

A person is silhouetted against a bright sunset sky, standing on the peak of a sand dune. The dunes are vast and stretch towards the horizon. The sky is a mix of deep blue and orange, with some light clouds. The overall mood is contemplative and expansive.

Developing  
Multicultural  
Leadership  
*using*  
Knowledge  
Dynamics  
and Cultural  
Intelligence

DAN PAIUC

# **Developing Multicultural Leadership using Knowledge Dynamics and Cultural Intelligence**

A fascinating book on the role played by cultural intelligence and knowledge dynamics in developing multicultural leadership. The book is supported by complex research performed by Dr Dan Paiuc and a wealth of literature. It is the first book to reveal the importance of cultural intelligence and knowledge dynamics in the contemporary global multicultural business environment.

—**Professor Emeritus Constantin Brătianu, UNESCO Department for Business Administration, Bucharest University of Economic Studies, Romania. President of the International Association for Knowledge Management, University of Padua, Italy**

Leadership in a multicultural environment is a critical job of managers in today's global organizations. Dan Paiuc's research and insights shed light on the topic and will be a benefit to both managers and fellow researchers.

—**David Rogers, Columbia Business School. Author, The Digital Transformation Roadmap**

The retail world has multiple examples of large, seemingly competent companies, dominant in their own markets, who fail when entering new markets and countries. It is often the subtle, not recognized, cultural differences that result in failed enterprises. There is much to learn regarding diverse cultural environments.

—**Jim Inglis, Author, Breakthrough retailing – how a bleeding orange culture can change everything. President, Inglis Retailing. Past Executive Vice President, The Home Depot**

In today's fast-paced and interconnected world, multicultural leadership has become a necessity. This book, based on a comprehensive study, delves into the impact of cultural intelligence and knowledge dynamics on multicultural leadership. It not only offers valuable insights for practitioners in the discipline but also contributes to academic research and guides organizations in identifying the competencies required for effective multicultural leadership. A must-read for those seeking to navigate diverse cultural contexts and drive business performance.

—**Irina Leca, CEO & Co-Founder, Nooka Space**

# **Developing Multicultural Leadership using Knowledge Dynamics and Cultural Intelligence**

BY

**DAN PAIUC**



United Kingdom – North America – Japan – India – Malaysia – China

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INVESTOR IN PEOPLE

# **Disclaimer**

In this publication, the author articulates his viewpoint and presents ideas based on his doctoral research. Its purpose is to offer guidance about the topics addressed. This publication is intended to serve as a sole basis for further academic studies and also for enhancing and optimising the decision-making of practitioners within multicultural contexts. The author disclaims any responsibility for liability or risks which is incurred as a direct or indirect consequence of the use of any of the content of this book.

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# List of Acronyms and Abbreviations

|            |  |
|------------|--|
| AMOS       | Analysis of Moment Structures                      |
| CB-SEM     | Covariance-Based Structural Equation Modeling      |
| CEO        | Chief Executive Officer                            |
| CQ         | Cultural Intelligence                              |
| d.i.y      | Do It Yourself                                     |
| DV         | Dependent Variable                                 |
| E-commerce | Electronic Commerce                                |
| GDPR       | General Data Protection Regulation                 |
| IF         | Individual Factors                                 |
| IV         | Independent Variable                               |
| KD         | Knowledge Dynamics                                 |
| ML         | Multicultural Leadership                           |
| OC         | Organizational Context                             |
| PLS-SEM    | Partial Least Squares-Structural Equation Modeling |
| SEM        | Structural Equation Modeling                       |
| SmartPLS   | Software Tools for (PLS-SEM)                       |
| SPSS       | Statistical Package for the Social Science         |
| VOSViewer  | Visualization of Similarities Software             |

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## About the Author

**Dan Pauc** is a PhD graduate researcher in Management at the National University of Political Studies and Public Administration, Romania, a C-level practitioner within the international retail scene, a keynote speaker, and a humanitarian.

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# Preface

## Background

The importance of effectively working in diverse cultural contexts is becoming increasingly evident, especially in today's interconnected global society. In addition, 90% of the most influential business executives from 68 nations have identified multicultural leadership as the top priority for the senior management teams of the 21st century. In front of a workforce more multicultural than ever before, with people from various ethnic, racial, and cultural environments, leaders need to navigate cultural and societal differences and build on them. Since the World Health Organization declared the COVID-19 pandemic on March 11, 2020, the work-from-anywhere phenomenon has conquered the globe and propelled multicultural leadership to become the new standard in today's fast-paced and polycentric world. Taking this into account, a considerable amount of emphasis was placed on the factors that impact and influence multicultural leadership in an effort to explain the interconnections that would maximize results and promote a healthier company's culture and growth.

## Purpose

This book aims to investigate the impact and effects of cultural intelligence and knowledge dynamics on multicultural leadership in an organizational context. It seeks to contribute to a greater comprehension of the factors influencing multicultural leadership and driving business performance. Ultimately, this research could be valuable in helping organizations identify the competencies and characteristics required for effective multicultural leadership and providing guidance on cultivating and leveraging these qualities. Furthermore, aside from providing support to practitioners within the multicultural leadership *arena*, this study's primary objective is to share significant insights with other cross-disciplinary researchers and students. This book can inform and build future topic-related research and educational endeavors by disseminating the findings and contributing to the body of knowledge on multicultural leadership.

## **Methods**

After a systemic and bibliometric literature review, the methodology was based on mixed-methods research. In the first phase, during our qualitative analysis, we approached 15 multicultural leaders as subjects of study and conducted semi-structured interviews. Through this, we better understood how cultural intelligence and knowledge dynamics affect and impact multicultural leadership. We conducted a thematic content analysis in conjunction with a cross-case and network analysis to ascertain the similarities and differences between the cases. A quantitative analysis based on 396 validated questionnaires with global amplitude has been carried out in order to provide more robust evidence not only on the influence of cultural intelligence, knowledge dynamics, and organizational context on multinational leadership but also in regards the possible influence of knowledge dynamics and organizational context on cultural intelligence.

As a constructive result of the presented analysis, four of the five main hypothesized relationships fit and validate the proposed model.

## **Conclusions**

According to the study's findings, cultural intelligence, knowledge dynamics, and organizational context are the main vectors of multinational leadership with demonstrated impacting roles. Also, the influence of knowledge dynamics on cultural intelligence was investigated and proven, while our research did not positively showcase the direct connection between organizational context and cultural intelligence. The results of this study make significant contributions to both the academic community and the business world. In terms of academic research, being the first study to examine how organizational context, knowledge dynamics, and cultural intelligence affect multicultural leadership paved the way for subsequent studies related to the enhancements of global management. From the business perspective, our book provides multicultural leadership with new levers to maximize revenues and accelerate growth while building on an agile company's culture.

# Acknowledgments

I would like to express my heartfelt gratitude to my professor, coordinator, and mentor, Dr Constantin Brătianu, for his guidance, expertise, and continuous support throughout my PhD journey and last academic years. His insightful feedback, encouragement, fairness, kindness, and generosity have been invaluable and significantly shaped this book. The enduring legacy of his influence on my present and future self is a steadfast reality.

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Thank you all for your invaluable support.



Dan Paiuc

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# Chapter 1

## Introduction

The 21st century has witnessed an upsurge in multiculturalism and diversity in various sectors of the global workforce, including leadership (Paiuc, 2021b). Effective multicultural leadership (ML) has become crucial in promoting organizational success in today's borderless business environment. ML is a complex process that involves the facilitation of knowledge dynamics (KD) and cross-cultural communication and collaboration (Engelsberger et al., 2022). Moreover, developing cultural intelligence (CQ) is imperative in agilely framing the KD flows and in promoting effective engagement and intercultural competencies (Earley & Ang, 2003). This book aims to investigate the relationship between the development of ML, KD, and CQ within an organizational context (OC).

### 1.1 Existing Background

One potential explanation for the high failure rate (70%) of international business ventures during the early 2000s pertains to discrepancies in cultural norms and values, as re-positited by Paiuc (2021a). Looking at more recent events, it is evident that some significant retailers with international aspirations have yet to learn from their past experiences. For example, in 2014, Kingfisher, a British-originated company, sold its 39 B&Q stores and permanently withdrew from China (Rankin, 2014), while the American flagship retailer Home Depot closed its last seven out of 12 Chinese outlets by 2012. In addition, Target, a Minneapolis-based company, shut down all its 133 Canadian stores in 2015, just 2 years after the launch, resulting in a total net loss of \$2 billion. Other notable examples include the British retailer Tesco, which made a similar mistake in the United States in 2013, resulting in writing down the value of its global operations by \$3.5 billion (Davey & Holton, 2013). Likewise, Walmart, considered the world's largest generalist brick-and-mortar retailer, failed to make any significant headway in the German market back in 2015, where it eventually closed all 85 stores in response to poor sales performance. Furthermore, coming closer to Eastern Europe; Baumax, Praktiker, and Obi, three DIY and home improvement retailers with German roots, failed to compete in the Romanian DIY market, so they had to

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exit it in around 2015. They needed to understand and integrate the local specificities with their exported business model and have missed their new customers' cultural expectations (Cornell, 2015).

KD play an important role in the success of companies and their overall impact on the world. For instance, a study by Aamir et al. (2021) found that knowledge sharing and team collaboration led to better corporate performance and productivity. Another study by Cardoni et al. (2020) found that companies that actively invested in knowledge management techniques had higher profitability and a competitive advantage over their peers. In terms of the impact of KD on the larger world, a study by Cohendet et al. (2021) found that companies that prioritize knowledge creation and dissemination tend to contribute more to the global innovation ecosystem. Overall, these studies demonstrate the critical role that KD play in a company's success and its impact on the business world. By promoting knowledge sharing, collaboration, and investing in knowledge management techniques, companies can accelerate innovation and remain competitive in the global marketplace.

According to recent statistics, diverse leadership and inclusion practices significantly impact organizational performance and results globally (Cox & Blake, 2021). For instance, a study by McKinsey & Company revealed that companies in the top quartile for racial and ethnic diversity in their leadership are 36% more likely to have above average financial returns (Hunt et al., 2015). Additionally, research conducted by Harvard Business Review found that diverse leadership teams are better equipped to handle complex business challenges and are more innovative and creative (Hunt et al., 2015). A 2021 study by the Centre for Creative Leadership also found that organizations with diverse and inclusive leadership had a 77% increase in organizational agility and adaptability, a 67% increase in innovation, and a 46% increase in employee engagement (Centre for Creative Leadership, 2021). One example of a company that has successfully implemented ML practices is Accenture. In 2021, the company reported that its global executive leadership team was 34.2% female, 35.5% ethnically diverse, and 23.2% racially diverse (Accenture, 2021). This diversity has contributed to Accenture's financial success, including a 4.3% increase in revenue in 2020 (Accenture, 2021). Building also on ML, the tech giant Intel reported that in 2020, 40% of its employees and 25% of its executive leadership team were women, and 44% of its US workforce were people of color (Intel, 2020). According to its public reports, Intel's emphasis on diversity and inclusion has helped the company maintain its position as a top performer in the tech industry. Another study by Ferreira et al. (2020) investigated the dynamic capabilities and mediating effects of innovation on the competitive advantage and firm's performance and the moderating role of organizational learning capability. They found that companies with more culturally diverse leadership teams outperformed their less diverse counterparts in terms of profitability, revenue growth, and shareholder value. From the analysis below, ML and diversity in executive teams significantly impact organizational performance and have been shown to enhance financial returns and employee engagement.

One up-to-date study conducted in 2021, Seidu et al. (2021) found that organizational culture, with its involvement and consistency dimensions, is one of the key determinants of successful cross-cultural leadership and can significantly affect employee performance. However, adaptability as an organizational culture dimension had no statistically significant relation with performance.

On an international and globalized scale, strong organizational culture that values diversity, equity, and inclusion improves company performance and increases employee satisfaction (Lindholm, 2022). For example, Ikea, the global furniture company with a presence in over 50 countries, centers diversity and multiculturalism as their main pillar of its organizational culture. Their focus includes creating a diverse and inclusive workplace, providing development opportunities for employees from different backgrounds, and supporting community partners that promote diversity and inclusion (Ikea Group, 2021). In terms of outcomes, research shows that Ikea's strong commitment to diversity and inclusion has resulted in increased customer satisfaction, higher employee retention rates, and improved business performance (Ikea Group, 2021). In conclusion, these analyses and statistics highlight the importance of OC in shaping the success of ML and overall company outcomes. Embracing diversity and promoting a multicultural organizational culture can improve employee performance and better financial results.

## 1.2 Research Problem and Purpose

The need for more research in linking CQ and KD to ML and bottom-line results is a topic of critical importance in today's globalized business environment.

On a different basis and individual correlation assessments: Stoermer et al. (2021) found that CQ positively relates to knowledge sharing behavior, while Muñoz-Pascual et al. (2019) identified that ML is deeply related to innovation performance and bottom-line results.

Also, Cortes and Herrmann's (2020) research, based on a sample of 194 executives and CEOs from 97 Ecuadorian companies, discovered that organizational structure plays a significant role in shaping transformational leadership behavior and influencing employee work attitudes. From the same perspective, Sudargini et al. (2023) explored the relationship between organizational culture and servant leadership and found that a culture of trust, accountability, and transparency can also contribute to ML development within an organization.

Our research target is to analyze the development of ML based on KD and CQ – we have split the analyses around the below research questions that will be presented at an extent level during the methodology chapter. The primary research question at this stage is:

- What is the influence and impact of KD, CQ, and OC on multinational leadership?

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Therefore, the secondary research question, based on the proposed model, presented within the methodology chapter is:

- What is the impact of KD and OC on CQ?

### **1.3 Structure of the Book**

The research is split into six main chapters. The first chapter is introductory, positioning our research within its context and underlining the study's reasonings. The second chapter presents an in-depth literature review, followed by a bibliometric work that underlines both the main researched patterns as well as the existing study gaps. The third chapter of the book focuses on the research methodology used, including details on the research objectives and hypothesis, methods and approaches employed, as well as information on the samples and the studied target groups – all based on the research model. Chapters 4 and 5 expose the results of qualitative and quantitative studies. Chapter 6 reflects our general conclusions and shares recommendations for new research-related directions.

## Chapter 2

# Theoretical Background

### 2.1 Introduction to Systemic Literature Review

This chapter is structured in three parts. While in the first one, we present the systematic literature review approach and methodology, in the second, we propose the literature review for our four main variables, aim for interconnections and underline the research gaps. In the last and third part, we execute a bibliometric study that points toward our possible first answers to our research hypothesis – from the literature review perspective.

To examine the existing literature on the subjects of cultural intelligence (CQ), knowledge dynamics (KD), organizational context (OC), and multicultural leadership (ML), we used different methodological steps. First, we have defined the research variables and the research model. In the second step, we search for specific variables in books and journal papers since 2018 in well-known academic databases (such as Scopus, Web of Science, JSTOR, SpringerLink, Google Scholar, Business Source Complete, ProQuest, ScienceDirect, Taylor and Francis, Emerald Insight, and Wiley Online Library) by using relevant keywords and expressions. From this, the published articles (between 2018 and 2023) on the subsequent variables and the most complete versions of the studies were included in the literature review. After having analyzed at first hand all the recent literature reviews (last 6 years), as a third step, we have extended and enhanced the study within the last 30 years in order to capture all the relevant and classic theories that have built the variables and their possible interconnections.

This study greatly expands on the relatively reduced amount of combined linked shreds of evidence on ML, KD, CQ, and OC. Cross-cultural management studies have recently focused on identifying the factors that facilitate expatriates' adaptation to foreign environments as multinational enterprises (MNEs) and the ones that impact performance and maximize efficiency by leveraging multicultural backgrounds (Zhong et al., 2021). As a significant component, CQ has received much attention, especially in the last 5 years (Aminullah et al., 2022; Chen et al., 2022).

## 2.2 CQ Literature Review and Identified Gaps

Confucius summarized the essential principle that all people are the same and that only their behaviors vary 500 years before anthropologists, sociologists, and historians began their long-term quest to define culture. Within the current framework and through a simplification of the existing theories, culture comprises a multitude of acquired behaviors and conduct practices, irrespective of the extent to which individuals engage in them deliberately, as indicated by Kemmelmeyer and Kusano (2018).

Indeed, the Dutch researcher Geert Hofstede's studies on cultural dimensions have significantly impacted the field of sociology and cross-cultural communication (Peterson, 2018). Hofstede's work (Hofstede, 2010), which aimed to develop a framework to analyze cultural differences that could be applied to various societies and contexts, was rooted in surveying one hundred thousand IBM employees from 40 countries between 1967 and 1973. As a result, he identified six cultural dimensions: power distance, individualism/collectivism, masculinity/femininity, uncertainty avoidance, long-term/short-term orientation, and indulgence/restraint. Power distance refers to the degree to which people accept and expect an unequal distribution of power in society, while individualism/collectivism refers to the degree to which people prioritize individual achievement or group harmony. Masculinity/femininity refers to the proportion to which a culture values competitiveness and assertion or nurturing and cooperation. Uncertainty avoidance refers to the degree to which people feel threatened by ambiguity and uncertainty, while long-term/short-term orientation refers to what extent a culture values immediate versus future-oriented thinking. Finally, indulgence/restraint expresses the level to which a culture values free gratification of basic and natural human desires. Hofstede's study was groundbreaking because it showed that cultural differences could be measured and quantified and is considered the growing field of CQ (Livermore, 2009).

As part of the workforce's globalization perspective, CQ or cultural quotient was introduced to the public as a potential emergent concept at the beginning of the 21st century. In 2003, researchers Ang and Early published a book for Stanford University Press in which they defined for the first time CQ as the ability to perceive, relate to, and work efficiently in culturally diverse contexts (Earley & Ang, 2003). Initially envisioned by Ang and Early as a combination of three factors: motivational, behavioral, and mental, CQ, through the work of Ang et al. (2006) and relying on Sternberg's intelligence framework (Sternberg & Detterman, 1986), was reconstructed on its actual four main pillars: behavioral CQ, cognitive CQ, metacognitive CQ, and motivational CQ. Based on these four elements, the CQ scale developed by Dr. Christopher Earley and Dr. Soon Ang as a self-report questionnaire that allows individuals to measure their own CQ level was utilized during our quantitative research. *Behavioral* CQ pertains to one's nonverbal and verbal ability to display culturally appropriate behavior and effectively communicate with individuals from different cultural backgrounds (Ang & Van Dyne, 2015). It stands for the capacity to respond effectively in a variety of cultural contexts and accomplish established goals. *Cognitive* CQ refers

to an individual's understanding and knowledge of different cultures (Christensen et al., 2019; Czerwionka et al., 2015). *Metacognitive CQ* involves the ability to recognize one's own cultural biases and adapt to accommodate other cultures (Ang & Van Dyne, 2008), while last but not least, *motivational CQ* describes a person's ability to focus their energy and attention on learning about cultural differences. It comprises the level of commitment made to adjusting to and comprehending cross-cultural dynamics (Jangsiriwattana, 2021; Jannesari et al., 2022).

CQ is a critical factor in successful cross-cultural communication (Charoensukmongkol, 2020). Modern intelligence theories (Ramalu & Subramaniam, 2019; Shearer, 2020), rooted in the pioneering work of Earley and Ang, barely repositioned CQ, which describes a person's innate ability to adapt and function well in contexts that are unfamiliar and diverse in terms of culture (Österlind & Henoeh, 2021). Presbitero (2020) contended that when people interact with individuals from different cultural backgrounds, the commonly observed aptitudes such as cognitive intelligence, emotional intelligence, and social intelligence that influence cognition and social behaviors in culturally homogeneous settings may not always be relevant.

Additionally, recent discoveries have shown that CQ influences humans' cognitive capacities (Vlajčić et al., 2019). Being a relatively new idea, the study of CQ in corporate contexts is still in its infancy (Taras, 2020). However, there is growing empirical proof that CQ is important in management and organizational studies. Decision-making (E Souza et al., 2021), leadership (Rickley & Stackhouse, 2022), expatriate assignments, and negotiation (Grosz et al., 2023) are just a few of the contexts in which CQ has started to be studied. Following the claim made by Men and Yue (2019) that although employees demonstrated strong interpersonal skills within their own culture, those skills will not necessarily be translated to the same level of effectiveness when navigating interpersonal dynamics in unfamiliar cultural contexts, the study of CQ attracted more attention in organizational settings (Du et al., 2022). In other words, interpersonal skills acquired inside one's own culture might not be the same as those needed for effective adaptation to other cultures (Chen, 2019; Zhou et al., 2022).

In the study on senior expatriate managers' leadership styles, Charoensukmongkol (2021) discovered that metacognitive and motivational CQ play important roles in boosting leaders' effectiveness. According to (Yuan et al., 2023), these elements support their capacity to set a positive example, integrate their behavior with cultural norms, promote teamwork, and establish trust. In one more study on expatriates, Cavazotte et al. (2021) discovered a link between behavioral CQ and job performance, particularly in terms of contextual and assignment-specific performance. The ability of multicultural leaders to successfully modify their verbal and nonverbal communication methods, enabling them to fulfill the expectations of others, is credited with this link.

Fu and Charoensukmongkol (2021) found that the benefits of CQ on cultural adjustment and cultural effectiveness were moderated by multicultural leaders' prior international work and travel experiences. According to their study results, the degree to which CQ influences a leader's capacity to acclimatize to new

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countries and demonstrate cultural effectiveness can vary depending on prior overseas experiences.

Furthermore, Yang (2021) showed how even a brief study-abroad experience could improve CQ. He exposed that studying abroad can attenuate the link between CQ and cultural sensitivity and effectiveness, underscoring the value of exposure to other cultures in promoting personal cultural sensitivity and effectiveness.

Ott and Iskhakova (2019) investigated how foreign experience affected CQ. They discovered that non-work-related overseas experiences had a more substantial impact on leaders' CQ than experiences linked to their jobs. This shows that exposure to nonwork-related international encounters might significantly influence expatriate CQ development. Building on this, Iskhakova and Ott (2020) found that having international experience improved all aspects of CQ. This conclusion highlighted the overall beneficial impact of international experience on the various components of CQ. While numerous studies are exploring the general relationship between international experience and CQ, there needs to be more research specifically investigating how international experience affects CQ in specific domains, such as KD and bottom-line financial results.

Iskhakova et al. (2022) stated that global managers with international experience had the opportunity to interact with different cultures, deepening their cultural knowledge in this way. This exposure to diverse cultural environments allows them to develop cross-cultural cognitive skills. Gabel-Shemueli et al. (2019) proposed that CQ was recognized as a valuable personal resource that aids individuals in effectively regulating themselves and adapting to culturally diverse organizational settings. Within the Conservation of Resources (COR) theory framework, proposed by Dr Stevan Hobfoll (Dudek et al., 2007), personal resources also refer to positive self-evaluations linked to resilience and individuals' perceived ability to exert control and influence in their environment. Individuals with higher CQ may exhibit greater motivation and eagerness to develop personal and work-related resources, facilitating their intercultural business tasks and interactions while also mitigating work-related stress (Jabeen et al., 2022).

Furthermore, people with high levels of CQ have the cognitive skills necessary to successfully plan for and handle any stress that can result from dealing with different cultures. They can handle such circumstances more deftly due to their increased knowledge and grasp of the cultural milieu. CQ is also essential in preventing the depletion of other resources important for cross-cultural encounters (Presbitero, 2020). People with high cognitive abilities consistently display a wide variety of verbal and nonverbal behaviors, which reduces the possibility of resource loss during cross-cultural contact (Puzzo et al., 2023).

High CQ helped to meet employees' needs and promote higher engagement in culturally diverse situations, according to a prior study (Rüth & Netzer, 2020). For example, those with high CQ are more able to deal with the obstacles posed by diversity, such as communication barriers, problems with teamwork, and negotiation difficulties (Paiuc, 2021a). Their improved CQ makes overcoming these obstacles easier, promoting a healthy and fruitful work atmosphere in multicultural contexts (Richter et al., 2021). High CQ also gives workers a