INTERNATIONAL MANAGEMENT SKILLS FOR SMALL BUSINESS: THE DEVELOPMENT OF THE CONSTRUCT OF INTERNATIONAL CAPABILITY

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Abstract

Globalisation and recently formalised free-trade agreements have diversified the cultural environment of small business managers. Managers with international experiences and desirable international management competencies are increasingly sought after not only by multinational corporations, but also by small businesses, which find themselves competing in the global arena in their homeland.

This paper, thus, identifies the factors relevant to the interpersonal skills of international managers. The factors are derived from previous elements described in the research literature, which conceptualises them through the theoretical construct of International Capability using the capability framework.

The contributions of this research to the body of entrepreneurship literature are: the creation of the theoretical construct of International Capability and the application of a capability framework to the analysis of interpersonal skills of international managers.

For this research, a sample of international students in the Asia Pacific Basin, studying an international business degree was utilised for the data analysis, which consisted of quantitative surveys and confirmatory factor analysis.

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INTRODUCTION

The impact of globalisation has created a need for international business graduates. It is now recognised that international management competencies are required by organisations with multicultural interests (Adler, 1991). As a result, a significant challenge for the future of universities is the need to define and develop the international managers required by transnationals. The research aim, thus, expresses itself in the following overall research objective: define and establish the factors constituting the theoretical construct of International Capability.

The new international management professions require culturally transferable knowledge, skills and abilities, usually described in the form of competencies. However, as competence is usually domain specific and limited to a behaviourist focus, the concept of capability (Stephenson, 1992) is proposed as potentially more appropriate for consideration in this regard. As such, this research progresses from competence to capability, as a future oriented concept, and specifically that of the theoretical construct of International Capability. This theoretical construct is original in concept and has been specifically developed for the purpose of this research.

From these basic principles, International Capability has been defined for the purpose of this study as:

The capability to achieve objectives in multicultural environments

LITERATURE REVIEW

By 1997, significant research on personal dimensions needed for international executive potential was researched by Spreitzer and her colleagues, who described them as consisting of fourteen dimensions. These dimensions are described by end-state competencies including: sensitivity to cultural differences and learning-orientated dimensions such as "uses feedback" and "seeks opportunities to learn" (Spreitzer, Morgan,McCall and Mahoney,1997, p. 13). Of particular relevance to this research, are these learning orientated dimensions. Funakawa (1997) considers that transcultural management requires these five core competencies: "the geocentric mindset; strategic focus; cross-cultural communication skills; culturally sensitive management processes and learning systems" (p. 50). This is supplemented by seven mental disciplines with the vicious and virtuous circles of cross-cultural interaction. These include: being objective and open-minded, having tolerance for ambiguity, being independent and stable, and being able to enjoy the journey. In addition, being able to create a shared vision with a "common ground of human nature" is fundamental to operational success (p. 165). The Barham and Oates's (1991) survey of forty eight companies found similar characteristics to the above, including: adaptability in new situations, sensitivity to different cultures and being non-judgemental. A subsequent review by Barham and Wills (1992) of sixty international managers to identify international management competencies separated the competencies into those of doing and being. This has subsequently been expanded by Cui and Awa (1992) with the doing competency including: global awareness, learning, cultivating empathy and self-awareness. The being competency includes: cognitive complexity with language and performing interculturally; emotional energy with emotional self-awareness; and psychological maturity involving curiosity to learn. Research on competencies, conducted by Dulewicz and Herbert (1992), is discussed by Birchall, Hee and Gay (1996) who consider that there are ten major competencies relating uniquely to the international manager's job. In comparison, Aitken (1973) and Tung (1988) identify fewer competencies, these being: international perspective, cross border cultural awareness and foreign language skills. The Birchall et al. (1996) data used Likert scale ratings of twenty-eight relevant competencies. The top five were:

international negotiation; global awareness; international strategy; international marketing; and cultural empathy.

Shi and Wright (2001) built on this research concerning the international negotiator's profile to improve on the lack of empirically examined data and competencies for these profiles. The understanding of cultural values is also considered fundamental as it affects the basis of management and marketing theories and comparative western and eastern style of management. The conclusion of Shi and Wright (2001) is that adaptive orientation and open- mindedness are important characteristics for international negotiators.

In summary, the essential findings from the literature reviews are that the individually researched and identified competencies are frequently similarly expressed and conceptualised by different researchers. There is, therefore, a possible gap in the research literature and a requirement for a simplification of these identified competencies with a clearer way of theorising them. These reviews permit the conclusion that elements of cross-cultural management can be probably categorised under the two broad headings of communication and learning (Funakawa, 1997) and the categories of cognitive, affective and behavioural (Triandis, 1977). These include: cultural knowledge, worldview, elements of interpersonal and intercultural communication competence, ability to learn and develop from experience and adapt in unfamiliar cultures.

Accordingly, in this paper, the author has grouped the elements, which have been drawn from this body of literature as follows:

- learning orientation
- world-mindedness
- social intelligence
- self-efficacy, and
- socio-cultural adaptation

It is argued that these five elements emerge as the consistent aspects from the range of research in the field. The explanation of these elements, as the basis for the theoretical construct of International Capability, will now be discussed in greater detail.

METHODOLOGY

For this research, the construct of International Capability, derived from the review of literature, includes the proposed elements of: learning orientation, world-mindedness, social intelligence, self-efficacy and socio-cultural adaptation.

Therefore, due to the multicultural nature of this research sample, there is a need for a research framework which is compatible with findings from research derived from different cultural samples. Black and Mendenhall (1989; 1990), in their reviews of theoretical frameworks for cross-cultural training, consider that social learning theory is an appropriate framework in both theory and practice for cross-cultural samples. Because the capability framework is underpinned by social learning theory, it is therefore appropriate for this research, involving multicultural samples.

This research is quantitative in methodology, due partially because of the primary need for data in this field to test the anecdotal findings of previous observations (DEET, 1998). This is an identified gap in the previous literature review and research, and part of the contribution of this current research. In addition, quantitative techniques are required to achieve the objective of creating a theoretical construct of International Capability.

This process of data collection was adequate to satisfy the statistical requirements of the number of completed questionnaires needed for the pilot, longitudinal and cross-sectional studies, confirmatory factor analysis and structural equation modelling. Although not all students attended

tutorials or returned the questionnaires, a high response rate (n=472, 47%) was achieved, due to the controlled nature of the situation. The researcher considers that the sample adequately represented the population of study being students enrolled in an international business degree at a major Australian multi-campus university.

Instrumentation and questionnaire design

The method of obtaining quantitative data was that of the instrument of a survey questionnaire. This questionnaire concerns International Capability, with sub-scales for the five elements creating this construct. In addition, the survey generated information on the three categories of the independent variable, multicultural experience.

The construct of International Capability contains five main elements, which are: learning orientation, world-mindedness, social intelligence, self-efficacy and socio-cultural adaptation, with sub-scales for each in the final survey. The identification of the elements relevant to International Capability was a process of rational academic analysis, based on the theoretical framework and subsequent review of the relevant research. In the case of this research, the literature review was utilised to identify these specific factors:

Academic title of sub-scale	Questionnaire title
Learning orientation (Spreitzer, Morgan, McCall and Mahoney, 1997)	About your learning
World-mindedness (Sampson and Smith, 1957)	About your world view
Social intelligence (Jordan, Ashkanasy, Hartel and Hooper, 1998)	About your social awareness
Self-efficacy (Cairns, 1992 and Stephenson, 1993)	About your self appraisal
Socio-cultural adaptation (Ward and Kennedy, 1999)	About your cultural adaptation

Learning orientation (About your learning)

Measures of learning style and orientation are not new, and essentially begin with Kolb's (1976) learning style inventory. This theory, however, was subsequently adapted by Mumford (1987) with items relating to: feeling, watching, thinking and doing, with descriptions of: activist, reflector, theorist and pragmatist. Subsequently these scales were not used, and the "prospector" instrument (Spreitzer et al, 1997), provided by the original researchers on request, was tested. This contained the appropriate factors and questions for the learning style required and in addition, the research conducted by the authors identifies the most relevant factors for international managers. These factors are: seeks feedback and opportunities to learn. These questions have a Cronbach Alpha reliability of 0.7819 (Var 14-24) as a sub-scale in the overall survey instrument.

World-mindedness (About your world view)

Sampson and Smith (1957) designed a "Scale to measure world-minded attitudes" (p. 99). Thus in reference to the scale, it has national minded at one end of the continuum and world-mindedness at the other. The scale uses a Likert scale derived from the original selection of sixty questions, from one hundred and twenty university students using the highest and lowest 10%. This was

reduced to thirty two items (sixteen 'pro' and sixteen 'anti').   World-mindedness is measured in relation to: religion, immigration, government, economics, patriotism, race, education and war.

Total scores are possible, and hence a scale score of total "world-mindedness" is also possible. For the purpose of this study, relating to International Capability, the research from Wiseman, Hammer and Nashida (1989) was used where they selected six items from the scale, being more culture general and of current economic and business concern.   These scale items are also demonstrated to be significant (n=880, $p < 0.003$) in their research, and in the present research were reduced to a nine question scale, representing factors of: patriotism, religion, economics, immigration and war. Final scale Cronbach Alpha for this sub-scale was 0.6560 (Var 25-33).

Social Intelligence (About your social awareness)

Goleman (1998) describes the emotional competence framework as: personal competence and social competence.   This interpersonal competence can thus be defined as "the ability to communicate to self and other" (Bochner and Kelly, 1974, p. 280).   Two conceptual issues are required to be addressed before devising scales: the type of emotion and whether it is general or specific (Hartel, 1998).   Hartel's (1998) WEIP 3 test relates to teams and work performance based on the original Salovey and Mayer (1990) construct and items to reflect the scales: ability to deal with own emotions; ability to deal with others' emotions; ability to deal with problem solving; use of these in decision making.   Factor analysis reveals seven significant factors.

Some questions were removed with low reliability after the pilot survey, resulting in the final 20 items 5 point Likert scale with a Cronbach Alpha reliability for this sub-scale of 0.8580 (Var 34-53) (Appendix B).

Self-efficacy (About your self-appraisal)

According to Bandura, (1986, p. 391), self-efficacy concerns the capability to organise and perform the action needed "to attain designated types of performance". The self-efficacy scale was devised according to the requirements of Bandura's (1999) Guide for Constructing Self-Efficacy Scales. This scale was specifically based upon the research identifying the critical factors for International Capability. The final scale was written based upon the development of the original, as tested in the pilot survey, but with improved and clearer wording. The original sixteen-question scale (0 to 100) was reduced to a succinct nine-question scale with ratings from "not very confident" to "very confident".   The pilot pre-testing resulted in subsequent discarding of items which did not reflect clear differentiation required by Bandura's (1999) recommendations. In addition, the scale was not described as self-efficacy, but self-appraisal as required in the recommendations, and also conducted confidentially.   This sub-scale has a high level of validity and the subsequent establishing of reliability of Cronbach Alpha 0.8871 (Var 54-62).

Socio-cultural adaptation (About your cultural adaptation)

In this present research, the Socio-cultural Adaptation Scale of Ward and Kennedy (1999) has been used as the basis for the scale of the thesis. Ward and Kennedy's (1999) research concerns the adaptation of people living and working in new cultures. According to Triandis (1977), socio-cultural adaptation can be seen as an integration of cognitive, affective and behavioural components. Within these, cultural empathy or perceptual acuity can be described as "the extent to which a person pays attention to and accurately perceives various aspects of the environment" (Kelley and Meyers, 1995, p. 16).   Chen and Starosta (1995) and Gudykunst (1985), consider social interaction and role behaviour, with personal attributes of empathy and open-mindedness, to be the most relevant factors.

The final sub-scale for socio-cultural adaptation contains eight items representing cognitive, affective and behavioural components in an integrated framework. The reliability assessment from the pilot study produced acceptable results (Cronbach Alpha 0.9), and it was therefore considered

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an appropriate measure. The final questionnaire sub-scale Cronbach Alpha reliability was 0.8993 (Var 63-70).

RESULTS

Main survey descriptive statistics

It should be noted from the statistics on the questionnaire scale reliability that the total reliability is high at 0.92, with the normal required reliability being 0.7 (Pallant, 2001). However, the element of world-mindedness (World) is the lowest at 0.65. Subsequently, a corrected item total correlation was conducted, to establish the correlation of the separate elements with the total score. All elements, including world-mindedness, are above the required figure of 0.3, and therefore included in the calculations for the hypotheses. It should also be noted however, that not all elements, specifically world-mindedness are included after the confirmatory factor analysis for International Capability.

Factor Analysis

Factor analysis is a general term used in the development and evaluation of research hypotheses and models. Its purpose as a procedure, is to refine and reduce the total number of items into a relevant number of coherent factors. The two main approaches are those of exploratory (EFA) and confirmatory factor analysis (CFA). Exploratory factor analysis is used initially to explore the inter-relationships of components to a particular factor. This is to extract, from an overall set of measures, the factors to which various items load. Confirmatory analysis is used later to confirm specific factors consistent with the structure of a theoretical construct.

In the case of this research, confirmatory factor analysis was used to identify the factors, and then structural equation modelling was used to test the appropriate model. As state previously, both methods have their advantages, but in this case, confirmatory factor analysis has been employed as an empirical summary of the data set (Tabachnick and Fidell, 1996). For the purposes of this research, this sample size was sufficient, being above three hundred cases, and also the ratio of subjects to elements being greater than ten to one.

Hypothesis one (H1), states:

That the five proposed elements comprising the theoretical construct of International Capability will be statistically supported by the data.

Relevant to this, a confirmatory factor analysis was conducted using AMOS (Arbuckle and Wothke, 1999) to assess goodness of fit. All factors were included except for world- mindedness (9 items scale alpha 0.652), as it did not fit the model. Subsequently, the following four-factor model was specified and used to assess best fit. This yielded all factors with squared multiple correlations (>0.23, $P=0.05$). All standardised regression weights > 0.48 with strong correlation evident for self-efficacy ($r=0.806$) and cultural adaptation ($r=0.853$, $P < 0.05$). Scale factors are: adapt (8 items, alpha = 0.89), self (9 items, alpha = 0.88), learning (11 items, alpha = 0.74), and social (20 items, alpha = 0.80).

Confirmatory Factor Analysis, International Capability

The results produced:
Indices
n=383

degrees of freedom	4
Chi-square	9.894
Probability level	.042
Goodness of Fit (GFI)	.99
Adjusted Goodness of Fit (AGFI)	.962
Normed Fit Index (NFI)	.984
Relative Fit Index (RFT)	.959
Incremental Fit Index (IFI)	.990
Tucker-Lewis Index (TLI)	.975
Comparative Fit Index (CFI)	.990
Parsimony Ratio (PRatio)	.4
Explained covariance (e4 and e3)	.30
Root Mean Square Error of Approximation (RMSEA)	.062

(Tabachnick and Fidell, 1996, p. 9)

The table shows the confirmatory factor analysis of International Capability. From the above it can be seen that these fit indices are at acceptable levels for model fit indicating a suitable fit between the theory, data and structural model (Bentler, 1988). A variety of measures are available to assess the degree of 'fit' for the model. The exception is the Chi-square statistic, which should be >.05 to be significant. Additional measures of 'fit', as shown in the above table, include the absolute fit indices (C.F.I. = 0.99, A.G.F.I. = 0.962, R.M.S.E.A. = 0.062) and incremental fit indices (N.F.I. =0.984, I.F.I. = 0.990, T.L.I. = 0.975), which are well within specified levels for suitable model fit (Bentler, 1988).

Tests exist which compare the given model with and alternative model. Specifically, the comparative fit index (C.F.I.), also known as the Bentler Comparative Fit Index, and considered a normal measure of model fit, is 0 .990. This statistic compares the research data model with a null model. This assumes the latent variables in the null, independent, model to be uncorrelated. It therefore compares the lack of fit between the research model and the independent model. The figure of 1.0 would therefore be a perfect fit. By convention, a figure of 0.9 is considered acceptable, indicating that 90% of the co-variance can be reproduced by the model (Hu and Bentler, 1999). In our case, the figure of 0.990 is therefore very high and an indicator of a very good fit. In the same way, by convention, the goodness of fit index (G.F.I.), which as a measure of model parameters, can be from 0-1.0. It should be above 0.9 to be acceptable and this present model is 0.99. Similarly, the adjusted goodness of fit, using mean squares instead of total sums of squares, varying from 0-1.0, should be above 0.9. This present model is 0.962, and therefore, a good fit.

The incremental fit index (I.F.I.) should also be above 0.9 and our present model is 0.990. The normed fit index, where a perfect fit is 0.1, is required to be above 0.9 and ours is 0.984.

Tests which are based on predicted, compared to observed variances, but penalise for lack of parsimony, include the root mean square error of approximation (R.M.S.E.A.). This should be less than 0.08, but probably nearer 0.06 (Hu and Bentler, 1999). This present research is 0.062 and therefore an acceptable figure. A final measure is the normal Chi-square, having the benefit of being less dependent on sample size, which is the Chi-square fit index, divided by degrees of freedom. In this case it is 9.894/4 and at 2.47 is between the required figures of 2:1 and 3:1(Kline, 1998).

In summary, this is therefore a model of good fit by the accepted statistical conventions and appropriate for further research.

CONCLUSION AND LIMITATIONS

There are many limitations and assumptions to be considered in cross-cultural research. In addition, it is accepted, however, that this research also operates with an assumption that there is an inevitable element of cultural bias. A further limitation is that of the use of the category of nationality in comparing results. A limitation of this research is that it is conducted within the student community using a self-report type questionnaire. This implies that the research findings may not be applicable to other populations such as mature managers and particularly those who have different nationalities to those in the sample and who are living outside the Asia Pacific Basin.

In summary, for the purposes of this research, the quantitative methodology has been chosen, but with reference to the limitations of this approach in the cross-cultural context. The unit of analysis, a sample of the population, is that of the general student body, studying international business on an internationally delivered degree, within an Australian university in the Asia Pacific Basin. The researcher has attempted to reduce the identified restrictions of the methodology, by using cross-culturally validated approaches to overcome these limitations in the identification of the factors of International Capability, being socio-cultural adaptation, self-efficacy, learning and social intelligence.

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