Cultural Adaptation of Business Expatriates in the Host Marketplace

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Satisfaction with the host culture has been found to influence the expatriate's commitment to the local operation and to the parent company. This paper investigates the role that the expatriate's consumer experiences play in the determination of his/her satisfaction with the new culture. Market alienation has a negative effect on satisfaction, but it is reduced by participation in the host marketplace. Further, cultural knowledge was not found to be directly related to satisfaction with the host culture, but rather was related indirectly through its association with participation in the host marketplace.

INTRODUCTION

Business expatriates are sojourners sent to a foreign country by multinationals with the intent to control the company operations and to provide technical and administrative services (Torbjorn, 1982). A marked upsurge of interest in the topic of expatriates’ cultural adaptation has been provoked not only by the growth in the volume of expatriates but also due to the financial costs associated with expatriation as well as premature repatriation (the cost of failed expatriate stints is estimated to be between $2 and $2.5 billion; Kotabe and Helsen, 1998). Successful cultural adaptation of business expatriates affects their organizational commitment as well as other performance variables (Gregersen and Black, 1989; Jun, Lee, and Gentry, 1997; Mathieu and Zajac, 1990). At the same time, the organization’s perspective on expatriation as part of the career path affects greatly the desire to adapt culturally (Feldman and Thomas, 1992; Feldman and Tompson, 1993).

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Business people are not free from the culture shock experienced in daily life in a new cultural environment. Cross-cultural problems may be manifested in the marketplace when individuals fail to understand and accept the local consumption and market practices due to different cultural backgrounds. Birks and Hill (1995) found that the expatriate's material life dissatisfaction is strongly associated with turnover tendencies. Our emphasis on the expatriate's (and his/her family's) interface with the host marketplace, a major element in his/her material life (dis)satisfaction, is relatively unique to the literature on expatriate adjustment.

Business expatriates and their families may be a social segment vulnerable to frustration in the marketplace due to their different cultural backgrounds. Few studies of business expatriates have addressed alienation from the host marketplace in the process of cultural adaptation. In the domain of consumer research, the emphasis has been how "they" differ from "us" in the marketplace, not how they cope with differences. With market alienation as the focal construct, the present study has three objectives: first, it specifies the meaning of market alienation for business expatriates in the cultural adaptation process. Next, it explains the sequential process of cultural adaptation in terms of antecedents to market alienation and its effects on successful cultural adaptation. Finally, the results of empirical tests are incorporated into the current literature on expatriation.

Cultural Adaptation

Cultural adaptation is a social cognitive process that reduces uncertainty and an affective process that reduces anxiety; the outcomes of cultural adaptation include psychological well-being and satisfaction as well as social competence (Gao and Gudykunst, 1990; Ward and Kennedy, 1992). Failure to adjust successfully may lead to negative consequences such as lowered mental health status, feelings of marginality and alienation, heightened psychosomatic symptoms, and identity confusion (Berry et al., 1987).

Acculturative stress is not inevitable but varies depending on how the individual perceives the changes in a new cultural environment and how s/he develops coping strategies. It is not the cultural differences themselves but the internal processes used to cope with the differences that are important to successful cultural adaptation. With complete adjustment, individuals not only accept the customs of the new culture as another way of living but also actually begin to enjoy them or at least terminate the projection of discomfort onto the host culture (Oberg, 1960). Thus, successful cultural adaptation can be conceptualized as an individual's general satisfaction with one's personal situation in the host country (Gudykunst and Hammer, 1983; Torbijn, 1982).

Market Alienation

Market alienation occurs when individuals fail to accept the prevailing patterns of consumption or fail to find fulfillment in the offerings of the marketplace, and/or when individuals lack trust in the market system. The psychological state of market alienation can be expressed as feelings of separation from the norms and values of the marketplace, feelings of lack of acceptance of or identification with market situations, practices, and outputs, and feelings of separation from the self when one is involved in the consumption role (Allison, 1978).
For consumers who have different cultural backgrounds from the dominant culture in the marketplace, market alienation is a manifestation of their cultural adaptation process. For these consumers, cultural adaptation refers to how they are treated by the mainstream of the host society and the degree to which they are accepted by the host culture, not what they do and buy in the host marketplace (Penaloza, 1994). Not only may the marketplace be less than accepting of the expatriate and his/her family, but the expatriate’s family may be less than tolerant of some business practices encountered. Feelings of alienation could be further spread to other domains of social life as market alienation has been found to be highly correlated with social alienation in general (Allison, 1978; Pruden, Shuptrine, and Longman, 1974).

**Marketplace Participation**

When encountering a new culture, business expatriates are likely to be located on the periphery and to be treated as outsiders (Thomas, 1996). As the expatriate finds himself/herself on the periphery, s/he may feel that the host society will not readily share its values and rules and that the host society will not allow her/him inside the society. Ward and Kennedy (1992) noted that the sojourner-host contact is stressful when the host culture is neither open nor receptive to foreigners. Gilly (1995) investigated American expatriates and their spouses and found that respondents were frustrated by their lack of knowledge about the way things work in the marketplace. On the other hand, when one can participate comfortably in the new culture, the expatriate often has a feeling of being a contributor instead of merely a recipient (Schild, 1962).

**Cultural Knowledge**

Sojourners are not likely to be motivated to engage in active participation in a new environment if they are uncertain as to what is appropriate behavior, as such contacts with host nationals could be threatening and increase anxiety (Stephan and Stephan, 1992). Uncertainty refers to the ability to predict accurately how others will behave and the ability to explain the behavior of others (Berger and Calabrese, 1979). Uncertainty reduction, thus, involves the creation of proactive predictions and retroactive explanations about the behavior of oneself and others; accurate interpretation of behaviors can be gained through learning about the host culture (Gudykunst and Hammer, 1988).

Expatriates may learn the host culture indirectly prior to direct contact with the host society, as pre-departure training can be an effective way to gain knowledge about the host culture (Black, Mendhall, and Oddou, 1991). However, cultural knowledge acquired in one’s culture of origin may be inadequate and subject to modifications as one encounters the new environment. Cultural knowledge obtained by indirect learning such as through contact with mass media can be superficial and subject to misinterpretation compared to the knowledge obtained by direct contacts with the host society (Lee, 1989; Weimann, 1984). Furthermore, cultural knowledge itself does not necessarily guarantee that sojourners in a foreign country will be empathetic to host nationals or become a part of the host culture (Bennett, 1986; Gudykunst and Hammer, 1983; Tung, 1981). However, indirect learning is a less risky means of gaining cultural knowledge than direct contact, which is more likely to lead to embarrassment. Thus, expatri-
ates are likely to gain cultural knowledge in order to reduce uncertainty prior to active participation in consumption acts.

**Model and Hypotheses**

The previous arguments suggest a model of cultural adaptation for business expatriates. Business expatriates who are well adapted to the host culture are satisfied with their stay in the host society, while those who have feelings of alienation from the host marketplace are more likely to be dissatisfied with their stay. Market alienation may be reduced by active participation in the host marketplace. Knowledge about the host culture, which is an indicator of uncertainty reduction, stimulates marketplace participation. Thus, cultural knowledge may contribute to the satisfaction with the stay in the host society. However, its effect is not direct but rather indirect, mediated by behavioral participation in the host marketplace and feelings of market alienation. The suggested model provides the following hypotheses to be tested (see Figure 1).

**Hypothesis 1:** Knowledge about the host culture is associated with marketplace participation in the host society.

**Hypothesis 2:** Marketplace participation in the host society is negatively

**Figure 1**

**Structural Model**

![Diagram](image.png)

(+) Positive estimate of coefficient is expected in the hypothesis.

(-) Negative estimate of coefficient is expected in the hypothesis.

(o) Non-significant relationship is expected in the hypothesis.
related to feelings of market alienation.

**Hypothesis 3:** Market alienation is associated with dissatisfaction with the stay in the host society.

**Hypothesis 4:** There is no direct effect of cultural knowledge on satisfaction with stay in the host society.

**METHOD**

While previous studies of expatriates have focused mostly on individualists staying in a collective culture such as American expatriates in Japan, we chose to investigate Korean expatriates staying in a mix of countries in terms of individualism/collectivism (Triandis, 1995), thus extending the scope of previous work. The Korean culture was chosen partly because two co-authors are Korean and familiar with the Korean language.

Questionnaires in the Korean language were sent to 1,000 Korean business expatriates. They were randomly selected from the directory of expatriates of the eight large conglomerates (chaebols) in Korea. One hundred and ninety-four responded either by mail or fax. This response rate is very similar to that reported in Birdseye and Hill (1995), who also surveyed expatriates in a variety of countries. Harzing (2000) noted that cross-national mail surveys aimed at industrial populations have response rates typically between 6% and 19%. Table 1 shows the profile of the respondents as well as the list of host countries.

Nearly all (95%) expatriates had their families with them, so we could not investigate differences between those with and without families. In many cases, the interactions with the host marketplace took place with all family members. Given the nature of family dynamics,
disenchantment with the host marketplace on the part of one member (especially the spouse) will also affect the expatriate’s psychological well-being. More than a quarter of the sample had previous expatriate experience; however, no significant differences were found for the variables in the model between those with and without previous experience. The expatriate’s Length of Stay was correlated with Cultural Knowledge ($r=.25, p<.001$), but not to Marketplace Participation, Alienation, nor Satisfaction. When Marketplace Participation was regressed on Cultural Knowledge and Length of Stay, the effect of Length of Stay was not significant.

We did not sample expatriates who returned early from their foreign assignment. Thus, we are assuming that one’s dissatisfaction with the stay in the host culture is related to the tendency to return early. Further study among Korean expatriates (including those who return early) is needed in order to investigate the validity of this assumption in the Korean context.

Five-point scales were developed to capture the four variables constituting the suggested model. For the measure of cultural knowledge, Gudykunst and Nishida’s (1986) scales for attributional confidence were modified to reflect uncertainty reduction. A measure of marketplace participation was developed to reflect the extent of behavioral participation in the host marketplace and the extent to which expatriates are actively engaged in day-to-day purchase processes. Market alienation items were adapted from Allison (1978) and Pruden et al. (1974) to reflect the feelings of market alienation in a foreign context. Gao and Gudykunst’s scales (1990) were modified to measure satisfaction with the stay in the host country.

Using the confirmatory factor analysis of LISREL VII for each construct (Jöreskog and Sörbom, 1989), we discarded those items compromising the unidimensionality of each variable. Then, a confirmatory factor analysis was done for the suggested four-factor model. In this analysis, items with large negative normalized residuals with items belonging to a different factor were dropped, so that the overall model fit might be optimized.

The overall fit of the measurement model was acceptable: $\chi^2 = 60.3$ (d.f. = 48, $p=.11$), GFI = .951, AGFI = .920, and root mean-squared residual = .043. The indices of composite reliability ranged from .62 to .82, and these values are considered adequate (Bagozzi and Yi, 1988). The measures had reasonable levels of convergent and discriminant validity based on the conventional criteria (Anderson and Gerbing, 1988).

**RESULTS**

The maximum likelihood method was used to estimate the measurement submodel and structural sub-model simultaneously. The overall model fit was acceptable: $\chi^2 = 64.0$ (d.f.=50, $p=.088$), GFI = .947, AGFI = .917, and root mean-squared residual = .046.

Maximum likelihood parameter estimates supported the hypotheses: $\gamma_{11}$ (cultural knowledge $\rightarrow$ marketplace participation) was .56 ($t=3.8, p<.001$), $\beta_{21}$ (marketplace participation $\rightarrow$ market alienation) was -.55 ($t=-4.6, p<.001$), $\beta_{32}$ (market alienation $\rightarrow$ satisfaction) was -.32 ($t=-2.7, p<.01$), and $\gamma_{31}$ (cultural knowledge $\rightarrow$ satisfaction) was .14 ($t=1.2, p>.10$).

The structural model was respecified without the direct path between cultural knowledge and satisfaction. Its overall fit was also acceptable: $\chi^2 = 65.3$ (d.f.=51,
p = .086), GFI = .947, AGFI = .918, and root mean-squared residual = .049. A chi-square difference test for the two alternative models indicates that the re-specified model is more acceptable when parsimony is preferred. Thus, the results indicate that cultural knowledge is associated with one's satisfaction with the stay in the host culture, but its influence is not direct but rather indirect through marketplace participation and, in turn, a reduction in market alienation.

Our findings thus support the contention that the consumer behavior of expatriates and their families is an important non-work variable affecting cultural adjustment. Participation in the host marketplace does lead to greater satisfaction with the expatriate's stay.

**DISCUSSION**

The present study suggests that business expatriates' adaptation to the host marketplace is associated with their successful cultural adaptation to the host society in general. For Korean business expatriates across various countries, it was found that their satisfaction with the stay in the host society, as an indicator of successful cultural adaptation, was negatively influenced by alienation from the host marketplace. Uncertainty reduction through cultural knowledge did not contribute directly to the successful adaptation but was effective in terms of increasing market participation, which reduced the feeling of market alienation. In a sense, the contribution of cultural knowledge to the successful cultural adaptation supports Black et al.'s (1991) position, which addresses the role of anticipatory adjustment to reduce uncertainty in the international adjustment of business expatriates. On the other hand, the mediation effect of market alienation on satisfaction echoes the point that understanding and endorsement of a different culture are not necessarily linked. Researchers in the area of intercultural training have noted that the provision of information about the host culture is not sufficient to change attitudes toward the host culture or to integrate one into the host cultural context (Bennett, 1986; Gudykunst and Hammer, 1983; Thomas, 1996).

One implication of our findings is that preparatory training should facilitate the expatriates' participation in the host marketplace. Expatriates should be encouraged to employ problem-focused coping strategies such as social integration or the development of flexible appraisals of the host culture instead of symptom-focused coping strategies such as psychological withdrawal or palliative coping (Feldman and Thomas, 1992; Feldman and Tompason, 1999; Selmer, 1999).

The present study has limitations. First, we did not consider the local environment of the respondents (i.e., the degree of interaction required with locals). In some environments, business expatriates may be forced into much social interaction with members of the host society despite a lack of confidence in their communication skills and in their knowledge of the host culture. Second, organizational cultures exert varying degrees of pressure to conform to local conditions and for internal consistency within the organization as a whole (Rosenzweig and Singh, 1991); organizational culture was not measured in this study. Further insight would have been gained had we also surveyed the immediate superiors of these expatriates as well as expatriates who had returned before their assignment was completed. Given the dominance of the chaebols in Korea's global efforts, the sampling
frame is representative of Korean expatriates. However, the Korean context may not be generalizable due to the relative homogeneity of the Korean population compared to most countries in the world. Finally, cultural adjustment is a dynamic process, but we have used a cross-sectional approach to investigate it. Longitudinal study of both successful and unsuccessful expatriates is needed.

REFERENCES


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