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## Expatriates' international opportunity recognition and innovativeness: The role of metacognitive and cognitive cultural intelligence

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### ABSTRACT

International opportunity recognition has become increasingly important in both the international business and international entrepreneurship fields. While previous international entrepreneurship research has suggested a wide variety of innovation-inducing factors, it has neglected the role of cross-cultural competences and the expatriate as a potential actor. Building on the experiential learning theory and a model of opportunity recognition, we argue *how* and *why* metacognitive and cognitive cultural intelligence are important cross-cultural competences that stimulate and enable expatriates to discover international opportunities and be innovative. We use a mixed method approach to analyze differences in the innovativeness of expatriates.

### 1. Introduction

We analyze differences in the innovativeness of expatriates to see why some are more innovative than others. While we know that having cross-cultural competences may foster innovativeness (Un, 2016), we suggest there is a need to theoretically expand how and why this happens during an expatriate assignment. A better understanding of the international innovation process is important because as multinational enterprises expand into new international markets, their expatriates are exposed to greater cultural diversity than ever before (Lücke, Kostova, & Roth, 2014). While it has been demonstrated that domestic employees that can manage and leverage cultural diversity outperform those that cannot (Chen, Liu, & Portnoy, 2012), relatively less is known about how international employees, specifically expatriates, are able to be innovative in a culturally diverse context. Two papers have recently partially addressed this gap. First, Muzychenko and Liesch (2015) proposed why entrepreneurs perceive international opportunity recognition (IOR) to be a feasible and desirable activity. Second, Dheer and Lenartowicz (2016) demonstrated how the cross-cultural competences of metacognitive and cognitive cultural intelligence increased students' entrepreneurial intentions; albeit not in an international context. We adopt the experiential learning theory (Kolb, 1984) and a model of opportunity recognition (Corbett, 2005) to build on these articles by describing *how* and *why* expatriates high in metacognitive and cognitive cultural intelligence are better able to recognize opportunities in order to be innovative in a foreign environment.

A broad example of cross-cultural competences is cultural intelligence (CQ), which is defined as “an individual's capability to function and manage effectively in culturally diverse settings” (Ang et al., 2007, p. 336). CQ is multifaceted and composed of distinct cognitive (metacognitive and cognitive CQ) and action-oriented components (motivational and behavioral CQ) (Bücker, Furrer, & Peeters Weem, 2016). CQ has been proposed as a key element of successful interactions in international markets (Alon & Higgins, 2005) emphasizing the role of the expatriate (Ott & Michailova, 2016a). For example, CQ is positively related to individual-level outcomes such as expatriates' adjustment (Malek & Budhwar, 2013) and performance (Lee & Sukoco, 2010). Given the importance of possessing cross-cultural competences, we ask how an expatriate's level of two *specific* CQ competences (i.e., metacognitive and cognitive) may drive outcomes such as IOR and innovativeness?

Currently, there is limited research focused on specific cross-cultural competences as drivers of innovativeness (Un, 2016). Additionally, while the international business literature has provided substantial insight into the role of expatriates in value creation and performance (Chang, Gong, & Peng, 2012), there has been a dearth of attention on their role in the discovery of opportunities resulting in innovativeness (Dabic, González-Loureiro, & Harvey, 2015; Muzychenko & Liesch, 2015). This is interesting, given the centrality of expatriates in the knowledge brokerage process due to their access to novel, idiosyncratic, and local information as well as heterogeneous networks (Minbaeva & Michailova, 2004). We know that access to diverse networks and

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knowledge along with cross-cultural experience and global mobility may stimulate entrepreneurial activity (Baer, 2010; Singh, Hills, Lumpkin, & Hybels, 1999; Vandor & Franke, 2016). However, getting access to local knowledge is difficult. Further, recognizing opportunities is particularly challenging in an international setting because they are recognized differently than in a domestic environment (Zahra, 2005). Applying the experiential learning theoretical framework, we posit that expatriates learn to recognize opportunities and exploit them if they possess the cross-cultural competences to access, process, and capitalize on novel and heterogeneous local knowledge abroad.

Our study contributes to the international entrepreneurship and innovation literature in three ways: First, we go beyond the conceptualization of expatriates as knowledge brokers by identifying their potential to recognize opportunities if they possess certain cross-cultural competences. Thereby, we answer recent calls for a better understanding of IOR and innovativeness (Knight, Liesch, Zhou, & Reuber, 2015). Our focus on cross-cultural competences as antecedents to IOR also contributes to research of their predictive power in an international setting (Ott & Michailova, 2016a). Second, we examine how IOR mediates the relationship between two specific cross-cultural competences (i.e., metacognitive and cognitive CQ) and innovativeness in an international environment. Expatriates without these two cross-cultural competences might not discover opportunities abroad for innovative products, services, and processes. Thus, we suggest that IOR is not an end in itself, but may lead to innovativeness if appropriately exploited. By theoretically linking cross-cultural competences to innovativeness through IOR, we advance research on individual-level innovation-inducing factors. Finally, because opportunity recognition is cognitive in nature (Corbett, 2005), applying an experiential learning theory can be particularly fruitful for explaining *why* expatriates high in metacognitive and cognitive CQ can better identify and exploit opportunities. Our findings provide potentially important guidance for expatriates as they strive to innovate, as well as offer practical implications for MNEs attempting to recruit and develop them.

## 2. Theoretical framework and hypotheses

### 2.1. Experiential learning theory

Macro-level theoretical research has recently proposed how dynamic capabilities (Michailova & Zhan, 2015) and internationalization (Buckley, 2016) can impact innovation in a global environment. Encouragement from a renewed interest in microfoundations (Lessard, Teece, & Leih, 2016) suggests that while innovation is an inherently multi-level phenomenon, it involves an individual actor at its base (Barney & Felin, 2013). Within the international entrepreneurship literature there are calls for “research on attributes that are likely to influence subsidiary innovation” (Michailova & Zhan, 2015, p. 581). We believe that an understanding of individual-level attributes, specifically those of expatriates, is one avenue that can advance the international entrepreneurship and innovation literatures. Cognition being at the base of the microfoundations perspective is a potentially powerful framing (Helfat & Peteraf, 2015).

Cognitive perspectives hold great possibilities for better understanding expatriates’ cross-cultural competences (Lücke et al., 2014). Corbett (2005) also used a cognitive lens to illustrate how entrepreneurs recognize opportunities. The experiential learning theory (ELT) (Kolb, 1984) used by Corbett (2005) to understand a model of opportunity recognition can be merged with Muzychenko and Liesch’s (2015) explanation of *international* opportunity recognition (IOR) and the two cross-cultural competences highlighted by Dheer and Lenartowicz (2016) because they are all based on cognitive perspectives. Two international entrepreneurship review articles acknowledge relatively little is known about how individuals acquire (learn) knowledge that leads to IOR (Jones, Coviello, & Tang, 2011; Peiris, Akoorie, & Sinha, 2012). The ELT may be particularly fruitful for

explaining *how* expatriates high in cross-cultural competences learn from their international experience in order to identify opportunities (Ng, Van Dyne, & Ang, 2009). This is relevant because expatriates’ experiences and prior knowledge acquired in the domestic environment may hamper effective scanning in the international environment. ELT focuses on the process of how “individuals transform (using cognitive properties) their experiences (situative) into new knowledge” (Corbett, 2005, p. 481). By transforming international experience into knowledge, the ELT identifies how expatriates may discover opportunities through learning.

Corbett (2005) proposed different experiential learning styles will function better during different parts of the entrepreneurial process (discovery versus exploitation). Specifically, the convergent and assimilation learning styles work best during the discovery (e.g., opportunity recognition) stage. The convergent learning style has strengths in “abstract conceptualization and analyzing existing knowledge to find solutions to problems”, while the assimilation learning style has strengths in “conceptualization, reflection, and observation to bring together seemingly separate activities” (Corbett, 2005, p. 484). He proposed that individuals who use a convergent learning style are most likely to develop an initial idea. Moreover, those that use an assimilation learning style are most likely to build on initial ideas to recognize opportunities. While Corbett’s elaboration of how these two learning styles lead to opportunity recognition is convincing, to the best of our knowledge, they have not been applied to the IOR context. In this study, we extend the boundaries of the ELT and opportunity recognition literatures by explaining why cross-cultural competences associated with convergent and assimilation learning styles stimulate the recognition of opportunities for expatriates in an international context.

We suggest that expatriates’ cross-cultural competences of metacognitive and cognitive CQ relate to the assimilation and convergent learning styles of the ELT, respectively. Metacognitive CQ allows expatriates to observe cross-cultural actions, reflect on assumptions and beliefs, make calculated and objective decisions, and selectively use prior experience without bias (Ang, Van Dyne, & Rockstuhl, 2015). Expatriates high in cognitive CQ have existing knowledge of the foreign market and the related cross-cultural environment (Earley & Ang, 2003). The cross-cultural knowledge allows expatriates to better analyze this knowledge to find solutions to problems (e.g., IOR).

### 2.2. International opportunity recognition

Opportunity recognition is a central topic in the field of entrepreneurship and can be defined as “the cognitive process (or processes) through which individuals conclude that they have identified an opportunity” (Baron, 2006, p. 107). A large area of inquiry in the domestic context is based on the cognitive abilities of entrepreneurs (Baron, 2006). Research within the cognitive perspective has identified that entrepreneurs have distinct cognitive and pattern recognition abilities (Baron & Ensley, 2006; Busenitz and Barney, 1997). For example, Gaglio (2004) showed that counterfactual thinking and mental simulations enable entrepreneurs to think creatively and to develop opportunity recognition abilities. This may be because individuals with greater cognitive abilities learn faster, benefit more from experience, and acquire knowledge more quickly and deeply (Jensen, 1998).

On a global level, international entrepreneurship “remains void of research that examines the processes and mechanisms related to opportunities” (Chandra, Styles, & Wilkinson, 2015, p. 200). This is important because international opportunity-focused research can help create a stronger identity for international entrepreneurship, one that distinguishes it from other international business fields (Chandra et al., 2015). Since cognitive processes and the creation of new ideas are embedded in an individual’s environment (Chua, Roth, & Lemoine, 2015), deep-rooted experiences and prior knowledge acquired in a domestic environment may create biases and hamper effective scanning of the international environment (Mathews & Zander, 2007).

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