

Appraisal Practices and Cultural Intelligence Impact Young Talent Performance

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ABSTRACT

This study examined the influence of Performance Appraisal Practice and Cultural Intelligence on Employee Performance mediated by Employee Engagement among Generation Z and millennial employees in Jakarta's creative industry. With these generations dominating the workforce and projected to drive Indonesia's economic growth, understanding factors affecting their performance became critical, particularly as traditional HRM practices might not align with younger generations' expectations regarding performance evaluation, cultural dynamics, and engagement mechanisms. This quantitative study employed Structural Equation Modeling (SEM) using AMOS software to analyze data from 164 employees working in creative agencies in Jakarta, collected through purposive sampling using validated questionnaires. The findings revealed that Cultural Intelligence positively affected both Employee Engagement and Employee Performance, while Performance Appraisal Practice negatively affected Employee Performance directly. Employee Engagement did not directly affect Employee Performance, suggesting that in creative contexts, performance depended more on project-specific factors than engagement levels. However, Employee Engagement significantly mediated both the Performance Appraisal Practice-Employee Performance relationship and the Cultural Intelligence-Employee Performance relationship, demonstrating that these variables influenced performance through enhanced engagement pathways. These results challenged traditional HRM assumptions and established that performance appraisal systems must function as engagement-building mechanisms rather than control tools for younger generations. The study contributed by demonstrating the critical mediating role of engagement and establishing cultural intelligence as essential in multicultural creative environments, providing valuable insights for organizations developing integrated HRM strategies to enhance millennial and Generation Z workforce performance.

Keywords: Performance appraisal practice; cultural intelligence; employee engagement; employee performance; creative industry.

INTRODUCTION

In the rapidly evolving global industry, organizations face intense competition at national and international levels. Human resources remain the most critical asset for achieving organizational goals and providing competitive advantages (Agustian et al., 2023). To meet these challenges through excellent service and innovation, employees

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must consistently demonstrate optimal performance and contribute to organizational success (Waworuntu et al., 2022). With Millennials and Generation Z now dominating the workforce and projected to drive Indonesia's economic growth in coming decades (Kementerian Komunikasi dan Informatika Republik Indonesia, 2022), companies must implement HR management strategies that focus on learning, development, and understanding the unique characteristics of these generations (Muhammad et al., 2024).

In this context, Jakarta's creative industry provides a relevant environment for examining the performance of Millennial and Generation Z employees due to the dynamic, project-based, and collaborative nature of its work, which requires creativity and adaptability. Performance in the creative industry is not only measured by the achievement of targets but also by the quality of ideas, contribution to projects, ability to collaborate, and adaptability to change. These conditions make performance appraisal practices, cultural intelligence, and employee engagement important factors in supporting employee performance, particularly among younger generations with distinct characteristics and expectations toward work.

Employee performance, the work results assessed in terms of quality and quantity based on company standards, is fundamental to organizational success. Poor performance leads to company losses, while optimal performance drives goal achievement (Sitopu et al., 2021). Regular performance evaluation through systematic appraisal practices is essential to ensure employees work with effectiveness and efficiency (Saputra & Rahmat, 2024). Performance appraisal helps improve employee performance and encourages goal achievement (Dangol, 2021), clarifies job requirements, and determines appropriate rewards for high-performing employees (Made et al., 2024). However, unfair appraisal practices can decrease motivation, strain supervisor-employee relationships, create unharmonious work environments, and increase turnover (Saleh et al., 2023). Effective appraisal practices must integrate self-assessment opportunities and align with organizational objectives to enhance job satisfaction (Vuong & Nguyen, 2022; Kavanagh, 1967).

Cultural intelligence has emerged as another critical factor in employee performance. Cultural mismatch is 10.4 times more likely to cause employee turnover

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P-ISSN: 2580-6084, E-ISSN: 2580-8079

than compensation issues (Presbitero et al., 2025), with 73% of employees leaving due to cultural dissatisfaction (Walters, 2023). Employees face challenges in multicultural work groups due to cultural diversity and potential clashes (Jinyoung Hwang, 2024; Jurado, 2025; Leifels & Zhang, 2023). Differences in work attitudes and behaviors stemming from cultural backgrounds present challenges in performance improvement (Syafii & Adrianto, 2024). Cultural intelligence enriches understanding of cross-cultural competence and becomes crucial for knowledge sharing and employee engagement (Semenov & Randrianasolo, 2024).

Employee engagement, the emotional commitment employees have to their organization, also significantly impacts performance. Engaged employees demonstrate proactive behavior, high initiative, enthusiasm, and dedication, resulting in higher productivity, loyalty, and retention while fostering positive work culture (Saing & Eprianto, 2025).

Previous research has established individual relationships between these variables. Saleh et al. (2023) and Hasnun Aisya et al., (2024) found positive effects of performance appraisal practices on employee performance. Presbitero et al. (2025) highlighted the role of cultural intelligence in employee engagement and retention, while Syafii & Adrianto, (2024) demonstrated that cultural intelligence influences performance through organizational citizenship behavior. Saing & Eprianto (2025) confirmed employee engagement as a significant mediator between organizational factors and performance.

However, a research gap exists in understanding how performance appraisal practices, cultural intelligence, and employee engagement work together to influence employee performance, particularly for Millennial and Gen Z employees who now dominate the workforce. While previous studies examined these variables in isolation or pairs, comprehensive research examining their interconnected relationships remains limited. Most existing studies have not specifically addressed the unique characteristics and expectations of younger generations regarding performance evaluation, cultural dynamics, and engagement mechanisms. This gap is critical given Indonesia's projected economic growth driven by these generational cohorts.

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Therefore, this research aims to examine the influence of performance appraisal practices and cultural intelligence on employee performance with employee engagement as a mediating variable, specifically focusing on Millennial and Gen Z employees. This study seeks to provide empirical evidence on how fair performance appraisal systems enhance employee performance, how cultural intelligence contributes to performance outcomes in diverse environments, and how employee engagement serves as a crucial linking mechanism. The findings are expected to provide valuable insights for organizations in developing integrated human resource management strategies that effectively enhance millennial and Gen Z workforce performance, thereby contributing to organizational competitiveness and sustainable growth.

THEORETICAL BACKGROUND

Performance Appraisal Practice

Performance appraisal is a fundamental administrative function that periodically assesses employee performance to measure their contribution to organizational development (Yang et al., 2023). Fair appraisal systems are achieved through managerial actions that improve social relationships, resolve employee problems, and demonstrate respect (Emilisa et al., 2024). Akanmu et al., (2025b) emphasize that performance appraisal is critical for HRM decision-making regarding compensation, promotion, training needs, feedback, and recognition (Oh Sung-Oun, 2014). Made et al., (2024) note that rewards for good performance assessments serve as motivation, while Ali Memon et al. (2020) identify performance improvement, capability development, and performance-based incentives as key appraisal purposes. Coetzee et al. (2025) describe three dimensions for evaluating appraisal satisfaction: procedural justice (fairness of evaluation procedures), distributive justice (fairness of outcomes such as promotions and bonuses), and interactional justice (quality of evaluator-employee relationships). When employees perceive these dimensions as fair, they demonstrate higher satisfaction, motivation, and performance.

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Cultural Intelligence

Cultural intelligence is an individual's capability to function and manage effectively in culturally diverse settings, including adapting behavior and communication styles appropriately (Sousa et al., 2023). Ang et al. (2007) define it as "the capability of an individual to function effectively in situations characterized by cultural diversity," identifying four dimensions: metacognitive (understanding cultural processes and adjusting mental models), cognitive (knowledge of cultural norms and practices), motivational (interest and confidence in culturally diverse settings), and behavioral (capability to exhibit appropriate actions in cross-cultural interactions). These dimensions enable individuals to navigate cultural differences effectively in diverse work environments. Employees with higher cultural intelligence better understand, respect, and adapt to cultural differences, minimizing conflicts, enhancing collaboration, and facilitating communication in increasingly diverse and globalized organizations (Semenov & Randrianasolo, 2024).

Employee Engagement

Employee engagement represents a strong emotional and intellectual connection between employees and their work, organization, managers, or colleagues that increases discretionary effort (Siregar et al., 2022). Ghani et al. (2023) found that engaged employees across various sectors work more diligently due to higher involvement and reflection, enabling creative solutions. Harter et al. (2002) note that enthusiastic employees become more deeply involved, committed, and satisfied, while Richman (2006) defines engagement as encompassing emotions, actions, achievements, and approaches related to productivity and competitive position. Wellins et al. (2005) measure engagement through three components: Enjoy (happiness when work aligns with interests and abilities), Belief (involvement when work has meaning), and Valued (desire for recognition through various forms). Hamzah et al. (2023) identify key influencing factors including fairness in performance evaluation, pleasant work atmosphere emphasizing work-life balance, and opportunities for training and promotion.

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Employee Performance

Employee performance encompasses actions or behaviors demonstrated in the workplace that produce expected achievements in quality, quantity, and time (Wijayati et al., 2022). Mehreen & Ali (2022) define it as task-related activity results and completion capability, while Quade et al. (2020) emphasize measurement based on quantity, quality, time, and collaboration. Sihombing et al. (2018) describe it as achievement levels encompassing criteria, responsibilities, and contributions to organizational goals. Aziz & Aglesia (2020) identify five applicable dimensions: timeliness (efficient deadline utilization), quality of results (meeting expected standards), quantity of results (completing assigned tasks), effectiveness (maximizing resources), and attendance (reflecting work spirit and commitment). Simamora in Mangkunegara (2009) identifies three influencing factors: individual factors (personal attributes, work effort, organizational support), psychological factors (work environment, attitudes, motivation), and organizational factors (job descriptions, authority, challenging targets).

Social Exchange Theory and Job Demands-Resources Theory

Several theoretical frameworks provide approaches to understanding employee engagement. The Job Demands–Resources (JD-R) Model (Bakker & Albrecht, 2018) in Susetio (2025) views employee engagement as the result of a balance between job demands, which refer to aspects of work that require sustained effort, and job resources, which refer to aspects that help employees achieve their work goals. Employee engagement increases when the available resources are able to adequately meet job demands.

Social Exchange Theory provides another perspective by explaining that employee engagement represents a reciprocal response to the resources and support provided by the organization (Saks, 2006) in Susetio (2025). When employees perceive appreciation, attention, and care from the organization, they tend to reciprocate through greater engagement with their work and organization

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Relationships Between Variables

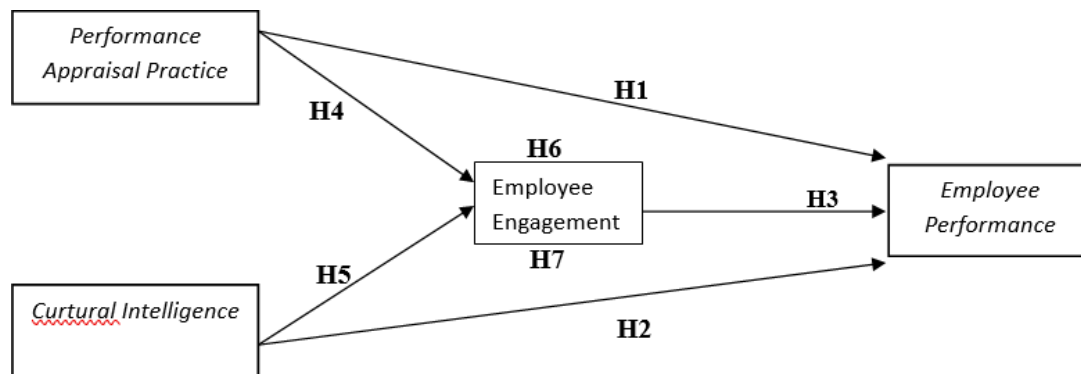


Figure 1: Conceptual Framework

Performance Appraisal Practice and Employee Performance

Fair, objective, and transparent performance appraisal practices provide constructive feedback that motivates employees to improve work quality and achieve optimal performance. Hasnun Aisya et al. (2024) demonstrated a positive and significant influence of performance appraisal practices on employee performance, supported by Saleh et al. (2023) who found similar results at PT. Vale Indonesia Sorowako. Based on these theoretical foundations and empirical evidence, the following hypothesis is proposed:

H1: Performance Appraisal Practice has a positive effect on Employee Performance

Cultural Intelligence and Employee Performance

Employees with high cultural intelligence better navigate cultural differences, communicate effectively across cultures, reduce conflicts, and adapt in multicultural environments. Syafi'i & Adrianto (2024) found positive and significant effects of cultural intelligence on employee performance. However, Thomas and Anggiani (2018) found no influence on job performance, suggesting the need for further research. Drawing from the predominant evidence supporting this relationship, the following hypothesis is formulated:

H2: Cultural Intelligence has a positive effect on Employee Performance

Employee Engagement and Employee Performance

High employee engagement drives enthusiasm, motivation, and commitment, leading to extra effort and better performance. Andi (2025) demonstrated positive and

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significant relationships between employee engagement and performance, consistent with findings from Muslim (2025) and Rangga (2025). Given the consistent empirical support for this relationship, the following hypothesis is proposed:

H3: Employee Engagement has a positive effect on Employee Performance

Performance Appraisal Practice and Employee Engagement

Fair, transparent appraisals with constructive feedback make employees feel valued, fostering emotional attachment and motivation for active involvement. Helman (2022) demonstrated positive and significant effects of performance appraisal practices on employee engagement, consistent with Aris (2020). Based on this theoretical rationale and supporting evidence, the following hypothesis is developed:

H4: Performance Appraisal Practice has a positive effect on Employee Engagement

Cultural Intelligence and Employee Engagement

High cultural intelligence facilitates understanding of differences in multicultural environments, creating comfort, reducing conflict, and enhancing collaboration, thereby increasing employee engagement. Bahrami (2023) found positive and significant effects of cultural intelligence on employee engagement, supported by Putri (2019). In light of these findings, the following hypothesis is proposed:

H5: Cultural Intelligence has a positive effect on Employee Engagement

Mediation Role of Employee Engagement

Employee engagement mediates the relationship between performance appraisal practices and employee performance; fair appraisals increase engagement, which drives better performance. Similarly, cultural intelligence enhances engagement through improved adaptation and collaboration, subsequently leading to improved performance. Thus, employee engagement serves as a crucial mechanism through which performance appraisal practices and cultural intelligence influence performance outcomes. Considering the mediating role of employee engagement in these relationships, the following hypotheses are formulated:

H6: Performance Appraisal Practice has a positive effect on Employee Performance mediated by Employee Engagement

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H7: Cultural Intelligence has a positive effect on Employee Performance mediated by Employee Engagement

METHOD, DATA AND ANALYSIS

This study employs a quantitative research method based on positivism philosophy to examine the influence of Performance Appraisal Practice and Cultural Intelligence on Employee Performance mediated by Employee Engagement (Mahardini et al., 2024). The research data is cross-sectional, collected from October to November 2025. The unit of analysis is individuals, specifically Generation Z and millennial employees working in Jakarta within the age range of 24-43 years, in noncontrived settings (Sekaran & Bogie, 2016).

The research uses four variables: independent variables (Performance Appraisal Practice and Cultural Intelligence), dependent variable (Employee Performance), and mediating variable (Employee Engagement). All variables are measured using a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Measurement instruments consist of Performance Appraisal Practice (10 items, adapted from Kitila, 2025), Cultural Intelligence (5 items, adapted from Xiaoying et al. (2023)), Employee Engagement (6 items, adapted from Coetzee et al., 2025), and Employee Performance (4 items, adapted from Vuong & Nguyen, 2022).

Data was collected through questionnaires using purposive sampling technique, targeting Generation Z and millennial employees working in Jakarta. Following (Ali Memon et al., 2020), the minimum sample size is calculated as 5-10 times the number of question items. With 25 items, the minimum sample is 125 (25×5) and maximum is 250 (25×10). This study used 164 respondents to account for potential incomplete responses, ensuring adequate statistical power for the analysis.

Prior to hypothesis testing, validity and reliability tests were conducted to ensure measurement quality. Validity was assessed using factor loading with a criterion of ≥ 0.45 , while reliability was measured using Cronbach's Alpha with a criterion of ≥ 0.60 . Results showed all items are valid with factor loadings ranging from 0.751 to 0.929, and all variables are reliable with Cronbach's Alpha values of 0.915 for Performance Appraisal

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Practice, 0.935 for Cultural Intelligence, 0.955 for Employee Engagement, and 0.915 for Employee Performance. These results demonstrate that all measurement instruments are appropriate for further analysis.

Table 1: Validity and Reliability Test Results

Variable	Number of Items	Factor Loading Range	Cronbach's Alpha	Decision
Performance Appraisal Practice	10	0.705 - 0.890	0.915	Valid & Reliable
Cultural Intelligence	5	0.849 - 0.926	0.935	Valid & Reliable
Employee Engagement	6	0.885 - 0.923	0.955	Valid & Reliable
Employee Performance	4	0.871 - 0.922	0.915	Valid & Reliable

Source: Data Processing Results

The demographic profile of the 164 respondents shows a relatively balanced gender distribution with slightly more female respondents (57%) compared to male respondents (43%). The majority of respondents are aged 25-30 years (42%), followed by those aged 31-35 years (27%), reflecting the active career phase of millennials and Gen Z in the creative industry. In terms of educational background, 40% hold high school diplomas, 35% have bachelor's degrees, 21% have diplomas, and only 3% possess master's degrees, indicating that the creative industry prioritizes practical skills and creativity over formal academic qualifications. Regarding work experience, the largest group consists of employees with 1-3 years of tenure (47%), followed by those with 4-6 years (23%), reflecting the high career mobility characteristic of younger generations in dynamic creative work environments.

Table 2: Demographic Profile of Respondents (N=164)

Characteristic	Category	Frequency	Percentage
Gender	Male	70	43%
	Female	94	57%
Age	<25 years	22	13%
	25-30 years	69	42%
	31-35 years	45	27%
	>35 years	28	17%
Education	High School	66	40%
	Diploma (D3)	35	21%

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	Bachelor (S1)	58	35%
	Master (S2)	5	3%
Work Duration	<1 year	28	17%
	1-3 years	77	47%
	4-6 years	37	23%
	>6 years	22	13%

Source: Data Processed Using SPSS

Data analysis employed descriptive statistics (means) using SPSS to assess variable levels, and Structural Equation Modeling (SEM) using AMOS software to test the hypothesized relationships. The analytical procedures consisted of three main steps: first, descriptive analysis was conducted to examine the mean scores of each variable; second, simple linear regression analysis within the SEM framework was used to test direct effects between variables (H1-H5); and third, the Sobel test was applied to examine the mediating effects of employee engagement in the relationships between performance appraisal practice and employee performance (H6), as well as between cultural intelligence and employee performance (H7). SEM was chosen for its capability to simultaneously test multiple relationships and effectively handle mediating variables, making it particularly suitable for the complex model proposed in this study. This comprehensive analytical approach ensures rigorous examination of both direct and indirect effects among the studied variables.

RESULTS

The descriptive analysis provides an overview of respondent perceptions toward each research variable measured using mean scores on a 5-point Likert scale. The results indicate that all variables demonstrate high mean values, suggesting favorable perceptions among Generation Z and millennial employees in Jakarta's creative industry sector.

Performance Appraisal Practice shows an overall mean of 4.26, indicating that respondents generally perceive performance appraisal processes as fair and well-implemented. Among the indicators, "During performance appraisal meetings, the manager treats employees politely." received the highest rating (mean = 4.33), while "The manager communicates honestly with employees." scored lowest (mean = 4.20). Cultural Intelligence demonstrates a mean of 4.26, reflecting strong cross-cultural adaptation

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capabilities among respondents. The indicator "I appreciate interactions with people from different cultural backgrounds" scored highest (mean = 4.32), whereas "I understand how to use other languages" scored lowest (mean = 4.14).

Employee Engagement exhibits a mean of 4.30, the highest among all variables, indicating very high levels of employee commitment and dedication. The statement "I am ready to give my best abilities in my work" achieved the highest score (mean = 4.35), while "I am always willing to work harder to carry out my tasks well" scored lowest (mean = 4.22), though still reflecting strong engagement. Employee Performance records a mean of 4.23, demonstrating that respondents maintain high performance levels. The highest-rated indicator is "Employees are expected to arrive on time for work" (mean = 4.27), while "Employees are expected to complete tasks according to company-set targets" received the lowest rating (mean = 4.16).

Table 3: Descriptive Statistics of Research Variables

Variable	Mean	Interpretation
Performance Appraisal Practice	4.26	High
Cultural Intelligence	4.26	High
Employee Engagement	4.30	Very High
Employee Performance	4.23	High

Source: Author's analysis

Hypothesis testing was conducted using Structural Equation Modeling (SEM) through AMOS software with a significance level of 0.05 (95% confidence level). The decision criterion applied is: if $p\text{-value} \leq 0.05$, the hypothesis is supported; if $p\text{-value} > 0.05$, the hypothesis is not supported.

The first hypothesis examines the influence of Performance Appraisal Practice on Employee Performance. The analysis reveals a coefficient of $\beta = -1.486$ with $p\text{-value} = 0.028$, which is below the 0.05 threshold. This result indicates that Performance Appraisal Practice has a negative and significant effect on Employee Performance, thus H1 is supported. The second hypothesis tests the influence of Cultural Intelligence on Employee Performance, showing $\beta = 2.619$ with $p\text{-value} = 0.001$. This demonstrates that Cultural Intelligence has a positive and significant effect on Employee Performance, providing support for H2.

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In examining the third hypothesis regarding the influence of Employee Engagement on Employee Performance, results show $\beta = -0.017$ with $p\text{-value} = 0.937$, which exceeds the significance threshold. This indicates that Employee Engagement does not have a significant effect on Employee Performance, therefore H3 is not supported. Similarly, the fourth hypothesis testing the influence of Performance Appraisal Practice on Employee Engagement yields $\beta = -0.081$ with $p\text{-value} = 0.663$, indicating no significant relationship between these variables. Consequently, H4 is not supported.

The fifth hypothesis examines the influence of Cultural Intelligence on Employee Engagement, revealing $\beta = 1.130$ with $p\text{-value} = 0.001$. This result confirms that Cultural Intelligence has a positive and significant effect on Employee Engagement, thus H5 is supported.

Table 4: Direct Effects Hypothesis Testing Results

Hypothesis	Path	Coefficient (β)	P- value	Decision
H1	Performance Appraisal Practice → Employee Performance	-1.486	0.028	Supported
H2	Cultural Intelligence → Employee Performance	2.619	0.001	Supported
H3	Employee Engagement → Employee Performance	-0.017	0.937	Not Supported
H4	Performance Appraisal Practice → Employee Engagement	-0.089	0.663	Not Supported
H5	Cultural Intelligence → Employee Engagement	1.130	0.001	Supported

Source: Author's analysis using AMOS

The sixth and seventh hypotheses examine the mediating role of Employee Engagement in the relationships between the independent variables and Employee Performance. These mediation effects were tested using the Sobel test method, with a critical value of 1.96 as the threshold for significance.

For the sixth hypothesis, which examines whether Employee Engagement mediates the relationship between Performance Appraisal Practice and Employee Performance, the Sobel test yields a test statistic of 3.321 with $p\text{-value} = 0.000$. Since the test statistic exceeds the critical value of 1.96, this confirms that Employee Engagement significantly

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mediates the relationship between Performance Appraisal Practice and Employee Performance, thus H6 is supported. The path coefficients show $A = 0.130$ and $B = 0.550$, with their respective standard errors of $SE_a = 0.033$ and $SE_b = 0.089$.

Similarly, the seventh hypothesis tests whether Employee Engagement mediates the relationship between Cultural Intelligence and Employee Performance. The Sobel test results demonstrate a test statistic of 4.879 with $p\text{-value} = 0.00000106$, substantially exceeding the critical value of 1.96. These findings provide strong evidence that Employee Engagement significantly mediates the relationship between Cultural Intelligence and Employee Performance, therefore H7 is supported. The analysis reveals path coefficients of $A = 0.509$ and $B = 0.550$, with standard errors of $SE_a = 0.064$ and $SE_b = 0.089$, indicating that Employee Engagement plays a substantial mediating role in this relationship.

Table 5: Mediation Effects Hypothesis Testing Results

Hypothesis	Mediation Path	Sobel Statistic	P-value	Decision
H6	Performance Appraisal Practice → Employee Engagement → Employee Performance	3.321	0.000	Supported
H7	Cultural Intelligence → Employee Engagement → Employee Performance	4.879	0.00000106	Supported

Source: Author's analysis using AMOS

DISCUSSION

This study aimed to examine the influence of Performance Appraisal Practice and Cultural Intelligence on Employee Performance mediated by Employee Engagement among Generation Z and millennial employees in Jakarta's creative industry. The findings reveal complex relationships that both align with and challenge existing theoretical frameworks, providing important insights into performance management in contemporary creative work environments.

The unexpected negative relationship between Performance Appraisal Practice and Employee Performance ($\beta = -1.486$, $p = 0.028$) represents a significant deviation from

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traditional human resource management theory, which typically posits that systematic performance appraisal enhances employee performance. This finding is not aligns with Hasnun Aisya et al. (2024) who demonstrated a positive and significant influence of performance appraisal practices on employee performance. The negative effect observed in this study suggests that in creative industry contexts, rigid or bureaucratic appraisal systems may conflict with the flexibility, autonomy, and creative freedom valued by younger generations.

This interpretation is further supported by Memon et al. (2020), who found that bureaucratic appraisal systems lacking meaningful feedback decrease work quality and employee commitment. When appraisals fail to involve two-way communication or reflect daily work realities, employees experience dissonance between appraisal objectives and personal goals, negatively impacting performance. In the context of this study's respondents, predominantly Generation Z and millennial employees with 1-3 years tenure, this finding gains additional significance. When appraisal practices are perceived as rigid, authoritative, or autonomy-constraining, younger employees demonstrate behavioral responses leading to performance decline.

The creative industry context provides important explanatory power for this relationship. Uddin (2021) demonstrated that evaluation systems not oriented toward development can disrupt creativity and initiative-taking, particularly in project-based work environments like creative agencies. Similarly, Hu et al. (2020) found that supervisors' failure to provide constructive feedback during appraisal processes decreases employees' emotional involvement and reduces work output contributions. These findings collectively suggest that organizations in creative sectors must redesign performance appraisal mechanisms to emphasize transparency, two-way feedback, procedural fairness, and developmental orientation rather than purely evaluative functions.

The positive relationship between Cultural Intelligence and Employee Performance ($\beta = 2.619$, $p = 0.001$) strongly supports existing literature emphasizing the importance of cross-cultural competence in diverse work environments. This finding aligns with Syafii & Adrianto (2024), who found that cultural intelligence positively and significantly affects employee performance. In multicultural work settings characteristic of creative

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P-ISSN: 2580-6084, E-ISSN: 2580-8079

agencies, employees with high cultural intelligence demonstrate superior ability to navigate cultural differences, communicate effectively across cultures, reduce conflicts, and adapt to changing multicultural work environments. However, this finding contrasts with Thomas and Anggiani (2018), who found no relationship between cultural intelligence and job performance, suggesting that the effect of cultural intelligence on performance may be context-dependent, particularly influenced by the degree of cultural diversity in work settings and organizational support for multicultural competencies.

The non-significant relationship between Employee Engagement and Employee Performance ($\beta = -0.017$, $p = 0.937$) contradicts substantial literature establishing engagement as a key performance driver. This unexpected finding may reflect the unique characteristics of creative work environments, where performance is influenced more by project-specific factors, client demands, creative constraints, and team dynamics than by general engagement levels. In Jakarta's fast-paced creative industry, characterized by rapid revisions, tight deadlines, and intense client interactions, performance may depend more on technical competencies, adaptive capacity, and situational flexibility than on sustained psychological engagement. This interpretation aligns with recent critiques suggesting that engagement's relationship with performance may be weaker in knowledge-intensive and project-based work contexts where output quality depends heavily on specialized expertise and contextual factors beyond employee control.

Similarly, the non-significant relationship between Performance Appraisal Practice and Employee Engagement ($\beta = -0.081$, $p = 0.311$) suggests that in creative work environments, engagement is driven more by intrinsic work characteristics, such as autonomy, creative challenge, team collaboration, and leadership quality, than by formal management systems like performance appraisals. This finding indicates that younger generations in creative industries may not respond to traditional administrative mechanisms as previous generations did, instead seeking meaning, purpose, and authentic connection in their work experiences.

The strong positive relationship between Cultural Intelligence and Employee Engagement ($\beta = 1.130$, $p = 0.001$) provides important evidence that cross-cultural competence serves as a psychological resource enhancing work involvement. In

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multicultural creative environments requiring extensive collaboration across diverse backgrounds, employees with higher cultural intelligence experience greater comfort, confidence, and social competence, which translates into stronger engagement with their work and organization. This relationship highlights cultural intelligence as not merely a technical competency but a psychological resource that enhances employees' sense of belonging and meaningful participation in diverse work settings.

The mediation analyses provide perhaps the most theoretically significant findings of this study. The significant mediation of Employee Engagement in the relationship between Performance Appraisal Practice and Employee Performance (Sobel $Z = 3.321$, $p < 0.001$) reveals that while performance appraisal has a direct negative effect on performance, it can positively influence performance through the indirect pathway of enhanced engagement. This finding aligns with social exchange theory, which suggests that employees reciprocate organizational treatment through work behaviors, but adds the critical insight that this reciprocity operates through psychological mechanisms, specifically engagement, rather than directly. This result supports Jabeen et al. (2021), who found that clear, fair, and communicative appraisals enhance engagement, which subsequently drives performance improvements.

The mediation finding suggests that performance appraisal systems in creative industries must be redesigned not primarily as control or evaluation mechanisms but as engagement-building processes. When appraisals fail to enhance engagement, their positive performance effects diminish or disappear entirely. This interpretation is particularly relevant for the study's predominantly young workforce (25-30 years, 1-3 years tenure), who, according to Baker & Harter (2023), respond not to formal managerial processes themselves but to whether these processes make them feel supported, valued, and involved.

Similarly, the significant mediation of Employee Engagement in the relationship between Cultural Intelligence and Employee Performance (Sobel $Z = 4.879$, $p < 0.001$) demonstrates that cultural intelligence influences performance primarily through enhanced engagement rather than direct effects. This finding aligns with the motivational process pathway in Job Demands-Resources Theory, which posits that personal resources

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like cultural intelligence drive performance through increased emotional and cognitive work involvement. Van Wingerden et al. (2017) demonstrated that personal resources can enhance work engagement and, when combined with job crafting, contribute to improved job performance. These findings are consistent with the present study, which suggests that Cultural Intelligence may contribute to Employee Performance through Employee Engagement.

Yari, Kunasegaran, & Ramalu (2023) demonstrated that cultural intelligence enhances engagement by strengthening confidence, social competence, and comfort in diverse environments, with increased engagement subsequently improving performance in collaboration-intensive and creative work. The mediation finding suggests that cultural intelligence training programs must be integrated with engagement-enhancement initiatives to maximize performance benefits. Developing cultural competencies without simultaneously fostering engagement may fail to produce desired performance improvements.

These findings collectively reveal important gaps in existing performance management literature. While substantial research has examined performance appraisal practices and cultural intelligence independently, few studies have investigated their simultaneous effects in creative industry contexts or explored how these relationships operate differently for younger generational cohorts. This study addresses these gaps by demonstrating that traditional performance management assumptions may not apply in creative work environments populated by Generation Z and millennial employees, who respond differently to formal evaluation systems and value cross-cultural competence more highly than previous generations.

The study's findings have several important limitations that warrant acknowledgment. First, the research employed a cross-sectional design, which prevents causal inference and cannot capture how relationships evolve over time. Longitudinal research designs would better reveal whether the observed relationships remain stable or change as employees gain experience and organizations adapt their practices. Second, the sample was limited to creative agency employees in Jakarta, restricting generalizability to other industries, organizational types, or geographic regions. The creative industry's

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unique characteristics, emphasis on innovation, project-based work, diverse teams, rapid change, may produce different dynamics than observed in more traditional organizational settings. Third, the study relied exclusively on self-report measures, which may introduce common method bias despite statistical remedies. Future research should incorporate objective performance measures and multi-source data to strengthen validity.

Fourth, the study examined a limited set of variables, omitting potentially important factors such as organizational support, leadership styles, work-life balance, organizational culture, and job characteristics that may influence the studied relationships. The non-significant direct effects of engagement on performance, for instance, may reflect unmeasured moderating variables that determine when engagement translates into performance improvements. Fifth, the unexpected negative relationship between performance appraisal and performance, while theoretically interpretable, requires replication and deeper qualitative investigation to understand the specific appraisal practices generating negative effects. Finally, the study's focus on younger generational cohorts, while theoretically justified, limits understanding of whether findings apply to more experienced employees or different age groups.

Despite these limitations, this study makes important contributions to performance management theory and practice. It demonstrates that traditional performance appraisal systems may be counterproductive in creative industries unless redesigned to enhance engagement rather than merely evaluate performance. It establishes cultural intelligence as a critical competency for both engagement and performance in diverse work environments. Most importantly, it reveals that the relationships between management practices, psychological states, and performance outcomes are more complex than traditional models suggest, requiring mediation mechanisms to fully understand how organizational interventions affect employee outcomes. Future research should build on these findings by investigating boundary conditions that determine when performance appraisals positively versus negatively affect performance, exploring additional mediating mechanisms beyond engagement, examining moderating roles of leadership and organizational culture, and testing intervention programs designed to optimize the appraisal-engagement-performance pathway in creative work contexts.

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CONCLUSIONS

This study examined the influence of Performance Appraisal Practice and Cultural Intelligence on Employee Performance mediated by Employee Engagement among Generation Z and millennial employees in Jakarta's creative industry. The findings reveal that Cultural Intelligence positively affects both Employee Engagement ($\beta = 1.130$, $p = 0.001$) and Employee Performance ($\beta = 2.619$, $p = 0.001$), while Performance Appraisal Practice negatively affects Employee Performance ($\beta = -1.486$, $p = 0.028$). Employee Engagement does not directly affect Employee Performance ($\beta = -0.017$, $p = 0.937$), suggesting performance in creative contexts depends more on project-specific factors than engagement levels. However, Employee Engagement significantly mediates both relationships: Performance Appraisal Practice-Employee Performance (Sobel $Z = 3.321$, $p < 0.001$) and Cultural Intelligence-Employee Performance (Sobel $Z = 4.879$, $p < 0.001$). These results challenge traditional HRM assumptions, demonstrating that appraisal systems must function as engagement-building mechanisms rather than control tools for younger generations. The study establishes cultural intelligence as critical in multicultural environments and engagement as a crucial mediating mechanism. Organizations should integrate cultural intelligence training with engagement initiatives and redesign appraisal practices emphasizing developmental feedback and transparency. Future research should employ longitudinal designs, extend to other industries, incorporate objective performance measures, and develop intervention programs optimizing the appraisal-engagement-performance pathway for millennial and Generation Z employees in creative work environments.

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