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Cultural intelligence as a predictor of expatriate adjustment and performance in Malaysia

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ABSTRACT

This research tests the linkage between cultural intelligence, expatriate adjustment to the host country's environment and expatriate performance while on international assignments. The investigation is carried out with data from 134 expatriates based in multinational corporations in Malaysia. The results highlight a direct influence of expatriates' cultural intelligence on general, interaction and work adjustments. The improved adjustments consequently have positive effects on both the expatriates' task and contextual performance. The research findings have implications for both international human resource management (IHRM) researchers and managers.

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1. Introduction

Despite the continuous pressure of cutting costs and severe budget restrictions, international assignments remain a crucial aspect of multinational corporations' (MNC) global strategy. While MNCs must consider the advantages and disadvantages of hiring local employees for specific roles, there will always be a need for expatriate employees in the foreseeable future (Fang, Jiang, Makino, & Beamish, 2010). The existing literature also highlights the high failure rate of expatriates (e.g., Dowling, Festing, & Engles, 2008), which continues to reduce MNCs' profits. Due to the importance of global assignments for both an individual's career growth and MNCs' global success, a great deal of effort been expended to ensure the success of expatriates on foreign assignments (Shaffer, Harrison, Gregersen, Black, & Ferzandi, 2006; Takeuchi, 2010).

One of the most common reasons expatriates give for prematurely terminating their foreign assignments is poor cross-cultural adjustment or adaptation (Takeuchi, Yun, & Tesluk, 2002). Another reason given is family-related problems, i.e., the inability of their spouses and children to adapt to the host country's culture, family instability and inadaptability and lack of language skills (Flynn, 1995; Takeuchi et al., 2002; Tung, 1987). Pomeroy (2006) stressed that 51% of expatriates had problems in performing in the host country (HC) because they lacked the ability to adapt to the various aspects of the host country. Based on this

analysis, it can be deduced that expatriates' inability to adjust in the host country is predominantly caused by socio-cultural factors and this inability to adjust is independent from the expatriates' professional work skills. Therefore, cultural differences and specific host country values and norms remain critical aspects that should not be overlooked by expatriates and their organisations.

Shin, Morgeson, and Campion (2007) assert that there is an emerged importance and evidence available to support that expatriates are required to behaviourally adapt to core aspects of the local culture. Past research advocates the use of soft skills such as cultural intelligence (CQ) to assist individuals conforming to the host country's cultural values and norms and to better understand intercultural interactions (Ang et al., 2007; Bhaskar-Shrinivas, Harrison, Shaffer, & Luk, 2005; Earley, 2002; Templer, Tay, & Chandrasekar, 2006). Based on such assumptions, the main aim of this research is to investigate the role of CQ as a predictor of expatriate adjustment and their subsequent performance during their overseas assignments.

This study focuses on a developing country, Malaysia, mainly due to the scarcity of robust literature regarding the adjustment of expatriate family members in this country and secondly, due to the rising amount of foreign direct investment (FDI) inflow and a steady increase in the number of expatriates coming there. World Investment Report (UNCTAD, 2010) confirms that Malaysia remains one of the top 15 host countries for FDI for 2010–2012. However, despite the continuous increase in the FDI inflows, Asia in particular represents a challenging posting for many foreign managers. Wide differences between the cultural, perspectives and mannerisms may pose awkward and baffling situations for those who are relocating to this part of the world (Neupert, Baughn,

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& Lam Dao, 2005). Many managers who have succeeded in their domestic operations may often find that the mental maps they have relied on for so many years do not necessarily apply when they relocate overseas (Black & Gregersen, 2000). Consequently, 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 impede social integration and performance (Black, 1988; Osland & Osland, 2005).

Gudykunst (2005), in the Anxiety/Uncertainty Management (AUM) theory, emphasises 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 to improve the capability for successful adaptation (Peterson, 2004; Thomas & Inkson, 2005). In this paper, we argue that the various components of CQ would positively influence the general, interaction and work adjustments of the expatriates in the host country and consequently improve their performance while assigned overseas. Utilising the AUM theory, we propose that by being culturally intelligent, expatriates would therefore manage their anxiety and uncertainty associated with their relocation to a different cultural background, thus putting in more effort for work related task accomplishment and socially integrating into the new environment.

This paper is organised as follows. We first present a review of literature related to the theoretical stance underpinning the concept on cultural intelligence, expatriate adjustment and performance. Next, we develop hypotheses based on the relevant literature analysis. Further, we describe the method, study sample and measures before proceeding with the reporting of key findings of the statistical analysis. Finally, we conclude with the discussion on findings and their implications for both the academic research and practice and suggestions for future research.

2. Anxiety/uncertainty management (AUM) theory

Black (1988) contends that in order to feel comfortable with the new culture, expatriates need to reduce their uncertainties and make some changes to their behaviours. Gudykunst (1998) and Gudykunst and Hammer (1988) concur that anxiety and uncertainty are critical factors in understanding effective communication and intercultural adjustment. The feelings of anxiety and uncertainty are magnified in encounters that take place between people of different cultures because people are not fully aware of these cultural differences and they tend to overestimate the effect of cultural identity while blurring individual distinctions.

Marris (1996, p. 16) contends that 'uncertainty is created by our own preconceptions...because events only appear uncertain in some context of purposes, and expectations of orderliness'. He reiterates that 'what constitutes uncertainty depends on what we want to be able to predict, what we can predict, and what we might be able to do about it'. Gudykunst (2005) claims that uncertainty is a cognitive phenomenon that affects the way we think about strangers. Turner (1998, p. 61) defines anxiety as a 'generalised or unspecified sense of disequilibrium or imbalance'. It stems from the feelings of unease, tension, worry or apprehension about what might happen.

Previous studies have linked the quest of fitting in with the new country's environment with increasing feelings of anxiety and uncertainty (e.g., Adler, 2007; Black, 1988; Gudykunst, 2005; Shin et al., 2007). Borrowing Simmel's concept of the 'notion of the stranger' (1908/1950), Gudykunst (1995, 1998) contends that the anxiety and uncertainty that people generally face is mainly because, while communicating with people we do not know, we

are also in an environment unfamiliar to us. Scholars suggest that reduction of uncertainty is the key to better adjustment and performance (Black & Gregersen, 1991; Gudykunst, 1998). Gudykunst (2005) further reiterates that one should manage the anxiety and uncertainty that we face in a new environment rather than just focusing on reducing these problems. This will lead to improved intercultural adjustment and effective communication.

Gudykunst (1985) utilises Berger and Calabrese's (1975) uncertainty reduction theory (URT) as a focal point for his anxiety/uncertainty management (AUM) theory building. Berger and Calabrese's URT (1975) highlights two types of uncertainty: predictive uncertainty, where strangers are unable to foretell which of the several alternative behaviours that the hosts would employ; and explanatory uncertainty, where they are unable to elucidate the reason why a host behaved in a certain manner. URT emphasises the reduction of uncertainty. Gudykunst (1995) extends Berger and Calabrese's (1975) uncertainty reduction theory by highlighting the maximum and minimum thresholds that uncertainty and anxiety levels should be to make effective communication possible.

Gudykunst (1995) also incorporates Langer's (1989) concept of mindfulness to improve the AUM theory by highlighting that due to the anxiety and uncertainty that strangers face in communicating with the host, they tend to be overly cautious and more attuned to their feelings. Langer (1989) contends that being mindful allows us to be more open to new information and making more distinctions about stranger's differences and adding more sub-categories rather than making general assumptions to our present mindset. Langer (1997) states that there are five ways in which a person can be mindful. These include: openness to novelty, alertness to distinctions, sensitivity to different contexts of messages, being implicitly and explicitly aware of multiple perspectives, and orientation in the present. Being mindful is making an effort to ensure that the other party share similar meaning about the messages that are being transmitted during interactions. As such, by being more circumspect about cultural differences around them, we propose that by being culturally intelligent, the expatriates would better manage their anxiety and uncertainty, consequently leading to better adjustment and improved job performance.

3. Cultural intelligence

Sternberg and Detterman (1986) argue that intelligence should not only be demonstrated in classrooms and in academic settings but should also be displayed at specific content domains, such as social intelligence—the ability to understand and manage men and women, boys and girls, and to act wisely in human relations (Thorndike & Stein, 1937); emotional intelligence—the ability to perceive emotions, to access and generate emotions so as to assist thought, to understand emotions and emotional knowledge, and to reflectively regulate emotions so as to promote emotional and intellectual growth (Mayer & Salovey, 1997); and practical intelligence—the ability to adapt to, shape, and select everyday environment (Sternberg et al., 2000). This renewed interest in intelligence has spurred the conceptualisation of an intelligence concept that could gauge a person's capability to differentiate cultural related behaviours in intercultural settings. Cultural intelligence (CQ), first coined by Earley and Ang (2003) is motivated by the practical reality of globalisation in the workplace. It is defined as a person's capability to function effectively in situations characterised by cultural diversity (Earley & Ang, 2003; Earley & Mosakowski, 2005). To function effectively, individuals need to be socially adept in deciding on the most appropriate behaviour that is suitable in an intercultural interaction (Earley & Ang, 2003). CQ is thus recognised as a unique explanatory variable

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