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Investigating the factors influencing cultural adjustment and expatriate performance

The case of Malaysia

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Abstract

Purpose – The fundamental question addressed in this research is: How do cultural intelligence, personality traits of expatriates, spousal support and cultural adjustment of expatriates impact their performance? The answer to the question is important to ensure that expatriation is successful. The paper aims to discuss these issues.

Design/methodology/approach – The integrated framework linking the factors was formulated and tested among the 139 expatriates employed by multinational corporations (MNC) in Malaysia. A questionnaire was developed and distributed. The framework was validated using structural equation modeling technique.

Findings – Based on the analysis, the important findings are: cultural empathy and social initiatives (personality traits) of expatriates, cultural intelligence and spousal support enhance cultural adjustment of expatriates; spousal support, cultural empathy and social initiatives influence the cultural intelligence of the expatriates; and cultural intelligence and spousal support impact the performance of expatriates.

Research limitations/implications – This study selected the expatriates working in MNCs and residing in Malaysia for six months and above.

Originality/value – This integrated view helps us understand the mechanism that leads to an expatriate's perceived performance. Generally, researchers use "Big Five" to capture the personality traits. This research has used the construct and its dimensions that are relevant for studies on expatriation.

Keywords Performance, Spousal support, Cultural intelligence, Adjustment, Personality traits

Paper type Research paper

1. Introduction

In the last decade, the world has witnessed a rapidly increasing pace of globalization. Businesses and organizations are now characterized by the formation of international collaborations, mergers, joint ventures, inter-organizational partnerships and alliances (Sambasivan *et al.*, 2013; Todeva and Knoke, 2005). As Bass (1990) noted, the industrialized societies of Europe, Japan and the Anglo-American world are converging. As managers and leaders are increasingly exposed to global work assignments and to culturally diverse workplaces, both international and domestic organizations that proactively address the question of national and global culture will gain substantial advantages (Peterson, 2004; Smith, 1992).

One major challenge facing this landscape is the need to understand the cultural assumptions and the rationale underlying the thoughts and actions of culturally dissimilar others. While this global network of corporate businesses are becoming increasingly accessible, employees interact more and more with people of different cultures. The employees in these global organizations can no longer work in the comforts of their home culture and must expect to have the ability to work across cultures (Yamazaki and Kayes, 2004). As such,



the global economy produces a competitive landscape that is becoming increasingly more complex, dynamic and ambiguous for those firms that operate across borders.

The past few years have witnessed a marked upsurge of interest in the topic of "Expatriation." Some suggest that this growth is the direct result of a rapid increase in both the number and size of multinational corporations (MNC) (Tungli and Peiperl, 2009). Others argue that the increase stems primarily from organizations' heightened sensitivity to the financial and emotional costs associated with expatriates' failures (Ko and Yang, 2011; Kotwani, 2012). Whatever the reason, the fact behind the research on expatriation has risen substantially in the last few years; as has awareness of specific human resource management practices that may help companies succeed in employing expatriates to manage their operations.

Expatriates with very different political, cultural and economic backgrounds often face both job related as well as personal problems while working in a foreign environment (Harzing and Christensen, 2004). The encountered problems, if ignored, result in stress and dissatisfaction inside and outside of an expatriate's professional life and may finally lead to turnover. Completing an international assignment presents expatriate managers and their families with a variety of difficulties and challenges. As Joshua-Gojer (2012) points out, international assignees frequently operate in an environment that is culturally, politically, economically and legally different from those experienced in their home countries. Expatriates and their families somehow face a new world of social customs that are potentially at odds with their own value systems and living habits.

One of the major factors that determine expatriates' performance effectiveness revolves around how well they adjust themselves to function appropriately in the host culture. Many authors have attempted to challenge the "myth of high expatriate failure rates" (Harzing and Christensen, 2004, p. 616) and have argued that the failure rates are exaggerated. However, the researchers agree that the failure rates of American expatriates are higher than European or Asian expatriates. In general, the failure rate of expatriates has not abated over time (Pires *et al.*, 2006). According to Van der Heijden *et al.* (2009), the problem of expatriate turnover is relevant and current. At this juncture, the relevant question is: What are the factors that influence the performance of expatriates? In this research, we specifically address the following factors as influencing performance of expatriates: cultural intelligence, personality traits, cultural adjustment and spousal support. The gaps that are addressed in our research are: expatriate-relevant personality traits (Van Oudenhoven and Van der Zee, 2002) instead of "Big Five" (Bhatti *et al.*, 2014), direct relationships between spousal support and cultural intelligence and performance (Kraimer *et al.*, 2001; Lee, 2002), and an integrated framework that helps to understand the link between the factors and the performance of expatriates. Our scope of study is limited to expatriates employed by MNCs in Malaysia.

The organization of this paper is as follows. Section 2 discusses the research background and the contributions of this research. Section 3 explains the theoretical framework and development of hypotheses. Methodology of this research is discussed in Section 4. Section 5 explains the results of statistical analysis. In Section 6, the findings of this research are discussed in detail. Finally, we conclude this research in Section 7. This section also provides the limitations of this research.

2. Research background

Expatriates are inundated with feelings of anxiety and uncertainty of not knowing what to expect in the host country both in work and non-work settings and these feelings can obstruct social integration and performance (Osland and Osland, 2005). Gudykunst (2005) emphasizes the importance of better managing the feelings of anxiety and uncertainty in order to successfully adjust to the new environment and communicate with the local community.

To transcend cultural boundaries, expatriates should have the ability to appropriately address and react to intercultural situations and cultural intelligence may be the skill that can help improve the capability for successful adaptation (Peterson, 2004; Thomas *et al.*, 2008). A meta-analytic study by Mol *et al.* (2005) has attempted to identify factors to predict expatriate performance. The study has observed that cultural intelligence has seldom been investigated as a predictor of expatriate job performance.

Getting along with subordinates, peers, and those at higher levels of the organization, being open-minded and flexible in thought and tactics, and being able to deal with complexity are characteristics determined to stem from the personal traits of an individual. These traits would appear to be somewhat unique to a person's character. Personality characteristics have been found to be the necessary requirements of acquisition of dynamic cross-cultural competencies (Huang *et al.*, 2005; Shaffer *et al.*, 2006; Van Oudenhoven *et al.*, 2001).

Different facets of cross-cultural adjustment lead to successful performance for expatriates (Shaffer *et al.*, 2006). Lazarova *et al.* (2010) have indicated that well-adjusted expatriates will have greater reserve of personal resources, i.e., time, effort and emotional investment available to spend on the behaviors that finally facilitate their performance on the assigned jobs. Causin and Ayoun (2011) in their study of a model of competencies for successful expatriate assignment have identified expatriate adjustment as an important factor.

A variety of studies suggest that the adaptability of a manager to be effective in a foreign subsidiary depends to a large extent upon how happy the manager's spouse and children are in the foreign environment. Spouses provide the necessary emotional and physical support to individuals to alleviate the effects of stress due to work-family conflict (Kinnunen *et al.*, 2006). Spousal support can reduce the negative effects of stressors and work-family conflict (Md-Sidin *et al.*, 2010).

The contributions of this study are threefold. First, in our framework we have analyzed the inter-relationships between the constructs personality traits, cultural intelligence, cultural adjustment and spousal support besides analyzing the relationships of these constructs with perceived expatriate performance. This integrated view helps us understand the mechanism that leads to an expatriate's perceived performance. Generally, researchers use "Big Five" to capture the personality traits (Bhatti *et al.*, 2014). We have used the construct and its dimensions that are more relevant for studies on expatriation (Van Oudenhoven and Van der Zee, 2002). Earlier studies on the effects of cultural intelligence on performance have argued and shown that the relationship has to be mediated by cultural adjustment (Lee and Sukoco, 2010). We have looked at the direct and indirect relationships.

Second, we address the role of spousal support in enhancing the cultural intelligence, cultural adjustment and expatriate's perceived performance. Earlier studies have mixed findings. For example, a study by Kraimer *et al.* (2001) has shown that spousal support does not influence adjustment and performance of expatriates; Lee (2002) has shown a strong link between spousal support and cultural adjustment of expatriates; Black and Gregersen (1991) have shown a positive relationship between spousal support and cultural adjustment of expatriates. Many studies have addressed the role of spousal support on cultural adjustment leading to better performance. Seldom studies have analyzed the direct effects of spousal support on cultural intelligence and expatriate performance.

Third, the study has been conducted in Malaysia, one of the preferred destinations in the Southeast Asia for FDI (Malaysian Industrial Development Authority, 2009). The factors like tax incentives, access to raw materials, lower labor cost and better quality of life attract many MNCs to have their operations in Malaysia. There are more than 5,000 MNCs from 60 different countries that have their operations in Malaysia and there are more than 35,000 expatriates employed by these companies (Ramulu *et al.*, 2010). A recent report on foreign direct investment by United Nations Conference on Trade and Development (UNCTAD)

ranks Malaysia as the 13th most preferred destination (World Investment Report, 2013). Malaysia is often referred to as a minefield of cultural sensitivities because of its diverse racial and ethnic composition (Abdullah and Lim, 2001). Based on Hofstede's cultural dimensions, Malaysia is high on power distance and collectivism, average on masculinity and low on uncertainty avoidance (Abdullah, 2005; Hofstede, 2001). Expatriates from countries that rank differently from Malaysia in cultural dimensions relocate to settle in Malaysia. Our study in this rich environment can give a better understanding of the roles of personality traits, cultural intelligence, cultural adjustment and spousal support on expatriate performance.

3. Theoretical framework and hypotheses development

The theoretical foundation that explains the framework of this study is the model of acculturation. This model has its origin in 1914 when Robert Park developed a three-stage model that includes contact, accommodation and assimilation (Persons, 1987). The model underwent many extensions and the new model by Padilla and Perez (2003) has identified five constructs that are important to understand acculturation: social cognition, cultural competence, social identity, social dominance and social stigma.

Social cognition is about the mental (cognitive) processes that aid social interaction. These processes can be dependent on various sources such as person-level variables, situational constraints, societal structure and evolutionary mechanisms (Padilla and Perez, 2003). According to Padilla and Perez (2003), the choice to acculturate may be related to personality characteristics. Cultural competence is the "learned ability to function in a culture in a manner that is congruent with the values, beliefs, customs, mannerisms, and language of the majority of members of the culture" (Padilla and Perez, 2003, p. 42). Social identity deals with the identification of an individual with social structures to guide internal structures and processes (Padilla and Perez, 2003). Cultural competence is essential for social identity since the collective group membership guides individual's thoughts and behaviors (Markus *et al.*, 1996). The theory of social dominance stresses on the existence of consensual hierarchies in a social institution and these hierarchies are a function of individual differences (Padilla and Perez, 2003). Social stigma is about a person who is "in the unfortunate circumstance of possessing an attribute that in a given social context leads to devaluation" (Padilla and Perez, 2003, p. 45).

Our framework deals with five constructs: personality traits, cultural intelligence, cultural adjustment, spousal support and expatriate's performance. The role of the personality traits, cultural intelligence and cultural adjustment on performance comes from the model of acculturation and the role of spousal support finds its roots in the spillover theory which expounds the effect of spousal support on work-related outcomes (Kraimer *et al.*, 2001; Md-Sidin *et al.*, 2010).

3.1 Cultural intelligence vs cultural adjustment and performance

Shin *et al.* (2007) assert that there is an emerged importance and evidence available to support that expatriates are required to behaviorally adapt to core aspects of the local culture. Past research advocates the use of soft skills such as cultural intelligence to assist individuals conforming to the host country's cultural values and norms and to better understand intercultural interactions (Ang *et al.*, 2007; Earley, 2002; Bhaskar-Shrinivas *et al.*, 2005; Templer *et al.*, 2006). Previous studies have linked the quest of adjusting to the new country's environment with increasing feelings of anxiety and uncertainty (Adler, 2007; Gudykunst, 2005; Shin *et al.*, 2007). Gudykunst (2005) emphasizes the importance of better managing the feelings of anxiety and uncertainty in order to successfully adjust to the new environment and communicate with the local community. According to acculturation model, expatriates who are culturally intelligent (competent) are in a better position to handle anxieties and uncertainties.

They put more efforts in work-related accomplishments and rapidly integrate in the new environment (Padilla and Perez, 2003). By being more attentive about cultural differences around them and by being more culturally intelligent, the expatriates can better manage their anxiety and uncertainty, consequently leading to better adjustment and improved job performance. Based on the above arguments, we posit the following hypothesis:

- H1. There is a positive relationship between cultural intelligence and cultural adjustment of expatriates; the higher the cultural intelligence of expatriates better is their adjustment to the new environment.
- H2. There is a positive relationship between cultural intelligence and performance of expatriates; the higher the cultural intelligence of expatriates better is their performance.

3.2 Personality traits vs cultural adjustment and cultural intelligence

According to the acculturation model, acculturation can be conceptualized as a function of personality characteristics or traits. It is the social cognition that explains how the personality traits guide social interaction and adjustment (Padilla and Perez, 2003). The cognitive processes originate from expatriates' pragmatic goals and these goals are derived from various sources such as personality traits (Fiske, 1993). The personality traits considered in this research are: cultural empathy, open mindedness, social initiative, emotional stability and flexibility (Van Oudenhoven and Van der Zee, 2002).

Peltokropi (2008) and Peltokropi and Froese (2012) have hypothesized that personality traits have an influence on work and non-work and cross-cultural adjustments. The expatriates with high cultural empathy are able to find positive meanings in new cultural settings and deal with diverse behavioral and communication styles, social customs, misunderstandings, while they thrive to understand and sympathize with the feelings of others (Peltokropi and Froese, 2014). The socio-analytic literature suggests that open mindedness is the most relevant to expatriates' needs of being accepted and liked (get along) and predictability and order (find meaning) (Hogan and Shelton, 1998; Peltokropi and Froese, 2012). Open mindedness is related to cross-cultural adjustment because expatriates higher in this personality trait have fewer rigid views of right and wrong, appropriate and inappropriate, and are more likely to accept the new culture (Peltokropi and Froese, 2012).

Expatriates with high social initiative are able to form work-related social relationships in companies to achieve personal success (Caligiuri, 2000). Emotional stability is argued to facilitate work and non-work-related adjustment in host countries. From the socio-analytic theory perspective, emotional stability is proposed to have a positive influence on all the three facets of cross-cultural adjustment through expatriates' needs to be accepted (getting along), status and power (getting ahead), and predictability and order (finding meaning) (Shaffer *et al.*, 2006). Research suggests that cultural flexibility is positively related to cross-cultural adjustment (e.g. Shaffer *et al.*, 2006), self-esteem and self-confidence (e.g. Mendenhall and Oddou, 1985; Von Kirchheim and Richardson, 2005), adapting to the foreign environments (e.g. Van Oudenhoven *et al.*, 2001), and success on foreign assignments. Based on these arguments, we posit the following hypothesis:

- H3. There is a positive relationship between the personality traits (cultural empathy, open mindedness, social initiative, emotional stability and flexibility) of the expatriates and their cultural adjustments; the higher the levels of personality traits better is their adjustment to the new environment.
- H4. There is a positive relationship between the personality traits (cultural empathy, open mindedness, social initiative, emotional stability and flexibility) of the expatriates and their cultural intelligence; the higher the levels of personality traits better is their cultural intelligence.

3.3 Cultural adjustment vs expatriate's performance

Cross-cultural adjustment, defined in early studies as the degree to which expatriates are psychologically comfortable and familiar with different aspects of foreign environment (Black and Mendenhall, 1990), is more recently described to cover the degree of ease or difficulty expatriates have with various issues related to life and work abroad (Takeuchi *et al.*, 2005). Drawing on the socio-analytic theory, Shaffer *et al.* (2006) have hypothesized that different facets of cross-cultural adjustment leads to different facets of successful performance for expatriates. Parallel to these findings, Shaffer and Harrison (2001) have argued that well-adjusted expatriates will have a greater reserve of personal resources, i.e., time, effort and emotional investment available to spend on the behaviors that finally facilitate job performance. Thomas and Lazarova (2006) stress that the relationship between adjustment and performance is still inconclusive, which warrants more investigation for a firmer conclusion. A recent study by Bhatti *et al.* (2013) among expatriate lecturers in Malaysian universities has shown that adjustment mediates the relationship between individual/organizational factors and job performance. Based on the above arguments, we posit the following hypothesis:

- H5. There is a positive relationship between an expatriate's culture adjustment and his/her performance; the higher the capability of expatriates to adjust in a foreign environment better is their performance.

3.4 Role of spousal support

The adaptability of an expatriate manager in a foreign environment depends to a large extent upon how comfortable the manager's spouse and children are. The challenges faced due to the incompatible demands of work and family can create work-family conflicts (Md-Sidin *et al.*, 2010). The spillover theory emphasizes on the tendency of the workers to carry their emotions, attitudes, skills and behaviors that they establish at work into their family life and vice versa (Md-Sidin *et al.*, 2010). The spillover process can be either positive or negative. The negative spillover induces stress in individuals and the positive spillover can lead to high levels of satisfaction. This in turn results in better adjustment and better performance of expatriates in a foreign environment.

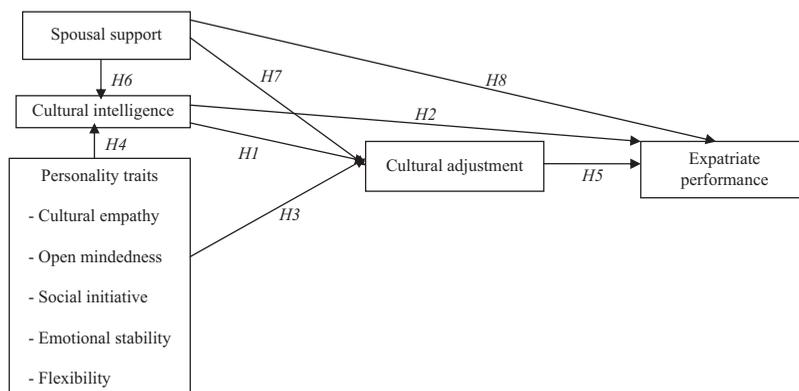
Spouses provide the necessary emotional and physical support to individuals to alleviate the effects of stress due to work-family conflict (Kinnunen *et al.*, 2006). The expatriate executives rely on their family (mainly, spouse) for support and that the role of the family is perceived to be an important aspect of expatriate success. Cultural intelligence of an expatriate is his/her ability to adapt to new cultural contexts (Ang *et al.*, 2007). In this study, we argue that spousal support is critical for expatriates to understand, adapt and perform in a foreign environment. Figure 1 shows the framework used in this study. Based on the above arguments, we posit the following hypotheses:

- H6. There is a positive relationship between spousal support and cultural intelligence of expatriates.
- H7. There is a positive relationship between spousal support and cultural adjustment of expatriates.
- H8. There is a positive relationship between spousal support and performance of expatriates.

4. Methodology

The research population for this study was the expatriates working in MNCs and residing in Malaysia for six months and above. The six months cut-off point was followed according to the

Figure 1.
Framework for
the study



U-Curve theory of adjustment and the concept of culture shock (Black and Mendenhall, 1990). The first few days and up to the sixth month is referred to as the “honeymoon” stage. During the “honeymoon” stage, the expatriates are excited with the new and interesting aspects offered by the host country. The feelings of being a “tourist” cannot be avoided (Black and Mendenhall, 1990). From the sixth month onwards, the expatriates are expected to be more susceptible to feelings of despair and the tolls of adjusting become apparent. This stage, between the sixth month and a year, is referred to as the “crisis” phase (Selmer, 1999) where the expatriates come to terms with the reality of work life on their foreign assignments. Accordingly, in order to determine the actual situation of expatriates in this research, the minimum of six months into the assignment was used as a criterion for the selection of the respondents.

The sampling frame was the comprehensive database of expatriates in Malaysia from MRI Network. MRI Network is considered to be the leader and innovator in the global search and recruitment industry for over 40 years and has been in operation in Malaysia since 1997 (<http://mri.com.my/history>). This company has a complete database of expatriates in Malaysia who have been searched and recruited by it. From the database, 2,360 expatriates were chosen that fit our criteria. Two stages of sampling were applied in this study. Considering the population size of 2,360 and the demographic characteristics of the needed samples, a purposive sampling method was performed at the first stage and 200 out of 2,360 were determined. At the second stage, random sampling was applied and based on the Morgan’s sampling table at 0.95 confidence level, 132 respondents were asked to fill questionnaires. After data were collected, 129 questionnaires were found to be complete and valid for data analysis.

4.1 Measures

The constructs used in this research are: cultural intelligence, personality traits, cultural adjustment, spousal support and perceived performance. The items for all the constructs were taken from established studies and the details are given in Table I. The reliabilities of all the constructs were between 0.72 and 0.94 and the details are given in Table I. The validity of the constructs was tested through confirmatory factor analysis. Construct validity was assessed using factor loading, composite reliability and average variance extracted (AVE). The factor loading of all items was more than the acceptable level of 0.5. All constructs exhibited composite reliability greater than the threshold level of 0.7 indicating that the measurement errors were relatively small. AVE value for all constructs was also greater than 0.5. The discriminant validity of the constructs was tested by comparing the AVE of each construct with the squared correlation of that construct with other constructs. The details are indicated in Table II.

Table I.
Reliability values

Variable	Source(s)	Cronbach's α
Cultural intelligence	Ang <i>et al.</i> (2007) – 20 items	0.786
Expatriate – personality traits	Froese and Peltokorpi (2011) – 4 items for each personality trait	Cultural empathy – 0.721; open mindedness – 0.938; social initiative – 0.813; emotional stability – 0.832; flexibility – 0.914
Expatriate cultural adjustment	Black and Gregersen (1991) – 11 items	0.913
Spousal support	Caplan <i>et al.</i> (1975) – 15 items	0.868
Expatriate performance	Caligiuri (2000), Kraimer <i>et al.</i> (2001), Kraimer and Wayne (2004) – 13 items	0.875

Constructs	COMP	CE	OM	SI	ES	EF	CA	SS	EP	CI
Expatriates' cultural empathy	0.82	0.62	0.002	0.18	0.21	0.11	0.09	0.001	0.04	0.41
Expatriates' open mindedness	0.93	0.28	0.67	0.02	0.0002	0.015	0.01	0.000	0.001	0.002
Expatriates' social initiative	0.89	0.18	0.02	0.7	0.007	0.03	0.09	0.38	0.06	0.01
Expatriates' emotional stability	0.87	0.21	0.0002	0.007	0.65	0.107	0.01	0.0007	0.03	0.15
Expatriates' flexibility	0.82	0.11	0.015	0.03	0.107	0.64	0.08	0.04	0.08	0.14
Expatriates' cultural adjustment	0.832	0.09	0.01	0.09	0.01	0.08	0.63	0.05	0.08	0.18
Expatriates' spousal support	0.90	0.001	0.000	0.38	0.000	0.04	0.05	0.64	0.18	0.16
Expatriates' performance	0.93	0.04	0.001	0.06	0.03	0.08	0.08	0.18	0.63	0.18
Expatriates' cultural intelligence	0.90	0.41	0.27	0.013	0.15	0.14	0.18	0.16	0.18	0.7

Note: COMP – composite reliability (diagonal of the matrix contains the average variance extracted (AVE) and off-diagonal elements are the squared correlations between constructs)

Table II.
Construct validity results

4.2 Handling common method variance

In this research, the responses to the questionnaire items were obtained from a single source and both the dependent and focal explanatory variables were perceptual measures derived from the same respondent. This may result in common method variance. Common method variance is the “variance that is attributable to the measurement method rather than to the constructs the measures represent” (Podsakoff *et al.*, 2003, p. 879). Four strategies have been recommended by Podsakoff *et al.* (2003) and the authors have argued that usage of multiple strategies is better than following a single strategy. Based on the suggestions by Chang *et al.* (2010) and Conway and Lance (2010), we followed three strategies to reduce the effect of common method variance.

First, we spoke to the respondents and assured and convinced them about the confidentiality of their responses. Second, our regression models were not straight forward (by the introduction of inter-relationships between independent variables and indirect effect) and the respondents were not guided by a cognitive map of relationships. Third, we performed a one-factor Herman test by loading all the items on to a single factor. Factor analysis indicated that this single factor could explain only 19 percent of the total variance. Podsakoff *et al.* (2003) indicate that there is no agreed cut-off point but a value of less than 50 percent is considered to be a reasonable value to indicate the reduced effect of common method variance. Since in this research only 19 percent of the total variance is explained by a common factor, we can argue that effect of common method variance is limited.

4.3 Choice of structural equation modeling (SEM)

SEM is a multi-variate statistical technique that is used for analyzing the relationships between latent constructs (or variables). Many multi-variate techniques such as multiple

regression and linear models allow only a single relationship between independent and dependent constructs. SEM allows multiple dependent constructs, relationships between independent and dependent constructs, and inter-relationships within independent constructs and dependent constructs. In essence, SEM solves multiple regression equations simultaneously. The possibility of modeling complex dependencies make SEM the sought after technique by the researchers (Quereshi and Kang, 2014). We used covariance-based SEM (CB-SEM). The fit statistics and the threshold values used to validate the CB-SEM model are: $\chi^2/\text{degrees of freedom} < 3.00$, $p\text{-value} > 0.05$, RMSEA < 0.08 , RMR < 0.08 , NFI > 0.90 , CFI > 0.90 , GFI > 0.90 .

5. Results

5.1 Descriptive statistics

Distribution of the sample within the industry sectors were: 31 percent from the service sector, 42 percent from the manufacturing sector and 27 percent from other sectors. Participants' length of stay in Malaysia ranged from three to eight years. Tenure with present organization ranged from three to four years. The nationalities of the respondents were: 15 percent from India, 12 percent from the UK, 10 percent from Australia and the remaining 63 percent from 42 different countries. In total, 74 percent of the respondents were men and the remaining were women. About 73 percent of the respondents were married and 65 percent were accompanied by their spouses. About 62 percent of the respondents were less than 40 years of age and 77 percent had previous international experience. The mean, standard deviation and correlation between the variables are given in Table III. Based on the mean values of the variables, it can be observed that the values are "moderately high."

5.2 Hypotheses testing

Since the sample size was small, we parceled the items under each construct (Little *et al.*, 2013) before running the structural model. According to Little *et al.* (2013), compared with item-level data, models based on parceled data are more parsimonious, have fewer chances for residuals to be correlated or dual loadings to emerge, lead to reductions in various sources of sampling error, better model estimation and fit characteristics, and lower indicator-to-sample size ratio. According to Iacoboucci (2010), "It is of some comfort that SEM models can perform well, even with small samples (e.g. 50 to 100). The vague, folklore rule of thumb considering requisite sample size, e.g., ' $n > 200$ ' can be conservative, and is surely simplistic" (p. 92). Therefore, we parceled the items under each construct and the fit statistics obtained were acceptable. We tested our framework (Figure 1) using SEM software Lisrel 9.1 student version. Based on the fit statistics ($\chi^2/\text{degrees of freedom} = 0.84$,

Variable	Mean	SD	CI	CE	OM	SI	ES	EF	CA	SS	EP
CI	3.38	0.44	1	0.642**	0.052	0.118	0.392**	0.377**	0.434**	0.402**	0.430**
CE	3.54	0.80	0.642**	1	-0.053	0.043	0.469**	0.340**	0.303*	0.038	0.214*
OM	3.74	0.75	0.052	0.053	1	0.147	0.015	0.125	0.103	0.009	0.042
SI	3.76	0.66	0.118	0.043	0.147	1	0.087	0.186*	0.313*	0.619**	0.258**
ES	3.05	0.91	0.392**	0.469**	0.015	0.087	1	0.328**	0.121	0.028	0.184*
EF	3.46	0.74	0.377**	0.340**	0.125	0.186*	0.328**	1	0.289*	0.202*	0.294**
CA	3.66	0.57	0.434**	0.303*	0.103	0.313*	0.121	0.289*	1	0.237	0.285*
SS	3.68	0.53	0.402**	0.038	0.009	0.619**	0.028	0.202*	0.237	1	0.428**
EP	3.87	0.50	0.430**	0.214*	0.042	0.258**	0.184*	0.294**	0.285*	0.428**	1

Table III.
Descriptive statistics
and correlation

Notes: CI, cultural intelligence; CE, cultural empathy; OM, open mindedness; SI, social initiative; ES, emotional stability; EF, flexibility; CA, cultural adjustment; SS, spousal support; EP, expatriate performance. *, **Significant at 0.05 and 0.01 levels, respectively

p -value = 0.524, RMSEA = 0.003, RMR = 0.025, NFI = 0.99, CFI = 0.99, GFI = 0.99), the model fit is good (Hair *et al.*, 2010) and the results can be used for further analysis.

Following inferences can be drawn from the SEM output: *H1* that tests the positive relationship between cultural intelligence and cultural adjustment of expatriates is supported ($\beta = 0.403$, p -value = 0.000). This suggests that expatriates who possess a high level of cultural intelligence can comfortably adjust in different cultural surroundings (Peterson, 2004; Thomas *et al.*, 2005); *H2* that tests the relationship between cultural intelligence and performance of expatriates is supported ($\beta = 0.308$, p -value = 0.000). This implies that the expatriates who are culturally intelligent can perform well in a foreign country; *H3* that tests the relationship between personality traits and cultural adjustment of the expatriates is partially supported. Of the five traits, only one, social initiative has a direct and positive relationship with cultural adjustment ($\beta = 0.265$, p -value = 0.001). Expatriates with high social initiative are able to form work-related social relationships in companies to achieve personal success (“learn who knows what, who has influence, who can be trusted”) (Caligiuri, 2000). This trait helps the expatriates adjust better; *H4* that tests the relationship between personality traits and cultural intelligence of the expatriates is partially supported.

Out of five personality traits only two have significant relationship with cultural intelligence. The two traits are: cultural empathy ($\beta = 0.632$, p -value = 0.000) and social initiative ($\beta = -0.232$, p -value = 0.001). Researchers have suggested that a high degree of cultural empathy is needed to understand other cultures (Froese and Peltokorpi, 2011). It is quite interesting to note that social initiative has a negative relationship. The cultural fit hypothesis suggests that talkative and outgoing behavior may not be appreciated in vertical collectivist countries, such as Malaysia, especially if it disturbs vertical relations and in-group boundaries (Triandis, 1995). Perhaps due to this culture-initiated fact, the relationship is negative (Shaffer *et al.*, 2006); *H5* that addresses the relationship between cultural adjustment and performance of expatriates is not supported ($\beta = 0.098$, p -value = 0.253). Thomas and Lazarova (2006) have stressed that the relationship between adjustment and performance is inconclusive. In Malaysia, it appears that cultural adjustment of expatriates does not have a significant impact on performance; *H6* that tests the relationship between spousal support and cultural intelligence is supported ($\beta = 0.522$, p -value = 0.000).

Cultural intelligence is what allows an expatriate to transcend his/her cultural programming and function effectively in cross-cultural situations (Offermann and Phan, 2002). Spousal support is essential for expatriate to be able to transcend and function effectively. Our study has indicated a strong link between spousal support and cultural intelligence; *H7* that addresses the relationship between spousal support and cultural adjustment is not supported ($\beta = -0.76$, p -value = 0.099). Even though, we do not observe a direct effect, spousal support effect cultural adjustment through cultural intelligence. As an additional test to determine if cultural intelligence has a significant indirect effect between spousal support and cultural adjustment, we have conducted Sobel’s test. Based on the results of the test (Sobel’s test t -value = 3.380, p -value = 0.001), the indirect effect is significant. Combining the direct and indirect effects, we can argue that cultural intelligence mediates the relationship between spousal support and cultural adjustment; and *H8* that tests relationship between spousal support and expatriate performance is supported ($\beta = 0.304$, p -value = 0.000). Substantial support from the spouses help expatriates concentrate on their assignments and perform better. The final framework with significant relationships is given in Figure 2.

6. Discussion

The fundamental question addressed in this research is: How do cultural intelligence, personality traits of expatriates, spousal support, and cultural adjustment of expatriates impact their performance? To answer this question, we have developed a framework that

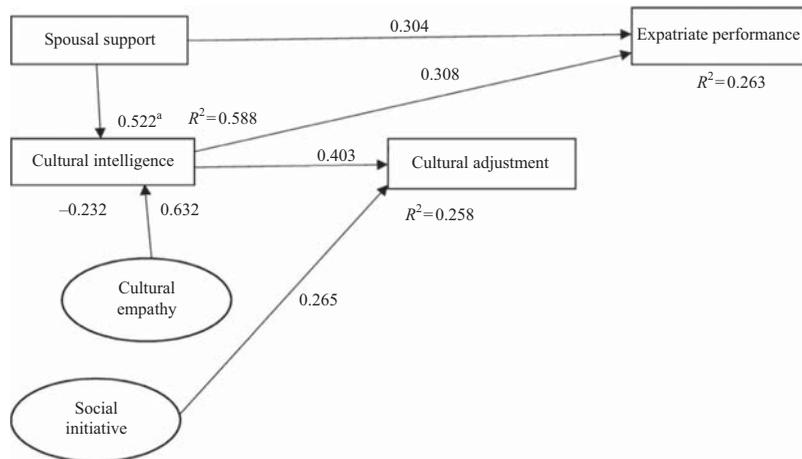


Figure 2.
Final framework
with significant
relationships

Notes: ^aValues indicated are standardized coefficients model-fit statistics: $\chi^2/\text{degrees of freedom}=0.84$, $p\text{-value}=0.524$, $\text{RMSEA}=0.003$, $\text{RMR}=0.025$, $\text{NFI}=0.99$, $\text{CFI}=0.99$, $\text{GFI}=0.99$

integrates these five constructs and tested the framework using SEM approach. There are some interesting findings.

The positive influence of cultural intelligence on cultural adjustment of expatriates lends credit to the anxiety/uncertainty management theory (Gudykunst, 2005). By being culturally intelligent, expatriates are more open to new possibilities. They treat cultural differences as an opportunity to immerse themselves in the new environment and ensure that their cultural mistakes are minimized. Culturally intelligent expatriates can minimize the uncertainty and anxiety that stem from being in a culturally different environment. Consequently, the expatriates can expend more time and effort on job related and social integration initiatives resulting in positive performance outcomes. The successful interactions and adjustments will positively influence expatriates' performance.

Our study is one of the few studies that have demonstrated the direct effect of cultural intelligence on performance. A study by Lee and Sukoco (2010) has found an indirect relationship of cultural intelligence through cultural adjustment and cultural effectiveness on performance. Wu and Ang (2012), based on their research in Singapore, have shown that cultural intelligence moderates the relationship between corporate expatriate supporting practices and cultural adjustment. A recent study by Malek and Budhwar (2013) has shown the effect of cultural intelligence on task and contextual performance of expatriates through general, interaction and work adjustments. Barakat *et al.* (2015) have shown that cultural intelligence is linked to job performance through job satisfaction.

Our study has clearly shown that the relationship between cultural adjustment and expatriate performance is insignificant. According to Thomas and Lazarova (2006, p. 257), "the adjustment-performance relationship typically ranges from non-existent to what can only be considered as moderate" and therefore is equivocal. Our findings suggest that cultural intelligence and spousal support can be more reliable to explain expatriate performance.

Examining the impact of personality traits of expatriates on their cultural intelligence and cultural adjustment can help organizations (MNCs), identify the right candidates for overseas assignments. This can help reduce problems associated with poor cross-cultural adjustments; including suboptimal performance, damaged relationships with local employees, suppliers or customers, and probable premature returns (Bhaskar-Shrinivas *et al.*, 2005).

The personality traits are generally captured by using the “Big Five” model of personality (extroversion, agreeableness, conscientiousness, neuroticism and openness to experience or intellect) (Bhatti *et al.*, 2014). In this research, we have used the five traits (cultural empathy, open mindedness, social initiative, emotional stability and flexibility dimensions) that are more relevant for studies on expatriation (Van Oudenhoven and Van der Zee, 2002). Out of the five personality traits, only cultural empathy and social initiatives have significant relationships with cultural intelligence and adjustment.

In our study, cultural empathy has a strong relationship with cultural intelligence. Cultural empathy remains an often mentioned dimension of multicultural effectiveness. Kim *et al.* (2012) have argued that meaningful activity participation, social support and positive emotions help expatriates cope with acculturation stress. Social initiatives by the expatriates are the second trait that has significant relationships with cultural intelligence and cultural adjustment. Empirical research demonstrates the positive influence of social initiatives on multicultural effectiveness and cross-cultural adjustment (Huang *et al.*, 2005; Shaffer *et al.*, 2006). What is intriguing is the negative effect of social initiatives on cultural intelligence. According to Triandis (1995), in a collectivist country, like Malaysia, being talkative and outgoing (extraversion) may not be appreciated especially if it is perceived to disturb relations and boundaries. In fact, the behavior can lead locals to have a negative perception. Therefore, it is plausible that expatriates in Malaysia may restrict themselves from initiating social activities. This is an interesting result and an important learning point for expatriates who wish to expatriate to Malaysia.

Despite the importance of personality traits on cross-cultural adjustment, many MNCs continue to base assignee selection solely on technical expertise and employee willingness to expatriate (Peltokropi and Froese, 2012; Swaak, 1995). These traits, specifically cultural empathy and social initiatives, must be scanned and checked for in pre-departure and on the assignment training. Expatriates who lack these traits are likely to fail in their assignments (Calguri, 2000).

Malaysia is a country that is high on collectivism and power distance (Abdullah, 2005; Hofstede, 1980). It is important to note that expatriates who are on the opposite end of the spectrum, such as individualist and low on power distance, feedback on their effectiveness may be more muted and indirect than they have been culturally conditioned to expect. In addition, Malaysia’s experience of ethnic diversity, specific cultural and historical contexts can pose a great challenge for expatriates to appropriately decipher cross-cultural interactions when working with local employees, suppliers or government agencies (Kennedy, 2002). Thus, adjusting to the Malaysian culture is critical for the expatriates to maximize their performance.

Our study has demonstrated the crucial role played by the spouses of expatriates. Strong spousal support enhances the cultural intelligence and performance of expatriates. This is in contrast to the views expressed by Shaffer *et al.* (2006). They argue that when the family is present, the expatriates simply spend more time with their family and thus have less contact with the host culture. This reduced amount of contact may result in poorer adjustment and poorer performance. Some studies have argued the moderating role of spousal support in improving the effectiveness of expatriates (Caligiuri, 2000). A recent study by Lee *et al.* (2013) has shown that social support has a direct effect on cultural adjustment and performance. In our study in Malaysia, spousal support is seen to exert a direct influence. In light of the findings of the study, personality traits such as cultural empathy and social initiatives, cultural intelligence and spousal support are critical for cultural adjustment of expatriates and their performances.

What are the theoretical contributions of this study? Our study has made a few contributions to the body of knowledge on expatriate research in an ethnically diverse country like Malaysia. First, the role of social initiatives on cultural intelligence is contrary

to what has been hypothesized in the literature. The researchers must consider the culture that is unique to the host country while conducting studies on expatriation. Second, the direct effect of cultural intelligence on performance is significant. Earlier studies have looked at its effect through adjustments. Third, our study has joined the group of studies that has argued the insignificant role of cultural adjustment on performance. In fact, our study has shown that spousal support and cultural intelligence are critical to performance. Fourth, our study has demonstrated the crucial role played by spousal support in enhancing the cultural intelligence and performance. The future studies on expatriation must include spousal support as one of the critical factors.

What are the practical implications of this study? MNCs must assess the personality traits, especially cultural empathy and social initiatives, of their employees before posting them in a foreign country. However, expatriates must be cautioned not to overstep their (social initiative) boundaries, if they are posted in countries like Malaysia. Zhang (2013) has studied the expatriates in China and has shown that expatriate development is critical for cross-cultural adjustment; the employees along with their spouses must be given relevant training about the culture and practices of the host country. Spouses may be encouraged to accompany expatriates. This will help in enhancing the cultural intelligence and performance of expatriates. A study by Lund and Barker (2004) on western expatriates in China shows that spousal support is critical to the organizational commitment of expatriates; and MNCs must provide their employees (posted abroad) with a conducive environment that will help them adjust faster. According to Li and Jackson (2015), expatriate relocation is dependent on the organization's role in helping expatriates adjust to uncertainty and anxiety.

7. Conclusion

In this research, a model was developed and analyzed to identify the factors that influence the cultural adjustment and performance of expatriates in MNCs in Malaysia. The main findings are: cultural empathy and social initiatives (personality traits) of expatriates, cultural intelligence and spousal support enhances cultural adjustment of expatriates, spousal support, cultural empathy and social initiatives influence the cultural intelligence of the expatriates and cultural intelligence and spousal support impact the performance of expatriates. The human resource department of MNCs by identifying the candidates with the right characteristics and by providing appropriate training to expatriates and their spouses can ensure that expatriation is successful.

In an era of globalization, the effectiveness of international assignment is an important source of competitive advantage for many organizations. Some of the reasons for sending expatriates on the international assignments are to: establish new international markets, spread and sustain corporate culture, facilitate organizational coordination and control, facilitate innovation and transfer technology, knowledge and skills (Ramulu *et al.*, 2010). MNCs have been shown to impact several factors that are crucial for the economy of developing countries and the factors are: capital, competences/skills, exports, technology/processes and infrastructure (Worasinjai and Bechina, 2010). Therefore, it is critical that expatriates with the relevant skills and support are employed by MNCs.

This study has limitations. First, the study included only the expatriates in MNCs. A country like Malaysia has expatriates working in different type of organizations like universities, hospitals and local industries. The expatriates in these organizations have not been included in the study. The future studies should test the current framework on expatriates from different industries and countries. Second, the sample size is small in spite of repeated attempts by the researcher. The generalization of the results has to be done with this fact in mind. Third, the performance measure is non-financial and is self-reported. There can be a problem due to common method bias. The future studies can use supervisor-rated performance instead of self-rated performance.

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