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Original Article

Investigating the Effect of Cultural Diversity Management and Employee Engagement on Work Performances: Mediating Role of Cross-Cultural Leadership

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Abstract

Sampoerna Academy Medan is one of the international schools that contributes to the number of foreign workers (expatriates). Cultural diversity at Sampoerna Academy Medan becomes an opportunity and challenge for this organization to achieve optimal employee performance. This study has identified and classified three large categories, namely a mismatch in cultural diversity management leading to a high level of staff and leader turnover, employee disengagement in optimizing their performance, and the phenomenon of self-adjustment to changes in leaders in three consecutive years. This study uses the transformational leadership theory, cross-cultural leadership styles, cultural diversity management, and employee engagement concepts. This study applies triangulation through in-depth interviews, observation, and with employees at Sampoerna Academy Medan. By using qualitative methods and involving 12 respondents consisting of one local manager, one Filipino manager, one Indian manager, two local staff, two Indian staff, 2 Philippine staff, 1 Malaysian staff, 1 Chinese staff, and 1 England staff. The study found several short-term and long-term recommendations that can support performance optimization at Sampoerna Academy Medan, Indonesia.

1. Introduction

This paper analyzes cultural diversity management and employee engagement through cross-cultural leadership to derive strategic business goals and optimize employee performance at Sampoerna Academy Medan due to its one of the International Schools in Medan with a high number of expatriates for Medan's Education Industry (Munawaroh, 2019). To optimize the work performance, some recommendations might be given for this research. From the preliminary observation, Sampoerna Academy Medan identified three main issues. First, a high turnover rate with an average of 41.2% of expatriates repatriation during the 2018 to 2022 period indicated a mismatch between employee and employer (Stahl et al., 2008).

The most popular reasons for leaving include lack of job security, dissatisfaction with organizational culture, dissatisfaction with unresolved problems, dissatisfaction with leaders, etc. This means that leadership is one of the important factors in achieving the success of management and increasing the ability to minimize the turnover rate. In this case, leaders can motivate subordinates to perform well and create a pleasant work environment (Rachman, 2021). Second, regarding employee engagement, most employees are involved through events held during the academic year.

There was a person in charge who conducted the event and worked together with the team members. However, when the author did an observation through one of the Expo Events, one of the local staff in the department was not working productively as she felt she was not involved fully in the whole schedule, and she assumed that it was due to the language proficiency and knowledge or experience in handling the events. Therefore, it's identified that if there's a language barrier issue, it will imply a non-open communication environment, and the employees might feel they are not involved.

Lastly, there has been a phenomenon of changing leaders with different nationalities in the past 3 years. In the Academic Year of 2020-2021, the leader was from Portugal. In the Academic Year of 2021-2022, the leader was from Kyrgyzstan. Finally, in the Academic Year of 2022-2023, the leader was from the Philippines. This implicates the issue of self-adjustment to changes in leaders, especially in the orientation of Indonesian culture, which emphasizes humanity and collectivism (House et al., 2014). Departing from these main issues, the research question proposed in this study is how the analysis of cultural diversity management, employee engagement, and cross-cultural leadership is used to optimize employee performances at Sampoerna Academy Medan. The purpose and usage of this research are to give information and analysis to optimize work performances at Sampoerna Academy Medan, theoretically and practically.

2. Literature Review

Several previous studies have discussed cultural diversity, cross-cultural leadership, and the creation of employee engagement to strive for work performance. Mason, from the book "Zero to Mastery in International Human Resources Management" (Mahadevan & Bhat, 2022), said that if a company can manage diversity, then the company might have competitive advantages including cost, employee attraction, market share, creativity, problem-solving, and flexibility advantages. The essence of managing cultural diversity might start by mapping the culture introduced by Meyer (2016) where eight scales map the world's culture.

Those eight scales include communicating scale, evaluating scale, leading scale, persuading scale, deciding scale, trusting scale, disagreeing scale, and scheduling scale. The mapping of these scales might become the initiative to recognize potential in the organization and reduce the conflict of interest internally; so, the work performances can be more effective and efficient. The framework used for solving the employee engagement issues in this research comes from "The 10 C's of Employee Engagement" (Seijts & Crim, 2006). The main idea of this concept is that employees' full capability and enthusiasm for their work can increase organizational productivity (Kahn, 1990).

Regarding the cross-cultural leadership issues, the theory used for the research is from Bass (1999) related to transformational theory. The main idea of this theory is that a transformational leader is a leader who can go beyond their interests for a common goal with four general traits, namely Idealized Influence (leaders must be able to become role models for their employees), Inspirational Motivation (leaders must be able to enthusiastically support their team to achieve the vision and mission of the organization), Individualized Consideration (leaders must be able to develop the full potential of the team by providing more personal attention), and Intellectual Stimulation (leaders are required to provide a stimulus so employee can think creatively).

This theory is supported by a "Geoleadership" framework introduced by Wibbeke (2010). The basic concept of this framework is discussing the adjustment between expatriate leaders to expat staff and local staff, and vice versa by internalizing the value of care, communication, consciousness, contrast, context, and change within the dynamics of the organization.

3. Materials and Methods

To answer three main issues and to elaborate on the findings, this research uses a descriptive qualitative research method (Cresswell, 1998) by conducting an in-depth interview with 12 employees – consisting of 1 local manager, 1 Filipino manager, 1 Indian manager, and 2 local staff, 2 Indian staff, 2 Filipino staff, 1 Malaysian staff, 1 Chinese staff, and 1 English staff with work experiences more than 2 years along with interviewed a triangulator, an HR for multinational companies with more than 10 years of experience, to obtain data validity.

4. Results and Discussion

4.1. Cultural Diversity Management

In a diverse workplace, it is undeniable that leaders' involvement is particularly the key to managing this diversity (Coe et al., 2017). If the management goes well, then diversity can also contribute to the company's development by allowing collective knowledge or fresh perspectives to drive innovation. The following data shows a mapping of turnover caused by the dissatisfaction of cross-cultural leadership. Furthermore, it shows some reasons for employees leaving Sampoerna Academy Medan, with a 41.2 percent average rate of turnover during the 2018-2022 period.

Table 1. Employee's reasons for leaving

Expatriate Country of Origin	Incoming Expats	Repatriate	Reasons of Leaving
Philippines	120	40	Job uncertainty, dissatisfaction with organization culture, unresolved complaints by company management, dissatisfaction with the leader
India	45	7	Job uncertainty, and unresolved complaints by company management.
Krygystan	1	1	Inappropriate organizational culture
Indonesia	388	44	Personal matters, dissatisfaction with the leader

Expatriate Country of Origin	Incoming Expats	Repatriate	Reasons of Leaving
Portugal	2	2	Inappropriate organizational culture
China	18	9	Inappropriate organizational culture and getting a new job
Turkey	3	1	Getting a new job
England	2	1	Getting a new job
America	1	1	Getting a new job
Australia	1	1	Family matters

Source: Human Resources Business Partner Data (2021)

The main reason for leaving the organization is due to dissatisfaction with leaders and organizational culture. The interviews using the tools of the cultural map (Meyer, 2016) found that even an employee coming from the same nationalities does not mean the result of the cultural tendencies and work initiatives are the same. For answers on the left spectrum, a value of 1 is given, for answers in the middle spectrum (neutral), a value of 2 is given, and for answers on the right spectrum, a value of 3 is given. Therefore, the results are the following tables.

Table 2. Eight Scales that map the world's culture

Scales	Left	Right
Communicating	Low context	High context
Evaluating	Direct negative feedback	Indirect negative feedback
Persuading	Principle first	Application first
Leading	Egalitarian	Hierarichal
Deciding	Consensual	Top-down
Trusting	Task-based	Relationship-based
Disagreeing	Confrontational	Avoid confrontational
Scheduling	Linear time	Flexible time

Table 3. Results of cultural diversity scale interview at Sampoerna Academy Medan

Scales	Communicating	Evaluating	Persuading	Leading
IN-S (1)	High-context	Direct negative feedback	Application first	Neutral
IN-M	High-context	Direct negative feedback	Application first	Neutral
ID-S (1)	Low-context	Indirect negative feedback	Application first	Neutral
MY-S	Neutral	Direct negative feedback	Application first	Hierarichal
PH-S (1)	Neutral	Indirect negative feedback	Application first	Neutral
PH-M	Neutral	Indirect negative feedback	Application first	Neutral
CH-S	Low-context	Indirect negative feedback	Principle first	Egalitarian
PH-S (2)	Neutral	Direct negative feedback	Neutral	Egalitarian
IN-S (20	Neutral	Indirect negative feedback	Application first	Neutral
ID-S (2)	Neutral	Direct negative feedback	Neutral	Neutral
EN-S	Low-context	Direct negative feedback	Neutral	Neutral
ID-M	Neutral	Indirect negative feedback	Neutral	Neutral

Table 3. Results of cultural diversity scale interview at Sampoerna Academy Medan (Cont'd)

Scales	Deciding	Trusting	Disagreeing	Scheduling
IN-S (1)	Top-down	Task-based	Confrontational	Linear-time
IN-M	Neutral	Task-based	Neutral	Linear-time
ID-S (1)	Top-down	Relationship-based	Avoids confrontation	Linear-time
MY-S	Top-down	Task-based	Avoids confrontation	Flexible-time
PH-S (1)	Neutral	Task-based	Confrontational	Linear-time
PH-M	Consensual	Relationship-based	Avoids confrontation	Linear-time
CH-S	Neutral	Relationship-based	Confrontational	Linear-time
PH-S (2)	Top-down	Relationship-based	Confrontational	Flexible-time
IN-S (20	Consensual	Relationship-based	Confrontational	Linear-time
ID-S (2)	Neutral	Relationship-based	Neutral	Flexible-time
EN-S	Top-down	Neutral	Avoids confrontation	Linear-time
ID-M	Top-down	Task-based	Avoids confrontation	Linear-time

Table 4. Results of statistical data processing on the cultural diversity scale at Sampoerna Academy Medan

Scales	Communicating	Evaluating	Persuading	Leading
IN-S (1)	3	1	3	2
IN-M	3	1	3	2
ID-S (1)	1	3	3	2
MY-S	2	1	3	3
PH-S (1)	2	3	3	2

Scales	Communicating	Evaluating	Persuading	Leading
PH-M	2	3	3	2
CH-S	1	3	1	1
PH-S (2)	2	1	2	1
IN-S (2)	2	3	3	2
ID-S (2)	2	1	2	2
EN-S	1	1	2	2
ID-M	2	3	2	2

Table 4. Results of statistical data processing on the cultural diversity scale at Sampoerna Academy Medan (Cont'd)

Scales	Deciding	Trusting	Disagreeing	Scheduling
IN-S (1)	3	1	1	1
IN-M	2	1	2	1
ID-S (1)	3	3	3	1
MY-S	3	1	3	3
PH-S (1)	2	1	1	1
PH-M	1	3	3	1
CH-S	2	3	1	1
PH-S (2)	3	3	1	2
IN-S (2)	1	3	1	1
ID-S (2)	2	3	2	3
EN-S	3	2	3	1
ID-M	3	1	1	1

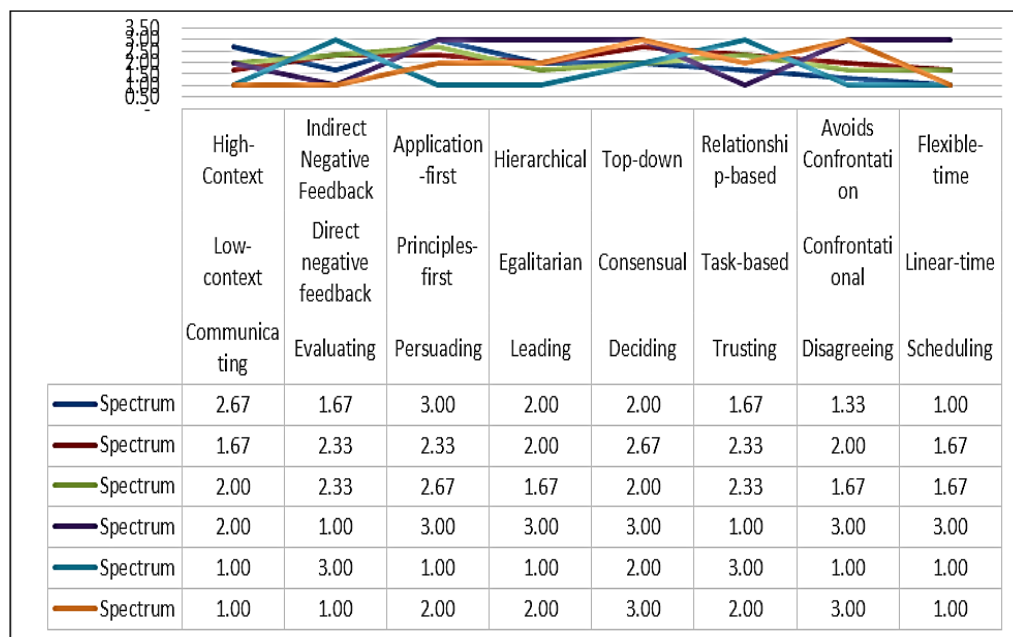|	High-Context / Low-context / Communicating	Indirect Negative Feedback / Direct negative feedback / Evaluating	Application-first / Principles-first / Persuading	Hierarchical / Egalitarian / Leading	Top-down / Consensual / Deciding	Relationship-based / Task-based / Trusting	Avoids Confrontation / Confrontational / Disagreeing	Flexible-time / Linear-time / Scheduling
Spectrum	2.67	1.67	3.00	2.00	2.00	1.67	1.33	1.00
Spectrum	1.67	2.33	2.33	2.00	2.67	2.33	2.00	1.67
Spectrum	2.00	2.33	2.67	1.67	2.00	2.33	1.67	1.67
Spectrum	2.00	1.00	3.00	3.00	3.00	1.00	3.00	3.00
Spectrum	1.00	3.00	1.00	1.00	2.00	3.00	1.00	1.00
Spectrum	1.00	1.00	2.00	2.00	3.00	2.00	3.00	1.00

Figure 1. Mapping of Cultural Diversity at Sampoerna Academy Medan

Figure 1 captures that on the communication scale, Indian nationality has the highest score (2.67) where they tend to have verbal communication meanwhile for China and England have the lowest score (1) where they tend to have a written communication style. Second, in terms of evaluation mapping, Chinese nationality has the highest score (3) where they tend to have an indirect evaluation, meanwhile for Malaysian and UK nationality have the lowest score (1) where they tend to have a direct evaluation. Third, in terms of persuasive mapping, Indian & Malaysian nationals have the highest score (3) where they tend to persuade in an applied way.

Meanwhile, Chinese nationals have the lowest score (1) where they tend to persuade principally. Fourth, in terms of leadership, Malaysian nationality has the highest score (3) where they tend to have a hierarchy leadership style whereas China has the lowest score (1) where they tend to have an egalitarian leadership style. Fifth, in terms of the decision-making process, Malaysian nationality has the highest score (3) where they tend to have top-down decision-making, meanwhile for India, Philippians, and Chinese, have the same score (2) where they tend to have a neutral and flexible decision-making process.

Sixth, in terms of trust, the Chinese have the highest score where they tend to have a relationship-based connection meanwhile Malaysia has the lowest score (1) where they tend to have a task-based relationship.

Seventh, in terms of disagreement, Malaysian has the highest score (3) where they tend to avoid confrontation, meanwhile for China and British have the lowest score (1) where they tend to have a face-to-face confrontation. Eight, in terms of scheduling, Malaysians have the highest score (3) where they tend to have a flexible schedule, meanwhile Indians, British, and Chinese have the same lowest score (1) where they tend to have a linear schedule.

The cultural diversity management analysis must not only consider the difficulties or highest gaps that might arise from the gaps but also the strength or lowest gap within the composition of diverse cultures in the organization. Upon analysis, most of the population at Sampoerna Academy Medan indeed comes from the Asian cultural population, so several similarities are identical or similar. Meanwhile, British culture is considered very minor, because there is only 1 European staff member in the majority of the Asian population at Sampoerna Academy Medan. Therefore, leaders need to understand the determination of each nationality and group's interaction to optimize employee performance.

4.2. Employee Engagement

The academic calendar shows several school activities held in one academic. In this case, some employees must become PICs and members of each event. This is in line with the triangulator's information, stating that: "The simple touch is to know what they want, know more about them, what they want for them. Involve them not just in activities but also in things that run the operations themselves, for example, being involved in the agenda for events. Usually, at school, it will be brought to life in events. Their participation is always big; invite them to take the initiative to provide ideas and input and become inspiring leaders. That is what will build the spirit of them, by them, and for them."

Data taken from the employee participation in school events found that 41% of the contributions came from expatriate employees, and the rest 59% of contributions were from local employees. It can be reflected that the enthusiasm of the expatriate staff is still lower than the enthusiasm of the local staff. This research will analyze the employee engagement indicator by mapping the relations between each different nationality. In addition, this research analyzes the intensity of the relationship between each employee and manager using the conceptual framework introduced by Seijts. This concept is the 10 C's of Employee Engagement: connect, career, clarity, convey, congratulate, contribute, control, collaborate, credibility, and confidence. In this case, leaders need to have these ideas to make a synergy and effective work for their employees.

The first analysis is mapping employee engagement involving Indian Staff (1), English staff, and Indonesian Staff (1) under the Filipino Manager Leadership Style. The analysis results show that the Filipino Manager Leadership Style has a common similarity in terms of connecting a positive team, career development, clarity for organizational objectives, conveying feedback, congratulating the team's contribution, controlling a positive change, collaborating in teamwork, consistently maintaining the organization's credibility, and boosting confidence for the team, especially felt by Indian staff and English Staff.

The second analysis is mapping employee engagement involving Chinese staff, Indonesian Staff (2), and Filipino staff (1) under the India Manager Leadership Style. The analysis results show that all staff agreed that from the 10 C's components, their answers were the same for each other. They have felt engaged with the Indian Leader in terms of the way the Indian leader connected, tailored career development, created confidence and became an example.

The third analysis is mapping employee engagement involving Indian Staff (2), Malaysian Staff, and Filipino staff (2) under the Indonesian Manager Leadership Style. Indian Staff (2) and Malaysian Staff agreed that Indonesian Managers could reflect the leadership that prioritized the essence of leader role model and internalized it with Indonesian cultural values. However, Filipino Staff (2) did not have such a significant engagement with the Indonesian Manager as the leadership seemed bossy and emotional. According to the Indonesian Manager, the gap in the connection between staff and leadership was due to the reduction in togetherness events outside of work. This is one of the potential strengths for the company to contribute to an employee engagement event arrangement.

4.3. Cross-Cultural Leadership

Empirically, leadership becomes paramount for the success of the organization. If an expatriate or local leader has a disciplined leadership style, it will have a good impact on employees because they will imitate the disciplined example of their leaders (Zhen et al., 2017). In this research, there are three leaders from different nationalities interviewed -- the Philippines, India, and Indonesia. This research elaborated on transformational leadership introduced by Bass to identify whether the leadership style of each leader has projected a transformational component of leadership through their value of influencing an ideal leadership, motivating and giving inspiration to the team.

By considering an individual potential to become an example, and stimulating their team to explore their ability creatively or out of the box. This research summarizes the interview results (Table 5) and the Geo-leadership component, the result of the interview (Table 6).

Table 5. Transformational Leadership among Philippines, India, and Indonesia Manager

Transformational	Philippines manager	India manager	Indonesia manager
Idealized Influence	Implement a strategic leadership	Implement a holistic role of leader to give solutions motivate and identify the gaps	Implement an ideal leadership from Ki Hajar Dewantara role model
Inspirational Motivation	Keep motivating others to reach common goals but not forcing others	Implement healthy competition	Implement a development model for some processes and give an appraisal to support employee interest
Individualized Consideration	Do a personal coach	Do a personal coach through dynamic platform (face-to-face or Online)	Do a personal coach through mapping the strength and potential of their team member
Intellectual Stimulation	Give trust to employees to explore events creatively	Give freedom for employees to explore and excel in their ability as a fast learner	Leader become an example to a team member can follow the leader

Table 6. Geoleadership concept among Philippines, India, and Indonesia Manager

Geo-leadership	Philippines manager	India manager	Indonesia manager
Care	Show care through small and large communities	show care through intense communication and support	Show care through support and motivation
Communication	Emphasize upholding diversity and open-minded	Emphasize cultural understanding	Emphasized respecting cultural differences and being collaborative
Consciousness	Emphasize on ability to control emotion	Emphasize control emotion although it is not the bad situation	Still, learn to control emotion as the previous background was having an emotional character
Contrast	No issue with nationalities, as long as there is a willingness to learn, adapt, and be flexible	Embrace different nationalities by supporting and guiding them	the uniqueness of different nationalities and influence role models can create a unique in the school
Context	List down the pros and cons for the best consideration of employees and company interest	Adapt situationally for decision-making process	Research the problem background before the decision-making process
Change	Change is a normal thing and the changing decision made by management is for the common good	Change is constant and must be faced	Has concerned about change and expects that change should be minimalised

To support the point of Idealized Influence, leaders need to become "role models" to their employees as reflected by an Indonesian Manager. Indonesian Managers believe in the role model of Ki Hajar Dewantara's (Father of Indonesian Education) value, that is "Tut Wuri Handayani, Ing Ngarso Sung Tulodo, Ing Madyo Mangun Karso" - which means, the leader should be able to set an example and be a companion and motivator. Therefore, a manager should become a good reflection. To support the point of Inspirational Motivation, all leaders have their way of supporting the team. Then, to support the point of Individualized Consideration, leaders have to develop all the potential of the team members by having a personal relationship with employees. All leaders can show concern by demonstrating sensitivity in personal discussions. To support Intellectual Stimulation, leaders need to give stimulus so employees can think creatively and out of the box, as reflected by the Filipinos and Indian Managers.

5. Conclusion

In conclusion, this study indicates that cultural diversity management, at Sampoerna Academy Medan is still in the process of optimization to improve performance. It is recommended to have a clear picture of cultural and organizational differences through an open onboarding session for all employees. Leaders must be aware of differences between personalities and cultural perspectives by mapping the cultural gaps of each nation. In terms of employee engagement, Sampoerna Academy Medan has been optimal in improving performance in addition to the staff gathering recommendation. To optimize performance, leaders must effectively involve all team members so that they feel involved with the organization. In terms of cross-cultural leadership, Sampoerna Academy Medan is still in the process of optimizing work performance. At schools, leadership must be flexible, and transformative and prioritize hospitality.

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