

LEADER AND EMPLOYEE CULTURAL INTELLIGENCE AS DRIVERS OF EMPLOYEE ENGAGEMENT IN FDI ENTERPRISES IN VIETNAM

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ABSTRACT:

This study investigates the influence of leader and employee cultural intelligence on employee engagement in foreign direct investment (FDI) enterprises in Vietnam. Grounded in the Job Demands–Resources framework, both forms of cultural intelligence are conceptualized as cross-cultural resources that enhance motivation and engagement in multicultural workplaces. Data collected from 207 employees were analyzed using partial least squares structural equation modeling (PLS-SEM). The results indicate that both leader and employee cultural intelligence exert positive effects on employee engagement, with employee cultural intelligence demonstrating a comparatively stronger impact. These findings underscore the critical role of cultural intelligence as a strategic resource in fostering employee engagement within increasingly diverse organizational contexts.

Keywords: leader cultural intelligence, employee cultural intelligence, employee engagement, FDI.

1. Introduction

Globalization and foreign direct investment have made multicultural workplaces increasingly common, especially in FDI enterprises, where intercultural interaction is routine. While cultural diversity can enhance knowledge, creativity, and innovation, it can also create communication difficulties and conflict if poorly managed (Eassa, 2024). Identifying factors that help employees work effectively in such environments is therefore increasingly important.

Employee engagement (EE) is a key outcome in multicultural workplaces. It reflects employees' investment in their work and is critical to organizational effectiveness, but in these settings, it

may depend not only on traditional job resources, but also on employees' and leaders' ability to navigate cultural differences (Gallup, 2026).

In this context, cultural intelligence (CQ) is increasingly important because it enables individuals to function effectively in culturally diverse settings (Earley, 2002; Ang et al., 2007). However, the literature remains fragmented. Evidence is strongest for employee cultural intelligence (ECQ) (Schlaegel et al., 2021), while leader cultural intelligence (LCQ) has been linked mainly to leader and team effectiveness, with its direct effect on EE still less clear (Groves & Feyerherm, 2011). Recent studies suggest LCQ may also strengthen engagement (Lee & Gardner, 2025; Presbitero et al., 2025),

highlighting the need to examine LCQ and ECQ as proximal cross-cultural resources within the Job Demands-Resources (JD-R) framework (Bakker & Demerouti, 2007; Xanthopoulou et al., 2007).

Vietnam provides a compelling setting for this inquiry. FDI has become a major driver of economic development: during 2015-2023, inflows averaged about 4.8% of GDP, accounted for roughly 15% of total investment, and the foreign-invested sector generated most of Vietnam's export turnover (World Bank, 2024). Growth in manufacturing, electronics, and the "China+1" shift has further increased Vietnam's appeal to foreign investors (Chu et al., 2024). As multicultural workplaces become more common, cross-cultural management is increasingly important.

Accordingly, this study examined the effects of LCQ and ECQ on EE in Vietnamese FDI enterprises. Theoretically, it extended JD-R theory by positioning LCQ and ECQ as proximal resources shaping engagement. Practically, it offered implications for FDI firms seeking to strengthen employee motivation through culturally intelligent leadership and workforce development.

2. Theoretical background and hypothesis development

2.1. Job Demands-Resources theory and cross-cultural resources

The Job Demands-Resources (JD-R) theory explains employee motivation through the balance between job demands and job resources. Job resources are the physical, psychological, social, or organizational aspects of work that help employees achieve work goals, reduce strain, and foster growth, learning, and development (Bakker & Demerouti, 2007). A central proposition of the model is that job resources activate a motivational process that enhances EE (Bakker & Demerouti, 2007).

This study focused on two proximal cross-cultural resources: LCQ and ECQ. LCQ was treated as a team-level resource because immediate supervisors shape employees' daily work environment through communication, feedback, support, and conflict handling. In multicultural teams, leaders with high CQ are better able to interpret cultural differences, adapt their behavior, and foster a more inclusive climate (Groves & Feyerherm, 2011; Livermore et

al., 2022). ECQ was treated as a personal resource because it reflects an employee's ability to function effectively in culturally diverse situations. It helps employees understand unfamiliar cultural cues, regulate their responses, and adapt their behavior appropriately (Ang et al., 2007). Prior research also showed that ECQ has strong empirical support in relation to employee outcomes such as engagement and performance (Schlaegel et al., 2021).

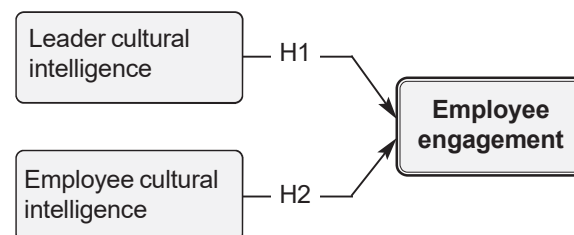
2.2. Cultural intelligence and employee engagement

Cultural intelligence (CQ) is an important predictor of positive work outcomes in culturally diverse environments. At the employee level, it helps individuals understand cultural differences, adapt to unfamiliar situations, and interact effectively across cultures (Ang et al., 2007). At the leader level, it enables supervisors to assess multicultural situations more accurately and adjust their leadership behavior accordingly (Groves & Feyerherm, 2011; Lam et al., 2022).

Prior studies have consistently supported a positive relationship between ECQ and EE. CQ has been found to enhance work engagement in multinational and expatriate contexts (Ramalu & Subramaniam, 2019), and more recent evidence confirms that ECQ positively affects work engagement in multicultural workgroups, especially when supervisory CQ is high (Presbitero et al., 2025).

The role of LCQ in engagement has received less direct empirical attention, but existing studies have suggested a similarly positive relationship. Groves & Feyerherm (2011) showed that LCQ contributes to leader and team effectiveness in culturally diverse settings. More directly, Lee & Gardner (2025) found that employees' perceptions of LCQ were positively related to inclusivity, work meaningfulness, and work

Figure 1. Proposed conceptual model



(Source: Synthesized by the authors, 2026)

engagement. Presbitero et al. (2025) also showed that supervisory CQ strengthens the motivational benefits of employee CQ in multicultural workgroups.

Accordingly, the following hypotheses are proposed:

H1: Leader cultural intelligence has a positive effect on employee engagement.

H2: Employee cultural intelligence has a positive effect on employee engagement.

3. Methodology

This study adopted a quantitative approach to examine the effects of LCQ and ECQ on EE in Vietnamese FDI enterprises, based on the JD-R framework.

Questionnaire design: A structured questionnaire was developed using validated scales from prior studies. All items were measured on a five-point Likert scale. LCQ and ECQ were measured using adapted versions of the short-form Cultural Intelligence scale developed by Thomas et al. (2015), with the LCQ items reworded so that employees could evaluate their supervisors. EE was measured using the Utrecht Work Engagement Scale-9, adapted from Schaufeli, Bakker & Salanova (2006).

Data collection: Data were collected online via Google Forms using convenience sampling from employees currently working in FDI enterprises in Vietnam. A total of 207 valid responses were obtained, which was sufficient for structural equation modeling.

Data analysis: PLS-SEM was conducted using SmartPLS 4.0, with the assessment of both measurement model and structural model.

4. Results and discussion

4.1. Results

4.1.1. Demographic

The analysis was based on 207 valid responses

from employees in Vietnamese FDI enterprises. The sample was mainly female (58.9%), followed by male (37.7%) and other genders (3.4%). Most respondents were aged 26-34 (49.8%), followed by 18-25 (30.0%), and most held a bachelor's degree or were current university students (69.1%).

Regarding tenure, 53.1% had worked in their company for 2 to under 4 years, while 22.2% had worked for under 2 years. The sample was concentrated in large firms, with 55.1% from companies with more than 1,000 employees and 35.3% from firms with 250-999 employees. Most respondents were employees or workers (81.2%), followed by middle managers or supervisors (17.9%) and senior leaders (1.0%).

4.1.2. Measurement model assessment

The reliability and validity of all constructs were confirmed. As shown in Table 1, Cronbach's Alpha and Composite Reliability (CR) values for all constructs exceeded 0.7, indicating satisfactory internal consistency. Convergent validity was also established, as Average Variance Extracted (AVE) values were above 0.5 and all outer loadings exceeded the recommended threshold of 0.7.

Discriminant validity was assessed using the Fornell-Larcker criterion. The Fornell-Larcker criterion entails that the square root of the AVE for every construct should be higher than the inter-construct links (Fornell & Larcker, 1981). As displayed in Table 2, all constructs have satisfied the aforementioned conditions.

4.1.3. Structural model assessment

The structural model was supported. As shown in Table 1, all VIF values were below 5.0, indicating that collinearity was not a concern (Hair et al., 2017).

Bootstrapping with 5,000 resamples was used to test the hypotheses. As shown in Table 3, the path

Table 1. Convergent validity and multicollinearity

	CA	CR	AVE	λ		VIF	
				Min	Max	Min	Max
ECQ	0.949	0.956	0.687	0.787	0.856	2.238	3.165
EE	0.945	0.953	0.693	0.807	0.865	2.373	3.356
LCQ	0.940	0.948	0.648	0.775	0.834	2.122	2.769

(Source: Synthesized by the authors based on SmartPLS 4 results, 2026)

Table 2. Fornell-Larcker criterion

	ECQ	EE	LCQ
ECQ	0.829		
EE	0.633	0.833	
LCQ	0.106	0.294	0.805

(Source: Synthesized by the authors based on SmartPLS 4 results, 2026)

with prior studies linking CQ to work engagement in multinational, expatriate, and multicultural work settings (Ramalu & Subramaniam, 2019; Presbitero et al., 2025). It also aligns with broader evidence indicating that ECQ has especially strong predictive value for employee outcomes (Schlaegel et al., 2021).

The findings also showed that LCQ positively affects EE, although its effect is weaker than that of ECQ. This result highlighted culturally intelligent

Table 3. Structural model

Relationships	Path coefficient	t-value	p-value	Results
H1: LCQ → EE	0.229	4.315	< 0.05	Accepted
H2: ECQ → EE	0.609	15.024	< 0.05	Accepted

(Source: Synthesized by the authors based on SmartPLS 4 results, 2026)

analysis further showed that all hypothesized direct relationships were positive and statistically significant, with p-values below 0.05.

In addition, the model demonstrated acceptable explanatory power. Following Chin (1998), R² values of 0.19, 0.33, and 0.67 indicate weak, moderate, and substantial explanatory power, respectively. Therefore, the R² value of EE (0.453) indicates moderate explanatory power. Overall, these results provide support for the proposed model.

Table 4. The coefficient of determination (R²)

Variable	R ²
EE	0.453

(Source: Synthesized by the authors based on SmartPLS 4 results, 2026)

4.2. Discussion

The results showed that both employee cultural intelligence and leader cultural intelligence positively affect employee engagement in Vietnamese FDI enterprises. Among the two predictors, ECQ emerged as the stronger predictor of engagement. This suggests that employees' own ability to understand cultural differences, adapt their behavior, and manage cross-cultural interactions is a particularly important personal resource in multicultural workplaces. This finding is consistent

leadership as an important contextual resource in multicultural work environments. Leaders with high CQ are more likely to understand cultural differences, adjust their communication and behavior, and create a more inclusive and supportive work climate. Such conditions can strengthen employees' sense of meaning, comfort, and psychological involvement in their work. This interpretation is consistent with prior studies showing that LCQ contributes to leader and team effectiveness (Groves & Feyerherm, 2011) and is positively related to inclusivity, work meaningfulness, and work engagement (Lee & Gardner, 2025).

Taken together, the findings reinforced the relevance of the JD-R framework in multicultural workplaces. Specifically, the study showed that both LCQ and ECQ can be understood as cross-cultural resources that activate the motivational process underlying employee engagement. ECQ operates as a personal resource, while LCQ functions as a contextual resource embedded in employees' immediate work environment. The stronger effect of ECQ suggests that engagement is shaped more directly by employees' own ability to navigate cultural complexity, but the significant effect of LCQ also confirms that culturally intelligent supervision remains an important enabler of engagement.

5. Conclusions and implications

The results showed that both LCQ and ECQ are significant cross-cultural resources that positively

influence engagement, with ECQ emerging as the stronger predictor. These findings enriched the CQ literature by showing that the JD-R framework can be extended to multicultural workplaces by recognizing cultural intelligence as a cross-cultural resource that supports employee engagement.

The study also offered practical implications. In FDI firms, employee engagement should be treated not as a secondary HR concern but as a strategic priority in multicultural workplaces. Companies should invest in both employee and leader cultural intelligence through recruitment, assessment, training, and leadership development. ECQ can be integrated into hiring, onboarding, and continuous learning so employees are better prepared to handle cultural differences in daily work. At the leadership level, firms should develop culturally intelligent

supervisors through training in cross-cultural communication, inclusive management, feedback, and conflict resolution, since leaders directly shape the work environment that supports engagement. These efforts should be reinforced by adequate budgets, training time, and HR systems that reward inclusive and culturally adaptive behavior.

Despite these contributions, several limitations remain. The cross-sectional design limited causal inference, and the sample of 207 respondents from Vietnamese FDI enterprises might reduce generalizability. The study also focused only on LCQ, ECQ, and EE. Future research could use longitudinal or multi-source designs, test the model in other multicultural settings, and examine mediators or moderators such as inclusive climate, psychological safety, or cultural diversity intensity ■

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VAI TRÒ CỦA TRÍ TUỆ VĂN HÓA CỦA LÃNH ĐẠO VÀ NHÂN VIÊN TẠI DOANH NGHIỆP FDI Ở VIỆT NAM

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TÓM TẮT:

Nghiên cứu này đánh giá ảnh hưởng của trí tuệ văn hóa của lãnh đạo và nhân viên đến sự gắn kết của nhân viên trong các doanh nghiệp FDI tại Việt Nam. Dựa trên khung Nhu cầu công việc - Nguồn lực công việc, nghiên cứu xem đây là hai nguồn lực xuyên văn hóa hỗ trợ động lực làm việc trong môi trường đa văn hóa. Dữ liệu từ 207 nhân viên được phân tích bằng PLS-SEM. Kết quả cho thấy cả hai yếu tố đều tác động tích cực đến sự gắn kết, trong đó trí tuệ văn hóa của nhân viên có ảnh hưởng mạnh hơn.

Từ khóa: trí tuệ văn hóa của lãnh đạo, trí tuệ văn hóa của nhân viên, sự gắn kết của nhân viên, FDI.