

# DETERMINANTS OF EXPATRIATE CROSS-CULTURAL ADJUSTMENT AND ITS EFFECT ON PERFORMANCE

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## Abstracts

*An increasing rate of globalization makes it crucial for multinational corporations not only to aim beyond making a presence in the international market but also to sustain their competitive advantages. Global human resource management strategy plays an important role in maintaining success in the international business market through the means of expatriates' cross-cultural adjustment. This conceptual paper uses the lens of resource-based and contingency theories to shed light on the determinants of expatriates' cross-cultural adjustment and its effects on performance. Three groups of cross-cultural adjustment determinants were suggested: strategic learning, subsidiary supports and motivation of expatriates. In addition, this paper proposes that cultural distance moderates the relationship between these 3 groups of determinants and cross-cultural adjustment and, lastly, spouse adjustment moderates the relationship between cross-cultural adjustment and expatriates performance.*

## INTRODUCTION

Multinational corporations (MNCs) are establishing subsidiaries around the world to create a presence and sustain their competitive advantage in the global arena (Moran, Palmer & Borstorff, 2007) under pressure from the changing business environment (Haile, Jones & Emmanuel, 2007). Technological advancement such as telecommunication, transportation, network system, public infrastructure and government liberalization create powerful networks and lower national boundaries. The need for effective and qualified expatriates has increased significantly with the boom of internationalization (Lee & Li, 2008). In order for international expansion to be successful, expatriates with effective international capabilities, including ability to adapt to different cultures and sometimes fluency in foreign languages, are needed (Black and Mendenhall, 1989; Haile et al., 2007). Expatriate failure (Andreason, 2003; Lee, 2007) lowers the return on investment of the international expansion (McNulty & Tharenou, 2004). These human resources should be managed appropriately so MNCs can operate successfully within boundaryless international markets (Black & Mendenhall, 1989; Black, Mendenhall & Oddou,

1991; Colakoglu & Caligiuri, 2008; Caligiuri, Phillips, Lazarova, Tarique, & Burgi, 2001; Littrell, Salas, Hess, Paley & Riedel, 2006).

Unfortunately, MNCs have been severely plagued by the recurring problems of significantly high premature return rates (Mendenhall & Oddou, 1985; Haile et al., 2007; Tung, 1987) that create significant explicit as well as opportunity costs. Previous research has focused on three separate areas of expatriation: 1) selection, 2) cross-cultural training and 3) spouse and family issues. This research paper incorporates these areas into the same framework with a more practical view to examine the influence of these factors towards cross-cultural adjustment (CCA) of expatriates and self-reported performance.

## Research Objectives

It was found that problems in expatriation include a) inability to adjust to the physical and cultural differences; b) spouses' and children's difficulties during their adjustment process; c) lack of certain skills for cross-cultural interaction; and d) lack of technical abilities or motivation to work overseas (Littrell et al., 2006; Tung, 1981, 1982). Recent