

Employee Performance Improvement Model Through Competence and Intrinsic Motivation Mediated by Cultural Intelligence

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Abstract. *This study aims to examine the effect of competence and intrinsic motivation mediated by cultural intelligence on employee performance at five-star hotels in Bali. The research uses a quantitative approach with a survey method on 339 employees of five-star hotels in Bali. Data was collected using validated questionnaires and analyzed using Structural Equation Modeling - Partial Least Squares (SEM-PLS). The results show that competence has a positive and significant effect on cultural intelligence, intrinsic motivation has a positive and significant effect on cultural intelligence, and cultural intelligence has a positive and significant effect on employee performance. Cultural intelligence plays a significant mediating role in the relationship between competence and intrinsic motivation with employee performance. This research provides theoretical contributions in developing employee performance models that integrate competence, intrinsic motivation, and cultural intelligence in the hospitality industry context.*

Keywords: *Competence; Cultural Intelligence; Employee Performance; Intrinsic Motivation.*

1. Introduction

Employee performance in Bali's luxury hotel industry faces serious challenges as the number of international tourists increases, reaching 5.37 million by 2023. The complexity of serving international guests with diverse cultural backgrounds - Australia (26.81%), India (5.77%), China (4.91%), Singapore (4.56%), and the United States (4.27%) - is not matched by employee readiness, as indicated by a decline in the service quality index from 4.2 to 3.8. From the perspective of HRM policies for five-star hotels in Bali, this situation impacts three critical aspects: (1) financial - a 25% increase in training costs and a 15% decrease in revenue per employee, (2) operational - a decrease in guest satisfaction from 4.5 to 4.1, and (3) reputational - a decrease in ratings on international platforms from 4.8 to 4.3. Based on data from the Indonesian Hotel and Restaurant Association (2024), the average number of employees per five-star hotel is 246, with a total population of 12,500 employees from 52 five-star hotels in Bali. However, the study focused on a target population of 1,250 employees from selected hotels that met the research criteria. This decline in performance also resulted in an 18% increase in employee turnover and a 22% increase in recruitment costs per year.

Facing performance challenges in a multicultural context, recent research offers several strategic solutions. Jitraphai et al. (2021) found that developing cultural competency can improve service performance by up to 42% in five-star Asian hotels. This finding is supported by Ang and Van Dyne (2020), who demonstrated that cross-cultural understanding significantly contributes to improved

employee performance ($r = 0.64$, $p < 0.01$), particularly in terms of service personalization and handling international guest complaints. Zhang and Liu (2021) further confirmed that cultural adaptation increases service effectiveness by 37%, particularly in creating memorable guest experiences. Chen and Wang (2022) added that structured cross-cultural training programs can improve employee performance by up to 45% in a luxury hotel context.

2. Research Methods

This study uses a quantitative approach in accordance with Sugiyono's (2019) guidelines, which emphasize the use of quantitative methods to test hypotheses and analyze causal relationships between variables through objective and measurable statistical modeling techniques. The chosen research design is explanatory research, referring to Sekaran and Bougie (2020), who explain that explanatory research aims to test and explain causal relationships between variables through hypothesis testing formulated based on a strong theoretical foundation.

This approach is also supported by Ang and Van Dyne's (2008) theoretical framework of cultural intelligence, which develops the basic concept of cultural intelligence and emphasizes the importance of empirically testing the relationships between constructs in a cross-cultural context. This study aims to explain the causal relationship between competence, intrinsic motivation, cultural intelligence, and employee performance through systematic hypothesis testing. This approach is suitable for analyzing the mediating role of cultural intelligence in a research model using conditional process analysis as developed by Hayes (2018) within the framework of mediation and moderation analysis.

3. Results and Discussion

This chapter discusses the research results in depth by linking the empirical findings from the SEM-PLS analysis with relevant theories and the operational context of the five-star hotel industry in Bali. The discussion is conducted through a critical interpretation of the statistical findings within the context of the established theoretical framework, taking into account practical implications for HR management in the luxury hotel industry.

The analysis integrates perspectives from Self-Determination Theory (Deci and Ryan, 2020), Cultural Intelligence Theory (Ang and Van Dyne, 2008), and Competency-Based Management (Bharwani and Jauhari, 2020) to provide a comprehensive understanding of the phenomenon under study. The main focus of the discussion is on how competence and intrinsic motivation influence cultural intelligence and employee performance, and the extent to which cultural intelligence acts as a mediating variable in this relationship.

The discussion also explores the theoretical contribution of this research to the development of knowledge in the field of hospitality HR management, as well as strategic implications for industry practitioners in optimizing employee performance through the development of competencies and cultural intelligence.

3.1. Description of Research Variables

Prior to conducting the SEM-PLS analysis, descriptive statistical analysis was conducted to provide an overview of the characteristics of the research data. This analysis included descriptive statistics for each research construct, the distribution of respondents' responses, and identification of abnormal data that could affect the quality of the analysis.

Based on the results of the descriptive statistical analysis presented in this table, it can be seen that all research constructs have a mean value above the midpoint of the scale (3.5), indicating that respondents generally gave a positive assessment of all aspects studied. The Employee Performance construct has the highest mean value (4.73), followed by Intrinsic Motivation (4.56), Competence (4.52), and Cultural Intelligence (4.33). This indicates that employees of five-star hotels in Bali generally have a high level of performance, supported by adequate competence, intrinsic motivation, and cultural intelligence.

Descriptive Statistics Table of Research Variables (n=339)

Latent Varia	Varia bel Kon struk	Indicator	Mean	Median	Scale min	Scale max	Std. Dev.
X1 Competence	X1.1	Hotel Product Knowledge	4.43	5	1	5	0.68
X1 Competence	X1.2	Service Excellence Standards	4.65	5	1	5	0.63
X1 Competence	X1.3	SOP Operational Consistency	4.71	5	1	5	0.6
X1 Competence	X1.4	Cross-Cultural Understanding	4.29	4	1	5	0.79
X1 Competence	X1.5	Cross-Cultural Communication	4.25	4	1	5	0.78
X1 Competence	X1.6	Cultural Preference Adaptation	4.36	5	1	5	0.78
X1 Competence	X1.7	Luxury Service Techniques	4.53	5	1	5	0.69
X1 Competence	X1.8	Guest Experience Management	4.52	5	1	5	0.72
X1 Competence	X1.9	Luxury Etiquette & Grooming (Luxury Etiquette & Grooming)	4.72	5	1	5	0.6
X2 Intrinsic Motivation	X2.1	Cultural Learning Enthusiasm	4.52	5	1	5	0.7
X2 Intrinsic Motivation	X2.2	Active Cultural Knowledge Seeking	4.36	5	1	5	0.75
X2 Intrinsic Motivation	X2.3	Cultural Adaptation Motivation	4.5	5	1	5	0.66
X2 Intrinsic Motivation	X2.4	Service Excellence Passion	4.55	5	1	5	0.67
X2 Intrinsic Motivation	X2.5	Highest Service Standards Dedication	4.68	5	1	5	0.63
X2 Intrinsic Motivation	X2.6	Best Guest Experience Motivation	4.75	5	1	5	0.58
M Cultural Intelligence	M1.1	Cultural Approach Awareness	4.57	5	1	5	0.67
M Cultural Intelligence	M1.2	Cultural Interaction Strategy Planning	4.37	5	1	5	0.75
M Cultural Intelligence	M1.3	Cross-Cultural Interaction Evaluation	4.3	4	1	5	0.77
M Cultural Intelligence	M1.4	Cultural Value System Understanding	4.25	4	1	5	0.82
M Cultural Intelligence	M1.5	Social Norms Knowledge	4.15	4	1	5	0.86
M Cultural Intelligence	M1.6	Cultural Communication Context	4.32	4	1	5	0.77
Y Employee Performance	Y1.1	Task Completion Standards	4.76	5	1	5	0.59

Y Employee Performance	Y1.2	KPI Target Achievement	4.49	5	1	5	0.7
Y Employee Performance	Y1.3	Efficient & Effective Work	4.71	5	1	5	0.62
Y Employee Performance	Y1.4	Quality Service Standards	4.82	5	1	5	0.53
Y Employee Performance	Y1.5	Effective Communication with Colleagues	4.78	5	1	5	0.59
Y Employee Performance	Y1.6	Positive Team Contribution	4.73	5	1	5	0.59
Y Employee Performance	Y1.7	Cultural Diversity Understanding & Appreciation	4.78	5	1	5	0.55
Y Employee Performance	Y1.8	Work Environment Adaptation	4.67	5	1	5	0.61
Y Employee Performance	Y1.9	Organizational Culture Development Support	4.68	5	1	5	0.61

Source: Research data processed using SmartPLS (Software in 2025)

3.2. Discussion of the Influence of Competence on Cultural Intelligence

The results of the study showed that competence had a positive and significant effect on cultural intelligence (coefficient = 0.404; $p < 0.001$). This finding indicates that the higher the competence an employee possesses, the better their ability to understand, appreciate, and adapt to cultural differences.

In the context of a five-star hotel in Bali serving guests from various countries, competencies such as cross-cultural communication, empathy, and flexibility are key to building cultural intelligence. The mechanisms of this influence can be explained through three main pathways: (1) communication competency improves cross-cultural interaction skills, (2) empathy competency strengthens understanding of different cultural perspectives, and (3) flexibility competency facilitates adaptation to diverse cultural norms.

These findings align with Cultural Intelligence Theory (Ang and Van Dyne, 2008), which emphasizes that technical and interpersonal competencies are fundamental to developing cultural intelligence. This assertion suggests that investments in competencies yield returns in the form of cross-cultural adaptability. These findings also align with research by Bharwani and Jauhari (2020), which found a positive correlation between competency mapping and cultural adaptability in the hospitality industry.

The managerial implications of these findings highlight the importance of investing in competency development programs focused on cross-cultural skills, emotional intelligence, and adaptability as a strategy to enhance employees' cultural intelligence. This becomes even more relevant given the challenges faced by the luxury hospitality industry in Bali, which faces in serving guests from diverse cultural backgrounds.

3.3. Discussion of the Influence of Intrinsic Motivation on Cultural Intelligence

Intrinsic motivation was shown to contribute positively and significantly to cultural intelligence (coefficient = 0.327; $p < 0.001$). This finding suggests that employees who possess internal drives such as professional pride, a desire for self-development, and dedication to organizational values are more likely to be open to and adapt to cultural diversity.

This influence process can be understood through three core dimensions of Self-Determination Theory: (1) autonomy which drives initiative in understanding different cultural perspectives, (2) competence motivation which drives learning cross-cultural skills, and (3) relatedness needs which drive forming connections with individuals from different cultural backgrounds.

In the luxury hospitality setting in Bali, intrinsic motivation is a vital element because employees driven by internal factors are better able to deliver authentic, excellent service to international guests in a complex culturally diverse environment. This finding reinforces Self-Determination Theory (Deci and Ryan, 2020), which emphasizes that intrinsic motivation drives constructive behavior, including in the dynamics of cross-cultural interactions.

Interestingly, although the coefficient for intrinsic motivation (0.327) is lower than that for competence (0.404), its impact remains statistically significant, indicating that these two elements play a complementary role in shaping the cultural intelligence of premium hospitality employees. This implies the need for an HR development strategy that synergistically integrates these two aspects.

3.4. Discussion of the Influence of Cultural Intelligence on Employee Performance

Cultural intelligence demonstrated a positive and significant impact on employee performance (coefficient = 0.229; $p = 0.005$). This finding indicates that employees' ability to comprehensively understand and adapt to diverse cultural backgrounds contributes substantially to improving service quality, cross-cultural communication effectiveness, and international guest satisfaction.

In the context of the hospitality industry, which relies heavily on interpersonal interactions, cultural intelligence has evolved into a fundamental soft skill for building harmonious and professional relationships with guests and colleagues from a diverse cultural spectrum. The mechanism of this influence can be explained through Cultural Intelligence Theory, which emphasizes that individuals with high CQ are able to adapt their behavioral patterns to specific cultural expectations.

Interestingly, although the cultural intelligence coefficient (0.229) is relatively modest compared to the direct effects of competence and intrinsic motivation, its statistical significance indicates that cultural intelligence still plays a vital role in the hospitality performance ecosystem. This aligns with research by Ang & Van Dyne (2008) which shows that cultural intelligence functions as an enabler that facilitates the transfer of technical competence into optimal performance outcomes in multicultural settings.

The practical implication of these findings is the need for continued investment in cross-cultural training programs and cultural immersion experiences to optimize cultural intelligence as a competitive advantage in the premium hospitality industry facing diverse international clients.

3.5. Discussion of the Direct Influence of Competence on Employee Performance

The direct effect of competence on employee performance demonstrated robust significance (coefficient = 0.382; $p = 0.001$). This finding reinforces competence's position as a key determinant in optimizing employee performance success. Superior technical, operational, and interpersonal capabilities facilitate employees' efficient operation, delivery of premium-quality services, and completion of assignments to consistent standards of excellence.

This influence mechanism can be elaborated through three critical pathways: (1) technical competence accelerates task efficiency and problem-solving capability, (2) operational competence

optimizes service delivery processes and workflow management, and (3) interpersonal competence strengthens guest relationship management and team collaboration dynamics. In Bali's highly competitive luxury hospitality ecosystem, competence functions as a strategic differentiator that enables hotels to maintain service excellence and sustainable guest loyalty.

Comparative analysis shows that the coefficient of the direct effect of competence (0.382) is substantially larger than its indirect effect through cultural intelligence (0.093), indicating that competence has a dual impact—both direct and indirect—with the direct path dominating. This finding confirms that investments in competence yield measurable returns in the form of superior productivity and performance.

The managerial implications emerging from these findings are the urgency for systematic competency development through structured training programs, mentoring ecosystems, and performance-based career advancement pathways to maximize the return on human capital investment. In the context of five-star hotels, competency is a cornerstone in maintaining brand reputation and ensuring ongoing customer satisfaction.

3.6. Discussion of the Direct Influence of Intrinsic Motivation on Employee Performance

Intrinsic motivation demonstrated a significant direct influence on employee performance (coefficient = 0.338; $p < 0.001$). Employees operating with an internal drive tend to exhibit proactive attitudes, elevated accountability, and dedication to quality excellence. In a work environment that demands service superiority, such as luxury hotels, intrinsic motivation acts as a primary catalyst in maintaining consistency and performance distinction.

This mechanism operates through three fundamental components of Self-Determination Theory (Deci and Ryan, 2020): (1) autonomy, which drives self-directed excellence and personal ownership of outcomes; (2) competence motivation, which drives continuous improvement and skill mastery; and (3) relatedness, which strengthens team synergy and authentic guest connection. This framework explains how internal psychological needs are converted into tangible performance improvements.

Comparative analysis reveals the interesting insight that the intrinsic motivation coefficient (0.338) is nearly equal to that of competency (0.382), indicating that internal drive has equal power to technical capabilities in driving performance. This phenomenon confirms the proposition that in service-intensive industries, psychological factors have a comparable impact to skill-based competencies.

In the context of luxury hospitality, where emotional labor and authentic service are key differentiators, intrinsic motivation serves as a sustainable energy source for long-term performance excellence. This finding aligns with Self-Determination Theory, which emphasizes that intrinsically motivated behaviors tend to be more persistent, creative, and adaptive than externally driven actions.

The emerging strategic implication is the necessity for a cultivation environment that systematically supports autonomy, mastery opportunities, and purpose alignment to maximize intrinsic motivation as a performance driver. This includes meaningful job design, decision-making participation, and recognition systems that value internal satisfaction over external rewards alone.

3.7. Discussion of the Mediating Role of Cultural Intelligence

Cultural intelligence demonstrates a role as a partial mediator in the relationship between competence and intrinsic motivation on employee performance. Although the mediation path exhibits statistical significance ($p < 0.05$), the Variance Accounted For (VAF) value indicates a modest mediation

contribution ($X1 \rightarrow M \rightarrow Y = 19.58\%$; $X2 \rightarrow M \rightarrow Y = 18.16\%$). This interpretation indicates that the majority of the influence of competence and intrinsic motivation on performance operates through a direct pathway, not through the cultural intelligence mediation channel.

This mediation mechanism can be elaborated through a sequential pathway where competence and intrinsic motivation first cultivate cultural awareness and adaptive capabilities, which subsequently contribute to enhanced performance outcomes. However, this contribution is relatively circumscribed compared to direct influence mechanisms. This finding aligns with Cultural Intelligence Theory, which suggests that CQ functions as a facilitating mechanism rather than a primary performance driver in complex organizational ecosystems.

This phenomenon confirms the proposition that in the premium hospitality context, direct competency application and intrinsic motivation deployment have a substantially more powerful impact than cultural mediation processes. This analysis reveals that cultural intelligence, although statistically significant, plays a supplementary role in the performance equation rather than a central determinant.

In the luxury hospitality ecosystem characterized by cultural complexity, cultural intelligence serves as an enabling factor that facilitates smooth cross-cultural interactions and relationship building, but it is not a primary critical success factor for exceptional performance achievement. This suggests that cultural intelligence functions as a valuable performance enhancer but is not indispensable within the operational excellence framework.

The emerging strategic implication is that cultural intelligence development should be perceived as a complementary enhancement rather than the primary focus in performance improvement initiatives. Optimal management strategies will prioritize direct competency development and intrinsic motivation cultivation, with cultural intelligence training as a supporting element that strengthens overall effectiveness in a multicultural service environment.

4. Conclusion

The research findings reveal that competence and intrinsic motivation not only directly influence employee performance but also develop cultural intelligence, which subsequently mediates the relationship. This research model makes a significant contribution to the development of hospitality HR management literature by integrating the perspectives of competence, intrinsic motivation, and cultural intelligence in one comprehensive analytical framework. The research findings make a significant contribution to the development of hospitality HR management literature by integrating the perspectives of competence, intrinsic motivation, and cultural intelligence in one comprehensive analytical framework. This research expands and integrates Self-Determination Theory, Cultural Intelligence Theory, and Human Capital Theory in the context of the multicultural luxury hospitality industry. The developed integrated model provides an in-depth understanding of how technical and psychological factors interact in the development of cultural intelligence and employee performance.

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