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### **Paper:**

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# **Dimensions of Expatriates adjustment in distant subsidiaries: A field study of a Sub-Saharan African Institutional Distance**

## **Abstract**

The aim of this study is to investigate the determinants of expatriates' adjustments in distant and complex multinational subsidiaries. Using the institutional theory as basis for expatriates' assignments in complex subsidiaries, the work employed a sequential mixed methodology of data collection. An in-depth face-to-face interview with 21 senior expatriate executives and a quantitative survey of 204 expatriates working in various multinational subsidiaries in Ghana served as data for the work. Consequently, a structural equation modelling (SEM) and a content analysis were the basis of the data analysis. Findings showed that host country culture plays a significant role in determining expatriate adjustment in distant subsidiaries. Findings also showed that, expatriates' competence in cross-cultural communication significantly determines expatriates' adjustment in distant subsidiaries. The work recommends an intensive training of expatriates in cross-cultural communication and host cultural values and behaviors for international assignees.

**Keywords:** Expatriates' Adjustment, cross-cultural communication, host country culture, institutional distance, MNCs, subsidiary locations, sub-Saharan Africa, Ghana.

## **Introduction**

The increasing globalization and search for newer markets have called for multinational companies (MNCs) to adopt multinational strategies which involve an increase in the number of expatriates sent overseas on long distance assignments (Hechanova, Beehr & Christiansen, 2003). This explains why MNCs have to build an effective human resource capacity of their international firms in order to absorb the difficulties encountered during institutional distance. Distance can result in problems of adaptability and adjustment of expatriates (Ramsey, 2005) due

to wide cultural variations and uncertainties of expatriate work life in the distant subsidiaries. Accordingly, Xu, Pan and Beamish (2004) argue that institutional (regulatory and normative) distances have a great impact on expatriates' strategies in the sub-units abroad.

Institutional distance is the degree of similarity or dissimilarity between the regulatory, cognitive, and normative institutions of two environments (Kostova, 1996). Thus, the more distant a host country is from the organizational centre of an MNC, the more the MNC must manage and adapt to the cultural, regulatory and cognitive differences in order to develop appropriate entry and operational strategies due to national differences. The central claim of institutional theories is that "actors pursue their interests within institutional constraints" (Ingram & Silverman, 2002, p. 1). This is why expatriate adjustment is significant in international business. The reason is that, the wide differences between the cultural perspectives and behaviors may pose difficult and distressing situations for expatriates who are relocating to distant institutions (Neupert, Baughn, & Lam-Dao, 2005). MNCs would therefore as a matter of business interest search for key determinants of successful adjustment of their staff.

Successful adjustment means, expatriates must be able to transcend cultural boundaries, and the ability to appropriately address and react to intercultural situations with skills that can help to improve their capability for successful adaptation (Peterson, 2004; Thomas & Inkson, 2005). However, the great deal of research on expatriate adjustment conducted in the last two decades have been predominantly directed to the West, with very little of this research having been conducted in Africa, despite knowledge of the overwhelming adjustment challenges the continent poses to expatriates (Okpara, 2016). It is therefore critical that we study contextual and country-level determinants of expatriate adjustment for newer insight to international management. Studying contextual determinants of expatriates' adjustment will allow for a more

complete understanding of how complex and multilingual institutions – particularly those of sub-Saharan Africa affect expatriate adjustment and how this plays out in global business. This is because multinational home-markets' characteristics interact with institutional distance in different ways in the operations of MNCs in developing countries (Liou, Chao & Ellstrand, 2017). Accordingly, institutional distance describes the difficulties, including costs and risks associated with conducting business across borders and or distant subsidiaries (Stahl, Tung, Kostova & Zellmer-Bruhn, 2016).

For this reason, this work explores the dimensions of expatriates' cross-cultural adjustment from a sub-Saharan Africa perspective. This work contributes to international business management in three major ways.

First, given the complexities of the cultural issues of host subsidiaries particularly those of distant locations like sub-Saharan Africa where management research has been deeply neglected (Jackson, 2004; Mol, Stadler, & Arino, 2017), research on expatriate adjustment has rarely been done (Okpara, 2016). The search for factors determining expatriate adjustment in such locations via this work is therefore appropriate and contributes significantly to the international human resource literature. This contribution is also in response to Yang and Konrad (2011) who advocate for an institutional lens to explain questions on areas of diversity, since the institutional environment is very heterogeneous.

Second, MNCs have often been described as multilingual organizations (Luo & Shenkar, 2006). This presupposes the importance of host country culture and cross-cultural communication as critical factors or basis of expatriates' successful adaptation and adjustment in diverse and distant subsidiary locations (Abugre, 2018). This work contributes to the international business field by examining these two variables whether they can serve as foundations to determine expatriate

adjustment in distant institutions. This will undoubtedly extend the institutional distant and expatriate adjustment theories of cross-cultural communication and host country culture dimensions of international business. Thus, we build on Lisak, Erez, Sui, and Lee (2016)'s suggestion that fostering team shared communication inclusion is stronger for teams with perceived higher cultural diversity and that team communication inclusion positively affects multicultural team innovation.

Third, although there have been some empirical studies conducted on expatriate adjustment, empirical development showing the dimensions or how factors affecting cross-cultural adjustment of expatriates in Sub-Saharan African Institutions has not been advanced since the initial work of Black (1988) and his contemporaries (Caligiuri, 2000). In fact, adjustment as an important facet of international human resource management has received little attention in Sub-Saharan Africa, and no work has established different dimensions or facets of adjustment in the region. This has created a void in knowledge of how institutional distance can facilitate expatriate work adjustment due to contextual differences. However, Von Glinow, Drost and Teagarden (2002) assert that it is important for cross-cultural researchers to broaden their research lenses with multiple embedded contexts — polycontextuality — as they search for solutions to global problems. Hence, Langinier and Froehlicher (2018) emphasize the significance of host context in setting internal adequacy standards for expatriates' adjustment. Similarly, Haslberger, Brewster and Hippler (2013) underscores the strength of an expatriate's knowledge base which depends on the feedback received and interaction with hosts. Thus, we see the importance of host institutions playing a major role in expatriate adjustment. Consequently, this work employs institutional theory as a foundation to examine the dimensions of expatriate adjustment in Sub-Saharan Africa using Ghana as a context. The work thus

responds to Okpara and Kabongo (2017)' advocacy on the use of cross-level industry samples to find solutions for expatriate adjustment in Africa.

Hence, we begin by reviewing literature to set the theoretical foundation of the study before generating the hypotheses. We next discuss the context of the study and explain our multi-level study methodology. We then present the results and conclude with discussion of our findings, implications, and limitations of the study.

## **Theoretical Perspective**

### *Institutional Distance in International Business*

An essential contextual framework that serves as a theoretical foundation for this study is the institutional theory (Scott, 1995; 2014). Institutional theory can be used to examine the effects of a foreign cultural environment where expatriates are expected to become new members. The three pillars used to dissect this issue on specific environment are a set of regulatory, normative, and cognitive institutions in a given country (Scott, 1995). The regulatory component of an institutional environment reflects the existing laws and rules in a particular national environment that promote certain types of behaviors and restrict others (Kostova, 1999, p. 314). The normative component reflects the values, beliefs, norms, and assumptions about human nature and human behavior held by the individuals in a given country. The cognitive component reflects the widely shared social knowledge and cognitive categories (e.g. stereotypes) that influence the way a particular phenomenon is categorized and interpreted (Kostova & Roth, 2002). This study however focuses on the normative and cognitive categories of institutional distance as appropriate foundation to the work. Thus, the home culture comprising values, norms, human behavior, and the widely shared social knowledge and cognitive categories that influence

location as country specific serve as our institutional distance. This suggests the need to distinguish between home and host country specifics across institutional environments. The reason is that institutions with business practices differ in operations between host and home countries (Peng, Wang, & Jiang, 2008), hence differences between a developing market and an advanced market on institutional dimensions are very visible. Consequently, high levels of home-host country difference impede the subsidiary's ability to interpret local cultures, norms, and rules, resulting in higher relational and transaction costs (Henisz & Delios, 2002).

On the contrary, Stahl et al. (2016) argue that the IB literature has over emphasized the negative side of distance and differences that come with greater liabilities without portraying its benefits too; and this hinders our deep understanding of institutional distance. Therefore, there is the need to widen the lens of distance and foreignness of international business. As a result, Edman (2016) highlights the dual nature of distance and foreignness in terms of its ability to offer both benefits and shortcomings to MNCs. He goes further to reconcile the advantages and liabilities of foreignness by presenting a framework that furthers our knowledge on when and how foreignness influences MNC subsidiaries (Edman, 2016).

Notwithstanding these arguments, extant and conventional literature has it that institutional environment is a key determinant of firm structure and behaviors (DiMaggio & Powell, 1991). Therefore, national-level institutional conditions represent pivotal factors for differentiating the behaviors of host versus home country MNCs (see Dunning & Lundan, 2008). Thus, the lack of understanding of the institutional makeup of a host country can have serious effect on the survival and operations of international businesses. MNCs are thus encouraged to be fully aware of the cultural and intuitional systems of host nations they seek to operate in (Wafler & Swierczek, 2013; Zheng, Yan & Ren, 2016). This will go a long way to help in easy adaptation

and avoid several operational, cultural and regulatory problems (Sharma, Lindsay & Everton, 2015; Wafler & Swierczek, 2013).

Thus, institutional theory has emerged as an important theoretical foundation for research on multinationals and expatriate adaptation strategies in emerging economies, along with transaction-cost and resource-based views (Hoskisson, Eden, Lau & Wright, 2000). A key characteristic of emerging economies particularly those in Sub-Saharan Africa is the complexity of the environment resulting from multi-lingual and diverse cultural and ethnic configuration (Abugre, 2018) which requires enormous learning in order to facilitate adaptation and adjustment. Therefore, institutional theory can provide a framework to investigate the determinants of expatriate adjustment in subsidiary locations.

### **Institutional Distance and Expatriate Adjustment**

Institutional distance provides different interpretation for expatriate behavior and adjustment. Expatriate adjustment describes the successful adaption process of an individual to his social and work behavior in a foreign culture. Generally, due to the distant and newness of the environment in which the expatriate has been assigned to work, there can arise a problem of adaptation or acculturation usually referred in international human resource literature as expatriate adjustment problem. Expatriate Adjustment can be defined from two perspectives. The first is the degree of psychosocial adaptation of the expatriate to the new culture he has been sent to work. The second perspective defines it as the effectiveness of the expatriate on the assignment measured by his productivity and work success (Black 1988; Edmond, 2002).



Black and Stephens (1989) identified three significant facets of expatriate adjustment: work, general, and interaction. According to them, work adjustment refers to the expatriate's psychological comfort in relation to the job tasks of the foreign assignment. General adjustment addresses the general living conditions and culture of the foreign country. Interactional adjustment focuses on the interaction with the host country nationals (Kraimer, Wayne and Jaworski, 2001). Subsequently, Andreason (2003) proposed five factors which influence the three facets of adjustment by Black and Stephens (1989). Andreason (2003)'s five factors are: (1) job factors, (2) organizational factors, (3) positional factors, (4) non-work factors, and (5) individual factors. Job factors refer to a specific set of tasks and duties performed by an expatriate. Organizational factors include organizational culture novelty and social support from co-workers and superiors. Positional factors are concerned with the hierarchical placement of an expatriate within the firm, the functional area the expatriate works for, and his/her nationality or origin. Non-work factors include culture novelty and spouse/family adjustment. Finally, individual factors are centred on five sets: achievement self-efficacy, social self-efficacy, relational and perceptual skills, previous international assignments, and language fluency. All these factors are embedded in the socio-cultural character of the institution which require cross-cultural knowledge, skills and competencies of the environment (Abugre, 2016). Additionally, institutional distance can lead to uncertainties caused by unpredictable behaviors of home country agents (Xu et al., 2004), and this can cause psychological problems to expatriate adjustment. This is why distant institutions need to be investigated in relation to adjustment of expatriates for appropriate strategy adaptation of MNCs.

### **Host Country Culture and Expatriates Adjustment**

Culture is a challenging phenomenon to define. According to Kroeber and Kluckhohn (1985), the problematic and challenging nature of culture renders the concept to as many as 164 definitions in the cultural literature. Nonetheless in generic terms, Hofstede (1991) describes culture as the collective programming of the mind that differentiates the members of a group of people from another. Consequently, the human mind is programmed through the unique cultural beliefs and values which are absorbed by the individuals of a community at a tender age (Samovar & Porter, 1995), and they grow up with them. This is why each country or community is unique and its people behave differently from others as their home cultural system differ widely from others. Thus, the link between host country culture and expatriate behavior has always been a subject of interest to international business researchers (Black, 1988). The reason is that, local knowledge in developing countries differs significantly from corporate knowledge held by expatriates, and this variations in knowledge behaviors determines the critical importance of expatriate adjustment and business performance (Li & Scullion, 2010) in the subsidiary. Additionally, the geographical reach and inefficient administration system of major host country firms often make expatriates business activities practically impossible (Lord, 2002). To facilitate such socialization process it is critically important that expatriates devote their efforts to developing and maintaining “managerial ties with the host country culture (Geletkanycz & Hambrick, 1997: 654) – ‘executives’ boundary-spanning activities and their associated interactions with the external entities” or the distant institutions.

Therefore, host country culture is the most influential construct that defines locational and distant cultures and drive the process of successful international assignment, adaptation and adjustment. Black (1988) explains the adjustment phenomenon as the perceived degree of psychological comfort and acquaintance an individual enjoys in working in a different culture. Hence, the

significance of host country culture that promotes and facilitates culture adaptation or learning and acquisition of social skills in the host culture (Searle & Ward, 1990). The concept of socio-cultural adjustment is based on cultural learning theory and calls for social behavior and social skills that emphasize attitudinal factors of the person (Black & Mendenhall, 1991). Consequently, the ability of expatriates to recognize the institutional differences between MNC HQ (where they are coming from) and distant subsidiary locations (where they are assigned to) will encourage their ability to learn the host country culture in order to facilitate their adaptation and adjustment in the subsidiary location.

Hence, we hypothesize that:

**H1:** *Host country culture will significantly determine expatriate adjustment in distant subsidiary institutions.*

### **Cross-Cultural Communication and Expatriate Adjustment**

Contextual complexities arise due to intense differences in cultural values and understanding of the communicative behaviors of people (Abugre, 2018). The interaction between individuals from different cultures entails varied and distinctive communication styles, including tone of voice, speed, volume, use of pauses, directness or indirectness, formality or informality, choice of words, the use of jokes, and other manners of speech (Tannen, 1995). These linguistic styles are culturally acquired and constitute the value systems, and they vary from culture to culture, (Tannen, 1995), and thus explains the cross-cultural differences in communication.

When expatriates are sent to distant or subsidiary locations, the challenges of cross-cultural communication and understanding of the foreign work behaviors and demands can be the basis

of expatriate frustrations and maladjustment. This is because differences in communication styles between expatriates and indigenous employees of the subsidiary can sometimes cause expatriates to incorrectly conclude that they disagree on substantive issues with the indigenous employees and thus, negatively influencing expatriate behavior in the subsidiary location. Consequently, institutional theory suggests the basis of group uncertainty and anxiety in work organizations (Gudykunst & Hammer, 1988). The greater the distance between expatriates and local employees on cultural and communication differences, the greater expatriates experience uncertainty and anxiety in relations to working with local employees in the subsidiary. Besides, Cross-cultural differences in linguistic styles create uncertainty for multinational team members, and uncertainty is a source of stress (Gudykunst & Hammer, 1988). Adjustment of expatriates in this case can only be achieved through uncertainty reduction (Black et al., 1991), as uncertainty reduction theory suggests that emotions and emotional awareness play a significant role in cross-cultural business communication (Berger, 1987; Gudykunst & Hammer, 1988). As a result, Ozcelik and Paprika (2010) describe cross-cultural communication as inherently an emotional process people because it involves a greater volume of uncertainty and the likelihood for misunderstanding. Hence, Matveev and Nelson (2004) advocate for expatriates' cross-cultural communication competence in order to manage cross-cultural uncertainties with cultural empathy and interpersonal skills in distant institutions.

Distant institutions are unfamiliar and create socio-psychological uncertainty which the expatriate would try to reduce, especially with regard to expected new behaviors. Accordingly, and for more than three decades, cross-cultural researchers have focused on finding the essential skills for expatriates' adjustment and success in their international assignments (Black et al., 1991). Thus, exploring the relationship between cross-cultural communication and expatriate

adjustment is very important in international business (Abugre, 2016). This is because, the psychological adjustment of expatriates in foreign subsidiaries suggest that expatriate adaptation to subsidiary behaviors are embedded in how competent they can interact to solve managerial issues in the subsidiary. Hence, we hypothesize that:

**H2:** *Cross-cultural communication competence will significantly determine expatriate adjustment in distant subsidiary institutions.*

### **Contextual and Historical Background of Host Institution (Ghana)**

Ghana is an emerging economy with a free market system where businesses are expected to grow, develop and become competitive through markets. After more than 100 years of colonial rule under the British monarchy, Ghana became the first Sub-Saharan African country to gain independence from her British colonial masters in 1957 hence, the official language of work is the English language inherited from the British. However, there are over 100 indigenous language spoken by the citizens. Ghana runs a constitutional democracy known as the presidential system of governance and has been acclaimed the most stable nation in Sub-Saharan Africa (SSA) and also adjudged global best performer in access to credit and place for doing business in West Africa (World Bank Report, 2011), thereby strengthening the growth in her external investments inflows.

Ghana possesses some 70% of West Africa's proven gold reserves (Utter, 1993). The historical importance of mining in the economic development of Ghana is significant and well documented, with the country's colonial name -- Gold Coast – echoing the importance of the mining sector. Gold dominates the mining sector and Ghana is Africa's second most important producer of gold after South Africa, the third largest producer of manganese and aluminium and an important producer of bauxite and diamonds (Coakley, 1999). Additionally, more than fifty

foreign companies have invested in the upstream sector of the country's fresh oil industry (Yeboah, 2009). These foreign companies include the US, Canada, UK, Australia, and Scandinavian oil companies just to mention a few. Hence, the proliferation of MNCs and expatriates in the country.

The country's political culture is vibrant with free speech amid over 481 private FM radio stations and about 93 TV stations scattered all over the country broadcasting in the numerous indigenous languages. With the numerous tribes and indigenous languages, Ghanaians place strong values on the authorities of Chiefs as custodians of the various lands and cultures. Ghanaian cultural principles are strongly respected even within corporate organizations with values oriented strongly towards respect for leadership and the elderly. Consequently, the cultural values around families, communities, hierarchy and social relationships have influenced human resource management practice in Ghana (Aryee, 2004). This political culture portrays interconnectedness where people are intrinsically interwoven within the social fabric of communality. Additionally, the society is rooted in a tribal system, which influences the perceptions and interpretation of power. This is manifested in highly centralized organizations, the minimization of autonomy at lower levels of hierarchies, and the prioritizing of organizational relations over strong performance orientation (Blunt & Jonas, 1997). Thus, it is evidently a difficult situation for expatriates who are from individualistic cultures to enter into these close-knit Ghanaian relationships without the understanding of such complex institutions. Because, institutional distance does not only describe challenges to establish legitimacy, but it also provides opportunities to leverage differences in the institutional environment between the host nation and home country (Martin, 2014); since home country characteristics interact with institutional distance in different ways when influencing decision-making of MNCs in

developing countries (Liou, Chao & Ellstrand, 2017). Consequently, Abugre (2016;138) affirms that ‘the multiplicity of African cultures and the communicative behaviors of local staff certainly impact on sub-Saharan business operations, and global managers have to appreciate the possibilities of the African people’ in doing business.

### **Methodology and Research Design**

To meet the study objectives, this work used a mixed methods approach (Tashakkori & Teddlie, 2003), which is a procedure for gathering and analyzing both quantitative and qualitative data within a single study (Creswell, 2005). The significance of triangulating both quantitative and qualitative methods in a single research work is to sufficiently capture the trends and details of complex issues in cultural values and behaviors in distant environment. Thus, a combination of quantitative and qualitative methods complements each other to provide a more rigorous and complete picture of the research problem (Johnson & Turner, 2003; Tashakkori & Teddlie, 2003). This is because, to understand the world better, we need both numbers and words to appreciate our complex context (Miles, Huberman & Saldana, 2014).

Thus, our survey method began with sending a letter (with a sample interview guide and questionnaire attached) to the Ghana Investment Promotion Centre (GIPC) - this is the regulatory body that supervises all multinational corporations in Ghana. The GIPC then selected 23 MNCs with active expatriates in operations. This means the GIPC conveniently selected MNCs that had consistent and sustained number of expatriates actively working in Ghana. The aim was to make sure that the selected MNCs had a number of expatriates currently working to be part of the survey project. A cover letter from the GIPC was then attached to our initial letter requesting permission to undertake the study to the respective HR managers of the selected MNCs. The

letter specifically stated that only expatriates are to complete the questionnaires and, also demanded an interview schedule with either the HR manager or the managing director if they were expatriates. Hence, the target population in this study was all expatriates working in Ghana in the selected (by GIPC) MNC subsidiaries.

Accordingly, the questionnaires were given to the HR managers of the various MNC subsidiaries in Ghana, who then distributed the questionnaires to all their expatriates to which the researcher was to come back in two months' time for collection of the completed questionnaires. The involvement of the HR managers in the survey made the data collection easier and effective as they facilitated the accomplishment of our target. Additionally, some HR managers of the exploration companies demanded the researcher's email address and soft copy of the instrument to be sent to those expatriates in off-shore operations and the mines. Thus, for the survey data, while majority of the completed questionnaires were obtained from the respective HR managers, a few were mailed directly to the researcher by the expatriates who work in offshore oil- fields and in the mines. Therefore, from 250 expected potential expatriate participants, 204 responded (Table 1), which constituted a response rate of 81.6%.

Reliability and validity of the survey scales and items were established, using descriptive statistics, discriminant validity test and internal consistency reliability indexes (confirmatory factor analysis and Cronbach's alpha, item-total correlation and corrected item-total correlation), as well as inter-item correlations and factor analysis (Ivankova, 2004). This rigor is meant to enhance the quantitative aspect of the empirical work.



**Table 1 Nationalities of Quantitively Sampled Expatriate Respondents**

<b><i>Western Expatriates</i></b>											
Nationality	U.S. A	British	Australians	Canadians	French	New Zealand	Spanish	Germans	Swedish	Irish	Danish
Sample Size	42	36	11	11	8	6	5	4	2	3	2
<b><i>Asian Expatriates</i></b>											
Nationality	Indian	Pakistanis	Bangladeshi	Sri Lankan							
Sample Size	7	3	1	1							
<b><i>South American Expatriates</i></b>											
Nationality	Brazilians	Guatemalans	Paraguayans	Uruguayans							
Sample Size	2	1	4	3							
<b><i>Middle and Eastern European Expatriates</i></b>											
Nationality	Lebanese	Albanian	Uzbekistani	Other third country nationals							
sample Size	5	1	1	45							
<b><i>Demographic Characteristics of Expatriates</i></b>											
Males	Females	Married	Unmarried	Divorced	Living with family in Ghana	Unaccompanied by family					
179	25	149	44	10	73	127					

## Quantitative Phase of the Study

### *Data Collection and Measurement of Scales*

First, the quantitative phase involved a cross-sectional survey design to collect information from expatriates in the various subsidiaries MNCs in Ghana. The core survey items formed 7-point Likert type scale. The measures related to subsidiary host culture, cross-cultural communication, and expatriates' adjustment. Table 2 presents the survey items measuring each variable, as well as reliability indexes for each subscale. First, the survey items on host country culture were adapted from the pre-departure knowledge of host country scale by Black (1990). (Response format: 1 = strongly disagree to 7 = strongly agree). Second, the survey items on cross-cultural communication scale were adapted from the Cross-Cultural Communication Competence (CCC) questionnaire based on the 3C Model (Matveev et al., 2001). The wordings were however modified to fit into the study context, and the response format was: 1 = strongly disagree to 7 = strongly agree. Third, expatriates' adjustment items were based on expatriate managers'

adjustment to (1) work roles (2) interacting with host nationals, and (3) the general work relationship with host nationals (Black, 1988). The response format was: 1 = very dissatisfied to 5 = very satisfied. Two professors teaching international management in the university were used to secure the content validity of the survey instrument. Based on the pilot testing, some survey items were revised slightly.

*Control Variables:* Four control variables (gender, marital status, family status, and accompanied by family) were included in the analyses to cater for alternative explanations for significant relationships. The control variables were measured as follows: gender (coded 0= Female, 1 =Male), marital status (coded 1= married, 2= Not married, 3= divorced), family status (1= Yes, 2= No), accompanied by family (1= Yes 2= No).

### **Quantitative Data Analysis**

Both univariate and multivariate statistical procedures were used to analyse the survey data. Specifically, the use of Structural Equation Modelling (SEM) to determine how the individual factors predicted the observed variables of the study. Thus, before testing the hypotheses, confirmatory factor analysis was conducted on general adjustment (GA), host country culture (HC), and cross-cultural communication competence (CCOM) as items used in the survey. Table 2 contains the results of a confirmatory factor analysis of the observed variables. The use of Cronbach's alpha ( $\alpha$ ), construct reliability (C.R) and average variance explained (AVE) were employed to examine and strengthen the reliability and validity of the scales. Results indicated that the Cronbach's alpha and construct reliability coefficients were above 0.65; whereas AVE were within the 0.5 acceptable thresholds. Thus, the reliability of the scale was confirmed fit for the study. Additionally, construct validity was achieved by making sure that only items loaded

well on the scales were used while, discriminant validity was tested by comparing the square root of the AVE coefficients with the highest correlation of specific constructs (Table 2). The results also show the number of items retained under each construct thus making sure common method bias (CMB) was taken care of. The issue of CMB is further enhanced by employing the qualitative interview of senior executive informants which is used to triangulate the quantitative data to offer a better clarification of study findings. The Goodness of Fit Indices of the variables have all met the recommended threshold for analysis (see Table 4).

Additionally, Table 3 presents the correlation results of the means, standard deviations, and inter-correlations among variables of the study. From the table 3, expatriate's general adjustment correlates strongly and positively with host country culture ( $r=.57$ ), and with cross-cultural communication competence ( $r=.77$ ).

**Table 2: Confirmatory Factor Analysis (CFA) Results**

Variables	Loading	T-value
<b>Host country Culture</b> ( $\alpha = .659$ , CR = 0.674, AV = 0.650)		
I recognize differences in cultures between local staff and myself in this company	.435	
I am willing to be open to the cultural differences in this company	.809	5.29
I am willing to display patience with actions of local staff due to cultural uncertainties	.651	5.131
<b>Cross-Cultural Communication</b> ( $\alpha = .680$ , CR = 0.706, AV = 0.617)		
I am conscious of my own cultural condition when communicating with local staff	.479	
Increase interaction with local staff enables me to understand better their culture	.713	5.568
Competence in host country norms is important for my career growth	.590	5.187
Host country communication competence facilitates cross-cultural information flow	.660	5.44
<b>General Adjustment</b> ( $\alpha = .776$ , CR = 0.821, AV = 0.665)		
My adjustment in this company	.744	
My interaction with local staff	.734	9.619
My job and responsibilities	.657	8.646
Working with local staff	.770	10.041
Social interaction outside work	.609	8.025
Training effectiveness	.403	5.29

**Table 3: Correlation Matrix across Latent Variables**

Variables	Mean	Std. D.	1	2	3	4	5	6	7
1 Gender	1.12	0.32	1						
2 Marital status	1.85	0.51	-.25**	1					
3 Family Status	1.36	0.57	.17*	-.30**	1				
4 Accompanied by family	1.66	0.57	.11	-.18*	.65**	1			
5 Host country culture	3.40	0.33	-.03	.16*	.01	-.06	1		
6 CC. Communication	4.27	0.44	-.10	.07	.06	.04	.77**	1	
7 General Adjustment	3.85	0.44	.04	.09	-.08	-.12	.57**	.31**	1

Note: \*\* = .01, \* = .50 (2-tailed).

**Table 4: Fit Indicators of the Structural Model of the Study**

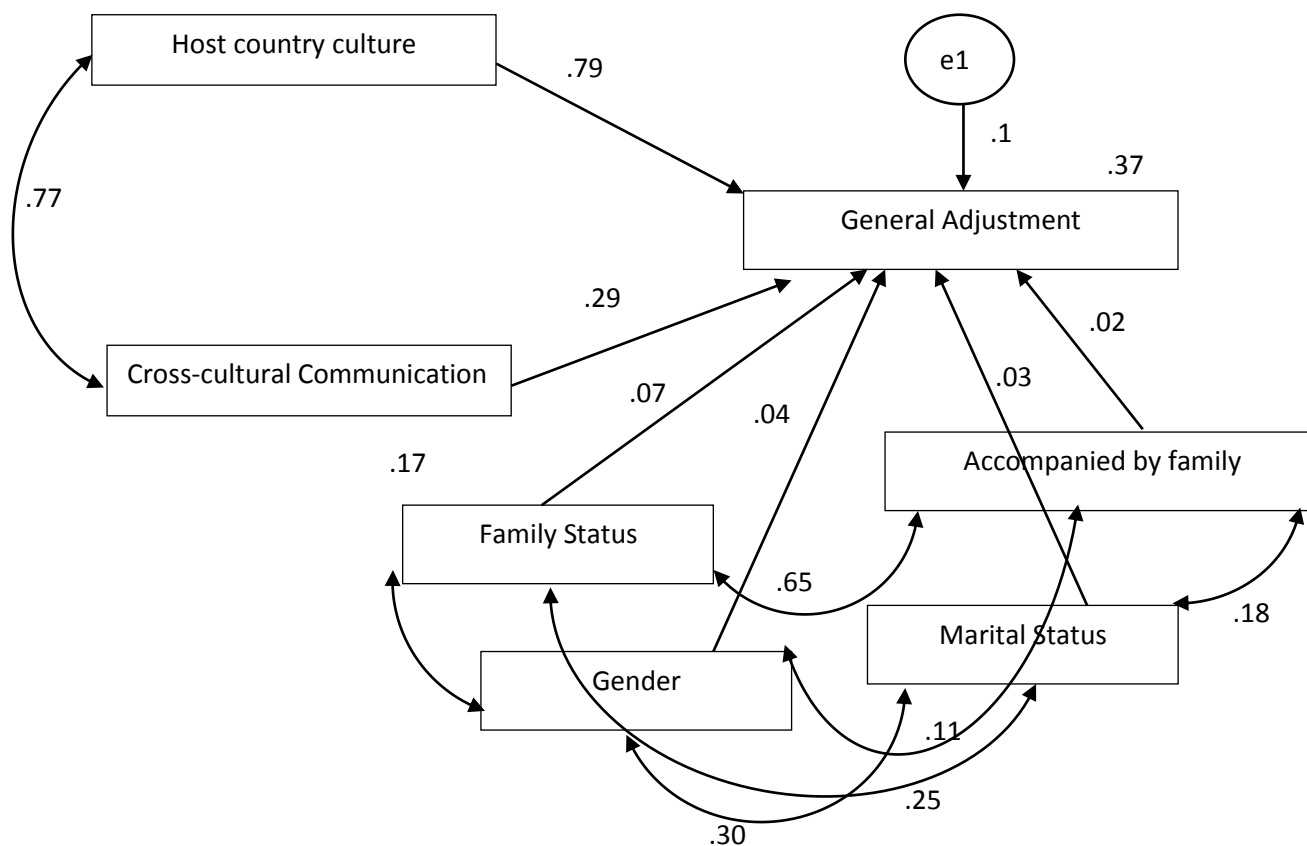
Indicators	CMIN/DF	C.F.I	G.F.I	PClose	SRMR	TLI	IFI	RMSEA
Study values	1.682	0.976	0.976	0.187	0.057	0.937	0.977	0.058
Appropriate level	< 5	> 0.90	> 0.95	> 0.05	< 0.08	> 0.90	> 0.90	< 0.06

**Table 5: Model Output on Standardised Regression Weights**

	( $\beta$ ) Estimate	T-values	P
<b>Controls</b>			
Gender	0.039	0.675	0.5
Marital status	-0.034	-0.566	0.571
Family status	-0.068	-0.897	0.37
Accompanied by family	-0.021	-0.28	0.78
<b>Path</b>			
CC. Communication ----> G Adjustment	-0.292	-3.331	***
Host C. Culture -----> G Adjustment	0.794	9.067	***

Note: \*\*\* = .001 (2-tailed).

**Figure 1: Direct path relationship of construct**



**Findings from the Quantitative Strand**

The survey results used Structural Equation Modelling (SEM) as the central tool for investigating the study hypotheses (H1 and H2). Our quantitative survey results showed that the hypothetical model perfectly fits the data (see Table 5). Consequently, we tested our study hypotheses, that is; H1: *Host country culture will significantly determine expatriate adjustment in distant subsidiary institutions* and H2: *Cross-cultural communication competence will significantly determine expatriate adjustment in distant subsidiary institutions*. The test results in Table 5 and Figure 1, show that Host country culture is found to be a significant determinant of expatriates’ general adjustment ( $\beta = .79$ ,  $t=9.07$ ,  $p<.001$ ). Additionally, cross-cultural

communication is found to be a significant determinant of expatriate adjustment ( $\beta = .29$ ,  $t = -3.33$ ,  $p < .001$ ). Accordingly, both hypotheses are supported as strong determinants of expatriate adjustment in distant subsidiary locations. With regards to the control variables, none was found to be significant and therefore, all control variables (gender, marital status, having family and accompanied by family to distant location) did not have influence on the predictor variables.

## **Qualitative Phase of the Study**

### *Qualitative Research Design and sample*

The qualitative phase involved an in-depth face-to-face interview with 21 senior expatriate executives. These executive informants were drawn from the 23 MNCs list given to us by the GIPC. Information gathered from the interviews constitute an essential aspect of this work and considered a wide array of contextual factors inherent in institutional distance and adjustment of expatriates. Also, the potential impact of organizational-level control on the role of cross-cultural communication and host country culture of subsidiary MNCs were key determinants of the objectives of this work. Hence, informants for the interview were mainly very senior-level expatriate executives in the respective MNCs. The empirical data was accessed through the experiences and interactions narrated by all informants and recorded using a semi-structured interview guide. The demographic characteristics of participants are located in Table 6.

### *Interview Protocol Development*

The content of the interview protocol was grounded in the quantitative results from the first phase of the study. Because the aim of the qualitative phase was to explore and elaborate on the results of the statistical tests (Creswell, Plano Clark, Gutmann & Hanson, 2003), our goal was to understand how the predictor variables can differently contribute to the determinants of

expatriates' adjustment in distant and complex subsidiaries like those of Sub-Saharan Africa. Hence, a total of six open-ended questions explored the major determinants of expatriates' adjustments factors in a sub-Saharan Africa business environment. The explored questions included: the significance of cross-cultural communication to expatriate work in distant institutions, key determinants of expatriates' adjustment in multicultural context, host country communication competence and expatriate adjustment, host country culture and expatriate adjustment, the importance of training in cross-cultural communication, and host cultural values.

**Table 6: Demographic Characteristics of Interviewed Respondents**

<b>Informant</b>	<b>Position of interviewee in MNC</b>	<b>Gender</b>	<b>Years in Ghana</b>	<b>Country of origin</b>
Informant 1	Vice- President- HRM	Male	3 years	Canada
Informant 2	V.P. Transformation	Male	2 year	South Africa
Informant 3	Group Director-HRM	Female	5 years	USA
Informant 4	Director HRM & Operations	Male	5 years	UK
Informant 5	Vice- President- HRM	Male	2 years	USA
Informant 6	Regional Manager- HR	Female	6 years	USA
informant 7	Director-Finance & Admn	Male	3 year	USA
Informant 8	Plant Manager	Male	4 years	South Africa
Informant 9	Managing Director	Male	8 years	France
Informant 10	General Manager	Male	2 years	Lebanon
Informant 11	Regional Policy Advisor	Male	2 years	Kenya
Informant 12	Regional Economist	Female	2 years	Burkina Faso
Informant 13	BOC Manager	Male	2 year	Paraguay
Informant 14	Senior Manager- CT	Male	9 years	Germany
Informant 15	Reg. Commercial Manager	Male	2 years	Tunisia
Informant 16	Head of Credit	Male	7 years	UK
Informant 17	Head Business support & CR	Male	2 years	UK
Informant 18	Head Fixed income Trading	Male	5 years	Wales
Informant 19	Senior Operations officer	Male	6 years	Bangladesh
Informant 20	Managing Director	Female	3 years	USA
Informant 21	Brands Manager	Male	4 years	Germany

## **Procedure and Data Analysis of the Qualitative Interview**

The informants in this study were required to offer the description of their day-to-day experiences of working with the indigenous staff in the subsidiaries relative to cross-cultural interactions and the host country culture in their workplaces in as much detail as they wished to share. As a result, the informants shared their lived experiences with the interviewer through audio interviews. Each taped interview lasted between 30 minutes to 1 hour 20 minutes. The advantage of recording responses of participants with an audio-taped is that, the researcher can engage in long conversations and concentrate on listening and analyzing what was being said without having to worry about taking notes (Sacks, 1992). The taped interviews were transcribed one after the other from each of the 21 subjects, and the significant statements extracted from these transcriptions became the relevant information for this study for analysis. From the transcriptions, meanings were formulated from these significant statements. The formulated meanings were arrived at by reading, rereading, and reflecting upon the significant statements in the original transcriptions to get the true meaning of the informants' statements. The aggregated formulated meanings which emerged from the transcripts were then organized into categories of themes which were common to all the subjects' descriptions. These are: expatriates' general adjustment, significance of cross-cultural communication to expatriate adjustment in distant subsidiary, and significance of host country culture to expatriate adjustment in distant subsidiaries.

### *Validation of the Qualitative data*

The categories were referred to the original descriptions in order to validate them. A further validation of the categorized data was undertaken by contacting some of the participant-informants since it was very difficult to contact all of them again. Seven of the total sampled



participant-informants were revisited while the other eight were contacted through telephone (telephone numbers and email addresses of participants were collected by the interviewer during the interviews). This was done to facilitate feedback if the descriptions formulated validated their initial experiences in which they agreed.

## **Study Results**

### ***Findings from the Qualitative Strand***

From the 21 interviews on institutional distance and expatriate adjustment, several many significant statements were extracted, but the analysis of these significant statements revealed two major clusters of themes that captured the importance of the determinants of expatriates' adjustment in MNC subsidiaries in Sub-Saharan Africa as follows:

### **Host Country Culture and Expatriates' General Adjustment**

Statements from all the 21 senior expatriate executives confirmed the importance of host country culture as critical determinants of expatriates' adjustment in the subsidiary. The reason is that the differences in applying the culture and background of people in a particular location is prerequisites in expatriates' understanding of the local people and their value systems and consequently adjusting fully in that environment. Host culture and its value systems are very significant lessons to be learnt by strangers in order not incur the displeasure of the inhabitants or the local people. When strangers and for that matter expatriates go contrary to the cultural norms of host country, the consequences can be disastrous to both expatriates and their company as they (expatriates) are likely to be alienated by the indigenes. You can only adjust well in an environment when you are accepted by the indigenous people, and this can facilitate your work performance. Thus, majority of the interviewees suggested the need for expatriates to be trained

in the specific host country culture in order to facilitate their understanding of the work behaviors and attitude of local employees in order to adjust well in the community. Expatriates would perform better if they adjust their own attitudes and adapt successfully to the host culture and behaviors of the community. This is noted by **Informant 20** in the following quotation:

*There is a host culture, and there is an expatriate's culture, and all two are different. So yes, for an expatriate to adjust well and succeed in his/her work in Africa, he/she must learn from the ground and it's not only a training that has to happen in the classroom. It's a training that has to happen in the expatriate's own heart, it's a training that the expatriate in a distant environment has to desire or force himself to want to leave.*

Also, **Informant 16** eloquently illustrated this as:

*Experience has shown that expatriates may have all the technical knowledge and skills for a particular role but they are not always successful in their job role. Usually, when they come into the new environment they typically find their performance slump in the initial stages and either they come out of the slump and become extremely positive contributors, or they remain in the trough. It is not because they don't know their jobs, it's because they see the host country as a distant institution from theirs and are therefore unable to adapt to the environment due to cultural differences.*

### **Cross-cultural Communication Competence and Expatriate General Adjustment**

The interview conversations of the respondents demonstrated adequately that cross-cultural communication competence of expatriates is very instrumental in their overall adjustment for subsidiary operations, as it helps expatriates to build rapport with local staff and improves expatriate's effectiveness in the location. The results also showed that cross-cultural communication competence is what gets expatriates to fully understand the local environment about the culture of the people around them. The interviewees considered cross-cultural communication competence of an expatriate as an advantage to the MNC because; expatriates would benefit from better communication, better teamwork, and consequently able to work better

with local staff leading to their overall adjustment. This is articulated vividly through the words of **Informant 9** as follows:

*There are many advantages of cross-cultural communication competence of expatriates. An advantage is that you are able to read and interpret the messages of the environment. So, you have a better understanding of how the society is organized in order to avoid simple mistakes that would not help you adjust well with the indigenes. Cross-cultural communication competence also enables you understand the local codes and the environment, yes, and this gives you a lot of advantages compared to others, and this will help you adjust well in the system.*

Likewise, **Informant 17** opined that:

*If you have cross-cultural communication competence, you will get things done faster and in time. The disadvantage of not having it is that, you can antagonise everybody and, in the process, get nothing done, and it works both ways for the expatriate and the local staff. If you don't have cross-cultural communication competence you can bring negative energy into the team, if you have it you can positively contribute to your own adjustment in the locality and the overall organizational development.*

Also, **Informant 13** said that:

*The benefit of cross-cultural communication competence is that you can have more confidence in yourself, and you can understand more of the people. Because we are human beings and we need each other at least here in life. Therefore, understanding each other especially during work would give an advantage to the company; because, the expatriate is able to adjust well from the competence acquired from cross-cultural communication.*

By and large, the degree of expatriates' interaction with colleagues on the amount of information that is effectively shared will depend on the expatriates' cross-cultural communication competence. To the expatriate, cross-cultural communication is crucial, and its competence is critical in all aspects of international business and culture. Understanding the components of cross-cultural communication is what will make international assignment easier, better, and in the long term will hopefully benefit the MNC.

## **Discussion of Findings**

The purpose of this study was to investigate the critical determinants of expatriates' adjustments in distant and complex multinational subsidiaries. Consequently, the work examined the extent to which host country culture and cross-cultural communication could yield value to international business as critical determinants of expatriates' adjustment. Using two strands of empirical results thus quantitative and in-depth qualitative analysis, we found that host country culture plays a significant role in determining expatriate adjustment in distant subsidiaries. Generally, the findings indicated that cultural behaviors of subsidiary host nations are significant determinants of expatriates' general adjustment ( $\beta = .79$ ,  $t=9.07$ ,  $p<.001$ ). This is complemented by the qualitative findings which explained further that host country culture is a very significant lesson for expatriates to adjust well with the local employees and the host community. Second, findings from the study indicated that expatriates' competence in cross-cultural communication in subsidiary host nations is a significant determinant of expatriates' adjustment ( $\beta = .29$ ,  $t=-3.33$ ,  $p<.001$ ). This finding is equally complemented by the qualitative results which explained further and, in more detail, that cross-cultural communication competence of expatriates is very instrumental in their overall adjustment in host subsidiary locations, as it helps expatriates to build rapport with local staff and improve expatriate's effectiveness in understanding contextual value systems in the location.

## **Contributions of This Work**

The contribution of this work is fourfold. First, our findings on host country culture as important determinant of expatriates' adjustment makes a significant contribution to the international human resource literature. Not only does the study illustrate that host country culture determines expatriate adjustment but also the impact of distant cultures that are often complex in nature like

those of Ghana and sub-Saharan Africa due to the multiplicity of cultural and linguistic characteristics (Abugre, 2016; Jackson, 2004). Hence, a contribution to expatriate knowledge and behaviors to assignments in distant locations. This finding validates Ward and Kennedy (1996) and Searle and Ward (1990) who suggested cultural values as important facilitator to expatriate adaptation. However, this study goes beyond this to emphasize on the significance of host country culture which the host cultural values are embedded in. Hence, this finding suggests that when expatriates learn or adapt host country culture and behaviors, they enhance their general conduct in the local community where they work, and this also improves their understanding of the indigenous people leading to improved communication, and a healthy relationship with the local staff. This promotes team-member and team-shared goals.

The second contribution is that by examining the influence of cross-cultural communication, we extend the knowledge on MNCs as multilingual communities (Luo & Shenkar, 2006) where parent and subunit functional languages are both significant to MNCs' operations in distant locations. Accordingly, our contribution holds that higher levels of information exchange will lead to better relationship between expatriates and local employees and the vice versa. Thus, the degree of expatriates' cross-cultural communication competence relates to a strong expatriates and local employees' relationship particularly in distant locations. The success of communicating and identifying with local staff facilitates interpersonal relationship between expatriates and local staff which can lead to speedy adjustment of the expatriate.

Our third contribution extends the international human resource literature on expatriate adjustment. This work thus extends the factors or antecedents of expatriate adjustment by showing that host country culture and cross-cultural communication are strong determinants of expatriates' adjustment. Hence, training of expatriates to acquire competence in host country

culture and cross-cultural communication will give expatriates a much broader perspective on their job than before and make them now think honestly at a higher level in a global business that embrace multiculturalism.

Finally, the geographic focus of this study – Ghana, an emerging country contributes significantly to the global strategy of multinational institutional distance in emerging economies and complex subsidiaries. The fact that most international studies focus on the Western context at the neglect of Africa and other scarce areas is at odds with effective institutional distance debate and thereby draws in the neglected region of management scholarship (Walsh, 2015). As “context matters in global strategy” especially in locations and institutions that have received limited attention in the past (Mol, Stadler & Arino, 2017:3). This study undoubtedly contributes to multinational institutional distance strategy and offer new insights to theory that responds to the widening of cross-cultural lenses and the polycontextuality debate (Von Glinow et al., 2002).

### **Theoretical and Management Implications**

There are several implications for the study findings. Theoretically, the study offers evidence on the significance of host country culture as critical determinants of expatriates’ adjustment and suggest that expatriates ought to have training in host country culture particularly those of distant and complex host subsidiaries which depict great variations from those of expatriates’ home culture. Accordingly, the contribution of this work theorizes that host country culture is associated with institutional distance which explains that MNCs should seek local knowledge and legitimize their effective operations in the host country culture by adopting to practices that are socially valuable within an institutional field. By this, norms such as culture, place of gender,

sexual orientation and hierarchical relationships, what is acceptable and what is supposed to be avoided are learnt.

Second, this work provides empirical evidence on cross-cultural communication as an important antecedent of expatriate adjustment in distant locations and suggest that MNCs must reinforce and pay critical attention to host cultural symbolic meanings and understanding through expatriates' training in cross-cultural communication. The absence of effective communication and interaction between expatriates and local staff leads to uncertainty and anxiety between the two groups, and these can create mistrust and misattribution. However, since institutional theory posit that organizations operate within a social framework of norms, values, and taken-for-granted assumptions about what constitutes appropriate or acceptable behavior (Scott, 2014). Conformity to social expectations contributes to organizational success and survival (DiMaggio & Powell, 1983). Hence, competence in cross-cultural communication enhances both oral and non-verbal behaviors of distant institutions, and so develop high-quality relationship that offer many opportunities to adjustment.

A third theoretical contribution is the extension of the determinants of expatriates' adjustment literature. By providing evidence and support on the two study hypotheses, and reinforcing the findings through an intensive qualitative interview, this work has contributed to theory on the dimensions of expatriates' adjustment.

Finally, the study has touched on some managerial and practical implications for MNCs' staffing strategies. First, this study implies that multinational staffing capabilities in host country culture and competence in cross-cultural communication are key to local subsidiary adaptation and global business integration. Managers may therefore employ these learning outcomes and integrate them into training policies of MNCs. Second, our findings provide support for

knowledge in institutional distant and the human capital value of MNCs. This presupposes the need for adaptation of resilient strategies on multinationals' knowledge of subsidiary locations. This would enable management of MNCs to intensify expatriates need for host country training in the form of socialization in a culturally heterogeneous world (Teagarden & Von Glinow, 1997) to equip them with the necessary understanding of the subsidiary environment. Third, for MNCs seeking market entering into Ghana or sub-Saharan Africa either through outright acquisition or joint ventures, this study offers insights into the current environment of expatriates positioning and adjustment in the country. While the investigation of this study represents only a percentage of expatriates in MNCs activities in Ghana, the findings nevertheless demonstrate that expatriates would depend on host country culture and their competence in cross-cultural communication to adjust effectively.

### **Conclusion, Limitations and Future Research**

In conclusion, this work examined the determinants of expatriates' adjustment in distant subsidiary locations. As a result, our investigation has found host country culture and cross-cultural communication competence to be the significant determinants of expatriates' adjustment in complex and distant locations. We hope future research builds on these significant findings to expand on expatriates' adjustment theory.

Despite these contributions and implications, the study has a few limitations that can be corrected in future. First, this is a single national culture study focused on expatriates in MNCs in Ghana. While a single national culture study is good because of its ability to reduce extraneous variations resulting from different country/nationalities, it is possible that some of the findings may be unique to the MNCs in Ghana and not to other countries thereby limiting generalisability. Future research can apply a multinational or cross-cultural data collection for improvement.



Albeit this limitation, this study makes a strong contribution to the international HR literature through a robust method approach of triangulating qualitative and quantitative methods.

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