

# *Effects of Cultural Intelligence and Cultural Distance on Expatriates' Cross-cultural Adjustment*

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**Abstract**—This paper proposes to examine the relationship between components of a multi-dimensional model of the Cultural Intelligence and Expatriate Adjustment with critical consideration given to the effects of Cultural Distance. In terms of psycho-cultural and socio-cultural adjustment of expatriates, it is proposed that there will be a significant difference. In order to be applicable for belt & road initiative, we choose China and Thailand as research subjects. And we propose that cultural distance will moderate the relationship between cultural intelligence and expatriate adjustment, and the relationship is stronger when the direction of cultural flow is from Thailand to China.

**Keywords**—cultural intelligence; cultural distance; cross-cultural adjustment

## I. INTRODUCTION

In the last decade, globalization has led to rapid increases in workforce mobility. And this tendency is unlikely to stop in the foreseeable future. The global organizations have adopted an important and attractive staffing strategy, sending employees to work as expatriates to undertake international work assignments away from their home countries, to support increased international business activity. Thereby, preparing successfully for expatriate adjustment on overseas assignments has always been an important human resource development issue for cross-border business in international companies. Cross-cultural adjustment is a costly and difficult exercise if not carried out successfully. Therefore, more research is needed to facilitate development of expatriate effectiveness as to solve this task. The development process of expatriation may benefit by narrowing the gaps in our understandings of how individual differences and cultural settings relate to cross-cultural adjustment.

Under the background of belt & road initiative, successfully managing expatriation has become an important aspect in the multinational organizations. Expatriates who can function effectively are more likely to be valuable assets for a competitive advantage of organizations. That is, the effectiveness of international assignments requires not only global business and HR systems, but also globally competent

people. The human factor here is the core element in the process, because people are the actual entity that represent organizations and carry out assigned tasks. The process is not simply a geographic transfer; there are critical cultural and mindset boundaries needed to be crossed.

Cultural incompatibility and various adjustment difficulties have been detected as a major stumbling block in effectively fulfilling objectives of international assignment [5][13]. Furthermore, with the development of belt & road initiative, expatriates are spending shorter periods in any single country, and frequency of moving from one location to another makes country-specific knowledge harder to develop, and generating increased difficulties for organizations to identify and prepare suitable expatriates for the cross-cultural assignments.

In the process of expatriate, there is an immediate need for individuals to deviate from the accustomed behavior reflected in their native culture in order to adjust to new foreign cultural settings. In the new settings, expatriates often encounter work and non-work circumstances involving cultural differences that test their ability to function effectively. Many organizations express the need for expatriates who are capable of adjusting quickly to the multiple cultures and functioning well in the multinational teams, but unfortunately, most organizations may not have a pool of suitable candidates large enough to take care of increasing international operations.

The cross-cultural adjustment of expatriates is a critical moderator and a determinant of expatriate success in global business among the reasons of expatriate failures. Therefore, a lot of research recognized and highlighted cross-cultural adjustment as a key reason closely related to expatriate ineffectiveness.

## II. LITERATURE REVIEW

### A. Cultural Intelligence

Cultural Intelligence (CQ) is a multifaceted individual attribute, including ability to effectively adapt to a new

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cultural environment. This conception focuses on the intelligence in intercultural contents.

The more and more attention attached to intelligence has classified it into various aspects, including (1) emotional intelligence (EQ), (2) social intelligence (SQ), (3) general mental ability (GMA), and (4) intelligence quotient (IQ). Therefore, CQ is a basis for explaining individual differences in capability to function in the intercultural environments.

Conceptually, cultural intelligence overlaps EQ, SQ, and GMA in that they complement IQ. And they are all important for individuals to successfully function effectively at work and in personal relationships and other social environments. Cultural intelligence is similar to but distinct from these forms of intelligence. As is grounded in multiple intelligence theories, CQ includes four facets: (1) meta-cognitive, (2) cognitive, (3) motivational and (4) behavioral dimensions.

These four dimensions of cultural intelligence mirror CQ as a multifactorial, complex individual attribute. Firstly, meta-cognition reflects mental capability to acquire and understand cultural knowledge. Secondly, cognition reflects general knowledge structure of culture. Thirdly, motivation reflects individual capability to learn about and function in cross-cultural settings. Finally, behavior reflects individual capability to act appropriately (verbal and non-verbal) in diverse cultures. Cultural intelligence can help people understand variability in handling diversity and function well in new cultural situations.

Importantly, knowledge about the expected benefits of the cross-cultural adjustment that can be produced from the development of CQ in individuals has evolved [1]. The strategic value of CQ is more likely to be able to leverage cultural differences for a competitive advantage [12]. Therefore, individuals with higher CQ will better adjust to work environments in the host country probably because of gaining appropriate informational and emotional support [7]. As a new research area, practitioners and scholars have been paying more and more attention to cultural intelligence.

### *B. Cultural Distance*

Cultural distance refers to the difference between the cultural norms and values of the host country and the culture of the home country. The concept of cultural distance is widely used in multinational enterprise management research. The cultural distance focuses on foreign investment, market strategy, entering model selection, parent company control, management capacity transfer, adaptation strategy implementation and so on.

Because cultural distance is an important factor in the internationalization of enterprises, domestic scholars have demonstrated the cultural difference challenges faced by multinational enterprises and found that cultural differences have a great effect on the foreign investment, the choice of entry mode, the framework of transaction cost, cross-border mergers and acquisitions.

The existing literature on the role of cultural distance and the impact mechanism has not yet come to the conclusion.

The main reason is the inaccuracy of cultural distance measurement. In the study of cultural distance, Hofstede's five-dimensional cultural framework has been widely concerned by theorists. On the study of the dynamic asymmetry of cultural distance, a large number of domestic and foreign studies on cross-cultural adjustment are based on the same assumption that greater the cultural distance is and more difficult the individual is to adapt the culture of host country.

### *C. Cross-cultural Adjustment*

The research on expatriate adjustment specifically, and cross-cultural adjustment more generally, has been developing since 1970's. Hofstede (2001) [5] have explored the impact of cultural values on individuals; while Ang(2007) et al [1] have addressed the individual differences in adapting to foreign cultures. These researches highlight cross-cultural differences as a key to enhancing the efficiency in international operations, and call for further investigations into the understanding of cross-cultural adjustment.

Research on the cross-cultural adjustment can be summarized into two sections. First, part of the study focus on psychological level of cultural adaptation, that is, whether the individual in the cross-cultural environment has a sense of happiness and psychological satisfaction and whether changes in the pressure on the individual in cross-cultural interaction have positive or negative impact on the psychological state. Then another part of the study focuses on social level of cultural adjustment, that is, whether the individual can adapt to the host country's local social cultural environment, including: life adaptation, work adaptation and social interaction adaption.

However, some scholars recently offered critiques against existing research, calling for more precise and deeper understanding of poor adjustment. Therefore, there is still a considerable room to investigate various natures of expatriates' capabilities, that is, how organizations could maximize expatriates' career potential. The primary challenge in cross-cultural adjustment literature is that some individuals adjust more effectively than others. In this way, CQ is pertinent to our research because of providing insight and explanations, as to why some expatriates adjust to the host cultures more easily and quickly than others.

## III. THEORETICAL DEVELOPMENT

Different host and home cultures play an important role in expatriate adjustment [1] [13]. Most researches on cross-cultural adjustment assume that the increasing cultural dissimilarity between the home and host culture, i.e. cultural distance (CD) will increase adjustment difficulties [10] [13].

This assumption is based on cultural distance symmetry. The present paper studies theses two countries to further specify the positioning. We choose Thailand because of its economic standing in ASEAN and less authoritarian culture according to the Hofstede's cultural dimensions. We choose China as a comparison country because of its close trade relationship with Thailand, and notable authoritarian culture.

This paper proposes that CD is asymmetric for expatriate adjustment. Put it in another way, the effect of CD is dependent on the direction of expatriate, i.e. CD experienced by Thai expatriates in China would not be the same as that of Chinese expatriates working in Thailand.

P1. There will be an important difference in cross-cultural adjustment of business expatriates on reciprocal transfers.

Meanwhile, literature views expatriate adjustment as two distinctive aspects: (i) socio-cultural adjustment, willingness and capability of individual to become fit in or effectively interact with the host country nationals, (ii) psycho-cultural adjustment, psychological state and potential health of individuals in the new cultural settings. However, Bhanugopan and Fish indicated that these two adjustment variables have not been fully explored for business implications.

Most literature study on relationship between CQ and socio-cultural adjustment, but research on the correlation between CQ and psycho-cultural adjustment is scarce. The present paper intends to expand the model of cross-cultural adjustment by adding the examination of psycho-cultural adjustment. In order to address the matter of expatriate adjustment, this paper proposes the potential roles of individual differences represented by CQ in the cross-cultural environment by exploring and testing a theoretical model on how CD and CQ affects expatriate adjustment.

P2. Cultural intelligence is positively associated with social-cultural and psycho-cultural adjustment.

This paper covers CQ to represent individual differences, and measures the effects of cultural distance symmetry. Further, Hofstede's (2001) [5] research on country cultures identified 5 dimensions of cultural values which have important implications for business and organizations.

TABLE I. CULTURAL CHARACTERISTICS OF THAILAND AND CHINA

	Thailand	China
<b>Power distance index</b>	64	80
<b>Individualism index</b>	20	20
<b>Masculinity index</b>	34	66
<b>Uncertainty Avoidance index</b>	64	30
<b>Long Term Orientation index</b>	32	87

Source: <https://geert-hofstede.com>

The scores of Hofstede's cultural indexes for the two nations are showed in Table I. In these terms, Thailand shows different cultural characteristics compared with China, such as long term orientation where China's score is higher than that of Thailand.

Nevertheless, many Thai expatriate managers assigned to work in China do not succeed in their assignments through recent decade. In China, the failure rate of expatriate could be twice that of other countries and only around 20% expatriates are successful.

On the other hand, Ang and Inkpen (2008) [8] argued there is a significant effect of individuals' personal characteristics on the cross-cultural adjustment. This paper incorporates CQ to investigate the personal characteristics, thus providing a more comprehensive picture. Therefore, cultural distance between host and home country could be a moderator of the relationship between CQ and expatriate adjustment.

Employing a two-way flow sample of Thai expatriates in China and Chinese expatriates in Thailand, the present paper proposes to examine and compare the intercultural adjustment and personal well-being of each group of expatriates.

P3. Cultural distance moderates the relationship between cultural intelligence and expatriate adjustment, that is, the relationship is stronger when the direction of cultural flow is from Thailand to China.

#### IV. FUTURE RESEARCH DIRECTION

Most literature on expatriate adjustment are from the views of Western business community and lots of models and theories attributing for cross-cultural adjustment can only be applied to Western managers [13]. However, the researches on the Eastern business communities are unsystematic, because that traditionally expatriates tended to move from advanced nations to developing countries. But the flow of expatriates has become global in recent decades.

Nevertheless, research for expatriates from the East working in the West, is nearly non-existent. In particular, given that belt & road is a significant initiative in the Asia, little attention has been given to analyze the cross-cultural adjustment of Chinese expatriates working in Thailand. Thus the future researches can expand the scope socially and geographically by investigating the relative groups. It will provide a broader research view, thereby further enhance the understanding of cross-cultural adjustment for successful expatriates under belt & road initiative.

In addition, by including participants on reciprocal transfers adapting to the target culture, a much clearer and likely more complete picture of cultural distance effects on cross-cultural adjustment will emerge. The sampling approach planned by this paper should provide a more informed validation of CQ and thus extend the results of self-report questionnaires (CQS) which have been widely employed in measuring CQ and finding out whose reliability and validity need to be further considered. This paper will make an important contribution to examining cause-and-effect relationships among the variables [1] [8].

Therefore, in order to compare between sample groups of Chinese and Thai expatriates, the paper is calling for a study of Chinese expatriates adapting to Thai culture and Thai expatriates adapting to Chinese culture. More importantly, cultural intelligence survey instrument CQS-Four (Factor Cultural Intelligence Scale) is already available in Chinese; thus, employing the scale will not be a difficult task. Furthermore, this paper is calling for using actual expatriates

as data samples in further testing efficacy of the model to help understand more effective cross-cultural adjustment.

## V. CONCLUSION

This conceptual paper has both theoretical and practical considerations for the expatriation under belt & road initiative. On the theoretical side, this paper may help to further explain whether expatriates' individual differences matter in the cross-cultural adjustment. The research also extends CQ model by examining cultural distance effects. In addition, the examination of Thai and Chinese expatriates on reciprocal transfers may be particularly momentous due to CD between the two countries. On the practical side, this paper will benefit both managers generally and HR practitioners specifically, by providing the better information for selection and training of employees for the foreign assignments under belt & road initiative. Individuals can benefit by having a greater understanding of themselves, including effects of CD and direction of international assignments, thus work to compensate for the personal differences on a particular assignment.

We conclude that cultural distance will have a profound effect on cultural adjustment and individuals with higher levels of CQ will possess higher levels of socio-cultural and psycho-cultural adjustment. Thus the general research question driving this paper is calling to investigate whether individual differences are related to cross-cultural adjustment and how does cultural distance come into play in the relationship between cultural intelligence and expatriate adjustment hoping to contribute to belt & road initiative.

It is important for multinational organizations and expatriates to understand cultural and social factors that may help or limit the business operations (Pruetipibultham, 2012). The topic of this paper is vital and applicable, because many companies on belt & road initiative are operating business across geographic and cultural boundaries and the number of expatriates increases rapidly. Sufficient understanding toward potential effects of cultural intelligence and cultural distance in cross-cultural adjustment process is crucial at time of belt & road initiative for effective international human resource development investigation. The framework proposed in the paper, that is, expatriates' cultural intelligence and cross-cultural adjustment relationships can direct the design of cross-cultural training programs to help employees prepare for expatriating to countries on the belt & road.

All the implications of the paper toward human resource development practice can decrease huge costs related to expatriate failure, ineffective performance, or premature return that is caused by bad adjustment, and serve as valuable inputs in developing training and promotional strategies.

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