Exploring the Relationship of Cultural Intelligence, Employee Performance, and Cross-cultural Adjustment in the Context of Transnational Operations

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Abstract. The phenomenon of globalization and the advent of a borderless economy have given rise to urgent requirements and criteria for individuals' cultural proficiency in adapting to multicultural situations. Among the measurement indicators related to cultural competence, cultural intelligence has been intensively investigated and emphasized. Meanwhile, in the field of firm management, the most valued aspect by scholars and entrepreneurs is employee performance, which is therefore related to the profitability and development of enterprises. Based on this, this article adopts a systematic literature review methodology to gather papers related to cultural intelligence, employee performance with cross-cultural adjustment serving as a mediator in transnational management both domestically and internationally in the past 10 years. This will help to clarify these three notions-- cultural intelligence, employee performance, and cultural adaptability and accordingly help multinational companies better respond to the era and improve their operational ability and cultural adaptability. Finally, it explores the relevance and limitations of the present research, while providing fresh ideas and pathways for future research.

Keywords: Cultural Intelligence, Employee performance, Cross-cultural adjustment.

1. Introduction

Against the backdrop of globalization, the economies of the world are getting increasingly interconnected. Meanwhile, transnational cooperation has become a new norm. In the context of the deepening internationalization of enterprises, cross-cultural communication among employees in multinational enterprises becomes more frequent. Since cultural barriers are far more difficult to remove than political and legal ones [1], it requires employees to possess a higher level of cross-cultural proficiency in order to elevate workplace productivity. Under this demand, countless researchers have conducted various researches on the concept and measurement dimensions of cultural intelligence, as well as its antecedent and outcome variables.

Among the loads of constructs, concepts, and models used in cross-cultural study, cultural intelligence, which can be referred as CQ, is defined as the ability to navigate and operate proficiently within diverse cultural contexts [2]. While its roots lie in the domain of cross-cultural psychology, it has garnered significant interest within the realm of transnational business management. Empirical investigations have indicated that intercultural competence exhibits a predictive relationship with various outcomes, including but not limited to global leadership [3], negotiation effectiveness [4], and job performance [5]. Among theses outcomes, performance is highlighted. Some researches dedicated on the relationship between CQ and employees' performance, simultaneously discovered many mediating and moderating factors in these two variables. Cross-cultural adjustment is a typical example.

The primary objective of this review is to gain a deeper understanding of the three concepts which are cultural intelligence, employee effectiveness, and cultural adjustment, and to succinctly summarize the relationship between cultural intelligence and employee performance (mediated by cross-cultural adjustment). Ultimately, it assesses the utility and constraints of the research, providing relevant recommendations and novel possibilities for future investigation.

In this vein, prior evaluations and reviews are concluded and complemented in this review paper. Besides, the scope is widen by conducting a systematic literature study while utilizing bibliometric

techniques and including other standard concepts such as Performance and CCA that have a close relationship to CQ. An objective and repeatable way for evaluating the state of the literature at the present time is provided based on bibliometric methodologies. On this basis, this review has the potentiality to better comprehension of the conceptual framework behind research on the three constructs and their internal linkage.

There is merit in doing more research to integrate the three ideas, as each may benefit from insights gained from the others. Furthermore, information transfer within research endeavors may contribute to the resolution of current disparities in understanding the performance results of international corporate operations. Both the concepts of Cultural Intelligence (CQ) and Cross-Cultural Adaptation (CCA) are utilized to elucidate various results in international company, encompassing personal, collective or team, and organizational levels. This study will offer theoretical explanations for the performance outcomes of workers in multinational corporations and offer recommendations for enhancing both their performance and cross-cultural comprehensive literacy, ultimately boosting the competitiveness and operational capabilities of multinational corporations.

2. Review Methodology

This review has adopted the bibliometric techniques and the formation of the entire article is based on a substantial amount of paper searches, reading, filtering, and arrangement. The research papers utilized in this study were sourced from the ScienceDirect (Elsevier) database and CNKI. These databases were chosen due to their prominence in hosting scholarly publications and their provision of criteria for picking academic journals. Then, regarding to the keywords, the terms cultural intelligence or CQ, cross-cultural intelligence or CCA and performance are respectively used for searching as the keywords or topics of the article.

After screening procedure listed as follows (Figure 1), a total of 30 studies are sorted out.

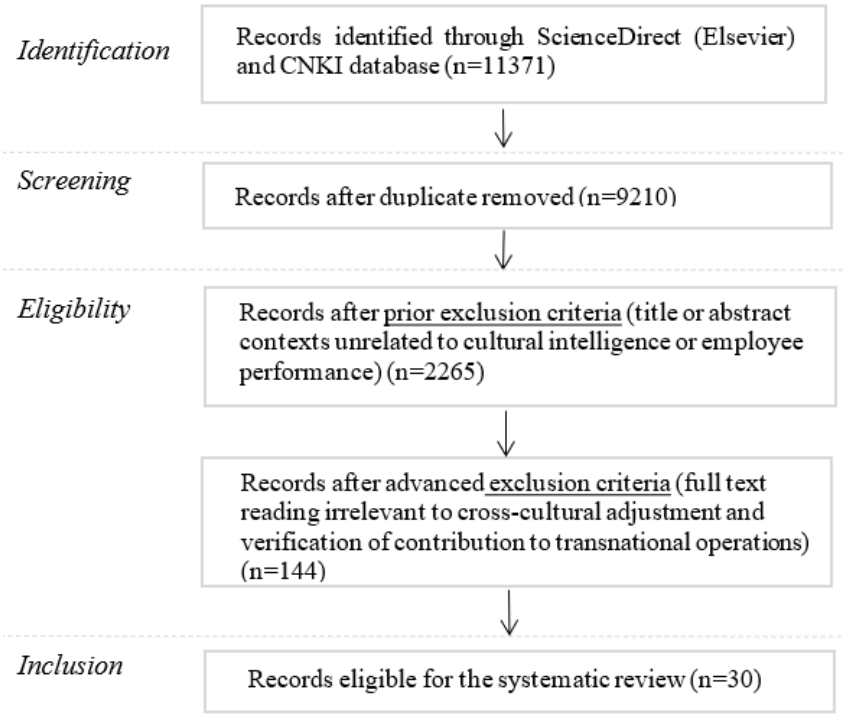

Figure 1. Selection process for the review

3. Concepts

3.1. Cultural Intelligence

Cultural intelligence (CQ) is a very effective and innovative measure used to assess an individual's cultural proficiency. It pertains to an individual's capacity to adapt and perform well in situations including encounters with persons or artifacts from cultures other than their own [2]. This version of definition is the initial established and most commonly adopted definition of CQ. However, other meanings have been put forward. For example, eight distinct definitions of CQ were provided by Thomas and his members, including their own definition, which they defined as "a system of interconnected understanding, connected by societal self-awareness, that enables people to adjust to, choose, and shape the societal elements of their surroundings" [6]. But in most of the current research on cultural intelligence, scholars still mostly adopt the dimension division method of Ang, the founder of this concept. Ang proposed that CQ is a multi-dimensional construct which incorporates meta-cognitive, cognitive, psychological feature and behavioral dimensions [5].

To explain respectively, the term "meta-cognitive cultural intelligence" (referred to as CQ-strategy) pertains to an individual's degree of cultural consciousness when engaging in cross-cultural exchanges. It comprises the mental processes used by individuals to learn about and comprehend other cultures [7]. The cognitive and intellectual aspect, known as CQ-knowledge, pertains to an individual's comprehension of cultural resemblances and variances [5]. Meanwhile, when placed in a culturally foreign environment, one's predisposition to adopt adaptive behaviors is reflected in the motivational component [8]. Finally, the behavioral component, as described in the literature, encompasses the capacity to adapt one's behavioral responses in order to effectively engage with persons from different cultural backgrounds. This entails demonstrating flexibility in navigating a variety of culturally varied situations, and employing appropriate verbal and nonverbal cues throughout interactions [9].

3.2. Employee Performance

No matter the kind or size of the business, employee performance is a problem since it directly affects the efficiency and effectiveness of the organization. In the field of management research, it is inevitably attributed to the consideration and impact of performance. According to Motowidlo S.J., who subscribes to the value performance theory, the most up-to-date definition of employee performance is the total of all the behavioral events that an employee contributes to the business over a certain time period [10]. It contains actions that support the fundamental transformation and upkeep tasks in an organization, including the creation of products, the sale of goods, and the purchase of inventories, providing services or supervising staff [11].

3.3. Cross-cultural Adjustment

Cross-cultural adjustment (CCA) refers to the process of acclimating to a novel environment or the extent of psychological adaptation encountered, including an individual's level of comfort and familiarity with functioning and residing in a culture distinct from their own [12-13]. It is also the differentiation between success and failure for expatriates on a global assignment that frequently confronts newcomers with a task that is notoriously difficult, laborious, and uninteresting [14]. According to the findings of earlier studies, the three primary aspects that make up CCA are known as general adjustment, job adjustment, and interaction adjustment [15]. For further explanation, firstly, general adjustment refers to how comfortable you are with everyday living circumstances; secondly, interaction adjustment illustrates how you interact and get along with people from the host region; and lastly, work adjustment refers to a variety of facets, including adherence to performance standards, fulfillment of job obligations, and the extent of supervisory responsibilities [15]. When people living abroad encounter a considerable degree of cross-cultural adaptation, they may devote more time to transitioning to an organization’s new lifestyle, activities, and responsibilities [16].

4. Correlation

4.1. Cultural Intelligence and Employee Performance

Employee performance is influenced by a variety of factors at the individual, team, and organizational levels. According to Goodman and Svyantek, knowledge, skills, and talents are the primary individual traits that have the greatest impact on how well employees complete their assigned jobs [17]. The positive impact of cultural intelligence on job performance has been supported by existing research. For example, individuals with high CQ possess the skills to collect and control data, make deductions, and take cognitive, emotional, or behavioral steps based on the cultural signals of the local area [2]. Also, professionals with higher meta-cognitive and behavioral cultural intelligence also have better job performance evaluated by supervisors [5]. Similarly, Dong Linping and her team members used trait activation theory to evaluate 214 employees in cross-cultural work and discovered that cultural intelligence may favorably impact employees' job performance, consequently boosting performance [18]. Below, the process by which the four elements of CQ affect employee performance as well as the outcomes are outlined.

According to the four dimensional model of CQ, meta-cognitive and cognitive cultural intelligence can help people better understand the behaviors of others towards achieving goals, and can view these behaviors from a cross-cultural perspective. When interacting with persons from diverse cultural backgrounds, those with high meta-cognitive and cognitive cultural intelligence can be perceptive to these differences and modify their knowledge models accordingly. They are also capable of comprehending the parallels and distinctions across other civilizations. Therefore, in cross-cultural work situations, employees with high meta-cognitive and cognitive cultural intelligence have more descriptive expertise related to cross-cultural communication and exchange, effectively avoiding inefficiencies brought on by cultural barriers in carrying out work tasks and eventually improving employee performance [18]. Similarly, motivational and behavioral CQ are also favorably correlated with employee performance. Motivational cultural intelligence can help people concentrate on cross-cultural circumstances. Meanwhile, they become more adaptable in their verbal and non-verbal actions to satisfy the expectations of others and are more assured that they can deal with people from a variety of cultural backgrounds [19]. Employees that possess elevated levels of motivational cultural intelligence are thus more adept at discerning differences in task performance behaviors and have a greater sense of efficacy when carrying out work-related activities [1]. In addition, as task performance is strongly tied to employees' knowledge, skills, and talents and depends on their expertise in a particular profession, high behavioral cultural intelligence can help employees improve the efficiency of cross-cultural communication and effectively complete work tasks.

4.2. Cultural Intelligence and Cross-cultural Adjustment

The degree of psychological ease that an individual derives from being immersed in the host culture is known as CCA [15]. When foreigners are highly acclimated to their new environment, they may find more desirable and comfortable transitioning to an organization's new lifestyle, activities, and responsibilities [16]. Recent study in the field of cross-cultural studies has shown a favorable correlation between CQ and CCA. According to Earley, Ang and Tan, a person with high CQ is more capable to recognize, comprehend, and find common ground with members of the host nation [20]. This argument demonstrates that by incorporating foreign cultures into their everyday activities, culturally competent expats can more readily alter their thinking, behavior, or motivation. In other words, a high CQ ensures a high level of intercultural intelligence. Moreover, it has been demonstrated that there is a connection between the three facets of cross-cultural adjustment and the four components that make up cultural intelligence. The meta-cognitive and motivational parts of CQ have been found to have a positive connection to general adjustment, work adjustment, and interaction adjustment [21]. These features, respectively, stimulate an innate interest in different cultures and assist the process of cultural learning. Further, behavioral CQ has a good association

with CCA because it enables people to alter their behavior, which helps them adjust to a new environment [18, 22]. This is one of the reasons why CCA and behavioral CQ have a favorable relationship. Aside from that, cognitive CQ, which refers to the knowledge component of the adjustment process, has a significant link with CCA. This is because cognitive CQ is a component of the adjustment process. This awareness is ubiquitous and includes knowledge of the geographic, economic, and social systems of different cultures [23].

4.3. Cultural Intelligence, CCA and Employee Performance

Apart from the recognized positive association between cultural intelligence and employee performance as well as the cultural intelligence and cross-cultural adjustment, many academics have pointed out that cross-cultural adjustment works as a moderating element in this relationship. The adjustment to a new job has an impact on the future outcomes [24]. As a result, adjustment influences job-related outcomes such as job stress, job satisfaction, and so on [25]. Culturally savvy managers will perform better because they can adjust to a new cultural situation [18] Furthermore, Takeuchi and his team members conducted a hierarchical regression analysis on 221 undergraduate students from American universities, and the results confirmed that employees with higher cultural intelligence can collaborate with colleagues in the organization more effectively, resulting in improved work performance [26]. The reason for this is that employees' cultural intelligence can impact their knowledge and response to new cultures, consequently influencing Chinese company personnel's cognitive and adaptive capacities to the local cultural environment which is exactly the ability of cross-cultural adjustment [2, 27].

5. Discussion

Even though there have been a lot of studies done on cultural intelligence and how it affects employee performance, there are still a few study inadequacies and limitations that should be brought to our attention:

Firstly, as the study is cross-sectional in nature, however, throughout existing research, scholars have not retested the changes in variables after the passage of time, so the reliability of retesting is relatively lacking. Therefore, a longitudinal study should be undertaken in the future.

Secondly, much of the research that has been done on cultural intelligence up to this point has focused almost exclusively on one particular outcome: performance. It is possible that in the future, a far wider range of outcomes, such as leadership effectiveness, intercultural work anxiety, job satisfaction, organizational commitment, and so on, will be incorporated into studies aiming to expand our understanding of the idea of CQ. At the same time, the impact mechanism and intermediary factors on performance are also relatively single, in the mediation box of two variables, more possibilities await future researchers to explore.

Thirdly, many of the factors that contribute to cultural intelligence have not yet been thoroughly researched and analyzed, such as management modes, personality traits, emotional intelligence, etc. These factors are highly correlated with personal characteristics and can effectively explain why cultural intelligence does not work effectively in a few special circumstances. As a consequence, these specific antecedents are expected to be included in the future studies.

Last but not least, the definition and measurement aspects of performance are comparatively singular and rigid. When exploring the relationship between other variables and performance, most studies focus on task component and relationship component as the two aspects and measurement ways of performance. In fact, in multicultural teams, particularly among corporate expatriates, team members may be required to undertake multiple roles. Besides excelling in their own tasks, they also need to effectively assimilate into the team, foster collaboration, and enhance the overall performance level of the team. Therefore, in the future, when examining the influence that cultural competence and cultural adjustment have exerted on performance, the individual performance of team members in multicultural teams should be categorized into distinct facets based on their roles,

and their capabilities should be analyzed in a variety of scenarios and dimensions. This is because it is important to note that different cultures place different values and importance on different aspects of a person's identity.

6. Conclusion

The cross-cultural model created by earlier researchers, which describes how cultural adjustment affects the impact of cultural intelligence on task performance, was summarized and supplemented in this paper. Besides, this review contributes to the existing body of information on cultural intelligence and may be of service to other researchers who are interested in learning the extent to which this topic has been investigated. After literature reading and analysis, a conclusion and influencing mechanism can be obtained: culturally savvy managers have a favorable impact on staff performance. Additionally, those equipped with high cultural intelligence are better able to adapt to cross-cultural situations, which in acts as a critical role in elevating performance. Consequently, cultural adjustment mediates the relationship between employee performance and CQ. By demonstrating a connection between cultural intelligence, cross-cultural adjustment, and employee performance, this study advances the corpus of research on cultural intelligence as well as our understanding of CQ as a successful intercultural competency concept. Additionally, it advances the original CQ concept's theoretical advancements. Lastly, the review identifies research gaps, suggesting a path for future researchers. Most importantly, it offers suggestions for human resource development and training in multinational corporations. These suggestions are helpful for raising the quantity and quality of human resources in multinational corporations as well as the operational efficiency and competitiveness of the entire business.

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