

THE IMPACT OF MULTI-CULTURAL ENVIRONMENT ON EMPLOYEE PERFORMANCE AT MULTINATIONAL COMPANIES IN HO CHI MINH CITY

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Abstract: *This research aims to analyze the impact of a multicultural environment on employee performance in multinational companies (MNCs) in Ho Chi Minh City. The author then uses SPSS and AMOS software for quantitative data analysis through the following steps: descriptive statistics, Cronbach's Alpha analysis, exploratory factor analysis (EFA), confirmatory factor analysis (CFA), and structural equation modeling (SEM). The research model on the impact of the work environment on employee performance is tested through these analyses.*

• Keywords: *multicultural environment, employee performance, multinational companies.*

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1. Introduction, research objectives, research method and significance

1.1. Introduction

Deputy Minister of Labor, Invalids, and Social Affairs Le Van Thanh has highlighted that Vietnam is still grappling with issues of low labor quality and job standards, along with a scarcity of skilled professionals (Nguoi Lao Dong, 2020). To address these challenges, it is imperative to focus on enhancing training effectiveness, particularly in the context of multinational corporations (MNCs), where the development and implementation of performance metrics for employees are essential. Additionally, it is vital to study the multicultural dynamics within these organizations, with a specific emphasis on workplace cultural differences, as this understanding is key to boosting employee performance.

Throughout the Covid-19 pandemic, numerous businesses transitioned to remote work. As the pandemic is slowly being contained, multinational corporations (MNCs) are starting to return to regular operations. Nonetheless, they must continue to offer flexible work options and introduce new systems and policies, all of which significantly influence employee performance. Consequently, the multicultural aspect of the workplace is crucial in aiding employees to adjust and enhance their performance.

MNCs in Vietnam are drawn by the young, dynamic, and cost-effective workforce, while also contributing to the transfer of technology and skills to local businesses. International studies, such as those by Jayaweera (2015) and Nanzushi (2015), have shown a positive relationship between multicultural environment and employee performance across various industries and countries. However, in Vietnam, research on the impact of multicultural environment on employee performance remains limited, especially in the context of increasing global integration.

Recognizing this gap, this study aims to synthesize international research models and apply them to the multicultural context of MNCs in Ho Chi Minh City. By doing so, the research seeks to develop solutions to improve employee performance within this environment. Following this overview, the author will explore the topic “The impact of multi-cultural environment on employee performance at multinational companies in Ho Chi Minh city, Vietnam”.

1.2. Research objectives

- Investigate how a multicultural environment influences employee performance in MNCs located in Ho Chi Minh City.

- Examine the mediating role of employee collaboration and creativity in the relationship

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between the work environment and employee performance at MNCs in Ho Chi Minh City.

- Based on analysis result, offer practical recommendations and solutions for both employees and MNCs to leverage this relationship for enhancing performance and work outcomes.

1.3. Research method

The author primarily employs quantitative research methods during the official research phase. After gathering primary data from employees of MNCs in Ho Chi Minh city, the author uses SPSS and AMOS software to conduct the quantitative data analysis in the following sequence: descriptive statistics analysis, Cronbach's Alpha reliability analysis, exploratory factor analysis (EFA), confirmatory factor analysis (CFA), structural equation modeling (SEM), analysis of variance (ANOVA), and multigroup analysis.

1.4. Research significance

The study has provided additional evidence and perspectives to explore the relationship between the work environment and employee performance.

In addition to the theoretical contributions, this study also provides some practical recommendations for MNCs in Ho Chi Minh City to improve the work environment, minimize the negative impacts of the negative environmental factors, as well as promote the positive impacts of the strengths of the work environment, multicultural environment, thereby improving the work efficiency of employees, and ultimately bringing positive effects to the performance of the organization.

2. Overview of the impact of multicultural environment on employee performance and research model

2.1. Overview of the impact of multicultural environment on employee performance

Impact of multicultural environment

A multicultural environment, characterized by cultural diversity, can be seen as a double-edged sword, as it has both positive and negative effects.

On the negative side, Xu, D. & Shenkar (2002), and White et al. (2011) argue that cultural differences between individuals, groups, or organizations can lead to problems, conflicts, risks, and communication barriers. Multiculturalism can complicate human interactions and potentially decrease overall employee satisfaction (Lauring & Klitmøller, 2015; Stahl et al., 2010).

On the positive side, Mannix & Neale (2005) and Pettigrew & Tropp (2008) suggest that diverse groups may enhance performance, largely due to the increased potential for learning and creativity. Fitzsimmons and Colleagues (2011) also argue that multiculturalism influences teamwork, cross-cultural negotiations, ethics, leadership, and cross-border mergers and acquisitions.

Given these contrasting perspectives, the author includes the Multicultural Environment as a key factor in the proposed research model, marking a novel aspect of this study. Accordingly, the author proposes the hypothesis: the multicultural environment affects the employee performance at MNCs in Ho Chi Minh City.

Impact of work environment

Okasheh and Al Omari (2017) highlighted that the working environment is a key determinant of employee productivity and work quality. The attractiveness of a workplace influences employees' willingness to learn new skills and their motivation to perform well. Similarly, Chandrasekar's (2011) study arrived at the same conclusion. Kamarulzaman et al. (2011) also found that employee satisfaction with their working environment leads to better work performance. Ollukkaran and Gunaseelan (2012) stated that various environmental factors significantly affect employee motivation and performance levels. In line with this, Susilaningsih (2013) emphasized that a positive working environment helps employees feel more comfortable, whereas an inconvenient environment can reduce their work efficiency (Susilaningsih, 2013).

From these findings, it can be concluded that a positive working environment plays a crucial role in enhancing employee performance. Therefore, after studying the relationship between employees and their workplace, the author proposes the following hypothesis: The working environment has an impact on the employee performance at MNCs in Ho Chi Minh City.

Moreover, as noted by Arsalani et al. (2011), the working environment can be divided into two main components: the psychosocial environment and the physical environment.

The mediating effect of collaboration

Phua (2012) noted that employee disengagement is on the rise, making it increasingly important to create workplaces that positively influence the workforce. According to Udenga (2012), the work

environment encompasses the physical space, job roles, company culture, and market conditions, all of which are interconnected and influence overall employee performance and productivity. Chandrasekar (2011) emphasized that a conducive work environment ensures employee comfort, enabling them to tap into their full potential, which leads to higher performance and engagement. Kahn (1990) identified three key psychological conditions for engagement: meaningfulness, safety, and availability. Meaningfulness reflects how significant the work is to employees, the work environment provides safety, and availability refers to having the necessary resources to complete tasks.

In summary, there is a general consensus that employee engagement positively affects performance. Based on this, the author proposes the following hypotheses: The work environment influences employee collaboration, and employee collaboration impacts employee performance.

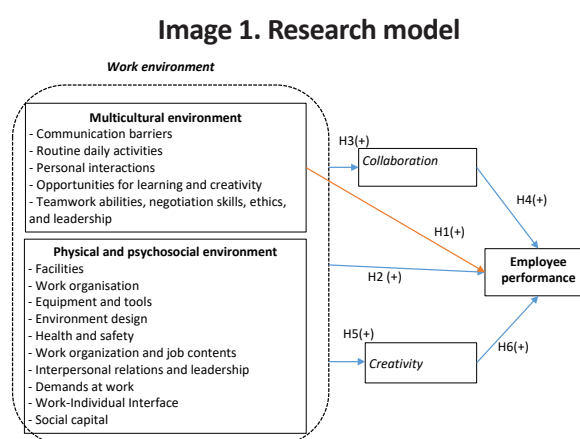
The mediating effect of creativity

Creative employees play a crucial role in enhancing job performance. These individuals possess the ability to develop innovative solutions to work-related problems and risks. The generation of these new ideas allows them to successfully fulfill job tasks and responsibilities (Ahmetoglu et al., 2015; Shin & Grant, 2020). As a result, creative employees are inherently driven to improve job performance and efficiency. Several empirical studies have confirmed the link between creativity and job performance. For instance, Suh & Shin (2005) examined the relationship between creativity, job performance, and related factors in nonprofit organizations. Moreover, creative activities have both direct and indirect effects on performance-related outcomes (Ismail et al., 2010; Pattnaik & Sahoo, 2021).

In conclusion, there is widespread agreement on the positive impact of creativity on employee performance. To further investigate the mediating role of creativity, the author proposes the following hypotheses: The work environment influences employee creativity, and employee creativity affects employee performance.

2.2. Research model

Drawing from the theoretical foundation and initial quantitative analysis results, the proposed research model is as follows:



Source: Author's proposal

3. Research results

3.1. Characteristics of the study sample

The questionnaire was conducted from January 25 to February 8, 2024. Of the 450 samples distributed, 405 were collected, achieving a 90% response rate. After excluding invalid questionnaires, 400 valid samples were included in the final data analysis.

Frequency analysis results indicated that 205 male employees responded (51.2%), while 195 female employees responded (48.8%). In terms of age distribution, the largest proportion of participants were over 50 years old, comprising 28.0% of respondents. This was followed by the 35–50 age group at 26.8%, and the 25–35 age group at 26.3%. The remaining participants were from other age groups. For average monthly income, 11.3% of employees earned under 7 million VND, 37.0% earned between 7 and under 10 million VND, 49.8% earned between 10 and under 20 million VND, and 2.0% earned 20 million VND or more. In terms of work experience, 16.5% of employees had less than 1 year of experience, 21.0% had 1 to 3 years, 19.0% had 3 to 5 years, 16.0% had 5 to 7 years, and 27.5% had 7 years or more.

3.2. Scale test

Based on preliminary quantitative research results, the scales and variables for the official study include:

- Multicultural environment (ME): 5 variables, coded from ME1 to ME5.
- Physical environment (PHE), consisting of: Environment design (ED): 4 variables, ED1, ED3, ED4, ED5. Facilities (FA): 5 variables, FA1 to FA5. Equipment and tools (ET): 5 variables, ET1 to ET5. Work organization (WO) scale: 4 variables, WO1

to WO4. Health and safety (HS): 5 variables, HS1 to HS5.

- Psychosocial environment (PSE), consisting of: Work-Individual Interface (WI): 7 variables, WI1 to WI5, WI7, WI8. Interpersonal relations and leadership (IL): 7 variables, IL5 to IL9, IL1, IL3. Demands at work (DW): 6 variables, DW4 to DW8, DW1. Work organization and job contents (WJ): 5 variables, WJ1, WJ2, WJ3, WJ5, WJ6. Social capital (SC): 4 variables, SC1 to SC4.

- Creativity (CR): 3 variables, coded from CR1 to CR3.

- Collaboration (CO): 4 variables, CO1 to CO4.

- Efficiency of work (EP), including TP, CP, and WB. TP has 5 variables, TP1 to TP5. CP has 7 variables, CP1 to CP6, CP8. WB has 5 variables, WB1 to WB5.

The reliability analysis results indicated that all scales had Cronbach's Alpha coefficients above 0.7. Consequently, no variables were removed from the model, and all were retained for testing through EFA analysis.

EFA analysis results revealed that for the scales of multicultural environment, creativity, and collaboration, all variables were retained. For the physical environment scale, variable ET5 was removed. In the psychosocial environment scales, variables WI1, IL1, WJ5, and WJ6 were removed. In the work performance scale, all variables were retained.

The next step is the scale testing by CFA analysis, with the specific results as follows:

- Multicultural environment scale: This scale includes one ME factor with five variables. The results indicate that the data aligns with the market model, and the ME scale demonstrates unidimensionality. However, the AVE for ME could not be achieved initially, as variable ME2 had the lowest standardized coefficient at 0.557. After removing ME2, the AVE remained below 0.5, prompting the removal of ME4, which had a standardized coefficient of 0.579. In the refined CFA model, all standardized regression coefficients exceed 0.5 and are statistically significant. The ME scale indices meet all criteria, confirming the scale's convergent validity.

- Collaboration & Creativity Scale: This scale comprises two factors Collaboration (CO) with four variables and Creativity (CR) with three variables.

The results of the CFA model analysis indicate that the data align with the market model, and the CO & CR scale demonstrates unidimensionality. All variable estimates meet the acceptable standards (≥ 0.5), with p-values highly significant ($p < 0.001$). The convergence indicators for the scale meet all criteria, confirming that both the CO and CR scales achieve convergent validity.

- Physical environment scale: This scale comprises five factors—FA with 3 variables, WO with 3 variables, ET with 4 variables, ED with 3 variables, and HS with 5 variables. Initially, the AVE for ED was not achieved due to variable ED3, which had the lowest standardized coefficient. After removing ED3, the CFA model results indicate that all standardized regression coefficients are significant and exceed 0.5. Although the model aligns with market data, $CMIN/df = 4.143 (> 3)$, suggesting the model has not fully met the fit criteria. With no error correlation between components, the measurement of constructs is unidirectional. All CR indices for FA, WO, ET, ED, and HS exceed 0.7, confirming factor reliability. The AVE indices are all above 50%, demonstrating convergent validity for all five components. After removing ED3, FA, WO, ET, ED, and HS show correlation coefficients and variable standard errors below 1. Additionally, $MSV < AVE$, and $MaxR(H)$ coefficients are all higher than the respective correlation coefficients, confirming discriminant validity for FA, WO, ET, ED, and HS.

- Social psychological environment scale: This scale includes five factors: WJ with 3 variables, IL with 6 variables, DW with 6 variables, WI with 6 variables, and SC with 4 variables. Initially, the SC factor did not meet the AVE condition ($AVE < 0.5$) due to the SC2 variable, which had the lowest standardized coefficient (0.575). After removing SC2, the AVE for SC remained insufficient, leading to the removal of SC1. In the refined CFA model (excluding SC2 and SC1), all standardized regression coefficients exceed 0.5 and are statistically significant. The model fit indices indicate that the social psychological environment scale aligns well with market data. With no error correlation among components, construct measurement is unidirectional. All CR indices for WJ, IL, DW, and WI exceed 0.7, confirming the composite reliability of these factors and establishing convergent validity across the five components WJ, IL, DW, SC, and WI. Additionally, all MSV coefficients are less than

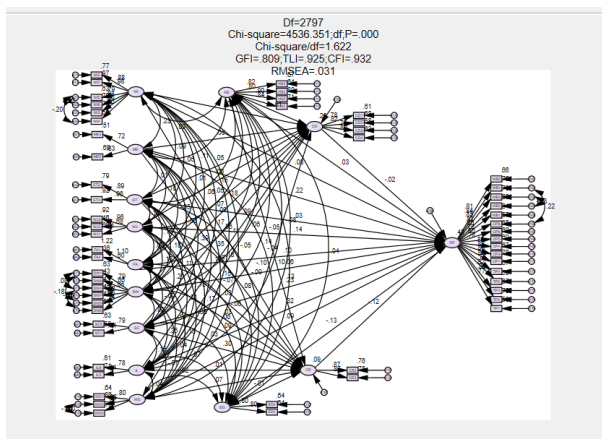
AVE, and MaxR(H) coefficients for WJ, IL, DW, and WI are higher than the correlation coefficients of the main scale, affirming discriminant validity (excluding SC). Consequently, SC is excluded from further analysis due to insufficient reliability and discriminant validity.

- Efficiency of work scale (EP): This scale includes three factors task performance (TP) with 5 variables, contextual performance (CP) with 6 variables, and counterproductive work behavior (WB) with 3 variables. The CFA analysis results show that the data align with the market model; however, the EP scale does not achieve unidimensionality due to error correlations. All variables have standardized regression coefficients that meet the accepted standards (≥ 0.5) and significant p-values ($p < 0.001$). The CR, AVE, and convergence indicators all meet the required criteria, confirming the convergent validity of the EP scale.

3.3. Research model test results

The SEM analysis model yields results with $df = 2,797$, a CMIN of 4,536.351, a p-value of 0.000, and a CMIN/df ratio of 1.622, indicating a good model fit with the data. Concurrently, the CFA analysis results confirm the model’s alignment with the market data, as demonstrated by evaluation indices such as $GFI = 0.809$, $TLI = 0.925$, $CFI = 0.932$, and $RMSEA = 0.031$, indicating strong model compatibility.

Image 2. Results of model testing



The detailed model analysis results are shown in the following table:

Table 1: Analysis results of the model

			Estimate (Standardized Regression)	S.E. (standard error)	C.R. (Critical Value)	P
ED	--->	CR	-0.011	0.065	-0.183	0.855
WO	--->	CR	0.071	0.057	1.238	0.216

			Estimate (Standardized Regression)	S.E. (standard error)	C.R. (Critical Value)	P
IL	--->	CR	0.011	0.074	0.163	0.870
SC	--->	CR	0.304	0.088	3.963	***
DW	--->	CR	0.086	0.084	1.349	0.177
FA	--->	CR	0.031	0.041	0.633	0.526
WJ	--->	CR	0.034	0.066	0.571	0.568
ET	--->	CR	-0.070	0.070	-1.185	0.236
ME	--->	CR	-0.175	0.104	-2.347	0.019
WI	--->	CR	0.05	0.068	0.877	0.380
HS	--->	CR	-0.047	0.066	-0.804	0.422
HS	--->	CO	-0.013	0.055	-0.235	0.814
WI	--->	CO	0.035	0.057	0.662	0.508
ME	--->	CO	0.052	0.086	0.764	0.445
ET	--->	CO	0.051	0.058	0.934	0.350
WJ	--->	CO	0.002	0.055	0.028	0.978
FA	--->	CO	-0.054	0.035	-1.138	0.255
DW	--->	CO	0.067	0.070	1.139	0.255
SC	--->	CO	0.167	0.071	2.412	0.016
IL	--->	CO	0.354	0.064	5.457	***
WO	--->	CO	0.062	0.047	1.165	0.244
ED	--->	CO	-0.100	0.055	-1.743	0.081
CO	--->	EP	-0.019	0.037	-0.427	0.669
CR	--->	EP	-0.121	0.031	-2.994	0.003
HS	--->	EP	0.034	0.032	0.919	0.358
WI	--->	EP	0.076	0.032	2.182	0.029
ME	--->	EP	0.216	0.053	4.400	***
ET	--->	EP	0.033	0.033	0.919	0.358
WJ	--->	EP	0.143	0.030	4.026	***
DW	--->	EP	0.063	0.039	1.655	0.098
SC	--->	EP	0.231	0.048	4.223	***
IL	--->	EP	0.315	0.039	6.79	***
WO	--->	EP	0.089	0.028	2.38	0.017
ED	--->	EP	-0.133	0.032	-3.362	***
FA	--->	EP	0.096	0.025	2.402	0.016

Source: data processing results

The table above presents estimated coefficients that illustrate the influence of various factors on employee performance (EP). Notably, nine factors exhibit a P value less than 0.05, corresponding to a 95% confidence level, while one factor shows a P value less than 0.10, indicating a 90% confidence level. These findings confirm that certain scales hold theoretical relevance due to their association with EP, as hypothesized in the research.

When assessing the impact on employee performance (EP), it is evident that the IL has the strongest correlation with EP, with an estimated value of 0.315. Following this, the SC has a relationship with EP, with an estimated value of 0.231, while the ME has an estimated value of 0.216. The WI shows a relationship with EP, with an estimated value of 0.143, and the ED has an estimated value of 0.133. The CR has a relationship with EP, with an estimated value of 0.121, and the

FA has an estimated value of 0.096. The WO has a relationship with EP, with an estimated value of 0.089, and the DW has an estimated value of 0.063.

Furthermore, examining the influence of factors on the mediating variable CR, the findings indicate that the SC has a correlation with CR, with an estimated value of 0.304, while the ME also correlates with CR, with an estimated value of 0.175. Similarly, when evaluating the impact of factors on the mediating variable CO, the results reveal that the IL has the strongest relationship with CO, with an estimated value of 0.354, and the SC has a correlation with CO, with an estimated value of 0.167.

The research model proposes six hypotheses, labeled H1 through H6. Table 1&2 presents the standardized estimation results for the main parameters, including the standardized estimated coefficients, standard errors (S.E.), critical values (CR), and P-values. Most hypotheses have P-values below 5% or 10%, indicating statistical significance and supporting their acceptance. However, hypothesis H4 is not supported and is thus rejected

Table 2: Summary of research hypotheses and estimated values

Hypothesis	Impacting	Coefficients	S.E	CR	P	Conclusion
H1	ME → EP	0.216	0.053	4.400	***	Accepted
H2: ENV → EP	CR → EP	-0.121	0.031	-2.994	0.003	Accepted
	WI → EP	0.076	0.032	2.182	0.029	Accepted
	ME → EP	0.216	0.053	4.400	***	Accepted
	WJ → EP	0.143	0.030	4.026	***	Accepted
	DW → EP	0.063	0.039	1.655	0.098	Accepted
	SC → EP	0.231	0.048	4.223	***	Accepted
	IL → EP	0.315	0.039	6.79	***	Accepted
	WO → EP	0.089	0.028	2.38	0.017	Accepted
	ED → EP	-0.133	0.032	-3.362	***	Accepted
	FA → EP	0.096	0.025	2.402	0.016	Accepted
H3: ENV → CO → EP	SC → CO → EP	0.167	0.071	2.412	0.016	Accepted
	IL → CO → EP	0.354	0.064	5.457	***	Accepted
H4	CO → EP	-0.019	0.037	-0.427	0.669	Not accepted
H5: ENV → CR → EP	SC → CR → EP	0.304	0.088	3.963	***	Accepted
	ME → CR → EP	-0.175	0.104	-2.347	0.019	Accepted
H6	CR → EP	-0.121	0.031	-2.994	0.003	Accepted

Source: Synthesized from model analysis results

4. Conclusions

The author used quantitative research methods, and the findings showed that, based on the theoretical model, five research hypotheses were supported. However, to reach more accurate conclusions about factors indirectly affecting employee performance, additional refinement of the research model is

needed. To assess the impact of factors on employee performance through intermediate variables (indirect effects), the author utilized the AMOS software. This analysis confirms the stability of the research model, showing that the variables influence employee performance through both direct and indirect pathways.

Factors directly affecting employee performance: Hypothesis testing results in table 2 show that ME, WI, WJ, DW, SC, IL, WO, FA, and CR positively and significantly impact employee performance. In contrast, CR and ED negatively and significantly impact employee performance.

Factors indirectly affecting employee performance: The research results indicate that SC and IL have a positive indirect impact on CO, which in turn influences employee performance. Additionally, SC has a positive indirect impact on CR, while ME has a negative indirect impact on CR, both of which subsequently affect employee performance.

Using the SEM model, standardized estimated coefficients were calculated for FA, ED, WO, IL, SC, DW, WJ, ET, ME, WI, and CR on EP, as well as for ED, IL, ME and SC on CR or CO, based on Pedhazur’s (1982) combined R^2_M formula. The results showed that the research model explains 81.4% of the variation in EP through both direct and indirect effects (via CR and CO).

$$R^2_M = 1 - (1 - R^2_{FA,EP}) (1 - R^2_{ED,EP}) (1 - R^2_{WO,EP}) (1 - R^2_{IL,EP}) (1 - R^2_{SC,EP}) (1 - R^2_{DW,EP}) (1 - R^2_{WJ,EP}) (1 - R^2_{ET,EP}) (1 - R^2_{ME,EP}) (1 - R^2_{WI,EP}) (1 - R^2_{CR,EP}) (1 - R^2_{ED,CO}) (1 - R^2_{IL,CO}) (1 - R^2_{ME,CR}) (1 - R^2_{SC,CR}) = 1 - (1 - 0.096) (1 + 0.133) (1 - 0.089) (1 - 0.315) (1 - 0.231) (1 - 0.063) (1 - 0.143) (1 - 0.216) (1 - 0.076) (1 + 0.121) (1 + 0.100) (1 - 0.354) (1 + 0.175) (1 - 0.304) = 0.814$$

Therefore, the hypotheses are statistically significant and accepted, except for H4, which is not supported.

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