

The Importance of Cultural Intelligence for Leader to Communicate Effectively: Case Study in Micro Small Medium Enterprises

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Micro Small Medium Enterprises (MSMEs) in Indonesia play huge part of national economic development because MSMEs can reduce unemployment rate. But, it is not easy to manage MSMEs well so it can be sustainable. There are some reasons why MSMEs are difficult to sustain, i.e., good management people by communicate effectively. Authors believe that one of important ability that owners, as a leader, must have in order to communicate effectively is cultural intelligence. Even in MSMEs, cultural intelligence plays important part because employees in MSMEs are diverse. They come from different region (mean having different tradition) and have different level of education. Methodology that is used in this article is qualitative method, and techniques of data collection are interview and observation. Technique of choosing informant is purposive and convenience while data analysis is using content analysis. The result of this study shows that leaders in MSMEs already have cultural intelligence to communicate with their employee. Leaders who have cultural intelligence can choose right method to communicate effectively with their employee.

Keywords: cultural intelligence, leader, micro small medium enterprises, effective communication

Introduction

There are so many Micro Small Medium Enterprises (MSMEs) in various different kind of industry in Indonesia. The numbers of MSMEs are much more than Big Enterprise (BE) in Indonesia. Data from State Ministry for Cooperative and Small and Medium Enterprises cited by Cahayani (2017) show that in 2013, Indonesia has 57,895,721 MSMEs. It can be seen that MSMEs have almost 99% of enterprise market (57,895,721) and BE only has less than 1% of market (5,066), as shown in Table 1 below.

In Table 2, it can be seen that MSMEs have important part for national economic condition, either for export rate or GDP. MSMEs also can reduce unemployment rate because it can absorb quite large amount of workforce.

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Table 1

Data of Micro, Small, and Medium Enterprise and Big Enterprise Year 2013

Enterprise	2013
Micro, Small, Medium Enterprise	57,895,721
Micro Enterprise	57,189,393
Small Enterprise	654,222
Medium Enterprise	52,106
Big Enterprise	5,066

Source: Cahayani, 2017.

Table 2

Contribution of Micro, Small, and Medium Enterprises (MSMEs) to National Economic Condition

No.	Indicator	Item	2012	2013
1	Total amount of MSMEs	Unit	56,534,592	57,895,721
2	The growth of MSMEs	Percentage	2.41	2.41
3	Total amount of workforce in MSMEs	People	107,657,509	114,144,082
4	The growth of workforce in MSMEs	Percentage	5.83	6.03
5	Contribution of MSMEs to GDP (constant price)	IDR, Billion	1,451,460.2	1,536,918.80
6	The growth of MSMEs contribution to GDP	Percentage	6	5.89
7	Export rate of MSMEs	IDR, Billion	166,626.5	182,112.70
8	The growth of export rate of MSMEs	Percentage	-11.1	9.29

Source: Badan Pusat Statistik (BPS), 2016.

The importance of MSMEs is demonstrated by its role as the community's source of income, the fulfillment of the needs of domestic goods and services, job creation, as well as the value added progression that have an impact on decreasing poverty and economic growth (Kementerian Koperasi dan UKM, 2015). Based on the above explanation, it can be seen that the MSMEs had an important role so that the sustainability of MSMEs should be preserved. One effort to maintain the sustainability of MSMEs is that the owner, as leader, should perform good management especially in managing people. One of important thing in managing people is communication.

The owners of MSMEs, in this article called as leader, frequently forget that their employees come from different background (education, religion, region) that make them have different culture. Cultural differences or cultural diversity usually can be the source of misunderstanding and conflict so leader in MSMEs must have to do effective communication with their employee. This article will discuss the important role of cultural intelligence for leaders in micro small medium enterprises to communicate effectively.

Literature Review

Concept of Leadership and Leader

Northouse (2013) says that leadership is a process whereby an individual influences a group of individuals to achieve a common goal. From that definition, it can be stated, leadership is a process and aims to influence a group of people. And leadership is performed by person whom we called leader. Ojo (2009) said, leaders are persons that influence the behavior of others towards the achievement of organizations desired goals and objectives. In micro small medium enterprises, the owner usually does leadership function directly to their

employee. Attempts to influence other people are not an easy task. Not everyone is able to influence others effectively. One of the things that can make a leader to influence others is to understand the culture of people who would be affected.

Concept of Cultural Diversity and Cultural Intelligence

Schneider and Barsoux (2003) said that culture has many sphere, such as national culture, regional culture contained in the state (e.g., Javanese culture) or inter-group countries (e.g., the culture of Asian countries), cultural industries, corporate culture and subculture, professional culture, and functional culture. Nugroho and Cahayani (2003) said, there are also cultural industries, for between one industry and others there is their own signature (in terms of artifacts, values, beliefs, norms, and behaviors).

Authors also identify three other cultural spheres; those are family culture, generation culture, and gender culture. Authors think there is a family culture because each family has a pattern of behavior, values, and habits on their own; for instance, there are families with a democratic culture, that child may criticize parents who did not act appropriately. Different generations also have different cultures that are often triggered conflict; i.e., millennial generation have different habit and norm from baby boomer generation. Women and men also have a different culture. For example, women tend to be more influenced by hormone levels in his body because of the female brain and that makes their emotion and mood more unpredictable than men (Brizendine, 2006).

Companies or organizations are affected by a number of cultural spheres, even micro small medium enterprises that do not have expatriates or foreign employees. That makes leaders in MSMEs also must has capability to understand cultural diversity, so leaders must have cultural intelligence.

Cultural intelligence is the ability to adapt to the different culture. People with cultural intelligence have knowledge about the phenomenon of cultural diversity, the ability to interpret certain situations, and skills to customize the behavior to be consistent with the existing situation (Thomas & Inkson, 2004).

Knowledge of cultural diversity does not mean if you do not have the ability to interpret situations. Harris and Morgan (1996) called the ability to interpret situation as cultural sensitivity. People who have the cultural sensitivity are able to integrate culture in general characteristics with experience in particular foreign organizational culture. People with cultural sensitivity can form effective interpersonal relationships with people who have different cultures.

Actually, anyone can have cultural intelligence. From above explanation, it can be seen that anyone can have cultural intelligence with these three things: willing to learn what is happening around us, continuing to hone our sensitivity to any differences that occur around us, and willing to act in accordance with the circumstances and conditions surrounding community.

People with the skills to customize the behavior can have appropriate behavior in all circumstances. A leader with these skills could implement their leadership effectively because their leadership can be accepted by anyone. Leaders with this skill know the right time to speak firmly and directly on the issue or exchange pleasantries before discussing the subject.

Communication, Cross-Cultural Communication, and Effective Communication

Communication is the heart of managing people in an organization because only with communication, the coordination and interaction between people in organization can happen. Gibson (2003) said, communication is an activity to convey and understand information using verbal or nonverbal symbols.

If communication happens between people from different culture, we can call it as cross-cultural communication. In cross-cultural communication, cultural factors have a major impact on communication effectiveness as can be seen in Figure 1.

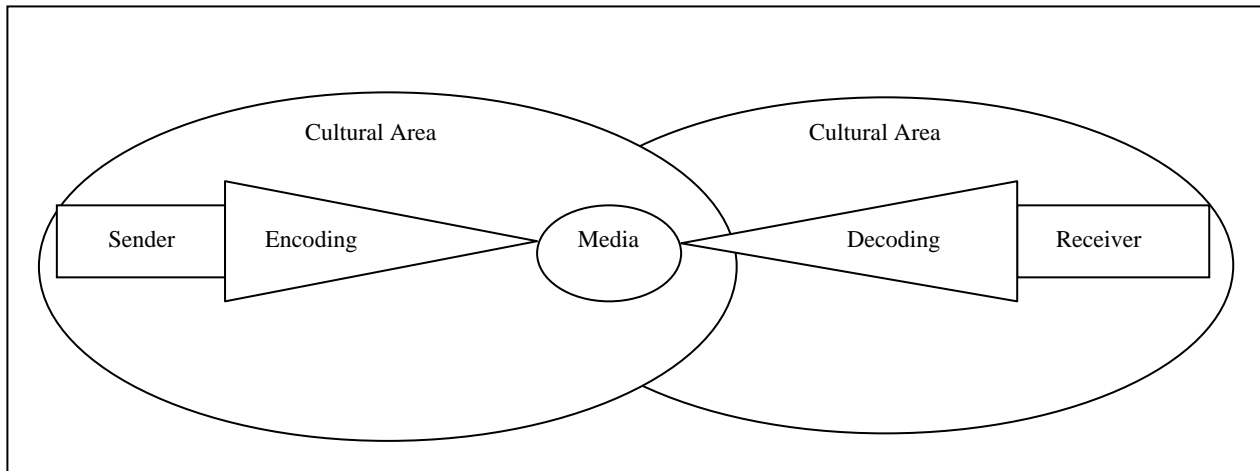


Figure 1. Process of cross-cultural communication. Source: Thomas & Inkson (2004).

Chioma and Chukwujekwu (2015) said that the aim of every communication interaction is to derive effective communication, which is mutual understanding of the communicated message. Chioma and Chukwujekwu (2015) also said that effective communication occurs when messages are disseminated through appropriate channels; there is active listening, and frequent dialogue/interaction in communication and appropriate language is utilized.

Methodology

This research uses qualitative methods, in depth interview to collect data from informants, and purposive and convenience technique to determine which leader of MSMEs that is interviewed. Only leaders of MSMEs who are already being as entrepreneur with at least five workers (permanent worker or freelancer) and willing to be interviewed were chosen as respondent. With those prerequisite, it is believed that those leaders already experienced conditions that can enrich data for this research. Technique analysis that is used in this research is content analysis.

Empirical Evidence

First informant is F. F, a Javanese woman who has heavy equipment business since 2009. F has more or less 20 employees; majorities are men and have low education level. That description shows that majority of F's employees have different background, which also means having different culture, with F who graduates from bachelor degree. F said, to communicate with her employees, she usually just says directly what it must said without unimportant foreword because it can minimize misunderstanding. So far, it is the most effective way to communicate with employees that have low education level according to F. Actually, this type of communication, which is usually called as low-context communication, is not typical communication type for Javanese. But, this is typical communication type of labor at project site with low education level, who usually has masculine culture. This condition shows that F adapts herself to the type of communication of her staff. F's company already has formal structure, and in project site, she has a project leader, so if some conflict happens

in project site and project leader gives report to her, then she just gives order to her project leader to ground those staff who are involved in conflict. What is done by informant F shows, she is able to choose the right communication channels, especially to resolve conflict.

Second informant is IP who has cake shop with his wife. Informant IP also from Javanese, has bachelor degree, and comes from non-entrepreneurial family. In this business, his wife handles the cooking and IP handles the management of business, including people management. In his cake shop and café, he has 15 staffs and majorities are women. IP prefers to do communication without unimportant foreword or low-context communication even most of his staff are women who usually like to do communication with some unimportant foreword. But, there is an important thing that IP does in his communication with his staff, i.e., leading by example. IP does not hesitate to clean floor or table in his cake shop and café. By doing that, actually IP not only communicates verbally to his staff, but also non-verbally, that is by his action. The reason why IP does is that he does not want to say something harshly and make his staff hurt. This condition shows that IP adapts himself to type of communication of his staff, majority of whom are women.

Third informant is AI who has kite-making business with 10 staff, and majority of them are man, and have low level of education. AI prefers not to say explicitly about low-context or high context communication, but he said, he tried to listen to his staff every time when they had problem or faced conflict. AI does not clearly try or tell them how they must solve their conflict. He only gives advice and listens to his staff. AI believes that being active listener can help his staff to feel appreciated and teach them to be independent person. AI said, so far, his ways to communicate the problem and conflict is effective.

Fourth informant is EA who has business in travelling to the wild and outbound. His industrial business culture is typically masculine culture, as same as F. EA who has four permanent staffs and freelancer per event (minimal 2 and maximal 30 freelancers per event). Most of his staff is male. EA prefers to call his staff as family member, and treats them as family. When he communicates to his staff, he prefers to use low-context communication because his business needs a detail and straight instruction in the need of customer's safety. EA afraid if he uses high-context or no to-the-point communication, his staff could not understand his words clearly. When conflict is occurred, he tends to give his staff to solve their conflict as long as it not disrupts the team performance. And, not like the other informant, EA mostly communicates with his staff by email for time efficiency considering he and his staffs are often in different city. It can be seen that EA also adapts his type and way of communication according to the condition in field.

Fifth informant is ES who has business in culinary industry. Same as IP, his wife handles the cooking and ES handles the management of business. ES has six staffs who are women. ES said, even all of his staffs are women, he always does verbal communication with them without unimportant foreword and to the point. He is also firm in dealing with his staffs. He has principles that F&B business is a tough business with high competition so it is a must to have zero mistake. He is afraid if he talked in high-context communication style, his staffs could not understand his messages clearly and if he is not firm in dealing with his staffs, his staffs are not serious to do their job. He admitted that his type of communication makes the employee turn-over rate in his business is high but he does not care. One important thing he cares is that his staff could understand his message clearly and have no misunderstanding. It can be seen that ES does not adapt himself to staff culture but ES adapts to culinary industrial culture. From that explanation, it can be said that ES tried to communicate effectively by using appropriate channel, which is verbal communication; even he is not doing appropriate languages that fit with his staff culture.

From that information above, it can be said that five informants have characteristics of effective communication. And, it also can be seen that those five informants are trying to adapt with their subordinate culture and industrial culture.

Table 3

Portraits of Cultural Intelligence and Characteristics of Effective Communication of Informants

Informant	Cultural intelligence	Effective communication characteristics
F	Adapt to subordinate culture	Appropriate channel and appropriate language
IP	Adapt to industrial culture and subordinate culture	Appropriate language
AI	Adapt to industrial culture	Active listener
EA	Adapt to industrial culture	Appropriate channel
ES	Adapt to industrial culture	Appropriate channel

Source: Interview data.

Conclusion and Recommendation

From explanation above, it can be seen that five informants meet effective communication characteristic and adapt to some cultural areas that involve in that communication. Even though MSMEs do not have expatriate employee, the cultural difference between leader and staff also needs cultural intelligence of leaders so the miscommunication could be minimizing.

It is important for leader of MSMEs to understand the cultural difference and have skill to adapt to that difference, especially when communicating with their subordinate. It is necessary that government and educational institution give training about cultural intelligence for MSMEs leaders so they can communicate effectively with subordinates or other stakeholders.

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