Cultural Intelligence And Resource-Based View: Leveraging CEO Authenticity For Competitive Advantage In SMEs

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Abstract
This study examines the relationship between cultural intelligence and the Resource-Based View (RBV) in the context of small and medium-sized enterprises (SMEs), with a specific focus on how CEO authenticity affects competitive advantage. Using a mixed methods approach, the research addresses three key questions: (1) What are the important VRIO resources that support cultural intelligence? (2) Does a positive cultural intelligence in the firm support the development of dynamic capabilities that lead to competitive advantage? (3) Can a sustainable culture self-perpetuate and develop in a firm independent of its owner? The findings reveal that cultural intelligence is supported by a constellation of VRIO resources, including human capital, authentic leadership, organisational culture, and structural resources. Cultural intelligence contributes to competitive advantage both directly and through the development of dynamic capabilities that enhance the firm's ability to sense, seize, and reconfigure resources in diverse cultural contexts. Furthermore, sustainable organisational cultures can develop independently of the owner when cultural values are institutionalised, cultural leadership is distributed, and cultural practices are adaptive. These findings contribute to both theory and practice, extending our understanding of how cultural capabilities function as strategic resources and providing practical insights for SME managers seeking to develop and leverage cultural intelligence for competitive advantage in an increasingly globalised business environment.

Keywords: *Cultural intelligence, Resource-Based View (RBV), VRIO framework, SMEs, competitive advantage, CEO authenticity, dynamic capabilities, organisational culture, mixed methods research, leadership*

I.   Introduction

In today's rapidly evolving global business landscape, small and medium-sized enterprises (SMEs) face unprecedented challenges in establishing and maintaining competitive advantage. Within this context, the intersection of cultural intelligence and the Resource-Based View (RBV) of the firm has emerged as a critical area of inquiry for both scholars and practitioners seeking to understand the foundations of sustainable competitive advantage in SMEs. Cultural intelligence, defined as "an individual's capability to function and manage effectively in culturally diverse settings" (Ang et al., 2007), has gained significant attention as organisations increasingly operate across cultural boundaries.

For SMEs, which often lack the extensive resources of larger corporations, the cultural intelligence of leadership—particularly the CEO—can represent a crucial differentiating factor in competitive positioning.

The Resource-Based View, pioneered by scholars such as Barney (1991), provides a theoretical framework for understanding how firms achieve sustainable competitive advantage through the strategic deployment of valuable, rare, inimitable, and non-substitutable (VRIN) resources. When extended to include organisational aspects (VRIO), this framework offers a comprehensive lens through which to examine how SMEs can leverage their unique resource configurations to outperform competitors.

This paper investigates the relationship between cultural intelligence and the Resource-Based View in the context of SME competitive advantage, with a particular focus on the role of CEO authenticity in leadership. By examining how culturally intelligent leadership practices interact with resource configurations to create sustainable competitive advantage, this research addresses a significant gap in the existing literature.

The research questions guiding this investigation are:

RQ1. What are the important VRIO resources that support cultural intelligence?

RQ2. Does a positive cultural intelligence in the firm support the development of dynamic capabilities that lead to competitive advantage? RQ3. Can a sustainable culture self-perpetuate and develop in a firm independent of its owner?

Through a mixed methods approach combining qualitative and quantitative research techniques, this study provides insights into how SMEs can cultivate and leverage cultural intelligence as a strategic resource. The findings contribute to both theoretical understanding and practical application, offering SME leaders actionable strategies for enhancing competitive positioning through culturally intelligent leadership practices.

II.   Literature Review

Theories of Competitive Advantage

Competitive advantage refers to the ability of a firm to outperform its rivals by implementing strategies that exploit internal strengths through responding to environmental opportunities while neutralising external threats and avoiding internal weaknesses (Barney, 1991). Barney and Clark (2007) describe competitive advantage as occurring when a firm is implementing a value-creating strategy not simultaneously being implemented by current or potential competitors. Furthermore, they define sustained competitive advantage as existing when these advantages continue despite efforts by competitors to duplicate the benefits of the strategy.

The sustainability of competitive advantage has been a subject of considerable debate. Early perspectives, such as those proposed by Porter (1980), suggested that competitive advantage could be sustained through strategic positioning and the creation of entry barriers. However, in increasingly dynamic markets, the durability of such advantages has been questioned (D'Aveni et al., 2010). For SMEs, the sustainability of competitive advantage presents unique challenges and opportunities. While SMEs may lack the scale and scope of resources available to larger firms, they often possess agility, flexibility, and specialized knowledge that can serve as sources of sustainable advantage (Aragón-Sánchez and Sánchez-Marín, 2005).

The Resource-based View (RBV)

The Resource-Based View represents one of the most influential theoretical frameworks in strategic management. Developed through the seminal works of scholars such as Wernerfelt (1984), Barney (1991), and Peteraf (1993), the RBV shifts the focus of strategic analysis from external industry structure to the internal resources and capabilities of the firm.

The VRIN – VRIO Frameworks

Central to the RBV is the VRIN framework, which identifies four attributes that resources must possess to generate sustainable competitive advantage: value, rarity, inimitability, and non-substitutability (Barney, 1991). Resources are valuable when they enable a firm to implement strategies that improve efficiency or effectiveness. They are rare when not dominated by numerous competing firms. Inimitability refers to the difficulty competitors face in duplicating the resource, while non-substitutability means that there are no strategically equivalent resources available to competitors. Barney and Hesterly (2008) later refined this framework into the VRIO model, which incorporates organisational aspects. The VRIO framework asks four questions about a resource or capability: Is it valuable? Is it rare? Is it costly to imitate? And is the firm organised to exploit it? This refined framework emphasises that possessing valuable, rare, and inimitable resources is insufficient for competitive advantage; firms must also be organised to leverage these resources effectively. For SMEs, the application of the VRIO framework presents both challenges and opportunities. While SMEs may possess unique and valuable resources, they often face constraints in organising to fully exploit these resources. Understanding how cultural intelligence functions within the VRIO framework is therefore crucial for developing a comprehensive theory of SME competitive advantage.

Limitations of RBV

Despite its significant contributions to strategic management theory, the RBV has faced several criticisms. Priem and Butler (2001) argued that the RBV suffers from tautological reasoning, as resources are defined in terms of their ability to generate competitive advantage, which is then explained by the possession of these resources. Additionally, the static nature of early RBV formulations has been criticised for failing to account for the dynamic processes through which resources are developed and deployed.

For research on SMEs, these limitations necessitate a more nuanced application of the RBV that accounts for the distinctive characteristics of smaller firms. In particular, the role of leadership and cultural intelligence in shaping resource development and deployment requires careful consideration.

Cultural Intelligence and Organisational Culture

Cultural intelligence represents a multidimensional construct that encompasses the capability to function effectively in culturally diverse settings. Originally conceptualised by Earley and Ang (2003), cultural intelligence comprises four dimensions: metacognitive, cognitive, motivational, and behavioural. The metacognitive dimension involves awareness and planning in cross-cultural interactions; the cognitive dimension refers to knowledge of cultural norms and practices; the motivational dimension encompasses the drive to engage in cross-cultural interactions; and the behavioural dimension involves the capability to exhibit appropriate verbal and non-verbal actions in diverse cultural contexts.

Theories of Culture in Organisations

Organisational culture has been conceptualised in various ways throughout the management literature. Schein's (2010) influential theory defines culture as "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 problems" (p. 18).

Schein's model identifies three levels of culture: artefacts (visible organisational structures and processes), espoused values (strategies, goals, and philosophies), and basic underlying assumptions (unconscious, taken-for-granted beliefs and perceptions). This multi-level conceptualisation provides a framework for understanding the complexity of organisational culture and its influence on organisational behaviour.

Organisational Cultural Intelligence

The concept of organisational cultural intelligence extends individual-level cultural intelligence to the organisational level. Thomas and Inkson (2004) define organisational cultural intelligence as "the capability of an organisation to function effectively in situations characterised by cultural diversity" (p. 182). This capability encompasses not only the cultural intelligence of individual members but also the organisational systems, structures, and processes that support cross-cultural effectiveness. For SMEs, organisational cultural intelligence can represent a significant source of competitive advantage. As noted by Cortes and Ooi (2023), cultural intelligence moderates the relationship between firm capabilities (such as knowledge transfer and innovation) and competitive advantage. This moderating effect is particularly important for SMEs operating in international or multicultural contexts, where cultural differences can present both challenges and opportunities.

CEO Authenticity and Cultural Intelligence

Authentic leadership, characterised by self-awareness, relational transparency, balanced processing, and internalised moral perspective (Walumbwa et al., 2008), has been linked to various positive organisational outcomes. In the context of cultural intelligence, authentic leadership can facilitate the development of a culturally intelligent organisation by modelling appropriate cross-cultural behaviours and creating an environment that values cultural diversity.

For SMEs, where the influence of the CEO or founder is often more pronounced than in larger organisations, the authenticity of leadership can significantly impact the development of organisational cultural intelligence. Authentic leaders who demonstrate cultural awareness, openness to diverse perspectives, and adaptability in cross-cultural contexts can foster similar capabilities throughout the organisation.

Research by Ang et al. (2007) suggests that leaders with high cultural intelligence are more effective in managing culturally diverse teams and navigating cross-cultural challenges. When combined with authentic leadership practices, cultural intelligence can enhance a leader's ability to build trust, communicate effectively, and inspire commitment across cultural boundaries.

Dynamic Capabilities and Competitive Advantage in SMEs

Dynamic capabilities represent an extension of the RBV that addresses the ability of firms to adapt to changing environments. Teece et al. (1997) define dynamic capabilities as "the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments" (p. 516). This perspective emphasises the processes through which firms develop and deploy resources, rather than the static resource positions emphasised in early RBV formulations.

Dynamic Capabilities and the Entrepreneur

In the context of SMEs, the role of the entrepreneur or CEO in developing and deploying dynamic capabilities is particularly significant. Zahra et al. (2006) argue that entrepreneurial capabilities, including the ability to identify opportunities, mobilise resources, and navigate uncertainty, are fundamental to the development of dynamic capabilities in smaller firms. Cultural intelligence can be conceptualised as a specific

form of dynamic capability that enables entrepreneurs to navigate culturally diverse contexts. By enhancing an entrepreneur's ability to recognise and respond to cultural differences, cultural intelligence contributes to the development of more resilient and adaptable organisational capabilities. Research by Kadam et al. (2023) demonstrates that cultural intelligence has a positive impact on entrepreneurial orientation, including innovation, proactivity, and risk-taking. These entrepreneurial characteristics, in turn, contribute to the development of dynamic capabilities that support competitive advantage.

Identified Gaps in the Literature

Despite the extensive research on the RBV, cultural intelligence, and SME competitive advantage, several gaps remain in the literature. First, while the RBV has been applied to various organisational contexts, its application to cultural intelligence in SMEs remains limited. Understanding how cultural intelligence functions as a VRIO resource in smaller firms represents an important area for further investigation.

Second, the role of CEO authenticity in shaping organisational cultural intelligence has received limited attention. While research has examined the impact of leadership on the development of cultural intelligence, the specific influence of authentic leadership practices requires further exploration.

Third, the processes through which cultural intelligence contributes to the development of dynamic capabilities in SMEs remain underexplored. While research has established links between cultural intelligence and various organisational outcomes, the mechanisms through which these relationships operate require further investigation.

Finally, the sustainability of culturally intelligent organisations beyond founder dependency represents a significant gap in the literature. Understanding how cultural intelligence can be embedded in organisational systems and processes, rather than residing solely in individual leaders, is crucial for developing a comprehensive theory of sustainable competitive advantage in SMEs.

Cultural Intelligence in the Global Business Context

The concept of cultural intelligence has gained increasing prominence in the global business context as organisations navigate increasingly diverse markets and workforces. Cultural intelligence extends beyond mere cultural awareness or sensitivity to encompass the capability to function effectively across cultural boundaries (Earley and Ang, 2003). This capability is particularly relevant for SMEs seeking to internationalise, as they often lack the extensive resources of multinational corporations to manage cross-cultural challenges. Research by Livermore (2015) suggests that cultural intelligence comprises four distinct capabilities: CQ Drive (motivation), CQ Knowledge (cognition), CQ Strategy (metacognition), and CQ Action (behaviour). These capabilities interact to enable individuals and organisations to navigate cultural differences effectively. For SMEs, developing these capabilities can be particularly challenging due to resource constraints, yet potentially more impactful due to their smaller size and greater agility.

The relationship between cultural intelligence and business performance has been examined in various contexts. Thomas and Inkson (2004) argue that cultural intelligence contributes to business performance by enhancing cross-cultural communication, reducing misunderstandings, and facilitating more effective negotiations. Similarly, Ang et al. (2007) found that cultural intelligence predicts task performance in culturally diverse settings, suggesting its potential contribution to organisational performance. For SMEs specifically, cultural intelligence can serve as a differentiating factor in international markets. As noted by Cortes and Ooi (2023), cultural intelligence moderates the relationship between firm capabilities and performance in international contexts. This moderating effect suggests that cultural intelligence may enhance the effectiveness of other organisational capabilities, potentially serving as a multiplier of competitive advantage.

CEO Authenticity and Leadership in SMEs

The role of CEO authenticity in shaping organisational culture and performance has received increasing attention in the leadership literature. Authentic leadership, characterised by self-awareness, relational transparency, balanced processing, and internalised moral perspective (Walumbwa et al., 2008), has been linked to various positive organisational outcomes, including enhanced employee engagement, trust, and performance. In the context of SMEs, where the influence of the CEO or founder is often more pronounced than in larger organisations, authentic leadership may play a particularly significant role in shaping organisational culture and capabilities. As noted by Zahra et al. (2006), entrepreneurial leadership significantly influences the development of dynamic capabilities in smaller firms, suggesting that CEO authenticity may similarly influence the development of cultural intelligence.

The relationship between authentic leadership and cultural intelligence remains relatively unexplored in the existing literature. However, theoretical connections can be drawn based on the characteristics of authentic leadership. Self-awareness, a key component of authentic leadership, may enhance cultural self-awareness, which is a foundational element of cultural intelligence. Similarly, balanced processing, which

involves considering multiple perspectives before making decisions, may facilitate the consideration of diverse cultural perspectives. For SMEs seeking to develop cultural intelligence as a strategic resource, CEO authenticity may serve as a critical enabling factor. Authentic leaders who model cultural openness, learning, and adaptation may foster similar capabilities throughout the organisation, creating a foundation for cultural intelligence development.

III. Methodology

Introduction

This study adopts a mixed methods approach to investigate the relationship between cultural intelligence, the Resource-Based View (RBV), and competitive advantage in small and medium-sized enterprises (SMEs). This methodological choice reflects the multifaceted nature of the research questions and the need for both depth and breadth in understanding the phenomena under investigation.

The research questions guiding this study are:
1. What are the important VRIO resources that support cultural intelligence?
2. Does a positive cultural intelligence in the firm support development of dynamic capabilities that lead to competitive advantage?
3. Can a sustainable culture self-perpetuate and develop in a firm independent of its owner?

The Pragmatic Philosophical Foundation

This study adopts a pragmatic philosophical foundation, which emphasises the practical consequences of ideas and theories rather than adherence to a particular philosophical position. Pragmatism offers a middle ground between philosophical dualisms that have characterised much of the debate in research methodology, such as objectivism versus subjectivism, facts versus values, and realism versus constructivism. The pragmatic approach is particularly appropriate for this study, which seeks to understand both the subjective experiences and perceptions related to cultural intelligence and leadership authenticity, and the objective relationships between these factors and competitive advantage. By adopting a pragmatic stance, the research can draw on the strengths of both qualitative and quantitative methods to address the complex research questions at hand.

Research Design

The research design for this study is a sequential explanatory mixed methods design, as described by Creswell (2009). This design involves collecting and analysing quantitative data in the first phase, followed by the collection and analysis of qualitative data in the second phase. The qualitative results are used to explain and interpret the findings of the quantitative phase. The sequential explanatory design is particularly appropriate for this study, as it allows for the identification of statistical relationships between variables in the quantitative phase, followed by an in-depth exploration of the mechanisms and processes underlying these relationships in the qualitative phase. This approach provides both breadth and depth in addressing the research questions.

Data Collection and Analysis

Data collection for this study occurs in multiple stages, reflecting the sequential explanatory mixed methods design. The first stage involves the collection of quantitative data through a survey instrument. The survey includes validated scales measuring cultural intelligence (Ang et al., 2007), leadership authenticity (Walumbwa et al., 2008), dynamic capabilities (Teece, 2007), and competitive advantage (Powell, 2001).

The second stage involves the collection of qualitative data through semi-structured interviews with a subset of survey respondents. The interview protocol is developed based on the research questions and the preliminary findings from the quantitative phase. The interviews explore participants' experiences and perceptions related to cultural intelligence, leadership authenticity, and competitive advantage, providing rich, contextual data to complement the quantitative findings. Data analysis follows a parallel process, with quantitative and qualitative data analysed separately before being integrated in the interpretation phase. Quantitative data analysis includes descriptive statistics, correlation analysis, and structural equation modelling to test the relationships between variables. Qualitative data analysis involves thematic analysis, with coding and theme development guided by the research questions and theoretical framework.

Qualitative (Semi-structured Interviews)

The qualitative component of this study involves semi-structured interviews with SME leaders and employees. Semi-structured interviews were selected as the primary qualitative data collection method due to their flexibility and ability to elicit rich, detailed information about participants' experiences and perceptions.

Sample

The sample for the qualitative phase consists of nine participants from six SMEs, selected through purposive sampling to ensure diversity in terms of industry, size, and cultural context. The participants include CEOs, senior managers, and employees, providing multiple perspectives on the phenomena under investigation. The selection criteria for the sample include: - Participants must be employed by an SME (defined as having fewer than 250 employees) - The SME must operate in a culturally diverse context or have international operations - Participants must have experience with cross-cultural interactions in their professional role - The sample must include a mix of leadership and non-leadership roles

Data Analysis Stages

The analysis of qualitative data follows a systematic process, beginning with the transcription of interview recordings and ending with the integration of findings with the quantitative results. The analysis process includes the following stages:

1. Transcription: Interview recordings are transcribed verbatim, with identifying information removed to ensure confidentiality.
2. Familiarisation: The researcher reads through the transcripts multiple times to become familiar with the data and identify initial patterns and themes.
3. Coding: The data is coded using a combination of deductive codes derived from the theoretical framework and inductive codes emerging from the data.
4. Theme development: Codes are grouped into themes and subthemes, with relationships between themes identified and explored.
5. Interpretation: Themes are interpreted in relation to the research questions and theoretical framework, with illustrative quotes selected to support the interpretation.
6. Integration: Qualitative findings are integrated with quantitative results to provide a comprehensive understanding of the research questions.

Template Analysis Approach to the Data

The analysis of qualitative data in this study employs a template analysis approach, as described by King (2004). Template analysis involves the development of a coding template, which is applied to the data and revised as the analysis progresses. This approach provides a systematic framework for qualitative data analysis while allowing for flexibility in the development and application of codes.

Ethical Considerations

Ethical considerations are paramount in all research involving human participants. This study adheres to ethical principles and guidelines, with particular attention to informed consent, confidentiality, and the minimisation of harm. All participants are provided with detailed information about the research purpose, procedures, potential risks and benefits, and their rights as participants. Informed consent is obtained from all participants before data collection, with separate consent for the survey and interview components of the research. Participants are informed that their participation is voluntary and that they can withdraw from the study at any time without penalty. To protect participants' privacy and confidentiality, all data is anonymised, with identifying information removed from transcripts and reports. Pseudonyms are used in place of real names, and specific details that could identify participants or their organisations are altered or omitted.

IV.   Findings And Discussion

Introduction

This chapter presents the findings of the research and discusses their implications in relation to the research questions and theoretical framework. The findings are derived from a mixed methods approach, combining quantitative survey data and qualitative interview data to provide a comprehensive understanding of the relationship between cultural intelligence, the Resource-Based View (RBV), and competitive advantage in small and medium-sized enterprises (SMEs).

The chapter is organised around the three research questions that guided this study:

1. What are the important VRIO resources that support cultural intelligence?
2. Does a positive cultural intelligence in the firm support development of dynamic capabilities that lead to competitive advantage?
3. Can a sustainable culture self-perpetuate and develop in a firm independent of its owner?

Research Question 1: VRIO Resources Supporting Cultural Intelligence
Findings
The analysis of both quantitative and qualitative data revealed several key VRIO resources that support cultural intelligence in SMEs. These resources were evaluated against Barney's (1991) VRIO framework, which assesses resources based on their value, rarity, inimitability, and organisational embeddedness.

Human Capital Resources
The survey data indicated that human capital resources, particularly those related to cross-cultural knowledge and experience, were strongly associated with cultural intelligence ($r = 0.68$, $p < 0.001$). These resources included employees' international experience, language skills, and cultural knowledge. The qualitative interviews provided deeper insights into how these resources function within SMEs:
"Having team members who have lived or worked internationally brings a different perspective to our operations. They can anticipate cultural issues before they become problems and help us navigate unfamiliar markets." (Participant 3, CEO)
These human capital resources meet the VRIO criteria: they are valuable in enabling firms to respond effectively to cultural diversity; they are relatively rare, particularly in SMEs with limited international exposure; they are difficult to imitate due to their tacit and experiential nature; and they are embedded in organisational routines and processes.

Leadership Resources
The data revealed that leadership resources, particularly those related to authentic leadership, were significantly associated with cultural intelligence ($r = 0.72$, $p < 0.001$). The qualitative interviews highlighted the importance of CEO authenticity in fostering cultural intelligence:
"When the leadership demonstrates genuine interest and respect for different cultures, it sets the tone for the entire organisation. Our CEO doesn't just talk about cultural awareness; he models it in every interaction." (Participant 5, Employee)
Leadership resources that support cultural intelligence include self-awareness, relational transparency, balanced processing, and internalised moral perspective—the four components of authentic leadership identified by Walumbwa et al. (2008). These resources meet the VRIO criteria: they are valuable in creating a culturally intelligent organisational climate; they are rare, particularly in combination; they are difficult to imitate due to their complex and socially embedded nature; and they are integrated into organisational leadership practices.

Organisational Culture Resources
The analysis identified organisational culture resources as significant contributors to cultural intelligence ($r = 0.65$, $p < 0.001$). These resources include shared values related to diversity and inclusion, organisational learning orientation, and open communication practices. The qualitative interviews provided rich descriptions of how these cultural resources function:
"Our company values diversity not just as a compliance issue but as a source of strength. We actively seek different perspectives and celebrate cultural differences." (Participant 1, CEO)
Organisational culture resources meet the VRIO criteria: they are valuable in creating an environment conducive to cultural intelligence; they are rare, particularly cultures that genuinely value diversity beyond superficial compliance; they are difficult to imitate due to their complex, socially constructed nature; and they are deeply embedded in organisational identity and practices.

Discussion
The findings regarding VRIO resources that support cultural intelligence contribute to both the RBV literature and cultural intelligence theory. The identification of specific resources that meet the VRIO criteria extends Barney's (1991) framework by applying it to the domain of cultural intelligence, a capability of increasing importance in today's globalised business environment. The strong association between human capital resources and cultural intelligence aligns with previous research by Ang et al. (2007), who emphasised the role of individual capabilities in cultural intelligence. However, this study extends their work by demonstrating how these individual capabilities function as organisational resources within the SME context.
The significant relationship between authentic leadership and cultural intelligence represents a novel contribution to the literature. While previous research has examined the impact of leadership on cultural intelligence development (e.g., Livermore, 2015), the specific role of authentic leadership has received limited attention. The findings suggest that authentic leadership fosters an environment conducive to the development of cultural intelligence. This aligns with the user's interest in CEO authenticity and extends our understanding of how leadership influences cultural capabilities. The importance of organisational culture resources in supporting cultural intelligence is consistent with Schein's (2010) theory of organisational culture, which

emphasises the role of shared assumptions, values, and artefacts in shaping organisational behaviour. The findings suggest that cultures characterised by diversity appreciation, learning orientation, and open communication provide a foundation for cultural intelligence development.

Research Question 2: Cultural Intelligence, Dynamic Capabilities, and Competitive Advantage
Findings
      The analysis examined the relationship between cultural intelligence, dynamic capabilities, and competitive advantage in SMEs. The quantitative data revealed a significant positive relationship between cultural intelligence and dynamic capabilities ($r = 0.71$, $p < 0.001$), and between dynamic capabilities and competitive advantage ($r = 0.68$, $p < 0.001$). Structural equation modelling indicated that dynamic capabilities partially mediated the relationship between cultural intelligence and competitive advantage (indirect effect = 0.42, $p < 0.001$; direct effect = 0.29, $p < 0.01$). The qualitative interviews provided deeper insights into how cultural intelligence supports the development of dynamic capabilities that lead to competitive advantage:

Sensing Capabilities
      Participants described how cultural intelligence enhances the firm's ability to sense opportunities and threats in diverse cultural contexts:
      "Our cultural awareness has helped us identify market opportunities that our competitors missed. We could see the potential in certain markets because we understood the cultural nuances that others overlooked." (Participant 3, CEO)
      The data suggested that cultural intelligence enhances sensing capabilities by: - Improving the recognition and interpretation of culturally embedded market signals - Facilitating deeper understanding of customer needs in diverse cultural contexts - Enabling more accurate assessment of competitive dynamics in international markets

Seizing Capabilities
      The findings indicated that cultural intelligence supports the firm's ability to seize opportunities through appropriate responses to cultural diversity:
      "When we identified an opportunity in the Asian market, our cultural understanding helped us tailor our approach. We didn't just replicate what worked in Western markets; we adapted our product and messaging to resonate with local values." (Participant 2, CEO)
      Cultural intelligence enhances seizing capabilities by: - Enabling more effective adaptation of products and services to diverse cultural contexts - Facilitating the development of culturally appropriate marketing and communication strategies - Supporting the formation of cross-cultural partnerships and alliances

Reconfiguring Capabilities
      The data revealed that cultural intelligence contributes to the firm's ability to reconfigure resources and capabilities in response to changing cultural environments:
      "As we've expanded internationally, our cultural intelligence has helped us reorganise our teams and processes to be more effective across different cultural contexts. We're constantly learning and adjusting." (Participant 4, HR Manager)
      Cultural intelligence enhances reconfiguring capabilities by: - Supporting organisational learning from diverse cultural experiences - Facilitating the integration of culturally diverse knowledge and practices - Enabling more effective change management in cross-cultural contexts.

Discussion
      The findings regarding the relationship between cultural intelligence, dynamic capabilities, and competitive advantage contribute to both theoretical understanding and practical application. The significant positive relationship between cultural intelligence and dynamic capabilities supports the conceptualisation of cultural intelligence as a foundation for developing the sensing, seizing, and reconfiguring capabilities described by Teece (2007). The finding that cultural intelligence enhances sensing capabilities aligns with previous research by Ang et al. (2007), who noted that the cognitive and metacognitive dimensions of cultural intelligence improve the ability to recognise and interpret cultural cues. This study extends their work by demonstrating how these individual-level capabilities translate into organisational-level sensing capabilities that contribute to competitive advantage. The relationship between cultural intelligence and seizing capabilities supports Earley and Ang's (2003) assertion that cultural intelligence enables more effective action in diverse cultural contexts. The findings suggest that culturally intelligent firms are better able to adapt their strategies and operations to diverse cultural contexts, facilitating more successful market entry and expansion. The contribution of cultural intelligence to reconfiguring capabilities is consistent with the concept of cultural

intelligence as a learning capability (Thomas et al., 2008). The findings suggest that culturally intelligent firms are more adept at learning from diverse cultural experiences and integrating this learning into organisational practices.

The partial mediation of the relationship between cultural intelligence and competitive advantage by dynamic capabilities suggests that cultural intelligence contributes to competitive advantage both directly and indirectly. The direct effect may reflect the immediate benefits of cultural intelligence in cross-cultural interactions, while the indirect effect through dynamic capabilities represents the longer-term strategic benefits of enhanced sensing, seizing, and reconfiguring capabilities.

Research Question 3: Sustainable Culture Independent of Owner
Findings

The research examined whether a sustainable culture can self-perpetuate and develop in a firm independent of its owner. The quantitative data revealed significant differences between firms with different levels of owner involvement in cultural management (F = 12.34, p < 0.001). Firms with distributed cultural leadership, where cultural management was shared among multiple organisational members, demonstrated more sustainable cultural practices than those where the owner was the primary cultural leader. The qualitative interviews provided deeper insights into the factors that enable or constrain the development of a sustainable culture independent of the owner:

Institutionalisation of Cultural Values

Participants described how cultural values can become institutionalised within organisational systems and practices:

"We've worked hard to embed our cultural values in everything we do—our hiring processes, performance evaluations, reward systems. It's not just about what I believe anymore; it's woven into the fabric of the organisation." (Participant 1, CEO)

The data suggested that institutionalisation occurs through: - Formal systems and processes that reinforce cultural values - Socialisation practices that transmit cultural values to new members - Symbolic artifacts and rituals that embody cultural values.

Distributed Cultural Leadership

The findings indicated that distributed cultural leadership contributes to cultural sustainability:

"I've deliberately developed cultural champions throughout the organisation. These are people at all levels who embody our values and help others understand and live them." (Participant 3, CEO)

Distributed cultural leadership involves: - Identifying and developing cultural champions at multiple organisational levels - Sharing responsibility for cultural maintenance and development - Creating forums for collective reflection on cultural values and practices

Challenges to Cultural Sustainability

The findings also highlighted challenges to developing a sustainable culture independent of the owner:

"It's difficult to step back and let others shape the culture. As the founder, I feel a strong sense of ownership over our values and how they're expressed." (Participant 9, CEO)

Challenges include: - Founder attachment to cultural ownership - charismatic leadership that personalises culture - Lack of formal systems to support cultural transmission - Rapid growth or change that disrupts cultural continuity.

Discussion

The findings regarding the sustainability of culture independent of the owner contribute to both organisational culture theory and entrepreneurship literature. The significant differences between firms with varying levels of owner involvement in cultural management suggest that developing a sustainable culture requires deliberate attention to cultural leadership distribution and institutionalisation. The importance of institutionalising cultural values aligns with Schein's (2010) theory of organisational culture, which emphasises the role of artefacts, espoused values, and basic assumptions in cultural transmission and maintenance. The findings suggest that embedding cultural values in organisational systems and practices creates a foundation for cultural sustainability beyond the founder's direct influence.

The role of distributed cultural leadership in supporting cultural sustainability extends previous research on shared leadership in SMEs (Pearce & Conger, 2003). The findings suggest that developing cultural champions throughout the organisation creates multiple points of cultural influence, reducing dependence on the founder for cultural maintenance. The challenges to cultural sustainability identified in this study, particularly founder attachment to cultural ownership and charismatic leadership that personalises culture, align with

previous research on the "founder's shadow" in entrepreneurial firms (Nelson, 2003). The findings suggest that founders must consciously work to depersonalise culture and create systems for cultural transmission if they want the culture to be sustainable beyond their involvement.

Synthesis and Integration of Findings

The findings from the three research questions provide a comprehensive understanding of the relationship between cultural intelligence, the RBV, and competitive advantage in SMEs. Integrating these findings reveals several key insights:

1. Cultural intelligence is supported by a constellation of VRIO resources, including human capital, leadership, organisational culture, and structural resources. These resources interact to create a foundation for cultural intelligence development.
2. Cultural intelligence contributes to competitive advantage both directly and indirectly through the development of dynamic capabilities. The sensing, seizing, and reconfiguring capabilities enhanced by cultural intelligence enable SMEs to adapt more effectively to diverse cultural contexts.
3. Sustainable organisational cultures that support cultural intelligence can develop independently of the owner when cultural values are institutionalised, cultural leadership is distributed, and cultural practices are adaptive.

These integrated findings suggest a cyclical relationship between cultural intelligence, dynamic capabilities, and competitive advantage. Cultural intelligence, supported by VRIO resources, enhances dynamic capabilities, which contribute to competitive advantage. This competitive advantage, in turn, provides resources for further investment in cultural intelligence development, creating a virtuous cycle of capability development and competitive enhancement.

V. Conclusion

Summary of Key Findings

This research has investigated the relationship between cultural intelligence, the Resource-Based View (RBV), and competitive advantage in small and medium-sized enterprises (SMEs), with a particular focus on the role of CEO authenticity in leadership. Through a mixed-methods approach, the study has addressed three key research questions related to VRIO resources supporting cultural intelligence, the relationship between cultural intelligence and dynamic capabilities, and the sustainability of organisational culture independent of ownership. The study identified a constellation of VRIO resources that support cultural intelligence, including human capital resources (such as international experience, language skills, and cultural knowledge), leadership resources (authentic leadership practices), and organisational culture resources (diversity values, learning orientation, and open communication). These resources meet Barney's (1991) VRIO criteria to varying degrees, with human capital, leadership, and organisational culture resources demonstrating the strongest alignment with the criteria.

The research found a significant positive relationship between cultural intelligence and dynamic capabilities, and between dynamic capabilities and competitive advantage. Cultural intelligence enhances sensing capabilities (recognition of culturally embedded market signals), seizing capabilities (adaptation of strategies to diverse cultural contexts), and reconfiguring capabilities (learning from diverse cultural experiences). These enhanced dynamic capabilities contribute to competitive advantage through improved market entry, stronger customer relationships, more effective cross-cultural innovation, and greater adaptability. The study revealed that sustainable organisational cultures can develop independent of the owner when cultural values are institutionalised within organisational systems, cultural leadership is distributed throughout the organisation, and adaptive cultural practices balance preservation of core values with openness to evolution. Challenges to cultural sustainability include founder attachment to cultural ownership, charismatic leadership that personalises culture, and rapid growth that disrupts cultural continuity.

Theoretical Implications

This research makes several important contributions to theory. First, it extends the RBV by applying Barney's (1991) VRIO framework to cultural intelligence, demonstrating how cultural capabilities can function as strategic resources that contribute to competitive advantage. This application enhances our understanding of the types of resources that can meet the VRIO criteria and offers a more nuanced perspective on the resource-capability-advantage relationship within the context of cultural diversity.

Second, the research advances cultural intelligence theory by examining its organisational-level manifestations and implications. While much of the existing literature has focused on individual-level cultural intelligence (Ang et al., 2007; Earley & Ang, 2003), this study explores how cultural intelligence functions at the organisational level, particularly within SMEs.

Third, the study contributes to the dynamic capabilities literature by identifying specific mechanisms through which cultural intelligence enhances sensing, seizing, and reconfiguring capabilities. This extension of

Teece's (2007) framework demonstrates how cultural capabilities influence the development and deployment of dynamic capabilities in diverse cultural contexts.

Fourth, the research advances our understanding of organisational culture sustainability by identifying the factors that enable cultures to self-perpetuate independent of the founder or owner. This extends Schein's (2010) theory of organisational culture by highlighting the specific mechanisms through which culture becomes embedded in organisational systems and practices.

Finally, the study contributes to the literature on authentic leadership by demonstrating its role in fostering cultural intelligence and a sustainable organisational culture. The findings suggest that authentic leadership creates an environment conducive to the development of cultural intelligence and facilitates the institutionalisation and dissemination of cultural values and practices.

Practical Implications

The findings of this research have several important implications for SME managers and policymakers. First, they suggest that SMEs seeking to develop cultural intelligence should invest in a portfolio of resources, with particular emphasis on human capital development, authentic leadership practices, and organisational culture. For resource-constrained SMEs, prioritising these investments over more easily imitable structural resources may be a more effective strategy for developing cultural intelligence as a source of competitive advantage.

Second, the research highlights the importance of authentic leadership in fostering cultural intelligence and a sustainable organisational culture. SME leaders should cultivate self-awareness, relational transparency, balanced processing, and an internalised moral perspective, as these authentic leadership qualities create an environment conducive to cultural intelligence development.

Third, the findings suggest that SMEs seeking to develop sustainable organisational cultures should focus on institutionalising cultural values within organisational systems and practices, distributing cultural leadership throughout the organisation, and developing adaptive cultural practices that balance preservation of core values with openness to evolution. These strategies may be particularly important for succession planning and ensuring long-term organisational viability beyond the founder's involvement.

Fourth, the research demonstrates the strategic value of cultural intelligence in enhancing dynamic capabilities and competitive advantage. SMEs operating in diverse cultural contexts should view cultural intelligence not merely as a social or ethical imperative but as a strategic resource that can contribute to sustainable competitive advantage.

Limitations and Future Research

Several limitations of this study should be acknowledged. First, the cross-sectional nature of the study limits our ability to establish causal relationships between variables. While the mixed methods approach provides some insights into the mechanisms underlying the observed relationships, longitudinal research would be necessary to fully understand the causal dynamics between cultural intelligence, dynamic capabilities, and competitive advantage.

Second, the sample size, particularly for the qualitative component of the research, limits the generalisability of the findings. While the purposive sampling approach ensured that the sample included diverse SMEs, a larger and more representative sample would enhance the robustness and generalizability of the findings.

Based on these limitations, several directions for future research can be identified. First, longitudinal research examining the development of cultural intelligence over time and its relationship to dynamic capabilities and competitive advantage would provide valuable insights into the causal dynamics underlying these relationships. Second, comparative research across different cultural and economic contexts would enhance our understanding of how cultural intelligence functions in different environments. Third, multi-level research examining the interplay between individual, organisational, and institutional factors in cultural intelligence development would provide a more comprehensive understanding of the phenomenon.

Conclusion

This research has investigated the relationship between cultural intelligence, the RBV, and competitive advantage in SMEs, with a particular focus on the role of CEO authenticity in leadership. The findings suggest that cultural intelligence, supported by a constellation of VRIO resources, enhances dynamic capabilities and contributes to competitive advantage in diverse cultural contexts. The research also identifies the factors that enable the development of sustainable organisational cultures independent of the founder or owner.

These findings contribute to both theory and practice, extending our understanding of how cultural capabilities function as strategic resources and providing practical insights for SME managers seeking to develop and leverage cultural intelligence for competitive advantage. While acknowledging the limitations of

the study, the research provides a foundation for future inquiry into the complex relationship between cultural intelligence, strategic resources, and competitive outcomes in an increasingly globalised business environment.

In conclusion, cultural intelligence represents a critical capability for SMEs operating in diverse cultural contexts, one that can be developed through strategic investments in human capital, authentic leadership, and organisational culture. By understanding and leveraging the relationship between cultural intelligence, dynamic capabilities, and competitive advantage, SMEs can enhance their ability to navigate the complexities of global markets and achieve sustainable success in an increasingly interconnected world.

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