

THE ROLE OF EXPATRIATE LEADERS' CULTURAL INTELLIGENCE IN ALIGNING WITH LOCAL VALUES TO ENHANCE SUBSIDIARY PERFORMANCE

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ABSTRACT

This study examined the role of expatriate leaders' cultural intelligence (CQ) in aligning with local values to enhance subsidiary performance in multinational corporations (MNCs) operating in Ghana. Using a quantitative cross-sectional design with three-month time-lagged data, data were collected from 234 assigned expatriates (AEs) across eight MNCs in the banking, telecommunications, and manufacturing sectors. Cultural intelligence was measured using the Cultural Intelligence Scale (CQS), local embeddedness was assessed using an adapted embeddedness scale, local value alignment was measured through culturally adaptive leadership behaviors, and subsidiary performance was assessed using perceptual and objective performance measures. Descriptive statistics, Pearson's correlation, and hierarchical regression with mediation analyses were conducted. Results revealed significant positive correlations between expatriate CQ and subsidiary performance ($r = 0.52, p < .001$), CQ and local embeddedness ($r = 0.56, p < .001$), and local embeddedness and subsidiary performance ($r = 0.49, p < .001$). Hierarchical regression demonstrated that expatriate CQ significantly predicted local value alignment ($\beta = 0.48, p < .001$), accounting for 31% of the variance. Local embeddedness significantly mediated the relationship between CQ and subsidiary performance (indirect effect = 0.22, 95% CI: 0.15 to 0.29). Additionally, higher levels of relational attachment prompted expatriates to leverage their local embeddedness to learn novel things that enhanced subsidiary performance. The findings highlight that culturally intelligent expatriates who embed themselves in local contexts and align with local values

achieve superior subsidiary performance. Implications for expatriate selection, cultural intelligence development, and subsidiary management in Ghanaian MNCs are discussed.

KEYWORDS: Cultural Intelligence, Expatriate Leaders, Local Values, Subsidiary Performance, Local Embeddedness, Ghana, Multinational Corporations, Relational Attachment

INTRODUCTION

In an increasingly globalized business environment, multinational corporations (MNCs) rely heavily on expatriate leaders to manage foreign subsidiaries, transfer knowledge, and implement global strategies (Davies, Froese, Chng, & Portniagin, 2023; Stoermer, Davies, & Froese, 2021). However, expatriate leaders often face significant challenges in navigating unfamiliar cultural contexts, understanding local values, and building effective relationships with host country employees (Gyensare et al., 2025; Rozkwitalska, 2018). These challenges can lead to premature termination of assignments, reduced subsidiary performance, and failure to achieve organizational objectives (Gyensare et al., 2025). Understanding how expatriate leaders' cultural intelligence (CQ) enables them to align with local values and enhance subsidiary performance is therefore essential for effective international human resource management.

Cultural intelligence (CQ)—the capability to function effectively in culturally diverse settings—has emerged as a critical determinant of expatriate success (Ang et al., 2007; Earley & Ang, 2003). CQ encompasses metacognitive, cognitive, motivational, and behavioral dimensions that enable individuals to understand, adapt to, and function effectively in culturally different environments (Ang et al., 2007). Research has shown that expatriates with high CQ are better equipped to overcome cultural challenges, build relationships with host country nationals, and transfer knowledge across borders (Davies et al., 2023; Stoermer et al., 2021). Expatriate managers, acting as gatekeepers who traverse the cross-cultural divide, require CQ as a key determinant of effectiveness on international assignments.

Guided by the socially embedded model of thriving at work (Gyensare et al., 2025), CQ leads to local embeddedness the extent to which expatriates develop deep connections and integration within the host country environment. Local embeddedness encompasses social networks, cultural knowledge, and relational ties that enable expatriates to understand local values, norms, and business practices (Gyensare et al., 2025). When expatriates become

locally embedded, they are better positioned to align their leadership behaviors with local values, build trust with host country employees, and enhance subsidiary performance. Research has demonstrated that cultural intelligence promotes local embeddedness, which in turn stimulates expatriates' thriving at work.

In the Ghanaian context, understanding how expatriate leaders' CQ enables alignment with local values is particularly significant. Ghanaian culture is characterized by high collectivism, high power distance, and strong communal values that shape workplace expectations (Gyekye, 1996; Nukunya, 2003). Expatriate leaders who lack cultural understanding may struggle to build trust, motivate employees, and achieve performance targets. Conversely, expatriates with high CQ who embed themselves in the local context and align with Ghanaian cultural values are more likely to enhance subsidiary performance (Gyensare et al., 2025). Expatriate managers must be aware of their role as a liaison between cultures and should actively strengthen the subsidiaries' position within the MNC's structure.

Despite the recognized importance of expatriate CQ for subsidiary performance, limited empirical research has examined the mechanisms through which CQ translates into performance in the Ghanaian MNC context. While studies have explored CQ and expatriate success in other contexts (Davies et al., 2023; Froese, Chng, & Portniagin, 2023), and local embeddedness and thriving at work (Gyensare et al., 2025), few have specifically examined how local embeddedness mediates the CQ-subsidary performance relationship in Ghana. This gap is significant given the increasing presence of MNCs in Ghana and the critical role of expatriate leaders in their success. This study addresses this gap by examining the role of expatriate leaders' cultural intelligence in aligning with local values to enhance subsidiary performance in MNCs operating in Ghana.

Statement of the Problem

Subsidiary performance is essential for the success of MNCs operating in culturally diverse environments. Expatriate leaders' cultural intelligence (CQ) enables them to navigate cultural challenges, build relationships, and align with local values (Ang et al., 2007; Davies et al., 2023). However, expatriates face challenges that often lead to premature termination when dispatched to live and work abroad, and recent statistics show that most expatriates have no knowledge on how to overcome cultural challenges prior to being sent abroad (Gyensare et al., 2025). Guided by the socially embedded model of thriving at work, CQ leads to local embeddedness, which stimulates thriving at work (Gyensare et al., 2025). Expatriate managers, acting as gatekeepers who traverse the cross-cultural divide, require CQ as a key

determinant of effectiveness on international assignments. However, limited empirical research has examined the mediating role of local embeddedness in the CQ-subsidary performance relationship in Ghana. This gap hinders effective expatriate selection, training, and support strategies. This study addresses this gap by examining the role of expatriate leaders' cultural intelligence in aligning with local values to enhance subsidiary performance.

Purpose of the Study

The purpose of this study is to examine the role of expatriate leaders' cultural intelligence in aligning with local values to enhance subsidiary performance in MNCs operating in Ghana. Specifically, the study aims to assess the direct effects of expatriate CQ on local embeddedness and subsidiary performance, and to determine the mediating role of local embeddedness in the CQ-subsidary performance relationship.

Research Objectives

1. To examine the relationship between expatriate cultural intelligence and local embeddedness in MNCs operating in Ghana.
2. To assess the relationship between expatriate cultural intelligence and subsidiary performance.
3. To examine the relationship between local embeddedness and subsidiary performance.
4. To determine the mediating role of local embeddedness in the relationship between expatriate cultural intelligence and subsidiary performance.
5. To examine the moderating role of relational attachment on the local embeddedness-subsidary performance relationship.
6. To provide recommendations for expatriate selection, training, and support strategies in Ghanaian MNCs.

Literature Review

Theoretical Literature

The theoretical foundation of this study draws from cultural intelligence theory, the socially embedded model of thriving at work, social exchange theory, and upper echelons theory. Cultural intelligence (CQ) theory, developed by Earley and Ang (2003) and elaborated by Ang and colleagues (2007), conceptualizes CQ as a multidimensional construct comprising metacognitive CQ (cultural awareness and strategy), cognitive CQ (cultural knowledge), motivational CQ (cultural interest and confidence), and behavioral CQ (cultural adaptability in actions). Research has demonstrated that expatriate managers with higher levels of CQ can

help organizations overcome tensions between headquarters and subsidiaries in knowledge transfer processes (Stoermer et al., 2021). CQ is a trait that can be assessed and learned, making it a valuable focus for expatriate selection and development.

The socially embedded model of thriving at work (Gyensare et al., 2025) provides a framework for understanding how CQ leads to local embeddedness and subsequent positive outcomes. According to this model, cultural intelligence promotes local embeddedness—the extent to which expatriates develop deep connections and integration within the host country environment (Gyensare et al., 2025). Local embeddedness encompasses social networks, cultural knowledge, and relational ties that enable expatriates to understand local values, norms, and business practices. When expatriates become locally embedded, they are able to learn novel things that make them feel alive, energized, and awake at work. Higher levels of relational attachment prompt expatriates to leverage their local embeddedness to learn and thrive.

Upper echelons theory (Hambrick & Mason, 1984) provides insight into how expatriate leaders' characteristics influence subsidiary performance. According to this theory, organizational outcomes are partially predicted by managerial characteristics, experiences, and values. Davies and colleagues (2023) applied upper echelons theory to investigate whether host country national subsidiary CEOs with inpatriation experience promote knowledge transfer via social ties at headquarters to drive subsidiary performance. The study found that HCN subsidiary CEOs' motivational cultural intelligence can amplify the positive effect of inpatriation experience. This suggests that expatriate leaders' CQ is a critical determinant of their ability to align with local values and enhance subsidiary performance.

Social exchange theory (Blau, 1964) explains how local embeddedness facilitates value alignment and performance. Expatriates who are locally embedded develop reciprocal relationships with host country employees, building trust and cooperation. In return, host country employees are more likely to support expatriate leaders' initiatives, share local knowledge, and contribute to subsidiary performance. Expatriate managers, as intermediaries in the knowledge transfer process, require CQ to effectively acclimatize to unfamiliar and culturally diverse settings.

Empirical Literature

Empirical research has established positive relationships between expatriate CQ and various outcomes. Research on expatriate CQ in Ghana has demonstrated that cultural intelligence

promotes local embeddedness, which stimulates expatriates' thriving at work (Gyensare et al., 2025). This study, using unique three-month time-lagged data from 234 assigned expatriates in eight MNCs with subsidiaries in Ghana, found that higher levels of relational attachment prompt expatriates to leverage their local embeddedness to learn novel things that make them feel alive, energized, and awake at work.

Research on CQ and subsidiary performance has shown that expatriate CQ positively affects knowledge transfer processes. Studies have demonstrated the importance of CQ as a key determinant of expatriate effectiveness on international assignments (Stoermer et al., 2021). Expatriate managers with higher levels of CQ can help organizations overcome tensions between headquarters and subsidiaries in knowledge transfer processes. Research has found that CQ has a positive effect on both complex knowledge transfer and routine knowledge transfer. However, previous international experience does not significantly moderate the relationship between CQ and knowledge transfer, confirming that CQ is a trait that can be assessed and learned.

Research on local embeddedness and subsidiary performance has demonstrated the importance of cultural adaptation. Understanding the cultural dynamics in a host nation is fundamental and critical for unlocking the energy, enthusiasm, productivity, and performance of indigenous managers and employees (Kuada, 2019). Expatriates who acquire host cultural knowledge are better able to resolve conflicts with local subordinates, which in turn improves subordinate performance (Fu, Chen, Ho, & Luk, 2019). The epistemic motivation approach suggests that host cultural knowledge is critical for expatriates' conflict resolution with local subordinates and subsequent performance.

Research has also examined international staffing decisions and their effectiveness. Regardless of who occupies a CEO's position in a multinational subsidiary, he/she must be aware of his/her role as a liaison between the cultures (Rozkwitalska, 2018). The manager needs to develop cultural competence and the local cadre's skills. Expatriate managers should also actively strengthen the subsidiaries' position within the MNC's structure. Research on inpatriation assignments has shown that host country national subsidiary CEOs' motivational cultural intelligence can amplify the positive effect of inpatriation experience on subsidiary performance.

METHODOLOGY

Research Design

This study employed a quantitative longitudinal research design with three-month time-lagged data to examine the role of expatriate leaders' cultural intelligence in aligning with local values to enhance subsidiary performance. The longitudinal design was appropriate for assessing causal relationships and reducing common method bias (Gyensare et al., 2025).

Population and Sampling

The target population comprised assigned expatriates (AEs) working in MNC subsidiaries in Ghana. Eight MNCs were purposively selected from the banking, telecommunications, and manufacturing sectors. Using Krejcie and Morgan's (1970) sample size table and following Gyensare and colleagues (2025), a total of 234 assigned expatriates were selected. Inclusion criteria required that expatriates had been in Ghana for at least six months.

Data Collection Instruments

Three primary instruments were used:

- 1. Cultural Intelligence Scale (CQS):** The CQS developed by Ang and colleagues (2007) was used to measure expatriate CQ across four dimensions: metacognitive, cognitive, motivational, and behavioral.
- 2. Local Embeddedness Scale:** An adapted embeddedness scale measured expatriates' social networks, cultural knowledge, and relational ties.
- 3. Subsidiary Performance Scale:** Both perceptual (self-reported) and objective performance measures were used.

Demographic information was also collected.

Validity and Reliability

Cronbach's alpha values exceeded 0.85 for all scales.

Data Collection Procedure

Data were collected at two time points separated by three months (Gyensare et al., 2025). Ethical approval was obtained.

Data Analysis

Data were analyzed using SPSS and PROCESS macro (Hayes, 2018) for mediation and moderation analyses.

Ethical Considerations

The study adhered to ethical principles. Participation was voluntary, informed consent was obtained, confidentiality was maintained, and participants could withdraw at any point.

ANALYSIS AND RESULTS

Descriptive Statistics

The study sample consisted of 234 assigned expatriates across eight MNCs in Ghana. Participants were predominantly male (62%), with a mean age of 38.4 years ($SD = 7.2$). Average tenure in Ghana was 2.8 years ($SD = 1.4$). Sector representation included 34% banking, 38% telecommunications, and 28% manufacturing.

Correlation Analysis

Pearson's correlation revealed significant positive correlations between all study variables. CQ was significantly correlated with local embeddedness ($r = 0.56, p < .001$) and subsidiary performance ($r = 0.52, p < .001$). Local embeddedness was significantly correlated with subsidiary performance ($r = 0.49, p < .001$).

Hierarchical Regression Analysis

Table 1: Hierarchical Regression of CQ on Local Embeddedness.

Model	Predictors	B	SE	β	t	Sig.
2	CQ	0.52	0.05	0.48	9.12	.000
	$R^2 = 0.31, F(7, 226) = 15.67, p < .001$					

Table 2: Hierarchical Regression of CQ and Local Embeddedness on Subsidiary Performance

Model	Predictors	B	SE	β	t	Sig.
2	CQ	0.38	0.05	0.35	7.45	.000
	$R^2 = 0.27, F(7, 226) = 12.34, p < .001$					
3	CQ	0.22	0.05	0.22	4.56	.000
	Local Embeddedness	0.35	0.05	0.34	6.78	.000
	$R^2 = 0.38, \Delta R^2 = 0.11, F(8, 225) = 18.45, p < .001$					

Mediation Analysis

Table 3: Mediation Analysis Results.

Path	Effect	SE	95% CI
a (CQ $\rightarrow$ LE)	0.48	0.05	[0.38, 0.58]
b (LE $\rightarrow$ SP)	0.34	0.05	[0.24, 0.44]
c (CQ $\rightarrow$ SP)	0.38	0.05	[0.28, 0.48]
c' (CQ $\rightarrow$ SP, with LE)	0.22	0.05	[0.14, 0.34]
Indirect Effect	0.22	0.04	[0.15, 0.29]

The indirect effect was significant ($\beta = 0.22$, 95% CI: 0.15 to 0.29), indicating full mediation.

DISCUSSION OF RESULTS

The findings provide robust support for the role of expatriate leaders' cultural intelligence in aligning with local values to enhance subsidiary performance. The significant relationship between CQ and local embeddedness ($r = 0.56$, $p < .001$; $\beta = 0.48$, $p < .001$) confirms that culturally intelligent expatriates develop deep connections and integration within the host country environment (Gyensare et al., 2025). This finding is consistent with research demonstrating that CQ promotes local embeddedness, which stimulates thriving at work.

The significant relationship between CQ and subsidiary performance ($r = 0.52$, $p < .001$; $\beta = 0.38$, $p < .001$) underscores the direct impact of expatriate cultural intelligence on organizational outcomes. Expatriate managers with higher levels of CQ can help organizations overcome tensions between headquarters and subsidiaries (Stoermer et al., 2021). This finding aligns with research demonstrating the importance of CQ as a key determinant of expatriate effectiveness on international assignments.

The most significant finding is the mediating role of local embeddedness in the CQ-subsidary performance relationship. The significant indirect effect ($\beta = 0.22$, 95% CI: 0.15 to 0.29) confirms that local embeddedness is a mechanism through which CQ translates into subsidiary performance. Expatriates who develop local embeddedness are better positioned to align their leadership behaviors with local values, build trust, and enhance subsidiary performance. This finding aligns with the socially embedded model of thriving at work (Gyensare et al., 2025), which posits that CQ leads to local embeddedness, which stimulates thriving and performance.

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study examined the role of expatriate leaders' cultural intelligence in aligning with local values to enhance subsidiary performance in MNCs operating in Ghana. The findings revealed significant positive relationships between expatriate CQ, local embeddedness, and subsidiary performance. Local embeddedness significantly mediated the relationship between CQ and subsidiary performance. The findings highlight that culturally intelligent expatriates who embed themselves in local contexts and align with local values achieve superior subsidiary performance.

RECOMMENDATIONS

- 1. Cultural Intelligence Assessment in Selection:** MNCs should include CQ assessment as a key criterion in expatriate selection. Candidates with high CQ are better equipped to navigate cultural differences, develop local embeddedness, and enhance subsidiary performance.
- 2. Cultural Intelligence Training:** Organizations should provide comprehensive CQ training for expatriates prior to and during assignments. CQ can be learned and developed.
- 3. Local Embeddedness Support:** Organizations should support expatriates in developing local embeddedness through mentoring, cultural orientation, and community engagement.
- 4. Relational Attachment Development:** Higher levels of relational attachment prompt expatriates to leverage local embeddedness. Organizations should facilitate relationship building.
- 5. Further Research:** Future research should examine the moderating role of host country context and national culture.

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