. Macro aspect entails the same relations between headquarters (HQ) and subsidiaries. In the context of this research, we will focus on the micro aspect, leaving the macro aspect to be the focus of another survey.

Accordingly, we will address the above issues and contribute to the existing literature through multiple points. First, we will build on Sue's MMDC component tool to construct a new individual (managerial) CC model. Second, we will introduce the organizational performance variable and explain its relatedness to the IC model and the MOD. Third, in order to increase the robustness and the merit of the research model, contingency variables will be introduced. On that basis, in the fourth stage, hypotheses will be constructed in

order to provide answers to the main research questions: 1) Is there a link between managerial cross-cultural competences and organizational innovativeness of the MNCs subsidiaries? 2) If the answer to this question is affirmative, what are the strength and direction of these links? 3) Do contingency factors orchestrate these relations and to what extent? 4) Is this MOD examination mode justified and what is the multicultural organization development degree of the sampled companies? In the fifth stage, empirical research design and methodology that should provide answers to research questions will be elaborated. The sixth stage consists of presentation and discussion of findings, research limitations and future research directions. Finally, authors will give their final thoughts in the conclusions section.

## 2. THE INDIVIDUAL CC MODEL

While the business literature struggles to make sense of all of the various IC lists, Sue's MMDC provides a wonderful framework. Its structure consists of *awareness component* – the degree of acknowledging one's cultural conditioning that affects personal beliefs and values; (b) *knowledge component* - knowledge of the specific cultural attributes of a multicultural environment; and (c) *skills component* – the use of culturally appropriate intervention/communication skills. Therefore, we have decided to use Sue's MMDC components of cultural competence tool to construct a new IC model in order to operationalize individual (managerial) foci of CC as an independent variable. When using integrated approach that considers OC as the dynamic use of IC with the purpose of organizational adaptation and, hence, goal achievement, then the selection of key IC components has to be observed in terms of a constant interaction between the manager and the (internal) environment which is in line with the *Contingency theory* (Mintzberg, 1979) and the *Theory of dynamic capabilities* (Prahalad & Hamel, 1990) as well as the *Resource-based theory of the firm* and the *Core competence theory* (Prahalad & Hamel, 1990) we observed OC through. In this interaction, environment affects an organization that responds to this challenge with adaptation as a result of managerial, strategic decisions (McGrath & Axelsson, 1992). Accordingly, the new IC model will follow MMDC awareness, knowledge and skill structure while the aspect of organizational outcome will be demonstrated through the dependent variable.

*Awareness* presumes an ability to compare and contrast alternative viewpoints accurately and to relate or translate priorities in a variety of cultural settings (Sue, 2001). It implies an objective observation of what is happening around us, and receiving impressions from multicultural surroundings (Sue, 2001; Pedersen, 2000). *Awareness* is, therefore, a "lens" through which

individuals (managers) perceive the culture s/he operates in, and compares it with the culture s/he originates/comes from/identifies with. Such lens represents a psychological tendency expressed by evaluating a particular situation with certain degree of culturally based favoritism or reflectance (Bennett, 1986). With respect to the context of the research, a continuum ranging from *ethnocentric to ethno-emphatic* is proposed.

*Ethnocentrism* is defined as a cultural judgment of other nations in terms of their own culture. Ethnocentric person uses their own culture as a basis for judging other cultures where their culture is perceived as superior to others (Bennet, 1986). During cultural interactions, ethnocentric managers take auto-centric attitude within which the standards of their culture are used as a benchmark in relation to the foreign culture, and all deviations are attributed to the inferiority of foreign culture (McCroskey & Neuliep, 2013). Ethnocentric managers have a negative perception of credibility, competence and performance of employees from foreign cultures (Shaffer, Harrison, Gregersen, Morrison & Black, 2006). Therefore, we assume ethnocentric attitude is an important component of managerial competence, inversely proportional to its developmental level. The higher the degree of ethnocentrism the less developed and effective IC and vice versa.

*Ethno-cultural empathy* is defined as an individual's ability to understand feelings, attitudes and behaviors of the members of foreign cultures by means of looking at the situation through "their eyes" (Bennett, 1986). Ethno-cultural empathy, therefore, implies the ability to understand human culturally-based thinking and behavior (Ridley & Udipi, 2002). As the ability to understand culturally different people is critical to all interpersonal relations, especially at the international level, the importance of ethno-cultural empathy as prominent competence in cultural interactions is evident. Ethno-cultural empathy is, we argue, a critical component of the IC.

*Knowledge* provides the documentation and factual information necessary to move beyond awareness and attitudes toward effective and appropriate change in multicultural settings. Through accumulated facts and information based on appropriate assumptions, it is possible to understand or comprehend other cultures from their own viewpoint. Knowledge increases expatriate cultural competence which has a positive influence on the ultimate success in terms of achieving individual and organizational objectives (Tariuque & Caligiuri, 2003). Cultural knowledge is most effectively gained by *experience* in given cultures (Ang et al, 2004). *Multicultural experience* enables managers to gain knowledge about cultures and increase their repertoire of adequate tools for efficient

functioning in multicultural settings (Caliguri & Tarique, 2009; Maznievski & DiStefano, 2000; Earley & Ang, 2003). On these grounds, we propose a continuum ranging from professional to non-professional multicultural experience to operationalize (multi)cultural knowledge. *Professional multicultural experience* implies managerial professional involvement in foreign cultures. The greater the managers' professional experience, the greater their knowledge about the specific features of foreign cultures. Their cultural sensitivity becomes better developed which makes managers more competent to solve problems and achieve goals in such cultures (Caliguri & Tarique, 2009; Maznievski & DiStefano, 2000). *Multicultural non-professional experience* indicates educational, scientific, training and similar managerial involvement in foreign cultures (Myers & Pringle, 2005). The higher the degree of non-professional experience, the higher the IC degree because managers gain a wealth of knowledge from different cultural sources and are, thus, (more) competent to employ it (Mendenhall & Oddou, 1985).

*Skill* provides the ability to build on awareness and apply knowledge toward effective change in multicultural settings (Early & Ang, 2003). This means that information accumulated in the form of knowledge can now be used for the intervention in multicultural settings by, most often, the use of culturally appropriate communication skills as communication (language) serves as a transport mechanism of information/knowledge (Brislin, 1981; Hammer, 1989). Effective communication, thus, depends on the degree to which managers can effectively communicate in multi-cultural environment (Byram, 1997). Managers with advanced level of multicultural communication competence have easier access to fundamental cultural values and specific features and are, therefore, more capable to adjust and successfully operate in this environment (Wiseman, Hammer & Nishida, 1989).

In the proposed research context, interaction skills relate to the level of knowledge and active use of foreign languages and the host country language. The higher the degree of language competence, the higher the potential and the efficiency in a multicultural environment (Byram, 1997). Hence, cultural interaction competence and efficiency are more developed which implies that the ability of effective cultural communication represents a significant component of the IC.

### 3. THE SUBSIDIARY ORGANIZATIONAL INNOVATIVENESS

Organizational innovation is *"the implementation of new and/or significantly improved organizational method, concept, idea or process in the business*

*practice, as a result of strategic managerial decisions*” (OECD / Eurostat, 2005, p. 51). According to the theory of organizational change and the theory of strategic adaptation, OI represents organizational response to the changes in the (multicultural) environment expressed by organizational adaptation as a result of managerial strategic decisions. Although the literature on OC is very limited, the authors agree that the multicultural organization is characterized by implementation of culturally responsive practices that foster multiculturalism with the aim to achieve organizational goals through adaptation to such surroundings (Sue, Carter, Casas, Fouad, Ivey & Jensen, 1998; Jackson & Holvino, 1988; Foster, Cross, Jackson & Hardiman, 1988). Organizations that recognize and value multiculturalism are better adapted to multicultural settings and are therefore, in a better position to avoid many of the culturally induced misunderstandings and conflicts. Such organizations will also be in a better position to motivate the employees and increase their productivity. Accordingly, multicultural organizations must support cultural competence at all levels, in strategies, policies, procedures, and their enforcement of those (Foster et al, 1988; Tarique & Caliguri, 2003). Such practices are reflected in the contributions to organizational operations and the design of different multicultural programs and practices for employees made by different cultural groups (Cohen & Levinthal, 1990).

This extends the range of organizational practices and processes with those that are often found more efficient and effective than the ones the company previously used (Kogut & Zander, 1996). Organizational innovative output, thereafter, depends on the specific cultural features of the workforce and the managerial, hence, organizational capability of their assimilation and exploitation. Therefore, we argue that culturally competent managers will be more successful in assimilation and/or creation and implementation of innovative elements, thus enriching the organizational repertoire. As business characteristics in all countries are culture-specific (Triandis, 1994), we argue that an increased degree of MNCs subsidiary OI suggests a greater degree of managerial, hence, organizational adaptation to such features, which reflects the greater degree of multicultural organization development.

Based on the above, the following classification of MNCs subsidiaries’ OI indicators is proposed.

In the multicultural environment, the likelihood of *conflict* is much greater and has much more serious consequences than in mono-cultural environments. In such environment, there is a large number of opposing, culturally embedded, opinions, attitudes and behaviors (Deming, 1986; Hodge & Anthony, 1988).



Culturally embedded diversity affects the size, importance and consequences of the conflict in terms of its resolution. This is due to the fact that culture contains values and norms which members of these cultures attach very great importance to and identify with. The approach to cultural conflicts, therefore, requires a high CC as a management instrument.

*Intra-organizational knowledge transfer system* implies the presence of various elements of training and professional development. In subsidiaries located in a foreign culture such activities are necessary to enable employees to operate effectively within the organization (Shaffer et al, 2006). Effective operation is related to behavior and performance in compliance with the organizations' multicultural values and attributes that reflect multicultural orientation of the company as well as to employees' ability to acquire new and enhance the existing knowledge. In this way, contribution to the organizational success and competitive advantage in multicultural surroundings is achieved (Kogut & Zander, 1996).

*Control* is a ubiquitous element in a business organization, under the authority of top management. It assumes special importance and complexity in a multicultural environment with a much larger number of specific business characteristics that can favorably or unfavorably affect the success of organizations. In the research context, control refers to the degree of control applied by the manager of a subsidiary in a foreign culture, and is associated with a degree of expatriate ethnocentrism as an indicator of the CCC. Also, it refers to the degree of control exhibited by the MNC towards the subsidiary in a foreign culture.

Development of an *intra-organizational motivation system* is an important factor in the organization's success. At the international level differences are much larger and more complex, and the use of motivational techniques is more elaborate as it is necessary to understand thoughts, desires, preferences and needs of culturally different people and adequately motivate them. Although such systems are practically unutilized on a local level and in smaller organizations, on an international level and in multicultural environments, it is almost impossible to ensure long-term success without implementation and continuous development of these systems (Tarique & Caligiuri, 2003).

The importance of effective *intra-organizational communication system* is critical for business success (Byram, 1997). In communication on the international level, characterized by a large number of particular cultural features, this importance is even greater. In this sphere, proficiency in foreign languages, especially the language of the host country is of critical importance since, usually,

most of the subsidiary employees are members of the host culture (Byram, 1997). Furthermore, it is necessary to classify the indicators of MNCs' subsidiaries' OI, as the dependent variable, in accordance with the indicators of the independent variable. Such classification must indicate the connection of both variables and their correlation, as shown in Table 1.

Table 1. Correlation between IC and MNC subsidiary's OI.

VAR.	IC	MNC subsidiary OI
INDICATORS	Multicultural business experience (knowledge)	Intra-organizational conflict management system development
	Multicultural non-business experience (knowledge)	Intra-organizational knowledge transfer system development
	Ethnocentrism – ethnocentric attitude	Intra-organizational control system development
	Ethno-cultural empathie – EC empathique attitude	Intra-organizational motivation system development
	Eloquence – proficient/fluent usage of foreign languages/host country language	Intra-organizational communication system development

#### 4. THE HYPOTHESES

Based on the above, the initial hypothesis is constructed:

**H1.** Managers with higher CC achieve a greater degree of MNC subsidiary's OI in foreign cultures.

*Professional experience* is a key criterion for a constructive and productive conflict management (Caliguri & Tarique, 2009; Maznievski & Distefano, 2000). Multicultural professional experience provides the necessary knowledge and maximizes the ability to avoid and/or constructively manage conflicts with and/or between employees with maximum of positive and minimum of negative effects for the participants and the organization (Hodge & Anthony, 1998; Deming, 1986). Therefore, we assume that a higher level of managerial professional multicultural experience has a positive impact on MNC subsidiary's OI from the conflict aspect. This effect will be manifested in creation, assimilation and implementation of new elements of intra-organizational conflict management. Accordingly, an auxiliary hypothesis is constructed:

**H1.1.** There is a positive correlation between the degree of expatriate professional multi-cultural experience and the development of intra-organizational conflict management system.

A higher degree of managerial multicultural non-business (educational) experience will increase managerial knowledge about modalities of knowledge management in different cultures as well as improve his/her multicultural effectiveness in this regard (Triandis, 1994; Caliguri & Tarique, 2009). Managers will, therefore, be more capable and qualified for effective and efficient transfer of the acquired knowledge (Mendenhall & Oddou, 1985). In this way, transfer of knowledge to employees and the organization is achieved and/or enhanced and organizational learning is executed. This impact will be visible in the implementation of a series of new employee training activities. On those grounds, an auxiliary hypothesis is constructed:

**H1.2.** There is a positive correlation between the degree of non-professional expatriate multi-cultural experience and development of intra-organizational knowledge transfer system.

High degree of distrust towards members of other cultures as well as a tendency to control the unknown or culturally distant is a fundamental characteristic of ethnocentric persons (McCroskey & Neuliep, 2013). Accordingly, managers with higher degree of ethnocentric attitude impose greater control of employees and the business operations which is why they are prone to creation, assimilation and implementation of control elements. Similarly, we assume that managerial CC, in terms of ethnocentrism, has a positive impact on MNC subsidiary's OI from the aspect of managerial control. Accordingly, an auxiliary hypothesis is constructed:

**H1.3.** There is a positive correlation between the degree of managerial ethnocentrism and the development of intra-organizational control system.

Culturally emphatic person will be able to understand the mind-set and attitude of members of other cultures and the reasons for taking such an attitude (Neuliep & McCroskey, 2013). Such a person will be capable to direct a person from another culture towards achieving both individual and organizational goals (Bennett, 1986). Therefore, we assume that the culturally empathic manager will be able to recognize and understand a culturally programmed mind-set of employees from foreign cultures and will, therefore, be able to motivate them to achieve goals. Accordingly, we argue that ethno-cultural attitude has a positive

effect on MNC subsidiary's OI in terms of motivation. This influence will be manifested through implementation of a number of new motivational elements. On this basis, an auxiliary hypothesis is constructed:

- H1.4.** There is a positive correlation between the degree of expatriate ethno-cultural empathy and the development of the intra-organizational motivation system.

Proficient usage of host culture language increases communication efficiency in foreign cultures (Ang et al, 2004). It is important to take into account the fact that effective cross-cultural communication has a direct and positive impact on the overall business performance, especially in multicultural settings (Byram, 1997). Therefore, we assume that higher proficiency in foreign languages, particularly the language of the host country, has a positive impact on MNC subsidiary's OI as it enables managers to develop, assimilate and implement a number of new intra-organizational communication elements. On this basis, an auxiliary hypothesis is constructed:

- H1.5.** There is a positive correlation between the degree of expatriate multi-cultural eloquence and the development of intra-organizational communication system.

#### **4.1. The situational factors**

In order to increase the robustness of the research model, moderating and contingency variables have been implemented. The *power distance (PDI)* variable is included in the research model as PDI is proportionally correlated with control propensity where higher degree of PDI implies greater MNC's tendency to control their subsidiaries, hence expatriate managers and vice versa (Hofstede & Minkov, 2010). Therefore, if the PDI of the MNC's home country is high, it can be assumed that the control exercised by the MNC towards subsidiary will be higher, managerial autonomy will decrease and the influence of his/her CC to MNC subsidiary's OI will be weaker. In contrast, if the PDI of the MNC's home country is low, MNC's control towards subsidiaries will be lower, managerial autonomy will be greater and the impact of managerial CC on MNC subsidiary's OI will be stronger. On this basis, the following hypothesis is constructed:

- H2.** There is a negative correlation between the MNC's home country power distance value and the degree of MNC subsidiary's OI achieved by the cross-culturally competent managers.

The second situational variable is *MNC's strategy*. The main premise implies a stronger impact of expatriate CC to the MNC subsidiary's OI if the business activities are aligned with the *local adaptation strategy* and, conversely, weaker impact of expatriate CC to the MNC subsidiary's OI if the business activities are aligned with the *global standardization strategy*. When employing a local adaptation strategy, managers get more "space" and opportunities for using their CC and will, thus, achieve higher level of OI in foreign cultures. On the other hand, if MNC's strategic commitment is a global standardization, managers will be less able to utilize their CC based on the strategic imperative of maximizing the standardization of business activities worldwide. Accordingly, they will achieve a lower degree of OI in foreign cultures. On this basis, the following hypothesis is constructed:

- H3.** MNC's strategy significantly moderates the relationship between managerial CC and MNC subsidiary's.

The third situational variable is the *MNC/subsidiary size and age*. The basic premise is based on the fact that, as an MNC is larger and older, and has been doing business in a number of subsidiaries in different cultures for years, it has greatly enriched its repertoire of business practices and processes (Prahalad & Hamel, 1990). Accordingly, managers have less "space" to implement organizational innovations in the practice of such organizations (subsidiaries). On this basis, we assume that the impact of managerial CC to the MNC subsidiary's will be weaker as the MNC is larger in terms of age and internationalization degree (number of subsidiaries worldwide). On this basis, the additional hypotheses are constructed, while the research model is shown in Figure 1.

- H4.** There is a negative correlation between MNC's age and MNC subsidiary's OI achieved by cross-culturally competent managers.
- H4.1.** There is a negative correlation between MNC's size and MNC subsidiary's OI achieved by cross-culturally competent managers.
- H5.** There is a negative correlation between MNC subsidiary's age and MNC subsidiary's OI achieved by cross-culturally competent managers.
- H5.1.** There is a negative correlation between MNC's subsidiary size and MNC subsidiary's OI achieved by cross-culturally competent managers.

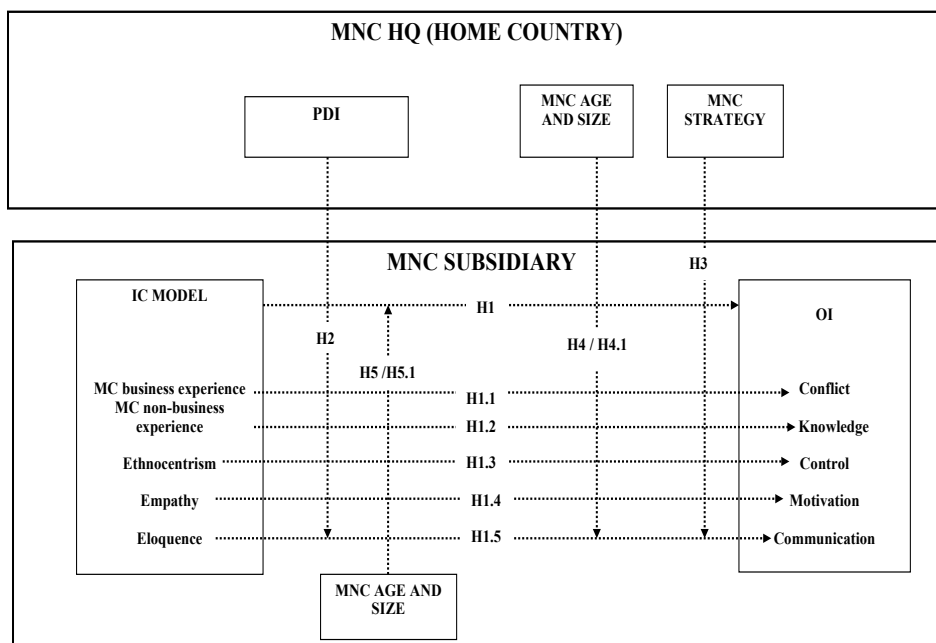


Figure 1. The research model

## 5. METHODOLOGY

The research was carried out in the Republic of Croatia. The survey included a targeted sample of expatriate managers operating in the given research polygon. The survey was conducted in the period between May and September 2014, in high tourist season, when the majority of expatriates, working in Croatia, are present, due to the increased volume of operations. Given the fact that the sensitivity to cultural differences in business organization is greater in the tertiary sector (Triandis, 1994), the research involved MNCs from the tourism, banking and IT sectors, as the most common ones within the research polygon. Tourism accounts for the majority of companies (64%), followed by banking (27%) and IT (9%).

Data was collected by using the questionnaire method<sup>1</sup>. A total of 560 questionnaires were distributed. The total response was 153 which forms the return rate of 27.32%. Seven questionnaires were incorrectly filled, leaving the final research sample at a number of 146 respondents. The questionnaires were

<sup>1</sup> The questionnaire is available from authors, upon request.

drawn up in English in order to minimize language bias and maximize understanding.

The questionnaire design was based on the quantification of the research variables. Independent variable, the proposed new model of expatriate CCC, was broken down into the proposed indicators. Indicators of business and non-business multicultural experiences were measured by open-type questions which examined the extent of these experiences, i.e. the number and length of stays in foreign cultures for professional and/or educational purposes (Ang et.al, 2004). Managerial ethnocentrism was examined by Likert-type questions, adapted according to GENE (Generalized Ethnocentrism Scale) scales, developed by Neuliep & McCroskey (2013). Managerial ethno-cultural empathy was quantified via Likert type particles, adapted according to SEE (Scale of Empathy ethno-cultural) scale, developed by Wang et al. (2003). Managerial eloquence was quantified via Likert-type questions. All Likert type questions used a continuum, ranging from 1 (min) to 5 (max). All open-type questions requested numerical answers that were coded accordingly.

The dependent variable, the MNC subsidiary's organizational innovativeness, was also broken down to the proposed indicators. These indicators were measured via Likert type questions which examined the degree of implementation of new elements in the MNCs' subsidiaries' practice. The Likert scale used to quantify the indicators ranged from 1 (no implementation) to 5 (high implementation).

Moderating variable of MNCs' strategy was quantified via Likert type questions ranging from 1 to 5, indicating the strategic orientation of the MNCs. Moderating and situational variables of MNCs and subsidiaries' age and size were quantified by open type questions requesting numerical answer in order to define the value of these indicators. MNCs' home country power distance index was taken from the secondary data source (Hofstede & Minkov, 2010) that entailed the newest measurement of cultural dimensions in 187 countries. The values of PDI index were taken for the home countries of the MNCs involved in the survey.

The complete research instrument was tested for validity by using the Cronbach-Alpha test. The results show that the reliability coefficient, for six out of ten indicators, to be greater than 0.7 (as shown in Table 2). This implies that the developed scale has an acceptable level of reliability and can be used in further analysis.

Table 2. The research variable indicators reliability coefficients.

	INDICATOR	RELIABILITY COEFFICIENT	NO. OF ITEMS	ITEM TYPE
IC	Ethnocentrism	0.917	10	Likert
	Ethno-cultural empathy	0.598	9	Likert
	Eloquence	-0.082	3	Open
	MC business experience	0.175	5	Open
	MC Non-business experience	0.041	5	Open
	OI	Control	0.942	8
Motivation		0.847	5	Likert
Communication		0.863	7	Likert
Conflict		0.933	5	Likert
Learning		0.951	6	Likert

Table 2 also shows that some of the coefficients have a value of less than 0.7 and negative value, which are the indicators of non-reliability. However, such a variation can be explained by the fact that these are mainly open-type questions, not appropriate for the Cronbach-Alpha reliability test. To test the validity of these items, correlation test would have to be carried out or the research instrument must be modified by adapting these items, according to Likert principle. Since the CA test showed high reliability of all indicators tested by Likert scale ranging from 1 to 5, the latter was chosen. The results of the CA test also implied the need to eliminate one item for ethnocentrism, and three items for ethno-cultural empathy from the instrument in order to gain higher reliability. These were removed and the research instrument was reconfigured accordingly. CA test showed high reliability for all indicators of OI.

### 5.1. Hypotheses testing

Testing of the hypothesis included examining the correlation between independent and dependent research variables using the proposed indicators, followed by examining the validity of the entire model. The testing of the proposed influence of the situational factors on the connection between the IC model and MNC subsidiary's was conducted in the final stage of the hypothesis testing.

Accordingly, hypotheses directed towards testing the connection between IC and OI (H1, H1.1, H1.2, H1.3, H1.4 and H 1.5) were tested using SPSS (statistical



package for social sciences) software. In particular, the correlation analysis intended to examine the direction and strength of the proposed connection between the (in)dependent variables. Afterwards, the complete IC model was examined by means of ANOVA test and regression analysis. Examining the influence of situational factors on the connection between the proposed IC model and MNCs' subsidiaries' was carried out by correlating the value of the OI (the subsidiary innovative output) and the value of the proposed situational factors as proposed by the hypotheses H4, H4.1, H5 and H 5.1. This influence was examined by means of correlation analysis and was expected to be confirmed according to the research model.

## 6. RESULTS

Table 3 shows a significant positive correlation among all indicators of independent and dependent variables, in accordance with the hypotheses. Accordingly, the correlation coefficient for the relation between expatriate MC professional experience and degree of development of the intra-organizational conflict management system is shown to be 0.007, which implies high significance, thus *confirming the hypothesis H 1.1*.

Table 3. Correlation (Pearson) between IC and subsidiary OI

	Control	Motivation	Communication	Conflict	Training	Ethnocentrism
Control	1	0.752**	0.801**	0.838**	0.683**	0.037**
Motivation		1	0.808**	0.711**	0.731**	0.102
Communication			1	0.717**	0.630**	0.148
Conflict				1	0.678**	0.0146
Training					1	-0.023
Ethnocentrism						1
	Empathy	Foreign lang.		Host lang.	Business exp.	Education
Control	0.157	0.181		0.269**	0.183	0.251*
Motivation	0.342**	0.210*		0.145	0.249*	0.157
Communication	0.165	0.044		0.261**	0.222*	0.186
Conflict	0.180	0.138		0.248*	0.147**	0.162
Training	0.250*	0.227*		0.117	0.234*	0.173*
Ethnocentrism	-0.370**	-0.259*		-0.217*	-0.301**	-0.287**
Empathy	1	0.510**		0.345**	0.623**	.481**
Foreign lang.		1		0.602**	0.757**	0.778**
Host language				1	0.510**	0.609**
Business exp.					1	0.828**
Education						1

\* Empirical significance < 5 %.

\*\* Empirical significance < 1 %.

Correlation coefficient for the relation between expatriate non-professional experience and developmental degree of intra-organizational knowledge transfer system as an OI indicator is shown to be 0.037, which implies significance, with somewhat less strength than in the prior case. Nevertheless, *the hypothesis H1.2 is confirmed.*

Correlation coefficient for the relation between expatriate ethnocentrism and developmental degree of intra-organizational control system as an OI indicator is shown to be 0.001, which implies high significance and *confirms the hypothesis H1.3.*

Correlation coefficient for the relation between expatriate ethno-cultural empathy and the degree of development of the intra-organizational motivation management system is shown to be 0.000, which imply highest significance, thus, *confirming hypothesis H 1.4 with maximum strength.*

As for the suggested relationship between the dependent and the independent variable of the proposed IC model and their indicators, correlation coefficient for the relation between expatriate eloquence and the degree of development of the intra-organizational communication system was tested in two aspects. Firstly, the relation between eloquence in terms of the proficiency in foreign languages in general and intra-organizational communication system was tested, followed by the test of the relation between expatriate eloquence in terms of proficient usage of the host culture language and the communication system, as an indicator of subsidiary's OI. In the first case, the correlation coefficient equals 0.596, which implies no significance, while, in the second case, the correlation coefficient equals 0.001, which implies high significance.

Therefore, *hypothesis H1.5 was not confirmed from the aspect of proficiency in foreign languages and was confirmed from the aspect of proficient usage of the host country language.*

Further analysis examined the proposed IC model in its entirety. As shown in Table 4, the correlation coefficient of the cumulative model is  $r = 0.408$  which indicates a strong, statistically significant positive correlation and, hence, *the starting hypothesis H1 can be considered confirmed.*

Table 4. Correlation for the variables in the overall model (IC/OI)

		IC	OI
IC	Pearson Correlation	1	0.408**
	N	146	146

\*\*Empirical significance < 1 %.

Table 5 shows the regression model, involving IC and OI. The determination coefficient is 0.167, which means that the estimated regression model interpreted 16.7% of the total sum of the squared deviations of the dependent variable from its arithmetic mean. The coefficient of determination is 0.161 and the standard error 0.56962.

Table 5. Regression model involving IC and OI

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.408	0.167	0,161	0.56962

According to ANOVA analysis, shown in Table 6,  $\alpha \approx 0\%$ , which means that the *estimated regression model is statistically significant*.

Table 6. ANOVA for the estimated regression model

	Sum of Squares	df	Mean Square	F	Sig.
<b>Regression</b>	9.338	1	9.338	28.778	0.000
<b>Residual</b>	46.724	144	0.324		
<b>Total</b>	56.062	145			

In further analysis, we executed multiple regression while separating the variables of the IC model in order to observe the individual influence of each variable to the OI, as presented in Table 7. As the results of the correlation analysis implied significance of host country language proficiency, we eliminated the foreign languages proficiency from the analysis.

T-test of the regression parameter revealed the significance of the variables managerial ethnocentrism, empathy and host country language proficiency. The empirical value of the t-test for ethnocentrism variable is 2.839 (empirical significance is < 5 %), the value of the t-test for the empathy variable is 2.266

(empirical significance is < 5 %) and the empirical value of the t-test for the foreign languages proficiency variable is 2.455 (empirical significance is < 5 %).

Table 7. Multiple regression model of the link between IC and OI

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	1.506	0.706		2.133	0.035	0.110	2.902
Ethnocentrism	0.313	0.110	0.241	2.839	0.005	0.095	0.532
Empathy	0.214	0.095	0.221	2.266	0.025	0.027	0.402
HC language	0.014	0.108	0.015	2.455	0.031	0.029	0.227
Business exp.	0.054	0.108	0.068	0.498	0.120	0.160	0.267
Education	0.038	0.115	0.049	0.332	0.341	0.189	0.265

Table 8 indicates the final regression model. The empirical value of t-test for the Beta parameter is  $t^*=5.365$  and the empirical significance is:  $\alpha \approx 0\%$ . Therefore, it can be concluded that *the hypotheses were confirmed and that the model as well as the IC parameter are statistically significant.*

Table 8. Parameter values of the estimated regression model

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	2.008	0.403		4.981	0.000	1.211	2.804
IC	0.663	0.124	0.408	5.365	0.000	0.419	0.908

The following analysis examines the impact of situational and moderator variables on the link between the IC model and MNCs' subsidiaries' OI. According to the data shown in Table 9, the correlation coefficient between the

PDI index value of the MNCs' home country and the subsidiary OI is  $r = -0.036$ , i.e. the influence of the MNCs' home country PDI on the connection between IC and MNC subsidiary's OI is relatively weak, negative and statistically insignificant. Therefore, *the hypothesis H2 is rejected.*

Table 9. Correlations between MNC' home country PDI and MNC' subsidiaries

		OI	
Spearman's rho	PDI	Correlation coeff.	-0.036
		Sig. (2-tailed)	0.665
		N	146

The following analysis tested the impact of MNC's strategy on the connection between IC and subsidiary OI. This effect will be considered from two aspects: the local adaptation and the global standardization, as shown in Table 10.

Table 10. Correlations between MNC strategy and MNC subsidiary's OI.

			Local adaption strategy	OI
Spearman's rho	Global standardization strategy	Correlation coeff.	-0.891	-0.238
		Sig. (2-tailed)	0.000	0.004
		N	146	146
	Local adaption strategy	Correlation coeff.		0.236
		Sig. (2-tailed)		0.004
		N		146

According to Table 10, the correlation coefficient is  $r = -0.238$ , implying the relationship between MNCs that selected the global standardization strategy and subsidiary OI is negative, with moderate power and is statistically significant (significance is 0.004).

From the standpoint of local adaptation strategies, correlation coefficient is  $r = 0.236$ , implying the relationship between MNCs with that strategic orientation and subsidiary OI is positive and relatively weak, but statistically significant (significance is 0.001), which is consistent with the theoretical assumptions. Accordingly, the *hypothesis H3 is confirmed*.

The following analysis examined the effect of the MNC age to the connection between the CCC and subsidiary OI, as shown in Table 11.

Table 11. Correlations between MNC and MNC subsidiary's age.

			MNC age
Spearman's rho	OI	Correlation coeff.	-0.207
		Sig. (2-tailed)	0.012
		N	146

The correlation coefficient is  $r = -0.236$ , which means that the relationship is negative and relatively weak, but statistically significant. Hence, *the hypothesis H4 is confirmed*.

The following analysis examines the impact of MNC's size to the connection between CCC and subsidiary OI. The MNC's size was quantified by means of the total number of company employees (global level) and by internationalization degree, i.e. the number of countries in which the company currently operates. The correlation coefficient, in terms of number of MNC employees, is  $r = -0.058$ , indicating a negative relationship, low power and statistical insignificance, as presented in Table 12.

Table 12. Correlation between the MNC size, in terms of number of employees and subsidiary's OI

			OI	No. of MNC employees
Spearman's rho	OI	Correlation coeff.	1.000	-0.058
		Sig. (2-tailed)		0.488
		N	146	146

Table 13 shows that correlation coefficient in terms of MNC internationalization degree is  $r = -0.191$ , indicating a negative and weak, but statistically significant relationship.

Table 13. Correlation between MNC size in terms of the degree of internationalization and subsidiary's OI

			International degree	OI
Spearman's rho	International degree	Correlation coeff.	1.000	-0.191
		Sig. (2-tailed)		0.021
		N	146	146

Accordingly, based on the data in tables 12 and 13, it can be concluded that *the hypothesis H4.1 is confirmed, in terms of the degree of MNC's internationalization, while in terms of the number of MNC's employees, the hypothesis has been rejected.*

The following analysis examined the effect of the subsidiary age on the connection between IC and OI, as shown in Table 14.

Table 14. Correlation between subsidiary age and subsidiary OI

		Subsidiary age	
Spearman's rho	OI	Correlation coeff.	-0.213
		Sig. (2-tailed)	0.010
		N	146

The correlation coefficient value is  $r = -0.213$ , i.e. the relationship is negative and relatively weak, but statistically significant (significance is 0.010). Hence, *the hypothesis H5 is considered confirmed.*

The following analysis examined the influence of the subsidiary size, quantified by the number of employees, on the relationship between IC and subsidiary OI, as shown in Table 15.

Table 15. Correlation between subsidiary size and subsidiary OI

			OI
Spearman's rho	No. of subsidiary employees	Correlation coeff.	-0.084
		Sig. (2-tailed)	0.312
		N	146

The correlation coefficient is  $r = -0.084$ , i.e. the relationship is negative, relatively weak and not statistically significant (significance is 0.312). Hence, *the auxiliary hypothesis H 5.1 is not confirmed.*

## 7. DISCUSSION

In this survey, we used an integrated approach to multicultural organization development as one achieved through interaction between individual and organization cultural competence and reflected in organizational institutionalization and adaptation to the cultural knowledge and its specific features. We assigned the outcome variable to MNC subsidiary organizational innovativeness as it reflects the degree of MOD through implementation of new

and innovative ways of organization's adaptation to the cultural diversity. The managerial factor was assigned the IC and OC melting pot role as well as OI cultural conduit role in these relations. Therefore, in order to test the link between the OC and IC and, similarly, the degree of MOD, we used a micro perspective and tested the impact of managerial IC to the organizational outcomes in internal multicultural settings, this being MNC subsidiaries.

The research results confirm the theoretical presumptions. Firstly, the results show a significant positive correlation between all indicators of managerial IC and the MNC's subsidiary's as an organizational outcome variable confirming the presence and the effectiveness of the IC and indicating the degree of MOD. The only aberration was the skill indicator of foreign language proficiency which was found insignificant. The reason for this insignificance can be found in the fact that in Croatia, which was the research polygon, especially on lower management levels, according to the experience of the authors, there is indeed a high percentage of employees not fluent in foreign languages as this is not a hiring requirement for lower management levels. Also, as Croatia is a small market with expensive labour force, especially for higher management levels, MNCs often do not need nor hire large number of multilingual employees. If the percentage of multilingual subsidiary employees is low than the managerial proficiency in foreign languages, other than the host country's language, cannot have a significant impact which explains the insignificance of the foreign language proficiency indicator in the survey. Regression, multiple regression and ANOVA analysis confirmed the above results. ANOVA analysis and regression analysis implied significance of the research model confirming the research hypothesis. Multiple regression analysis implied significance of the three out of five IC variables these being managerial ethnocentrism, empathy and host country language proficiency while business experience and education variables remained insignificant. We found logical explanation for such results in the fact that the significant variables are directly involved in managerial operations and functioning.

We believe ethnocentric and empathic attitudes are lenses through which managers observe environment and shape their decisions, while language serves as a primary information transfer mechanism. Those elements are directly involved in managerial decision-making, which is the reason for their significance. On the other hand, we argue that it is very difficult to draw direct connection with past experiences and present actions. Previous non-professional (education) and professional multicultural experience do not have such a direct and clear cut impact on managerial decisions (although their impact on OI is



significant) and it remains unknown to what extent managers rely on their experiences while making decisions.

The results of the analysis of the contingency variables impact further underpin the theoretical presumptions as all of the contingency variables which have been found to have significant influence on the MNCs OI except for MNC's home country PDI. The principal explanation for such a finding is different focus of the survey, set on the relation between IC, OC and MOD. The impact of MNC's host culture PDI index was measured by examining the correlation of PDI index value, drawn from secondary data, with the research model while not going deeper into the cultural dimension analysis and examination. Since that analysis was not the subject of the research and no further examination in this regard was undertaken, the influence of home culture was very difficult to measure accurately. Researchers were, therefore, not familiar with the extent to which this index influenced managers' decisions concerning organizational activities. In attempt to keep the narrowest possible focus of the study, participants' nationality remained unknown. If it is a third country national it remains doubtful to what extent expatriate's national culture affects his/her manner of conducting business activities. On these basis, the impact of MNC's home country PDI remained insignificant and should be more deeply investigated in future studies, especially on the macro level.

The MNC strategy was found to have a positive impact if it implied local adaptation of business activities and a negative one if it implied their global standardization. According to the local adaptation strategy, it is the managers' imperative to adapt the organization and its operations to the local environment and community. Managers are, therefore, more or less successful in doing so depending on their cultural competence. On the other hand, if the MNC adopts global standardization strategy, it is the managers' imperative to keep the status quo worldwide which makes them less engaged in adapting the organizational operations to local contexts. This explains research findings in terms of the impact that the strategy that MNCs have adopted has to the subsidiary's OI, hence, the connection between IC, OC and MOD. MNC and subsidiary age was found to have a negative impact on subsidiary's OI.

As the organization ages, it enriches its repertoire of business practices and processes (Prahalad & Hamel, 1990) with those absorbed with time and, therefore, diminishes managerial innovative "space" and vice versa. MNC's size in terms of the number of employees was not found to have an impact on the subsidiary's OI. The contribution of employees from other branches to the enrichment of subsidiary routines portfolio with new elements remains

undetermined. Their participation in knowledge acquisition of other subsidiaries' and assimilation of new knowledge and its conversion into subsidiary innovation is also unclear due to authors' attempt to narrow the focus of the study to the stated relations while measuring the strength and direction of the relations between contingency variables and the research model. However, these variables and their relation within the research model should have a stronger impact on the macro level of analysis.

The impact of MNC's size in terms of internationalization degree (number of countries in which the MNC operates) has been found to have a significant negative influence. The presence of a company in foreign cultures results in detection and assimilation of knowledge specific to the given culture that the company can use in its business worldwide (Gomez-Mejia & Palich, 1997). The more this knowledge increases, the more it diminishes managerial innovative performance in subsidiaries as more prior knowledge organization has accumulated provides less cultural novelty that the managers can exploit and transform into organizational innovation. The impact of subsidiary size in terms of number of employees to the OI is surprising as it was found to be not significant. However, logical explanation for this lies in the fact that workforce in Croatia is highly monocultural and consists prevalently of Croatian citizens. Therefore, a stronger impact of the workforce cultural diversity can be expected on the macro level. i.e. MNC's international level.

Based on the above, it can be presumed that foreign MNCs operating in Croatia in the tertiary sector possess a high degree of MOD on the micro (subsidiary) level. Accordingly, we argue that the main research aim, the attempt to empirically examine the link between individual and organization cultural competence and its impact to multicultural organization development, thus verifying the proposed model of IC, OC and MOD examination, to be viable and successful. The research results confirm our claim and shed new light upon relations between different levels of cultural competence and their influence on organizational outcomes in multicultural surroundings. Our study further opens new research directions and possibilities in this fairly unexplored area.

## **8. LIMITATIONS AND FUTURE RESEARCH DIRECTIONS**

This research has a number of limitations. From a theoretical point of view, the basic research hurdle was highly scarce and limited literature dealing in relations between IC and OC as well as relations with MOD. There have been various issues for the authors to address regarding the analysis of approaches, terms, theoretical base and methodology used. From empirical aspect, the

fundamental impediment was high unavailability of expatriates as examinees which limited the sample size and research polygon to a single country area and prevented multi-country approach that would generate more representative results. From the practical aspect, fundamental limits were time management issues. The researchers are professional scientists and practitioners with limited time to devote to this specific and complex task. The same limitation decreased field engagement and, thus, the research sample. The research had no budget which added to the existing research limitations and restrictions.

Future research should extend in multiple directions. Firstly, analysis should move to macro level and use a multi-country approach. Such approach should involve testing of these relations in various industries, countries and cultural clusters in order to examine potential differences and the underlying reasons for their existence. Special attention should be given to expanding the proposed IC model with factors with potential to increase individual and, thus, organizational CC. Discriminative analysis is suggested to be administered to a larger pool of variables that could yield set of representative variables for the expansion of the model. Future research should give specific attention to exploring the link between OC and IC in MOD at different levels of organizational performance, both tangible and intangible, such as employee satisfaction, knowledge transfer and market innovation, corporate social responsibility and sustainability at social, environmental and economic level thus involving broader aspects of organization's internal and external environment. It will also be necessary to examine the impact of a larger set of situational and environmental factors on such links.

## **9. CONCLUSIONS**

In this study we contributed the existing literature in multiple ways; a) construction of new IC model in an independent variable role and b) introduction of subsidiary organizational innovativeness as a dependent variable reflecting the link between IC and OC and, hence, the degree of MOD. The independent variable represents a contribution "per se" as, to our knowledge, such IC structure has never so far been designed nor empirically examined. Subsidiary OI was used as the dependent variable in order to illustrate the degree of MOD from the internal organization aspect according to the theoretical postulates that imply that organizational progress towards multiculturalism is reflected in how organization supports and manages individual competencies in its policies, procedures, and implementations.

We have also not encounter a study which uses the same, or a similar approach to MOD operationalization and measurement which might provide another contribution to the literature and practice. Accordingly, with this study we made one step closer to revealing the modalities, extent and the effects of multicultural organization development. On these grounds, empirical investigation and confirmation of the link between IC and OC that leads to the MOD reflects the main contribution of our study. In terms of scientific contribution, other than being a pioneer work in the area that offers new empirically confirmed models of IC, OC and MOD, our study also opened new research directions for the future investigations that should enrich and upgrade contributions of this study. Such directions imply multi-country, industry and cultural cluster approach to the IC, OC and MOD analysis, expansion of the proposed IC model with new elements and implementation of various performance levels in the analysis.

In terms of implications to international business and specifically international human resources management practice, this study offers new insights for international business practitioners in terms of effective managerial cross-cultural competencies that should be taken into serious account when selecting and training candidates for highly demanding and delicate expatriate assignments. In addition, this study also provides new modalities of exploiting cultural diversity from managerial and organizational standpoint, importance of which, in modern globalized and increasingly multicultural world is more than evident.

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## **POVEZIVANJE INDIVIDUALNIH I ORGANIZACIJSKIH KULTURALNIH KOMPETENCIJA**

### **Sažetak**

Temeljni cilj ovog rada je empirijski istražiti povezanost između individualne (IC) i organizacijske kulturalne kompetencije (OC), kao i vode li prema razvoju multikulturalne organizacije (MOD), kako se predlagalo u prethodnim studijama. Pritom se polazi od teorijskih postulata OC kao produkta upravljanja IC te postizanja MOD prilagodbom organizacije multikulturalnom okruženju. Polazi se od pretpostavke da je menadžerska uloga neovisna varijabla, koja reflektira povezanost IC te OC, dok je organizacijska inovativnosti (OI) podružnice multinacionalnog poduzeća (MNC) zavisna varijabla, koja reflektira razinu MOD. U skladu s navedenom pretpostavkom, kreiran je novi IC model za ekspatrire i testirano njegovo djelovanje na OI podružnice multinacionalnog poduzeća. U analizu su uključene i kontingencijske varijable, kako bi se povećale robusnost i povezanost modela. Anketno istraživanje je provedeno u Hrvatskoj, na uzorku 146 ekspatrira. Empirijski su rezultati potvrdili većinu postavljenih hipoteza. Najznačajnijim znanstvenim doprinosom rada mogu se smatrati formulacija novog teorijskog modela IC (koji se tretira kao neovisna varijabla) i njegova empirijska verifikacija istraživanjem povezanosti s OC (koji se tretira kao zavisna varijabla).