



# **Internationalization of the Oil and Gas Service Company Petrolink AS**

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A quantitative and qualitative approach

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This thesis was written as part of the Master of Science in Economics and Business Administration at NHH. Please note that neither the institution nor the examiners are responsible - through the approval of this thesis - for the theories and methods used, or results and conclusions drawn in this work.

## **Abstract**

The mean CQ score for our sample of 26 employees at Petrolink is 89. As such, the overall score for our sample of Petrolink employees is in the ‘need to develop’ category.

The four contextual factors were used to analyze the current cultural intelligence score within our sample: Vision and strategy, expatriation and repatriation, core competences and Petrolink’s corporate culture. These four contextual factors were also used as part of a discussion between employees and ourselves regarding current routines and potential improvement areas. We have concluded that the four contextual factors affect the CQ score collectively for our sample.

In the last section of this thesis we present policies and actions Petrolink should consider implementing in the future to improve its CQ score and its internationalization process. Among our recommendations we recommend that Petrolink needs to develop a clear vision and strategy for internationalization which are communicated across the firm, increase expatriation of employees, create systematic routines for employee selection for overseas work assignments and seek future cooperation with a third party entity with regards to cultural training.

## **Preface**

At the end of 2012 we started our correspondence with the oil and gas service firm Petrolink AS. After a few weeks of correspondence our work began in early January 2013 as part of our master degrees within International Business.

We have chosen the subject of our thesis based on personal experience with working and living abroad in different countries such as the United Arab Emirates, Egypt, the United States and New Zealand over extended periods of time in the past. As such, several of the issues in this work are self-experienced, giving us as writers an extra motivation and experience to pursue this topic. We have also chosen our topic due to our interest for the oil and gas sector as well as issues regarding internationalization. Furthermore, it is our belief that more Norwegian oil and gas companies will need to expand overseas in the next decade. As such, this thesis presents and discusses several issues which are relevant for building an internationally oriented company not only within this sector, but also other Norwegian companies in other industries.

First of all we would like to thank Executive Vice President Rune Kvernberg and all the Petrolink employees who have taken the time and effort to participate in our research, and for giving us the opportunity to visit Petrolink's new offices at Forus in Stavanger on several occasions. They have approached us with professionalism, candidness and open-mindedness concerning Petrolink's internationalization process. We were warmly welcomed at Forus and all the respondents provided us with interesting and valuable information.

We would also like to thank our advisor Professor Paul Gooderham for his enthusiasm and interest in our thesis, and his guidance throughout the writing process. Also, we would like to thank Ingebjørg Solvik for providing advice and support.

Finally, we acknowledge that our approach can be considered new and experimental. Therefore, we recommend that additional research is completed to further analyze the four contextual factors and cultural intelligence and its impact on the internationalization of a company. That said we hope that our work can provide a starting point for more effectively analyzing contextual factors affecting CQ and the internationalization process of a firm.

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## **Abbreviations**

CQ - Cultural intelligence

CQS - Cultural intelligence score

GWA - Global work assignments

CST - Cultural strategic thinking

MOT - Motivational cultural intelligence

BEH - Behavioral cultural intelligence

The four contextual factors: Vision and strategy, expatriation and repatriation, corporate culture and core competences

Sojourner - An individual who conducts short work assignments abroad

Expatriate - An individual who conducts long-term work assignments abroad

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# **Part One – Introduction and Background**

## **1. Introduction**

Our thesis is relevant for small to medium-sized companies attempting to internationalize and Norwegian companies that are at an early stage in its internationalization process.

Furthermore, this thesis may be applicable to state departments and organizations whose mandate is to help small and medium-sized companies internationalize and expand into new and culturally distant markets.

The purpose of this thesis is to first measure the cultural intelligence (CQ) individually and collectively within a sample of 26 employees at the medium-sized, Norwegian oil and gas service company Petrolink. Second, the purpose of this thesis is to expand upon existing research completed by Earley and Ang (2003) and analyze four contextual factors which may influence CQ level within Petrolink. In our thesis we have selected the following four contextual factors: International vision and strategy, expatriation and repatriation routines, corporate culture and core competences. The reason for selecting these four contextual factors was due to our pre-conceived belief that these would affect cultural intelligence within a firm. These contextual factors are referred to as the four contextual factors throughout the thesis. The thesis differs from Early and Ang's (2003) work as we have analyzed CQ at a cumulative level. Furthermore, the original work of Early and Ang does not set out to explain how organizational factors may influence an organization's cumulative CQ score.

### **1.1. Structure**

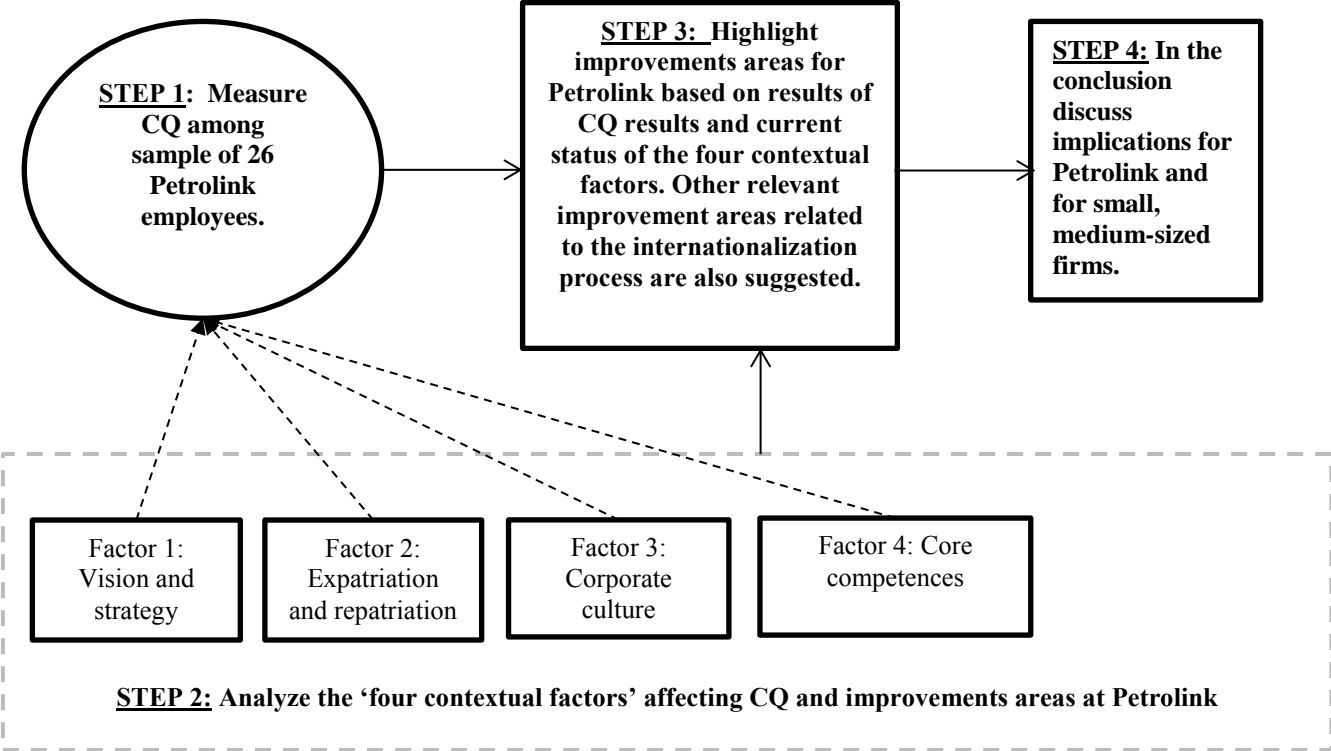
The thesis is divided into six different parts: First, the thesis will outline the theoretical concept and the increasing importance of CQ to an internationally oriented company. In the CQ theory section we also elaborate on other elements which affect the success of global work assignments (GWAs). Following the introduction of the theoretical concept of CQ, we then proceed with introducing the theory regarding the four contextual factors. Both CQ and the four contextual factors are introduced in the theory section, part two.



The theory presents several issues which are relevant to a firm attempting to internationalize. As Petrolink is in the early stages of internationalization, the goal of the theory is to present Petrolink with information and insight into common issues which may be beneficial for the company to know of as part of its future internationalization process.

We then continue with introducing the methodology of our study in part three. In the first section of part four, results, we present the findings regarding CQ within our sample of 26 Petrolink employees on a group and on an individual level. In the second section of part four we analyze the current status of the four contextual factors at Petrolink with the aid of 12 in-depth interviews and how they may affect CQ and Petrolink’s internationalization process. The interviews in part four also highlight elements which employees believe can be changed to improve the internationalization process at Petrolink.

Based on the results of the CQ within our sample and for each employee, as well as our analysis of the four contextual factors, we recommend several measures Petrolink can implement or improve upon in part five. The measures and improvements can be utilized to develop the CQ among employees and enhance the company’s internationalization process in general. In part six we summarize our most important findings, and highlight issues which are relevant to Petrolink’s future. The following figure depicts the purpose of this thesis:



## 1.2. Research Question

Based on the figure above, this thesis will address the following three research questions:

1. *What is the collective and individual cultural intelligence level (CQ) among Petrolink's employees?*
2. *How do the 'four contextual factors' impact the collective level of cultural intelligence within Petrolink?*
3. *Based on the 'four contextual factors' and result of the CQ analysis, what changes and policies can Petrolink implement to improve Petrolink's internationalization process?*

### Figure 1: Research Model

## 1.3. Background

In order to succeed on the international scene it is not sufficient to only have the necessary technical competences anymore. Instead, in many business situations a firm also needs to have the managerial competences of how to operate within culturally foreign markets due to the growth of globalization. Globalization is defined by Oxford Dictionaries as, *"the process by which businesses or other organizations develop international influence or start operating on an international scale,"* (Oxford Dictionaries, 2013). As a result, cultural awareness and the concept of cultural intelligence have grown in importance over the last years due to the increase of globalization and opening up of new, foreign markets. In a recently published article in Dagens Næringsliv (Kaspersen, 2013), Rina Sunder, an employee who works at the company EnteringIndia which specializes in aiding Norwegian firms to enter India, explains some of the challenges faced by Norwegians firms when expanding abroad;

*"Norwegians are very naive, with a direct approach and a lot of goodwill. An Indian tries to avoid conflict and never says no, because he always wants to help you. You have to be aware of these differences if you are going to conduct business in a country such as India. At the same time one has to have ethical guidelines, as corruption is a big*

*problem in India. Before you know it, you are on a slippery slope and heading downhill.*” – Rune Sunder, founder of EnteringIndia

For this thesis we have selected the Norwegian oil and gas service firm Petrolink. The company has and continues to operate successfully on the Norwegian continental shelf. However, the company is recognizing the need to engage in internationalization in order to expand its business. As part of the company’s internationalization, we have sought to measure Petrolink’s cultural intelligence by testing a sample of the company’s employees through the use of the self-assessment of CQ measurement by Linn Van Dyne and Soon Ang (2006). Thereafter, the results have been aggregated in order to gain insight into the overall CQ level within our sample as well as the CQ of each employee. In our thesis, we argue that the company’s CQ along with its technical competences creates a foundation for the future internationalization potential of Petrolink. There are, of course, several aspects to a firm’s internationalization potential. However, we claim that without the ability to operate across cultural borders the firm may struggle to fully use its technical competences in new and culturally distant markets.

The first of the four contextual factors, vision and strategy, creates a basis for creating action plans to make the firm and its employees able to operate internationally, as well as allocating resources to enable the company to expand and preparing employees for working abroad. We argue that a vision and strategy need to be communicated across the firm in order to be effective. Second, a company can use expatriation and repatriation as tools to improve the ability and cultural intelligence of workers needed to perform across different intercultural settings. Third, the corporate culture must have an international mindset and procedures which are aligned with and promotes internationalization. And finally, a company needs to have core competences that set them apart from their competitors in order to compete at home, but also core competences consisting of CQ and cultural awareness in order to effectively compete and operate in culturally distant markets. Without these, the technical competences of an individual and the firm cannot be used optimally in intercultural settings.

### **1.3.1. The Norwegian Oil and Gas Industry**

Since the discovery of the Ekofisk field by Conocophillips in 1969 the petroleum industry has played an essential role in the Norwegian economy, and the industry is an important part of Norway’s current and future wealth. In 2012, 21 percent of Norway’s GDP was created by the petroleum industry (Norwegian Petroleum Directorate, 2012). The increase in the price of oil

has led to a surge in the level of activity and investment on the Norwegian continental shelf in the last few years. In 2011, investments peaked at a record NOK 146.3 billion, including exploration activity. In 2012, investments increased to new record levels of NOK 172.5 billion, an increase of 18 percent from the previous peak (Takla, 2013). However, in the coming years there is expected to be a gradual decline in the extraction of oil. At the same time the production of gas is expected to increase (Norwegian Petroleum Directorate, 2012). As of 2012, it is estimated that 43 percent of total reserves have been extracted (Norwegian Petroleum Directorate, 2012). Nevertheless, the discovery of new fields and improvements in technology are continuously changing the amount of available reserves on the Norwegian continental shelf.

Oil producers and explorers from Norway have been renowned for their willingness to try out and adopt new technologies (Norwegian Petroleum Directorate, 2012). As a result, the Norwegian petroleum industry is at the technological forefront when it comes to fields of expertise such as deep-sea drilling, extraction and subsea technology (Rystad Energy 2012: 5). The technological expertise of Norwegian petroleum companies has resulted in high demand from international markets, thereby opening up new and profitable foreign markets for Norwegian companies (Rystad Energy 2012: 5). Mixed with a gradual decline in the rate of production on the Norwegian continental shelf, these two factors have resulted in a large percentage of Norwegian companies expanding into new international markets.

In the period 1995 to 2009, the Norwegian petroleum industry increased its international revenues substantially from NOK 15.5 billion in 1995 to NOK 118 billion in 2009 (Norwegian Petroleum Directorate, 2012). According to a study carried out by Rystad Energy (Rystad Energy 2012: 5), the Norwegian oil service companies have had a yearly growth of 16 percent in turnover from their international operations in the period from 2000 to 2011. In the same period, international turnover as a percentage of total turnover has increased from 29 percent in 2000 to 42 percent in 2011 (Rystad Energy 2012: 5). In light of this development and despite today's high oil prices, it has previously been stated by the Norwegian government and the industry that internationalization is an important part of the continuation of the Norwegian petroleum industry (Regjeringen, 2000).

The international market provides new and lucrative opportunities for the Norwegian petroleum industry and related services (Mellbye et al., 2012). However, natural resources exist in a wide variety of geographical locations, and consequently Norwegian firms often

need to expand their operations to culturally distant markets. For example, the Norwegian oil and gas company Statoil has operations in 35 different countries. Among them are countries such as Azerbaijan, Iran, Venezuela, China and Tanzania (Statoil, 2012). Similar to Statoil, Norwegian companies expanding abroad need to adjust to foreign governments, different geopolitical situations, different cultures and other issues which are different from those found at the home. Due to these issues, the risk of failing in international business is higher than in a safe and known home market. In order to address and tackle these issues, the technical competence of the firm is not the only relevant factor anymore; rather it is the collective competence of the firm to operate and develop in a foreign and culturally different setting.

### **1.3.2. Petrolink**

One of the Norwegian companies in the early stage of this internationalization process of the oil and gas industry is Petrolink. Petrolink was established in 1990 and is a Norwegian oil and gas service company with headquarters in Stavanger, Norway. Operating under the vision of, *“being a leading supplier of operations services to the oil & gas industry and other energy industries”* (Petrolink, 2013), Petrolink seeks to be the preferred choice for its customers. The company seeks to do so by being a; *“dynamic and flexible organization always ready to collaborate with our clients,”* (Petrolink, 2013). One of the other goals of the company is, *“...to be a preferred and long-term partner for our clients, achieved through outstanding performance exceeding expectations,”* (Petrolink AS, 2013: 5).

The main business areas in which Petrolink operates in consist of operating platforms, subsea installations, floating production units, onshore refineries and process plants including power plants and carbon-capture facilities. Additionally, Petrolink provides services related to selection, preparation for operations, operations support and emergency response services. The company’s clients are operating companies and asset owners in Norway and abroad. One of Petrolink’s major customers is Statoil (Petrolink AS, 2012). Today, Petrolink has a staff consisting of approximately 200 employees, and the majority of them are Norwegian nationals (Petrolink AS, 2013: 3). In the coming years Petrolink has expressed a goal to double its staff from 200 employees to 400 employees and further expand its international presence (Kvernberg, 2013).

In addition to its operations in Norway and on the Norwegian continental shelf, Petrolink’s international operations have included and/or continue to include the United States, Malaysia and Qatar. The company’s headquarters in Norway is supplemented with offices in Aberdeen,

Doha and Kuala Lumpur (Petrolink AS, 2013: 3). The employees performing the international operations are mainly host country nationals and third country nationals, although expatriation from headquarters has been used in the past (Kvernberg, 2013). At the same time, Norwegian nationals sent from headquarters have conducted most of the shorter business engagements in foreign markets.

Today, international operations account for approximately 10 percent of Petrolink's total revenues. The goal is to steadily increase this percentage in the coming years in order to diversify the company's business, increase business volume, and to sustain, develop and make use of existing customer relationships here in Norway in foreign markets (Kvernberg, 2013). Petrolink has recently secured a contract with Ghana Gas, where Petrolink will help to establish, maintain and operate onshore refineries and subsea installations (Nedrum, 2013). The plan is to employ 90 foreign engineers and technical personnel from countries such as India, Malaysia and China, with management and administrative services consisting of approximately 10 Norwegians who are initially onsite. With regards to the employees, Executive Vice President Rune Kvernberg has stated that Petrolink recruits first and foremost engineers and people with strong practical and technical capabilities (Kvernberg, 2013).

As Petrolink's international operations expand, the need to control these new endeavors may grow. Petrolink may be required to send employees from Stavanger abroad to train, lead and control its new international business entities in foreign cultures. Such a development will bring new challenges to Petrolink in terms of matching the organization's technical skills with the ability of its employees here in Norway to operate in foreign cultures.

In the next part we begin our theory section with the introduction of the concept of cultural intelligence, an important element in the future internationalization potential of Petrolink and similar firms who are attempting to expand onto the global market. Afterwards we present the four contextual factors affecting the cultural intelligence within Petrolink.

## Part Two - Theory

### 2. Cultural Intelligence

*“Consider the case of a tall American businessman who, during a recent trip to Japan, dined at a traditional restaurant. Upon entering, he bumped his head on the doorjamb. The next day, the same thing happened. It was only on the third time that he remembered to duck. People on international assignments hit their heads on doorjamb many times over the years. Eventually, they learn to duck to expect that the world abroad will be different from the one they had imagined. Hard experience has rearranged their mental maps or, at the very least, expanded the boundaries on their maps.”* (Black & Gregersen, 1999)

The term cultural intelligence (CQ) is a recently developed term, first introduced in 2003 by Earley and Ang in the book ‘Cultural Intelligence’. Cultural intelligence is: *“An individual’s capability to function and manage effectively in culturally diverse settings.”* (Ang et al, 2007: 336). The development of the CQ framework originates from the need to analyze how and why some individuals are more successful in their intercultural encounters than others. Cultural intelligence can be seen as a part of the broader cross-cultural awareness and competence an individual has, which in turn influences the success or failure of doing international business (Johnson et al., 2006). Cultural intelligence consists of three separate elements which comprise the total CQ an individual possesses.

Due to increased globalization and the need for firms to be culturally adaptable when expanding their business overseas, firms are emphasizing more and more the need for its employees to be able to integrate, cooperate and work with people from other cultures (Coleman & George, 2012). For many firms, preparing employees for overseas work often consists of providing culture specific knowledge (Earley & Peterson, 2004: 101). In many cases, culture specific training is inadequate as overseas assignments can be of long durations in culturally distant locations very different from home. For instance, anthropologist Geert Hofstede’s (2001) theoretical framework provides a country specific analysis with regards to five dimensions: Power distance, long-term orientation, individualism, uncertainty avoidance and masculinity (Hofstede, 2001).

Hofstede's and similar frameworks are often used to gain a preliminary understanding of a country or a region. Although useful in order to gain a basic understanding, the frameworks are generalizations of cultures, and employees who travel and work abroad may find themselves in intercultural contexts which are different from what is described in Hofstede's five forces framework.

Much of today's cross-cultural training tends to overemphasize the need to understand facts and generalizations about cultures (Earley & Peterson, 2004: 101). Furthermore, Hofstede's and similar work do not account for individual differences among a country's population and are predisposed to ecological fallacy (Earley & Mosakowski, 2004: 152). For example, people of one country have different opinions regarding politics and religion, and similarly individuals have different cultural preferences within a country. For instance, consider a businessman traveling abroad to China. He may have prepared himself by studying Hofstede, only to discover that there are large regional differences in how people perceive themselves and others depending on where in China they originate from (Eberhard, 1965). Also, in a study by Barry Gerhart and Meiyu Fang (2005), Hofstede's dimensions were proven to be better explained in terms of an organization's differences rather than country differences (Gerhart & Fang, 2005: 982).

Furthermore, existing frameworks such as Hofstede do not include the nature of the target culture, and the work to be completed based on intensity, duration of work assignment and the type of work to be completed. Therefore, these frameworks should primarily be used as a preliminary tool in order to gain insight into different cultures (Earley & Peterson, 2004: 101).

In order to address these limitations, the recently developed cultural intelligence framework by Earley and Ang (2003) provides an analysis of an individual's ability to adapt and function in culturally diverse environments independent of specific countries and cultures. CQ considers cultural, sociological and individual dynamics an individual is exposed to in cross-cultural settings (Van Dyne et al., 2009: 3).

### **2.1.1. The Concept of Intelligence**

Intelligence in the past has been focused on measuring the ability of a person to solve technical problems, and in that regard IQ has been the traditional measurement tool (Van



Dyne et al., 2009: 2). However, in recent years intelligence has expanded to include other definitions which include more daily life intelligence. For instance, social intelligence is defined as; “*the ability to manage and understand people,*” (Thorndike & Stein, 1937). Other intelligence types, such as emotional intelligence (Mayer et al., 2000) and practical intelligence (Sternberg, 1986) have also become more common.

Earley and Ang’s (2003) concept of cultural intelligence is based on the work of Sternberg’s and Detterman’s (Sternberg, 1986) framework to describe the intelligence a person possesses. In Sternberg’s and Detterman’s model there are four different types of intelligence: Metacognitive, cognitive, motivational and behavioral intelligence. The three first types of intelligence reside within an individual, while behavioral is an outward projection of the first three concepts of intelligence.

The following table describes the four types of intelligence by Sternberg and Detterman (1986):

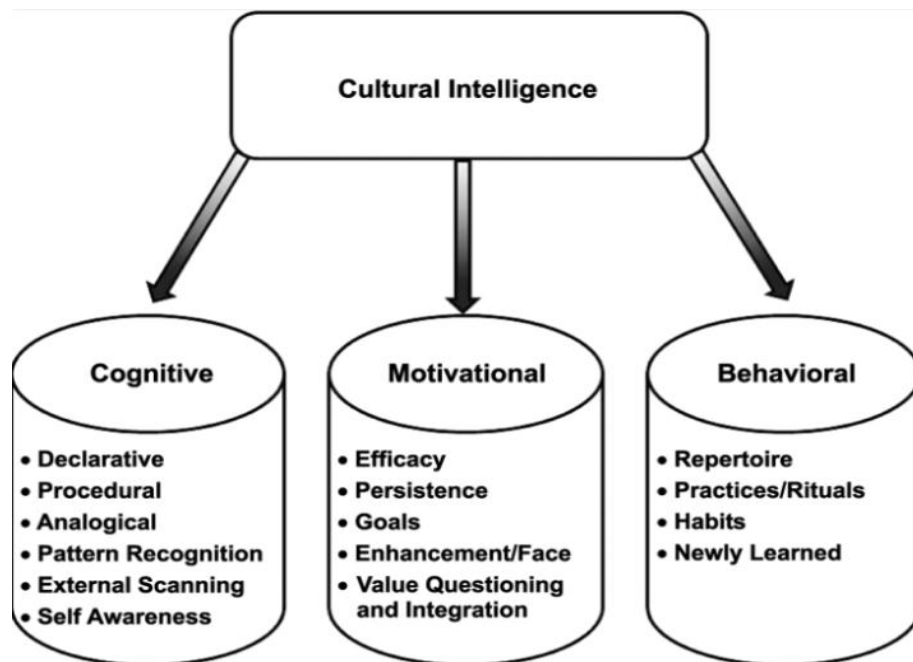
<b>Metacognitive</b>	Metacognitive intelligence is about having control of cognition; the processes an individual uses to find and understand available information (Ang et al., 2006: 105).
<b>Cognitive</b>	Cognitive intelligence refers to knowledge and processes of knowing oneself (Flavell, 1979).
<b>Motivational</b>	Motivational intelligence reflects the mental capacity to direct and sustain energy on a task or situation. Without motivation, a person’s cognitive or metacognitive abilities may not be activated (Ceci, 1996).
<b>Behavioral</b>	The behavioral dimension is an outward display of what a person thinks at a given time (Sternberg, 1986). It is the behavior that is produced based on the other three intelligence types above which the person possesses.

**Figure 2: The Four Types of Intelligence, Sternberg and Detterman (1986)**

### 2.1.2. The Four Types of Cultural Intelligence

Earley and Ang (2003) hypothesized cultural intelligence as comprising Sternberg’s and Detterman’s four intelligence dimensions described above. As a result, the four intelligence types are combined in a cultural setting to reflect a person’s overall CQ. The four dimensions

of cultural intelligence are shown in the following diagram. In the diagram, the metacognitive and cognitive dimensions are combined into the cognitive dimension at the bottom left. As one can see, the sum of the three CQ dimensions make up the total CQ of an individual:



**Figure 3: Facets of Cultural Intelligence, Early & Ang (2003: 67)**

#### **2.1.2.1. Metacognitive CQ**

The metacognitive aspect, which is part of an individual’s cognitive CQ, shows the mental processes that individuals use to obtain and understand cultural information. In essence it is the processes individuals use to acquire and understand cultural knowledge (Ang et al., 2006: 101). Metacognitive CQ is important for three reasons (Van Dyne et al., 2008: 17): First, it allows for active evaluation of people and circumstances which are culturally different. Second, it enables thinking about habits, assumptions and culturally bound thinking. Third, it allows people to update and redesign their mental maps with regards to different cultures based on new intercultural experiences.

Metacognitive CQ is important in order to develop new strategies and rituals that are acceptable in different cultures (Ang & Van Dyne, 2008: 5). For instance, a seasoned Norwegian business manager in China who has high metacognitive CQ will be aware of issues related to ‘face’ and hierarchy in China, and he will adjust his Norwegian behavior with regards to giving feedback to his Chinese subordinates.

#### **2.1.2.2. Cognitive CQ**

The cognitive cultural intelligence dimension reflects knowledge of the norms, practices and conventions in different cultures acquired through education and personal experiences (Ang et al., 2007: 338). It also includes self-awareness of one's own culture in relation to other cultures. Cognitive CQ provides the basic building blocks for understanding cultural differences and similarities. Examples of cognitive CQ include knowing about a country's economic situation, institutions and cultural norms. Hofstede's dimensions can also be considered part of a person's cognitive CQ (Hofstede, 2001). Cognitive cultural intelligence can be improved through travel guides, the Internet, TV, cultural seminars and international travel. The sum of metacognitive and cognitive CQ is cultural strategic thinking (CST) (Earley et al., 2006: 23).

#### **2.1.2.3. Cognitive and Metacognitive Training**

Cognitive training is the most basic CQ to develop in the sense that a worker can acquire information from sources such as books, lectures or documentaries about a culture. However, there are two facets pertaining to the cultural strategic thinking dimension; the cognitive and metacognitive dimension. In order to develop metacognitive competences, one needs to control his or her metacognitive regulation (Earley & Ang, 2003: 277). Regulation includes planning, monitoring and constant evaluation of one's actions in intercultural settings. For instance, evaluation reflects the ability of a worker to learn about one's own learning process (Earley & Ang, 2003: 278). In order to enhance and improve metacognitive CQ, self-evaluation and continues reflection of intercultural experiences are necessary.

In essence, metacognitive mapping is 'thinking about thinking'. Tools that can be used in this process are drawings of visual maps or developing visual models to reflect and visualize one's own metacognitive processes (Earley & Ang, 2003: 280). An example of metacognitive training can be keeping a diary to contemplate and evaluate intercultural interactions.

#### **2.1.2.4. Motivational CQ**

Motivational CQ reflects the ability to focus one's attention and energy towards learning about and functioning in culturally different situations (Ang et al., 2007: 338). Motivational CQ consists of two elements, namely self-efficacy and motivation.

Self-efficacy concern people's beliefs in their ability to mobilize motivation, cognitive resources and courses of action needed to exercise control over events in their lives (Wood & Bandura, 1989). Hence, self-efficacy can play an important role in how one approaches goals, tasks and challenges in a new cultural environment as individuals with high self-efficacy are better able to overcome cultural challenges. Both self-efficacy and motivation are important aspects of CQ as an individual requires the belief, determination and confidence that they can succeed in new cultural settings (Van Dyne et al., 2008: 17).

Motivation is a key aspect as new intercultural encounters often result in confusion and misunderstandings. Having high motivational CQ is important in overcoming these complex cultural challenges (Earley & Mosakowski, 2004: 155). Managers with high self-efficacy are confident in their cultural interactions and believe that they can cope with unfamiliar situations, complexity and uncertainty (Earley et al., 2006: 68-72). Likewise, people lacking self-efficacy may avoid engaging people from a new culture altogether even if he or she positively values other cultures. As such, a person lacking self-efficacy may have knowledge of working in a foreign environment but not use that knowledge to their advantage. With low self-efficacy, a person will give up more easily when confronted by setbacks, potentially affecting the success of an overseas assignment (Earley et al., 2006: 68-72).

#### ***2.1.2.5. Motivational Training***

There are several ways an employee can increase their motivational CQ. One strategy is goal setting. By setting specific goals for an overseas assignment or an intercultural encounter, self-efficacy is increased and it creates motivation to accomplish the goal (Earley & Ang, 2003: 283). The goals should be attainable, measurable and progression based. Ideally, the organization's vision and goals are closely linked with the worker's and the international assignment's purpose in order to enhance intrinsic motivation. Workers will assess and change their behavior to achieve these company goals based on their motivation, for instance by filling in knowledge gaps related to cultural differences in order for them to be able to complete their task. For example, a Norwegian traveling to Nigeria sets a goal to achieve a successful negotiation, as it is an important part of the firm's vision and strategy. In order to achieve the goal, the worker must know the does and don'ts of conducting business in Nigeria, their own thought patterns and continuously evaluate their performance throughout the negotiations. Through the process the sojourner will readjust their planning, mental

thought processes and behavior to successfully achieve the work assignment to the benefit of themselves and the firm.

Another element is work environment (Earley & Ang, 2003: 288, 303). In order to increase motivation for intercultural assignments, the work environment and corporate culture need to promote the sense that overseas work is important to the organization's vision and strategy of the future. If the organization downplays overseas work or employees have a negative attitude towards internationalization, workers will have less motivation to work internationally and spend less time and energy in preparing themselves for overseas work. Therefore, a strategy that can be used by organizations is to link international experience and completion of work assignments with individual goals of promotion within the firm, thereby creating a connection between individual success and successful completion of overseas assignments.

Summarized, there are essentially three areas to focus on to increase motivational CQ (Earley & Ang, 2003: 289):

1. Create a positive environment for cross-cultural interaction within the company
2. Strengthen the positive forces that drive a person to engage in intercultural work
3. Reduce the negative forces

Examples of the positive forces include:

1. Curiosity or explorative tendency among employees
2. Self-confidence and belief in one's own ability to succeed overseas
3. Clear strategic goals and objectives for overseas work

At the same time, negative forces include:

1. Dissonance among belief and attitudes
2. Negative attitudes, such as prejudice, discrimination, stereotyping and xenophobia of other cultures
3. Fear or resistance to change

Self-confidence can be achieved by gradually engaging oneself with other cultures. Short duration trips in informal settings where the worker has limited downside potential can be a

useful strategy to increase CQ. In the future, the worker may have increased their CQ and is more capable of working with assignments of longer duration, intensity and formality such as long-term expatriation assignments in distant cultures. A gradual exposure to work overseas can also reduce the need for more formal training, thereby reducing the costs associated with cultural education programs. Therefore, international travel and expatriation should be seen as important elements in increasing a person's CQ and increasing the overall CQ level within the firm (Crowne, 2008). Also, workers must be aware of the potential problems they will encounter and how they compare to their own attitudes. Aligning a person's personal goals with the successfulness of the work and the organization's vision and goals can create an incentive to change a person's attitudes (Earley & Ang, 2003: 295). Finally, extrinsic motivation in the form of tangible benefits (such as increased pay) can increase curiosity and exploratory tendencies and help motivate employees for intercultural assignments (Van Dyne et al., 2009: 5).

#### **2.1.2.6. Behavioral CQ**

Behavioral CQ relates to people's ability to use verbal and nonverbal cues when interacting with people of different cultures (Ang et al., 2007: 338). Behavioral CQ is the outward display of people's knowledge and abilities, and it creates the basis of how people evaluate each other in an intercultural setting.

Edward Hall, an American cultural anthropologist, discovered that even though servicemen had a benefit of knowing basic knowledge of countries it did not sufficiently prepare them for intercultural encounters (Earley et al., 2006: 82-83). Instead, Hall directed his training to focus on the behavioral aspect of various cultures; greetings, farewells, small talk and what to do during social events (Earley et al., 2006: 83). Hall realized that the behavioral element is more important as behavior is the outward projection that is visible to a foreign party, not a person's hidden thoughts.

Individuals with high behavioral CQ use culturally acceptable and adapted behavior concerning words, tone, gestures and facial expressions (Gudykunst & Ting-Toomey, 1988). Therefore, a person with high behavioral CQ knows of a wide range of verbal and nonverbal behavior, and alters their own behavior based on different cultural environments (Earley & Ang, 2003: 191). For example, a preference with regards to distance between people is a non-verbal behavior that varies across different cultures. Contact cultures such as Greece, Italy and Latin-American countries prefer distances that are closer, while North Americans,

Scandinavians and Englishmen prefer more space between themselves and their counterpart (Ting-Toomey, 1999: 129). Another example is time; monochronic time cultures view 'time as money' and value punctuality. Showing up a few minutes late is considered disrespectful and creates a negative perception of the person. On the other hand, in polychronic time cultures, which emphasize relationships, the concept of time is more flexible and less precise (Earley et al., 2006: 94-95). Understanding the intricacies of presenting and exchanging business cards in Asia is another example of having behavioral CQ (Van Dyne et al., 2009: 8). Displaying knowledge of these and other examples and adapting one's behavior in an intercultural correct way are important in creating a positive representation. Ultimately, effective cultural adaption could make the difference between a successful and unsuccessful business encounter, potentially affecting the bottom line of the firm.

#### ***2.1.2.7. Behavioral Training***

The last type of cultural intelligence, behavioral CQ, is first and foremost increased by dramaturgy. Role-plays, performing and visual arts are all viable hands on approach methods used to improve behavioral CQ (Earley & Ang, 2003: 302). Although the use of dramaturgy can be demanding on the participants involved, it is a valuable learning experience where participants can use pre-existing knowledge and individual motivation in a controlled learning environment. An example of behavioral training is to create mock cultural encounters to study how well a worker adjusts to the immediate context (Earley & Ang, 2003: 311-312). Debriefing and assessment of the sessions will positively affect an individual's CQ, as it helps workers to evaluate and readjust their own mental maps (metacognitive CQ).

Knowing oneself and your own culture is important when communicating in other cultures where for example less emphasis is placed on the spoken word (Earley et al., 2006: 97). Learning the foreign language or a few phrases will also increase your behavioral CQ as people value the commitment by other people to understand more about their culture. Another strategy is to observe body language and use mimicry; adjusting your own behavior to your counterpart. Mimicry results in generally positive effects in a social encounter. Nevertheless, taken to the extreme mimicry can be interpreted as mockery (Earley & Ang, 2003: 84).

Summarized, there are three CQ dimensions which create cultural intelligence, namely cognitive (CST), motivational (MOT) and behavioral (BEH). We have elaborated on the fact that an individual will have to possess knowledge about the norms, values and practices (cognitive dimension) of cultures, the motivation to utilize that knowledge as well as the

behavioral repertoire to use the knowledge and conduct oneself in a manner deemed appropriate within a given culture. CQ is also about continuously updating and creating new mental maps of how to operate within cultures based on accumulated experience (metacognitive dimension).

In the next part we will discuss cultural intelligence and how it can be applied by an organization.

### **2.1.3. Applying Cultural Intelligence to an Organization**

Feedback and self-evaluations are important in improving intercultural effectiveness within an organization (Paige & Martin, 1996). Analyses of current levels of CQ can provide a basis for whether an organization should take steps to improve CQ as part of their international vision and internationalization strategy. In order to recognize the CQ of an individual, the three dimensions of cultural intelligence can be quantified and added up to create an individual CQ score to assess total CQ of that person. The self-assessment is the first step in improving a person's and an organization's overall CQ.

The tool that is often used in this evaluation process is the cultural intelligence score (CQS) (Ang et al., 2008). On a personal level, the CQS is an individual tool for self-improvement for employees who work or plan to work with intercultural assignments. The framework can be used to identify individuals within an organization who have particular high CQ, and therefore more likely to succeed with intercultural assignments (Van Dyne et al., 2008: 35). Similarly, the framework can be used to evaluate who would better fit culturally homogeneous assignments or individuals who need additional cultural training in order to increase their probability of success in intercultural work settings.

According to the study, a person is ranked on a scale according to their CQ. For example, an employee scoring low on all the three dimensions of CQ is characterized as 'The Local', meaning that the person can still be very effective in a homogenous, domestic working environment due to their other competences, but complications may arise if the person is required to work with people of different cultural backgrounds (Earley & Mosakowski, 2004: 155). On the other side of the scale is 'The Cultural Chameleon', an individual with high motivation, knowledge and capability to work with people of different cultural backgrounds (Earley & Mosakowski, 2004: 156).



In 2007, a study by Ang et al. (2007) was conducted to cross reference CQ against cultural adaptability and performance. The study examined the four cultural intelligence dimensions in relation to cultural judgment and decision-making, cultural adaptation and task performance in culturally diverse settings. The study's results indicate that the scores of metacognitive CQ and cognitive CQ predict cultural judgment and decision-making. Also, motivational CQ and behavioral CQ predict cultural adaptation. Metacognitive CQ and behavioral CQ positively impact task performance (Ang et al., 2007: 365). The study provides empirical evidence of the correlation between CQ and intercultural work performance. Another study by Imai and Gelfand (2010) concluded that CQ has a direct impact on the success of intercultural negotiations (Imai & Gelfand, 2010: 13).

#### **2.1.4. Increasing Cultural Intelligence in an Organization**

As discussed earlier, the most common approach to cultural training is based on cognitive training; acquiring information about a culture with the aid of lectures, education videos, PowerPoint presentations, books and et cetera. Many of the organizations who have cultural training spend the majority of their time and resources trying to increase their employees cognitive CQ by providing facts and general knowledge about one specific country. In that sense, cognitive training is relatively easy to accomplish and does not require substantial investment and resources. However, cognitive training does not prepare workers sufficiently with regards to their meta-competences, behavior and motivational CQ, which are also part of a person's total CQ (Earley & Ang, 2003: 268).

Behavioral training is important in developing CQ. Training must focus on using cognitive knowledge and developing a behavioral repertoire that one can use in different intercultural contexts (Earley & Ang, 2003: 271). Training should also be customized to the different needs of employees: Some individuals may have a high degree of cognitive CQ, while at the same time have problems using their knowledge (for instance due to a lack of motivational CQ). Furthermore, not all employees require cultural training as their work may limit them from working abroad or their individual preference is to only work at home.

Duration of overseas work assignments and intensity also affect the requirements of the training regime (Earley & Ang, 2003: 271). Intensity is defined as, "*the frequency of contact between one or more foreigners.*" Duration is known as, "*the length of time a person is in contact with a foreign culture,*" (Earley & Ang, 2003: 272). Longer duration and higher intensity work create a stronger need for more advanced training.

Nature of duration pertains to whether the interaction is for leisure or work. Furthermore, training regimes also need to include differences in cultural distance: The greater the cultural distance from the home culture, the higher the need for a more in-depth and inclusive cultural training program (Tung, 1998: 31).

Summarized, intercultural training programs need to be customized to the various needs of the overseas assignment and the needs of the employee. Earley and Ang (2003) have created a structure of CQ training levels according to these dimensions. The structure is located in Appendix I (Earley & Ang, 2003: 273).

### **2.1.5. Cultural Intelligence and Global Work Assignments**

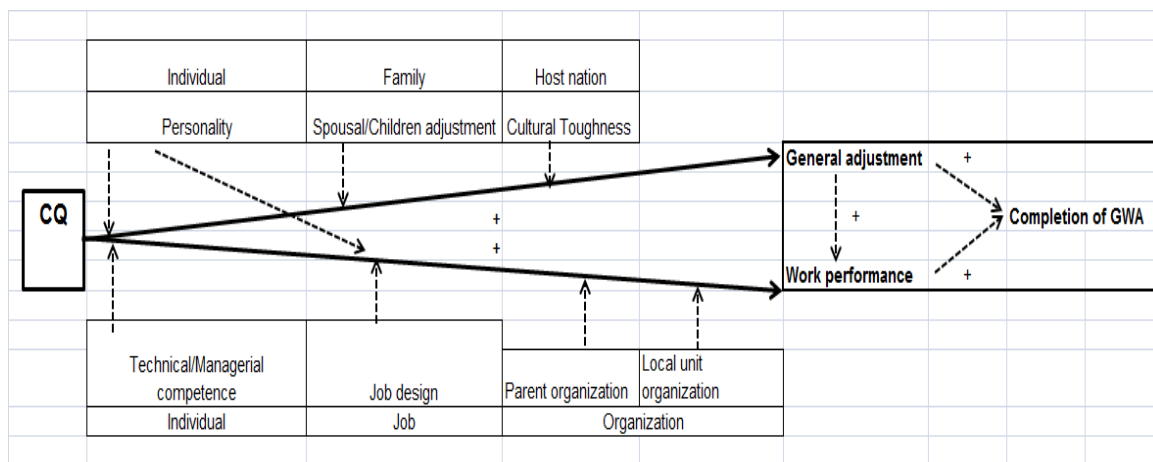
Global work assignments (GWAs) are completed by individuals who are sent by their firm to other countries on a work assignment as an expatriate or a sojourner (Earley & Ang, 2003: 211). GWAs can have different durations, intensity and formality.

The fundamental question for many companies is how they can succeed with their internationalization process. Earley & Ang (2003) argue that a person with a higher level of CQ is more likely to succeed with GWAs: High CQ enables a person to more effectively establish social networks, have a higher motivation to handle intercultural assignments, seek out referent groups (people of their same nationality) to reduce culture shock, adaptation to local policies, procedures and et cetera (Earley & Ang, 2003: 217). Therefore, high CQ personnel should be prioritized when a company is sending its employees to work abroad in culturally different settings.

Meanwhile, the authors argue that there are a wide range of other issues which affect the success rate of GWAs, such as personality of the expatriate/sojourner, family, cultural novelty and toughness, ability to perform (technical competences), job design and readjustment. Therefore, even though CQ and personality are important elements of cultural adjustment and work performance, companies must also take into consideration other issues affecting the success rate and implement policies which focus on these issues as well. For example, regardless of the amount of CQ a person has, a country's cultural distance from the home market may be the primary factor determining success of the GWA. If the cultural distance is too great the company may need to reevaluate their international vision and strategy as the

firm does not have the knowledge and experience required to overcome the cultural challenges.

Even though CQ is an important success factor when traveling and working abroad, there are other elements which may affect the success of intercultural assignments. Consequently, CQ should not be used as a sole indicator to guarantee success of an individual in an intercultural environment. The following diagram provides an overview of the various factors which may affect the success of overseas assignments. One of these factors is the personality of the individual in relation to CQ.



**Figure 4: Multi-level of CQ and Success in GWAs (Early & Ang, 2003)**

### 2.1.6. Cultural Intelligence and Personality Traits

The development and level of CQ can also be related to various personality traits. In a study conducted by Ang et al., (2006), the dimensions of CQ were statistically linked to personality traits among the participants. Hierarchical regression analysis was used to determine which of the Big Five personality traits (Digman, 1990) were linked to each dimension of CQ among business graduates. The Big Five personality traits are conscientiousness (1), agreeableness (2), extraversion (3), openness (4) and neuroticism (5). The study concludes that there are positive correlations between the first four personality traits and CQ.

In the study there were several findings. A positive connection was discovered between conscientiousness and metacognitive CQ. Agreeableness and emotional stability were associated with behavioral CQ and extraversion was associated with cognitive CQ, motivational CQ and behavioral CQ. Finally, openness as a personality trait was correlated with all four factors of CQ. The results are relevant in the sense that individuals with different

personality traits may have different capabilities to acquire and maintain CQ, which in turn affect intercultural work performance. Also, as CQ is linked to personality, there are limits as to how a firm can increase CQ among its employees without altering its recruitment process. As a result, the study provides a basis for hiring and selecting individuals who have the right personality suited to succeed with intercultural work assignments.

### **2.1.7. Cultural Diversity and Toughness**

One of the other important factors determining success of GWAs is cultural toughness. Cultural toughness can be described as the difficulty in adjusting to new cultures that are in various degrees different in terms of, among other issues; cultural norms, institutions, economy, values and beliefs between a sojourner's or expatriate's home culture and a foreign culture (Mendenhall & Oddou, 1985: 44). For example, the cultural toughness is higher for an ethnic Norwegian on a work assignment in an African country or the Middle East compared to a western country such as the United States, Canada or New Zealand. However, broad generalizations of cultures should be avoided due to ecological fallacy discussed earlier.

The ability to overcome cultural toughness is influenced by the level of CQ: A person with a low level of CQ will be further negatively impacted by cultural toughness, while a person with high CQ will be better able to handle the novelty and toughness of the situation (Earley & Ang, 2003: 222).

### **2.1.8. Technical competences**

Technical competences are important as they reflect a worker's ability to perform his or her assignment and deliver a product to its specifications. However, new markets may require additional expertise as well as compliance to new and different work rules and regulations from the home market (Earley & Ang, 2003: 224). Furthermore, overseas assignments are rarely done alone and require a certain amount of intercultural interaction among locals in order to do business. Accordingly, CQ is important in both these regards as it places a need for individuals to both be aware of and handle technical and cultural differences in order to complete their GWA.

### **2.1.9. Adjustment**

CQ will have an impact on the ability of workers to readjust to their home country. High CQ can make the transition from a foreign country and back to the home country after the work assignment has been completed less challenging.

Many of the same issues which are relevant when working abroad are relevant when returning home as workers have grown accustomed to being an integrated part of a foreign culture different from the home culture. For longer overseas assignments, returning home may result in coming home to a country where the economy, costs of living, transportation system, crime rate and other factors have changed (Earley & Ang, 2003: 231). Workers may be surprised by new organizational changes at the home office, such as new managers, departure of colleagues or reorganizations within the firm. High CQ personnel will be better able to handle this readjustment similarly to their adjustment to a new foreign culture.

Summarized, figure 4 above depicts CQ and several other elements which impact the general adjustment and work performance of an employee regarding success of GWAs. As such, several factors including CQ are relevant when trying to achieve higher completion of GWAs. Accordingly, a person with high CQ is not guaranteed to be successful abroad. Likewise, a person with low CQ may be successful (Earley & Ang, 2003: 211). The points discussed above are a few of the factors which are illustrated in figure 4.

Ultimately, a company will need to facilitate and improve on the issues they can control in order to achieve a higher success rate of GWAs. These issues are job design and ensuring that individuals have managerial and the necessary technical competences to complete their jobs. Furthermore, the organizational approach concerning expatriation and views regarding internationalization are important. Organizational culture, parent organization strategy and human resource strategy can impact the link between CQ and work performance of an expatriate (Earley & Ang, 2003: 226). Also, careful selection of individuals to conduct GWAs should be based on an evaluation of the personality of the employee, CQ and family/spouse adjustment. Finally, cultural toughness affects the success of GWAs, which is not possible for a company to control except for selecting markets which are culturally similar to their own.

### **2.1.10. Summary of CQ**

Cultural intelligence is a newly developed theory to describe the ability of an individual to work and perform across intercultural settings. CQ is becoming more important due to globalization and opening up of previously inaccessible markets.

The concept of CQ comprises three distinct types of cultural intelligence: Cognitive (CST), motivational (MOT) and behavioral CQ (BEH). The sum of the three dimensions can be quantitatively measured and comprise the total CQ an individual possesses. Actions to increase CQ can be completed both individually and on a group wide level for each CQ dimension.

For many companies seeking to develop its employees' cultural understanding, preparation often involves teaching employees specific country facts. Although useful in many circumstances, the specific does and don'ts of one culture cannot be used when workers travel to a completely different culture. The cultural intelligence concept seeks to mitigate this limitation of existing frameworks as an individual's CQ is the ability of the worker to perform across many different types of countries and cultures. As such, even though CQ comprises general knowledge about cultures through its cognitive dimension, it also reflects the motivation and behavioral flexibility of one person to change their behavior across a wide variety of cultures. Such abilities can be important for a firm in order to develop, maintain and successfully complete GWAs in different cultures.

Even though CQ can be considered an important factor in intercultural work success, there are other factors which are important to consider as well. Moreover, even though an employee may possess low CQ, the success of a GWA is also dependent on the duration, intensity and formality of a GWA. Longer duration assignments and high interaction with locals require higher CQ; likewise, short assignments with little or no interaction do not require a high level of CQ.

Cultural intelligence is only one part determining the potential success of GWAs. The other factors impacting the success of GWAs discussed above are contextual factors, which also have an impact on the completion of GWAs. In the next section we present the theory of 'the four contextual factors', and how these impact the overall level of collective CQ at Petrolink or any given firm. We begin our discussion of the four contextual factors by presenting the theory of vision and strategy.

## **2.2. The Four Contextual Factors**

### **2.2.1. Vision and Strategy**

In figure 1 we argue that the degree of CQ at the firm level is shaped and conditioned by four contextual factors. In this chapter we will argue that having a strategy and a vision are important tools in order to create plans to internationalize a company as well as allocating resources to enable the company to expand from its home market. In many ways, having a clear vision and strategy for internationalization are necessary fundamentals when expanding onto the world market.

#### ***2.2.1.1. Company Vision***

An enterprise's vision is closely linked to its strategy. A vision is the image that a company must have of its aims and goals before it sets out to reach them (The Economist, 2009). Collins and Porras (1996) define vision as: "*A vision provides guidance about what core to preserve and what future to stimulate progress toward.*" (Collins & Porras, 1996: 66). A vision is the dream of a company, and it should create a sense of awe, inspiration and sense of purpose among employees (Collins & Porras, 1996: 73). Establishing direction, a vision, motivation and commitment for change is the job of the leadership of an organization (Kotter, 1996: 8).

A vision captures what a company stands for and why it exists (Collins & Porras, 1996: 73). As a result, a company develops strategies in order to fulfill its vision of the future, while at the same time preserving business activities. For instance, the vision of a company may be to provide unchallenged worldwide services. In order to achieve that vision, the company needs several strategies to accomplish goals which bring the company closer to its desired vision.

#### ***2.2.1.2. Company Strategy***

The definition of strategy originates from the definition given by Chandler (1962): "*Strategy is the determination of the basic long-term goals of an enterprise and the adoption of courses of actions and the allocation of resources necessary to carry out these goals.*" According to Hax and Majluf (1988), a strategy has several functions within a company. A strategy determines and reveals the organizational purpose in terms of long-term objectives, action

programs and resource allocation priorities. It is also a tool through which a company can assert its current operations and status, and at the same time create an ability to adapt to changing market situations (Hax and Majluf, 1988: 102). As such, a company that seeks to become more international needs to have strategies which focus on that goal.

The concept of strategy can be used to define future goals and objectives. Newman and Logan (1971: 70) define strategies as: “*Strategies are forward-looking plans that anticipate change and initiate actions to take advantage of opportunities that are integrated into the concept or mission of the company.*” A strategy should be based on the past history of a company, and at the same time be forward looking (Hax and Majluf, 1988: 106). As such, a company needs to develop strategies for internationalization in order to acquire work opportunities outside its domestic market and commit its resources towards that objective.

### **2.2.1.3. Vision, Strategy and Cultural Intelligence**

As discussed above, one of the key elements of a vision is to create a sense of commitment and purpose among employees for a future state of the company. Without an appropriate vision, a transformation effort can dissolve into confusing, incompatible, and time-consuming projects that go in the wrong direction or nowhere at all (Kotter, 1996: 3).

Based on the vision, strategies are needed in order for a company to go from point A to B, for example in order for a company to transition from domestic operations to international operations. In order to facilitate the move, having a clearly communicated vision and strategies rooted in the organization are important (Kotter, 1996: 3). Change or restructuring of a company will not work unless the individuals who have an interest in the company’s well-being, such as employees, customers and owners, believe in a clearly communicated vision that appeal to them (Kotter, 1996: 16).

Expanding business overseas requires significant changes to current administrative practices, as well as new competences needed to perform successfully in new cultures such as CQ. Therefore, without a vision and strategies which create the basis for a change towards overseas expansion, the firm’s resources, as well as the motivation and commitment among the employees within an organization may be limited to enable the expansion. As a result, the lack of an international vision and strategies to achieve the desired vision may affect the change of organizational routines and systems that currently undermine internationalization,



the change of corporate culture and allocation of resources to increase internationalization (such as cultural training to increase CQ). Similarly, the positive forces concerning the general commitment and motivation among employees within the firm to partake in the internationalization process may be limited due to the lack of an international vision and strategy (Earley & Ang, 2003: 289). In that way, we argue that having a vision and corresponding strategies are the necessary building blocks needed to make necessary changes to existing practices in order for the company to internationalize and increase CQ.

In the following section we continue our presentation of the four contextual factors with the introduction of expatriation and repatriation and their impact on the overall CQ in a firm.

## **2.2.2. Expatriation and Repatriation**

*“McKinsey research shows that most companies have identified rich opportunities created by the globalization of markets, the opening of formerly closed economies, the ability to arbitrage differences in skill and productivity from one region to another and ready access to a vast pool of capital. But companies also recognize that as long as they do not have enough talent, their reach will continue to exceed their grasp of these opportunities”* (Hsieh et al., 1999: 71)

### **2.2.2.1. Background of Expatriation**

The Oxford English dictionary defines expatriation as, *“of, pertaining to, or being an expatriate; living in a foreign country especially by choice”* (Oxford English Dictionary, 2013). For a company, expatriation is the use of employees to staff positions in foreign countries, whereby the employee chooses to live in a foreign culture.

As the importance of international business and the trend of globalization have become more evident, the role of expatriation has become a key issue for organizations and companies attempting to conquer international markets (Brewster & Scullion, 2001: 346). According to a study carried out by the Brookfield Global Relocation Services (2011), 43 percent of the companies surveyed reported an increase in the number of international assignees for 2010. More importantly, the growth in the number of expatriates and increased focus on international business has come at a time when businesses worldwide are under increasing cost pressure (Brewster and Scullion, 2001: 346). As a result, the task of minimizing the risk and lowering the cost of failed expatriation assignments have become critical elements of

organizations aspiring to succeed on the international stage. In that sense, CQ evaluations and steps to increase CQ may help businesses reduce their failure rate and increase their effectiveness abroad.

#### **2.2.2.2. *The Three Factors of Expatriation***

According to Gooderham and Nordhaug (2003: 297), there are three functions of expatriation. These functions are; position filling, organizational development and management development.

##### **2.2.2.2.1. Position Filling**

Position filling, according to Edström and Galbraith (1977: 252), is the use of expatriates when qualified local individuals are not available or easily trained. Furthermore, Gooderham and Nordhaug (2003: 297) state that position filling is primarily used in countries where the home country nationals are not qualified to carry out the work. Position filling is also used to ensure the safe transfer of know-how to the host country or host country managers through training and development (Gooderham & Nordhaug, 2003: 297).

##### **2.2.2.2.2. Organizational Development**

Secondly, expatriation can be used to spread the organizational culture at headquarters. Cultural implementation can be accomplished through the use of expatriates who have knowledge and firsthand experience working within the organizational culture. If the firm's objective is to develop a homogenous organizational culture across national borders, it is common to use expatriation as a tool for organizational development. Gooderham and Nordhaug (2003: 297) emphasize that expatriation can be used as a tool to ensure the dissemination of the firm's culture. Edström and Galbraith (1977: 255) argue that a firm can use the dissemination of a homogenous organizational culture approach to build commitment to the organization as a whole. The result being that the home culture will be deemphasized, while an integrated organizational culture across the whole company will play the dominant role. Another reason to use expatriation as a tool for organizational development is to ensure that practices, policies and philosophies follow the same standards set out by corporate headquarters.

##### **2.2.2.2.3. Management Development**

The third function of expatriation, management development, is to develop managers by giving them a feel and understanding for international business (Gooderham & Nordhaug, 2003: 297). If we are to believe former General Electric CEO Jack Welch, the importance of

executives and managers with international experience will become more important in the future:

*"The Jack Welch of the future cannot be like me. I spent my entire career in the United States. The next head of General Electric will be somebody who spent time in Bombay, in Hong Kong, in Buenos Aires. We have to send our best and brightest overseas and make sure they have the training that will allow them to be the global leaders who will make General Electric flourish in the future."* (Black and Gregersen, 1999: 56).

A positional role at headquarters with a few short business trips will not be sufficient to build a global perspective for business or develop an understanding of the role cultural differences play in a business environment (Black & Gregersen, 1999: 56). The experience of working abroad exposes employees to different value systems, languages, and institutional environments, and the experience will instill new ways of learning and responding to stimuli because of sociocultural differences that they experience (Lovvorn & Chen, 2011: 277). Furthermore, putting oneself in the shoes of other cultures can develop a healthy criticism of the norms of one's own culture and an open mindedness to see how other cultures solve work assignments (Triandis, 2006: 22).

The three functions of expatriation can overlap and international experience and managerial development will be present in both the position filling and organizational development functions.

#### **2.2.2.3. *Expatriation and Cultural Intelligence***

Many companies make the mistake of selecting their expatriates solely based on their technical competence (Black & Gregersen, 1999: 57). These individuals may be highly competent in their job at home, but often fail when they work abroad. Hsieh, Lavoie and Samek (1999: 76) argue that the cross-cultural awareness and personal skills required to succeed abroad are of such an importance that when a candidate displays these characteristics the employee should be given the necessary technical competence in order to qualify them for GWAs. As Black and Gregersen (1999: 54) have stated, companies that use expatriation should not select the expatriate in the belief that he or she will succeed based on earlier accomplishments at home, but rather because the employee has stated that he or she would be comfortable, able and willing to work in a different cultural setting.

CQ and expatriation are two parts of internationalization which are connected. CQ enables expatriation and shorter work assignments along with a person's other competences and technical skills. At the same time, expatriation and international work are important elements in developing CQ and fostering a global mindset among the firm's employees. According to Ming, Mobley and Kelly (Ming et al., 2013: 34), expatriates develop complex mental frameworks that help them form strategies of interacting with people of other cultures, thus increasing and developing metacognitive CQ. Furthermore, the authors argue that expatriates learn about different economic, legal and social systems (cognitive CQ). Additionally, individuals develop confidence and efficiency through international experience as new information and experiences are acquired, thereby developing motivational CQ (Gist & Mitchell, 1992). Also, Mobley and Kelly have discovered that the length of overseas work experience is positively correlated with the level of CQ, and that the longer one is engaged in a different culture, the higher CQ score an individual develops (Ming et al., 2013: 42).

International experience promotes CQ (Ng, 2011), expatriate adjustment (Selmer, 2002) and global leadership (Caligiuri & Santo, 2001). Simply put: In order to learn to 'play away from home', a company must take the risk of playing away from home by engaging foreign markets and sending their employees on expatriate assignments in different cultures in order to develop CQ.

#### ***2.2.2.4. Risk and Cost of Expatriation***

The fact that expatriation results in employees having to work in countries and cultures they may not be familiar with carries risk to the success of expatriate assignments (Mervosh & McClenahan, 1997: 69). Hsieh et al. (1999: 72) have found that failure rates for expatriation assignments can run up to 70 percent for a single company and on average 15 to 25 percent.

Another aspect concerning expatriation is that organizations experience successful expatriates leave for other work opportunities when returning home, thereby taking with them valuable international experience. Black and Gregersen (1999: 53) found that up to 25 percent of returning expatriates who finished their assignment left the company within the first year of their return, often to join competitors. The main reasons for why expatriates leave have been stated as; still filling temporary assignments months after their return, a feeling that the permanent position upon return was a demotion and a lack of opportunity to put the foreign

experience to use (Black & Gregersen, 1999: 60). Consequently, such disruptions in personnel add to the difficulty in retaining knowledge of international operations and valuable CQ within the organization.

Additionally, there are several indirect costs a failed expatriation assignment may carry, such as; damage to the company's reputation and the loss of confidence among customers and suppliers (Gooderham & Nordhaug, 2003: 308-309). The employee may also suffer a loss of self-confidence, discouraging employees from future expatriation assignments. In addition, a failed expatriate assignment does not increase the attractiveness of expatriate assignments at a firm (Gooderham & Nordhaug: 309). In that sense, failed expatriate assignments can increase the negative forces associated with motivational CQ presented earlier (Earley & Ang, 2003: 289).

There are several reasons as to why an expatriate assignment may fail. However, the major reasons concern the failure to adapt to the new culture. The failure to adapt to the foreign environment is stated as the number one cause of failed expatriate assignments (Mervosh & McClenahenhas, 1997: 69), while Gooderham and Nordhaug (2003: 308) state the inability of the spouse to adjust to the new situation as the number one reason for failure. The fact that there is also a substantial cost element involved adds further risk to using expatriation.

According to Black and Gregersen (1999: 53), an expatriate costs two or three times as much as they would in an equivalent position in their home country. According to Hsieh et al. (1999: 73): "*Colgate-Palmolive estimates that expatriate managers cost 50 percent more than their US counterparts even in relatively cheap areas, such as Latin-America, and as much as 300 percent more elsewhere.*" Mervosh and McClenahenhas (1997: 69) found the cost of a failed expatriation assignment to cost between \$250,000 and \$1.2 million. The preparation, evaluation and careful selection of qualified employees for expatriation assignments have an added significance to a company due to the significant costs involved.

#### **2.2.2.5. *Selecting the Right Expatriate***

As internationalization is becoming more important for businesses, so has the importance of having a well-managed expatriation program. Accordingly, companies that manage the expatriation process well do so by staffing foreign posts based on two interconnected reasons; to generate and transfer knowledge and to develop the global leadership skills of the

employees sent on expatriation assignments (Black & Gregersen, 1999: 54). In other words, organizations are attempting to exploit both the organizational development and managerial development functions of expatriation described above. Both the company and the expatriate must be clear about the fact that the expatriation assignment is carried out not only to cover a business need, but also to spread knowledge to the local office and to develop the managerial skills of the employee.

In order to achieve mutual learning across cultural boundaries, Black and Gregersen (1999: 54) highlight that in selecting the right employee for an expatriation assignment the employee's cross-cultural understanding and CQ is just as, if not more important, than his or her technical competences. Caligiuri et al. (2009: 252) supplement Black and Gregersen's view by stating that: "*International assignment selection attempts to take a group of 'qualified individuals' and determine who can effectively deal with the challenges inherent in working with individuals, groups, and organizations that may approach work in a very different way.*" Gooderham and Nordhaug (2003: 305) argue that most companies have in fact failed to take into account whether expatriation candidates have the necessary degree of cross-cultural awareness, openness to foreigners, and interpersonal skills required to successfully complete an expatriation assignment. In fact, research shows that the big five personality traits discussed under cultural intelligence are characteristics commonly found in expatriates who succeed with their expatriation assignments (Caligiuri & Tarique, 2005: 323). The reason why the big five personality traits can act as an important selection criteria for expatriates is because these personality traits enable the expatriate to; "*be open, and receptive to learning the norms of new cultures, to initiate contact with host nationals, to gather cultural information and to handle the higher amounts of stress associated with the ambiguity of their new environments,*" (Caligiuri & Tarique, 2005: 323).

A central aspect in selecting a qualified employee for expatriation assignments is, in fact, self-selection. When a potential candidate wishes to be selected for an expatriate assignment he or she has accepted the fact that the assignment will affect the family and social and working life by moving abroad. In a self-selection process the candidate is also aware of the personal characteristics needed to succeed abroad, and through self-selection has the motivation and willingness to succeed overseas, which is, as described above, an important factor in the selection of the right expatriate (Caligiuri & Tarique, 2005: 327). When the organization has found the right candidate who possesses the required CQ and personal skills, it is essential that both the candidate and the family receive pre-assignment training.

### 2.2.2.6. *Pre-assignment training*

Many organizations that manage the expatriation process well do so because their expatriates have received pre-assignment training. According to Hsieh et al. (1999: 79), the extent and scope of the cross-cultural training should be determined by the duration of the overseas assignment and the cultural toughness mentioned under CQ. The main goal of any pre-assignment training is to reduce the effects of culture shock (Gooderham & Nordhaug, 2003: 309). Oberg (Black & Mendenhall, 1990: 130) defines culture shock as: “*A state of not knowing how to behave appropriately in a new culture and being overwhelmed by this anxiety*”. A culture shock is often the result of a lack of the basic interpretation mechanisms in order to comprehend a new culture (Gooderham & Nordhaug, 2003: 309).

Companies have also begun to do thorough background checks to see if both the employee and his/her family are both qualified and motivated to live and work abroad (Caligiuri & Tarique, 2005: 328). Cross-cultural training is a way of preparing the employee and the family for the experiences and situations they may face when living in a new culture (Black & Mendenhall, 1990: 114). An equally important issue is that the employee and the family have the motivation to move to another country and culture. Sending employees without the right motivation may increase the risk of failure. An individual’s motivational CQ score can be used as an indicator of whether or not the employee possess the right level of motivation to succeed in a foreign culture.

The goal of any cross-cultural training is to expand an employee’s cross-cultural knowledge of a given country (Caligiuri & Tarique, 2005: 329). According to Gooderham and Nordhaug (2003: 309), pre-assignment training is designed to help the expatriate and the family deal with culture shock and enable them to successfully adjust to the new culture. The effect of cross-cultural training is that the employee will be familiarized with the culture and the expected and appropriate behaviors within the given culture, resulting in the individual being better able to adapt to the new cultural environment (Black & Mendenhall, 1990: 130).

Furthermore, as stated by Black and Mendenhall (1990: 130): “*Because of the subsequent cultural familiarity and advanced cross-cultural understanding on the part of the trainee, cross-cultural training would lead to less anxiety and culture shock and thereby facilitate adjustment.*” In other words, cross-cultural training will prepare both employee and the

family, and make them better able to adjust to the culture of the country in which the expatriation assignment will take place.

The work to ensure that the expatriation assignment does not fail is, however, not completed. It is also important that the employee is followed up while on the assignment. By following up the employee the organization makes sure that the employee has a connection to headquarters (Cury et al., 2010: 21). It will also be easier to integrate him or her into the organization when the expatriation assignment is finished. While it is important to keep in contact with the expatriate during the GWA, research has shown that those organizations which succeed with expatriation do so because they have a well-developed repatriation system (Hsieh et al., 1999: 82).

#### **2.2.2.7. Repatriation**

When the expatriate and the family return from expatriation, re-entry into the home organization and home culture is not straightforward. As we presented under cultural intelligence, circumstances may have changed both at headquarters and in the home culture resulting in the expatriate and the family having to overcome a reverse culture shock (Hsieh et al., 1999: 82). As discussed earlier, up to 25 percent of expatriates leave the organization within one year of repatriation. The loss of an internationally experienced employee may carry a significant loss to the company financially, in terms of knowledge retention and cultural intelligence.

Expatriates with successful international assignments are expected to possess the skill sets that give them greater confidence to operate in foreign business environments (Lovvorn & Chen, 2011: 280). In the end it may directly affect the internationalization potential of the organization. With organizations valuing the international perspective gained by their expatriates as essential in their quest for global knowledge and international expansion, the loss of employees with expatriation experience can be damaging (Paik et al., 2002: 635). The following example provided by Black and Gregersen (1999: 60) is an insight into the potential cost of a poor repatriation process:

*“The story of a senior engineer from a European electronics company is typical. The man was sent to Saudi Arabia on a four-year assignment, at a cost to his employers of about \$4 million. During those four years, he learned fluent Arabic, gained new*



*technical skills, and made friends with important business people in the Saudi community. But upon returning home, the man was shocked to find himself frequently scolded that «the way things were done in Saudi Arabia has nothing to do with the way we do things at headquarters.» Worse, he was kept waiting almost nine months for a permanent assignment which, when it came, gave him less authority than he had had abroad. Not surprisingly, the engineer left to join a direct competitor a few months later and ended up using the knowledge and skills he had acquired in Saudi Arabia against his former employer.”*

In order to avoid such a talent drain Hsieh et al. (1999: 82) argue that the organization should undertake a strategic repatriation process that rewards and uses the returning expatriate's skills and experiences. Black and Gregersen (1999: 60) argue that expatriates will then realize their international experience is appreciated and can be further developed when the expatriate returns to their home country.

A study carried out by Black and Gregersen (1999: 60-61) shows that firms with repatriation routines take a proactive approach even before the return process starts. One example is to have an active dialog between the expatriate and human resources at headquarters before returning (Black & Gregersen, 1999: 61). In that way, both the organization and the expatriate will know what to expect upon arrival home. Additionally, human resources can find an appropriate position for the employee where both the international experience is used and the employee will have a secure position to return to. Companies that succeed with repatriation also offer a repatriation program for the spouse and family, and prepare them for the changes they face when moving back to their home country (Black & Gregersen, 1999: 61). A successful repatriation program is, in other terms, a program designed to help the expatriate into the organization at headquarters and avoid reverse culture shock, and into a position where the knowledge gained (such as higher CQ) on the expatriate assignment can be used by the employee and spread throughout the organization.

#### **2.2.2.8. Summary of Expatriation and Repatriation**

Expatriation is expensive and for smaller organizations it may be more cost efficient to find other means of building an organization's internationalization capability and CQ. However, expatriation is a central part of the strategy of increasing CQ at an individual and collective level. Each part of the expatriation process from pre-departure training, selection, follow-up

routines and repatriation needs to be attended to in order to increase and retain CQ within a firm.

Pre-departure training should be completed to prepare employees and their families for long overseas assignments. Another option is to have local subsidiaries with locally hired personnel established to run the international venue with one or a few contacts from headquarters. Such an approach allows the company to save costs and be locally adapted. However, the strategy limits the exposure of personnel from the home market to intercultural engagements, restricts managerial development, increase of CQ, knowledge sharing and valuable experience of working in different cultural environments.

Along with expatriation, repatriation is often a challenge for many firms. In many cases, employees who have been sent on expatriation experience a reverse culture shock. Therefore, employers need to ensure that policies and practices are in place to create a smooth transition back to headquarters. Without repatriation routines and effective integration of employees, firms run the risk of losing employees with valuable knowledge, CQ and experience to competitors.

In order to build a relationship between the different subsidiaries, international offices and headquarters, an organization can create a corporate culture with an international and integrative perspective. This type of corporate culture may result in knowledge sharing and a coherent organizational structure across cultural borders. A corporate culture with an international perspective can also help the organization build and maintain a strong expatriation program because of the value placed upon the expatriate's international experience and knowledge.

In the next section we will look at how corporate culture can help create an international orientation within an organization, and the connection between corporate culture and CQ.

### **2.2.3. Corporate Culture**

The aspect of corporate culture is a debated topic and several researchers have, over the years, argued that corporate culture can be used as a management tool to control and develop desired behavior among employees. Researchers have set forth several definitions of corporate

culture. However, the definition which has gained universal acceptance is one put forth by Edgar H. Schein (2010: 17):

*“A pattern of shared, basic assumptions learned by a group as it solved its problems of external adaptation and internal integration, which has worked well enough to be considered valid and therefore to be taught to new members as the correct way to perceive, think, and feel in relation to those issues.”*

From the definition above one realizes that a corporate culture is often built upon the group's own assumptions. Management can use corporate culture in order to build and improve a company's CQ. Highlighting the importance of international business and creating assumptions within the organization concerning international business is an important factor for the success of the organization when moving abroad. The corporate culture will then act as a management tool by forming general assumptions, norms and values which will guide the employees' behaviors (Jacobsen & Thorsvik, 2008: 116).

In a report published by the American consulting company Deloitte Touche (Quappe et al., 2007: 15), the authors argue that the development of a corporate culture should not be left to itself, but should rather be developed through desired behaviors, symbols and processes that are controllable and contribute to the company's performance. Jacobsen and Thorsvik (2008: 116) argue that the corporate culture will act as a loose control function as it encourages the employee to voluntarily prioritize those issues that the corporate culture focuses on. The general assumptions, norms and values created by the corporate culture will limit what the employees perceive as relevant to their work. Without corporate culture, a company lacks values, direction and purpose for its existence (Goffee & Jones, 1996).

A second aspect of Schein's definition is that of learning. The corporate culture evolves as the organization's knowledge accumulates through the experiences of its employees, such as through expatriation (Jacobsen & Thorsvik, 2008: 120). In other words, the corporate culture is always evolving based on the latest experiences.

There are two ways in which learning is relevant in terms of Schein's definition: First, it is how the corporate culture develops based on the organization's ability to deal with external factors such as clients, competitors and suppliers. Secondly, the organization's own internal integration is developed and improved over time (Jacobsen and Thorsvik, 2008: 120). Internal

integration is how one communicates and cooperates within the organization. If the corporate culture includes the elements as stated in Schein's definition, the corporate culture will act as a unifying force between employees. A corporate culture can also create a unified platform for how the employees should face, tackle and solve their work assignments and the challenges they face (Jacobsen & Thorsvik, 2008: 117). As such, a company's culture is revealed through the observation of how individuals approach and complete tasks (Quappe et al., 2007: 16).

Deloitte Touche describes corporate culture as, "*the interplay among inherent values and beliefs, visible systems, behaviors, and symbols - set against the backdrop of business strategy,*" (Quappe et al., 2007: 15). The authors argue that if a company for example aspires to be more international, the employees will need to know what that means through the company's values, beliefs and symbols. Also, displaying an intention to be more international through positive and negative behavior will help enforce the intended corporate strategy (Quappe et al, 2007: 16) (Wilhelm, 1992: 75).

The company should focus on improving its ability to meet or exceed its business objectives when it is managing and developing the desired corporate culture (Quappe et al., 2007: 17). Management should also set the tone so that desired behaviors can develop throughout the organization (Wilhelm, 1992: 75).

According to Schein (2010: 219), corporate cultures originate from three different sources; (1) the beliefs, values and assumptions of the founders of the organizations, (2) the learning experiences of group members as their organization develops for instance through expatriation, and (3) new beliefs, values, and assumption brought in by its workers. The three sources reveal that management plays the central role when it comes to the cultural foundations by choosing the basic mission, the business environment the organization will operate within and by choosing the initial group members (Schein, 2010: 219).

Jacobsen and Thorsvik (2008: 135) present several tools management can utilize in order to create a specific corporate culture. The leader may use storytelling as a strategy to spread stories about desired behavior and events that have had significant importance to the organization. The stories are about key figures within the organization or employees that the leader wants to highlight as heroes as their behavior is representative of the behaviors that management seeks to promote throughout the organization (Jacobsen and Thorsvik, 2008: 135). If the organization can manage to create an internal language that uses terms,

terminology and symbols that are specific to the organization, such a language can have a symbolic and binding effect on the employees (Jacobsen and Thorsvik, 2008: 135).

Another central aspect of corporate culture is to facilitate the socialization of the members in order to integrate them into the organization. It is through the socialization process that the individual builds an identity within the organization and learns to identify and communicate with the group (Jacobsen and Thorsvik, 2008: 135) The result of a coherent and well developed corporate culture that manages to incorporate the aforementioned aspects, will according to Jacobsen and Thorsvik (2008: 135): *“Mean that the employee will understand the totality of the organization, and can describe how the members of the organization come together as a group to solve and meet corporate goals and strategies.”*

When the aspect of the international arena is added to the equation it will create challenges to an existing corporate culture developed in a homogeneous, domestic environment. National culture will, according to Jacobsen and Thorsvik (2008: 133), affect the corporate culture through the organization’s dominant norms, values and assumptions which are based on those found within the home culture. When an organization goes abroad, the corporate culture must be adapted to fit the national culture of the given country. Failing to do so can hurt the organization’s reputation within that country (Jacobsen and Thorsvik, 2008: 134).

Schein (2010: 387) argues that an organization can reduce the risk of cultural conflict within the corporate culture by developing the employees’ CQ. Schein’s argument is that when an organization has an adequate level of CQ, its employees will be better equipped to work across cultural borders.

#### **2.2.3.1. Corporate Culture and Cultural Intelligence:**

A corporate culture that is developed based on the factors described above can have a direct effect on an organization’s motivational CQ. Early and Ang (2003: 289) present three areas to focus on in order to increase motivational CQ. These focus areas are relevant when a company develops its own corporate culture. The focus areas are; (1) to create a positive environment for cross-cultural interaction within the company, (2) strengthen the positive forces that drive a person to engage in intercultural work, and (3) reduce the negative forces.

The negative forces consist of negative attitudes such as prejudice towards other cultures, stereotyping, xenophobia and fear or resistance to change (Early & Ang, 2003: 289). By focusing on the three areas above the organization can develop a corporate culture which consists of the necessary elements to promote internationalization. Cross-cultural interaction is encouraged and negative factors related to cross-cultural interaction are reduced. As a result, the organization will be better prepared to operate in cross-cultural environments. The result of a corporate culture based on these three focus areas may lead to increased motivational CQ among the employees (Early & Ang, 2003: 289), which in turn will increase employees' willingness to internationalize and work abroad.

By creating a corporate culture which encourages cross-cultural interaction, an organization will be able to increase the individual's motivational CQ (Early & Ang, 2003: 289). Increased levels of motivational CQ will lead to employees having improved self-efficacy and motivation, which in turn enable employees to better cope with operations in culturally diverse settings (Van Dyne et al., 2008: 17).

As stated earlier, a corporate culture is the norms, values and beliefs of an organization. Highlighting the negative factors described by Early and Ang as undesirable traits may result in the organization developing a corporate culture where the negative forces are reduced. As a result, negative factors such as prejudices towards different cultures, stereotyping and xenophobia are limited. Furthermore, by reducing the negative forces, an organization can reduce the fear or resistance to change. In other words, a carefully developed corporate culture that highlights internationalization and cross-cultural interaction as positive, and the reduction of negative factors concerning cross-cultural interaction can positively affect motivational CQ among employees (Early & Ang, 2003).

In the final theory section we discuss the importance of a company's core competences as part of the firm's internationalization potential. Without core competences, companies have a difficult time competing against competitors overseas and sustaining a competitive advantage. As such, a firm's technical competences may be demanded abroad, which creates an incentive for expansion outside of the domestic market. While technical competence is important and part of Petrolink's core competence and main selling point to customers, CQ should also be considered part of the firm's future core competences when discussing the ability to operate in foreign cultures.

## 2.2.4. Core Competences

According to McKinsey Quarterly (1997), the definition of a core competence is: *“A core competence is a combination of complementary skills and knowledge bases embedded in a group or team that result in the ability to execute one or more critical processes to a world-class standard.”* (McKinsey Quarterly, 1997).

As part of McKinsey’s description, there are two different types of core competences: Foresight competences and frontline execution competences. Foresight competences are used to describe a company’s ability to anticipate new markets and patterns, potentially creating a first mover advantage. On the other hand, frontline execution competences are defined as: *“A unique ability to deliver products and services that are consistently nearly equal in quality to what the best craftsman would have produced under ideal circumstances.”* One example of a company which excels with regards to their core competences is Apple. For example, one could argue that the core competence of Apple is their user-friendly technology. The combination of these two core competences has enabled Apple to become an international success (Badenhausen, 2012).

Core competences can be considered a strategic advantage to a business as it provides businesses with a competitive advantage against competitors. Therefore, a company must have core competences in order to be competitive domestically and abroad.

### 2.2.4.1. Characteristics of Core Competences

It is difficult for a company to determine what their core competency is as members of an organization may describe a company’s core competences differently. According to McKinsey, the top management of a firm should be aware of the company’s core competences (McKinsey Quarterly, 1997). According to Prahalad and Hamel (1990), core competences are a combination of in-house knowledge and technological capacity which allows the company to be competitive. Furthermore, core competences are about delivering value to the customer (Prahalad & Hamel, 1990: 5). Some of the common uses for core competences are according to Bain & Company (2011):

- Design competitive positions and strategies that capitalize on corporate strengths;
- Unify the company across business units and functional units, and improve the transfer of knowledge and skills among them;

- Help employees understand management's priorities;
- Integrate the use of technology in carrying out business processes;
- Decide where to allocate resources;
- Make outsourcing, divestment and partnering decisions;
- Widen the domain in which the company innovates, and spawn new products and services;
- Invent new markets and quickly enter emerging markets;
- Enhance image and build customer loyalty.

Core competences are an integral part of any successful business. By clarifying and defining core competences, the organization is better able to support the company's competitive advantage, and resources are allocated to maintain that competitive advantage into the future and other areas of operations (Prahalad & Hamel, 1990: 1).

There are three distinguishing characteristics of a core competence. Number one, a core competence provides the company with access to a wide variety of markets. Second, a core competence should positively affect the perceived benefit of using that company's service or product instead of a competitor's. Third, a core competence should be difficult for competitors to imitate (Prahalad & Hamel, 1990: 7). Furthermore, a core competence is enhanced as they are applied and shared across the organization (Prahalad & Hamel, 1990: 5). Core competence is also an element in diversification, and is a part of entry into new markets and global leadership development (Prahalad & Hamel, 1990: 6). In that sense, core competences are an integral part of a firm's internationalization process and important factors for international success.

#### ***2.2.4.2. Core Competences and Cultural Intelligence***

As argued in the introduction in part one, for many companies technical skills have become not the only competences which are relevant when a firm expands outside of its home market. Having CQ may become a necessary prerequisite for many companies in order for them to develop new business networks, starting new operations, acquiring new client contracts and selling their product and technical competences in new, culturally distant markets. Companies with high CQ employees are better able to respond to the needs of customers from different cultures, thus making CQ an important part of a company's core competences in order to successfully achieve a company's international goals and strategies (Tan, 2004). CQ can also



be considered part of an employee's international toolbox as CQ helps individuals develop an overall perspective and behavioral repertoire that results in more effective leadership in intercultural teams (Van Dyne et al., 2009). In turn, having CQ as a core competence may enable higher performance and success in intercultural settings, providing a firm with a competitive advantage. Therefore, as a firm attempts to expand its business overseas, the need for CQ and cultural understanding among the employees and for the firm as a whole may increase. Failure to integrate CQ as part of the core competences of a firm which is attempting to internationalize may affect the ability of the company to succeed abroad (Maltby, 2010).

In summary, core competences can be a combination of several strategic elements and are not easily identified. To effectively compete with other firms in the international market, preserving and enhancing technical core competences is the key issue for any company. At the same time, for an internationally oriented company, core competences should not only be considered its technical ability to deliver products, but to do so across cultures and providing customers with culturally adapted services. As such, CQ should be seen as an integral part of an internationally focused company's core competences to successfully generate and acquire new business abroad.

### **2.3. Summary of CQ and the Four Contextual Factors**

In this section we have focused on CQ and 'the four contextual factors': First we have introduced the concept of CQ and its importance for the success of international business in different cultural environments. Next we have presented the four contextual factors: Vision and strategy, expatriation and repatriation, corporate culture and core competences with an extra emphasis on expatriation and repatriation. The purpose of the theory has been to outline the theory to be used in the CQ analysis of Petrolink employees and the analysis of the four contextual factors in part four.

The other purpose of the theory has been to present key issues which are relevant in an internationalization process in general. As such, the theory's goal is also to provide Petrolink with an understanding and outline of matters relevant to an internationalization process. The purpose of the theory is to provide Petrolink with an understanding and awareness of these issues to increase the probability of successful internationalization.

With regards to CQ, cultural intelligence is part of an individual's ability to work and interact in intercultural settings: Higher CQ increases the likelihood that an employee will be able to successfully complete their tasks abroad along with other factors described which affect completion of GWAs. Factors such as intensity, nature of business and formality affect the need for CQ. Cultural intelligence should be considered an integral part of a company's internationalization potential into culturally distant markets.

With regards to the four factors, having a vision and international strategies are needed in order to mobilize resources such as training of employees with regards to CQ, creating commitment among employees as well as motivation to complete international work assignments. The lack of a clear vision and long-term strategies for internationalization may undermine the internationalization process as a whole. A vision and strategy do not directly affect CQ; however, we argue that it creates the framework for creating an environment and courses of action which focuses and allocates resources in order to prepare workers for intercultural challenges.

Second, expatriation is a key factor in order to develop CQ, as well as repatriation routines for retaining CQ and valuable knowledge within a firm. In order for employees to understand and develop their CQ and acquire skills to work in intercultural settings they must be exposed to those environments. Therefore, expatriation is a central factor in terms of increasing individual CQ and repatriation is needed in order to retain CQ.

Next, we have outlined the importance of having an inclusive corporate culture that promotes and values internationalization. A corporate culture oriented towards internationalization creates a positive organizational environment for learning more about cultural related issues, as well as promoting behavior and actions which enables individuals to work abroad.

Finally, we have described the concept of core competences and how core competences should not only be defined as the firm's technical competences, but also CQ which may be needed for sustaining competitive advantage and acquiring new business opportunities in new and distant cultures.

In the next section, part three, we proceed with presenting the methodology of our study which consists of the CQ evaluation of the employees at Petrolink and the in-depth interviews used to analyze the four contextual factors.

On the basis of the above we present two propositions that will guide our analysis:

- 1. In the early internationalization phase CQ of a firm will be low to moderate.**
- 2. The degree of CQ in a firm will be influenced by the four contextual factors.**

## **Part Three - Methodology**

### **3.1. Introduction**

As part of our study of Petrolink's cultural intelligence, two separate quantitative surveys were created. The first survey was an individual background questionnaire designed to evaluate the international experience of each employee, the employee's individual preferences towards internationalization and the importance of internationalization to Petrolink. Questions are relatively straightforward and easy to interpret as shown in appendix II. The second survey was the 54-question CQ evaluation by Van Dyne and Ang (2006), located in appendix III. The CQ questionnaire was used to analyze the CQ for each individual in our sample, which was then calculated on sample wide bases. Both surveys were written in English and created by Google's form creator (Google, 2013).

Following the two quantitative surveys consisting of 26 employees, a qualitative study was completed. The qualitative study consists of 12 interviews with employees at Petrolink to analyze the four contextual factors as potentially affecting CQ. Participants were selected due to their international experience, positions within the company, CQ score and availability at the time of our study. The interviews were used to analyze Petrolink's vision and strategy regarding internationalization, expatriation and repatriation routines, corporate culture and core competences as part of the contextual factors surrounding the employees. These four contextual factors are selected as potential factors influencing the total CQ level at Petrolink. The interviews are also an introduction to part five where we elaborate on how Petrolink can improve its internationalization process based on the suggestions of the employees, results and theory.

Our research method is classified as deductive. A deductive research approach uses theory and pre-conceived expectations and seeks to support or reject them (Jacobsen, 2005: 28).

### **3.2. Study Group**

Data regarding the cultural intelligence level was collected from 26 individuals within the company. 31 employees were asked to partake in our study and 26 completed the background questionnaire and CQ evaluation, which equates to a response rate of approximately 84 percent. The employees consisted of individuals from different branches of the organization: Top management, corporate staff and services, operations and support as well as products and technical services. Rune Kvernberg selected participants due to his knowledge of the employees and their relevance to our study. Employees were also selected from different sections of the company in order to get a more accurate and wide-ranging account of the CQ-level within the sample.

Furthermore, it was in correspondence with Rune Kvernberg that these employees were suited for our study as not all employees at Petrolink are involved with the company's internationalization process. All of the participants were asked to partake in the two-part study through email. In the emails we presented the purpose of both the surveys, the most important elements regarding our thesis, a timeline for return of the questionnaires and gratitude for taking the time and effort to participate. The participants were informed that their answers would be anonymous and were explicitly asked to be as truthful as possible in their answers. All participants gave consent to use their response as part of our analysis.

12 employees were interviewed to get a general sense of the four contextual factors at Petrolink. Individual interviews were used in order to get employees' opinions and attitudes regarding Petrolink's current internationalization routines, corporate culture and internationalization in general. Employees were selected across different sections of the company to get a more accurate description of the four contextual factors, with an additional focus on selecting individuals from top management. Also, respondents with particularly high CQ and low CQ scores were asked to partake in the interviews. Due to anonymity and consent given between the interviewees and ourselves, we have not added names or the specific positions of the individuals we have cited in our analysis in part four and five.

### 3.3. Interviews, Surveys and Testing

#### 3.3.1. Cultural Intelligence Evaluation

The CQ of each employee was measured with the aid of the self-assessment questionnaire developed by Linn Van Dyne and Soon Ang (2006). The questionnaire is used to measure an individual's cultural intelligence with regards to the three CQ categories discussed in the theory: Cultural strategic thinking (CST), motivational (MOT) and behavioral CQ (BEH). The questionnaire was sent to individuals across different sections of the company in order to first measure their individual CQ, and then based on the individual scores calculate the CQ level for the sample.

#### 3.3.2. Description of the Cultural Intelligence Evaluation

The CQ questionnaire consists of 54 questions (Appendix III). There are two alternatives to each question, A or B. For each question a participant can receive a maximum of 3 points with the selection of the correct answer. In the assessment there are two separate sections: Section A consists of 34 questions and section B consists of 20. In section A, the participant is asked to select the alternative which best describes the person when he or she is in situations characterized by cultural diversity. In section B, the individual is asked to imagine a situation where he or she is interacting with people from different cultural backgrounds.

Based on the situation, the participant selects the alternative which best describes them. In the questionnaire, 25 questions are related to cultural strategic thinking (CST), 13 are related to behavioral (BEH), and 16 to the motivational dimension (MOT). The correct answers are added up and a score for each dimension is calculated. The sum of all the three dimensions is added up to a total score in order to measure a person's total CQ. The maximum possible score is 162 points. Categories of scoring can be found in Appendix III. The following worksheet displays the questionnaire's scoring system:

	CST	MOT	BEH	Total
Subtotal from section A				
Subtotal from section B				
Total (Section A + Section B)				

**Figure 5: Cultural Intelligence Worksheet, Early et al., 2006.**

In sum, the score for each category gives an indication of each person's CQ with regards to each dimension. There are three categories for each dimension: 'Excellent', 'average' and 'red alert'. In theory, an 'excellent' score suggests that the individual is well equipped to handle different intercultural settings and no formal measures are required to improve CQ. Average indicates that the person needs to invest some effort and training in order to improve their CQ. Red alert indicates that the person needs to work on the CQ dimension, particularly if the work assignments and personal life puts the person in different intercultural settings.

For the total CQ score, a participant can either get an 'excellent', 'average' or 'need to develop' result. The total score gives an indication of whether a person has a high, average or low CQ. As such, the total score reflects a person's need for additional training or other measures discussed in part two in order to increase CQ. It is also a general indication of the worker's ability to overcome cultural challenges in a foreign environment, and as such part of their successfulness with regards to GWAs. Based on the evaluation, the company can take individual or collective steps to improve the level of CQ within the organization. If for example the majority of the respondents lack CQ in a particular dimension, collective measures and changes to the contextual work environment may be required. For the individuals themselves the test can be a useful evaluation tool to determine their strengths and weaknesses and take appropriate steps to overcome them if they are working, plan to work or desire to work in an intercultural environment. As a result, we have sent the answers to each employee who have completed our interviews and the CQ questionnaire in order for them to know of their skills as well as tips and strategies to improve their CQ.

### **3.3.3. Background Questionnaire**

The background questionnaire consists of open answer questions as well as questions where the respondents were asked to rank their different preferences towards internationalization. It also includes basic questions related to the respondent's age, gender, name and position. In total there are 14 separate questions. The purpose of the background questionnaire was to analyze the respondent's international experience in accordance with their CQ score to increase the study's reliability. Employees were first asked to complete the background questionnaire before completing the CQ questionnaire. A complete transcript from the background survey is included in the beginning of appendix II. At the end of appendix II we

have included the results of the background questionnaire in relation with each employee's CQ score in a results table.

#### **3.3.4. Testing Procedure**

Respondents who completed the background questionnaire and the CQ questionnaire were asked to participate electronically. The two surveys were sent out in the beginning of February 2013 by email and completed by the end of the month. In the email, Petrolink's employees were told to access the background questionnaire and CQ evaluation through the hyperlinks included in the email.

The reason for using Google's form software (Google, 2013) was due to its uniformity and its user friendliness. Also, we believed that by using an electronic evaluation method the employees would use less time to complete the surveys, which was beneficial to Petrolink and us. We believed that sending the surveys through regular mail would take more time and the response rate could be lower as answering the surveys by hand would require more time and effort by the employees. Due to some delay in the responses, two follow up emails in February were needed to ensure that a sufficient sample of employees answered the background questionnaire and CQ questionnaire.

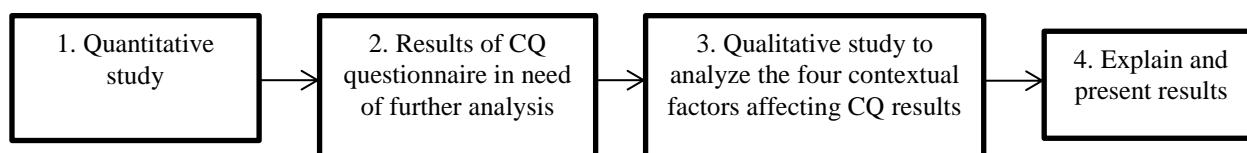
#### **3.3.5. Interviews**

Interviews were done face to face and with the use of the communication tool Skype (Skype, 2013). Skype was used exclusively in an interview with a foreign country manager in Asia as well as with one employee at the offices in Stavanger. In the two cases, interviews were completed with web cameras in order to try and replicate a face to face interview. Also, one employee was interviewed in person at the Norwegian School of Economics. Our interview with the foreign country manager was necessary to get a more complete picture of the four contextual factors and potential improvement areas. The interview with the country manager was conducted in English, while the rest were completed in Norwegian. Interviews had durations of approximately 45 minutes to one hour and were recorded with a smartphone in order to more effectively analyze each respondent's answer.

In 10 out of the 12 interviews, the employees interviewed were situated at Petrolink's headquarters at Forus in Stavanger. The reason for this decision was first and foremost due to

practical reasons, but also to reduce the potential context effect where interviewees in unfamiliar surroundings have a tendency to behave differently, thereby providing different answers from what they would have done in familiar surroundings (Nevin, 1974). A face to face approach was used because of the need to establish personal contact between us and the employee, as well as creating an atmosphere of trust between the interviewee and ourselves which would open up for more truthful and correct answers for our analysis in part four (Jacobsen, 2005: 143). Similarly, we decided not to use telephone interviews due to the lack of physical presence and visual cues which may inhibit the required rapport-building process needed to create an effective interview (Novick, 2008).

Interviews began with an explanation about the purpose of the thesis, who we were, the method of information collection, anonymity and request for consent. At the end we finished the interviews by asking the participant whether he or she had any additional questions for us. The interviews followed a semi-structure with questions prepared in advance (Kajornboon, 2005: 5). The interview guide was developed in accordance with the results already acquired from the CQ questionnaire. As such, the questions were created to ascertain and better explain the underlying factors affecting the CQ level within our sample. The following figure depicts the study's approach (Jacobsen, 2005: 136-137):



**Figure 6: Methodology Triangle - Qualitative Approach After Quantitative Approach, Jacobsen (2007: 136)**

A semi-structure style consists of questions, themes and topics which can be changed depending on the direction of the interview (Kajornboon, 2005: 5). As such, a semi-structure style gives the interviewer flexibility to investigate the respondents thought patterns and gave us the opportunity to ask follow up questions to further explore answers which were particularly interesting. The goal of the interviews was to create an informal conversation between the employees and ourselves. The questions for each interview were slightly modified based on who was being interviewed and their answers to the background questionnaire.



### 3.3.6. Limitations of CQ Questionnaire

The CQ questionnaire (Van Dyne & Ang, 2006) is the standard tool used to analyze a person's CQ. Nevertheless, a participant can manipulate the questionnaire in order to achieve a high CQ score. For example, a participant may exaggerate their ability to perform in intercultural settings or undermine their ability. Also, the questions are fairly straightforward and easy to understand, and for the participant it is a simple task to select the answer which gives them the maximum number of points. For these reasons, the study relies on the individual to truthfully answer each question regardless of a person's predispositions towards the CQ questionnaire. Therefore, we explicitly stated that there were no right or wrong answers and that each respondent's score would be anonymous.

Also, the evaluation places less focus on the behavioral dimension than the other two dimensions in terms of the number of questions. As the behavioral dimension (BEH) has been previously argued to be the most important CQ dimension as it is an outward projection of a person's capabilities, the evaluation does not address the criticism against the excessive focus of many cultural training programs on the cognitive CQ (CST) dimension. In fact, the majority of the questions in the CQ evaluation by Van Dyne and Ang (2006) are related to the cognitive CQ dimension. Similarly, as the evaluation only has two alternatives per question it fails to pick up the nuances of a person's CQ: The answer to a cultural dilemma may not be A or B but somewhere in the middle. A questionnaire with additional answer options may provide a more accurate description of a person's CQ.

Furthermore, the 54-question CQ questionnaire used as part of this thesis seems to lack some empirical evidence of its usefulness. A shorter, 20-point CQS questionnaire designed by Linn Van Dyne, Soon Ang and Christine Koh does provide empirical evidence of providing a clear, robust four-factor structure. The 20 questions CQS holds promise as a reliable and valid measure of CQ based on a sample of 1500 individuals (Van Dyne et al., 2008: 35). The 54-question CQ questionnaire used in this thesis is based upon the 20-point CQS. PhD David Livermore, a senior research consultant with the Cultural Intelligence Center in Michigan who has worked extensively with the concept of CQ, has stated that, "... *the instrument (CQ questionnaire) has been validated and has now been used by 18,000 individuals around the world.*" (Livermore, 2010). However, it is unclear if Doctor Livermore is referring to the 54-question CQ questionnaire. We conclude that we have not been able to find empirical evidence to confirm the usefulness of the 54-question CQ questionnaire. In order to address

this issue, the background questionnaire was used to check an employee's own international background with previous experience of working in an intercultural environment.

Finally, the number of respondents in our survey is not sufficient to acquire a precise estimate of the total CQ for Petrolink. As such, the number of respondents is not statistically significant and a larger sample is needed to create a definitive conclusion of the CQ level at Petrolink as a whole and reduce the margin of error. However, our analysis is based on the request of Petrolink and individuals within the company who are associated with the internationalization process of the company.

### **3.3.7. Limitations of Interviews**

The four contextual factors that are used in this thesis to analyze the level of CQ at Petrolink cannot be quantitatively measured. As such, a qualitative evaluation through interviews was necessary to get a general sense of the status of the four contextual factors and how they could influence the current level of CQ at Petrolink. In that regard, the interviews by themselves cannot accurately describe the opinions of the entire firm, but rather individual viewpoints and should be considered as such. Also, the analysis of the four contextual factors is based on our subjective analysis which we have developed over a limited timeframe and as outsiders to Petrolink. For these reasons, extrapolating conclusions based on individual viewpoints should be done with caution (Jacobsen, 2005: 143). In our thesis we have attempted to generalize for a population based on the viewpoints of a smaller sample, and then attempted to aggregate the viewpoints to reflect the current status of the four contextual factors at Petrolink. Therefore, the results of the analyses of the four contextual factors should not be considered absolute. For instance, the concept of corporate culture is dependent on who is interviewed, and different work groups have access to different amounts of information concerning international operations. Also, there may be other factors other than the four contextual factors highlighted in this thesis which affect CQ at Petrolink, and which we beforehand could not have anticipated. Additional research and a larger sample are needed to determine which aspects of a company have the greatest impact on the level of CQ among its employees. Even so, our thesis is meant to provide a starting point for an effective evaluation of which contextual factors of a company have the greatest effect on CQ.

### **3.3.8. Data analysis**

Several empirical tests were created to evaluate the CQ level within Petrolink. First, the mean CQ score of the sample was calculated based on the individual CQ scores of each respondent. The three CQ dimensions were measured on a company basis in part to approve or disapprove of the company's cognitive CQ against the other dimensions of CQ. Each employee's CST, MOT and BEH dimensions were calculated along with their total CQ. The percentage of individuals who were rated 'excellent', 'average' or 'red alert' was also calculated for the sample as one group and for each work group within our sample. The answers were also checked for extreme outliers to rule out any negative or positive skew in the results (see appendix V, 'Outliers Calculation Graph'). We also created a table comprising the results of the background questionnaire and the CQ score of each employee which is located at the end of appendix II. The table was created in order to examine the relationship between the answers in the background questionnaire and the CQ of each employee. For the statistical analysis we have used the statistical software Minitab 16 (Minitab, 2010).

## **Part Four –Results**

### **4.1. Introduction**

In light of the theory in part two and the study's methodology in part three, we now proceed with first presenting the results of the background questionnaire in connection with CQ, and then the results of the CQ questionnaire. The end of Appendix III provides a detailed description of the CQ scoring categories.

#### **4.1.1. Background Questionnaire and CQ**

Based on the background questionnaire and the results of the CQ questionnaire, the table at the end of Appendix II summarizes the results of the background survey and CQ scores of each individual.

Notably, as not all of the employees within our sample have experience with working abroad, classification of international success is omitted as blank for the individuals who have not had any international experience. There were also two individuals who for unspecified reasons decided not to answer whether they would like to participate in an international work assignment of either short or long duration. Due to the number of respondents it is not clear whether there exists a correlation between the questions in the background questionnaire and the CQ score of each individual. Again, a larger sample is needed to statistically approve or disapprove of a connection between the questions in the background questionnaire and CQ for each employee. At the same time, according to the table, a positive correlation between the CQ score and the categories may exist. Nevertheless, caution should be used when drawing conclusions on the limited data material.

#### **4.1.2. Cultural Intelligence Questionnaire Results**

The mean CQ score of our sample consisting of 26 Petrolink employees was calculated to an average score of 89. The total score suggests that the CQ level for our sample falls into the 'need to develop category'. A mean score of 89 puts the sample 6 points below the 'average' CQ score category, which is found in the range between 95 to 125 points.

Individuals with a score of 126 and above are classified as having excellent CQ. For our sample we conclude that the CQ level at Petrolink is classified as low.

Furthermore, we calculated the averages of each of the three categories comprising total CQ for our 26 employee sample. First, the mean cognitive (CST) score of the sample is 41. The score places the sample in the ‘moderate’ category. Second, the mean motivational (MOT) score is 25. MOT is in the ‘red alert’ area, 13 points below the ‘average’ level. Finally, the mean score of the behavioral dimension (BEH) is 23, suggesting a ‘moderate’ behavioral CQ level. In terms of total CQ scores, the table below summarizes the total CQ scores above in terms of the different dimensions as well as a few other mathematical calculations for the 26 employees at Petrolink:

	<b>CST</b>	<b>MOT</b>	<b>BEH</b>
<b>MEAN</b>	41	25	23
<b>MEDIAN</b>	47	26	23
<b>STANDARD DEVIATION</b>	15	12	7
<b>MIN</b>	15	6	9
<b>MAX</b>	69	45	33

**Figure 7: General Presentation of CQ Scores**

From the CQ questionnaire, the results show that 3 employees have an ‘excellent’ CQ score, while 10 employees are in the ‘average’ category and 13 employees are in the ‘need to develop’ CQ category. A scatterplot diagram of the 26 respondents' CQ scores and a pie chart visualizing the 26 individuals' rankings are located at the end of Appendix IV.

As for the three CQ dimensions comprising CQ, the following table below represents the number of individuals who are rated as either ‘excellent’, ‘average’ or ‘red alert’:

	<b>EXCELLENT</b>	<b>MODERATE</b>	<b>RED ALERT</b>
<b>Cognitive</b>	7	9	10
<b>Motivational</b>	2	1	23
<b>Behavioral</b>	6	9	11

**Figure 8: Table Showing the Distribution of Employees for Each CQ Dimension**

The number of individuals above equate to the following percentages within each category.

	<b>EXCELLENT</b>	<b>MODERATE</b>	<b>RED ALERT</b>
<b>Cognitive</b>	27 %	35%	38 %
<b>Motivational</b>	8 %	4 %	88 %
<b>Behavioral</b>	23 %	35 %	42 %

**Figure 9: CQ Result as Percentages**

Notably, the cognitive dimension is ranked the highest overall of the three CQ dimensions; with the highest percentage in the ‘excellent’ dimension and the lowest percentage in the ‘red alert’ area. Behavioral is ranked second and the motivational dimension last. Of extra notice is that in figure 8, 23 individuals fall within the ‘red alert’ category in terms of their motivational CQ.

Furthermore, we have classified the CQ level within the different sections of the firm as requested by Petrolink. However, due to the fact that there are varying numbers of employees within the different sections, we find the results to be inconclusive. The number of respondents from each section of the company ranges from 1 to 8 respondents. The reader can find these results in Appendix V as ‘...Work Sections of Petrolink AS’.

The CQ questionnaire by Van Dyne and Ang (2006) contains a variety of questions which are used to calculate an individual's score. Also, a few of the questions stand out and are of particular interest. Question one regarding whether a Petrolink employee would prefer working with a person from a similar culture or someone from a different culture, 81 percent chose 'similar culture'. Another question is whether one would prefer a job in a culture that is culturally similar to your own or different from one's own: 88 percent chose the first alternative, similar culture. Question eighteen, asked when it comes to knowing how to cope with cultural diversity, 65 percent of the employees said they are very knowledgeable and 35 percent said they have basic knowledge.

Next, question nineteen asked whether an employee would, in their spare time, choose to upgrade their technical skills or learn more about cultural differences: 65 percent selected the second alternative, cultural differences. Question 21 regarding knowing how to navigate new cultures, 65 percent stated they are highly experienced, which contrasts the low CQ results above of the sample. The complete list of percentages in relation to each question in the CQ analysis can be found in Appendix IV, 'Results of CQ Questionnaire in Percentages'.

No extreme outliers were discovered for either of the categories calculated above. Outliers were graphed and calculated with the box plot option in Minitab (see Appendix V, 'Boxplot Diagram for Outliers'). The averages calculated are legitimate in the sense that no extremely low or high individual results skew the results disproportionality positively or negatively. However, even though none of the results were statistically calculated as outliers, there were results which we believed warranted further analysis in an interview. As such, individuals who received very low or very high scores were selected to partake in the interviews to give a more varied description of the four contextual factors at Petrolink.

Asked whether or not he or she feels that international experience is important in your career development in general, 77 percent responded yes. Noteworthy is that fewer employees believed that international experience is important to their career development at Petrolink than in general: 56 percent answered yes to the question, 21 percent fewer. Asked if he or she is interested in an international assignment, either short or long term, 58 percent responded yes. Also, 46 percent have had some intercultural training in the past. Finally, with regards to whether or not it is important for Petrolink to be an international company in the future, the majority, 92 percent, said yes to the question.

### **4.1.3. Summary of Results**

The results above indicate that the overall CQ level within our sample is in the ‘need to develop’ category. Of all the 26 employees, 3 employees are in the ‘excellent’ CQ category. The remaining 23 are either in the ‘average’ or ‘need to develop’ category, with 10 and 13 employees in each respective category. Motivational CQ is the lowest of the CQ categories, suggesting that nearly all of the employees lack motivation to utilize their cognitive and behavioral CQ when operating in an intercultural environment. Overall, the results above indicate that even though there are individuals with high CQ scores, Petrolink should improve CQ among its employees as part of the company’s future plans to internationalize into culturally distant markets. The result also suggests an inconsistency between the low CQ level, willingness to work abroad (58 percent), high experience with navigating new cultures (65 percent) and the fact that nearly all the employees (92 percent) believe that it is important for the company to be international in the future.

## **4.2. Analysis of the Four Contextual Factors**

The reasons as to why the mean CQ score in Petrolink is in the ‘need to develop’ category can be contributed to several reasons: First, Petrolink is a company that conducts the majority of its business here in Norway, and as such the need for CQ is currently limited. Also, Petrolink pursues a low cost strategy of employing local labor for its foreign operations, which limits expatriation and the exposure of its employees in Norway to working in intercultural settings. Expatriation is rarely used, and employees who travel from headquarters to the foreign offices are first and foremost management in order to promote and oversee operations abroad. Additionally, international operations are only a small part of the firm’s total business activities (5 percent), and are completed by small groups which the majority of the organization are not involved with.

In this section the results of the interviewees are used to analyze the four contextual factors which may affect the CQ within our sample. In part two we presented five different theoretical concepts: Cultural intelligence, vision and strategy, expatriation and repatriation, corporate culture and core competences. The purpose of this section is to elaborate with the aid of the interviews how the four contextual factors may affect the current level of CQ at Petrolink. In this section we also present the viewpoints of the employees on how Petrolink can improve its internationalization process in the future based on today’s policies and current



situation. Finally, in part five, we discuss the implications of the results and how Petrolink can change the four contextual factors as well as other elements to improve the company's internationalization process and CQ. As stated previously, names and positions of employees are not referenced in this section due to anonymity. Therefore, each employee is referenced as 'Participant #' in the analysis and is referenced by name in the reference list, but not in connection to the specific participant number in the analysis.

### **4.3. Factor One: Vision and Strategy**

*“Our vision for the future is to grow in Norway and abroad. We have most of our operations here. However, it is important for us to follow customers abroad and we can do so because of our relationship with them here in Norway. Our relationship with them at home enables us to have business with them in other countries as well. So there are synergies both ways. Also, in terms of a business perspective and diversifying our operations, it is important for us to be outside of Norway in different markets. The oil and gas industry is a very international business, but at the same time routines and requirements are much the same wherever you go.” - Participant 1*

As indicated by one of the employees in the management group, the long-term goal of Petrolink is to use its experience and knowledge acquired in Norway and expand into foreign markets, using business relationships which the company already has developed in Norway. One of the key reasons as to why international expansion is important is as stated above to diversify Petrolink's operations and use existing customer relationships in entering foreign markets. For instance, by diversifying into different international markets Petrolink can be less sensitive to downturns in one area.

At the same time, another employee in the management group explained a slightly different view on the importance of foreign operations:

*“I believe Norway, the North Sea, is the most important market, at least for the next 10 years. At the same time, increasing activity internationally is also a goal. We have to do simple things and use what we can and know. Then we can take that expertise acquired abroad and use it back here in Norway. It can for instance be to operate a processing plant abroad, which we cannot do here now because of the strict requirements by civil unions. Therefore, we have to get references from abroad and show our customers in*

*Norway that we can operate a processing plant so we can get more work here.” -*

Participant 2

The purpose of international expansion for Petrolink seems to consist of two parts: Increase international business activity and acquire expertise and knowledge needed to consolidate or improve Petrolink’s position in the Norwegian market and in other countries.

#### **4.3.1. Petrolink’s Vision and Strategy**

Petrolink is in the early stage of its internationalization process, and as such the current strategies are based on establishing and maintaining its presence in countries such as Malaysia, Qatar and Ghana. Also, most of the company’s past operations in foreign markets have been project based and not long-term projects, which have not required substantial commitment to foreign markets with the exception of Malaysia and soon Ghana. During our interviews it became clear that most of the employees were aware of the specific operations and projects that Petrolink has abroad. Part of the explanation seems to be that employees are given regular updates on foreign operations in quarterly meetings between management and the rest of the organization, and the fact that some employees are directly involved in the projects. As explained by one Petrolink employee:

*”Yes, I do know of some plans. We are established in Malaysia, and the plan is to grow there. The requirement is that it is profitable. Today we are in position where we have to contemplate what we are doing there gives us a great enough return. In Malaysia we have been able to establish ourselves, but not make money. If we want to make more money there we have to commit more resources or downsize. And we have a project in Ghana and operations in Qatar which is on a on and off basis. But we have to re-establish ourselves every time. But there are plans.”- Participant 3*

At the same time, several employees expressed a potential for improvement with regards to the communication between management and the rest of the company concerning the company’s vision, long-term strategy and the overall importance of internationalization to Petrolink’s future. As expressed by one employee:

*“In my opinion I believe management could be clearer regarding issues in terms of which areas we are focusing on, such as timelines for foreign operations. But in Ghana*

*for example it is very clear what we are going to do there. But in terms of developing a market for us in foreign countries I have not heard any talk about it.” - Participant 4*

The general view among our interviewees is that Petrolink does have specific strategies and goals for different markets, although when asked about what those strategies and goals are employees had a difficult time remembering the specifics. As a result, most of the employees we interviewed gave a recollection of which countries Petrolink currently have operations in and where the company intends to expand next. At the same time, there was a general consensus among the employees we interviewed outside of management that there is a potential for improvement with regards to management informing the rest of the organization about the importance of operating internationally. The following employees shared their opinions on management’s communication:

*“No, I would not say that management is doing that as well as they could. There is little information about why we are operating in foreign countries. Most of us feel that it is something we have to do in order to get a job, that there are too few jobs here in Norway so we have to try and get more work internationally. There are few who have an idea of the big picture. I think employees would appreciate it, and it would create better dialog and openness with the rest of the organization.” - Participant 3*

*“If internationalization is important to management then it is something that could be improved.” - Participant 5*

Several employees we interviewed shared the sentiment above. According to the previously discussed theory by Collins and Porras (1996) and Kotter (1996), a firm should have a vision that provides guidance about what core to preserve and what future to stimulate progress towards. Also, Chandler (1962) and Newman and Logan (1971) emphasize that a company should have a clear, strategic and forward-looking vision to mobilize resources and create commitment among employees. Even though an international vision and long-term strategy may exist at Petrolink, among the employees we interviewed there was a general lack of understanding for the strategic objectives of the company’s internationalization.

Another point made by one employee was that Petrolink should have a strategy of analyzing cultural differences before traveling to a particular location, which is something Petrolink is not systematically doing as part of its strategic preparation routines:

*“When we are sent to complete a task abroad there should be a requirement for a cultural analyses of the country we are traveling to. Say something along the lines of a cultural gap analyses. For instance, is there something we have to do in order to ensure that the person we are sending there is able to function in that culture?” - Participant 6*

With regards to specific goals, vision or strategies for foreign markets, Petrolink does have strategies and goals for its international operations. However, we did not uncover any macro goals in terms of internationalization or a vision associated with international expansion. Today, goals vary from market to market and are based on financial objectives of the current project:

*“Petrolink has different strategies for different markets. But in business it is often pure coincidence that you succeed with things. We are very pragmatic, and we do have strategies and plans for countries such as Malaysia, but Qatar was very arbitrary. We do not have any global macro goals for the different markets, but we have budgets and goal parameters which we try to achieve.” - Participant 1*

Another issue which surfaced during the interviews was the commitment and strategy of foreign market operations and internationalization in general. For a small company such as Petrolink, investing and establishing foreign operations is a costly affair which requires considerable amounts of time and money. For Petrolink, a large international commitment can be considered a risky strategy which limits initial resource commitment. At the same time, some employees voiced concern regarding the current strategy of trying to acquire work volume abroad before allocating resources. As expressed by one employee:

*“In Petrolink we are currently doing what we can in terms of internationalization. But in Petrolink the idea is that we want assignments before we allocate resources to increase our capacity overseas. One could choose another approach: Allocating critical resources and competences, and then sell it. The problem is that this approach is very expensive, but it is a possibility. Management must decide on what we can afford. It can be a healthy short-term outlook to not build permanent capacity outside of Norway to become international, but in the long-term perspective we may lose the ability to enter certain markets. It is a balancing act between strategic and economic factors and what we can afford. But in reality it is not possible to break even in five years. If we want to*

*go to the UK, United States or wherever we have to be committed. It is not enough to just say that we want to become more international, one has to accept and understand that it costs lots of money and takes time.” (Participant 6)*

Other employees we interviewed shared a similar sentiment regarding today’s international strategy:

*“We must dare to commit ourselves. In that I mean if we have a strategy where we want to achieve specific things then we have to actually do it, even though it implies investing quite a bit of money. Establishing a business in the countries we are in is not done in half a year. You have to build relationships and know people, and you cannot do that quickly. For instance, in some cultures you have to know each other on a family level before they even want to talk to you.” - Participant 7*

*“At the moment we have not really succeeded in becoming an international company. We have been present in several countries and done a bit of work here and there, but we have not really established ourselves and made permanent commitments. We have one project and then we exit, and then we wait, and maybe after two years we get another assignment. There is little continuity.” - Participant 3*

*“I will only fight the wars that I can win. Sure I could use additional resources and specialists. In the beginning we talked about having 3 to 4 specialists but they never arrived. The pace of the expansion is tied to the risk sensitivity of Petrolink’s owners. We are doing the best we can with the resources we have available.” - Participant 8*

In terms of resource commitment, the evidence above suggests that today’s international strategy of waiting for new work projects before allocating resources affects the whole internationalization process of the firm; from routines concerning expatriation and repatriation, sending employees on assignments overseas, improving employees’ intercultural competences such as CQ, opening up new operations and other policies are all currently dependent on Petrolink acquiring additional work assignments before making significant administrative changes and improving employees’ intercultural competences such as CQ. Therefore, significant changes to current organizational practices are more likely to be implemented if Petrolink acquires additional international contracts.

Of the individuals we interviewed there were different views of what type of strategies and goals Petrolink has for the international market, which is understandable considering the variety of positions the interviewees have. However, it became clear that the individuals who had the clearest idea of what the company specifically wants to do in terms of foreign operations and internationalization were management. Also, none of the employees we interviewed with the exception of management could provide an explanation of the strategic purpose of today's foreign operations, except for their own personalized opinions, which according to previously discussed theory is a prerequisite for the company as whole to be focused on internationalization (Kotter, 1996). One employee expressed his opinion on the issue of having a concise strategy for internationalization:

*“Petrolink needs to have a clear strategy and go for it: Where are we entering? Why are we entering? What do we seek to achieve with our operations there? There needs to be a strategy which is very clear and then we need to go for it. It cannot be that it just seems nice and we have acquired one contract here and there. There has to be a real business case behind it. What do we want, what are the markets down there?” -*

Participant 7

#### **4.3.2. Vision, Strategy and CQ**

As for the employees we interviewed, today's operations are mostly viewed as short-term projects organized with operational goals and completed by small groups within the company, where the majority of the employees have little direct involvement in what occurs. Employees outside of management have a clear idea of what today's operations consist of and that Petrolink is attempting to internationalize, but employees seem to lack insight as to what the long-term strategy is and what the true purpose of the internationalization is regarding an international vision and long-term international strategy.

Furthermore, there seems to be a potential for improved communication between management and the rest of the firm in terms of providing employees with a sense of purpose and motivation for the company's future international expansion. As discussed in part two, strengthening the positive forces that drive a person to engage in intercultural work is needed in order to enhance motivational CQ. The lack of an international vision and long-term strategy for internationalization may negatively affect the creation of a positive environment for cross-cultural interaction within the company (Earley & Ang, 2003: 289). For example, the theory states that clear strategic goals and objectives for overseas assignments are needed

to enhance the positive forces that drive a person to successfully engage in intercultural work. Likewise, the lack of a vision and strategy may increase the negative forces, such as fear or resistance to change regarding internationalization within Petrolink. Therefore, the lack of a clear vision and strategy for internationalization may impact the motivational CQ among the employees at Petrolink.

Furthermore, as Petrolink's current international business strategy is focused on having low costs by first and foremost employing local labor, the employees we interviewed are for the most part not sent abroad as expatriates, thereby limiting the exposure to foreign cultures and CQ level among employees (Mobley & Kelly, 2013: 42). In sum and based on today's lack of a clear vision and long-term internationalization strategy, there is little need for employees in Norway to have CQ to complete their daily work. Also, the lack of a clear vision and international strategy may undermine the change process and development of internationalization routines within Petrolink (Kotter, 1996). Based on his previous experience, one employee offered an alternative strategy for establishing operations in foreign countries:

*"Petrolink is very much trying to establish operations abroad. But I am not sure that the current strategy is the correct way to go. In order to build something overseas you have to have an established leadership present. That leadership must have integrity, and ideally it should be Norwegians. Or else you run the risk of not achieving anything because of corruption in many of these countries. We have to be present in the establishment phase and we must have a leadership with high integrity. In my view what we are doing in Malaysia is wrong; there are no Norwegians there permanently. If we send Norwegians they can basically invite themselves to speak with people at the top because of Norway's world leading expertise in oil and gas. Everyone wants to talk with us. We cannot become international by having people sit here at Forus." - (Participant 9)*

The other issue, which has been expressed above, is the current strategy of limiting resource commitment before foreign operations provide a positive return. As this thesis does not focus on the financial aspects of Petrolink's international expansion, we cannot contribute to this discussion in an objective and meaningful way other than acknowledging the fact that sending Norwegians abroad as expatriates is expensive due to Norwegian salaries being particularly high compared to other countries (E24, 2013). However, the notion of providing capacity is a necessary prerequisite in order to exploit growth opportunities in already established markets,

as well as developing routines at home related to internationalization. In light of Petrolink's newly acquired contract in Ghana, Petrolink will be committed in various degrees to five different countries: Norway, Malaysia, Qatar, Ghana and Scotland as well as other short-term assignments internationally. As mentioned previously, the true intent of such diversification may in part be to spread risk and not be dependent on market conditions in area. However, we question the long-term planning of such a strategy when the company already has operations that seem to require additional resources and which management has quoted as having been or starting to become profitable, such as in Qatar and Malaysia. It also seems that given today's investment level in these operations that the market potential has not been fully exploited. Therefore, investing substantial time and resources in Ghana may come at the expense of allocating the optimal amount of resources to fully utilize the market potential in for instance Malaysia and Qatar.

All in all, today's lack of an international vision and strategy, the company's limited internationalization and limited exposure of its employees to working overseas at Petrolink neither warrant nor will lead to substantial focus on CQ and cultural competences. Also, based on the interviews it became apparent that Petrolink needs a clear and even motivational vision for its international operations in order to gain support, understanding and desire for internationalization among its employees, as well as facilitating change of routines here at home in order to further internationalize the company. Even though such a vision and long-term strategies for internationalization may exist, it is not known outside of management among the interviewees we spoke to. Furthermore, long-term strategic goals concerning internationalization are important for creating a sense of purpose concerning today's international operations, and motivating employees for further overseas expansion as well as working and participating in management's plans for continued growth abroad.

At the same time, interviewees were well aware of Petrolink's current operations. Also, the employees who participated in the questionnaires and the interviews overwhelmingly believed that it is important for Petrolink to be an international company, and all of the interviewees we spoke to were aware of Petrolink's upcoming operation in Ghana.

We now proceed with analyzing the second contextual factor, expatriation and repatriation routines at Petrolink.



#### **4.4. Factor Two: Expatriation and Repatriation**

Due to the fact that Petrolink is at an early stage of internationalization, the company's experience of expatriation as well as repatriation has been limited. Our interviews have shown that there have only been a few instances where Petrolink's operations abroad have been managed or staffed by expatriate staff. For instance, in the early 2000s a Norwegian expatriate was sent to Qatar to head the operation in Doha. Perhaps more importantly is that Petrolink foresees to manage and control its upcoming contract in Ghana through the use of expatriation, primarily due to the lack of local competences in the country. However, Petrolink's ultimate goal is to train Ghanaians to be able to manage their own operations.

As presented under the section "The Risk and Cost of Expatriation", Black and Gregersen (1999) and Hsieh et al. (1999) state that expatriation is an expensive undertaking. We have discovered that it is the cost element that has limited Petrolink from sending additional employees on expatriate assignments. As a consequence, global management development and an increase of CQ among the employees have been very limited due to the low use of expatriation (Mobley & Kelly, 2013). The risk of expatriation assignments ending in failure are high and as such the extensive use of expatriation can end up being viewed as a significant cost element without any perceived advantages to Petrolink. As stated by a member of the management team: *"Not that many employees at Petrolink have been sent abroad. We had hoped that there would be more, but the costs of sending employees abroad are simply too high."* - Participant 1

##### **4.4.1. Willingness to Live Abroad**

Despite the limited experience with expatriation and the high costs of sending employees overseas, we found there to be a genuine desire among the management team and operational personnel to further expand Petrolink's collective international experience through the use of expatriation. As one member of the management team emphasized:

*"We want our employees to have international experience. There are many similarities but also differences around the world. You have different ways of doing things, procedures and so forth, and of course also the cultural aspect. It is not a requirement for us at the moment, it is more of a desirable trait."* - Participant 1

The interviews also uncovered that those employees who are sent on international assignments, both short- and long-term, consist of a small group of veterans who already have high CQ. These individuals are often the more senior and experienced employees who have substantial international work experience. Or as stated by a member of the management team: *“We mostly send out a small number of people, veterans with experience.”* – Participant 1

It has also been stated that the reason inexperienced, younger employees have not been sent abroad is because there has not been the need to do so. However, one of the members of the management team stated that they want to send out additional employees, even employees inexperienced in international operations in order for them to acquire international business experience. The interviews gave us an indication that there is a desire within Petrolink to have more employees travel abroad. Theoretically, increased expatriation will aid in developing global leaders and increase CQ (Crowne, 2008). However, the qualifying factor is that Petrolink has a project to send employees to work on. Expatriation as a tool in building international offices seems to be an option Petrolink is not comfortable pursuing at this stage due to the significant costs involved, and the fact that the international work volume is currently low.

#### **4.4.2. Building Routines**

Another aspect of expatriation that is relevant in Petrolink’s case is the use of foreign labor to staff positions at headquarters. The Norwegian petroleum industry is currently suffering from a shortage of qualified engineers, and as a result companies have had to look outside of Norway’s borders in order to find qualified employees (Dagens Næringsliv, 2013). It has been stated in the interviews that this is a solution Petrolink might have to pursue:

*“Yes, we are on the lookout for candidates with the right competences. In order to find these candidates we realize that we have to go abroad. It is very difficult to find the sort of candidates we are looking for in Norway, especially engineers. If we are to bring in candidates to headquarters there will be a set of procedures we have to undertake in order to ensure the wellbeing of these candidates. There will be a need for them to learn and understand our culture. This is perhaps more relevant for us than sending our employees from Norway abroad.”* - Participant 5

Such a step by Petrolink will in many cases be positive and it can aid the organization in building routines and procedures on how to take care of personnel operating in new and

culturally foreign environments. As discussed by Cury et al. (2010) and Hsieh et al. (1999) regarding expatriation and repatriation; there is an added significance in building up good preparation, continual monitoring and repatriation procedures as it reduces the risk of a failure with regards to expatriation assignments.

Currently, Petrolink has basic procedures in place in order to deal with expatriation. These procedures consist of practical issues regarding wage compensation, housing, schooling for family, travel arrangements and et cetera. There is, however, an understanding and acceptance within Petrolink that existing procedures are only relevant while Petrolink remains a small company. As of now it is easy for Petrolink to remain in contact with the handful of employees who are sent abroad. However, as the number of expatriates grows it will become difficult to retain such personal follow-up. One member of the management team describes the current expatriation program in the following way:

*“We have a program for handling employees when they work overseas. The program is constructed to provide compensation in terms of salary for those who work abroad. But the program is also created to take into account the needs of the family; for spouses and children. So we also make sure to help families with travel arrangements, education, housing and other needs. These are practical issues which we determine for each posting.”* - Participant 1

#### **4.4.3. Taking Care of the Family**

Petrolink's current program of expatriation takes into consideration the aspect of family and spouse, which the theory mentions as being one of the critical reasons along with cultural adjustment as to why expatriation assignments either succeed or fail (Gooderham & Nordhaug 2003). There has, however, been little or no experience within Petrolink of sending an employee abroad with his or her family. As Petrolink has relied on sending more senior employees abroad, the issue of their children having to move with the employee to the new country has not been relevant. The employees' spouses, however, have previously travelled on expatriation assignments. In Petrolink's case these spouses have had experience with the expatriation process, and as a result, have been aware of the expatriation situation. The argument can be made that Petrolink has been able to use its employees' own international experiences to reduce the risk of its current expatriation assignments. As one employee stated:

*“Yes, we do have routines for family and spouse adjustment; unfortunately we have not been in a situation where we have been able to practice our routines to the extent we would have wanted. We do have experience with spouses going abroad, but not with children. These spouses have been in the situation before, so they know what it is all about. We do, however, take care of insurances and so on, and do our best to ensure that spouses joining their partners will not lose their rights to welfare goods in Norway.” – Participant 5*

#### **4.4.4. Pre-Assignment Training**

As Petrolink continues to expand its international presence, the need for procedures and guidelines in managing expatriation will become more important. It is our impression that this is an issue that Petrolink is aware of. Also, it seems as though the company and its employees are conscious of the importance relating to preparation, continual monitoring and repatriation in connection with expatriation. At present there exist routines prior to expatriation: These are related to check sheets as to what needs to be done before departure or soon after arrival in the new country, for example what vaccines are needed in the country. There are also compensation packages that are prepared for those who travel abroad. These packages include direct compensation, housing, and schooling for children and transportation. With regards to country specific or cultural training, for instance developing CQ, no form of such training is given at Petrolink prior to departure. Petrolink’s argument is that those employees who have travelled on international assignments have often been senior figures with extensive international experience. One employee described the routines of cultural training at Petrolink in the following way:

*“At the moment there does not exist any cultural training programs to prepare employees for working abroad. The people that we have sent abroad are mostly seniors with a lot of experience, so the need to have a formal training program in place has not been there. However, if one were to send young people there would be another need to have such a program.” - Participant 1*

To Petrolink’s advantage there is, according to our results, a desire among the employees to undertake cultural and country specific training prior to international assignments. All interview respondents who were asked did in fact answer that it would be of interest to them to participate in a culture course, learning about CQ or culture related to specific countries (11 out of 12). Furthermore, all of the respondents believed that it would be of benefit to Petrolink

if the organization were to offer pre-departure culture training. The common arguments were that such a training program would give the employees cultural insight into the country they were to travel to, and that it would also give a brief introduction to the safety and security procedures in the given country. Employees who were interested in undergoing cultural training stated that having cultural knowledge would be beneficial to their work success abroad.

#### **4.4.5. On Assignment Follow-up**

During our interviews we found there to be routines for personal follow-up during expatriation assignments within Petrolink. These routines consist of continuous communication with employees who are sent abroad. Due to Petrolink being a relatively small company, Petrolink has been able to have personal follow-up sessions during the expatriation assignment whenever they have had employees abroad. Our impression is that Petrolink is aware of the fact that such continuous follow-up procedures will have to be routinized if expatriation becomes a more critical component of Petrolink's international operations. Petrolink is also aware of the danger of employees not feeling part of the home organization when they are stationed abroad. It is one of the main reasons why they believe it is important for them as an organization to maintain the follow-up routines they have today:

*“It is natural that we speak to people when they are abroad. They do not disappear when they are working overseas. We believe it is important for us to listen and learn what people have experienced overseas, but we have not formalized it into a session upon return because of the size of our company. But I think we may need such a system when we become bigger in the future.”* - Participant 1

#### **4.4.6. Repatriation**

In terms of repatriation Petrolink's current routines and standards are non-existent. There are currently no specific routines for repatriation at Petrolink. However, there is a belief that the continuous follow-up and learning that has taken place during the expatriation assignment has prepared the employee for a relatively seamless transition back into a role at headquarters. Again, there seems to be an understanding within Petrolink that repatriation routines will have to be developed if expatriation becomes a more central aspect of the internationalization

process. One member of the management team described the current situation regarding repatriation as follows:

*“In our company we do not have specific routines for repatriation. The reality is of course different in for instance a large oil company. We are a small company so my belief is that this is a non-issue for Petrolink. When people are sent abroad we maintain open communication between us and the employee.” - Participant 1*

Petrolink have routines in place to take care of the employees who are sent abroad. However, these routines are focused on issues such as vaccines, visas, driving licenses and other practical issues. When questioned whether there exists routines for knowledge-transfer or experience sharing within the organization in relation to expatriation, we can conclude that such routines are lacking at the moment. The current state of expatriation within Petrolink is very limited, and routines for expatriation and repatriation are well-matched for a small organization in the beginning stages of internationalization.

#### **4.4.7. Expatriation, Repatriation and CQ**

The limited degree of expatriation by Petrolink and what seems like a lack of organizational learning and experience sharing are in our view contributing factors to the low CQ among our sample (Mobley & Kelley, 2013). As discussed earlier, Petrolink’s critical factor in terms of expatriation is the cost level involved, and it has up until this point been a deterring factor for the use of additional expatriation. However, as the goal has been stated to grow internationally, the need for Petrolink to control these international ventures through expatriation may grow. The countries in which Petrolink operates in often lack the necessary technical and managerial competences required in order to carry out work in relation to Petrolink’s assignments. Therefore, the lack of competences in the host country can act as a driving force for Petrolink to send more employees from Norway on expatriation assignments in order to better control and train the employees from the given country, increasing the exposure of employees here at home to cultural challenges and increasing their CQ. As one member of the management team stated in relation to staffing in Ghana:

*“We want to have a Norwegian foundation in our management team, but Ghana does not have the competences today to do the tasks that are required. Therefore, we have to bring in workers from low-cost countries as laborers, but also train Ghanaians in order*

*for them to replace the workers from low-cost countries over time. We always have to think of our costs.” - Participant 2*

With regards to Ghana, Norwegians from Petrolink will find themselves working with people of many different nationalities. The challenges of organizing and effectively completing the assignments in Ghana will create a greater need for expatriation as well as sending individuals with high CQ, motivation and employees who are able to work in a diverse intercultural environment. Due to Petrolink's very limited use of expatriation, repatriation routines cannot be said to influence the current level of CQ. However, we emphasize that the limited expatriation of employees from Norway is one of the key determining factors to the low CQ within our sample.

Having a clear vision and strategy, mixed with a well-developed expatriation program is not the only way Petrolink can enhance its CQ and internationalization capability. In order to develop Petrolink's cumulative CQ score in the future, one important step will be to build a cohesive corporate culture that ensures the transfer of knowledge and experiences between the different international operations that Petrolink controls. Such a cohesive culture will ensure that the experiences that Petrolink gains from operating in Ghana will be sent back to Norway and other locations, enabling Petrolink to conduct new and similar operations in other markets.

#### **4.5. Factor Three: Corporate Culture**

As stated by Jacobsen and Thorsvik (2008), a corporate culture can be used as a tool in order to create desired values and behaviors within an organization. In Petrolink's case, the corporate culture can be used in order to create an international mindset and commitment for internationalization among the employees. In our interviews we attempted to find out whether the corporate culture at Petrolink is internationally or domestically oriented.

As stated by Wilhelm (1992), the CEO and senior management should set the tone so that desired behaviors can develop throughout the organization. If there is an apparent lack of information sharing, then it will be difficult to create desired behaviors with regards to internationalization. In terms of CQ, the lack of information sharing can act as a negative force. A negative force is the dissonance between beliefs, attitudes or resistance to change. The lack of information sharing may result in groups of employees not feeling an ownership to the internationalization process, resulting in an attitude of indifference towards

internationalization or in extreme circumstances resistance towards internationalization. One employee described information sharing concerning internationalization:

*“On my level I do not feel I know very much about internationalization within Petrolink. I know we have some divisions abroad, but not much have been said about these divisions. There is not a lot of information that is shared about our offices abroad.”* – Participant 7

The apparent issue of internationalization being limited to only a small group of individuals, as discussed under expatriation and repatriation, can limit the flow of information concerning internationalization on an organization wide level. One employee remarked:

*“No, I do not think they (management) have been able to communicate the importance of internationalization to the rest of the company. I personally understand the importance of internationalization, but I have never experienced that management have gone out and explained to us the importance of internationalization for Petrolink. Internationalization is today limited to a small group within the company. It seems as though management wants to keep internationalization within this small group and not let it spread throughout the organization as a whole.”* – Participant 6

By limiting internationalization to a small group within the organization, Petrolink is creating a clear separation between domestic and international operations within the organization. The same policy may result in groups of employees not feeling ownership to the internationalization process, but rather a feeling of exclusion. As such, since the majority of the organization focuses on domestic operations, internationalization may be considered irrelevant to themselves or unimportant to the success of Petrolink. In terms of CQ development, Petrolink may end up with some members of the internationalization team developing high CQ. However, at an organization wide basis the CQ level may be lower level than it otherwise might have been if the internationalization process was an organization wide commitment.

Through our interviews we have come across employees who have questioned Petrolink’s desire to venture abroad when there are ample opportunities to expand here in Norway. Internationalization is viewed by some as requiring personnel and resources which could be used more efficiently in the home market. If the employees are not informed about the plans and strategies of internationalization, employees may view internationalization as a potential



threat rather than an opportunity for the company. One example can be seen in the following statement where one employee talked about sending employees on international assignments: *“It seems to be that it is unplanned when people are sent. The best are sent abroad, who are the ones we need here. There are simply not enough people here.”* - Participant 10

At the same time, we also discovered personnel who are part of the international team tell us that they would like to have more resources. Likewise, one employee who is part of this team questioned Petrolink’s decision to internationalize, believing that resources would be better spent if they were used for projects in the North Sea:

*“In one way I would say we focus too much on international operations rather than focus on our home market. There are constantly new contracts on offer locally, and these contracts are often easier to acquire than international contracts. This is again a factor of our limited resources, where we have local and international operations competing for the same resources. The fact is, however, that we can make more money of some of the customers found here in Norway than to expand internationally.”* – Participant 11

The views presented above can be viewed as a general indication that management can do a better job in creating a coherent corporate culture that promotes and focuses on internationalization at an organization wide level. It is the role of management to create the desired values and behaviors within the organization (Jacobsen and Thorsvik 2008). The importance of internationalization should be made clear to the organization as a whole. By doing so, management may reduce the risk of an internal competition for resources and build a greater understanding for international resource commitment in the future. The development of a corporate culture should not be left to itself, but should be developed by management in order to create the desired values, norms and beliefs that may improve the organization’s performance (Quappe et al. 2007).

In terms of Petrolink’s international operations, the operations abroad have been kept separate from operations at home. Interaction between headquarters and foreign entities outside of top management is very limited. One employee described the current situation with regards to Malaysia:

*“In terms of Malaysia there is a clear separation between the organizations. They control themselves and perform their own tasks. They also follow their own rules and*

*regulations. But there have been instances where they (Malaysia) have asked for procedures and the need for personnel.” – Participant 5*

When international offices are involved it is important, as stated by Jacobsen and Thorsvik (2008), that the corporate culture is adapted to national laws, values and norms. However, a corporate culture should act as a unifying force for the organization as a whole and build bridges between international offices and headquarters. In terms of Petrolink’s international offices, our impression is that there is little or no operational interaction and knowledge sharing between the different entities. Interaction is primarily done at a managerial level. As one employee stated:

*“Well, we have divisions in Kuala Lumpur, Qatar and with time in Ghana, but it seems like they operate as satellites who we do not deal with on a daily basis. It is not like we travel to these satellites to head or work on different operations. They control themselves, but are under the Petrolink name and umbrella. So there is not much interaction between the offices, like one can find at other companies in this industry. The international operations are not well integrated into what we do here so we do not see it as a clear positive thing. I feel it would be exciting if there were real cooperation between the units.” – Participant 4*

As stated by Schein (2010), one of the originating factors of corporate culture is the ideas, values and beliefs brought in by new members. If the international offices are kept separate from headquarters then the ideas, values, experiences and beliefs of the international employees will not be used in creating an internationally focused corporate culture at Petrolink. Furthermore, the inclusion of international offices into the mother organization may have the potential to act as a first step in improving individual employees’ CQ. The reason internal integration can help in improving CQ is due to the fact that it will enable two-way interaction between employees at headquarters and people of other cultural backgrounds, creating interaction and exposing them to new cultural ideas, norms and values.

The inclusion of international offices may also force headquarters to become more internationally oriented. At present, operating manuals and procedures at Petrolink are in Norwegian, leaving an impression of Petrolink being a Norwegian company. As stated by one employee:

*“I do not feel as if we are an international company, but we are on our way. For instance, all of our procedures and manuals are in Norwegian. The majority of employees are Norwegians, but there are a few foreigners here. We have to open up our eyes a bit more and be more inclusive.” – Participant 5*

As mentioned by Schein (2010) in his definition of corporate culture, the aspect of learning is central, both through external and internal sources. The lack of internal integration found at Petrolink between international offices and headquarters has limited knowledge sharing, learning and intercultural engagement between Norway and the different international offices. It is our belief that Petrolink could improve its organizational learning capability, knowledge sharing, CQ of the employees and managerial development by improving the internal integration of international offices with headquarters. Such improved learning capabilities will lead to more intercultural engagement between employees here and abroad, which in turn can lead to higher CQ among the employees. However, the current lack of routines related to cooperation between international offices and headquarters may be attributed to Petrolink being in the early stages of internationalization.

We also discovered that some employees have a general skepticism toward international work. For instance, we discovered that 81 percent of the participants in the CQ questionnaire stated that they would rather work with someone from their own culture, and 88 percent would prefer a job that was in a cultural similar to their own. However, Petrolink’s success in terms of international operations may reduce some skepticism towards internationalization as stated by one employee:

*“At first there was a very negative attitude towards us working in Qatar and our operations there. Over the last three to four years though there has been a gradual change in this attitude as people have seen that Petrolink can successfully complete operations abroad. We have shown that we can make money worldwide and it is through such experiences that we can be international and successful.” - Participant 6*

#### **4.5.1. Corporate Culture and CQ**

Through our analysis of Petrolink our view is that the corporate culture does for the most part not include the international aspect of the organization. Instead, Petrolink’s international operations are business activities that are viewed and experienced by employees as being

secondary compared to operations in Norway. Employees who are not included in the international operations may feel left out of the internationalization process, and as a result some employees may have little motivation to work towards international goals set out by management. The corporate culture found at Petrolink, as described above, is in our opinion a reflection of the low CQ level found within Petrolink. First, it is due to the fact that there is only a small group working with internationalization and that the goals and strategies concerning internationalization have not been spread throughout the organization. Secondly, as stated by Early and Ang (2003), there are three areas one can focus on in order to increase motivational CQ. Petrolink's current corporate culture in relation to the first of these three factors can be viewed as an explanation for the current CQ score. The first factor that Early and Ang (2003) discusses is to create a positive environment for cross-cultural interaction within the company. We have shown that Petrolink currently does not have any concrete procedures and routines in place to create an environment of inclusive cross-cultural interaction, for instance between Norway and Malaysia. Because of these two factors, Petrolink's domestically focused corporate culture has not made the majority of the employees participate in the internationalization process or exposed them to working in different cultures. Change to these two factors may improve the employees' CQ and the organization's overall CQ.

Another important aspect for an organization to succeed is the firm's core competences. In the next section we will discuss our impression of Petrolink's core competences, and how these core competences can explain Petrolink's current CQ score.

#### **4.6. Factor Four: Core Competences**

Petrolink is an oil and gas services operations firm that bases its competitive advantage on the ability to provide high quality solutions to its customers. As such, having the necessary skills and technical expertise is in our opinion the company's frontline competence required for maintaining current operations as well as part of the foresight competences needed to successfully enter new markets (McKinsey Quarterly, 1997). On the Norwegian continental shelf where Petrolink conducts the majority of its business, Petrolink finds itself in a competitive market where several other firms provide the same type of technical competences.

In order to effectively compete against these firms in Norway, Petrolink needs to have core competences consisting of technical solutions which are of a similar standard or exceed the quality of what other firms can deliver in order to be competitive (Prahalad & Hamel, 1990). Naturally, technical competences and not cultural understanding such as CQ is most important considering Petrolink's current competitive situation and limited internationalization. For instance, today the main focus is on recruiting individuals with strong technical and practical skills in order for the company to be able to compete more effectively. As described by one employee in management: *"The people we recruit are individuals with a technical background of some sort. These are mainly engineers with various specializations."* -

Participant 1

The importance of technical skills compared to international experience and CQ is a reflection of today's business environment and Petrolink's main focus area, which is the Norwegian oil and gas market. However, as Petrolink seeks to do more business abroad, the need for additional cultural understanding and international experience may increase. The same employee explained his view on Petrolink's technical competences:

*"We put a great deal of emphasis on technical competences compared to international experience. Simply put, one does not get technical insight by having international experience, but one can get international experience by having technical expertise. So it is easier to work this way than the other way around. I believe cultural understanding can get more important for us in the future, but other qualifications are more important to us now. For Petrolink it is all about the quality of what we deliver. International experience, dressing correctly and being nice is all good, but without technical expertise you quickly fall through."* - Participant 1

The point above reflects the general consensus among the employees we interviewed. Having technical competences is considered the most important core competence for Petrolink employees in order for them to complete their work tasks. In the interviewees we asked employees how important they believe it is to have technical competences when they are working abroad compared to working at home. As explained by one employee:

*"Technical competences are most important. If you do not have it then you do not need to be there really. One has to be able to get the job done. Technical competences are important for a technical job, but if you are selling something then the cultural aspect is important as well."* - Participant 10

With regards to working overseas in the future, employees had a more nuanced opinion of what was more important. Some employees believed that technical competences are still the most important, while others stated that having cultural understanding was important as well. In fact, the general notion was that having a combination of the two is the most beneficial in order to achieve an organizational goal (Tan, 2004). It is a combination of both technical skills and cultural understanding, as explained by these four employees:

*“I believe it is important to have a combination of technical and cultural competences. The technical aspect is most important for the actual job. But you cannot look at it in isolation. For instance, you cannot do your job if the locals do not accept you. Or that people listen to you when you have something important to tell them. So the cultural bit is very important as well. But because we work with engineer related processes, which is the main part of Petrolink’s service, it is obvious that we first and foremost have to know our job.”* - Participant 4

*“Technical competences will always be the most important. From my experience of working overseas we are not very different from each other. Mostly it is about getting the job done, and then you have maybe two or three things related to religion or political issues which you have to bear in mind in order to not offend people, such as not serving pork to Muslims.”* - Participant 3

*“In my experience if you lack either one you will fail when working overseas, so the two are closely connected. But you cannot just go out and have cultural understanding and not have technical competences. Then people will not have any confidence in you.”* - Participant 12

*“I think it is very vital to have a cultural understanding. It is not easy for us Norwegians with only a Norwegian background to work overseas. We distinguish ourselves from other cultures. One can look at the ability to engage with other cultures as the oil in the machinery.”* - Participant 1

On the other hand, there was one of the 12 interviewees who believed that cultural competences were equal to or in some instances can be more important than technical competences when working overseas:

*”I think both are very important. In some instances I actually believe that cultural competences are more important than technical competences. If you have great cultural awareness you can allow yourself to have a little less technical competences. So yes, cultural awareness and understanding is very important when working abroad, perhaps 60 % cultural competences and 40 % technical skills. For example, you can do a good technical job abroad, but you are not selling our business concept overseas, which is very important for Petrolink as a service operations firm. You cannot be arrogant when working outside of the home market.”* - Participant 6

Naturally, due to Petrolink’s low overseas work volume and limited use of expatriation, there are no routines for improving employees’ CQ in order to enhance the cultural competences as part of the core competences needed to work in different cultures. Based on the goals of the company regarding internationalization and expectations of additional operations abroad, employees were asked if Petrolink could benefit from having a training program for its employees in the future to increase their knowledge of cultural issues before they are sent to a foreign culture. Having an understanding of cultural issues as well as higher CQ could provide Petrolink employees with a competitive advantage against similar competing firms, as such skills can be used in enhancing the image of Petrolink and building customer loyalty abroad in more relationship focused cultures. It can also give Petrolink higher flexibility in terms of entering new, foreign and emerging markets as employees can acquire the skills necessary of understanding cultural dilemmas and gain experience of working overseas (Bain & Company, 2011). Two employees explained the need for cultural preparation routines:

*“Definitely. If there is not one now there should be. Cultural dilemmas are very important to be aware of when working abroad. You experience it everywhere you go. So yes you should have an understanding of the cultural issues before you work there.”*  
- Participant 9

*“Yes, depending on how our operations abroad develop. The plan is to have partnerships and then recruit locally, as far as I have understood. So in the beginning there will be Norwegians who are there and they could need that form of training.”* - Participant 7

The general notion among the interviewees was that increasing cultural competences by having an educational workshop for those who are sent to foreign cultures for longer durations is a good idea and should be part of future expatriation routines:

*“I believe that is a very good idea, if there is a higher volume of people who travel abroad. But not now, we are not enough people who are sent out.” - Participant 3*

*“Yes, when the requirement is that people have to travel, because then you are focused on that task. If you undergo that kind of training and nothing happens, then it is simply forgotten. But if people do it before they are sent overseas I think people would greatly benefit from it.” - Participant 5*

More specifically and with regards to Petrolink’s recently acquired contract in Ghana, one employee described the following need for cultural training:

*“We should have a partner which can teach us more about culture. When we send younger individuals we have a responsibility as company that they can handle these issues. And we have an extra responsibility when we are going to send a lot of personnel down to Ghana. I sincerely believe that we should have some sort of cooperation with a company that can teach us more before we go down there.” - Participant 11*

Among the interviewees there was wide agreement that Petrolink should consider cultural training of employees as part of future preparation routines for working abroad. Furthermore, employees were asked whether they would like to participate in an education program to increase cultural competences such as CQ. All but one person who was not asked the question replied that they would like to learn more about cultural understanding and CQ through a seminar, training course or a workshop. Among these, three employees shared their enthusiasm for such a training program in the future:

*“Of course that is something that I would enjoy. I think it is useful. Having a systematic approach to it is important in the future. To believe that you already know everything there is to know about culture is not a very constructive approach to it.” - Participant 12*

*“It would make sense to have a travel seminar for the ones who are sent abroad. Cultural does and don’ts, what are the characteristics of the culture one is traveling to, maybe something about the security situation as well; which part of town you should not travel to and so forth. In my experience I think the whole oil and gas industry is*



*taken the whole issue a bit lightly, that everything will somehow work itself out on its own.*” - Participant 4

*“Absolutely. I have never been involved in something like that before. For me it has been self-taught and speaking with others who have been abroad.”* Participant 7

#### **4.6.1. Core Competences and CQ**

The current internationalization process at Petrolink is at an early stage. As such, the need for employees to have high levels of CQ is low as the number of individuals who are sent on expatriation and other work overseas is very limited. Also, cultural competences such as CQ are not currently required among the majority of employees in order for the company to be successful given today’s internationalization and main focus on the Norwegian market. Employees are first and foremost recruited based on their technical competences, experience and personality rather than international experience and cultural awareness, although such factors count as positive factors in the recruitment process. Based on Petrolink’s vision and strategy as well as their limited international exposure, the core competence in Petrolink is focused on employees having a strong technical expertise in order for Petrolink to have a competitive edge against competitors in Norway. As such, core competences suggest that the CQ level among the employees and the sample is low. However, several of the employees we interviewed do have substantial amounts of international experience along with technical expertise and knowledge of cultural dilemmas, which can be useful expertise in a future internationalization process.

Additionally, there are currently no routines for training employees and improving their cultural competences such as CQ before they are sent abroad. The main reason is contributed to the fact that there is not enough work volume or expatriation assignments to justify such an investment. However, in general there is an agreement that cultural awareness and CQ may become more important parts of Petrolink’s core competences and part of the firm’s future competitiveness in foreign markets. As such, cultural understanding and CQ may play a larger role in Petrolink’s ability to reach organizational goals and strategies overseas in the future (Tan, 2004). If CQ is considered by management and the firm as an important part of Petrolink’s core competences in order to effectively compete in culturally distant markets, more resources may be allocated to improve cultural competences (Pralahad and Hamel, 1990: 1). Two Petrolink employees explained the importance of cultural competences as part of the perceived benefit of using Petrolink’s services, which in future can be considered part

of Petrolink's core competences and potentially difficult for competitors to replicate (Prahalad and Hamel, 1990: 7):

*“If the product is above the competition and something unique, then technical competences are above the rest of the field. If you have a pill that can make you live five years longer, then you can forget about cultural competences. That pill sells everywhere regardless. However, if the product is similar to others, then it is not only what you want but also for the client who they like. And so cultural competences become more important and you need more of it; it is not just what you do but how you do it. What Petrolink provides is really not that different compared to other companies.”* -

Participant 8

*“Here in Petrolink we are not used to knowing people abroad. Here the idea is that we are going to sell a product and then people will buy it. What people don't understand at Petrolink is that there are at least a thousand other companies out there who can sell the exact same product that we do. And even a lot cheaper in the same country. But what you cannot buy are connections, cultural understanding and other related elements needed to do business abroad.”* - Participant 9

#### **4.7. Summary of the Impact of the Four Contextual Factors**

Overall, our conclusion is that the limited nature of Petrolink's international operations and the low work volume abroad negatively affects the internationalization of the company as a whole, the four contextual factors and CQ among the employees.

Our findings have uncovered several issues regarding the four contextual factors. Today, Petrolink lacks a coherent and clear vision for its international operations, as well as a long-term strategy which is rooted in the organization. A potential consequence may be a lack of motivation for international expansion among the employees, as well as an absence of understanding for resource commitment to future foreign operations. Even if a vision and long-term strategy for internationalization do exist, the sample we studied lacks understanding of them. We have argued that an international vision and long-term strategy are necessary in facilitating change of current routines undermining internationalization, to create an understanding for the allocation of resources to expand internationally and the training of

employees in areas such as CQ. Therefore, we conclude that the lack of these two elements at the moment negatively affect CQ at Petrolink and the internationalization of the firm.

With regards to expatriation and repatriation, there are currently few if any employees who are sent abroad as expatriates. The ones who are sent abroad are individuals who already have many years of experience of working abroad and already have high CQ scores. In part two we have outlined several reasons as to why expatriation should be viewed as a key component in improving CQ. In Petrolink, there is little exposure of employees to working in intercultural environments except for a small team of individuals. Hence, our conclusion is that today's very limited expatriation and use of a small team has no positive impact on developing current CQ levels.

Our third contextual factor is corporate culture. Through our analysis we have concluded that there is little cross-cultural interaction between employees here in Norway and Petrolink's employees in other countries, for instance with the employees in Malaysia. As such, the learning and knowledge sharing between domestic and international employees is low, with the exception of management. We also discovered that international operations are restricted to a small team, which may limit the feeling of ownership and the motivation of other employees to participate in the internationalization process. Current routines limit the exposure of the rest of the organization to working internationally and participating in the internationalization process. Our conclusion is that today's corporate culture does not improve today's CQ score.

Finally, with regards to core competences, we have attempted to analyze the distinction between technical competences and the cultural competences that underlie CQ. Our impression is that employees more or less agree that having cultural competences are beneficial when working abroad, but that technical competences are more important in order to complete the actual work assignment. However, there is an enthusiasm among our sample to participate in an education program to learn more about cultural issues before departure to a foreign culture.

Meanwhile, there are currently no systematic routines for training and preparing employees with regards to cultural understanding, primarily due to the limited nature of today's internationalization and cost issues of such an investment. Also, Petrolink recruits first and foremost engineers and individuals with strong technical skills in order for the company to be

competitive, although international experience is desirable. The need for individuals with high CQ is not aligned with the business requirements of the company today, as most of Petrolink's operations are in Norway. Therefore, we conclude that core competences first and foremost consist of technical abilities to complete today's operations and not cultural competences as they are currently not required. Therefore, today's CQ level is a reflection of the needs of a domestically oriented company where technical expertise is the most important.

## **Part Five – Policies for the Development of Petrolink’s Internationalization Process**

We begin part five by briefly summarizing the thesis up until this point. First, we calculated the level of CQ for each employee and for our sample of 26 employees. The background questionnaire was used to present the result in relation to the CQ score of each employee (Appendix II). Second, the four contextual factors have been used to analyze the context surrounding the employees, and the potential effect of the four contextual factors as explaining the level of CQ within our sample. In various degrees we have concluded that the four contextual factors reflect a company which is in the early stage of internationalization, and that systematic routines and development of an international company is limited. As such, it is our opinion that the CQ result is indicative of Petrolink’s limited internationalization and limited routines and policies related to internationalization.

Finally, drawing on the four contextual factors as well as the result of the CQ questionnaire, we present suggestions as to policies and actions Petrolink can take in order to develop the firm’s internationalization process as business abroad grows. Part five also elaborates on additional, unexpected factors which we have discovered throughout our interviewees. The goal is for the company to use these suggestions at their own discretion as part of their continued internationalization process.

### **5.1. Employee Skills and Capabilities**

In the future, Petrolink should consider creating systematic in-house routines to ensure that Petrolink has knowledge and understanding of an individual employee’s capabilities and motivation for working in international environments before they are sent abroad. Criteria should include, among other elements, prior international experience which is relevant to the project and their ability to work in intercultural settings. Employees should not be sent abroad only based on their technical competences. Individuals with high CQ and individuals who wish to work abroad, have families who are positive to such a deployment and are willing to partake in an expatriation assignment should be considered along with a person’s technical competences. Other elements critical to successful completions of GWAs discussed earlier in part two need to be considered. Failure to evaluate and carefully select individuals may increase costs and potentially damage the firm’s reputation abroad due to incompleteness and failure of GWAs.

## **5.2. Creating an International Vision and Long-Term Strategy**

Petrolink should develop a clear, feasible, inspirational and concise vision as well as long-term strategy for international expansion. The vision needs to be communicated outside of management and throughout the firm. Without an inspiring vision, clear goals and strategy, employees may lack understanding or motivation to participate in the company's internationalization process. As a result, employees may require additional extrinsic motivation in the form of tangible benefits (such as a higher salary) due to a lack of intrinsic motivation. A clear vision and long-term strategy are required in mobilizing and committing resources to make the company grow internationally, as well as making necessary changes to current routines and policies at home to facilitate internationalization. Based on the high percentage of individuals who believe that Petrolink needs to be international in the future, having a clear vision and long-term strategy can further develop a corporate culture which focuses on and promotes internationalization.

For instance, with regards to Petrolink's operation in Ghana, it is our impression that Petrolink wants to learn to be a lead operator on an installation. It is our understanding that Petrolink is seeking to gain the knowledge and experience of operating a facility abroad and then transferring this knowledge back to headquarters. If this is indeed the plan, then it should be communicated to the organization as a whole in order to create motivation and understanding among the rest of the organization in terms of international operations. It would also be a clear indication to employees the advantage of starting operations in Ghana, as it would further the competences of the company and part of its long-term ability to increase the company's core competences to compete at home and abroad.

Concrete in-house steps Petrolink can use to communicate its vision and long-term plans regarding internationalization are internal newsletters or memos sent out to employees by email, quarterly meetings allowing open and two-way interaction between employees and management discussing the future of the company and management and department managers leading by example by traveling and conducting business overseas. The vision and long-term strategy concerning the internationalization of Petrolink must also be continuously communicated in order for them to be rooted throughout the organization.

### **5.3. Increased Use of Expatriation**

Due to the complexity of controlling and operating in several countries and continents simultaneously, Petrolink should consider increasing expatriation in the future based on their own goal of an increased international presence. Benefits of expatriation include higher knowledge retention of operating internationally within the company, safeguarding knowledge transfer between international offices and headquarters in Stavanger and more effectively coordinating business activities in foreign countries. Expatriation can also be used to ensure that practices, policies and Petrolink's philosophies follow the same standard set out by headquarters in Norway. In that regard, expatriation can also ensure that ethical policies set out by headquarters are more likely to be followed at the respective offices. This is particularly relevant with regards to corruption avoidance, which could impact the company's public image at home and abroad and should therefore be seen as a way for Petrolink to enhance its organizational development.

Expatriation and foreign assignments can also be motivating for employees on a personal level and part of their personal careers as well as management development by creating global leaders who have greater understanding and knowledge of different and changing market conditions. The study in part four also revealed that more than half of our sample would be interested in working abroad (58.30 percent), either short or long-term, and that the majority of individuals believe that international experience is important for their career development. Failure to provide overseas work assignment for employees due to cost restrictions could lead to some experienced employees who desire such work internationally with an incentive to join a competitor who allows for more expatriation of its employees.

Employees who are sent abroad may also gain greater understanding of operating in culturally diverse settings and increase their CQ, which can be of benefit to Petrolink but also other employees within the organization who can learn from their international experience. Increase and development of CQ through expatriation should be considered an integral part of Petrolink's core competences for future competitiveness in foreign markets. Expatriates can provide invaluable expertise to Petrolink and inexperienced employees when opening up new operations in similar markets such as in Asia, Africa or the Middle East. Experience with working in different cultures can be used in future startups and business networks, which can be utilized to acquire work contracts in the future. A downside includes higher costs for

Petrolink as well as potential failure of sending unprepared expatriates to work in foreign countries.

#### **5.4. Creating Repatriation Routines**

As well as preparing employees for overseas work, Petrolink will with higher business volume abroad need to develop repatriation routines for employees. Repatriation is necessary for retention of valuable international experience, which can be useful in maintaining operations and expanding into new markets. Measures may include experience sharing or a debriefing of employees who have returned, and utilizing the newly acquired knowledge to prepare new and inexperienced employees for working within the same country. Petrolink must also ensure that individuals who return home from longer expatriation assignments are given meaningful work tasks, reducing the challenges of the repatriation process and minimizing the risk of employees leaving to join competitors.

#### **5.5. Educational Measures to Increase Cultural Competences**

With a potentially higher volume of business abroad in countries with a high cultural distance from Norway such as Ghana, Malaysia, Qatar, Indonesia and potentially Russia, Petrolink should consider increasing employees' CQ and cultural understanding through cultural preparation seminars. Due to Petrolink's size, development of an education program in-house is currently too expensive. Also, the cultural competences to create such an education program at Petrolink may not exist in-house, and if they do exist it may require employees to give up other tasks in order to administrate such a program. Therefore, Petrolink should in the future seek cooperation with an organization to prepare employees for working and living in different cultures. Such preparation is particularly relevant considering Petrolink's upcoming plan to send a dozen Norwegians to administer operations in Ghana in a culturally diverse setting.

As quoted earlier in part four, the need for additional cultural understanding may increase in the future as Petrolink's operations abroad continue to grow. Therefore, measures may include preparing employees to work in culturally different environments based on different types of duration, intensity and formality of the assignment. The theory in part two underscores the benefits of having employees with high CQ when they are sent to complete work tasks in intercultural environments, and the direct impact cultural intelligence has on



successful completion of GWAs. The theory of CQ in part two presents several strategies an individual, as well as a company can undertake in order to increase CQ. Also, the CQ results in part four underline the need for the employees to improve their CQ. Individuals with little or no international experience should receive adequate training prior to being sent on international assignments. Moreover, through the interviews it became apparent that nearly all of the employees believed that Petrolink could benefit from cultural training in the future, and the individuals who were asked were all positive to complete cultural training.

Therefore, Petrolink should cooperate with a third party entity which can offer Petrolink employees preparation in the form of culture workshops to handle cultural challenges when working abroad. This need is further highlighted by Petrolink's current cost reducing strategy of recruiting foreign nationals from low cost countries such as India, Malaysia and/or China to its foreign operations where they are initially trained and administered by Norwegians onsite and other employees currently situated in Norway. Norwegians sent to oversee this process should ideally have been identified as having high CQ and knowledge of the cultural differences among the nationalities. For instance, Petrolink can engage in cooperation with Statoil which provides employees with preparation routines and which Petrolink already does business with.

### **5.6. Developing an International Corporate Culture**

Based on previously discussed theory and results from part four, we recommend that Petrolink gradually opens up for increased cross-cultural interaction between the international offices and Norway. A two-way interaction between Malaysia and Norway for instance will open up for knowledge exchange and sharing as well as the development of an internationally oriented corporate culture which could positively influence CQ development. Based on the interviews we discovered that employees would perceive it as positive if there was more cooperation between Norway and international offices. If cross-cultural interaction is promoted, motivational CQ among employees can be improved and negative factors related to cross-cultural interaction can be reduced.

## **Other Emergent Factors of Improvement**

### **5.7. Expansion into Established Markets**

Petrolink should consider opening up operations in regions which have cultural similarities and business ties to existing operations. For instance, the Asia Pacific region could offer

Petrolink new opportunities in countries such as oil and gas rich Indonesia (CIA, 2013), which is a reasonable expansion alternative due to the country's proximity to Malaysia and the fact that Petrolink already has personnel with experience and knowledge of operating in the region. A detailed and systematic country analysis should be completed to ascertain any market's long-term growth potential, as well as factors such as the country's economic, cultural, political, legal and technological factors. Employees should be briefed on these issues at Petrolink before they are sent to work there to get a clear understanding of these differences as well as cultural differences between Norway and the designated country. A clear and methodical approach in selecting new markets may aid Petrolink in its diversification strategy, as well as reduce the likelihood of entering unprofitable and potentially dangerous areas. At the very least, such a study of new markets will make Petrolink aware of the specific risks it is facing in a new country and will enable Petrolink to implement the necessary measures in order to reduce the risks.

Petrolink should also consider a strategy of establishing wider operations in ongoing countries based on completion of previous assignments, instead of committing to new markets on different continents on a project-by-project basis. Completed assignments should be seen as stepping stones in developing business networks in order to create more inclusive operations within that particular country, instead of temporarily opening operations and closing when projects are completed as discussed in part four. Joint ventures or other partnership methods with another firm may be used to alleviate risk and the costs of establishing more permanent operations abroad.

### **5.8. Cultural Awareness at Home Operations**

An unforeseen issue, which surfaced during the interviews, is the need for Petrolink to have cultural awareness among its employees here at home. Having high CQ can be beneficial as Petrolink seeks to expand their staff for its operations in Norway in a domestic market where there is a shortage of qualified, technical personnel. Employees emphasized this point during our interview:

*“For the people who are sent abroad I actually think it is more important that people can work with individuals who are here. We have some people here from different countries, a cultural diversity. We have more use for learning how to work with each other here than how we should behave when we work overseas.” - Participant 10*

As discussed in the expatriation and repatriation section under the four contextual factors, the shortage of engineers and other technical expertise in the Norwegian petroleum sector may force Petrolink to recruit from foreign countries to Norway. Therefore, having routines and cultural understanding among personnel here at home, possibly with the help of a third party entity, can be equally important in order to create a positive working environment.

### **5.9. Overseas Work Packages**

Petrolink should in the future consider compensation packages for expatriates and families, which include work opportunities for spouses. Based on our theory, the number one reason why expatriation fails along with cultural challenges is due to the inability of the spouse to readjust to a new, foreign culture. By providing career possibilities with Petrolink, another affiliate company or governmental agencies, the careers of spouses who also travel abroad along with the expatriate are not put on hold. As a result, expatriation can become a more likely possibility for the individual when he or she can move abroad with their spouse and their family. Ultimately, such a policy could ensure a higher success rate for GWAs. Family issues were in general the main reason why interviewees did not want to work abroad over extended periods of time. In that sense, by providing work opportunities for spouses, Petrolink may have greater flexibility in selecting employees who have the best skills and experience for the specific GWA.

### **5.10. Security Analysis**

As well as market factors such as economic, cultural, political and technological factors, analysis before entering new markets should also include personal security analysis in case unforeseen activities occur. Through the interviews we discovered that current routines seem to predominantly focus on risk analysis in terms of financial aspects and HSE in relation to business operations, which is reasonable given current foreign operations and risk assessment of these countries. Nonetheless, it was expressed during the interview by one employee in particular that country risk analysis may be necessary in the future and that current routines are insufficient. However, such routines may already be considered and under development at Petrolink. Nonetheless, we suggest that in terms of future internationalization that security analysis and security routines are implemented.

Entry into new markets in for instance Africa may warrant change in today's routines as many oil and gas reservoirs are in global hotspots. One of the prerequisites for having a desire to work abroad is to have adequate emergency routines and guidelines for employees in order for them to feel safe when working abroad. Without such clear guidelines, employees who desire and are able to work abroad may feel discouraged from going overseas due to basic safety concerns. Petrolink must ensure that employees have the necessary information and know of clear procedures to follow if the unforeseen does occur. Ideally, such an arrangement should be part of a cultural briefing before employees are sent to the country where such issues are relevant. A potential cooperation between Petrolink and Norwegian embassies in the designated countries is one possibility (Johansen & Bleikelia, 2013). The need for an evaluation and creation of security routines is underscored by attacks on foreign oil and gas operations in volatile regions and recent events such as the terrorist attack in Algeria in January (BBC News, 2013).

## **Part Six – Conclusion**

### **6.1. Purpose of Thesis**

The purpose of our thesis was threefold; first we set out to measure CQ individually for a sample of 26 employees at Petrolink in order to create a collective measure of CQ for the sample. Secondly, we sought to expand upon research by Early and Ang (2003) by analyzing four contextual factors which may influence the CQ level found within Petrolink. The contextual factors studied in this thesis, referred to as the four contextual factors, are known as: International vision and strategy, expatriation and repatriation routines, corporate culture and core competences. Based on the results of the two first research questions and our two working propositions at the end of part two, we created a third research question: What changes and policies can Petrolink implement in order to improve the firm's internationalization process?

### **6.2. Answers to Research Questions**

We have used the CQ questionnaire developed by Van Dyne and Ang (2006) on a sample of 26 employees at Petrolink. We also created a background questionnaire to cross-reference the background and experience of each employee against their CQ to increase reliability.

Through testing we found there to be a spread in individual CQ scores ranging from a minimum of 36 and a maximum of 138. Only three employees out of the 26 tested received a score qualifying them as having 'excellent' CQ. 38 percent have a score which puts them in the average category, and 50 percent of our sample is in the need to develop category. The cumulative, mean score for our sample is 89, which indicates that overall the sample is in the 'need to develop' CQ category.

The introduction and analysis of the four contextual factors constitute an approach to explaining the collective CQ level of a firm. Through in-depth interviews with 12 employees we gained an insight into the current status of the four contextual factors at Petrolink. We uncovered the lack of a communicated vision and strategy for international operations, limited use of expatriation and repatriation, a corporate culture that is focused on domestic operations and that international operations are viewed as separate entities from operations in Norway as explanatory to today's low CQ score. With regards to core competences there is a clear emphasis on technical skills. Likewise, there are no educational measures to improve CQ

among the employees. A contributing reason affecting the four contextual factors is that the majority of Petrolink's operations are in Norway and not in foreign markets. As Petrolink conducts the majority of its operations domestically, the need for cultural skills such as CQ is at the moment limited but will increase with more business abroad.

Due to these findings we believe that a lack of an international vision and strategy, a limited expatriation and repatriation program, a domestically oriented corporate culture with little or no cross-cultural interaction and focus on technical competences have an effect on Petrolink's cumulative CQ score.

In part five we presented changes and policies based on theory, CQ score and analysis of the four factors. The changes and policies suggested can be implemented by Petrolink in order to improve the firm's internationalization process and CQ among the employees. Some of the suggestions include a focus on developing and communicating a vision and strategy for international operations across the organization. Petrolink should also increase the use of expatriation in the future and develop expatriation and repatriation routines in order for the company to gain and retain valuable experience from international operations. Furthermore, we recommend that Petrolink establishes educational measures in order to ensure that employees improve their cultural competences before long duration and high intensity assignments in culturally distant markets. We believe an educational program is particularly relevant considering Petrolink's newly acquired contract in Ghana. Petrolink's new project in Ghana offers a unique opportunity to demonstrate to customers in Norway and elsewhere that Petrolink has the knowledge and capabilities to actively support an operator or a production facility remotely located and with underdeveloped infrastructure. In order to transfer the knowledge and experiences gained in Ghana to headquarters in Stavanger, Petrolink will have to address the apparent lack of knowledge transfer routines uncovered by our study. The facilitation of effective knowledge transfer routines and development of an international corporate culture will enable Petrolink to grow as a company both at home and abroad based on new knowledge and experience gained through international operations.

### **6.3. The Road Ahead**

At the beginning of this thesis we discussed how circumstances relating to the Norwegian oil sector have made Norwegian oil companies wanted in the international market and at the same time have forced the same companies to look to new markets abroad.

Internationalization may, as we have discussed in this thesis, be a strain on already limited resources. For the larger companies such as Statoil, Aker and Seawell, internationalization may not be a strain on resources. However, for small to mid-sized companies, such as Petrolink, the task of internationalizing can be immense. The question is whether the Norwegian government and state department should undertake steps to help smaller companies internationalize, or that larger oil companies should bring its domestic portfolio of suppliers onto the international stage and thereby create a piggy-back effect. Considering that Norway's petroleum expertise is one of the country's clear competitive advantages, the Norwegian government should play a larger role in making internationalization possible for small and medium-sized firms such as Petrolink.

Regardless of the strategy and internationalization one thing is clear; the companies that seek to internationalize need to change the organization's mentality of operating in a relatively 'safe' home environment and become an internationally oriented company. By doing so, the company will be more capable of taking advantage of the opportunities in the international market. The development of an organization's CQ and an internationally orientation of the four contextual factors is a good first step on the road to successful internationalization.

## Part Seven – Appendix

### 7.1. APPENDIX I - Developing Cultural Intelligence

Earley and Ang (2003), Developing Cultural Intelligence

Intensity of interaction	Duration of interaction	Nature of interaction	CQ level	Example
		Formal	3	Overseas education/expatriate assignment
	High	Casual	3	Long duration stay for either personal or leisure purposes
<b>High</b>		Formal	2	Short but important business trips/negotiations or overseas recruitment
	Low	Casual	2	Short holiday with significant interaction with locals
		Formal	2	Researcher collecting data in relative isolation in the country
	High	Casual	2	Spouse of expatriate who keeps to own community more than totally integrating with
<b>Low</b>		Formal	1	Simple business call over the phone or other correspondence with members of other
	Low	Casual	1	Short holiday trip with little or no interaction with locals, e.g a guided tour



CQ training level	Description	Training needs
<p><b>Level 1</b></p>	<p>Involves low intensity and low duration of interaction with members of the other culture</p>	<p>Building cognitive content, simple behavioral techniques and an adequate level of emotional preparation and self awareness</p>
<p><b>Level 2</b></p>	<p>Generally involves low intensity but the duration is longer. Interaction can also be formal</p>	<p>Training should involve cognitive and metacognitive skills, a significant set of behavioral repertoire, and a high level of self awareness with moderate level of self confidence. Goal setting skills might be useful</p>
<p><b>Level 3</b></p>	<p>Tends to involve formal interaction of long duration and intensity</p>	<p>Training should consist of high level cognitive and metacognitive skills, a comprehensive set of behavioral repertoire or self presentation ability and a high level of self-confidence and wareness. Significant goal setting is required</p>

## 7.2. APPENDIX II – BACKGROUND QUESTIONNAIRE

**Name:**

**1. Age:**

**2. Gender**

Female

Male

**3. Please name the title of your position**

**4. How many countries have you lived in? (Half a year or longer)**

1

2

3

4-5

6 or more

**5. Have you had any prior international assignments, either with Petrolink or former employees?**

**If you answer YES to this question, please answer questions 6 to 8. If you answer NO, please skip questions 6 to 8.**

Yes

No

**If yes, where and for how long?**

**6. Did you identify any cultural differences that created obstacles for you?**

Yes

No

**If yes, please explain**

**7. With regards to your business environment, did you identify any obstacles that hindered you from fitting in with your co-workers and in the organization?**

Yes

No

**If yes, please explain**

**8. Would you classify your international assignment a success?**

Yes

No

**9. Would an international assignment be of interest to you, long term and/or short term?**

Yes

No

**If yes, please state one reason why:**

**10. Have you had any prior intercultural training (in the form of seminars, workshops or role play)?**

Yes

No

**If yes, please give a short description of the training.**

**11. How do you feel Petrolink values international experience? (Choose one)**

Highly valued

Appreciated

Indifferent

Not prioritized

Neglected

**12. Do you feel that international experience is important in your career development in general?**

Yes

No

**13. Do you feel that international experience is important in your career development at Petrolink?**

Yes

No

**14. Do you feel that it is important for the future of Petrolink to be an international company?**

Yes

No

<b>CQ score</b>	<b>Number of countries lived in</b>	<b>Have you had any international assignments, either with Petrolink or a former employee (1 = yes, 0= no)?</b>	<b>Would you classify your international assignment a success (1 = yes, 0 = no)?</b>	<b>Have you had any prior intercultural training (in the form of seminars, workshops or role play (1 = yes 0 = no)?</b>	<b>Would an international assignment be of interest to you, long term and/or short term (1 = yes, 0 = no)?</b>	<b>Do you feel that international experience is important in your career development in general (1 = yes 0 = no)?</b>	<b>Do you feel that international experience is important in your career development at Petrolink (1 = yes, 0 = no)?</b>	<b>Do you feel that it is important for the future of Petrolink to be an international company (1 = yes, 0 = no)?</b>
138	4.5	1	1	1	1	1	1	1
135	4.5	1	1	0	1	1	1	1
129	4.5	1	1	1	1	1	1	1
117	2	1	1	0	1	1	0	1
114	2	1	1	1	1	1	1	1
114	3	1	1	1	1	1	1	1
111	1	0	-	1	0	0	0	1
108	3	1	1	1	1	1	1	1
105	3	1	1	1	1	1	1	1
105	2	1	1	0	1	1	0	1
99	2	0	-	1	1	1	1	1
99	2	1	1	1	1	1	1	1
96	1	0	-	1	0	1	1	1
90	2	0	-	0	1	1	0	1
84	1	0	-	0	0	0	0	1
84	3	1	1	0	0	1	0	0
75	1	0	-	1	-	0	0	1
75	1	0	-	1	-	1	-	1
75	1	0	-	0	0	0	0	0
69	3	0	-	0	1	0	0	1
60	1	0	-	0	1	1	1	1
54	1	0	-	0	0	1	0	1
54	1	0	-	0	0	1	1	1
51	1	0	-	0	0	1	1	1
48	1	0	-	0	0	0	0	1
36	1	1	0	0	0	1	1	1

**TABLE: CQ SCORE VERSUS BACKGROUND QUESTIONNAIRE QUESTIONS**

## 7.3. APPENDIX III - CQ SELF ASSESSMENT QUESTIONNAIRE

### OVERVIEW

The following questions are about dealing with cultural diversity. There are no right or wrong answers. Instead, the questions simply allow you to assess your preferences, desires, and habits. Thinking about these questions can help you understand your unique strengths and how you relate to people with different cultural backgrounds that you meet both in your own country and in other societies. Read each question carefully and choose either a or b. Do not think too long about any question. If you cannot decide on a particular answer, skip the question and come back and answer it at the end.

### SECTION A

Which of the following choices best describes you when you are in situations characterized by cultural diversity? Circle either a *or* b (not both) for each question to indicate which better describes you as you are most of the time.

1. Would you rather work with someone who is from
  - a. The same or a similar culture, or
  - b. A very different culture?
  
2. When you are with a person from a different culture, do you
  - a. Plan what you say, or
  - b. Act spontaneously?
  
3. Do you like to
  - a. Travel in your home country, or
  - b. Travel to faraway places?
  
4. When you know you will be meeting someone from a different culture, do you
  - a. Script what you want to say before you start, or
  - b. Treat them as you would any other person from your own culture?
  
5. Do you typically
  - a. Assume many roles, or
  - b. Adopt one primary role?
  
6. At parties with people from diverse cultural backgrounds, do you
  - a. Mimic other people, or
  - b. Maintain your own style?
  
7. In your daily work, would you prefer a job in a culture that is
  - a. Similar to your own, or
  - b. Different from your own?
  
8. When thinking about understanding people from different cultures, are you
  - a. An expert, or
  - b. A novice?
  
9. Do you view yourself as
  - a. Beginning to learn more about culture, or
  - b. Having lots of cultural expertise?

10. When speaking to people from diverse cultures, do you use a
- Consistent speaking style, or
  - Variety of accents?
11. Would you say you are
- Not really aware when people are from other cultures, or
  - Very aware when people are from other cultures?
12. Which best describes you?
- I read more than two languages, or
  - I read one or two languages
13. Are you
- Alert to the possibility that someone might be from a different culture, or
  - Indifferent that someone might be from a different culture?
14. When you are in groups of people who have diverse backgrounds, do you
- Usually stick to your normal way of speaking, or
  - Change the way you speak depending on the group?
15. When you work on a project, do you find you prefer to work with
- People from similar cultures, or
  - People from different cultures?
16. When you are with people who have a different cultural background, do you
- Think about the differences, or
  - Forget they are different?
17. In getting a job done, which describes you better?
- I am indifferent to working with people from other cultures.
  - I celebrate cultural differences.
18. When it comes to knowing how to cope with cultural diversity, would others say you are
- Very knowledgeable, or
  - A neophyte?
19. In your spare time, would you choose to
- Upgrade your technical skills, or
  - Learn about cultural differences?
20. Given the choice, would you select working with people who are
- Not that competent technically, but are from similar cultures, or
  - Technically *very* competent, but from *very* different cultures?
21. In terms of knowing how to navigate new cultures, do you see yourself as
- Highly experienced, or
  - At the entry level?
22. Do you tend to
- Be aware that people from another culture are different, or
  - Pay very little attention to whether or not they are different?

23. Is it your habit
- Not to plan in advance when interacting with those from different cultures, or
  - To take charge of your interactions when with those from different cultures?
24. Do you typically
- Stick to your own mannerisms, or
  - Modify your mannerisms when you talk with people from different cultures?
25. Would you rank working with people from different cultures as
- One of your many interests, or
  - A top interest?
26. Do you
- Eat what is familiar to you, or
  - Try what others eat when having meals with people from other cultures?
27. Are you more likely to
- Set clear goals before you start working with others from different cultures, or
  - Work with them as if they were your regular colleagues?
28. When you have to meet strangers from another culture, do you
- Go with the flow and according to the situation, or
  - Carefully plan your conversation in advance?
29. Would you say that you enjoy
- Striking up conversations with culturally diverse people, or
  - Having conversations with those who are more familiar?
30. In your work, do you
- Use a uniform style of interacting with everyone in the group, or
  - Change the way you interact depending on the cultural backgrounds of those in the group?
31. In business situations that require cross-cultural negotiations, do you have
- Deep knowledge, or
  - Basic knowledge?
32. When visiting different cultures, do you
- Modify the way you dress, or
  - Dress the way you do in your home country?
33. When conflicts arise with those from other cultures, do you
- Learn from failures and build on successes, or
  - Pay little attention to cultural sources of failures and successes?
34. In keeping a conversation going with someone from another culture, do you
- Have difficulty dealing with ambiguity and differences, or
  - Deal successfully with ambiguity and differences?

## **SECTION B**

Imagine that you are in a situation where you are interacting with people from different cultural backgrounds. Circle the answer (a or b) that best describes you.

35. In culturally diverse situations, you are  
a. Spontaneous  
b. Planful.
36. In culturally diverse situations, you are  
a. Predictable  
b. Flexible.
37. In culturally diverse situations, you feel  
a. Involved  
b. Indifferent.
38. In culturally diverse situations, you are  
a. Systematic  
b. Casual
39. In culturally diverse situations, you are  
a. Neutral  
b. Engaged.
40. In culturally diverse situations, you have  
a. Cultural knowledge  
b. Technical knowledge.
41. In culturally diverse situations, you  
a. Anticipate  
b. React.
42. In culturally diverse situations, you are a  
a. Learner  
b. Professional.
43. In culturally diverse situations, you feel  
a. Highly interested  
b. Somewhat interested
44. In culturally diverse situations, you  
a. Go with the flow  
b. Prepare in advance
45. In culturally diverse situations, you are  
a. Reserved  
b. A good actor
46. In culturally diverse situations, you are  
a. Broad  
b. Narrow
47. In culturally diverse situations, you are  
a. Excited  
b. Neutral



48. In culturally diverse situations, you are

- a. Current
- b. Dated

49. In culturally diverse situations, you are

- a. Unsure
- b. Energized

50. In culturally diverse situations, you are

- a. Confident
- b. Uncertain

51. In culturally diverse situations, you

- a. Speak one language
- b. Speak many languages

52. In culturally diverse situations, you are

- a. Experienced
- b. A novice

53. In culturally diverse situations, you view interaction as

- a. An activity
- b. A priority

54. In culturally diverse situations, you are

- a. Conscious
- b. Unaware

### SCORING INSTRUCTIONS

#### Section A

For each item, score a 3 in the box to the right of the item if your answer corresponds to the letter shown in the answer column. Add up the columns at the bottom of the page to get your cultural strategic thinking (CST), cultural motivation (MOT), and cultural behavior (BEH) scores.

#### Section B

For each item, score a 3 in the box to the right of the item if your answer corresponds to the letter shown in the answer column. Add up the columns at the bottom of the page to get your cultural strategic thinking (CST), cultural motivation (MOT), and cultural behavior (BEH) scores.

### Worksheet

	CST	MOT	BEH	Total
Subtotal from section A				
Subtotal from section B				
Total (Section A + Section B)				

## Overall Cultural Intelligence

Overall Cultural Intelligence (CQTM) = Total CST + Total MOT + Total BEH

Write your overall Cultural Intelligence (CQTM) score here: \_\_\_\_\_

### Interpretation of Your Overall CQTM Score

Your Score Interpretation

126 and above:

You have **excellent** overall CQ in your ability to work in diverse cultural settings (domestic and/or international)

95-125:

You have **average** overall CQ in your ability to work in diverse cultural settings (domestic and/or international)

94 and below:

You **need to develop** your overall CQ to be able to work more effectively in diverse cultural settings (domestic and/or international)

### Interpretation of Your Cultural Strategic Thinking (CST) Score

Your Score Interpretation

51 and above:

You are **excellent** in your cultural strategic thinking

38-50:

You are **moderate** in your cultural strategic thinking

37 or less:

Your cultural strategic thinking indicates a **red alert**.

### Interpretation of Your Cultural Motivation (MOT) Score

Your Score Interpretation

45 and above:

You are **excellent** in your cultural motivation

38-44:

You are **moderate** in your cultural motivation

37 and below:

Your cultural motivation indicates a **red alert**.

### Interpretation of Your Cultural Behavior (BEH) Score

Your Score Interpretation

30 and above:

You are **excellent** in your cultural behavior

21-29:

You are **moderate** in your cultural behavior

20 and below:

Your cultural behavior indicates a **red alert**.

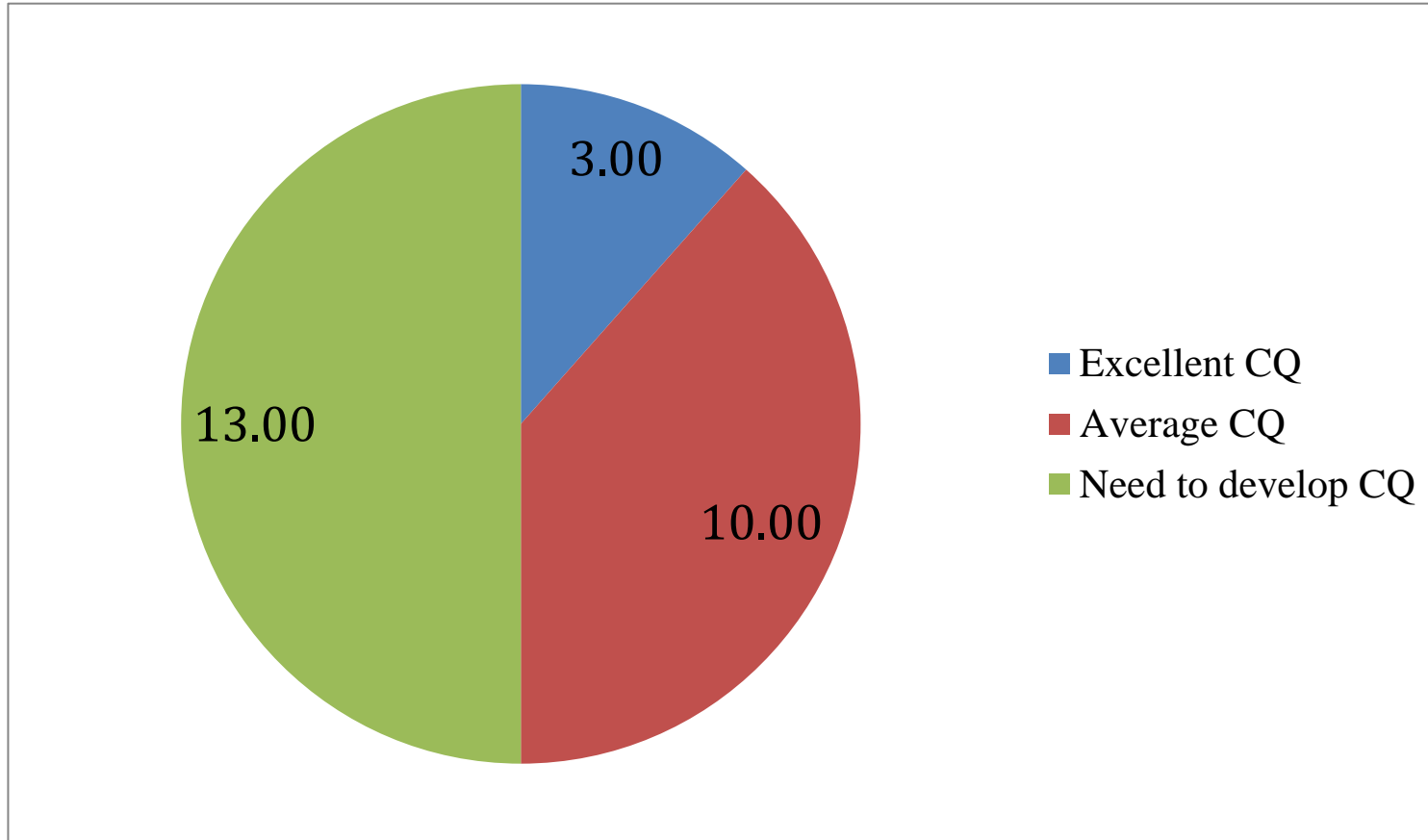
## VARIABILITY IN YOUR SCORES

If your scores vary (“excellent”; “moderate”; “red alert”) across the three facets of cultural intelligence, you should think of ways that you can capitalize on your strong areas (“excellent”) and ways that you can improve in areas where your scores are “moderate” or “red alert.”

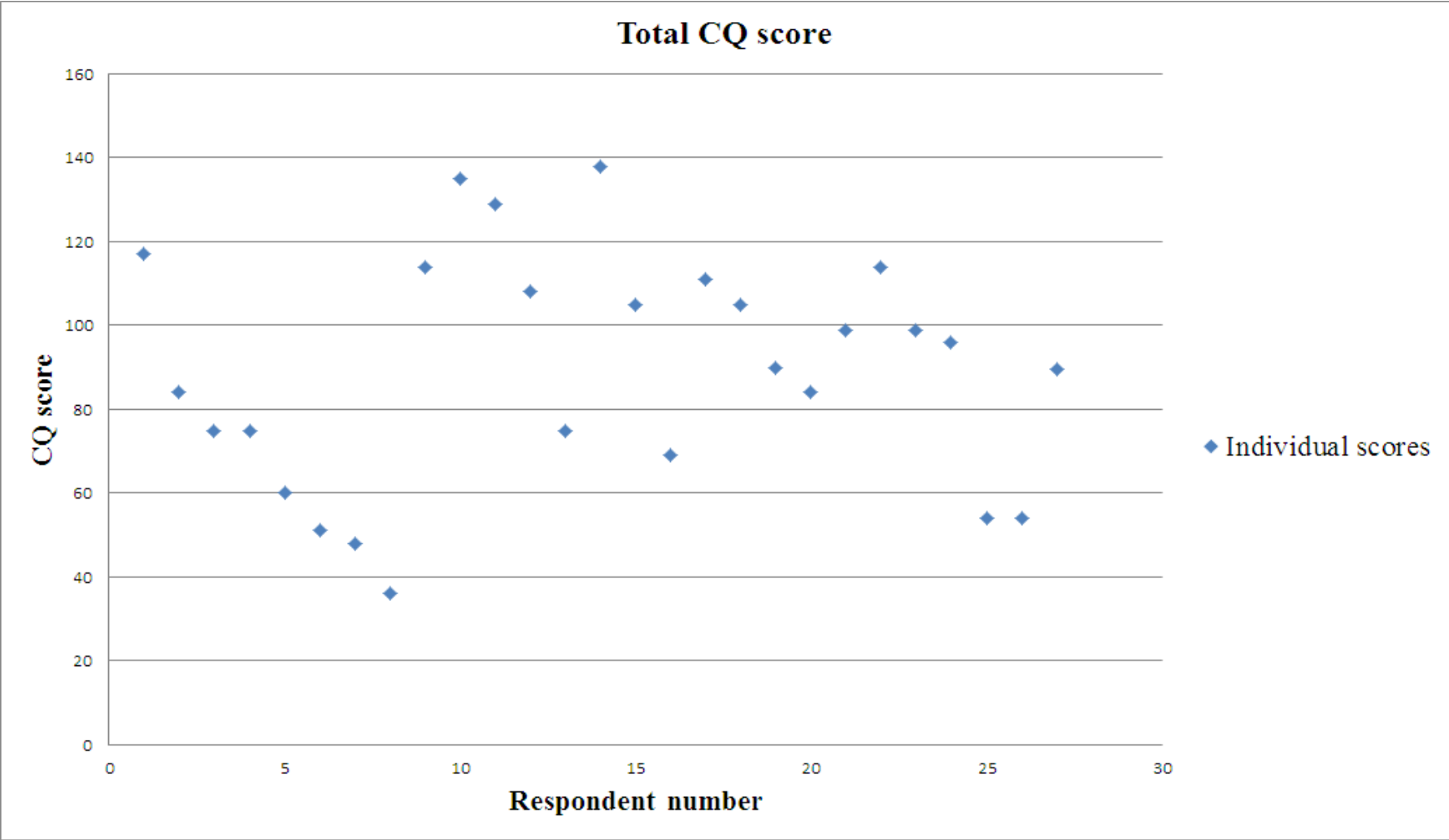
### 7.3. APPENDIX IV - RESULTS OF CQ QUESTIONNAIRE IN PERCENTAGES

RESULTAT OF CQ QUESTIONNAIRE				
Respondents	26			
	Percentages		Employees	
Question	A	B	A	B
1	0,81	0,19	21	5
2	0,54	0,46	14	12
3	0,12	0,88	3	23
4	0,38	0,62	10	16
5	0,69	0,31	18	8
6	0,23	0,77	6	20
7	0,88	0,12	23	3
8	0,46	0,54	12	14
9	0,42	0,58	11	15
10	0,73	0,27	19	7
11	0,27	0,73	7	19
12	0,31	0,69	8	18
13	0,58	0,42	15	11
14	0,62	0,38	16	10
15	0,81	0,19	21	5
16	0,38	0,62	10	16
17	0,62	0,38	16	10
18	0,65	0,35	17	9
19	0,35	0,65	9	17
20	0,19	0,81	5	21
21	0,65	0,35	17	9
22	0,42	0,58	11	15
23	0,54	0,46	14	12
24	0,23	0,77	6	20
25	0,96	0,04	25	1
26	0,12	0,88	3	23
27	0,35	0,65	9	17
28	0,73	0,27	19	7
29	0,58	0,42	15	11
30	0,46	0,54	12	14
31	0,42	0,58	11	15
32	0,85	0,15	22	4
33	0,96	0,04	25	1
34	0,08	0,92	2	24
35	0,54	0,46	14	12
36	0,12	0,88	3	23
37	0,85	0,15	22	4
38	0,62	0,38	16	10
39	0,5	0,5	13	13
40	0,46	0,54	12	14
41	0,58	0,42	15	11
42	0,65	0,35	17	9
43	0,58	0,42	15	11
44	0,5	0,5	13	13
45	0,42	0,58	11	15
46	0,88	0,12	23	3
47	0,62	0,38	16	10
48	0,65	0,35	17	9
49	0,31	0,69	8	18
50	0,69	0,31	18	8
51	0,65	0,35	17	9
52	0,54	0,46	14	12
53	0,38	0,62	10	16
54	0,96	0,04	25	1

**PIE CHART ILLUSTRATING NUMBER OF EMPLOYEES IN EACH CQ CATEGORY**



**SCATTERPLOT VISUALIZING THE SCORES OF EACH PETROLINK EMPLOYEE**



## 7.4. APPENDIX V - RESULTS FROM INTERVIEWS AND CQ QUESTIONNAIRE

### Descriptive Statistics: CQ score calculated

Variable	N	N*	Mean	SE Mean	StDev	Minimum	Q1	Median
CQ score calculated	26	0	89,42	5,55	28,30	36,00	66,75	93,00

Variable	Q3	Maximum
CQ score calculated	111,75	138,00

### Descriptive Statistics: Cognitive CQ

Variable	N	N*	Mean	SE Mean	StDev	Minimum	Q1	Median	Q3
Cognitive CQ	26	0	41,42	2,95	15,06	15,00	29,25	46,50	51,00

Variable	Maximum
Cognitive CQ	69,00

### Descriptive Statistics: Motivational CQ

Variable	N	N*	Mean	SE Mean	StDev	Minimum	Q1	Median	Q3
Motivational CQ	26	0	25,27	2,28	11,61	6,00	15,00	25,50	33,75

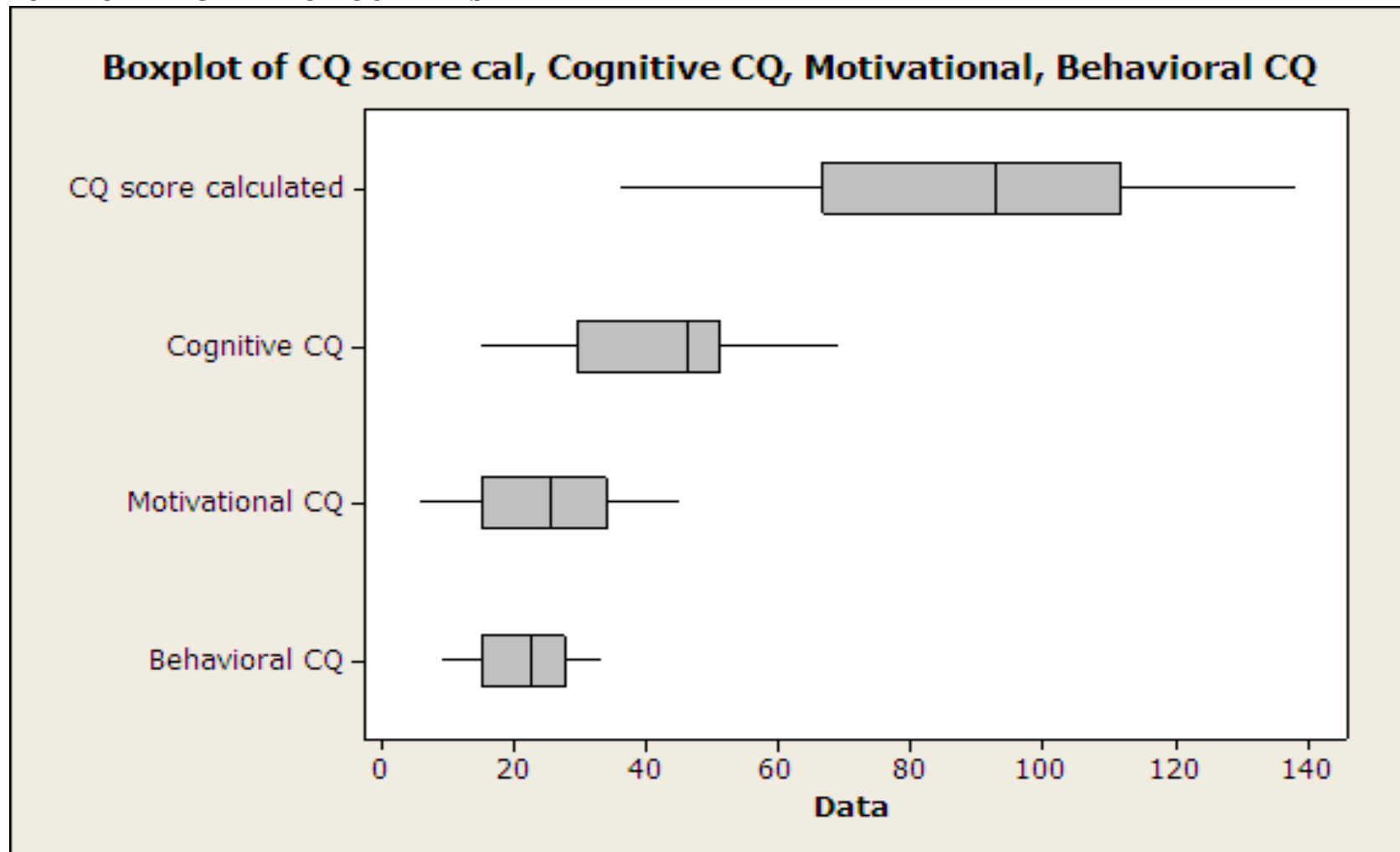
Variable	Maximum
Motivational CQ	45,00

### Descriptive Statistics: Behavioral CQ

Variable	N	N*	Mean	SE Mean	StDev	Minimum	Q1	Median	Q3
Behavioral CQ	26	0	22,73	1,42	7,26	9,00	15,00	22,50	27,75

Variable	Maximum
Behavioral CQ	33,00

### BOXPLOT DIAGRAM FOR OUTLIERS



### CQ SCORE ACROSS DIFFERENT WORK SECTIONS OF PETROLINK AS

Section	Total CQ	Cognitive CQ	Motivational CQ	Behavioral CQ
Petrolink Operations AS	112	48	37	27
Petrolink Operations Support AS	104	48	29	27
Petroproducts AS	99	48	27	24
Petrolink Energy Services Sdn AS	98	42	27	29
Petrolink Technical Services AS	98	42	27	29
Top Management	84	40	25	19
Petrolink AS	69	35	16	18

Section	Rank Cognitive CQ	Rank motivational CQ	Rank Behavioral CQ	Rank in terms of overall CQ	Average rank
Petrolink Operations AS	1	1	2	1	1.25
Petrolink Operations Support AS	1	2	2	2	1.75
Petroproducts AS	1	3	3	3	2.5
Petrolink Energy Services Sdn AS	2	3	1	4	2.5
Petrolink Technical Services AS	2	3	1	5	2.75
Top Management	3	4	4	6	4.25
Petrolink AS	4	5	5	7	5.25



**Descriptive Statistics: Do you feel that international experience is important in your career development in general?**

Variable	N	N*	Mean	SE Mean	StDev	Minimum	Q1
Do you feel that interna	26	0	0,7692	0,0843	0,4297	0,0000	0,7500

Variable	Median	Q3	Maximum
Do you feel that interna	1,0000	1,0000	1,0000

**Descriptive Statistics: Do you feel that international experience is important in your career development at Petrolink?**

Variable	N	N*	Mean	SE Mean	StDev	Minimum	Q1	Median
Do you feel that interna	25	1	0,560	0,101	0,507	0,000	0,000	1,000

Variable	Q3	Maximum
Do you feel that interna	1,000	1,000

**Do you feel that it is important for the future of Petrolink to be an international company?**

Variable	N	N*	Mean	SE Mean	StDev	Minimum	Q1
Do you feel that it is i	26	0	0,9231	0,0533	0,2717	0,0000	1,0000

Variable	Median	Q3	Maximum
Do you feel that it is i	1,0000	1,0000	1,0000

**Descriptive Statistics: Would an international assignment be of interest to you long term and/or short term?**

Variable	N	N*	Mean	SE Mean	StDev	Minimum	Q1	Median
Would an international a	24	2	0,583	0,103	0,504	0,000	0,000	1,000

Variable	Q3	Maximum
Would an international a	1,000	1,000

**Descriptive Statistics: Would you classify your international assignment a success?**

Variable	N	N*	Mean	SE Mean	StDev	Minimum	Q1	Median
Would you classify your	14	12	0,786	0,114	0,426	0,000	0,750	1,000

Variable	Q3	Maximum
Would you classify your	1,000	1,000

**Descriptive Statistics: Have you had any prior intercultural training?**

Variable	N	N*	Mean	SE Mean	StDev	Minimum	Q1
Have you had any prior i	26	0	0,4615	0,0997	0,5084	0,0000	0,0000

Variable	Median	Q3	Maximum
Have you had any prior i	0,0000	1,0000	1,0

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