

## Conference Paper

# Conceptualizing the Relationships among the Strategic Orientations, Cultural Intelligence, International Diversification and Performance of Firms

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## Abstract

In today's globalized world, where firms are expanding internationally across different regions and countries, it is important to understand the drivers of this international expansion. To better understand this expansion, this article conceptualizes and explores the firm's strategic orientations and cultural intelligence (CQ) as drivers and international diversification and firm performance as outcomes. The strategic orientations explored are international entrepreneurial orientation (IEO), international market orientation (IMO) and learning orientation (LO). Cultural intelligence (CQ), which is a part of the concept of intercultural competence is also conceptualized and explored. International diversification is conceptualized as the geographical expansion of the firm, while firm performance is conceptualized as both strategic and financial. The article concludes with a discussion on the contributions, the theoretical and practical implications of the developed propositions and directions for future research.

**Keywords:** cultural intelligence, strategic orientations, international diversification, firm performance, entrepreneurship

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## 1. Introduction

In today's competitive global marketplace, firms are expanding across several geographic areas, and consequently there is a need to better understand this global expansion. This global expansion essentially involves the international diversification of firms across different regions and countries. International diversification is a complex corporate-level strategy that firms use to achieve multiple objectives. For instance, firms that diversify internationally may want to attain economies of scale, gain access to new resources, reduce costs, increase innovative capabilities, engage

in knowledge acquisition, capitalize on location advantages and improve the overall performance [1]. International diversification has been labeled under different terms such as internationalization, geographic diversification and international expansion [2].

Existing literature suggests that different factors may influence international diversification [1, 2]. For example, the strategic orientations of a firm can be one of the factors that drives international diversification [2]. In addition, intangible human capital assets such as cultural intelligence (CQ) can play a role in helping the firm to diversify internationally with CQ being an intercultural capability that can help the firm to function and manage itself effectively in culturally diverse environments [3].

Existing literature has further suggested that the strategic orientations have been studied in isolation and that there is a need to look at the orientations together in a single framework [4]. For example, the strategic orientation variables of IEO, IMO and LO have been separately shown to impact internationalization/diversification [5]. Furthermore, it has been argued that these orientations separately are not sufficient conditions to facilitate long-term competitive advantage for the firm [6], and recent literature suggests the need to incorporate all these orientations along with CQ to better understand the ability of firms to achieve organizational outcomes such as diversification, market effectiveness and improved performance [2, 4]. There has been research on the impact of IEO, IMO and LO separately on organization-level outcomes such as international diversification [7–9], while CQ's impact on mostly individual level (such as employee performance) as opposed to organization-level outcomes has been studied [10]. This research attempts to fill this gap in the literature by focusing on international diversification and performance as organizational outcomes with the strategic orientations and CQ as the drivers of these outcomes.

This article addresses the research gap in the literature by developing a model that integrates the strategic orientations of IEO, IMO and LO with CQ and examining them as antecedents driving international diversification and strategic and financial firm performance.

This article will make a number of important contributions in relation to improving our understanding of the literature on strategic orientations, CQ and international diversification. First, this article integrates all three strategic orientations (i.e., IEO, IMO, LO) with CQ to better understand the firm's strategy to internationalize and how this internationalization can affect the firm's performance. Second, the strategic orientations and CQ can be related to firm's resources, and thus the propositions developed in this article will have theoretical implications by contributing to the resource-based

view of the firm. Finally, the study will have some important managerial implications – with increasing global competition, managers and their firms will have to find ways to differentiate themselves and to stand out in the marketplace.

## 2. Literature Review

### 2.1. Strategic orientations

Strategic orientations are viewed as principles that direct and influence the activities of a firm and generate the behaviors intended to ensure the viability and performance of the firm. These principles can also be actively ‘used’ to steer the activities of the organization [11]. Thus, strategic orientations could be used to develop a viable internationalization strategy for the firm and also to positively impact the firm’s strategic and financial performance. Examples of strategic orientations that have been studied before include market orientation [12, 13], learning orientation (LO) [14], and entrepreneurial orientation [15, 16]. These orientations have been studied separately, and also to some extent together with other orientation types [17].

International entrepreneurial orientation or IEO is a part of the domain of International Entrepreneurship (IE) and is related to the broader concept of entrepreneurial orientation. IEO refers to the behavioral elements of a global orientation and captures top management’s propensity for risk-taking, proactiveness and innovativeness [18]. International market orientation (IMO) is a part of the broader concept of market orientation (MO), which has been defined as the organization-wide generation of market intelligence regarding customer needs, the dissemination of this intelligence throughout the firm and the organization-wide responsiveness to it [12]. Learning orientation has been conceptualized as giving rise to that set of organizational values that influence the propensity of the firm to create and use knowledge. Learning Orientation involves the interpretation, evaluation, acceptance and/or the rejection of information [14].

Previous studies in international management and business have considered the relationship between the firm’s strategic orientations and internationalization strategy and performance. The influence of these orientations on firm’s internationalization is reported in research findings concerning ‘born-global’ firms [19, 20] and small- to medium-sized firms. Early development of an entrepreneurial culture positively influences a firm’s international intent, allowing a firm to be more capable and willing to

pursue international opportunities [21, 22]. The effect of market orientation on internationalization has been mixed. Studies have found both positive and inverse U-shaped effects on the relationship involving market orientation and internationalization [23, 24]. The effect of LO on internationalization has also been mixed with studies showing LO encouraging and restricting certain aspects of international expansion [25–27].

Drawing on the RBV theory, the strategic orientations can be considered as firm's resources [28, 29]. Specifically, orientations such as IEO, IMO and LO can be seen as the intangible resources embodied in the members of an organization and also in the structure and daily routines of the firm [29, 30]. When skillfully leveraged, intangible resources engender organizational efficiency and/or effectiveness. Thus, IEO, IMO and LO can play very important roles in generating desired firm outcomes. These orientations could also provide firm-level comparative advantages in resources that result in marketplace positions of competitive advantage and superior financial performance [31]. In international business (IB), knowledge and particular organizational competencies provide substantial advantages that facilitate foreign market operations and entry [32–34]. Knowledge and organizational competencies can be related to the strategic orientations concept and can lead to superior performance, especially in highly competitive or challenging environments. Strategic orientation literature also suggests that the firm will benefit when the different orientation types are in alignment such that doing more of one orientation may increase the value of doing more of the other [4, 11]. Literature suggests that possession of a single orientation (i.e., either EO, MO or LO) is inadequate [11], and that the orientations may interact with each other to drive firm strategy and/or performance [35].

Each of the three orientation types (or constructs) described in this article need to be explored further. In the entrepreneurial orientation construct, innovativeness involves seeking creative or unusual solutions to problems and needs. The risk-taking dimension reveals the willingness to commit significant resources to opportunities in the face of uncertainty. Finally, proactiveness refers to a posture of anticipating and acting on future wants and needs in the marketplace, thereby creating a first-mover advantage [36]. Market orientation which refers to an organizational culture dedicated to delivering superior customer value is usually manifested in organization-wide behaviors and activities related to the acquisition and dissemination of customer and competitive information with timely action taken upon this information [12, 13, 37]. While market orientation is reflected by knowledge-producing behaviors, LO is reflected by a set of knowledge-questioning values [14]. Values usually associated with the organization's learning capabilities revolve around its (1) commitment to

learning, (2) open-mindedness and (3) shared vision. Firms with strong LOs encourage, or even require employees, to constantly question the organizational norms that guide their market information processing activities and organizational actions [35, 38].

The strategic orientations of a firm can help it to develop different dynamic capabilities such as those related to market-focused learning (i.e., learning about the target market), internally focused learning (i.e., technological and non-technological learning) and networking (i.e., ability of firms to seek partners who complement the firms' competencies); and, these capabilities, in turn, can help the firm to position itself to expand globally [39].

## 2.2. Cultural intelligence

Cultural intelligence or CQ forms a part of intercultural capabilities, which is one of the three domains of intercultural competence [40]. Originally conceptualized at the individual level, scholars in the last few years have been looking at CQ at the organizational or firm level. Organizational or firm-level CQ has been defined as an organization's capability to function and manage effectively in culturally diverse environments, and it may help firms adjust effectively in different cultural settings and to gain and sustain their competitive advantages [3].

Intangible human resources are especially important to firms because they are action oriented and stimulate the use of other resources. As with the strategic orientations, CQ constitutes the intangible resources that are embodied within the employees of the firm [41]. However, these intangible resources 'are only firm resources to the degree to which the firm aggregates the resources embodied within employees' [42]. This aggregation of resources will result in the development of intangible resources that we can study at the firm level. While CQ has been studied and analyzed thus far at the individual level, there is a need to study CQ as an intangible resource at the firm level. Firm-level CQ is rooted in both psychological research on individual CQ and the resource-based view of the firm, which views the firm as a bundle of resources and capabilities [29].

Ang et al. operationalize CQ at the individual level as a four-factor model that includes motivational, behavioral, cognitive and metacognitive dimensions [40]. Motivational CQ reflects 'the capability to direct attention and energy toward learning about and functioning in situations characterized by cultural differences'. Behavioral CQ reflects 'the capability to exhibit appropriate verbal and non-verbal actions when interacting with people of different cultures'. Cognitive CQ entails 'knowledge of norms,

practices, and conventions in different cultures. This includes knowledge of the economic, legal, and social systems of different cultures'. Metacognitive CQ refers to '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'.

Drawing on the RBV of the firm and based on the individual-level conceptualization of Ang et al. [40], Ang and Inkpen [41] conceptualize firm-level CQ along three dimensions: namely, managerial, competitive and structural. Managerial CQ refers to the CQ of top management teams as well as those of the project managers directly responsible for the firms' foreign ventures. Competitive CQ refers to the capability of the firm to identify, calibrate and manage the risks associated with foreign ventures. Structural CQ refers to the importance of developing culturally intelligent structural norms. These structural norms govern the interorganizational interface and take into consideration the potential cultural faultiness that could occur at the interface [41].

CQ can be acquired from educational and personal experience, and thus it has been viewed as giving rise to a malleable capability that can be improved by individuals (and the firm) over time. CQ skills may be improved through training or through efforts made by individuals or firms to learn about other cultures. CQ will be very important for some of the functional areas of a firm such as human resource management and organizational development. It will be especially important in the realm of a firm's IB activities. Hofstede's statement that "the business of international business is culture" exemplifies the importance of understanding culture in the IB landscape [43]. Culture and intercultural competence of which CQ is a part can be viewed as a resource-based advantage that can impact a firm's international strategy and performance in a number of ways [41, 44].

Much CQ research has focused on individual and behavioral outcomes with more research needed on firm-level outcomes and strategy such as firm's performance and internationalization. While prior research has shown that knowledge-seeking motive and intangible assets such as human capital are positively related to internationalization [2, 45, 46], more research is needed specifically on the impact of CQ on the firm's strategy to internationalize.

### 2.3. International diversification

International diversification is a strategy through which a firm expands the sales of its goods or services across the borders of global regions and countries into different geographic locations or markets" [47]. Geographical diversification means that firms must be able to develop processes which provide them with information on the different competitive and institutional environments associated with each new foreign market. They must also be able to develop processes which guarantee coordination between different local markets and facilitate the transfer and integration of the information on each local market in their knowledge base [5]. Now, the strategic orientations of a firm and CQ can help with the development of these processes.

Studies suggest that intangible resources provide ownership advantages that lend themselves to internal control and expansion to new locations [48]. Findings in this stream indicate that firms with higher endowments of intangible resources are more likely to expand internationally. Hitt et al. found that firms holding stronger human capital and relational capital with large corporate customers and with foreign governments have a higher probability of entering international markets [2]. Now, CQ can constitute a firm's human capital and can help with relational capital [41]. Thus, CQ can potentially help with internationalization. In addition, the strategic elements of a firm including its strategic orientations can drive international diversification [2]. IEO, IMO and LO can constitute these strategic elements that will enable the firm to build capabilities and accumulate knowledge that will help in internationalization. The entrepreneurial, market, and LOs and CQ of the firm with their emphasis on risk-taking, proactiveness, innovativeness, market intelligence generation, dissemination, responsiveness, commitment to learning, open-mindedness, shared vision and cultural knowledge can help the firm's development processes that will improve coordination, information transfer and the overall better management of different markets. As a result of the development of these processes, the firm will be in a better position to expand globally.

### 2.4. Performance (Strategic and financial)

The outcome variables considered in this study will be strategic performance (such as brand equity, customer equity) and financial performance (such as sales, profitability, return on investment, shareholder value). Strategic performance relates to the development of market-based assets that can be harnessed over a longer term to

achieve superior financial performance [49]. IEO, IMO, LO and CQ can all function as market-based assets that can drive internationalization and subsequently help the firm achieve superior performance. Performance improves with continued internationalization as new knowledge and capabilities are developed through learning and access to resources [2]. Expansion can yield positive performance benefits because it allows firms to leverage their internal resources across more markets. For instance, Hitt et al. [1] asserted that geographic expansion increases a firm's flexibility and bargaining power, with consequent higher economies of scale and the amortization of the firm's resource investments over a broader span of markets [50].

Previous research using internationalization have used various measures to study performance [2]. Objective measures such as *ROI* and *Sales* and subjective measures such as employees' *perceptions of firm performance* have been used [51]. In this study, CQ and strategic orientations are the predictor variables of internationalization; and, prior research has shown that these variables can have a direct or indirect impact on strategic and financial performance [4, 10, 35]. In this study, our model shows that these predictor variables could impact performance via international diversification. Hence, our model is showing an indirect impact of these predictor variables on performance. Thus, given prior research and our current model, we believe that it will be particularly useful to use these types of performance variables as our outcome for the study.

### 3. Proposition Development

We consider the RBV to address some of the research gaps in the literature we have reviewed in the previous sections. We argue that CQ and the strategic orientations of IEO, IMO and LO will function as intangible resources that will provide the firm with the necessary capabilities to engage in internationalization. The combination of these resources will enable the firm to internationalize and subsequently impact its performance.

Based on the literature review, we propose a research model that shows the strategic orientations and CQ of a firm driving its international diversification and then leading to performance.



### 3.1. International entrepreneurial orientation and international diversification

International Entrepreneurial Orientation (IEO) refers to the behavioral elements of a global orientation and captures the top management's propensity for risk-taking, proactiveness and innovativeness [18]. Managerial behavior and the operating philosophy of the firm's executives characterize entrepreneurial orientation, enabling entry into new markets [46, 52]. IEO has been associated with a firm's commitment to operating in foreign markets. Top management with high levels of EO or IEO proactively seek to learn about potential changes in their environment (domestic or international) so as to take calculated risks on opportunities that arise from new technologies, innovations or new operational methods [15]. Some of these calculated risks may involve the firm attempting to diversify by entering new markets. And, the firm may be more willing to enter new markets where the macro and micro environments are conducive to business operations and entrepreneurial behavior. Thus, firms with high levels of IEO will be more likely to engage in internationalization.

Based on the above arguments, the study proposes that:

**Proposition 1.** *IEO is positively related to international diversification.*

### 3.2. International market orientation and international diversification

International Market Orientation (IMO) has been conceptualized as the extent to which the firm's IB activities are oriented toward customers and competitors, and the extent to which these activities are coordinated across functional areas in the firm [32]. A firm with a strong IMO could develop processes to better understand foreign customers and competitors. Market-oriented firms often have an ability to sense events and trends in their markets ahead of their competitors. IMO is an intangible resource that covers a firm's internal efforts to collect and disseminate market intelligence on foreign customers and competitors, and to coordinate functional areas internally for IB activities [32].

The IMO of a firm can propel international diversification. Diversification would mean that firms must be able to develop processes which provide them with information on the different competitive and institutional environments associated with each new

foreign market. They must also be able to develop processes which guarantee coordination between different local markets and facilitate the transfer and integration of the information on each local market into their knowledge base [5].

The development of IMO will contribute to the firms' better management of more varied and valuable international knowledge [5]. It will strengthen the firms' ability to operate internationally in various market contexts. As a consequence, IMO may reduce the possibilities of failure on entering new markets, and also lower any perceptions of risk that firms might have about entering new markets and, therefore, their willingness to do so [5]. The development of IMO can enable the firm to adopt a more positive attitude toward new foreign markets, allowing firms to gain greater international exposure, thereby diversifying their presence in foreign markets.

**Proposition 2.** *IMO is positively related to international diversification.*

### 3.3. Learning orientation and international diversification

A firm's LO refers to an organizational characteristic that promotes learning [17, 35]. Learning orientation has often been studied together with market orientation, and they have been considered as separate although related concepts [35, 53]. Baker and Sinkula argue that market orientation is associated with market information processing, whereas LO is related to higher-order learning, that is, assumption-challenging activity with a broader focus than merely on learning from customers and competitors [35]. For some years now, researchers have been examining the outcomes of organizational learning [2]. For instance, Chang examined how international expansion through sequential foreign entry builds capabilities as firms learn from their past mistakes, allowing them to enter unrelated markets and achieve greater success [54]. Consistent with this perspective, Zahra et al. [55] found that technological learning facilitated innovation, differentiation and market speed that also ultimately increased firm's performance [2]. An LO can help the firm develop specific learning capabilities that will help in internationalization. These capabilities include market-focused learning capability, internally focused learning capability and networking capability [39].

Market-focused learning capability is characterized by the acquisition and dissemination of market information and it focuses on the ability to integrate market information into actionable knowledge that management can use for its goals in international markets [56]. Internally focused learning capability captures all the experimental learning of the firm and such learning facilitates innovation and enables the firm to respond

to evolving conditions in its external environment and to expand globally. Networking capability can help the firm develop relationships and partnerships in foreign markets and can be critical in providing the type of information that contributes to lowering risk and uncertainty inherent in international operations and facilitate the acquisition of knowledge and the development of complementary resources [57]. Building and maintaining relevant, superior and effective networks are an integral part of a successful internationalization process [58]. These learning capabilities involve the development of experiential knowledge of the target market; and, the development of such knowledge is a prerequisite for successful internationalization [59]. Organizational learning can play a major role in opportunity recognition [60], which will enable the firm to recognize global opportunities and thus, motivate the firm to pursue international diversification in search of these opportunities.

**Proposition 3.** *LO is positively related to international diversification.*

### 3.4. Cultural intelligence and international diversification

Cross-cultural context involves dissimilarities between cultures regarding a variety of aspects, such as language, religion, values, the status of women, individualism–collectivism, attitudes toward authority, forms of government and the legal system [61]. Cross-cultural environments are characterized by dynamic complexity such as interdependence, ambiguity, flux and speed [62]. The dynamic complexity and unpredictability in cross-cultural contexts require firms to possess dynamic capability specific to culturally diverse situations. Organizational or firm CQ can give rise to this dynamic capability that will help the firm navigate diverse cultural contexts. CQ may be particularly important in situations where a market's environmental conditions/contexts are challenging. For instance, a firm with people who have high levels of cognitive CQ will be better aware of the economic, legal and social aspects of different cultural contexts [63]. Their strong cognitive-processing capabilities will help the firm in a new cultural setting to incorporate new information, to interpret and to adapt to new experiences.

Cognitive skills of the firm's top management and other employees will form a part of the firm's managerial, competitive and structural CQ.

In addition to the cognitive skills, motivational and behavioral skills of the top management and other employees of the firm will form part of the firm's managerial, competitive and structural CQ. A firm's managers and employees with higher motivational CQ in a given cross-cultural context will be able to better direct attention and energy to

achieve a better performance and have more confidence when accomplishing a given task. Therefore, firms with people who have a higher motivational CQ will tend to have a stronger desire to accept challenges in a new environment and a greater will to tolerate frustration and more willingness to adapt. A firm's managers and employees with a higher behavioral CQ will gain easier acceptance by the associated cultural group, which will help the firm develop better relationships with suppliers and other business partners in a given cultural context [63]. CQ can force managers and firms to seek new information outside their realms of knowledge and experience, as well as to persevere in the face of obstacles and setbacks [64].

Firms with high levels of CQ will better understand the need to modify their operations and processes to meet the demands of local business and requirements of legal and government regulation, such as product standards, tariffs, nontariffs and state participation in business influence [3, 65]. The culturally intelligent company will fully understand the type of resources necessary to compete and the competitive risks associated with strategic decisions [41]. The culturally intelligent firm will have the capability to develop appropriate organizational structures in cross-cultural contexts and promote patterns of effective connections among parties within and across firms by combining tangible and intangible resources [3]. We argue that a firm with superior CQ capabilities will be more likely to enter new markets, especially those markets characterized by cultural differences between the entering firm's home and host countries. And superior CQ capabilities can potentially help the firm to better understand these new markets. Thus, the study proposes that:

**Proposition 4.** *CQ is positively related to international diversification.*

### 3.5. International diversification and performance

The direct relationship between international diversification and performance is quite complex. Research has found positive, negative, no association, inverted U-shaped, S-shaped relationships between the two [66–70]. The type of relationship is dependent on a number of factors such as type of firms (small or large firms), the type of industry (service or manufacturing) and the type of measures used for both international diversification and performance (geographic diversification, subjective or objective measures of performance). In this study, we would argue that the international diversification–performance relationship will be positive. Based on the literature on

international and global strategies, three broad categories of benefits to internationalizing firms can be identified [71]. First, internationalizing firms can have greater cost efficiencies, primarily due to a greater volume of business and the ability to exploit economies of scale [72]. A highly internationalized firm may be able to invest in a state-of-the-art equipment, whereas a domestically focused rival may not be able to justify a similar investment based on its limited volume. Internationalized firms may also be able to capitalize on value creation activities in particular locations (e.g., labor-intensive activities in low-wage countries or highly skilled workforce in countries with well-educated populations) so as to minimize their costs [70, 71, 73]. The firm may also be able to reduce its taxes by charging appropriate transfer prices to sister units [73]). If the firms enjoy high levels of IEO, IMO, LO and CQ, then they can better exploit cross-national differences when internationalizing. For instance, these firms may be in a better position to gain knowledge and establish ties with local markets and then shift business functions to these markets to take advantage of changes in local business market conditions such as changes in labor cost, currency exchange and tariff rates, government regulations.

Firms that diversify internationally will also be in a better position to compete against rival firms that are more geographically focused. An international firm also benefits from the diversity of environments it operates in [71, 74], as it can take advantage of many learning opportunities while fulfilling needs of its customers [55, 75]. Firms high in IEO, IMO, LO and CQ will have the necessary innovativeness, pro-activeness, risk-taking propensity, market intelligence generation, dissemination, responsiveness and learning capabilities, and finally, cultural understanding to successful foreign markets and ensure that firm internationalization will result in positive performance outcomes. Thus, the study proposes that:

**Proposition 5.** *Firms' international diversification is positively related to firm performance.*

## 4. Contributions

The present study will make strong theoretical and practical contributions in the following ways: (1) The study will contribute to the RBV, the strategic orientations, CQ and IB literatures by helping us gain a better understanding of IEO, IMO, LO and CQ, and how these constructs can impact international diversification and subsequently the firm's strategic and financial performance.

(2) The study will contribute to our understanding of the combined impact of all three strategic orientations and of CQ on international diversification and a firm's performance. The strategic orientations and CQ have been studied separately in relationships involving international diversification and performance, but this study contributes to the literature by looking at these variables together in a single framework that seeks to explain the firm's internationalization and its performance. Of particular value here is the use of CQ together with the strategic orientations to study internationalization and performance. To the best of our knowledge, such a study has not been undertaken before.

(3) Practically, the results of the study can help managers of international or even domestic firms understand how best is to direct their energies and what areas to focus on to help build their firms' resources and capabilities. Perhaps, firms will hire managers who have a strong entrepreneurial orientation and high levels of CQ and the firm as a whole could simultaneously adopt a strong market orientation.

## 5. Discussion and Implications

### 5.1. Theoretical implications

This study can help to better develop existing theories in International Business, Management and even Marketing. Theories such as the resource-based view (RBV) will benefit from our increased understanding of the impact of the three strategic orientations and CQ on international diversification. The RBV explains the opportunities and challenges in internationalization [76], and thus can be used to explain the arguments made in this article. The RBV explains how knowledge and resultant organizational competencies and capabilities are developed and leveraged within various types of firms [77, 78]. Wernerfelt defined resources as those (tangible and intangible) assets which are tied (semi-permanently) to the firm [78]. Resources that support firm's performance include such assets as in-house knowledge, employment of skilled personnel, superior strategies and efficient procedures [32, 78].

Peng suggests that the RBV is useful to understand firms as it helps with the identification of specific knowledge and competencies that are based on valuable, unique and hard to imitate resources separating winners from losers in the global marketplace [79]. A firm's resources consist of all the assets, tangible and intangible, human and nonhuman, that the firm possesses and that permit the firm to create and apply

value-enhancing strategies [80]. All the antecedents—namely, IEO, IMO, LO and CQ—proposed in this research study can constitute the resources possessed by the firm. They can be considered as the firm's intangible resources or assets.

## 5.2. Managerial implications

This study can potentially help academicians and practitioners understand the combination of resources necessary to enable the firm to succeed in the global marketplace. To succeed, firms may need a number of different skill sets, resources and capabilities. IEO, IMO, LO and CQ can all constitute the resources that the firms can use to succeed in the marketplace. Many firms have realized that they must put more emphasis on customers' needs and satisfaction in order to remain viable and even to survive [81]. Now, strategic orientations and intangible assets such as CQ have the potential to enable firms to put that emphasis on customers' needs as the firm expands globally [2, 24].

Studying IEO, IMO, LO and CQ as part of our integrated model will help firms' managers to better understand the skills and resources a firm will need separately and together in order to help the firm internationalize and subsequently perform well. For instance, intercultural competence such as CQ skills is an important resource for firms to consider, and it can potentially complement the firm's strategic orientations. Firms can hire managers with a strong entrepreneurial orientation and/or high CQ skills. Simultaneously, firms can develop learning and market orientations as part of its organization-wide strategy. Firms can also develop training programs to improve the CQ skills of current employees and, in general, create an organizational atmosphere conducive to the growth of the three strategic orientations of IEO, IMO and LO.

## 5.3. Directions for future research and conclusion

While in this article, we look at the effects of the combination of the firm's strategic orientations and CQ on international diversification, there needs to be more research done on the joint effect of the orientations and of CQ on the firm's internationalization. When the orientations are in alignment with each other in a firm, their joint positive effect on internationalization may be greater. IEO, IMO and LO may complement each other in a firm and can make up for any deficiencies that may result in the firm having only one (as opposed to all three) of these orientations. CQ is a very important area to consider and more research can be done on firm outcomes when the strategic

orientations are in alignment with CQ. In our globalized world, being able to negotiate effectively across cultures has become a crucial aspect of many interorganizational relationships, including strategic alliances, joint ventures, mergers and acquisitions, licensing and distribution agreements, foreign direct investment, and sales of products and services [44, 82]. And, the role of CQ in these interorganizational relationships cannot be understated as there are many cultural factors that will impact the firm's decision to expand globally and/or to establish an alliance with a foreign partner.

Research on the model presented in this article can be done in an emerging market context and comparisons can also be made between developed and emerging markets. In addition, research can be done on how different combinations of the strategic orientations and CQ impacts the firm's foreign market entry-mode decisions; Will firms opt for high- or low-commitment entry modes or What other factors may impact these decisions? This article can be a starting point for future discussions and research on CQ and the strategic orientations, internationalization/diversification issues, and various firm-level outcomes.

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