

**DETERMINANTS OF EXPATRIATE
CULTURAL ADJUSTMENT AND THEIR JOB
PERFORMANCE IN CHINA**

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**DETERMINANTS OF EXPATRIATE CULTURAL
ADJUSTMENT AND THEIR JOB
PERFORMANCE IN CHINA**

by

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TABLE OF CONTENTS

ACKNOWLEDGEMENT	ii
TABLE OF CONTENTS	iii
LIST OF TABLES	xii
LIST OF FIGURES	xiv
LIST OF SYMBOLS	xv
LIST OF ABBREVIATIONS	xvi
LIST OF APPENDICES	xvii
ABSTRAK	xviii
ABSTRACT	xx
CHAPTER 1 INTRODUCTION	1
1.1 Introduction	1
1.2 Background of the Study	1
1.2.1 Expatriate Management Practices and Its Significance in China	7
1.2.2 Job Performance of Expatriates in China.....	9
1.3 Research Problem.....	10
1.4 Research Objectives	16
1.5 Research Questions	18
1.6 Significance of the Study	19
1.6.1 Theoretical Significance.....	20
1.6.2 Practical Significance.....	20
1.7 Scope of the Study.....	21
1.8 Key Terms	21
1.9 Organization of the Thesis	25
1.10 Chapter Summary.....	26

CHAPTER 2	LITERATURE REVIEW	27
2.1	Introduction	27
2.2	Expatriates' Job Performance.....	27
2.3	Guanxi	34
2.4	Cultural Intelligence	42
2.4.1	Metacognitive CQ	46
2.4.2	Cognitive CQ.....	47
2.4.3	Motivational CQ.....	48
2.4.4	Behavioural CQ.....	49
2.5	Individual Cultural Competence	50
2.5.1	Self-Efficacy.....	51
2.5.2	Relational Skills	55
2.5.3	Language Ability.....	57
2.6	Cross-Cultural Training.....	63
2.6.1	Pre-departure Training	66
2.6.2	Post-arrival Training	68
2.6.3	Language Training	69
2.7	Cross-Cultural Adjustment.....	72
2.7.1	General Adjustment.....	76
2.7.2	Interaction Adjustment.....	76
2.7.3	Work Adjustment	77
2.8	Underlying Theory	80
2.8.1	Cross-Cultural Adjustment Theory	81
2.8.2	Social Cognitive Theory (SCT).....	83
2.9	Research Gap.....	85
2.10	Research Framework.....	87
2.11	Hypothesis Development	88

2.11.1	Relationship between Guanxi, Cultural Intelligence, Individual Cultural Competence, Cross-Cultural Training and Cross-Cultural Adjustment	89
2.11.1(a)	Relationship between Guanxi and Cross-Cultural Adjustment.....	89
2.11.1(b)	Relationship between metacognitive CQ and Cross-Cultural Adjustment.....	90
2.11.1(c)	Relationship between Cognitive CQ and Cross-Cultural Adjustment.....	91
2.11.1(d)	Relationship between Motivational CQ and Cross-Cultural Adjustment.....	92
2.11.1(e)	Relationship between Behavioural CQ and Cross-Cultural Adjustment.....	93
2.11.1(f)	Relationship between Self-Efficacy and Cross-Cultural Adjustment.....	94
2.11.1(g)	Relationship between Relational Skills and Cross-Cultural Adjustment.....	95
2.11.1(h)	Relationship between Language Ability and Cross-Cultural Adjustment.....	97
2.11.1(i)	Relationship between Pre-departure Training and Cross-Cultural Adjustment	98
2.11.1(j)	Relationship between Post-arrival Training and Cross-Cultural Adjustment	99
2.11.1(k)	Relationship between Language Training and Cross-Cultural Adjustment.....	100
2.11.1(l)	Relationship between Cross-Cultural Adjustment and Expatriates' Job Performance	101
2.11.2	Mediating Role of Cross-Cultural Adjustment on the Relationship between Guanxi and Expatriates' Job Performance	102
2.11.2(a)	Mediating Role of Cross-Cultural Adjustment on the Relationship between Metacognitive CQ and Expatriates' Job Performance	103
2.11.2(b)	Mediating Role of Cross-Cultural Adjustment on the Relationship between Cognitive CQ and Expatriates' Job Performance	105

2.11.2(c)	Mediating Role of Cross-Cultural Adjustment on the Relationship between Motivational CQ and Expatriates' Job Performance	105
2.11.2(d)	Mediating Role of Cross-Cultural Adjustment on the Relationship between Behavioral CQ and Expatriates' Job Performance	106
2.11.2(e)	Mediating Role of Cross-Cultural Adjustment on the Relationship between Self-efficacy and Expatriates' Job Performance	107
2.11.2(f)	Mediating Role of Cross-Cultural Adjustment on the Relationship between Language ability and Expatriates' Job Performance	108
2.11.2(g)	Mediating Role of Cross-Cultural Adjustment on the Relationship between Cross-Cultural Training and Expatriates' Job Performance	109
2.12	Chapter Summary	111
CHAPTER 3 METHODOLOGY.....		112
3.1	Introduction	112
3.2	Research Philosophy	113
3.3	Research Design	115
3.3.1	Population of the Study	116
3.3.2	Unit of Analysis	121
3.3.3	Sampling Techniques	121
3.3.4	Target Respondents Criteria.....	122
3.3.5	Minimum Sample Size.....	123
3.4	Data Collection Procedures	125
3.5	Measurement of Variables	128
3.5.1	Expatriates' Job Performance.....	129
3.5.2	Cross-Cultural Adjustment.....	130
3.5.3	Guanxi	131
3.5.4	Cultural Intelligence.....	132
3.5.5	Self-Efficacy.....	134

3.5.6	Relational Skills	134
3.5.7	Language ability	135
3.5.8	Cross-Cultural Training.....	136
3.5.9	Marker Variable	138
3.6	Pre-testing.....	138
3.7	Pilot Study	141
3.8	Statistical Analyses	142
3.8.1	Data Screening	143
3.8.1(a)	Missing Data Analysis.....	144
3.8.1(b)	Outliers	145
3.8.1(c)	Normality.....	146
3.8.1(d)	Common Method Variance.....	147
3.8.2	Descriptive Statistics	148
3.8.3	Assessment of the Measurement Model.....	149
3.8.3(a)	Validity	149
3.8.3(b)	Reliability	151
3.8.4	Assessment of the Structural Model	151
3.8.4(a)	Collinearity Assessment	152
3.8.4(b)	Structural Model Path Coefficients (β).....	153
3.8.4(c)	Coefficient of Determination (R^2)	154
3.8.4(d)	Effect Size (f^2)	154
3.9	Chapter Summary.....	155
CHAPTER 4 DATA ANALYSIS AND FINDINGS		156
4.1	Introduction	156
4.2	Response Rate	156
4.3	Profiles of Respondents.....	157
4.4	Standard Deviation and Mean of the Study's Variables	160

4.5	Data Screening	162
4.5.1	Missing Value	162
4.5.2	Outliers.....	163
4.5.3	Normality	164
4.5.4	Common Method Variance	165
4.6	Assessment of Measurement Model	169
4.6.1	Construct Validity	169
4.6.2	Convergent Validity.....	170
4.6.3	Discriminant Validity.....	171
4.6.4	Reliability.....	174
4.7	Structural Model.....	177
4.7.1	Collinearity Assessment.....	177
4.7.2	Path Coefficient (β).....	178
4.7.3	Coefficients of Determination (R^2)	179
4.7.4	Effect Size	180
4.7.5	Assessment of Direct Analysis.....	181
4.7.5(a)	Direct Effect of <i>Guanxi</i> and Cross-Cultural Adjustment.....	182
4.7.5(b)	Direct Effect of Cultural Intelligence and Cross-Cultural Adjustment.....	184
4.7.5(c)	Direct Effect of Individual Competence Ability (Self-Efficacy, Relational Skills and Language ability) and Cross-Cultural Adjustment.....	187
4.7.5(d)	Direct Effect of Cross-cultural Training and Cross-Cultural Adjustment.....	190
4.7.5(e)	Direct Effect of Cross-cultural Adjustment and Expatriates' Job Performance	193
4.7.6	Assessment of mediation analysis.....	196
4.7.6(a)	Indirect Effect of <i>Guanxi</i> on Expatriates' Job Performance as Mediated by Cross-Cultural Adjustment.....	197

4.7.6(b)	Indirect Effect of Metacognitive CQ on Expatriates' Job Performance as Mediated by Cross-Cultural Adjustment.....	201
4.7.6(c)	Indirect Effect of Cognitive CQ on Expatriates' Job Performance as Mediated by Cross-Cultural Adjustment.....	202
4.7.6(d)	Indirect Effect of Motivational CQ on Expatriates' Job Performance as Mediated by Cross-Cultural Adjustment.....	204
4.7.6(e)	Indirect Effect of Behavioural CQ on Expatriates' Job Performance as Mediated by Cross-Cultural Adjustment.....	205
4.7.6(f)	Indirect Effect of Self-Efficacy on Expatriates' Job Performance as Mediated by Cross-Cultural Adjustment.....	208
4.7.6(g)	Indirect Effect of Language Ability on Expatriates' Job Performance as Mediated by Cross-Cultural Adjustment.....	209
4.7.6(h)	Indirect Effect of Cross-cultural Training on Job Performance as Mediated by Cross-Cultural Adjustment.....	212
4.8	PLS Predict.....	217
4.9	Summary of Hypotheses	218
4.10	Summary	223
CHAPTER 5 DISCUSSION AND CONCLUSION.....		224
5.1	Recapitulation of the Research Findings.....	224
5.2	Discussion	227
5.2.1	Relationship between Guanxi, Individual Factors (Cultural Intelligence, Self-Efficacy, Relations Skills, and Language Ability), Cross-Cultural Training and Cross-Cultural Adjustment	227
5.2.1(a)	Relationship between Guanxi and Cross-Cultural Adjustment.....	228
5.2.1(b)	Relationship between Cultural Intelligence and Cross-Cultural Adjustment	231

5.2.1(c)	Relationship between Self-efficacy and Cross-Cultural Adjustment.....	240
5.2.1(d)	Relationship between Relational Skills and Cross-Cultural Adjustment.....	243
5.2.1(e)	Relationship between Language Ability and Cross-Cultural Adjustment.....	245
5.2.1(f)	Relationship between Cross-Cultural Training and Cross-Cultural Adjustment	247
5.2.1(g)	Relationship between Cross-Cultural Adjustment and Expatriates' Job Performance	250
5.2.2	Mediating Role of Cross-cultural Adjustment	252
5.2.2(a)	Mediating Role of Cross-Cultural adjustment between Guanxi and Job Performance	252
5.2.2(b)	Mediating Role of Cross-Cultural adjustment between Metacognitive CQ and Job Performance.....	254
5.2.2(c)	Mediating Role of Cross-Cultural adjustment between Cognitive CQ and Job Performance.....	255
5.2.2(d)	Mediating Role of Cross-Cultural adjustment between Motivational CQ and Job Performance.....	257
5.2.2(e)	Mediating Role of Cross-Cultural adjustment between Behavioral CQ and Job Performance	260
5.2.2(f)	Mediating Role of Cross-Cultural adjustment between Self-Efficacy and Job Performance.....	262
5.2.2(g)	Mediating Role of Cross-Cultural adjustment between Language Ability and Job Performance	264
5.2.2(h)	Mediating Role of Cross-Cultural Adjustment between Cross-cultural Training and Job Performance.....	267
5.3	Contribution and Implications of the study	271
5.3.1	Theoretical Contribution	271
5.3.2	Practical Implications	273
5.4	Limitations	275
5.5	Recommendations for Future Research	277
5.6	Conclusion.....	279

REFERENCE 281

APPENDICES

LIST OF PUBLICATIONS

LIST OF TABLES

		Page
Table 2.1	Comparative Analysis of Performance Scales	33
Table 2.2	Comparative Analysis of Guanxi Scales.....	41
Table 2.3	Comparative Analysis of CQ Scales	45
Table 2.4	Comparative Analysis of Self-efficacy Scales.....	54
Table 2.5	Comparative Analysis of Language Ability Scales	62
Table 2.6	Comparative Analysis of Cultural Training Scales.....	65
Table 2.7	Comparative Analysis of Cultural Adjustment Scales.....	75
Table 3.1	Distribution of Foreign-Funded Enterprises (FFE) and Expatriates in Key Chinese Provinces/Cities (2023)	120
Table 3.2	Measurement Items for Job performance.....	130
Table 3.3	Measurement Items for Cross-Cultural Adjustment	130
Table 3.4	Measurement Items for Guanxi.....	131
Table 3.5	Measurement Items for Cultural Intelligence	133
Table 3.6	Measurement Items for Self-Efficacy	134
Table 3.7	Measurement Items for Relational Skills.....	135
Table 3.8	Measurement Items for Language ability	136
Table 3.9	Measurement Items for Cross-Cultural Training	136
Table 3.10	Measurement Items for Attitude Toward the Color Blue	138
Table 3.11	Summary of Reliability from The Current Study	142
Table 4.1	Response Rate	157
Table 4.2	Demographic Information of Respondents (N=178)	158
Table 4.3	Distribution of Expatriates' Nationalities in This Study.....	159
Table 4.4	Mean and Standard Deviation.....	161

Table 4.5	Discriminant Validity (HTMT).....	172
Table 4.6	Discriminant Validity (HTMT.90).....	173
Table 4.7	Measurement Model for the First Order Constructs	174
Table 4.8	Measurement Model for the Second Order Constructs.....	176
Table 4.9	Full Collinearity Testing	177
Table 4.10	Path Coefficients of Guanxi on Cross-Cultural Adjustment.....	183
Table 4.11	Path Coefficients of CQ on Cross-Cultural Adjustment.....	186
Table 4.12	Path Coefficients of Individual Competence Ability on Cross-Cultural Adjustment.....	189
Table 4.13	Path Coefficients of Cross-Cultural Training on Cross-Cultural Adjustment.....	192
Table 4.14	Path Coefficients of Cross-cultural Adjustment on Expatriates' Job Performance	195
Table 4.15	Mediating Path Coefficients of Guanxi on Expatriates' Job Performance through Cross-Cultural Adjustment.....	200
Table 4.16	Mediating Path Coefficients of Cultural Intelligence on Expatriates' Job Performance through Cross-Cultural Adjustment.....	207
Table 4.17	Mediating Path Coefficients of Individual Competence Ability on Expatriates' Job Performance through Cross-Cultural Adjustment.....	211
Table 4.18	Mediating Path Coefficients of Cross-Cultural Training on Expatriates' Job Performance through Cross-Cultural Adjustment.....	216
Table 4.19	PLS Predict	218
Table 4.20	Summary of Hypotheses Results	218

LIST OF FIGURES

	Page
Figure 1.1	The proportion of foreigners in China4
Figure 1.2	The distribution of foreigners in China.....6
Figure 1.3	Top 10 foreign nationality in China.....6
Figure 2.1	Cross-Cultural Adjustment Theory82
Figure 2.2	Social Cognitive Theory85
Figure 2.3	Research framework.....88
Figure 3.1	Details of G*Power Analysis125
Figure 4.1	Multivariate Normality Assessment.....165
Figure 4.2	Baseline Model.....167
Figure 4.3	Marker Variable Model.....168
Figure 4.4	Structural Model.....180

LIST OF SYMBOLS

β	Path (β) coefficients
f^2	Effect Size
R^2	Coefficient of determination

LIST OF ABBREVIATIONS

AVE	Average Variance Extracted
BRIC	Brazil, Russia, India, China
BCI	Bootstrapping Confidence Intervals
CCA	Cross-Cultural Adjustment
CCT	Cross-Cultural Training
CLC	Construct Level Correction
CI	Confidence Intervals
CMV	Common Method Variance
CQ	Cultural intelligence
GA	General adjustment
HCN	Host-Country National
HTMT	Heterotrait-monotrait ratio
IA	Interaction Adjustment
LA	Language Ability
LL	Lower Limit
MNCs	Multinational Corporations
MNEs	Multinational Enterprises
PLS	Partial Least Square
UL	Upper Limit
VIF	Variance Inflation Factor
WA	Work Adjustment
RS	Relational Skills
SEM	Structural Equation Modelling
SOM	School of Management
Std. Beta	Standardized Beta
Std. Dev	Standard Deviation
USM	Universiti Sains Malaysia

LIST OF APPENDICES

Appendix A	Questionnaire survey
Appendix B	Table of demographic information
Appendix C	Table of standard deviation and mean
Appendix D	Table of construct reliability and validity
Appendix E	Table of discriminant validity
Appendix F	Table of PLS predict

PENENTU PENYESUAIAN BUDAYA DAN PRESTASI KERJA EKSPATRIAT DI CHINA

ABSTRAK

Globalisasi perdagangan mendorong syarikat multinasional (MNC) untuk melakukan perniagaan di pelbagai kawasan geografi, dan pengaliran bakat telah muncul sebagai salah satu saluran utama untuk membina kelebihan bersaing untuk organisasi antarabangsa. Prestasi kerja ekspatriat sangat penting bagi syarikat-syarikat multinasional. Kadar kegagalan yang tinggi dalam misi ekspatriat akan menyebabkan kerugian kewangan yang besar kepada syarikat-syarikat multinasional, oleh itu adalah penting untuk memberi perhatian untuk mengenal pasti punca kegagalan ekspatriat, dan kemudian meningkatkan prestasi kerja mereka. Objektif utama kajian ini adalah untuk mengukur hubungan antara amalan pengurusan ekspatriat yang berpengaruh seperti *guanxi*, kecerdasan budaya, keyakinan sendiri, kemahiran hubungan, keupayaan bahasa, dan penyesuaian rentas budaya ekspatriat di China. Merujuk kepada teori penyesuaian rentas budaya dan teori kognitif sosial, kajian ini melihat kesan amalan pengurusan ekspatriat terhadap prestasi kerja mereka dengan dimensi penyesuaian rentas budaya sebagai pembolehubah perantara. Ini adalah kajian rentas-seksyen yang bergantung pada kaji selidik dengan mendapatkan data dari 178 ekspatriat yang berasal dari 54 buah negara yang bekerja di syarikat multinasional di China. Data dianalisis oleh SPSS dan SmartPLS. Kajian ini mendapati bahawa *guanxi* dan keupayaan bahasa memberi pengaruh positif kepada semua aspek penyesuaian rentas budaya dan kecerdasan budaya metakognitif (CQ) serta, kecerdasan tingkah laku secara langsung memberi kesan kepada penyesuaian ekspatriat secara umum. Selain itu, penyesuaian umum dan interaksi berkaitan secara positif dengan prestasi

kerja ekspatriat. Kajian ini juga mendapati bahawa penyesuaian umum merangka hubungan antara *guanxi*, CQ metakognitif, CQ kognitif, keupayaan bahasa, dan prestasi kerja ekspatriat di China. Hasil kajian ini memberi sumbangan empirikal dan praktikal kepada sistem pengetahuan pengurusan antarabangsa dan juga penyesuaian ekspatriat. Pada masa yang sama, ia menyediakan data sekunder untuk penyelidikan pada masa hadapan berkaitan penyesuaian ekspatriat di China. Kajian ini mencadangkan bahawa kajian pada masa hadapan dapat menggunakan pendekatan kajian secara campuran (kuantitatif dan kualitatif) serta mengambil data kuantitatif yang lebih besar untuk lebih memahami dinamik penyesuaian dan prestasi kerja ekspatriat.

DETERMINANTS OF EXPATRIATE CULTURAL ADJUSTMENT AND THEIR JOB PERFORMANCE IN CHINA

ABSTRACT

Trade globalisation forces multinational corporations (MNCs) to conduct business in various geographical regions. Talent flow has emerged as one of the primary avenues for building competitive advantage among international organisations. The job performance of expatriates is crucial for MNCs, as their high failure rate leads to huge financial losses. Thus, it is necessary to identify what causes the failure of overseas assignments and, subsequently, improve the expatriate's job performance. The study's key objective is to assess the relationship between key influential practices of expatriate management practices such as *guanxi*, cultural intelligence, self-efficacy, relation skills, language abilities, and cross-cultural adjustment of expatriates in China. By drawing upon cross-cultural adjustment theory and social cognitive theory, this study investigated the effect of expatriate management practices on expatriates' job performance with facets of cross-cultural adjustment as a mediating variable. This cross-sectional study relied upon a questionnaire survey to gather data from 178 expatriates of MNCs representing 54 countries. Preliminary and secondary analyses were conducted using SPSS and SmartPLS. This study reveals that *guanxi* and language ability positively influence all dimensions of cross-cultural adjustment, while metacognitive cultural intelligence (CQ) and behavioral CQ have a direct effect on general adjustment. Furthermore, both general and interaction adjustments are associated with expatriates' job performance. General adjustment serves as a mediator in the relationship between *guanxi*, metacognitive CQ, cognitive CQ, language ability, and expatriates' job performance in China. This study finds that

guanxi and language ability positively influenced all aspects of cross-cultural adjustment and metacognitive cultural intelligence (CQ) and behavioural CQ directly impacted general adjustment. Moreover, general and interaction adjustment are related to expatriates' job performance. This study also finds that general adjustment mediates the relationship between *guanxi*, metacognitive CQ, cognitive CQ, language ability, and expatriates' job performance in China. Overall, the study's findings provide empirical and practical contributions to the body of knowledge related to international management and expatriate adaptation. Concurrently, it provides secondary data for future research on expatriates' adaptation in China. This study suggests that future research can adopt a mixed-method approach and gather larger quantitative data to better understand expatriate adjustment and job performance dynamics.

CHAPTER 1

INTRODUCTION

1.1 Introduction

Chapter one comprises the study's background, followed by the research problem, research objectives, and research questions. Subsequently, it delves into the significance and scope of the study. Definitions of key terms and the organisation of the entire chapter are also discussed at the end of the chapter.

1.2 Background of the Study

Since the late 1990s, the international movement of expatriates has been increasing as a result of increasingly globalised economic activities. Managing human resources on a global scale is one of the biggest issues corporations face as they seek commercial prospects in the current era of rapid globalisation (Erogul & Rahman, 2017). Talent flow has emerged as one of the key channels to develop a competitive advantage for global organisations (Tarique & Schuler, 2010), requiring a team of employees with cross-cultural abilities capable of managing overseas subsidiaries and maintaining good relationships with foreign subsidiaries (Froese & Peltokorpi, 2011). As companies expand, their employment mode may require a shift to the geocentric method, in which companies will need to hire more expatriates. Appointing an expatriate is the most common and well-known staffing method for filling international positions. The chosen expatriates are sent to live and work in a foreign country for a fixed period to fulfil specific roles, and they return to their home country after the working period ends. Expatriates are valuable assets that serve as strategic and operational importance for multinational companies (MNCs) (Zhu et al., 2018).

Expatriates are a crucial part of the workforce and contribute to the success of businesses in the global marketplace by connecting domestic and foreign business. Expatriates hired by MNCs to manage their operations in other countries frequently have a significant impact on the success of MNCs operating globally. Although it was costlier than hiring local employees (Rui et al., 2017), it was an effective way for MNCs to manage their subsidiaries. Expatriates who were capable of managing overseas subsidiaries and liaising with their parent companies are invaluable assets to MNCs (Wu & Ang, 2011). For example, American MNCs believe that expatriates significantly impact the culture of their subsidiaries. Thus, they employ expatriates for core positions in their overseas subsidiaries. This practice instils the culture of the parent company and maintains consistency within their subsidiaries' culture. Foreign subsidiaries of MNCs usually have more local employees than foreign employees. In order to bring the culture of the organisation to the host country, expatriates were often the most suitable individuals to lead, as they are already familiar with the organisational culture (Louis, 1980).

Nevertheless, due to cultural differences and language barriers in the host country, expatriates may face difficulties in relying on current organisational members and native citizens to help them understand their new surroundings (Lee, 2006). Expatriates have to adapt to the new norms and values of the host countries and ultimately succeed. Political, economic, and linguistic norms, values, and customs often differ from those in the expatriate's home countries, causing them to suffer from culture shock. They also need to ensure the ultimate success of the task, which differs from the skills and abilities they need to complete the same task in their home country.

Every expatriate may have to deal with difficult circumstances and interactions with clients, business partners, executives, regulators, and competitors while working in foreign countries. Business relationships in China may be more complicated and challenging for expatriates to manage due to the country's geographical isolation, linguistic challenges, and wide range of regionally specific cultural variations (Lawton, 2010). Relationship building, or *guanxi* development, is a critical skill for Western managers to master and apply successfully in China, yet it is often among the most challenging.

Cross-cultural adjustment is a continuous process of interaction between two cultures. Scholars have defined adjustment diversely. Some scholars have defined adjustment in terms of the psychological comfort and familiarity an individual feels regarding the new culture (M. Mendenhall & Oddou, 1985). In contrast, culture shock, which has been used as a measure of adjustment, was described as a state of not knowing how to behave appropriately in the new culture and being overwhelmed by this anxiety (Oberg, 1960). Other scholars have defined adjustment in terms of the individual's ability to get along with and effectively interact with the host country's nationals (Black & Mendenhall, 1990).

Since the reform and opening in 1978, the number of foreigners working in China has increased significantly. According to China's sixth national census in 2010, at least 590,000 foreigners were working or living in Chinese cities. By the seventh census in 2020, the number had surpassed 845,000 (National Bureau of Statistics, 2021). Among these foreigners, 43,964 were in China for business purposes, constituting 5.2% of the total. Additionally, 333,596 were in the country for

employment, making up 39.45% of the foreign population (Office of the Census, 2022), as shown in Figure 1.1.

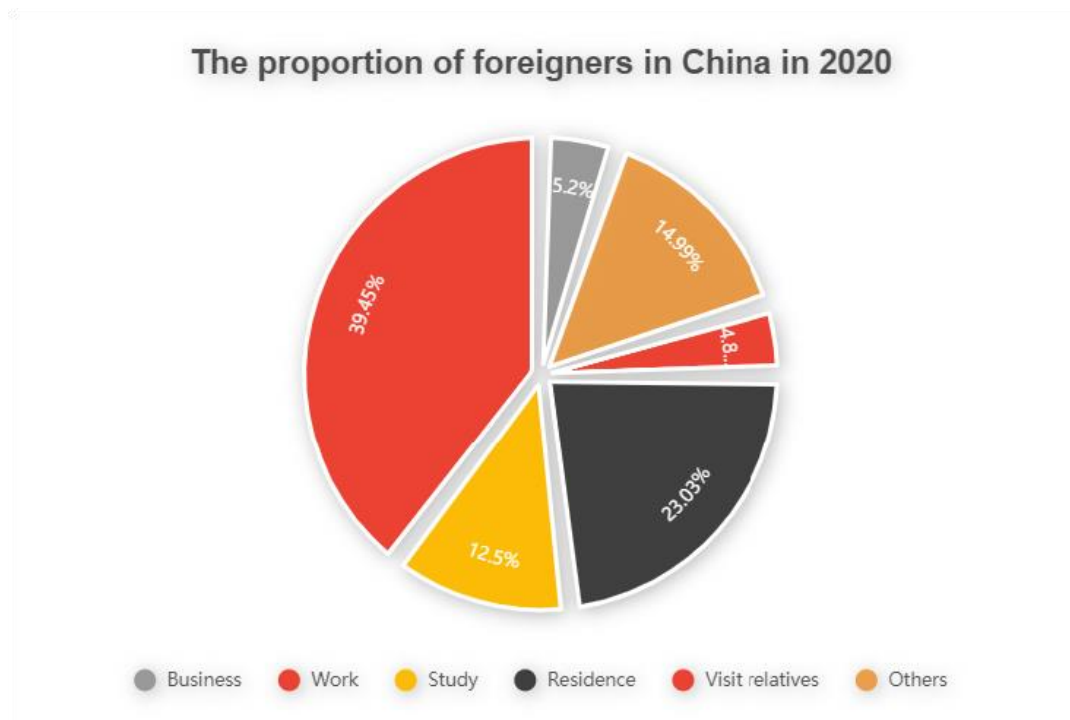


Figure 1.1 The proportion of foreigners in China
Source: China's 7th national census in 2020

According to the National Bureau of Statistics (2021), most foreigners resided in China's developed coastal regions and top-tier cities, such as Beijing, Shanghai, and Guangdong (Refer to Figure 1.2). Yangtze River Delta, Pearl River Delta, and Chengdu-Chongqing area were the primary areas that attracted foreign investment (Daily, 2023). Due to the large number of Vietnamese and Myanmar citizens living in Yunnan and Guangxi provinces, who are generally not white-collar workers, these provinces were excluded from the study. More than 101,000 foreign businesses were lawfully functioning in China in 2008, making up 2% of all businesses (Lawton, 2010). According to a government official, Guo Tingting (2023), during the first half of 2023, China witnessed the establishment of approximately 24,000 new foreign firms, marking a 35.7% year-on-year increase. Investments from developed countries grew

significantly, with investments from France, the United Kingdom (UK), Japan, and Germany increasing by 173.3%, 135.3%, 53%, and 14.2%, respectively. The primary mode of foreign investment in China is greenfield investment, with cross-border mergers and acquisitions representing a relatively low proportion. By the end of 2018, China had set up 961,000 foreign-invested enterprises, and used 2.1 trillion US dollars of foreign investment (Chinese Academy of International Trade and Economic Cooperation, 2019). In 2018, 60,533 foreign-invested enterprises were newly established nationwide, up 69.8% year-on-year. The number of foreign-invested enterprises currently registered and operating accounts for about 3% of the country's total number of enterprises (Chinese Academy of International Trade and Economic Cooperation, 2019). As shown in Figure 1.3, the top ten nationalities of foreigners residing in China by population were Burmese, Vietnamese, South Koreans, Americans, Japanese, Canadians, Australians, British, Germans and Laos (National Bureau of Statistics, 2021). Notably, Russian expatriates were relatively underrepresented, failing to place within the top ten. In terms of professions, 85% of expatriates worked for MNCs, with the top three professions being sales and marketing (30%), banking and finance (25%), and engineering (15%) (Qian & Elsinga, 2015).

The distribution of foreigners in China

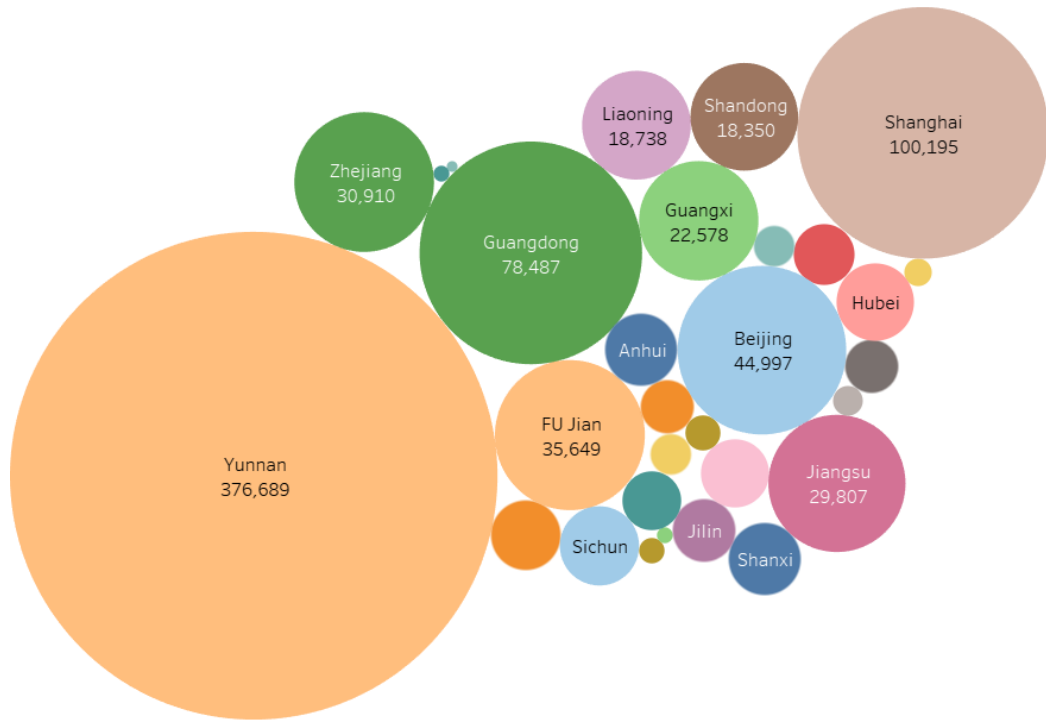


Figure 1.2 The distribution of foreigners in China
Source: China's 7th national census in 2020

Top 10 Foreign nationality in China

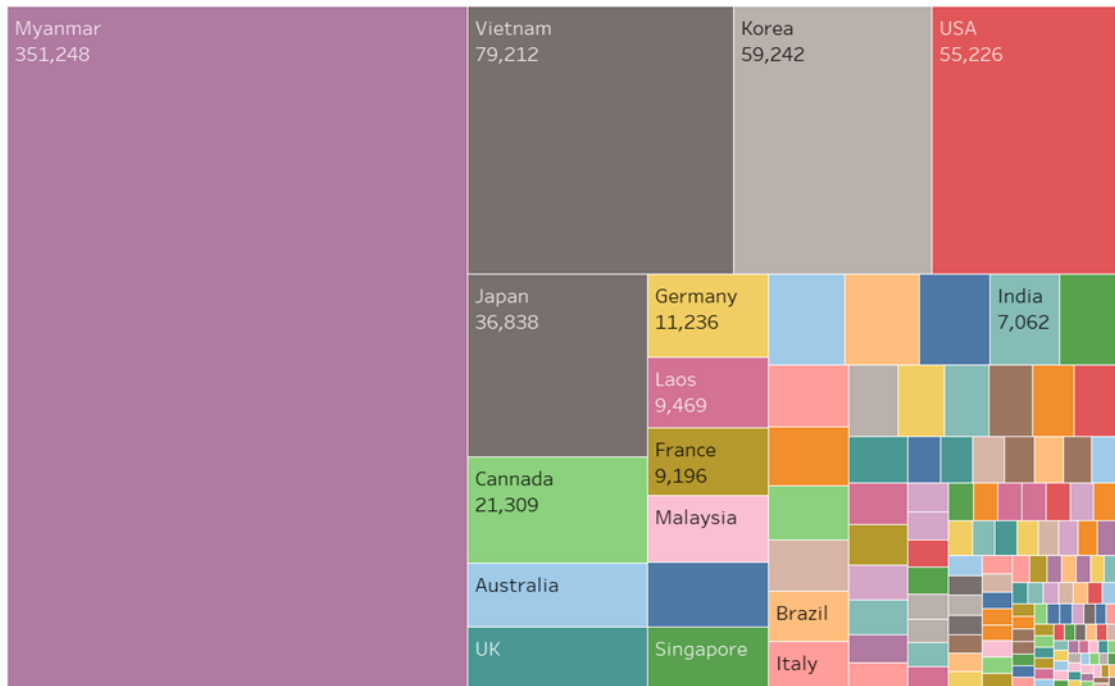


Figure 1.3 Top 10 foreign nationality in China
Source: China's 7th national census in 2020

1.2.1 Expatriate Management Practices and Its Significance in China

Managing expatriation remained a pivotal challenge in international human resource management (Saheem et al., 2019). This process was frequently plagued by elevated failure rates, inefficiencies, and escalated costs. China differs significantly from most other nations, making it a difficult location for Western business expatriates to succeed. The failure of overseas missions in China typically resulted from one or more of the following reasons: poor initial assignment selection techniques, China-specific ineffective or non-existent cultural sensitivity training, poor or non-existent continuous assistance with daily cultural adaptation, and the absence of a career-advancing, inspiring plan for the expatriates after the assignment (Stroh et al., 2004; Lawton, 2005).

In any country, including China, a comprehensive understanding of business culture was essential, as business transactions involved social interactions (Gani, 2000). In China, business culture placed significant emphasis on relationships, with business ties often taking precedence over actual transactions (Seak & Enderwick, 2008). Contrarily, Western culture prioritised personal relationships over professional ones in business interactions. Numerous studies have emphasised the distinction between Western and Chinese societies in terms of business (Schlevogt, 2000). *Guanxi*, the practice of fostering and maintaining connections, was central to Chinese business culture and was considered vital in both legal and commercial spheres (Seak & Enderwick, 2008). *Guanxi* was regarded as a crucial tool in the business context since it is widely relied upon in legal and business connections to overcome issues or challenges that arise within the Chinese corporate system (Hutchings, 2003). Given that they must adapt to a cultural and social situation that was fundamentally different

from their own, expatriates in China seemed to require strong cross-cultural abilities (Selmer, 2005).

Building *guanxi* necessitates striking a delicate balance between forging positive relationships and upholding both one's own ethics and ideals as well as those of the home company. In China, it was quite difficult to be successful in any business without *guanxi*, as cultural elements impact every area of daily life, including management and corporate strategies (Seak & Enderwick, 2008). Nevertheless, many parent organisations have a weak grasp of the Chinese business culture and structure. The organisation did not consider the expatriate's expertise, abilities, and experience in Chinese culture and business to be a valuable asset (Seak & Enderwick, 2008). A Korean expatriate in China stated:

“Guanxi is a special culture in China, and foreigners can only accept the local culture. Those who cannot accept this kind of *guanxi* society choose to live and develop in other countries. There is not much *guanxi* in Korean society.”

In the Chinese business system, there was a focus on building *guanxi* initially, followed by working with established business partners (Guo et al., 2018). In Chinese culture, personal *guanxi* was regarded as valuable since it could determine whether an individual or a business entity survives (Tsai et al., 2013). Many foreign companies utilise this tactic to initiate *guanxi* in China. For example, the cosmetics manufacturer Avon initially failed to convince the central government of the viability of its direct marketing method. Avon subsequently obtained the assistance of David Li, the head of Hong Kong's Bank of East Asia. Li is prominent for his cordial *guanxi* with the Chinese government. He successfully introduced Avon to the Bureau of Light Industry

in Southern China. An arrangement was later worked out in which Li became a partner with Avon, holding 5% equity, in recognition of the services he rendered.

Cross-cultural competencies, cross-cultural skills, cross-cultural communication skills, and training skills were also crucial for expatriates in China (Seak & Enderwick, 2008). Based on their analysis of cross-sectional data from expatriates in mainland China, Akhal and Liu (2019) discovered that cultural intelligence significantly impacts expatriates' cross-cultural adjustment. Cultural adjustment is recognised as a vital element for the global success of MNCs. Individual task performance and contextual performance were improved by behavioural cultural intelligence in combination with proactive resource acquisition strategies (Zhu et al., 2018). The host country's linguistic competence also influenced expatriates' cultural adaption (Selmer & Luring, 2015). In addition, self-efficacy can also help an expatriate's performance. Undeniably, employees with high self-efficacy performed better than others in their jobs (Tian et al., 2019). As a result, in addition to necessary functional or technical experiences and skills, the selection of expatriates should strongly emphasise the possession of these essential talents and competencies.

1.2.2 Job Performance of Expatriates in China

Numerous MNCs have entered China or incorporated Chinese operations into their global strategy due to the Chinese economy's explosive growth over the past 20 years (Seak & Enderwick, 2008). China, one of the world's fastest-growing economies, has become a popular destination for expatriates, largely due to the foreign investments brought into the country by these MNCs. Nevertheless, Western expatriate managers may encounter significant challenges due to the profound differences between Chinese culture and their own familiar norms. China, often perceived as "the most foreign of all foreign places," presented a stark contrast in culture, institutions, and societal norms

(Cooper & Chen, 2001). In light of their assigned responsibilities, expatriates' work outcomes and job performance hold paramount importance. By displaying confidence-boosting behaviours, host-country national (HCN) staff members can contribute towards enhancing the performance of Western expatriate managers in this unique environment. According to some research, failure rates among expatriates in China might reached as high as 70% (Lund & Barker, 2007). As a result, more expatriates were experiencing failure (Cooper & Stuttard, 2000). The premature return or loss of an expatriate, leading to an actual or implied financial loss for the business, was commonly referred to as 'failure'. For certain firms, the cost of a single unsuccessful abroad assignment might be between US\$250,000 and US\$1000,000 (Varner & Palmer, 2002). In China, these costs include short-term and long-term expenses. The travel costs of the expatriates and their families to and from China, their salaries, cultural adaptation activities, and paying for the expatriates' subpar performance are among the expenditures involved. Given the high failure rates of expatriates in China, these expenditures are alarming for organisations sending expatriates to the country.

1.3 Research Problem

The performance of expatriates has also been found to be impacted by a wide range of other factors. Individual antecedent factors constituted 70% of the success factors in international assignments (Canhilal et al., 2015). In Peru, cultural competencies are the most significant individual antecedents, followed by motivation to be assigned to international assignments. Language competence was the least important individual antecedent (Canhilal et al., 2015). Nevertheless, self-efficacy improved job performance through expatriate adjustment (Bhatti et al., 2013). Four cultural intelligence (CQ) factors influenced performance both directly and indirectly

(through workplace cross-cultural adjustments) (Setti et al., 2020). In addition, Chew et al. (2021) emphasised that cross-cultural adjustment (CCA) plays an important role in this mediation, notably moderating the connection between CQ and task performance. When socio-cultural adjustment worked as a mediator, CQ significantly impacted job performance (Lee & Sukoco, 2010). There have been a few studies conducted among expatriates who are working in China, but previous studies only focused on the impact of *guanxi* on performance at the organizational level. While no study has focused on the impact of *guanxi* on individual performance. Thus, the primary issue addressed in this study is whether *guanxi* influences the performance of expatriates, particularly in the aftermath of the pandemic. This uncertainty period has worsened contradictions, complexified international relations, and highlighted differences in values, rules, and behaviours among people in different countries. As a result, studying a particular country's culture and core values is essential to understanding business practices, especially for expatriates. The present study takes *guanxi* as the independent variable and relates it to the mediator and dependent variables (individual performance).

In recent years, there has been an increase in research on the factors affecting the job performance of expatriates. However, there are still shortcomings in the theoretical framework and empirical validation of these studies. Mol et al. (2005) proposed that the dependent variables commonly used in studies of expatriate effectiveness should be viewed as mediators between their predictors and the criteria of expatriate effectiveness, which are yet to be established and typically reflect expatriate job performance. Moreover, the mediation role of cross-cultural adjustment, particularly at work, was suggested by some studies (Jyoti & Kour, 2017a) but lacks comprehensive exploration in the broader literature. Thus, these studies are in the stage

of theoretical proposition and initial validation, requiring further empirical research to comprehensively test hypotheses and explore how these factors collectively affect expatriates' job performance. Overall, the limitations in the existing literature highlight the need for further research to deepen the understanding of the roles of factors such as cross-cultural adjustment, cultural intelligence, self-efficacy, relational skills, and language proficiency in expatriates' job performance. This will contribute to the development of a more comprehensive theoretical framework and provide more effective guidance for expatriate management practices.

In today's globalized workplace, the external environment for expatriates is undergoing profound changes (Häzaq, 2024). The US technology sector, for instance, has been mired in layoffs in recent years, despite previously showing solid growth. According to relevant reports, since 2022, many technology giants have started layoff plans, such as Cisco laid off 4,000 employees in February, Intel is expected to cut 16,000 jobs by the end of the year, Dell plans to cut 10% of the global workforce, about 12,500 employees (Häzaq, 2024). GAFAM Group (Google, Amazon, Facebook, Apple, Microsoft) and other large tech companies have cut jobs in their domestic and international offices. Behind these waves of layoffs, on the one hand, the decline in market demand after the new coronavirus epidemic, on the other hand, the impact of the rapid development of artificial intelligence, resulting in retail, communications, marketing, accounting and other fields of employment are at risk of being replaced by AI technology. This series of upheavals has cast a shadow over the workplace environment in which expatriates live, highlighting the urgency of exploring the influence of guanxi on expatriate performance in such a complex and dynamic situation. Because when external job opportunities are tight and competition in the workplace is fierce, the network of relationships built by expatriates may become a

key rely on which they can stabilize their footing, resist risks, and maintain or even improve their performance.

There is a growing recognition that working across borders can be a challenging and stressful experience for employees. In the context of globalisation, managers face numerous challenges in managing employee performance. These challenges include employees' low acceptance of given tasks and difficulties integrating with expatriates. Consequently, employees' productivity and performance may suffer (Reddy & Kota, 2019). Expatriates' failure, often attributed to cultural roots issues, will bring huge losses to MNCs (Erogul & Rahman, 2017).

According to the mainstream expatriation literature, the most important component for success among expatriates was the multilevel adjustment to the host country's conditions (Black, 1988; Grinstein & Wathieu, 2012; DeNisi & Sonesh, 2016). As revealed by Wu et al. (2022) in their interviews with ten expatriates in Taiwan, the performance of expatriates was significantly impacted by the degree of expatriate adaptation. Additionally, expatriate performance was influenced by cross-cultural adjustments, as demonstrated by findings from a multinational sample of 150 expatriates stationed in Chinese Taiwan (Lo & Nguyen, 2023). Furthermore, Liao et al. (2021) discovered that expatriates who transition successfully to their new environment have a larger reserve of personal resources, such as time, effort, and emotional involvement, leading to improved performance. Cross-cultural adjustment is also one of the key factors in the global success of MNCs. If the cross-cultural adjustment of expatriates was overlooked, it may lead to poor performance (Akhil & Liu, 2019).

Guo et al. (2018) stressed that China stands out as a particularly challenging work destination for expatriates. Its overseas assignment failure rate surpasses that of many other countries. According to Seak and Enderwick (2008), China was among the nations with the highest expatriate failure rates, which was estimated at around 80%. This observation aligns with evidence from Ang and Tan (2016) and Lund and Degen (2010), indicating that China possessed one of the world's highest expatriate failure rates. Due to the lack of in-depth understanding of Chinese business customs and norms, as well as the lack of a strong network of links, expatriates experience anxiousness and uneasiness, which negatively affected their performance and efficiency (Guo et al., 2018). Despite during COVID-19, China remained the third most popular location for overseas assignments (after the United States and the European Union) and the top developing destination for international assignments in 2019 (Brookfield Asset Management Inc., 2019).

China is characterised by a collectivist and relationship-oriented culture, influenced significantly by its distinct institutional structure shaped by historical and political factors, in contrast to the cultural orientation prevalent in the West (Guo et al., 2018). Interpersonal relationships (*guanxi*) are one of the major dynamics of Chinese society. *Guanxi* building helped expatriates in their international assignments and adjustment in China (Guo et al., 2018). *Guanxi*, an important feature of doing business in China, has been a pervasive part of the Chinese business world for the last few centuries. *Guanxi* was viewed by Western expatriates as an informal system that helped them integrate effectively into the local business environment (Guo et al., 2018). Pearce and Robinson (2017) concluded that business operations in China and the West starkly differ. If the role of cultural preference and understanding of *guanxi* was not emphasised, business relationships may be damaged (Yen et al., 2011). It is also

widely believed that *guanxi* is the key determinant of enterprise performance and the lifeblood of macro-economic and micro-corporate behaviour. The Chinese prefer to collaborate with people they personally know. Although business relationships in China and the West did not necessarily develop similarly, businessmen in both cultures believe that an individual's business network was essential to the success of a business (Chua et al., 2009). The usage of *guanxi* and networks remained indispensable and relevant in such a setting. While *guanxi* was particularly prominent in China, similar norms of reciprocity could be found in various human communities worldwide (Park & Luo, 2001).

In today's globalized workplace, the external environment for expats is undergoing profound changes. The US technology sector, for example, has been mired in layoffs in recent years, despite previously showing solid growth. According to relevant reports, since 2022, many technology giants have started layoff plans, such as Cisco laid off 4,000 employees in February, Intel is expected to cut 16,000 jobs by the end of the year, Dell plans to cut 10% of the global workforce, about 12,500 people. GAFAM Group (Google, Amazon, Facebook, Apple, Microsoft) and other large tech companies have cut jobs in their domestic and international offices. Behind these waves of layoffs, on the one hand, the decline in market demand after the new coronavirus epidemic, on the other hand, the impact of the rapid development of artificial intelligence, resulting in retail, communications, marketing, accounting and other fields of employment are at risk of being replaced by AI technology. This series of upheavals has cast a shadow over the workplace environment in which expatriates live, highlighting the urgency of exploring the influence of *guanxi* on expatriate performance in such a complex and dynamic situation. Because when external job opportunities are tight and competition in the workplace is fierce, the network of

relationships built by expatriates may become a key rely on which they can stabilize their footing, resist risks, and maintain or even improve their performance.

1.4 Research Objectives

The primary objective of this research is to investigate the influence of *guanxi*, cultural training, cultural intelligence, self-efficacy, relational skills, and language ability on expatriates' cultural adjustment in China. Furthermore, this research also examines the mediating role of cross-cultural adjustment between expatriates' management practice and expatriate job performance. Consequently, this research aims to achieve the following research objectives:

1. To investigate the positive impact of *guanxi* on expatriates' cross-cultural adjustment (general adjustment, interaction adjustment, and work adjustment).
2. To examine the positive impact of cultural intelligence (metacognitive CQ, cognitive, motivational CQ, and behavioural CQ) on expatriates' cross-cultural adjustment (general adjustment, interaction adjustment, and work adjustment).
3. To examine the positive impact of individual cultural competence (self-efficacy, relational skills, and language ability) on expatriates' cross-cultural adjustment (general adjustment, interaction adjustment, and work adjustment).
4. To examine the positive effect of cross-cultural training (pre-departure, post-arrival, and language training) on expatriates' cross-cultural

adjustment (general adjustment, interaction adjustment, and work adjustment).

5. To investigate the impact of cross-cultural adjustment (general adjustment, interaction adjustment, and work adjustment) on expatriates' job performance.
6. To investigate the mediating effect of cross-cultural adjustment (general adjustment, interaction adjustment, and work adjustment) on the relationship between *guanxi* and expatriates' job performance.
7. To investigate the mediating effect of cross-cultural adjustment (general adjustment, interaction adjustment, and work adjustment) on the relationship between cultural intelligence (metacognitive CQ, cognitive, motivational CQ, and behavioural CQ) and expatriates' job performance.
8. To investigate the mediating effect of cross-cultural adjustment (general adjustment, interaction adjustment, and work adjustment) on the relationship between individual cultural competence (self-efficacy, relational skills, and language ability) and expatriates' job performance.
9. To investigate the mediating effect of cross-cultural adjustment (general adjustment, interaction adjustment, and work adjustment) on the relationship between cross-cultural training (pre-departure training, post-arrival training, and language training) and expatriates' job performance.

1.5 Research Questions

In line with the research objectives listed above, the research questions addressed in this thesis are as follows:

1. Does *guanxi* have a positive effect on expatriates' cross-cultural adjustment (general adjustment, interaction adjustment, and work adjustment)?
2. Does cultural intelligence (metacognitive CQ, cognitive, motivational CQ, and behavioural CQ) have a positive effect on expatriates' cross-cultural adjustment (general adjustment, interaction adjustment, and work adjustment)?
3. Does individual cultural competence (self-efficacy, relational skills, and language ability) have a positive effect on expatriates' cross-cultural adjustment (general adjustment, interaction adjustment, and work adjustment)?
4. Does cross-cultural training (pre-departure training, post-arrival training, and language training) have a positive effect on expatriates' adjustment?
5. Does cross-cultural adjustment (general adjustment, interaction adjustment, and work adjustment) have a significant effect on expatriates' job performance?
6. Does cross-cultural adjustment (general adjustment, interaction adjustment, and work adjustment) mediate the relationship between *guanxi* and expatriates' job performance?

7. Does cross-cultural adjustment (general adjustment, interaction adjustment, and work adjustment) mediate the relationship between cultural intelligence (metacognitive CQ, cognitive, motivational CQ, and behavioural CQ) and expatriates' job performance?
8. Does cross-cultural adjustment (general adjustment, interaction adjustment, and work adjustment) mediate the relationship between individual cultural competence (self-efficacy, relational skills, and language ability) and expatriates' job performance?
9. Does cross-cultural adjustment (general adjustment, interaction adjustment, and work adjustment) mediate the relationship between cross-cultural training (pre-departure training, post-arrival training, and language training) and expatriates' job performance?

1.6 Significance of the Study

This study has significant theoretical and practical significance. Given the scarcity of research on cultural adjustment and expatriates' job performance in China amidst the current instability, this study holds significant theoretical and practical implications in today's geopolitical dynamics and power struggles among major nations. It sheds light on the challenges faced by expatriates in the aftermath of an unprecedented infectious disease (COVID-19) and sudden global events (war, terrorism, and natural disasters), providing valuable insights for both theoretical understanding and practical application in the uncertain contemporary landscape. Understanding how countries, companies, and individuals should promptly adjust after experiencing global emergencies, reduce failure, maintain optimal performance, and mitigate uncertain risks can provide valuable insights.

1.6.1 Theoretical Significance

In theory, this study presents a new dimension, *guanxi*, which is proposed to impact the job performance and cross-cultural adjustment of expatriates in China. The incorporation of *guanxi* holds potential benefits for the development of cross-cultural adjustment theory. This study attempts to explore the job performance of expatriates in China from the perspective of the *guanxi*. By integrating existing literature on former expatriates, this study aims to establish a new and comprehensive framework for understanding expatriate adjustment. In addition, the study critically reviews selected theories from contemporary literature, offers guidelines to human resource professionals for more effective management of their global workforce, and concludes with recommendations for future research in this domain.

1.6.2 Practical Significance

In practice, identifying the reasons for the expatriate's failure helps MNCs to improve expatriates' job performance and provides guidance for the selection, management, and adaptation of expatriates. Previous studies have focused on the impact of *guanxi* on performance at the organisational level. The study will help in understanding the specific impact of *guanxi* on expatriates' job performance at the individual level in China and identify future strategies for talent management. For numerous organisations, sending expatriates abroad to develop global capabilities aligns with their overall human resource strategic plan.

In summary, this study contributes to both theoretical understanding and practical implications by investigating the impact of *guanxi* on expatriates' job performance and cross-cultural adjustment in China. It offers valuable insights into talent management strategies, provides practical guidance for global workforce management, and suggests directions for future research.

1.7 Scope of the Study

The study's scope encompasses expatriates employed by MNCs in Beijing, Shanghai, Chengdu, Qingdao and Guangdong provinces, China. It focuses on white-collar roles such as professionals, managers, and other skilled positions, ranging from regular staff to management level, with an emphasis on professional or managerial work, rather than foreign labourers. Data collection was undertaken by distributing a self-administered questionnaire through online questionnaire links. The study's primary objective is to examine the relationship between key influential expatriate management practices (such as *guanxi*, individual cultural competence, and cultural training) and job performance with facets of adjustment as a mediating variable. Additionally, this study analysed the direct impact of expatriate management practices, including *guanxi*, individual cultural competence, and cultural training, on facets of cultural adjustment.

Throughout the study, efforts were made to ensure a diverse and representative sample. The data collection period spanned three months, during which any encountered limitations or constraints were documented and addressed accordingly.

1.8 Key Terms

The key terms in this thesis are defined below.

Job performance: Campbell and Wiernik (2015) defined job performance as a construct that includes actions that employees may influenced and supported organisational objectives. Meanwhile, Bhaskar-Shrinivas et al., (2005) defined expatriate performance as employees' time and effort that they put into their work. Thus, in the present study, expatriate's job performance refers to the actions that

expatriate may influence and support organisational objectives which include the time and effort that they put in their work while working in a foreign country.

Cross-cultural adjustment was broadly defined as the process of adjusting to residing and working in a different culture. It was the perceived degree of psychological comfort and familiarity an individual has with the new host culture (Black, 1988; Black et al., 1991). The concepts of adaptation, adjustment, and acculturation have been utilised interchangeably.

General adjustment reflects the general global or overall adaptation to the life abroad, such as housing, shopping, and food (Black & Stephens, 1989).

Work adjustment entails adapting to one's positions, job obligations, and work environment (Black & Stephens, 1989).

Interaction adjustment is concerned with how comfortable foreigners feel when engaging with locals in both social and professional settings (Black & Stephens, 1989).

Guanxi originated from a cultural phenomenon and referred to interpersonal relationships at the personal level (Chai & Rhee, 2010), which has been later expanded to the organisational level as a source of social capital and a strategic tool for organisations, helping to facilitate business operations, open dialogue, access to intelligence, and build trust (Xin & Pearce, 1996; Luo et al., 2012).

Cultural intelligence (CQ) could be defined as an individual's ability to operate and navigate effectively within diverse cultural environments (Ang & Dyne, 2008).

Metacognitive CQ is the process an individual needs to acquire and understand knowledge (Ang et al., 2007).

Cognitive CQ, which is also known as CQ knowledge, represents knowledge of both universal and culture-specific norms, customs, and conventions in many cultures that is acquired via both experience and formal education (Abid et al., 2019).

Motivational CQ, also known as driving CQ (Abid et al., 2019), referred to an individual's level of curiosity and motivation to adapt to new cultural environments (Ang et al., 2007).

Behavioural CQ (or CQ action) is a person's ability to adapt to verbal and non-verbal behaviours from different cultural backgrounds (Alexandra, 2018).

Self-efficacy was defined as individuals' confidence in their ability to successfully perform a specific task (Bandura, 1977b), which included skills necessary for fostering relationships with host nationals.

Relational skills referred to a set of instruments and techniques that help people form relationships (Bhaskar-Shrinivas et al., 2005).

Language ability referred to the ability of expatriates to speak and utilise local languages (Kim & Slocum, 2008; Selmer, 2006).

Pre-departure training for expatriates involves a series of activities aimed at enhancing cultural awareness, appropriate behaviors, and skills before relocating to a foreign country (Wang & Tran, 2012). Its primary goal is to improve sensitivity to cultural differences, facilitating a quicker adaptation process in the new culture.

Post-arrival training is designed to alleviate cultural adjustment issues for expatriates by offering essential resources like social support and an onsite mentoring system (Wang & Tran, 2012). While it typically doesn't occur immediately upon arrival, this type of training helps expatriates integrate the structured knowledge gained during pre-departure training with their real-world experiences (Gudykunst, 2004).

Language training: Language training in this study refers to training in the Vietnamese language. It can help expatriates interact more with local people and receive more information about behavioral norms and unwritten roles and customs in business, as well as in their daily activities. Language skills correlate positively with the expatriate's cognitive adaptation too, which further enhances adjustment. (Wang & Tran, 2012)

Expatriates were employees in an international company, usually top-ranking specialists or managers, who were sent from the corporate headquarters to foreign units (being a subsidiary, branch office, or another legal form of cooperation) pursuant to their voluntary decision (Przytuła, 2015). An expatriate may come from the home country of the corporate headquarters or be of a different nationality than the corporation's home country. The duration of working abroad may vary, encompassing long-term, mid-term, or short-term assignments, considering various alternative arrangements.

White collar work describes a broad spectrum of non-manual paid employment, including relatively low-level clerical jobs, mid-level planning and accounting functions, and high-level managerial roles (Sanderson, 1999). White collar workers are found in trading, banks and other service industries, in the offices of industrial enterprises, and as part of the civil service.