

# Learning tools to develop cultural intelligence for SMFEs: the role of social cognitive processes

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## Abstract

**Purpose of the paper:** *The aim of this paper is to investigate how SMFEs can develop cultural intelligence (CQ) from international experience (IE) using Bandura's Social Cognitive Theory as a theoretical framework.*

**Methodology:** *The study involved the submission of a questionnaire to 150 owner-managers of Italian SMFEs. Participants were selected on the basis of a proportional quota sampling. Moderated multiple regression analysis was used to test the hypotheses.*

**Findings:** *The study shows that a learning method based on the observation of the link between behaviors of external economic agents and consequences of such behaviors can support SMFEs in developing CQ to inform decision-making activities and drive improvement in the internationalization process.*

**Research limits:** *The weight of each dimension is highly dependent on the context and time of the analysis and this may create some problems in the generalization of the findings. Potential bias may occur due to self-report surveys.*

**Practical implications:** *The findings reveal that, through observational learning, SMFEs are more likely to acquire and accumulate cultural and market-specific knowledge able to compensate their knowledge constraints in terms of internationalization.*

**Originality of the paper:** *The present study is the first attempt to explicitly examine the moderating effect of Social Cognitive Theory on the relationship between IE and CQ in family businesses. Yet to date, no research has empirically tested these links.*

*Key words:* SMFEs; international experience; cultural intelligence; social cognitive theory

## 1. Introduction

Family businesses play a central role in most economies worldwide. They account for 65-80 percent of all world's firms, generate around 70-90 percent of the annual global GDP, and represent the source of 50-80 percent of new jobs in most countries (De Massis *et al.*, 2018). Given their share in the global market, the topic of internationalization of family firms has gained increased attention (e.g., Arregle *et al.*, 2017; Fernández and Nieto, 2005; Graves and Thomas, 2008; Pukall and Calabrò, 2014; Ratten *et al.*, 2017; Sciascia *et al.*, 2012).

In this context, several scholars have suggested that the propensity to internationalize of family firms is constrained by limited financial resources, reluctance to establish relations with new partners, limited access to market-specific knowledge and managerial capabilities, resistance to change of entrepreneurial leadership, conservative attitude, and fear of losing socio-emotional wealth (Fernández and Nieto, 2005; Gomez-Mejia *et al.*, 2010; Sciascia *et al.*, 2012; Xi *et al.*, 2015). Many of these difficulties to internationalize can be exacerbated in case of small and medium-sized family enterprises (SMFEs) (Fernández and Nieto, 2005; Gallo and García-Pont, 1996). Even though small size can provide several advantages, SMFEs' sources of strength within indigenous markets represent their sources of weakness when dealing with foreign environments, since the international process requires efficient management at corporate, business, and functional levels and calls for a high degree of experience and expertise (Lloyd-Reason and Mughan, 2002).

More specifically, SMFEs usually lack market-specific knowledge and managerial capabilities that are key elements to face the uncertainties of internationalization (Chang and Shim, 2015; Dunning, 1988; Hitt *et al.*, 1997; Kraus *et al.*, 2016). The lack of such resources is one of the reasons reducing the international scope of SMFEs (Fernández and Nieto, 2005; Graves and Thomas, 2008). Among these capabilities, cultural intelligence (CQ) has become one of the important skills global leaders must develop (Michailova and Ott, 2018), since the effective management of culturally diverse settings can lead to improved business results (Cox, 1993). Nonetheless, research on what actually leads to CQ has been sparse and unsystematic (Ott and Michailova, 2018).

Within this framework, the Uppsala School (Johanson and Vahlne, 1977) suggested that experiential learning supports the firm in acquiring a deeper knowledge of foreign markets. However, the acquisition of experiential, tacit, and market-specific knowledge is more difficult for resource-constrained SMFEs than for larger firms. Some studies have then argued that family businesses can compensate most part of these weaknesses by accessing external resources, which can provide them with higher stocks of market knowledge and managerial capabilities (e.g., Kraus *et al.*, 2016; Pukall and Calabrò, 2014; Vandekerckhof *et al.*, 2014). However, our knowledge of how SMFEs can acquire such external resources to improve their internationalization process is still limited (Kontinen and Ojala, 2012).

The present paper addresses this issue by using Bandura's (1977; 1986) Social Cognitive Theory (SCT) to investigate how SMFEs' members can develop CQ, responding to the call put forward by Michailova and Ott (2018) for empirically testing the key arguments underlying this relationship. According to SCT, individuals shape their behaviors by observing other people's actions and their consequences. Such vicarious learning can act as a central stimulus for SMFEs' decision-makers to access and internalize relevant information about international markets. By following the example of other firms involved in cross-border business operations, the owner-manager acquires experiential and market-specific knowledge, thus speeding up the international development of the firm.

The study involved the submission of a questionnaire to a sample of 150 owner-managers of Italian SMFEs involved in international business activities. It focused on Italian SMFEs because, SMFEs play a more significant role in Italy than in most other EU countries. Family businesses account for 85 percent of total firms in Italy. Even though the EU average shows similar results, in terms of family control, 66 percent of the Italian family firms are fully managed by family members, compared to 26 percent in France and 10 percent in the UK. As for SMFEs, there are around 4,000 family businesses in Italy with an incidence of around 58 percent of total turnover (Aidaf, 2019). Moderated multiple regression analysis was used to test the hypotheses.

The study is presented in five sections. First, in section 2, a discussion of the different theories that underlay the model is presented. In section 3, the methods and measures of the empirical assessments are reported. The analysis is then discussed in section 4. Results, discussion, and conclusions are presented in sections 5 and 6.

## 2. Background

### 2.1 Family businesses and internationalization: the search for external resources

Family businesses are traditionally less inclined to grow in the international arena (Fernández and Nieto, 2005) due to their limited financial resources, reluctance to establish relations with new partners, limited access to market-specific knowledge and managerial capabilities, lack of the needed expertise and skills, conservative attitude, and fear of losing socio-emotional wealth (Gomez-Mejia *et al.*, 2010; Sciascia *et al.*, 2012; Xi *et al.*, 2015). Most of these difficulties can be worsened in case of SMFEs since they find it more difficult to exploit their local competitive advantages in foreign environments (Gallo and García-Pont, 1996). Indeed, the lack of resources and the complexities and uncertainties of international activities reduce the possibility for SMFEs to capitalize on the opportunities of international markets (Fernández and Nieto, 2005; Graves and Thomas, 2008).

Among these resources, intangible ones, such as market-specific knowledge, culture, technology, or managerial capabilities, represent key elements to compete with host country firms in their own markets (Chang and Shim, 2015; Dunning, 1988; Hitt *et al.*, 1997; Kraus *et al.*, 2016). In particular, market-specific knowledge and managerial capabilities represent crucial resources for family businesses to overcome the uncertainties of international processes (Chang and Shim, 2015; Erikson *et al.*, 1997; Gallo and García-Pont, 1996; Pukall and Calabrò, 2014). Family businesses tend to internationalize at a slower pace than non-family firms, since they usually need more knowledge to start internationalization and accumulate knowledge more slowly (Gallo and Sveen, 1991). In this context, the Uppsala School (Johanson and Vahlne, 1977) suggested that international activities involve experiential learning processes that support

the firm in acquiring relevant knowledge of foreign markets. However, this knowledge is mostly tacit and context-specific and it is very hard to share or transmit. Hence, resource-constrained SMFEs are usually at a disadvantage when accessing such knowledge and capabilities.

Some studies have argued that family businesses can compensate part of these disadvantages through family-specific resources, such as trust, social capital, and altruism (e.g., Calabrò and Mussolino, 2011; Segaro, 2010; Zahra, 2003). These qualitative factors can have a positive impact on family relationships, thus improving conflict management and resolution, decision-making activities, and a shared vision of the firm's international path (Kraus *et al.*, 2016). Other scholars have stressed that family firms can acquire higher stocks of market knowledge and managerial capabilities by accessing external resources through stable relationships (e.g., Calabrò *et al.*, 2013; Pukall and Calabrò, 2014; Vandekerckhof *et al.*, 2014). These relationships with other companies as shareholders, with alliances and cooperative agreements with customers, distributors, and other stakeholders, or through network ties with other entrepreneurs can provide family businesses with relevant information about business opportunities, foreign market characteristics, obstacles or problems involved in the internationalization process (Fernández and Nieto, 2005; Kontinen and Ojala, 2012; Pukall and Calabrò, 2014). Through external resources, family firms can thus reduce the perceived risk of internationalization and better overcome the liabilities of outsidership and foreignness than their non-family counterparts (Johanson and Vahlne, 2009; Pukall and Calabrò, 2014).

Family businesses may therefore need to identify and use external resources to overcome the shortcomings related to family-specific characteristics. However, knowledge about how they can acquire such tacit knowledge and capabilities to improve their internationalization process is still limited (Kontinen and Ojala, 2012).

## *2.2 The relationship between international experience and cultural intelligence*

CQ is the “individual's capability to function and manage effectively in cultural diverse environments” (Ang *et al.*, 2007: 337). Earley and Ang (2003) developed this multidimensional construct on the basis of Sternberg and Detterman's (1986) multi-loci theory of intelligence, according to which intelligence is made up of multiple interacting capabilities. CQ is a culture-free construct based on individual capabilities which applies across cultures rather than being culture-specific (Ang *et al.*, 2007). Originally conceptualized as a threefold dimension based on cognitive, motivational, and behavioral factors, the concept of CQ was then refined by Ang *et al.* (2006), who provided a distinction between cognitive and metacognitive CQ, and by Van Dyne *et al.* (2012), who introduced sub-dimensions for each of its four factors. Recently, Thomas *et al.* (2008) interpreted CQ as a threefold system of interacting abilities, whereby cultural knowledge and skills are linked to cultural intelligent behavior through cultural metacognition.

Cognitive CQ is the knowledge and understanding of the values, norms, practices, and conventions of different cultural backgrounds acquired through education and personal experiences (Earley and Gardner, 2005). Metacognitive CQ represents the level of cultural awareness and executive processing during cross-cultural encounters (Van Dyne *et al.*, 2012) that allows individuals to manage and control cognition when dealing with new situations (Earley and Gardner, 2005). Motivational CQ refers to the degree of interest, attention, and effort showed by people interested in learning from cultural differences and adapting to new cultural settings (Earley and Ang, 2003), while behavioral CQ is the ability and flexibility of using adequate verbal and non-verbal actions when interacting with people from different cultures (Van Dyne *et al.*, 2012).

The concept of CQ has been widely examined as predictor of individuals' adaptation/adjustment (Ang *et al.*, 2007), performance in intercultural contexts (Chen *et al.*, 2011), global leadership (Rockstuhl *et al.*, 2011), intercultural negotiation effectiveness (Imai and Gelfand, 2010), and multicultural teams functioning (Groves *et al.*, 2015). However, it is still rather unclear how individuals develop CQ (Ott and Michailova, 2018). Indeed, even though previous studies have analyzed the role of international experience (IE) and cultural exposure (Crowne, 2013), knowledge of socio-cultural contexts (Earley and Ang, 2003), education (MacNab and Worthley, 2012), individual personality (Ang *et al.*, 2006), results have shown substantial variations and inconsistencies.

In this context, particular attention has been paid to the relationship between IE and CQ. IE is a multidimensional concept that represents the exposure to a foreign environment, which comprises meaningful interactions with members of the local culture through work and non-work experiences (Takeuchi *et al.*, 2005). Work experiences include international assignments and short business trips, while non-work experiences involve traveling and studying abroad. The exposure to these experiences supports individuals in gaining knowledge about local behaviors and cultures through direct experience and observation (Bandura, 2002). This exposure helps individuals become more familiar with and develop a better understanding of the values, beliefs, and norms of other cultures (Engle and Crowne, 2014). In this regard, IE is considered as a key element to develop global leadership capabilities (Li *et al.*, 2013), since it provides cultural exposure (Crowne, 2013) to develop CQ.

Most part of previous studies confirmed the existence of a positive relationship between IE and CQ, both in terms of overall CQ (e.g., Earley and Ang, 2003; Li *et al.*, 2013; Thomas *et al.*, 2008) and its all four facets (e.g., Chao *et al.*, 2017; Engle and Crowne, 2014). However, in an extensive review of the CQ literature, Ott and Michailova (2018) found that this has not always been the case. For instance, some studies argued that no significant relationship exists between IE and CQ (Gupta *et al.*, 2013; MacNab and Worthley, 2012), while others suggested that IE just affects metacognitive CQ (Varela and Gatlin-Watts, 2014) or cognitive and motivational CQ (Li *et al.*, 2013). Similar discrepancies can be found when examining the role of specific experiences on CQ: Moon *et al.* (2012) stated that only non-work experiences affect CQ, Li *et al.* (2013) recognized that

work experiences have an impact on overall CQ, while Crowne (2013) argued that work IE predicts metacognitive, cognitive, and behavioral CQ, and non-work IE affects the cognitive and behavioral facets of the construct.

Even though the wide range of these results provides little clarity about how IE influences overall CQ and its four sub-dimensions, based on previous studies it seems reasonable to conclude that IE does influence CQ to some extent. Following this rationale, the present paper hypothesizes that:

H1. *International experience is positively related to cultural intelligence.*

### *2.3 How to develop cultural intelligence through social cognitive learning*

IE is a unique and crucial learning environment (Li *et al.*, 2013), in which encounters with members of local cultures, short-term visits, or more immersive experiences provide several learning opportunities for individuals and owner-managers. Such experiences help individuals acquire tacit knowledge, which is subjective, experience-based, and context-specific knowledge that cannot be codified and it is very hard to share or transmit. This experiential knowledge, gained through direct experience and observation, generates business opportunities and represents a driving force in the firms' internationalization processes (Johanson and Vahlne, 1977). However, the acquisition of experiential and market-specific knowledge can be more difficult for SMFEs than for larger non-family firms. As argued by Eriksson *et al.* (1997: 7), market-specific knowledge requires "presence abroad, exposure to the situation abroad, and interaction with specific customers, intermediaries and other firms". Market-specific knowledge can thus be difficult and costly to obtain, in particular for resource-constrained small family firms. Even abstract conceptualizations used to grasp knowledge from abstract symbols do not represent useful alternatives for developing experiential learning skills for cross-cultural adaptation (Yamazaki and Kayes, 2004).

In this context, Bandura's (1977, 1986) SCT can represent a viable tool to assess how SMFEs' members can develop CQ. While experiential learning is based on the assumption that learning is the result of direct experience, Bandura (1977) suggested that individuals learn by observing other people's behavior, attitudes, and outcomes/consequences of these behaviors. Through observation, individuals can form an idea of how new behaviors are performed and use this coded information as a guide for subsequent actions. SCT has been recognized to be more effective in explaining skill development than other approaches such as experiential learning (McEvoy, 1998) and well suited to explain human personal development, adaptation, and change in diverse cultural settings (Bandura, 2002; Black and Mendenhall, 1990; Michailova and Ott, 2018; Tarique and Takeuchi, 2008).

Observing modeled behaviors and their outcomes/consequences can thus support SMFEs' decision-makers in acquiring relevant market-specific knowledge, developing new models for behavior in the foreign context, and speeding up the international evolution of the firm. In this context,



“organizations tend to model themselves after similar organizations in their field that they perceive to be more legitimate or successful” (DiMaggio and Powell, 1983: 152). This generalized perception, although based on individual subjective legitimacy beliefs, is objectified at the collective level within socially constructed systems of norms, values, beliefs, and definitions (Bitektine and Haack, 2015). This form of isomorphism generates resource dependencies that help explain why organizations facing different and unknown conditions are influenced by the perceived strategic value of knowledge originating from the organizational and business contexts (Tregaskis, 2003). By imitating firms with higher degree of legitimacy, SMFEs can thus reduce their perceived uncertainty about foreign markets without having to wait until their own market-specific knowledge has reached an adequate level (Forsgren, 2002). This would allow them to face the liabilities of outsidership and foreignness, thus favoring less incremental and less cautious internationalization processes.

Observational learning is based on four social cognitive processes (SCPs): attention, retention, reproduction, and motivation. Attention refers to the extent to which individuals are exposed to, or notice, a behavior (Bandura, 1977). In uncertain situations, the more ambiguous the stimuli, the greater the likelihood for individuals to rely on models for making decisions. SMFEs’ decision-makers can acquire higher stocks of market knowledge by making inferences from the observation of other firms and stakeholders in the foreign context. In this sense, the family firm has to behave as an ‘open system’ to find, exploit, and organize external resources not available within the organization in order to assimilate appropriate behaviors and increase its opportunities in the host environment.

Retention represents the process through which individuals code the observed behaviors into memory to generate easily remembered schemas for subsequent uses (Bandura, 1977). In the family business context, in which success depends on the knowledge gathered and handed down through the generations and acquired from outside (Chirico, 2008), trust, social interactions, and learning-by-doing favor the accumulation of knowledge and the transformation of the observed behaviors and actions into tacit knowledge to be shared over time.

Reproduction transforms symbolic representations into appropriate actions (Bandura, 1977). Practicing behavior and receiving feedbacks in the learning context help the owner-manager make adjustments and reinforce positive conducts. Through learning experiences and ‘working together’ activities, the other members of the family firm can then re-experience what the owner-manager previously learned and acquire, share, and transfer knowledge - especially tacit knowledge - often unconsciously across generations (Chirico, 2008).

Motivation supports individuals in reenacting a behavior on the basis of the observed consequences and the received responses, thus increasing the level of identification with the modeled behavior and the propensity of continuous imitation (Bandura, 1986). In this context, the commitment of the members of the family business can positively influence the knowledge accumulation process within the organization (Nonaka and Takeuchi, 1995). Personal beliefs and support of organizational vision and goals

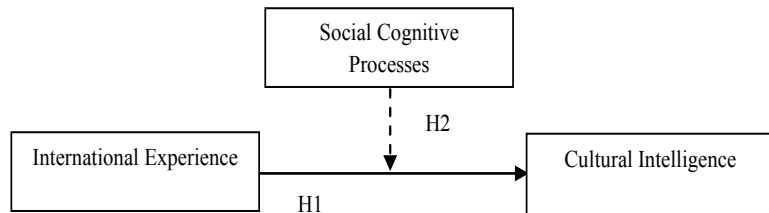
can strongly affect the will to perform the appropriate behavior, thus reinforcing previous actions.

Social cognitive processes can thus affect how SMFEs assimilate cultural and market-specific knowledge. Hence, the current study hypothesizes that:

H2. *Social cognitive processes have a positively moderated effect on cultural intelligence development of SMFEs' members.*

The conceptual model is then presented in Figure 1.

Fig. 1: The conceptual model



Source: Own elaboration.

### 3. Research design

The present investigation is part of a wider study of SMEs' international behavior, which involved the submission of a questionnaire to the owner-managers of Italian SMEs involved in international business activities. Participants were selected on the basis of a proportional quota sampling. Quotas were set with reference to size, product sector, and foreign market. The survey was edited in Italian with a pilot sample of 10 respondents and modified according to the feedbacks received. Data were collected during the period September to December 2017 by uploading the questionnaire onto the online platform SurveyMonkey. After performing data entry and screening, a total of 150 family businesses were considered for further analysis. 45.33% (n. 68) of the respondents belonged to micro firms. Among them, around two thirds operated in the mechanical and textile sectors (69.12%, n. 47) and 83.82% were mostly exporting to the EU (n. 57). 26.67% of the surveyed family businesses were small firms (n. 40), 62.5% of which operated in the mechanical and chemical industries (n. 25) and 75% focused on the EU markets. 28% (n. 42) of the respondents belonged to medium firms, three fourths of which (71.43%, n. 30) operated in the mechanical and chemical sectors. Notably, 26.19% of them exported to other EU countries (see Table 1 for a profile of the sample).



Tab. 1: Characteristics of the sample % (n=150)

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Size	Product sector		Foreign markets		Age		Gender		Education		
Micro	45.33	Mechanical	36.00	EU-28	75.33	≤34	10.00	Male	68.67	≤ Lower secondary	36.67
Small	26.67	Textile	24.67	Other EU countries	20.67	35-49	39.33	Female	31.33	U p p e r secondary	43.33
Medium	28.00	Chemical	22.00	Americas	2.67	≥50	50.67			Higher	20.00
		Agri-food	10.67	Asia	1.33						
		Services	6.67								

Source: Own elaboration

### 3.1 Measurement of constructs

IE is a 4-item measure adapted from the scale by Takeuchi *et al.* (2005). Owner-managers were asked to assess the number and length of international experiences, classified as relating to either work and non-work domains, by using 5-point Likert scales, from '0' (scored as zero) to '>3' (scored as four), and from '0 months' (scored as zero) to '>24 months' (scored as four), respectively.

There are no validated tools or scales widely accepted and used to directly measure SCPs (attention, retention, reproduction, motivation). Even though these concepts have been extensively studied from a theoretical point of view in several fields of research, just one attempt has been made to explicitly measure them. Yi and Davis (2003) developed and tested a 16-item scale to directly measure SCPs in computer software training and skill acquisition. In the present study, following standard scale development procedures (Mackenzie *et al.*, 2011), SCPs were assessed through a set of iterative steps which comprise conceptualization, development of measures, model specification, scale evaluation and refinement, validation, and norm development. Bandura's (1977, 1986) SCT was used to provide a conceptual definition of SCPs' constructs. These definitions helped generate a set of 10 items to represent each process dimension. Following this, the items were tested using three experts (university professors in the field of international business and management) to ensure that they accurately portrayed the focal constructs. The feedbacks received were used to revise the items to better fit the theoretical domain and improve their readability. Two pilot tests were then undertaken to further purify and refine the scale using a sample of fifteen students in management and ten international managers of Italian companies, respectively. Results were used to examine the psychometric properties of the scale, and to enhance its convergent, discriminant, and nomological validity. Final items were then selected on the basis of their capability to discriminate among the four dimensions, their tendency to load together consistently, and their ability to cover the target content domain. The final scale comprises 16 items (4 items for each SCPs' construct). Each of them was scored on a 7-point Likert scale, from 'strongly disagree' (scored as one) to 'strongly agree' (scored as seven).

CQ was measured from the 20-item scale by Ang *et al.* (2007). Metacognitive CQ involves four items (e.g., 'I am conscious of the cultural

knowledge I use when interacting with people with different cultural backgrounds’), cognitive CQ includes six items (e.g., ‘I know the rules for expressing nonverbal behaviors in other cultures’), motivational CQ comprises five items (e.g., ‘I am confident that I can socialize with locals in a culture that is unfamiliar to me’), and behavioral CQ involves five items (e.g., ‘I use pause and silence differently to suit different cross-cultural situations’).

Age, gender, and education were also included as control variables. Older decision-makers may have been exposed to different contexts and cultures, thus developing higher CQ. Females are believed to develop higher CQ, since they usually empathize to a greater degree than males and are more likely to perceive and understand non-verbal behaviors or facial expressions. Higher levels of educational attainment may also support individuals in developing a deeper awareness of diversity across cultures.

#### 4. Analytical procedure

Psychometric properties were evaluated through confirmatory factor analysis, incorporating the varimax option (KMO=0.849; Sig.=0.000). Common method variance (CMV), convergent and discriminant validity were also tested. Non-family financial support (the share of the family firm’s capital owned by an external partner) was used as marker variable. The results presented in Table 2 show that convergent and discriminant validity were well established and the maximum shared variance was less than 0.01, confirming the consistent absence of biasing levels of CMV.

After mean-centering the predictors, a moderated multiple regression analysis for overall CQ and SCPs was performed. The variance inflation factor (VIF) was examined to identify multicollinearity among the variables in the regression model. Step 1 comprised the control variables age, gender, and education (model 1). Step 2 included the independent variables IE and SCPs (model 2), while step 3 added the moderating variables (IE × SCPs in model 3). Significance was investigated through t and F tests. Following the example of Li *et al.* (2013), a second moderated multiple regression analysis of SCPs on the four facets of CQ was also run to test their role in the development of all four sub-dimensions of CQ in a post hoc analysis.

*Tab. 2: Common method variance, convergent and discriminant validity indexes*

Variables	$\alpha$	AVE	CR	$\sqrt{\text{AVE}}$	1	2	3	4
1 IE	0.836	0.679	0.852	0.824	<b>0.824</b>			
2 SCPs	0.789	0.537	0.909	0.733	0.709	<b>0.733</b>		
3 CQ	0.847	0.566	0.937	0.753	0.726	0.672	<b>0.753</b>	
4 Non-family financial support	-	-	-	-	0.069	-0.046	0.084	<b>-</b>

Note: Diagonal elements (bold) are the square roots of average variance extracted (AVE) by latent constructs from their indicators. Off-diagonal elements are correlations between latent constructs. For convergent and discriminant validity, AVE should be higher than 0.5, composite reliability (CR) should be higher than 0.7, and diagonal elements should be larger than off-diagonal elements in the same row and column.

Source: Own elaboration.

Tab. 3: Moderated multiple regression analysis of SCPs on CQ (n=150)

Variables	CQ		
	Model 1	Model 2	Model 3
Age	0.277**	0.297***	0.299***
Gender	0.055	0.075	0.081
Education	0.103	0.091	0.098
IE		0.240**	0.251**
SCPs		0.048	0.034
IE × SCPs			0.175*
F	4.581**	4.934***	5.113***
ΔF		5.080**	5.275*
R <sup>2</sup>	0.086	0.146	0.177
ΔR <sup>2</sup>		0.060	0.030

Note: Two-tailed tests. \*: p-value<0.05; \*\*: p-value<0.01; \*\*\*: p-value<0.001.

Source: Own elaboration.

Tab. 4: Moderated multiple regression analysis of SCPs on the four sub-dimensions of CQ (n=150)

Var.	Metacognitive CQ			Cognitive CQ			Motivational CQ			Behavioral CQ		
	Model4	Model5	Model6	Model7	Model8	Model9	Model10	Model11	Model12	Model13	Model14	Model15
Age	0.309***	0.321***	0.323***	0.352***	0.370***	0.372***	0.229**	0.244**	0.246**	-0.067	-0.053	-0.050
Gender	0.093	0.106	0.109	0.070	0.088	0.093	0.088	0.103	0.106	-0.080	-0.067	-0.060
Education	0.082	0.084	0.087	0.161*	0.155*	0.160*	0.073	0.064	0.068	-0.015	-0.036	-0.029
IE		0.092	0.097		0.184*	0.193*		0.180*	0.187*		0.250**	0.263**
SCPs		0.069	0.063		0.066	0.055		0.034	0.026		0.027	0.042
IE × SCPs			0.185*			0.237*			0.202*			0.191*
F	5.497**	3.751**	3.320**	8.488***	6.648***	6.186***	3.029*	2.933*	2.726*	3.447*	3.198*	2.854*
ΔF		3.118*	3.148*		3.459*	3.355*		2.683*	2.627*		4.791*	5.765*
R <sup>2</sup>	0.101	0.115	0.122	0.149	0.188	0.206	0.059	0.092	0.103	0.09	0.071	0.107
ΔR <sup>2</sup>		0.014	0.007		0.039	0.019		0.034	0.010		0.062	0.036

Note: Two-tailed tests. \*: p-value<0.05; \*\*: p-value<0.01; \*\*\*: p-value<0.001.

Source: Own elaboration.

## 5. Results

Table 3 summarizes the results of the moderated multiple regression analyses of SCPs on the relationship between IE and overall CQ. The VIF of the variables for all regression models was between 1.01 and 1.05, showing that multicollinearity was not a concern. The analysis first tested whether IE was positively related to overall CQ or not (H1). Results of model 2 confirmed the existence of a significant relationship among the variables ( $\beta_2=0.240$ ,  $p<0.01$ ), thus providing support for H1. The analysis then tested whether the SCPs moderated the level of CQ developed by SMFEs members from their IE or not (H2). Model 3 showed that the interaction among IE and SCPs (IE × SCPs) was positive and significant for CQ ( $\beta_3=0.175$ ,  $p<0.05$ ), thus supporting H2.

In the post hoc analysis, in order to understand the influence of SCPs on all the four sub-dimensions of CQ, four moderated multiple analyses were run. As shown in Table 4, the interaction of IE and SCPs (IE  $\times$  SCPs) was positive and significant for all four CQ facets ( $\beta_6=0.185$ ,  $\beta_9=0.237$ ,  $\beta_{12}=0.202$ ,  $\beta_{15}=0.191$ ,  $p<0.05$ ). These results are consistent with those reported in Table 3, thus providing further evidence that SCPs strengthen the positive relationship between IE and CQ in the SMFEs' setting. Consistently, the relationship between IE and each of the four sub-dimensions of CQ is stronger when the owner-managers of SMFEs adopt a learning method based on the observation of the behaviors of others and of the consequences of such behaviors, rather than on direct experience. In addition, robustness tests of moderated multiple regression analyses with three subgroups, namely micro, small, and medium firms, were also implemented. The results showed no significant differences among the subgroups, thus supporting the main findings.

## 6. Discussion and conclusion

By adopting Bandura's SCT, the current study shows that learning methods based on the observation of the link between behaviors of external economic agents and consequences of such behaviors can support small family firms in developing CQ from IE to inform decision-making activities and drive improvement in their internationalization process. Even though the relevance of external resources as a way to compensate at least part of the international weaknesses of family businesses has been highlighted by the literature on SMFEs' internationalization (e.g., Kraus *et al.*, 2016; Pukall and Calabrò, 2014; Vandekerckhof *et al.*, 2014), an important but as yet unresolved question continues to be how SMFEs can acquire such external resources to improve their internationalization process (Kontinen and Ojala, 2012). The present study addresses this need by using SCPs as moderating dimensions in the IE-CQ relationship to reveal that the development of observational learning mechanisms can play a crucial role in the context of SMFEs, since it helps them acquire and accumulate cultural and market-specific knowledge able to compensate their knowledge constraints in terms of internationalization. Giving positive models helps accelerate greatly the learning of appropriate behaviors, particularly when there are opportunities to try the new behaviors in supporting settings. Modelling can be useful in training organization's members and new employees, thus spreading proper behaviors throughout the organization. SMFEs can thus model themselves after similar firms perceived to be more legitimate in a specific context. These perceptions can be internalized within the organization and translated into effective knowledge and appropriate behaviors through a socially constructed system of norms and values based on trust, social interactions, and learning-by-doing. Hence, knowledge and behaviors from external sources can be absorbed by the family firm and shared across generations. This would allow decision-makers to take and inform decisions about different and unknown contexts.

Three relevant contributions emerge from the current research. First, the study sheds some light on the process of CQ acquisition. While previous studies (Michailova and Ott, 2018; Tarique and Takeuchi, 2008) have argued that Bandura's SCT is a more fine-grained approach to analyze CQ development than experiential learning, no attempts have been made to test the effect of SCPs on CQ acquisition. The present paper addresses this need by assessing the key theoretical arguments put forward by the two studies and reveals that the combination of SCPs (attention, retention, reproduction, and motivation) provides an appropriate tool to measure CQ development, even in small family firms. Second, the current study enhances our understanding of the role played by IE in the development of CQ. While previous research has mostly analyzed such a relationship (e.g., Earley and Ang, 2003; Li *et al.*, 2013; Thomas *et al.*, 2008), results have been riddled with inconsistencies (e.g., Engle and Crowne; 2014; MacNab and Worthley, 2012; Moon *et al.*, 2012). The present study untangles this knot by highlighting that previous experiences of SMEFs' decision-makers are positively linked to CQ even when age, gender, and education are controlled for. Third, findings demonstrate that a learning method based on the observation of external economic agents' behaviors can support small family firms in acquiring skills useful for interaction at a multicultural level and inform their decisions when dealing with diverse cultural contexts. Previous related research (e.g., Gallo and Sveen, 1991; Pukall and Calabrò, 2014) has argued that the slow pace of internationalization of family firms can be explained by the reluctance of family decision-makers to build up relationships in foreign networks, the higher amount of knowledge needed before committing to international markets, and the slower knowledge accumulation. To overcome these shortcomings, family businesses can acquire higher stocks of market knowledge through stable relationships (e.g., Calabrò *et al.*, 2013; Pukall and Calabrò, 2014; Vandekerckhof *et al.*, 2014). However, a further unresolved question is which learning mechanism may be adopted to sustain the acquisition, accumulation, and dissemination of market-specific knowledge throughout the organization. The present paper contributes to this body of literature by showing that observational learning is effective in ascertaining appropriate behaviors and making informed decisions in the host cultural environment, thus providing the resources to drive improvement in the internationalization process of small family firms. Observing other stakeholders, who are successfully operating in a host culture, represents an important incentive to imitate such behaviors and actions, and a way to overcome the liabilities of outsidership and foreignness in acquiring relevant market-specific knowledge.

### 6.1 Contributions to Practice

This study has important practical implications and can represent a relevant reference guide to SMFEs' members. To sum up, the analysis reveals that, through the combination of attention (family firms need to behave as an 'open system' to notice and assimilate appropriate behaviors), retention (trust, social interactions, and learning-by-doing support the accumulation of knowledge over time), reproduction (learning and

working together allow the members of the family firm to re-experience behaviors and actions), and motivation (support of organizational vision and goals can reinforce previous actions), small family businesses are more likely to acquire and accumulate cultural and market-specific knowledge to compete on a global scale. This implies that family businesses can compensate, at least in part, their weaknesses in terms of internationalization by relying on modeled behaviors which can provide them with higher stocks of market-specific knowledge to inform their decisions in diverse cultural contexts. The behavior of external agents can thus become a model for SMFEs to develop individual capabilities (Li *et al.*, 2013), reduce information asymmetries and perceived risks of internationalization (Pukall and Calabrò, 2014), overcome the liabilities of outsidership and foreignness (Johanson and Vahlne, 2009), and support less incremental internationalization choices (Forsgren, 2002).

### 6.2 Limitations and Suggestions for Further Research

The present study suffers from a few limitations. The weight of each dimension is highly dependent on the context and time of the analysis and this may create some problems in the generalization of the findings. Other learning theories and interdependences among them may provide interesting points of view about CQ development and interpretation. Similarly, while the present paper is based on Earley and Ang's (2003) conceptualization of CQ, which sees CQ as an aggregated multidimensional construct, Thomas *et al.*'s (2008) conceptualization, which considers CQ as an integrated construct, has yet to be used in empirical analyses. Furthermore, the current analysis adopted self-report surveys, in which potential bias may occur due to halo effects, social desirability, acquiescence, leniency effects, or yea- and nay-saying.

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