Ethnocentrism, Localization Success, and Cultural Intelligence: Mediating Role of Knowledge Sharing in Digital Marketing

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A R T I C L E   I N F O

A B S T R A C T

Ethnocentric behavior among employees is observed in multicultural work environments characterized by the presence of individuals from different origins. The presence of ethnocentrism in the workplace has been observed to have an impact on coworkers. However, despite the importance of the above-mentioned factors, there has been no relevant scientific study on how these aspects affect human resource localization. This study investigates the influence of ethnocentric behavior and localization success on cultural intelligence through the mediating role of knowledge sharing tendency in the context of digital marketing. Although prior research has examined ethnocentrism in consumer behavior and policy, there is limited understanding of how individual-level ethnocentric tendencies affect human resource localization and intercultural competence in multinational work environments. Addressing this gap, the study surveyed 107 employees in multinational companies in Indonesia using a non-probability snowball sampling method. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 3.0. The findings show that ethnocentric behavior and localization success positively influence both knowledge sharing tendency and cultural intelligence. However, knowledge sharing tendency does not significantly mediate the relationship between either ethnocentric behavior or localization success and cultural intelligence. These results highlight the importance of direct cross-cultural dynamics in enhancing cultural intelligence. The study contributes to the theoretical development of international HR management and cultural adaptation models while offering practical implications for designing training programs and policies that enhance knowledge transfer and cultural intelligence in global digital marketing environments.

Introduction

Individuals are of the same species. However, throughout human history, it is clear that people have readily divided themselves into diverse groups (Mihalyi, 1984). Individuals often separate themselves into different factions for a variety of reasons, and ethnocentrism is an important component that can influence this behavior. Thinking of oneself as the center of everything is indicative of ethnocentric behavior. Ethnocentrism is a sociological and anthropological idea that relates to the belief or perception of the superiority of one's ethnic or cultural group over others. It involves using one's cultural framework as a benchmark for judging and evaluating the customs, behaviors, beliefs, and values of different cultures (Durnell & Hinds, 2004). Individuals or civilizations that display ethnocentrism sometimes view their own way of life as the "correct" or "standard" way of life while viewing other cultures as strange, inferior, or potentially threatening (Kessler & Fritsche, 2011). This perspective has the potential to result in biased attitudes, discriminatory behavior, and limited understanding and assessment of various human cultures.

Ethnocentric behavior is most evident when individuals come from different backgrounds. Ethnocentrism has the potential to manifest itself at both individual and communal levels. At the individual level, manifestations of cultural bias can be observed in the form of prejudiced views towards individuals of diverse cultural origins and the tendency to assume that one's cultural standards are universally applicable. When viewed collectively, ethnocentrism has the potential to foster perceptions of national or cultural superiority, leading to intergroup conflicts, unhealthy relationships with co-workers, poor skill transfer, lack of tolerance, etc. The idea of ethnocentrism arises from a deep sense of identification with one's own culture, leading to biased and favorable perceptions of that culture. This behavior is ubiquitous in multicultural workplaces around the world. A study conducted Al-Waqfi and Forstenlechner (2010) revealed that head office managers operating in the region held unfavorable stereotypes about the perception of residents of the United Arab Emirates. This perception influenced the formulation of policies on workforce localization. Subsidiaries of multinational corporations (MNCs) are the best examples of multicultural workplaces where employees come from different cultures and mix in the office. Research in international human resource management has shown that MNCs prioritize the localization of their staff in foreign subsidiaries to improve operational performance by connecting with local communities and governments to increase market share (Lundan & Cantwell, 2020).

Bhanugopan and Fish (2007) claim that localization is a process in which host country employees develop their skills and, as a result, their efficiency. The main goal is to train and develop local employees so that they can have firm-specific advantages and can competently and efficiently replace expatriates (Meyer & Xin, 2018). The success of localization is not just replacing expatriate employees with local employees;

rather, it is replacing expatriates with competent local employees who can perform the same as expatriate employees (Jain et al., 2015). Researchers highlight the importance of selecting significant local human resources and utilizing relevant internal skills to develop and deploy them in such a way as to create uncommon, unique, and non-substitutable firm-specific assets, leading to sustainable competitive advantage (Dickmann et al., 2019). Thus, success in human resource localization is impossible without proper coexistence between expatriate and local employees in the workplace. Coexistence and tolerance among employees ensure a healthy work environment where employees prefer to exchange ideas to improve skills and efficiency. However, the ethnocentric attitude of workers greatly affects friendly working relationships among employees in the workplace. However, current ethnocentrism research emphasizes organizational ethnocentrism policies and consumer studies. Ethnocentrism is widely used in consumer behavior and brand image research h (Kusumawardani & Yolanda, 2021; Areiza-Padilla & Cervera, 2023). Consumer ethnocentrism can be described as the view that buying foreign-made goods is unethical and immoral. Previous studies have explained ethnocentrism from various perspectives, such as country of origin being significantly related to one's international shopping behavior and brand behavior (Farah et al., 2021; Hong et al., 2023), tourist ethnocentrism (Lever et al., 2023), correlation between games and ethnocentrism (Ferguson, 2023),

Ethnocentrism and Sexism (Karoui et al., 2022)., Islamic religiosity and ethnocentrism Tran and Selvaraj (2018).

Companies with ethnocentric global talent management policies tend to encourage headquarter employees to gain overseas experience and create barriers for local talent to climb the career ladder Tran and Selvaraj (2018) . Describe ethnocentrism from the perspective of interethnic interaction and discomfort. Therefore, researchers have focused less on employee ethnocentric behavior in multicultural workplaces and its impact on employee knowledge sharing propensity and human resource localization success. The purpose of this study is to close this gap by examining and evaluating the impact of employee ethnocentric behavior on the effectiveness of human resource localization, especially in multicultural organizations. Thus, this study investigates the potential impact of employee ethnocentric behavior in the office, knowledge sharing propensity, and employee cultural intelligence on the success of localization efforts. The main purpose of this study is to evaluate the impact of ethnocentrism and knowledge sharing behavior on achieving localization success. This study aims to fulfill three main research objectives: This study contributes to the existing literature on employee ethnocentric behavior in the workplace and its impact on employee knowledge sharing behavior in multicultural work environments. Furthermore, this study contributes to the current literature on employee cultural intelligence (CI) by examining the impact

of CI on employee knowledge sharing and staff localization. The third aspect of this study explains how employee ethnocentric behavior hinders the achievement of success in human resource localization, and this hindrance occurs through a meditative pathway in the form of employee propensity to share knowledge. The urgency of this study offers empirical support for the aforementioned research gap and provides recommendations for multicultural companies seeking to create a positive work environment in a diverse workplace.

Literature Review

Ethnocentrism behavior and Cultural Inteligence

Ethnocentrism behavior refers to the tendency to judge other cultures by the standards of one's own culture, often with the view that one's own culture is superior. This can affect intercultural interactions, especially in the context of globalization and multinational cooperation. Cultural intelligence, on the other hand, refers to an individual's ability to understand, appreciate, and adapt to different cultures (Earley & Ang, 2003).

The theory underlying the relationship between ethnocentrism behavior and cultural intelligence is the Cultural Intelligence (CQ) theory developed by Earley and Ang (2003). They suggest that individuals with high CQ tend to be better able to adapt and communicate effectively in cross-cultural environments. On the other hand, high ethnocentrism can be a

barrier to developing cultural intelligence because of the tendency to judge other cultures in a biased or negative manner.

H1: Ethnocentrism behavior has an effect on cultural intelligence

Localization Success and Cultural Intelligence

Localization Success refers to the success of an organization in implementing a localization strategy, namely utilizing local labor, adapting products or services to local cultural preferences, and conducting business operations that are sensitive to the local cultural context. Cultural Intelligence (CQ), as defined by Earley and Ang (2003), is the ability of an individual to understand, adapt, and work effectively in cross-cultural situations. Localization success has a significant impact on the development of cultural intelligence because the localization process requires direct engagement with the local culture, continuous learning, and adaptation in various aspects of operations. Earley and Ang (2003) explain that direct experience in a cross-cultural environment, such as that generated through the localization process, increases the dimensions of CQ including Metacognitive CQ, namely Individual awareness of cross-cultural mindsets and strategies. In the context of localization, the success of creating a strategy that respects local culture triggers deep reflection on local values and norms. Next is Cognitive CQ, namely Knowledge of local cultural systems. Successful localization requires a deep understanding of local cultural practices, laws, and customs. Next is Motivational CQ, namely The desire to engage with

other cultures. Successful localization usually involves increasing the motivation of local and expatriate employees to work together. and finally Behavioral CQ, namely The ability to adapt behaviorally. Localization encourages employees to demonstrate behavior that is in accordance with the local culture.

Localization often involves experiential learning, which allows individuals to internalize local cultural values. According to this theory, direct experience associated with successful localization can increase cross-cultural understanding and adaptability (Kolb, 1984). Successful localization creates an environment in which local and expatriate workers develop a shared, inclusive identity. This helps strengthen CQ through positive intercultural interactions and close collaboration (Tajfel & Turner, 1986).

H2: Localization Success has an effect on Cultural Intelligence

Etnocentrisme Behavior and Knowledge sharing tendency

Ethnocentrism is the tendency of individuals to judge other cultures based on their own cultural standards, with the belief that their own culture is superior (Sumner, 1906). On the other hand, knowledge sharing tendency refers to the extent to which a person is willing to share information, knowledge, or experiences with others, both in individual and organizational contexts. Ethnocentric behavior can affect the tendency to share knowledge, especially in cross-cultural work contexts, because perceptions and attitudes toward other cultures become barriers.

According to Social Identity theory (Tajfel & Turner, 1986), individuals tend to identify with a particular group (ingroup) and develop biases against other groups (outgroups). Individuals with high levels of ethnocentrism are more likely to view members of other cultures as outgroups. This can create a psychological barrier to knowledge sharing, as they may feel less trust or less appreciation for the ability of other groups to understand or use the information shared. Meanwhile, according to the Theory of Trust in Knowledge Sharing (Nahapiet & Ghoshal, 1998), trust is an important element in knowledge sharing. If trust is low, especially in intercultural relationships, the tendency to share knowledge also decreases. Ethnocentrism reduces trust in people from other cultures, thereby reducing the willingness to share knowledge due to prejudice or stereotypes against other groups. Intrinsic and extrinsic motivations influence knowledge sharing behavior. Positive social relationships tend to increase motivation to share and ethnocentrism creates negative social relationships, reducing intrinsic motivation to share knowledge with individuals from other cultures due to perceived alienation or value incompatibility (Deci & Ryan, 1985).

H3: Etnocentrisme Behavior has an effect on Knowledge Sharing Tendency

Localization Success and knowledge sharing tendency

Localization success refers to the success of an organization in integrating strategies that support the use of local labor, cultural adaptation, and the involvement of local

communities in business processes. Meanwhile, knowledge sharing tendency is the tendency of individuals or organizations to share information, ideas, or experiences in the work environment. Localization success can affect knowledge sharing tendency because this success creates trust, openness, and cross-cultural connections that strengthen collaboration. Social relationships in organizations are built on the principle of reciprocity. When individuals feel valued and recognized, they tend to contribute more, including sharing knowledge. Localization success creates a sense of involvement and recognition for the local workforce. This increases their confidence in sharing knowledge and experiences that are relevant to the local context. (Blau, 1964). Localization success creates a more harmonious working relationship between local and foreign workers, thus encouraging knowledge sharing. Successful localization ensures that relevant local knowledge can be integrated into business processes, providing a competitive advantage for the organization (Schein, 1985).

H4: Localization Success has an effect on Knowledge Sharing Tendency

Knowledge Sharing Tendency and Cultural Inteligence

Social learning theory states that individuals acquire new knowledge and skills through social interaction, observation, and learning from others (Bandura, 1977). Knowledge is an important resource that can provide competitive advantage. Knowledge shared between individuals or groups in a cross-cultural context becomes an asset that supports adaptation and cooperation so that knowledge sharing tendency increases the ability of individuals to understand the dynamics of different cultures, supporting the behavioral dimension of Cultural Intelligence (the ability to adjust behavior in different cultural contexts). (Teece, 1997). Knowledge sharing builds deeper social relationships between individuals from different cultures, increasing trust and cross-cultural understanding, which is the basis for the development of cultural intelligence (Nahapiet & Ghoshal, 1998). Knowledge sharing supports better cross-cultural cooperation, allowing individuals to adapt quickly in multicultural contexts.

H5: Knowledge sharing tendency has an effect on cultural inteligence

Localization success is mediated by knowledge sharing tendency towards cultural intelligence

localization success strengthens the social networks between the local workforce and the organization, creating conditions that support knowledge sharing. This knowledge sharing helps individuals understand local cultural norms and values, thereby strengthening the cognitive and metacognitive dimensions of CQ (Nahapiet & Ghoshal, 1998). Successful localization increases the sense of involvement and appreciation of the local workforce, encouraging them to share their unique knowledge. This knowledge helps other individuals in the organization develop the ability to adapt across cultures, thereby enhancing CQ (Blau, 1964). In the context of localization, sharing knowledge about

local values and norms allows other members of the organization to gain the cross-cultural insights needed to develop CQ, particularly in the behavioral dimension of CQ (Nonaka & Takeuchi, 1995). Successful localization creates an inclusive work environment that values local workers, increases trust and social connections, which supports knowledge sharing. Knowledge shared through cross-cultural interactions helps individuals understand the norms, values, and practices of other cultures, which enhances cognitive, metacognitive, motivational, and behavioral dimensions of CQ, whereas successful localization without knowledge sharing is insufficient to build CQ. The process of knowledge sharing becomes a bridge between localization and the development of cultural intelligence (Deci & Ryan, 1985).

H6: Localization success is mediated by knowledge sharing tendency towards cultural intelligence

Etnocentrisme behavior is mediated by knowledge sharing tendency towards cultural intelligence

Conflicts and misinterpretations of different cultures can prevent information from being shared in multicultural organizations. Employees with high CQ are better at identifying and resolving potential cultural issues, which promotes a more cooperative work environment. Those with better CQ are better able to keep multicultural teams free from misunderstandings and disagreements (Imai & Gelfand, 2010). The benefits of cultural intelligence (CQ) serve to amplify the

impact of static intercultural competence on dynamic intercultural competence and adaptation. This, in turn, influences workers' job success, including their willingness to share information (Lee & Nguyen, 2019).

Employees with high CQ are more accepting and considerate of different viewpoints. In a diverse workplace, employees are more likely to participate in knowledge-sharing events when they feel valued and included. Employees with adequate cultural intelligence are more likely to accept tips from coworkers from diverse cultural backgrounds. Sharing experiences and information is driven by this receptivity to learning. According to (Chen, 2015) cultural intelligence promotes cross-cultural understanding, which supports knowledge exchange in multicultural organizations. In short, employees with high levels of cultural intelligence are better suited to handle the complexities of diverse work environments, including unfamiliar cultural situations, hostile behavior from team members, and mistreatment from coworkers (Ang & Tan, 2016). They excel in collaborating in multicultural teams, understanding each member's perspective, and using various concepts, ideas, practices, and knowledge sharing to develop capabilities in enhancing cooperation and problem solving that enhance the process of skill development that is essential for employee localization.

Knowledge sharing is facilitated by their capacity to build trust, communicate clearly, defuse conflict, foster inclusion, and support cross-cultural learning. As a result, high-quality information exchange among

staff members promotes skill enhancement and enhances their capacity for resourcefulness. Thus, employee CQ plays a vital role in multicultural work environments by enhancing employee competence and reducing adverse problems arising from cultural heterogeneity (Philip et al., 2023).

H7: Etnocentrisme behavior is mediated by knowledge sharing tendency towards cultural intelligence

Method, Data, and Analysis

We conducted a pilot survey in Indonesia in September 2024. The survey involved employees from a Multinational company. This study used convenience sampling to select two companies in Indonesia. The researcher conducted the pilot survey and pre-tested it on a small group of respondents (n = 35). The pre-test examination revealed that all survey items were clear and easy to understand, with no confusing parts or sections. The questionnaire was designed in Indonesian and English as it is the global working language. All instructions and survey items were also clear. We used a non-probability sampling technique with purposive random sampling technique. The HR department assisted the researcher in distributing paper survey questionnaires to the staff in the office by following a purposive random sampling technique. The nature of the study—objective, voluntary, and confidential—was disclosed to the respondents in the survey invitation. Within two weeks, the respondents were expected to return the questionnaires to the researcher through the HR department. Out of a total of 107 questionnaires. We conducted a Slovin test for sample adequacy and found that 107 should be an adequate sample size. The demographics of the sample were gender, type of employee, education, tenure, age, and work experience.

Table 1.

Respondent Demographics

No	Characteristic respondent	Percentage (%)
1	**Gender**	
	Male	59,8
	Female	40,2
2.	**Age**	
	21-30 Years	1.90
	31-40 Years	28.0
	41-50 ears	44,9
	>50 years	25,2
3	**Tenure**	
	< 1 years	0.90
	2-10 Years	20,6
	11-20 Years	31,8
	>20 Years	46,7
4	**Job Position**	
	Assistant Manager	20,60
	Assistant Vice President	10,8
	Director	20,95
	General Manager	12,09
	Chief Executive Officer	10,96
	Manager	45,2

This study used a Likert scale to collect data from respondents. We have adopted a questionnaire that was created, validated, and used by other researchers.

Ethnocentrism (Ethno)

This study used Zeira's (1979) Likert-type scale to measure employee ethnocentrism. The questionnaire included six items. The items included "All top managers of the subsidiary should be citizens of my country". Respondents were asked to respond on a five-point Likert-type scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The internal consistency for this scale in this study was $\alpha = 0.880$.

Localization success (LS)

A seven-item Likert-type scale developed by Law et al. (2009) was used to measure localization success. The items used included "The progress of localization in my company is very successful." Respondents were rated on a five-item Likert scale ranging from (1 = Strongly agree to 5 = Strongly disagree). The internal consistency for this scale in this study was $\alpha = 0.910$.

Knowledge sharing tendency (KST)

The Likert-type scale we used to measure KST was based on Bock et al.'s (2005) five-item scale used to measure Coworker knowledge sharing tendency. The items included "I will share my work reports and official documents more often with members of my organization in the future." Participants' responses on the Likert-type scale ranged from 1 = Strongly disagree to 5 = Strongly agree. The internal consistency for this scale in this study was $\alpha = 0.903$.

Cultural intelligence (CQ)

The Thomas et al. (2015) was used to measure cultural intelligence consisting of a five-item Likert type used to evaluate the cultural intelligence of employees CQ. The items include "I am aware that I need to plan my actions when I am in different cultural situations and with people from different cultures". Respondents were rated on a five-point Likert-type scale (1 = not at all to 5 = Very much). The internal consistency for this scale in this study was $\alpha = 0.932$. Demographic variables, age, gender (1- male, 2- female), years of work experience ("Job Title"), and type of employee (1- Local, 2- Foreign) were controlled in this study.

This study used PLS SEM V18.0 for descriptive analysis and correlation of variables. In PLS SEM developed by Hayes was used to evaluate the mediation model, and Model was used to evaluate the moderated mediation model (Hayes, 2017). First, the independent variable (Ethnocentrism), the dependent variable (Localization Success), and the mediator (Knowledge Sharing Propensity) were used in the mediation study. The boot strapping method to measure the indirect effect was used to determine the best mediation effect test, and the 95% confidence interval (CI) was determined. There were 5000 bootstrap samples. Second, a test was conducted on the moderated mediation effect using the moderator (Cultural Intelligence). The moderated mediation effect can be found in the substantial interaction coefficient between Cultural Intelligence and Knowledge Sharing Propensity. The moderating effect of Cultural Intelligence is indicated by looking at the conditional effect at one standard deviation (SD) above and below the mean. This investigation

looks at whether there is a significant difference between the slope of the regression equation for high and low cultural intelligence values. As covariates, control factors, including age, gender, work experience, and employee type, were added to the model. At the 5% significance level, there is no significant mediation (indirect) effect if the confidence interval contains zero. After applying mean centering to the moderating and independent variables, multicollinearity was reduced, and the same analysis was performed.

Result and Discussion

In investigating the structural equations, the data is analysed using partial least squares (PLS-SEM), applying SmartPLS 3.0 software for the analysis. It is implementing the second order confirmatory factor analysis techniques. Therefore, the data is examined twice. First, the second order model is created, then it is examined the

model accuracy. The suitability test determines the questionnaire of the practical data collection to use validity and reliability test. Especially in assessing cultural intelligence, localization success, ethnocentrism behaviour, knowledge sharing tendency are assessed using the characteristics that reflects them. Validity test is to measure the truth and the accuracy that shows the accurate indicators in accordance to the operational description of a construct that can be measure by those indicators (Neuman, 2007). Construct is considered valid if the average variance extracted value (AVE) > 0.50, which is how the validity test is determined. Internal consistency of measurement tools shows by the reliability test (J. F. Hair et al., 2006). Cronbach Alpha value (CA) or Composite Reliability (CR) is used in reliability test, and the structure is considered can be trusted if CA or CR value is less than 0.70.

Figure 1.
Descriptive statistics and correlations
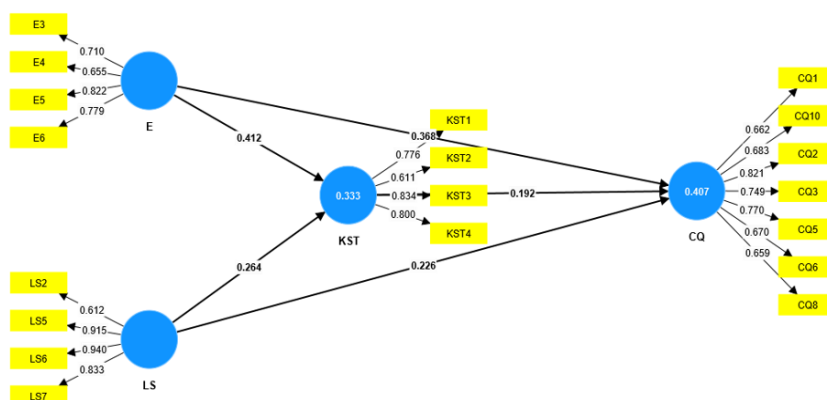
The second order confirmatory factor analysis approach is used. Therefore, the data is being analysed twice. The first step is to build second order model, then the suitability model is verified. The validity and reliability test is implemented in suitability test to determine is the collecting data questionnaires is feasible. The variable of job design is measured based on the characteristics that reflects them, especially in the assessment. The validity test refers to the truth and accuracy that shows that the indicators are accurately matched to the operational description of a construct that can be measured by the indicators. The validity test can be shown by referring outer loading and AVE value. In table 1 all of the outer loading is stated valid, and in the AVE shown by table 1 the assessment instrument stated it has passed the validity test.

Table 2.
Construct reliability and validity - Overview

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
CQ	0.842	0.845	0.881	0.516
E	0.728	0.736	0.831	0.554
KST	0.752	0.768	0.844	0.578
LS	0.848	0.885	0.900	0.697

Furthermore, the instrument reliability test is carried out by observing Alpha Cronbach value above 0.70 and reliability composite value is above 0.70. all of the variables are considered can be trusted as they are having Alpha Cronbach value and composite reliability higher than the required threshold. The process of whole reliability test shown by table 2 at the next step, the model suitability test is carried out by assessing SRMR, d_Uls, d_G, chi-square, NFI, and RMS Theta. The result of chi-square test 283.337< 300 SRMR proven to have value 0.075 < 0.484, so the model is fit. Each value of d_Uls and d_G is 1.361 and 1.266 with significant value above 0.05. It shows the result is a little fit. NFI value is 0.27, so the result is fit and fine. Finally, the value of RMS Theta is 0.162> 0.102, so the result shows marginal fit.

Tabel 2.
Model Fit

	Saturated Model	Estimated Model
SRMR	0.085	0.085
d_ULS	1.361	1.361
d_G	0.484	0.484
Chi-square	283.337	283.337
NFI	0.727	0.727

The theory is assessed using the suggested model. Statistic-t > 1.96 is the result of the parameter in PLS-SEM hypothesis test in supporting those hypothesis. Hypothesis is not supported if the finding of the statistic-t is less than 1.96. The path estimation value shows the size and effect direction (Hair et al., 2021). Path coefficient test is used to identify all of the research model and variable impact. In the process of hypothesis test, the writers are assessing the data for direct and indirect effect. The

result of analysis related to the direct effect test shows that Hypothesis 1, which examines the impact of ethnocentrism behaviour towards cultural intelligence, data has coefficient (p=0.000) it means the ethnocentrism behaviour has impact in cultural intelligence. On Hypothesis 2, the localization success proven has impact on cultural intelligence with value (p=0.040) means the Hypothesis 2 is supported.

Hypothesis 3, stated that ethnocentrism behaviour has impact towards sharing knowledge tendency with value (p=0.000). Next, the Hypothesis 4 shows that localization success has positive significant impact towards knowledge sharing tendency with value (p=0.007). As the result for Hypothesis 5 shows that knowledge sharing tendency has impact on cultural intelligence.

Tabel 3.

Path coefficients – Mean, STDEV, T values, p values

	Original Sample	Sample Mean	Standard Deviation	T statistics	P values
E → CQ	0.368	0.366	0.101	3.642	0.000
E → KST	0.412	0.427	0.084	4.916	0.000
KST → CQ	0.192	0.205	0.096	2.004	0.045
LS → CQ	0.226	0.226	0.105	2.151	0.032
LS → KST	0.264	0.270	0.098	2.685	0.007

For the indirect effect test for Hypothesis 6 and Hypothesis 7 shows that there is no impact among localization success and ethnocentrism behaviour towards cultural intelligence when it is mediated by knowledge sharing tendency with value (p=0.079) and (p=0.167).

Tabel 4.
Specific indirect effects – Mean, STDEV, T values, p values

	Original Sample	Sample Mean	Standard Deviation	T statistics	P values
E → KST → CQ	0.079	0.088	0.045	1.755	0.079
LS → KST →CQ	0.051	0.057	0.037	1.382	0.167

Discussion

This study discusses the relationship between employees' ethnocentric behavior, human resource (HR) localization success, knowledge sharing tendency, and cultural intelligence in a multicultural work environment. The findings reveal that ethnocentric behavior has a significant positive influence on HR localization success. This result is particularly interesting because, in theory, ethnocentrism is often seen as a barrier to intercultural interaction, typically associated with resistance to foreign values or cultures. However, in this context,

ethnocentrism appears to function as a driving force for strengthening local identity and supporting organizational policies that aim to increase the involvement of local employees. This can be explained by a sense of loyalty and ownership toward one's cultural background, which motivates individuals to preserve and enhance the role of local human resources within the organizational structure.

Furthermore, the study found that ethnocentric behavior positively influences the tendency to share knowledge. Although ethnocentrism is theoretically associated with exclusivism and may hinder the exchange of information across cultures, this finding suggests that ethnocentric individuals may be more inclined to share knowledge within their own cultural group. In a multicultural workplace, knowledge-sharing patterns are often shaped within groups of individuals who feel a cultural affinity, and in this case, ethnocentrism seems to encourage the formation of internal knowledge networks that are active in sharing.

The success of HR localization was also found to have a positive impact on knowledge sharing. This indicates that when local employees feel empowered and recognized within the organization, they are more motivated to share their insights and experiences. A strong sense of belonging and trust in systems that value local employees create a work climate conducive to collaboration. It shows that a successful localization strategy does not merely involve recruitment and promotion policies, but also contributes to organizational

knowledge management and cultural integration.

However, the study also shows that knowledge sharing tendency does not significantly mediate the relationship between ethnocentric behavior and localization success with cultural intelligence. In other words, even though ethnocentric individuals tend to share knowledge, the type of knowledge shared may not effectively support the development of cultural intelligence. The knowledge being exchanged may be technical or limited to a particular cultural perspective, thus failing to broaden individuals' understanding of different norms, values, and cultural practices. This suggests that knowledge sharing alone does not guarantee an improvement in intercultural competence, especially if the shared knowledge lacks intercultural relevance.

Another significant finding in this study is that cultural intelligence plays a positive role as a moderated mediator that indirectly strengthens the relationship between ethnocentric behavior and HR localization success. This means that individuals with high cultural intelligence are able to utilize their ethnocentric tendencies in a more adaptive and constructive manner within multicultural work environments. Employees with strong cultural intelligence are better equipped to understand and navigate cultural differences, manage intercultural conflicts, and adjust their behavior across various social contexts. Thus, cultural intelligence becomes a critical factor in bridging the limitations of ethnocentric orientation and contributes

meaningfully to the success of localization strategies.

Based on these findings, several practical implications can be drawn for organizations operating in multicultural environments. Management should recognize that ethnocentrism is not always detrimental. In certain contexts, well-managed ethnocentrism can serve as a motivator for local employees to enhance their participation and commitment. Moreover, companies need to invest in programs that enhance cultural intelligence among employees, as this competency has been shown to mediate the complex dynamics of workplace diversity. Knowledge-sharing initiatives should also be designed not only to focus on technical aspects but also to include intercultural content so that the process supports the development of broader cultural understanding.

Nonetheless, this study has certain limitations. The relatively small sample size (107 respondents) and the use of non-probability snowball sampling may limit the generalizability of the results. In addition, the study did not consider other potential influencing factors such as organizational culture, leadership styles, or employees' international experience. The research also did not distinguish between different dimensions of ethnocentrism, such as affective, cognitive, and normative components, which may have varying effects on the other variables.

Conclussion

This study highlights the negative influence of ethnocentrism on both cultural intelligence (CQ) and knowledge sharing tendency (KST) within digital marketing contexts. The findings support Social Identity Theory by demonstrating how strong in-group preferences can hinder cross-cultural collaboration and reduce marketing effectiveness. In contrast, localization success has a strong positive impact on both CQ and KST, confirming the relevance of Adaptation and Contingency Theories that emphasize strategic cultural alignment. Although knowledge sharing is positively correlated with CQ, its hypothesized mediating role between ethnocentrism or localization success and CQ was not statistically supported. This suggests that knowledge sharing alone may not sufficiently explain the development of CQ. One limitation of this study is its cross-sectional design, which restricts causal interpretations. Additionally, the sample context may limit the generalizability of the findings to other industries or cultural settings.

From a theoretical perspective, the results emphasize the importance of experiential learning over passive knowledge dissemination in developing cultural intelligence. This aligns with Experiential Learning Theory, which advocates for learning through direct cultural engagement and reflection. From a practical standpoint, organizations operating in global digital marketing environments should actively reduce ethnocentric attitudes and promote culturally adaptive practices. This includes implementing localized marketing strategies, providing employees with real-world intercultural experiences, and fostering continuous reflection on cross-cultural interactions. While encouraging a knowledge-sharing

culture remains important, it should be complemented with hands-on intercultural exposure in order to effectively enhance CQ and strengthen global collaboration.

Recommendation

Organizations should actively evaluate and address ethnocentric attitudes among employees through diversity training, intercultural workshops, and inclusive leadership development. These efforts are essential for enhancing openness to collaboration, improving knowledge exchange, and strengthening cultural intelligence (CQ), particularly within multicultural marketing teams. To further increase campaign effectiveness and employee adaptability, companies are encouraged to prioritize localization strategies in digital marketing. This involves adapting branding, messaging, and audience engagement approaches to align with the cultural expectations of local markets. In addition, organizations should develop internal systems such as digital platforms, repositories of best practices, and interdepartmental forums that facilitate the regular exchange of insights related to consumer behavior, campaign performance, and cultural adaptation. Beyond passive knowledge sharing, it is crucial to provide employees with direct intercultural experiences, including international assignments, participation in virtual cross-border teams, and interactions with clients across different markets. Such experiential learning opportunities support the deeper development of CQ in alignment with Experiential Learning Theory. To institutionalize cultural competence,

organizations should incorporate CQ assessments into performance evaluations, especially for roles involving global marketing, communication, or customer engagement. Finally, it is important to foster a culture that values continuous learning, cultural sensitivity, and reflective feedback on localization practices, thereby enhancing team responsiveness and effectiveness in dynamic and diverse market environments.

Acknowledgements

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