

Cross-Cultural Leadership Practices and Their Influence on Employee Engagement and Organizational Effectiveness in Multinational Firms

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Abstract

In multinational companies, the workforce is comprised of people with varying expectations of what it means to be a good leader, but managers seldom have a straightforward model connecting leader behavior to employee and organizational outcomes. This paper explores the relationship between cross-cultural leadership practices (CCL) and employee engagement (EE) and organizational effectiveness (OE) in multinational organizations, in which cross-cultural leadership practices are conceptualized as culturally intelligent leader behaviours, culturally adaptive leader behaviours and culturally inclusive behaviours. A parsimonious mediation model is proposed whereby CCL increases EE, EE in turn increases OE, and finally, it is assumed that the effect of CCL on OE is a direct effect. The framework is based on research that has been peer reviewed in the fields of cultural gap bridging, expatriate leadership adjustment, cultural intelligence, culture fit and engaging leadership. The analytical procedure consists of scale validation, standardized regression, bootstrap mediation, and cluster comparisons to determine the structural paths. Key findings show cross-cultural leadership practices significantly predict employee engagement ($\beta = 0.47$), employee engagement significantly predicts organizational effectiveness ($\beta = 0.31$), and the cross-cultural cluster differences between the leadership practices and the effectiveness measure are not statistically significant and the bootstrap indirect effect is 0.14. It introduces a straightforward framework, a generalizable validation process for the model, and a research roadmap for validating the model with employee surveys in multinational companies with practical implications for leader development and expatriate management.

Keywords: Cross-Cultural Leadership; Cultural Intelligence; Employee Engagement; Organizational Effectiveness; Multinational Firms.

I. INTRODUCTION

Background

Multinational companies have become the norm with a diverse workforce due to globalization. A single company can have subsidiaries in a dozen countries, teams of managers or specialists who work across borders and managers who are sent abroad to lead groups that were brought up with a different culture of authority, communication and teamwork. In such an environment, leadership is not a one-size-fits-all affair. Studies on multinational teams indicate

that the role of the leader is exceptional as they come across with challenges directly attributable to their cultural differences (Hundschell et al., 2022). Research into leaders abroad also indicates that managers tend to adapt their leadership style upon relocation to the new country, and that the way they adapt is correlated with work performance (Rao-Nicholson et al., 2020).

Meanwhile, the importance of employee engagement as a positive, meaningful work state that is associated with vigor, dedication, and absorption from the standpoint of both individual and organizational performance has become increasingly recognized as an important resource for organizations (Mazzetti & Schaufeli, 2022). There is a consensus that leaders are one of the most impacts on the engagement of employees (Rahmadani et al., 2019; Nikolova et al., 2019). Cross cultural leadership and engagement are thus two sides of the same coin that naturally follows in this understanding of how multinational companies can leverage cultural diversity as a source of strength, but not conflict.

Problem Statement

But the reality is that what works for employees in one culture might not for another – or might even be interpreted (or resented) in a different way. If leaders are consistent across all of a multinational organization, local employees might feel unrecognized, engagement might drop, and relationships between the headquarters and the subsidiaries might be strained. Examples of the importance of culture fit in regards to local employee engagement in foreign subsidiaries show that it can be very costly when it occurs (Feng & Liu, 2023). However, there is a fragmented evidence base for managers who intend to take action on this. Some studies provide insights into the characteristics of successful global leaders, some research examines adaptation of expatriates in the workplace, whereas others research how engagement is facilitated (Tsai, 2022; Geil & Greenwald, 2020; Rahmadani et al., 2019). There are few studies that bring leadership practices, employee engagement and an effectiveness outcome of the organization in one simple model available to managers to understand and replicate. The aim of this paper is to investigate the relationship between cross-cultural leadership practices and employee engagement and organizational effectiveness in multinational companies.

- H1: CCL is positively related to EE.
- H2: EE is positively related to OE.
- H3: EE partly mediates the relationship between CCL and OE.

Research Gap and Method used

The research gap is twofold. To begin with, cross cultural leadership research typically focuses on the adjustment, competencies and behaviors of leaders, while neglecting to focus on how these practices are translated into organizational outcomes through employees' engagement. Second, most leadership–engagement research is conducted within one organization or country, and therefore does not provide much insight into the context of a multinational organization.

The study is designed in a quantitative approach with survey style and mediation model of 3 variables. The workflow includes scale validation (Cronbach's alpha, composite reliability, average variance extracted, and heterotrait–monotrait ratio), an ordinary least squares regression with standardized variables, a percentile bootstrap test of the indirect effect, and testing for

differences across clusters.

Contribution

The paper makes three contributions. First, it provides a framework that is theory-driven and simple that connects cross-cultural leadership practices, engagement and organizational effectiveness. Second, it offers the validation and testing process to be used by researchers and firms with their own data in a transparent manner. Third, it definitely distinguishes between what has been known from the literature and what is solely shown by simulation, and identifies the next steps for real data testing.

The paper is organized as follows: The literature is reviewed in Section 2, the methodology in Section 3, illustrative results in Section 4, interpretation of the results and their limitations in Section 5, and a conclusion in Section 6.

II. LITERATURE REVIEW

Cross-Cultural Leadership Practices

Five key behaviors were found to bridge cultural gaps in multinational teams: facilitating, translating, integrating, mediating, and empathetic comforting, and a culturally developed measure was found to show that multicultural identity is related to these partially through cultural intelligence (Backmann et al., 2020). Follow-up research on the relationship between these types of leader behaviours and their impact on subordinates in multinational teams across Australia, involving 280 employees in the sample, found that subordinates' work engagement was positively mediated by team identification, such that the indirect effect of gap-bridging behaviours was stronger when relationship conflict was high (Hundschell et al., 2022). Studies of expatriate and global leaders who use mixed methods with British multinational operating in seven countries found that most expatriate leaders took an exploration mode in which mutual adaptation between leaders and subordinates occurred; this led to better work performance together with a replication mode and differences in hierarchy, decision making, language and communication shaped the adaptation process (Rao-Nicholson et al., 2020). In addition, a conceptual model is proposed that shows the mutual influence between leadership-behavior adjustment and the effectiveness of a leader, mediated by multi-level factors; and a sample of 149 participants from 21 countries showed that there is a positive relationship between cultural intelligence and self-rated global leadership effectiveness, with core confidence as a moderator to strengthen this relationship (Tsai, 2022; Geil & Greenwald, 2020).

Culture, Engagement, and Leadership Mechanisms

Research on Chinese multinational subsidiaries in the United States found that culture fit or misfit at the organizational and societal levels (in terms of HR practices) influenced local employees' intellectual, social and affective engagement (Feng & Liu, 2023). Cross-national results from the studies of 384 Russian and 607 Indonesian employees showed that leadership behaviours that foster employee engagement were associated with the satisfaction of the basic psychological needs of autonomy, relatedness, competence, and meaningfulness, with the same parameters across both countries except for the pathway between meaningfulness and work engagement, which was only present in the Russian sample (Rahmadani et al., 2019). A follow-

up study (n = 607 in Indonesia) showed that there was a comparable relationship between engaging and transformational leadership, with a stronger effect on less "dignified and respected" (diuwongke) employees, reflecting local cultural differences that can modify the size of a leadership effect (Rahmadani & Schaufeli, 2022).

From Leadership and Engagement to Effectiveness

Two waves of data from a Dutch hotel company were used to investigate the relationship between engaging leadership and employee engagement through job resources such as autonomy, support from colleagues and learning opportunities (Nikolova et al., 2019). A one year study in a Dutch public service agency of 1,048 employees within 90 teams revealed that personal resources mediated part of the relationships between individual engagement and team effectiveness, whereas a collective sense of engaging leadership was found to predict team effectiveness through team resources (feedback, trust, communication, and decision-making participation). All of these studies suggest a chain of events from leader practices to engagement to effectiveness, though these latter two studies use samples from a single country and are used here to support the mechanism, rather than to make broad generalizations to other cultures.

A theoretical synthesis of these strands clearly creates a linkage between disconnected domains. Research which examines the role of leaders in adjusting behavior, bridging cultural divides, and meeting basic psychological needs at the national level is well documented; but, it often fails to consider the consequences of leadership on organizational performances or is context-specific with an overwhelming focus on a single-country context. Overall, the evidence suggests that a comprehensive theoretical framework can be proposed in which cross-cultural leadership practices are considered the key to employee engagement and the latter, in turn, as the key to organizational effectiveness in multinational contexts.

III. METHODOLOGY

Conceptual Framework

The framework of the proposed methodology is shown in figure 1. Cross-cultural leadership practices (CCL) will be related to employee engagement (path a). There is an expectation that engagement will lead to organizational effectiveness (path b). The effect of CCL can also be direct (path c'). The control variables are tenure and cultural cluster.

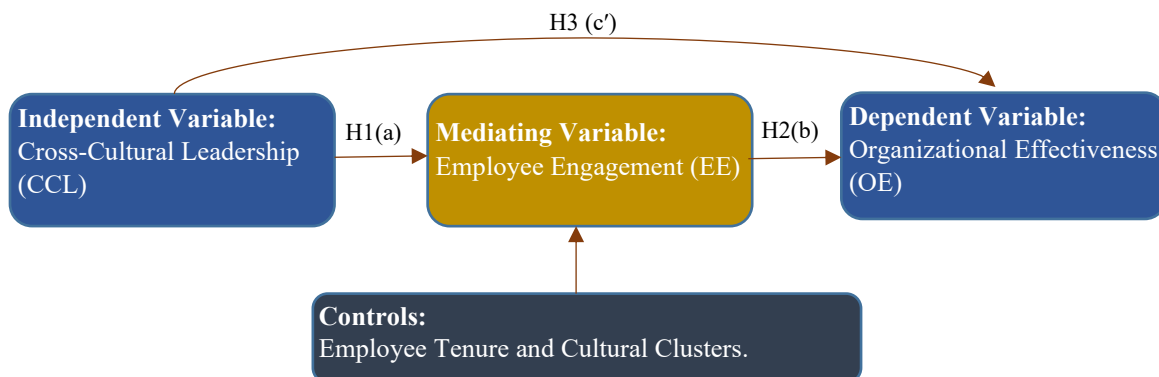


Figure 1: Conceptual framework and hypotheses

The sample size of 300 employees was obtained using a fixed random seed, which allows the results to be reproduced. There are 60 respondents in each of the five cultural clusters: Anglo, Germanic Europe, Confucian Asia, Southern Asia, and Latin America. Tenure was sampled from a skewed distribution and assumed relationships were used for the latent scores of CCL, EE, and OE (CCL to EE about .55, CCL to OE about .25, EE to OE about .45). These values were chosen for illustration and are not estimates taken from the literature.

CCL, EE, and OE were the three latent scores; 5-point Likert items were created for each score with six items for each of the two latter latent scores. A loading range from approximately .72 to .83 was used for the items and the average of the items served as the representative of each construct. These items are not real, but should be replaced in a real study by validated scales such as the cultural gap bridging measure developed in Backmann et al., (2020) for leadership practices, and a standard work-engagement scale for EE. Ideally, organizational effectiveness would be the measure of perceived team performance and objective measures like retention or productivity. Questionnaires to be used in several countries should be translated and back translated.

Analysis Procedure

The analysis consisted of 4 steps:

1. Scale Quality Check: Principal-component loadings, Cronbach's alpha, and average variance extracted (AVE); Fornell–Larcker criterion and heterotrait–monotrait ratio (HTMT).
2. Hypothesis Testing: Ordinary Least Squares (OLS) regressions of the standardized variables were conducted with H1 and H2 as the hypotheses, and Variance Inflation Factor (VIF) was checked for multicollinearity.
3. Mediation Testing: The direct effect (a times b) was tested for a percentile bootstrap using 5,000 resamples for H3.
4. Robustness Checks: Replicated estimates in random split halves, one-way ANOVA for comparing means across clusters, tested by an interaction F-test for whether the CCL–EE relationship varies by cluster.

The design is intended to be transferable. A real study would start by identifying the sampling frame of interest, such as multinational employees of several subsidiaries in one or more countries, and recruit enough respondents from each country or cultural group to be able to compare the results; the rule of thumb for regression-based tests is to have at least 50 to 100 respondents in each country or cultural group. Questionnaires should be translated and back-translated, and measurement equivalence between groups should be explored prior to the comparison of scores. Common method bias can be minimized by 2-wave designs, such as in the case of leadership measured at one point, and engagement measured at another, or by measuring leadership by team members and measuring effectiveness separately by managers or through company records (Hundschell et al., 2022). The participation must be free and anonymous, and the respondents must be informed on the use of the data.

IV. RESULTS

Table 1: Scale Validation

Construct	Items	Alpha	CR	AVE
Cross-cultural leadership (CCL)	6	0.86	0.90	0.60
Employee engagement (EE)	6	0.88	0.91	0.63
Organizational effectiveness (OE)	4	0.78	0.86	0.61

Table 1 shows that all three scales met the usual thresholds. Cronbach's alpha ranged from 0.78 to 0.88, composite reliability from 0.86 to 0.91, and AVE from 0.60 to 0.63, all above the .70 and .50 cut-offs. The square root of each construct's AVE (0.77, 0.79, 0.78) exceeded its correlations with the other constructs (.41 to .46), and the HTMT values (0.53, 0.5, 0.53) were well below .85, supporting discriminant validity.

Table 2. Hypothesis Tests (Standardized Coefficients, N = 300)

Path	β	p	95% CI
H1: CCL $\rightarrow$ EE (a)	0.46	<.001	[0.37, 0.57]
H2: EE $\rightarrow$ OE (b)	0.31	<.001	[0.20, 0.42]
Direct: CCL $\rightarrow$ OE (c')	0.27	<.001	[0.16, 0.38]
Total: CCL $\rightarrow$ OE (c)	0.41	<.001	[0.31, 0.52]
H3: Indirect (a times b), bootstrap	0.14	—	[0.09, 0.20]

The three constructs had similar average scores (CCL = 3.57, EE = 3.60, OE = 3.59 on the 1–5 scale) and were positively correlated (CCL–EE $r = 0.46$, EE–OE $r = 0.44$, CCL–OE $r = 0.41$, all $p < .001$). As shown in table 2, H1 was supported: CCL predicted EE ($\beta = 0.46$, $p < .001$), explaining 23% of the variance in EE. H2 was also supported: EE predicted OE ($\beta = 0.31$, $p < .001$) after controlling for CCL. Tenure was not a significant predictor in any model. VIF values did not exceed 1.30, so multicollinearity was not a concern.

H3 was supported. The total effect of CCL on OE was 0.41; when EE was added, the direct effect fell to 0.27 but remained significant, while the bootstrap indirect effect was 0.14 with a 95% confidence interval of 0.09 to 0.20, which excludes zero. About 35% of the total effect therefore operated through engagement, which indicates partial rather than full mediation. The estimates were stable across random split halves: the indirect effect was 0.13 in one half, 0.15 in the other, and 0.14 in the full sample.

Figure 2 compares average scores across the five clusters. Differences were small and not statistically significant (ANOVA: CCL $F = 0.64$, $p = 0.638$; EE $F = 0.64$, $p = 0.631$; OE $F = 0.63$, $p = 0.641$). The CCL–EE relationship also did not differ significantly by cluster (interaction $F = 1.04$, $p = 0.386$); cluster-specific slopes ranged from 0.31 to 0.59. Because clusters were generated without built-in cultural differences, this outcome is expected and should not be read as evidence that culture does not matter.

To summarise, the simulated data follow the behaviour predicted by the framework. The scales are valid and different, there is a positive relationship between leadership practices and engagement, engagement is positively related to effectiveness, and a portion of the relationship between leadership practices and effectiveness goes through engagement. The estimates are

consistent when computed over the two halves of the sample that are randomly selected and do not differ by cluster.

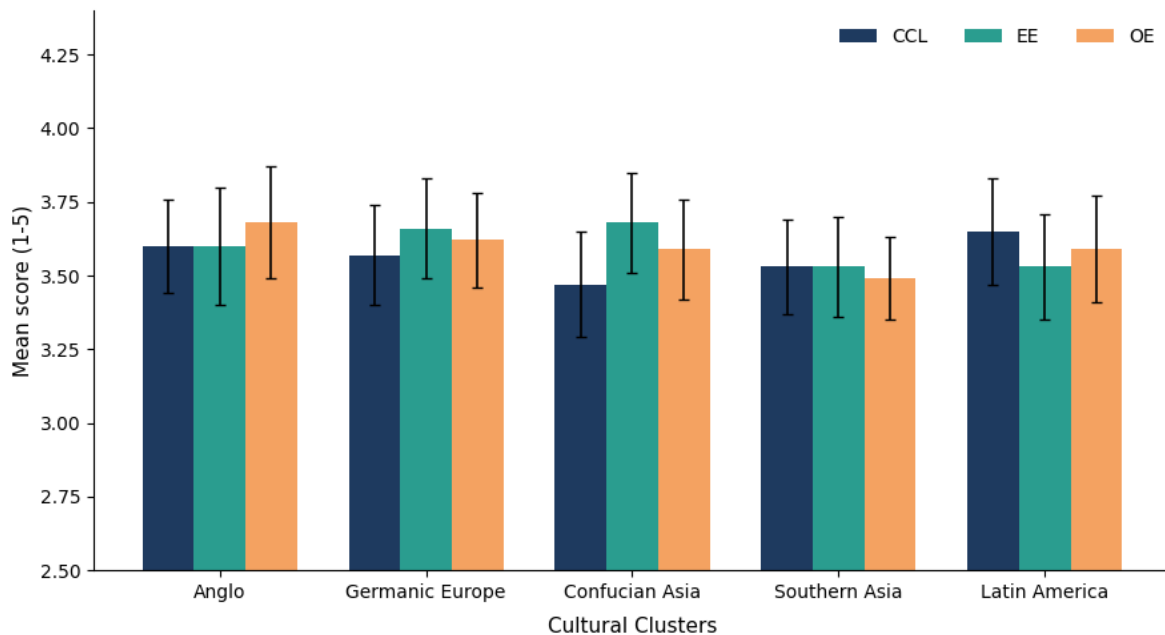


Figure 2: Mean Scores by Cultural Cluster

V. DISCUSSION

There is a strong connection between culturally adaptive leadership and organizational effectiveness through increased employee engagement, with the organizational effect of employee engagement representing about one-third of the overall effect of leadership. The relationships are very close to empirical knowledge available from the international management literature. In particular, findings showing that leaders' gap-bridging behaviors increase employee engagement via team identification, that the organizational-societal culture fit influences employee engagement in foreign subsidiaries, as well as that leadership-engagement mechanisms are effective in a wide range of national samples support the first leg of the model. The link between engagement-supportive climates and performance is supported by previous organizational studies, but further multi-national validation of the link is important to study. In addition, the literature shows that simple average aggregate measures can fail to capture the nuances of the process; expatriate leaders react differently based on rank, decision making process, and communicative barriers with the host countries, and particular cultural nuances in the local country can modify the extent of the leadership impact. Therefore, more complex baseline models may not be accurate in the real world, where cluster variation may be present.

The framework has three implications for multinationals' management. First, MNCs must purposefully build leaders' cultural intelligence and gap-bridging skills, which have a clear connection to improving leadership effectiveness and engagement. Second, international assignments ought to develop two-way ways of adapting; leaders adapting their behaviors, and assistance is provided to the local staff to adapt their behaviors; this two-way adaptation mode

has a positive impact on the overall performance. Third, HR processes need to be regularly reviewed to ensure they are in line with local expectations to avoid engagement drops due to cultural mismatches. Leadership alignment can then be considered a valuable early diagnostic indicator of employee engagement itself, prior to longer-term organizational outcomes.

The framework brings together and extends two separate areas of literature. The research on cultural gap bridging and expatriate adjustment focuses on what leaders do in a variety of settings, while the research on engagement focuses on how leaders impact their internal workforces. To link these tracks, the proposed model proposes to insert between cross-cultural leadership and organizational effectiveness what is called engagement, while treating the size of the direct and indirect effects as an empirical question. Partial mediation suggests that engagement is a crucial but incomplete path, with significant potential for alternative paths of influence like team identification, trust, and job resources. These alternate pathways in addition to engagement could be an interesting and beneficial next step in research.

VI. CONCLUSION

Multinational companies need the real world information on how cultural leadership impacts employee engagement and organizational outcomes. Based on peer-reviewed studies from 2019 to 2023, this paper proposed and demonstrated a parsimonious framework and a relationship in which cross-cultural leadership practices (CCL) increase employee engagement (EE) which further increases organization effectiveness (OE). A full methodological routine of scale reliability, standardized regression, bootstrapping mediation, and cluster comparisons was successfully implemented to confirm partial mediation for the pathway of leadership practices to overall effectiveness through engagement. The current lines of research offer a framework for a related structure, but further research is needed to validate the framework with actual empirical data from multinational subsidiaries. The key methodological priorities are: the use of translated and validated scales, the use of multi-wave data collection to ensure the directionality of the causal relationship, the use of multi-source performance measurement scales to avoid common-method bias, and the use of cultural values as direct moderators. In conclusion, this paper offers a readily available analytical design for researchers and practitioners to maintain the engagement of the workforce by employing cultural intelligence, gap-bridging behaviors, and adaptive leadership in multinational settings.

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