

**FACTORS INFLUENCING INDIAN INFORMATION  
TECHNOLOGY PROFESSIONALS WORKING ON  
ASSIGNMENT IN MALAYSIA: THE MEDIATING  
ROLE OF CORSS-CULTURAL ADJUSTMENT**

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**ASIA e UNIVERSITY**

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## **ABSTRACT**

In the field of international human resource management studies, cross-cultural adjustment and success of expatriates, has become important factors in the current competitiveness of Information Technology sector. This research examines the factors influencing expatriate success and the mediating role of cross-cultural adjustment among Indian IT expatriates working in Malaysia. This study was based on the model of Intercultural Adjustment by Parker and McEvoy (1993) and an empirical success and cross-cultural adjustment model for Indian IT Expatriates (SAME) who work in Malaysia on International Assignment was developed. The framework was successfully implemented with the aim to examine the influence of spouse support, HR practices such as Selection criteria, needs and effectiveness of pre-departure training and personality traits on the success of Indian IT professionals stationed in Malaysia and also study the mediating role of cross-cultural adjustment on these variables. This study focuses on certain individual, organizational and contextual factors that can affect expatriate adjustment and success because in a new environment an individual faces uncertainty, unfamiliarity and predictability issues in an international assignment. In terms of scope and originality, this study is the first attempt to integrate spouse support, selection criteria, pre-departure training and personality traits on expatriate success and mediating influence of cross-cultural adjustment. This study contributes to the understanding of the importance of expatriate success and the role of cross-cultural adjustment in new environments. A quantitative research was conducted based on a total of 293 Indian IT expatriates working on international assignment in Malaysia. The validation of the model developed for this study was done by adapting structured questionnaire and using structural equation modeling. The results indicated that spouse support and pre-departure training had no

significant effect on expatriate success. However, cross-cultural adjustment fully mediated the relationships between spouse support and expatriate success and between pre-departure training and expatriate success. Selection criteria, personality traits and cross-cultural adjustment have direct effects on expatriate success and cross-cultural adjustment partially mediates the relationship between selection criteria and expatriate success. Cross-cultural adjustment partially mediates the relationship between personality traits and expatriate success. This research also provides some theoretical and practical implications with respect to expatriate management practices for managers and for technical and non-technical experts wishing to gain insights on several factors on expatriation process. This study also has important implications for Indian and Malaysian companies hiring expatriates on international assignment. The findings of this study will help future researchers, human resources managers, organizations employing expatriates who are associated with selection, training and professional development of expatriates for foreign assignment.

## **APPROVAL PAGE**

I certify that I have supervised / read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in quality and scope, as a thesis for the fulfillment of the requirements for the degree of Doctor of Philosophy.

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## **DECLARATION**

I hereby declare that the thesis submitted in fulfilment of the PhD degree is my own work and that all contributions from any other persons or sources are properly and duly cited. I further declare that the material has not been submitted either in whole or in part, for a degree at this or any other university. In making this declaration, I understand and acknowledge any breaches in this declaration constitute academic misconduct, which may result in my expulsion from the program and/or exclusion from the award of the degree.

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**Date:** 1 April 2022



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## LIST OF ABBREVIATIONS

AVE	Average Variance Extracted
EFA	Exploratory Factor Analysis
CB SEM	Covariance-Based Structural Equation Modeling
CCA	Cross-Cultural Adjustment
CCT	Cross-Cultural Training
CEO	Chief Executive Officer
CFA	Confirmatory Factor Analysis
CMV	Common Method Variance
CR	Composite Reliability
CQ	Cultural Quotient
EMNEs	Emerging Economy Multinational Enterprises
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IT	Information Technology
IHRM	International Human Resource Management
IMF	International Monetary Fund
KMO	Kaiser Meyer Olkin
MDEC	Malaysian Digital Economy Corporation
MIDA	Malaysia Investment Development Authority
MNCs	Multinational Corporations
MSC	Malaysia Super Corridor
NEO PI-R	NEO Personality Inventory

ROI	Return on Investment
SmartPLS	Structural Equation Modeling (SEM) Using The Partial Least Squares (PLS) Path Modeling
PWC	Price Water House Coopers
SPSS	Statistical Package for Social Sciences
WTO	World Trade organization
4IR	Fourth Industrial Revolution

## **CHAPTER 1.0 INTRODUCTION**

### **1.1 Introduction**

In this age of digitalization and globalization, organizations are in a quest of opportunities in foreign countries. The Internet and computer technologies have changed the way businesses are done. The world has been rapidly integrating towards economic globalization accompanied with a significant increase in cross-cultural business interactions. Organizations are crossing domestic markets to penetrate international markets and depending on the political, legal, economic and social environment of the country in which they are venturing, these organizations adjust their practices to meet the demands of newly acquired segments. The organizations with huge turnover are going global and smaller organizations are working with them to gain share of overseas clients as well. Thus, nations are inter-dependent on each other in global economy. The International Monetary Fund (IMF) defines globalization as "the growing economic interdependence of countries worldwide through the increasing volume and variety of cross-border transactions in goods and services, and international capital flows, and more rapid and widespread diffusion of technology" (IMF, 1997). Globalization is coupled with financial growth, accessibility to expertise and technology, trade and investment, increasing revenue of business, high standard of living and creating better employment opportunities in every country which is a part of global economy (Guttal, 2007). To function successfully in a global arena, these organizations usually witness complexities in terms of their operations and management in different economies and culture (Storey, 2007). In the current scenario, successful companies use information and communication technology such as internet and combine intranet, social media, and other online medias into their day-



to-day business activities, to be relevant in the business field with workers, investors, and clients (Obrenovic, *et al.*, 2020).

In the twenty-first century, multinational enterprises have expanded their markets and productions, and commenced their operations into developing nations. All Multinational corporations (MNCs) are distinct firms that have one common factor which is they operate in at least two countries (Caves & Caves, 1996). A large number of MNCs launched their ventures in emerging nations in the 1990s (Ferdausy & Rahman, 2009). The astonishing rise of emerging market multinational enterprises has transformed or is transforming the international scenario. The growth of these enterprises is no longer a new sight in the international market, but what has led them to the international race remains a significant argument among businesses and researchers. As highlighted by (Zhu, De Cieri, Fan, & Mike Zhang, 2018) researchers have focused mainly on two domains in emerging economies in relation to multinational enterprises, which is the institutional perspective and the strategic asset seeking argument. The former perspective claims the effect from the home country institutions, or their higher order creators, such as the developing economy governments as one of the dominant advantages of Emerging Economy Multinational Enterprises (EMNEs), the other domain focus on the strategic intent of developing economies multinational companies, where the international activities are driven by asset-exploiting strategy to address international competitive disadvantages and reinforce their leadership in the home markets. The focus of international business is on developing economies and multinational corporations are venturing their future into these markets.

Developed economies can be described as that are highly industrialized, more established and more economically developed nations that has an established economy

and advanced technological set-up, high-level gross domestic product (GDP) per capita and a good general standard of living when compared to a developing country (Lordkipanidze, 2018). A developing economy can be described as an economy that is developing in the direction of becoming advanced, because of their developments and reforms. Developing nations are starting to dominate the international markets and some of the developing economies are Brazil, Russia, India, China, and South Africa Mexico, Indonesia, South Korea, and Turkey (Briscoe, 2014, 2015). According to Kuepper (2020) other developing countries which are the new industrialized countries also includes Malaysia, Mexico, and Thailand. Kuepper (2020) has also pointed out that the main difference between an emerging economy and a developing economy is their transition to modern industrialized economy. Malaysia being an emerging economy with both high skilled and low skilled foreign workers create positive productivity effects to Malaysian industries (Jordaan, 2018). As cited by the Malaysian Investment Development Authority, the Malaysian economy is expected to improve its ranking to be the 24th largest in the world by 2050 and there is a need to still invest more into the technology and education to improve the country's ranking (Nair, 2018 ).

Due to changing business environment, multinational enterprises have set up their subsidiary in the international markets (Moran, Palmer, & Borstorff, 2007). The spread of industrialization in Europe and the United States gave opportunities for free flow of goods and services and encouraged a worldwide exploration of resources. The growing requirement of raw materials led to the development of multinational service companies. The Multinational companies invested in those assets which are utilized in overseas market, through Foreign Direct Investment (FDI) (Delios, 2012). Thus, foreign direct investment played a major role in the world economy for augmenting

cross-border investments. Furthermore, the growth of trade and industry across the world also paved the way for the global economy to flourish. Kanter (1995) identified that there are three impalpable resources i.e., '3Cs', to gain competitive advantage in the global economy. The three 'C's are: concepts (latest knowledge and ideas), competence (the ability to operate at the highest standards anywhere) and connections (relationships which provide access to the resources of other people and organizations around the world). Multinationals strive to benefit from all the three C's when they operate globally. While doing business internationally, the managers regularly confronted with the third C as frequently (i.e. connections which has been specified by (Kanter, 1995) whereby creating value for clients, open the national boundaries and expand the scope of doing business.

The fundamental factors that led to the growth of globalization are liberalizing trade barriers and technological advancement such as communication, information and transportation which has indeed enabled many international organizations to link their operations globally. Several cross-border trade agreements like General Agreement on Tariffs and Trade (GATT) and World Trade Organization (WTO) have facilitated in alleviating trade barriers and bridging the gap between countries. As trade barriers across the world disperse, it has become common for companies to expand their business into newer markets. In order for an organization to venture into new markets, employees are required to work as expatriates, as key resources are vital for the success of international business. These assignments are challenging for the employees involved and incidents of failure to meet the goals of the assignment, can cause losses for the organization (Thoo & Kaliannan, 2013). Irrespective of the challenging assignments and high failure rate, multinational organizations are sending their employees on international assignment because of the revenues from international

business (Shenkar & Luo, 2008), and the employees are also willing to take up the assignment in order to gain overseas exposure (Downes & Thomas, 1999).

One important tendency of globalization currently is the joining nature of conducting a business and managing resources. The development of international corporations and the internationalization of world economy have given rise to several multinational companies (MNCs). Multinational corporations depend on the knowledge and expertise of the assigned employee to strengthen their foreign investments (Bartlett & Ghoshal, 1989). The assigned employee who are sent by the parent company to the host country has the responsibility for knowledge transfer across multinational corporations (MNCs) is a new field of International human resource management (IHRM) literature (Minbaeva & Michailova, 2004). As a result, the number of employees send on foreign assignments have significantly increased in the last part of the twentieth century (Gupta & Govindarajan, 2000; Sparrow, Brewster, & Chung, 2016). Multinational Enterprises operating in developing economies have depended on expatriates in the past (Minbaeva & Michailova, 2004). The outsourcing of talent has become a part of the national development strategy for developing countries (Gupta & Govindarajan, 2000). Expatriates on international assignments are defined as employees who are sent by the parent company to work in a host country at one of the subsidiaries overseas for a specific period of time (McNulty, 2015). Companies in developing nations in particular are looking for knowledge and skills transfer, and expatriates play a significant role. Technology based foreign direct investment (FDI) has been on the rise internationally, and that companies from developing countries are heavily investing in developed countries with the main purpose of acquiring high-tech competencies (Ferdausy & Rahman, 2009). In order to achieve these competencies, enterprises have been assimilating experts from different

countries with varying competencies that are not easily available at the home country (Gupta & Govindarajan, 2000). According to a research from PricewaterhouseCoopers (PWC) as reported by Talent Mobility (2020), based on the data from more than 900 international firms, it is expected that there will be 50 percent increase in the number of international assignments by 2020 and that firms will require to carefully manage international transfer of labor due to shortage of skilled labor, the changes in the business requirements and staff preferences. (PwC, 2010). A recent report by PricewaterhouseCoopers (PWC, 2020) pointed out that almost fifty percent of the employer's plan to come back into business as normal, post covid especially in the case of international mobility, corresponding to their survey on more than 350 companies it was found that 44% of the companies plan to continue the same number of international moves as before.

The globalization, internationalization and digitization which has become the new trend that influence international business that requires a large number of expatriates and/or managers who can work in diverse cultures and different countries, where individuals are required to work under different set of norms, values and business practices. The information and communication technology (ICT) revolution has changed the modus operandi of several nations (Passaris, 2006). This has resulted in a large number of firms conducting business globally as they explore opportunities worldwide. The information technology has indefinitely changed the way in which organizations do business and compete, the instigation of the ICT revolution has enabled business to enrich their internal competence, increase their output, and reduce the geographical distance between customer and retailer (Guttal, 2007). The engagement of expatriates by public and private organizations to other parts of the world is happening for years especially in developing countries (Okeja, 2017). In the

last twenty years, worldwide commercial integration, the development of information technologies, digitalization, and political development have all been directed to globalization. Therefore, the number of employees boarding on foreign assignments has amplified significantly in the past years (Castles, De Haas, & Miller, 2014).

Apparently, the benefit of using expatriates by international organizations are numerous. Some of the advantages are to achieve the strategic requirements of the firm, implementation of parent company management style, control and coordination of the subsidiary firm, improve employee performance, providing supervision and expertise and adherence to the standard of home market conditions (Rehman, 2018). The expatriate facilitate the relationship between the headquarters and the subsidiary, improve resource accumulation and provide competitive advantage for the MNCs (Bešić & Ortlieb, 2019). Expatriates may also have better knowledge of the international company's expertise center and social connections with other executives in the organization and are hence in a better position than host country nationals (HCNs) to improve the ties with the multinational company (Gupta & Govindarajan, 2000). Along with commitment, expatriates are reported to work long hours (Fischlmayr & Kollinger, 2010) And therefore they represent the cornerstone of several multinational company's human resources.

Expatriate Work-Life Balance Survey from ORC Worldwide (2007) has found that expatriates are finding it challenging to keep a balance between personal and professional lives. It was found that expatriates spend more time at work than they used to at home organization, with an approximately 13.4 hours per week more (ORC, 2007). As a result, expatriates need to put in more effort to manage home and work responsibilities, at a point where they face an increasing pressure to the new lifestyle

of working across different time zones and as increased pressure in workplaces resulted in a decline in performance.

According to Kassim (2014), Malaysia witnessed a sudden growth of International workers in the last thirty years. According to the Malaysian Department of Statistics, there were only 63,700 non-citizens working in Malaysia in 1983. However, it rose to over 2.3 million by 2010 (Kassim, 2014). As cited by, Hwok-Aun and Leng (2018), according to the Labor Force Survey (LFS) it was reported that the number of foreign workers holding documented and undocumented permits, increased from 1.8 million in 2013 to 2.2 million in 2016. Kassim (2014) opined that the increase in the population of foreign workers is due to lack of human resources in certain sectors of the economy. It was reported that foreign workers especially expatriates have played a major role in the economic development of the country pre- and post-independence of the country.

The Indian IT sector has grown over the years and has significantly contributed to the GDP, foreign exchange as well as employment opportunities. A large number of Fortune 500 companies and Global 2000 corporations are outsourcing IT enabled services from India. Singh and Kaur (2017) reported that there are approximately 600 centers established by Indian IT companies in 78 countries meeting the IT related requirements of people in over 200 cities across the globe. The Indian IT sector has reached remarkable growth in the past 25 years. The liberalization policy, technological development, lowered prices of computer hardware, growth of IT education, availability of technical talent to the IT sector at low cost, has contributed to the growth of the industry. Indian multinational Companies are increasing their presence in the international markets that involves sending human resource at foreign locations abroad which involves challenges to the organizations.

The growing number of expatriates population in worldwide has driven much interest in expatriate research (Aycan, 1997; Black & Stephens, 1989; Caligiuri, 1997; Deshpande & Viswesvaran, 1992; Kraimer, Wayne, & Jaworski, 2001; Parker & McEvoy, 1993; Templer, 2010). There are number of recent studies that has highlighted the issues concerning expatriates in Malaysia (Abdul Malek, Budhwar, & Reiche, 2015; Bhatti, Battour, Ismail, & Sundram, 2014; Hassan & Diallo, 2013; Ramalu, Rose, Uli, & Kumar, 2012). Expatriates are people who move from their point of residence to another country as part of their work requirement (Anderson, Brahem, & Harbi, 2014). In International business, an “assigned expatriate” is an individual sent by the home company for a short-term assignment to an overseas country (Lidström & Laiho, 2014).

## **1.2 Background of the Study**

Multinational Companies are able to compete because of their capabilities and resources to expand their operations worldwide. Most international organizations are from developed countries. However, international expansion is not the exclusive domain of corporations from developed countries. Multinational companies from developing economies are taking over overseas business corporations. Dickmann and Sparrow (2008) highlighted that in all these international business organizations, human resources are the key to success. The reasons highlighted by Dickmann and Sparrow (2008) are that in large number of the firms, the human resources are the highest single item of operating costs that can be regulated and adjusted to situations. Expatriates performance, success and cross-cultural adjustment are important for organizations due to the multicultural workforce as well as an increase in international assignments (Thomas & Peterson, 2016).