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The Implication of Motivational and Metacognitive Dimensions Of Cultural Intelligence on
Psychic Distance in Inter-organizational Relationship: The Relational Resource Perspective

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Abstract

What has come to be known as psychic distance paradox suggest that entry into low psychic distance markets may improve performance; however, firms doing so may face shocks produced by unforeseen differences that could precipitate failure. In this developmental paper, we draw on the relational resource theory to address psychic distance contradiction, by exploring the impact of CQ on psychic distance – focusing on motivational and metacognitive dimensions. In achieving this, the study aims to test 5 hypotheses, and analyse 228 survey data gathered from participants in the Nigerian automobile industry. The hypotheses to be tested are: H₁: motivational CQ is negatively associated with psychic distance; H₂: metacognitive CQ is negatively associated with psychic distance; H₃: motivational CQ is positively associated with relational performance; H₄: metacognitive CQ is positively associated with relational performance, and H₅: psychic distance is negatively associated with relational performance. Based on the analysis of the above hypotheses, the findings and implications of the study will be discussed.

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Introduction

For decades, psychic distance has been a central focus of international business (IB) research, and it has been found to influence several critical organizational outcomes such as market entry strategy (Apostoloski et al., 2021; Ellis, 2008), joint action (Johnston et al., 2012), market selection (Brewer, 2007), and inter-organizational relationship (Magnusson and Boyle

2009). Psychic distance is typically referred to as an individual's perception of differences between the home and foreign market (Hakanson and Ambos 2010; Sousa and Bradley, 2005). The main reason why psychic distance fascinates academics is that research on the subject has shown conflicting outcomes. In the field of inter-organizational relationships, which is the centre of our study, research has mostly addressed the negative consequences of psychic distance (Sachdev and Bello, 2014).

Researchers have associated these equivocal findings with O'Grady and Lane's (1996) "psychic distance paradox". The paradox theorizes that, while conventional internationalization theory would encourage businesses entering low psychic distance markets to improve performance (Johanson and Vahlne 1977), organizations doing so face shocks produced by unforeseen differences. The explanation for the contradiction and conflicting findings, in our opinion, is a lack of contextual emphasis – as research in this domain has not thoroughly investigated the beneficial aspects of inter-organizational relationships in coping with the psychic distance barrier. Despite Dow and Karunaratna's (2006) call for an empirical study to improve understanding of coping mechanisms to mitigate cross-national distance, there is still a lacuna in the IB research. This gap needs urgent consideration since it inhibits academics from giving correct suggestions to guide managers to overcome psychic distance in their organizations' relations with trade partners. Hence, the objective of this study is

To investigate the impact of CQ on psychic distance – focusing on motivational and metacognitive dimensions

To address this research objective, we introduce the concept of cultural intelligence (CQ) to examine the psychic distance in the inter-organizational relationship. CQ is defined by Ang et al. (2007) as a form of intelligence focused on understanding, thinking, and responding successfully in intercultural situations. CQ enables individuals to see beyond their context of socialization to leverage cross-cultural experiences in managing exchanges with others (Ang et al., 2007), minimizing psychic distance perception and therefore boosting performance (Sharma, 2019). As a result, applying the concept of CQ allows for a more contextualized analysis of psychic distance in inter-organizational relationships.

We focus on the sub-dimensions of CQ (Ang et al., 2007). That is, we investigate the impact of two CQ facets on psychic distance: motivational CQ and metacognitive CQ. Ang et al. (2007, p. 338) define motivational CQ as "the capability to direct attention and energy toward learning about and functioning in situations characterized by cultural differences; and metacognitive CQ as "the mental processes that individuals use to acquire and understand cultural knowledge," and "relevant capabilities include planning, monitoring, and revising mental models of cultural norms for countries or groups of people." Examining these dimensions independently differentiates our study from predominant research on cultural intelligence (e.g., Sharma, 2019). Our research draws on the relational resource theory to develop and empirically test a framework linking different CQ facets on psychic distance. Specifically, we examine the relationship between motivational CQ and metacognitive CQ on psychic distance and the direct and indirect effects on relational performance.

We use a sample of 228 automobile importer and exporter relations to test our hypotheses. These are:

H₁: motivational CQ is negatively associated with psychic distance.

H₂: metacognitive CQ is negatively associated with psychic distance.

H₃: motivational CQ is positively associated with relational performance.

H₄: metacognitive CQ is positively associated with relational performance.

H₅: psychic distance is negatively associated with relational performance.

Our results are expected to support our theoretical reasoning and provide a positive response to the framework of this study. The key findings of the study is expected to align that motivational and metacognitive CQs may affect psychic distance and relational performance in negative ways. The study is also expected to agree that psychic distance can partially mediate the association between motivational and metacognitive CQs and relational performance. Equally, the study is intended to make contributions to the literature. Theoretically, it is expected that the study would contribute to inter-organizational relationships and possibly other phenomena that are impacted by psychic distance. The study is intended to reconcile the contradictory understanding of psychic distance notion (Hakanson and Ambos 2010), because the study examines the relationship between two CQ facets on psychic distance and the effects these may have on relational performance. Furthermore, by relying on relational theory, we intend to reconcile the relationship between CQ and psychic distance – both of which researchers have largely examined separately in the past. Our study also aims to provide practical implication, by exploring how individuals' cultural inclination and mental awareness (including knowledge and skills) can influence cross-national distance, which in turn can determine help determine the degree to which performance in international channel relationship can be strengthened. Last but not least, the expected practical implication is that organisations need to amplify training for their existing (or recruit new) managers that are competent in cultural intelligence, in order to effectively address the challenges that are associated with good management of psychic distance (Earley and Mosakowski, 2004)

Furthermore, to manage psychic distance challenges appropriately, organizations should consider recruiting culturally intelligent managers or training their existing managers to acquire cultural intelligence abilities – since CQ can be acquired by proper training and practice (Earley and Mosakowski, 2004). The order of the paper is set to begin with the literature covering the development of hypothesis, which will be followed by the methodology, data collection process as well as analysis and findings. The paper will be concluded with discussion on the implications, limitation and direction for future study on the topic.

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Appendixes

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