Examining the Necessity and Significance of Implementing Cross-Cultural Management Practice in Shanghai, China

Liu Yajun¹, Mohamad Idrakisyah²

¹ Faculty of Business Management, Ms. BA, City University, Petaling Jaya, Malaysia.
² City Graduate School, City University Malaysia, Malaysia.

Article Info
Received: January 16, 2024
Revised: March 22, 2024
Accepted: April 25, 2024
Published: April 30, 2024

Corresponding Author:
Mohamad Idrakisyah
idrakisyah.abdullah@city.edu.my

DOI: 10.29303/alexandria.v5i1.598

© 2024 The Authors. This open access article is distributed under a (CC-BY License)

Abstract: The core focus of cross-cultural management lies in examining how individuals from diverse cultural backgrounds collaborate within organizational settings. The primary aim of research in cross-cultural management is to tackle various issues concerning organizational behavior, such as leadership approaches, methods of motivation, organizational frameworks, and the intricate dynamics of culture, drawing insights from fields like sociology and anthropology. This particular study endeavors to evaluate the significance of integrating cross-cultural management methodologies within Yixin Energy Technology Co. situated in Shanghai, China. Employing a quantitative methodology, 158 responses were garnered through the random distribution of questionnaires. Statistical analysis was conducted utilizing SPSS, encompassing descriptive analyses, variance assessments, and multiregression examinations to decipher the collected data. The findings indicate that the three principal factors investigated in this study collectively account for roughly 38.1% of the variance observed in cross-cultural management within multinational corporations. Specifically, social culture influences cross-cultural management by 23.3%, governmental policies by 35.0%, management approaches by 21.8%, and overall cross-cultural management by 28.7%. These results furnish statistical validation endorsing the imperative nature of cross-cultural practices, a recognition embraced by Yixin Energy Technology Co. in Shanghai, China. It is advised that businesses formulate diverse cross-cultural training programs tailored to the distinct needs of expatriates at various levels to effectively enhance their cross-cultural competencies.

Keywords: Social culture; Cross-cultural management; Government policy; Management style; Yixin Energy Technology Co.; Shanghai

Introduction

Cross-cultural management involves a strategic approach to managing diverse cultural dynamics in global settings by embracing inclusivity and adapting management practices to align with the cultural nuances of host countries where subsidiaries operate. This process aims to establish practical organizational structures and management systems that can navigate various cultural contexts, identify overarching corporate objectives that transcend cultural differences, uphold a shared code of conduct for employees from diverse backgrounds, and optimize the company’s potential and value (Sarwar et al., 2020). Successful intercultural management is essential for the smooth operation, enhanced competitiveness, and increased market share of a globally operating company. Given the current landscape of China’s multinational enterprises and the national context, it is imperative for them to capitalize on the opportunities presented by the global economy’s growth. By comprehensively leveraging cross-cultural management practices and other strategies, Chinese enterprises, particularly those in early stages of development, can effectively transition towards multinational operations under effective leadership (Vrabcová & Urbancová, 2022).

Cross-cultural management primarily centers on understanding how individuals from diverse cultural backgrounds collaborate within a group or organization (Adler, 1983). The focus of most cross-cultural management studies is on addressing organizational behavior issues like leadership styles, motivational...
The failure or lack of ability to comprehend the values and ethical standards of different cultural contexts can hinder the understanding of pertinent information, complicating decision-making processes and potentially leading to incorrect implementation (Bell et al., 2022). Cultural disparities are inherent and cannot be altered solely based on individual preferences (Wang, 2023). For international enterprises to function effectively, they must strive to find commonalities while acknowledging and respecting differences, establish a new business ethos and management approach, and cultivate a distinct corporate culture that resonates with all members of the organization (Gray, 2019).

Cultural differences lead to disputes. From this perspective, identifying cultural differences is essential for effectively dealing with cultural problems. Only in this way can multinational business executives take targeted actions. In order to understand how cultures develop shared values and behaviors, we can break them down into three categories. The first category includes core beliefs, which are deeply ingrained and resistant to change. The second category encompasses everyday customs and traditions, which can evolve through cultural exchange. Finally, the third category consists of learned skills and knowledge, which are the most adaptable.

The second step is to determine the extent of cultural overlap between the two sides and tailor the starting point for cultural integration. Building successful cultural integration requires pinpointing common ground between the involved cultures. This foundation of shared understanding allows for the development of effective implementation strategies and efficient management methods that resonate with everyone involved (Marsh et al., 2020). The third step is to establish the appropriate method of cultural integration based on the enterprise’s particular scenario. Each company faces unique cultural variances, and the consequent cultural conflicts varies as well. Businesses should select the integration style that is most suited to their own growth and environmental demands according to their unique circumstances (Hansson et al., 2022).

The fourth step is to create new management ideas and procedures. Develop innovative management concepts and approaches that can be effectively applied based on the junction of the two cultures, enterprise development, and environmental concerns (Aguinis et al., 2020). The fifth step is to implement the new management concepts and procedures throughout the organisation, combining incentives and penalties to gradually establish employee values and codes of behaviour, so building the enterprise’s distinctive culture (Bempong Nyantakyi et al., 2022). The sixth step is to solicit input from all company levels. This feedback will assess the effectiveness of the new operational and management approach in boosting the organization’s competitive edge. Employees are encouraged to suggest improvements based on their experience.

Geert Hofstede, a Dutch management guru, formulated the cultural dimension hypothesis, a groundbreaking concept in cross-cultural studies. Its enduring importance is rooted in Hofstede’s unparalleled research project. This massive study surveyed a staggering 116,000 IBM employees across 40 countries and regions, encompassing a diverse range of 50 job positions. Remarkably, it also captured the perspectives of individuals from over 60 nations, solidifying its position as the most comprehensive cross-cultural investigation ever conducted. At the heart of Hofstede’s work lies the identification of core cultural values. These values, such as individualism versus collectivism, long-term versus short-term focus, power dynamics, and tolerance for ambiguity, serve as essential tools for deciphering and understanding cultures around the world (Hofstede, 1980).

Hofstede’s cultural dimension theory has become a cornerstone for navigating the complexities of an interconnected world. By highlighting the subtle cultural nuances that influence interactions, this framework empowers organizations to thrive in a globalized environment. It fosters smoother cross-cultural communication, paving the way for successful international strategies and collaborative workforces that embrace diversity (Kistyanto et al., 2022). The theory’s influence extends far beyond business, offering valuable insights to politicians, educators, and diplomats. By shedding light on cultural differences, it promotes peaceful coexistence and bridges divides on the international stage (Hofstede, 1980). Furthermore, Hofstede’s work has sparked a wave of academic exploration, inspiring the development of new frameworks for understanding cultures. In a world driven by globalization, this theory remains a beacon, guiding us towards a future rich in cross-cultural understanding, collaboration, and prosperity. Its enduring relevance ensures it will continue to shape our approach to intercultural interactions for years to come.

Hofstede’s (1980) seminal research has illuminated the intricate relationship between culture and
proessions, particularly within the Chinese context. This nation, known for its high-context culture, places significant emphasis on how culture influences professional practices, a concept further elaborated by Tams and Arthur (2007). Unlike Western nations with low-context cultures, China prioritizes relationships, often conveying business nuances subtly through indirect communication. This cultural dynamic plays a crucial role in explaining why Chinese expatriates tend to exhibit higher levels of emotional connection and adaptation when working abroad compared to foreign expatriates in Chinese organizations.

Due to their background in high-context cultures, where communication is implicit and relies on shared understanding, Chinese expatriates often find it simpler to adapt to the clear and direct structures of foreign organizations (typically from low-context cultures). On the other hand, foreigners entering China, accustomed to low-context communication where everything is explicitly stated, can encounter difficulties navigating China's high-context culture, especially when it comes to building relationships (Zhang & Jin, 2021). This is further emphasized by Branine (1996) who highlights the struggles faced by Western companies in China due to their limited understanding of the nuances and unspoken aspects of Chinese business practices. This highlights the importance of cross-cultural training for foreign expatriates venturing into the Chinese market.

Although the necessity of cross-cultural training appears evident, it is interesting to observe that nearly all expatriates surveyed under Hofstede's (1980) cultural framework recognized its importance. These expatriates generally expressed satisfaction with their transitions, suggesting that explicit cross-cultural training may not seem imperative, especially in a Chinese state-owned enterprise. However, a deeper examination of expatriate experiences and professional success reveals a more nuanced perspective.

Upon closer analysis within this framework, it becomes clear that while cross-cultural training itself may not directly impact expatriate adjustment and success, other factors like the psychological contract, family support, autonomy, and career flexibility play pivotal roles in driving productivity, professional growth, and job contentment. This indicates that while cross-cultural training is not a standalone solution, it remains a significant component among various factors influencing expatriate experiences (Zhang et al., 2021).

The significant cultural divide between China and Western nations is evident, and while cross-cultural training may not be the sole factor influencing adaptation and achievement, it remains pivotal in improving the expatriate experience. The importance of this training lies in its capacity to bridge cultural differences and ease the transition process for expatriates. Companies that focus on strengthening their cross-cultural programs not only aid in cultural integration but also boost job satisfaction levels among their expatriate employees. This emphasis on cross-cultural initiatives can lead to a more positive and fulfilling expatriate journey, fostering a harmonious work environment and enhancing overall organizational performance. (Berraies, 2019).

Understanding the comprehensive impact of cross-cultural training requires a detailed exploration of its various components. One crucial element is the psychological contract, which profoundly influences expatriate experiences. When expatriates perceive alignment between their expectations and what the organization provides, their satisfaction and dedication to their roles increase. Cross-cultural training plays a vital role in managing expectations effectively, thereby strengthening the psychological contract (Zhang et al., 2021).

Similarly, the support system for expatriates' families, known as the family package, can significantly shape their overall experience. Offering comprehensive assistance in areas like education, healthcare, and cultural integration can alleviate stress and enable expatriates to focus on their professional duties. Cross-cultural training plays a key role in preparing expatriates and their families to navigate these crucial aspects successfully (Akdere et al., 2021). By addressing these factors through effective cross-cultural training, organizations can enhance expatriates' well-being, job performance, and overall success in international assignments.

The freedom of choice stands out as a crucial determinant of an expatriate's satisfaction and effectiveness. Investing in cross-cultural training equips expatriates with the knowledge and tools to navigate life in their new country. This includes making informed choices about their living situation, work environment, and social interactions. But a successful transition extends beyond initial adjustment. A flexible career path is crucial for expatriates. Cross-cultural training fosters an understanding of how their career goals might adapt within the new cultural context, giving them the power to shape their professional development in this dynamic environment (Song & Chen, 2020).

Although cross-cultural training doesn't guarantee an overseas employee's smooth transition and career achievements, it undeniably plays a critical role in their overall experience. This training equips individuals with the cultural knowledge and skills necessary to thrive in a foreign work environment. By fostering a deeper understanding of the cultural nuances, such programs can lead to increased job satisfaction and ultimately, higher levels of professional success (Wallace & Sheldon, 2015). In today's globalized business
landscape, where organizations rely on a workforce that's both diverse and geographically mobile, investing in cross-cultural training becomes an essential step for ensuring the well-being and overall success of their expatriate employees (Jin & Xu, 2023). This strategic investment not only benefits individual expatriates but also contributes to the overall effectiveness and competitiveness of the organization in the global arena.

Method

Data Collection Method

For data collection, this study employed a quasi-experimental design, allowing for convenient access to potential respondents who could provide valuable insights on the importance of implementing cross-cultural management practices (Boesche, 2022; Withers & Li, 2021). This approach facilitated an exploration of the necessity and significance of cross-cultural management practices at Yixin Energy Technology Co. in Shanghai, China. Questionnaires were chosen for their numerous advantages, including efficient data collection from a diverse population, respondent convenience, confidentiality, reduced interviewer bias, and standardized question format (Czapla & Laursen, 2022). The research involved the random distribution of survey questionnaires, resulting in the collection of 158 responses for analysis. This method allowed for a comprehensive examination of the perspectives and insights of respondents regarding cross-cultural management practices within the organization.

Data Analysis Method

SPSS was employed to analyze the acquired data. The data collected from the survey questionnaire underwent thorough scrutiny before interpretation. Descriptive tests, Analysis of Variance (ANOVA), and multiple regression analysis were utilized for data analysis. (Johnson & Christensen, 2019).

Result and Discussion

Descriptive (Mean and Standard Deviation) Analysis

The data shows that different aspects (SC1-SC10) related to social culture were rated by respondents. On average, these aspects were generally positively rated, with mean scores ranging from 3.96 to 4.61. The standard deviations indicate the level of agreement or disagreement among respondents for each aspect, with values ranging from 0.49 to 0.68. Overall, the mean index for research hypothesis one, which focuses on the influence of social culture on cross-cultural management, received a favorable average score of 4.17 with a standard deviation of 0.60. Since all standard deviations are below 1.00, it suggests that respondents generally agree with the research hypothesis, indicating a consensus that social culture does impact cross-cultural management.
the level of agreement or disagreement among respondents for each aspect. The mean index for research hypothesis two, focusing on the influence of government policy factors on multinational firms, received an average score of 4.11 with a standard deviation of 0.65. Since all standard deviations are below 1.00, it suggests that respondents generally agree with research hypothesis two, indicating a consensus that government policy factors indeed impact multinational firms.

The data illustrates ratings for various aspects (MS1-MS10) related to management style, with mean scores ranging from 3.99 to 4.60. These scores reflect how positively these aspects were evaluated by respondents. The standard deviations, ranging from 0.43 to 0.72, indicate the level of agreement or disagreement among respondents for each aspect. The mean index for research hypothesis three, focusing on the impact of management style on multinational firms, received an average score of 4.25 with a standard deviation of 0.58. Since all standard deviations are below 1.00, it indicates that respondents generally agree with research hypothesis three, affirming that management style does indeed influence multinational firms. Table 1 shows the descriptive statistics of this study, showing the influence of social culture, government policy factor, and management styles on cross-cultural management.

Multiple Regression

Multiple regression analyses were used to determine the requirement and relevance of applying cross-cultural management practices at Yixin Energy Technology Co. in Shanghai, China. The formula for Multiple Regression model is stated below: 

\[ Y = a + bx_1 + bx_2 + \ldots + bx_n \]

Where \( Y \) = Dependent variable
\( a \) = Constant
\( b \) = The regression coefficient associated with variable X
\( X \) = The independent variable

A table presented in the study (Table 2) shows a clear connection between the factors being examined (independent variables) and the outcomes we're interested in (dependent variables). This connection is statistically significant, with a correlation coefficient of 0.617. Since the coefficient is positive, it indicates that when the independent variables increase, the dependent variables tend to increase as well. The analysis also reveals that 38.1% of the variation in how companies manage different cultures (cross-cultural management) can be explained by the three factors considered in this study. This is reflected in the R-squared value of 0.381. There remains a significant portion (61.9%) of the data’s variation that is not explained by these factors. Future research can explore these remaining influences to gain a more complete understanding of what shapes cross-cultural management practices in multinational companies.

### Table 1. Model Summary of Multiple Regression of This Study

<table>
<thead>
<tr>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>Standard Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.617</td>
<td>0.381</td>
<td>0.373</td>
<td>2.10820</td>
</tr>
</tbody>
</table>

The beta values from Table 3 highlight the extent of influence each independent variable has on cross-cultural management at Yixin Energy Technology Co. in Shanghai, China. Social culture has a beta value of 0.233, government policy follows with 0.350, management style with 0.218, and cross-cultural management with 0.287. These values translate to specific impacts: social culture affects cross-cultural management by 23.3%, government policy by 35.0%, management style by 21.8%, and cross-cultural management itself by 28.7%.

Notably, government policy stands out with the highest beta value (β = 0.519, t = 7.799, p < 0.01), indicating that government policy factors have the most significant influence on cross-cultural management at Yixin Energy Technology Co. in Shanghai, China.

Furthermore, since all independent variables have a p-value below 0.05, there is a significant association between these variables and cross-cultural management practices at the company. In simpler terms, the way things are done at Yixin Energy Technology Co. in Shanghai, China appears to be heavily influenced by a combination of factors. These factors include social customs in China, the policies set by the Chinese government, how the company is managed, and how well they handle working with people from different cultures.

### Table 2. Multiple Regression Results: Impact of The Independent Variables on The Dependent Variable

<table>
<thead>
<tr>
<th>Model</th>
<th>Non-standardized coefficients</th>
<th>Standardized coefficients</th>
<th>t-value</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>18.039</td>
<td>2.045</td>
<td>6.125</td>
<td>0.000</td>
</tr>
<tr>
<td>Social Culture</td>
<td>0.231</td>
<td>0.289</td>
<td>0.233</td>
<td>1.210</td>
</tr>
<tr>
<td>Government Policy</td>
<td>0.250</td>
<td>0.045</td>
<td>0.510</td>
<td>7.799</td>
</tr>
<tr>
<td>Management Style</td>
<td>0.214</td>
<td>0.069</td>
<td>0.210</td>
<td>3.149</td>
</tr>
<tr>
<td>Cross Cultural Management</td>
<td>0.287</td>
<td>0.643</td>
<td>0.183</td>
<td>0.804</td>
</tr>
</tbody>
</table>

Analysis of Variance (ANOVA)

The study employed Analysis of Variance (ANOVA) to look into how organizational innovation performance is influenced by various factors. The regression analysis yielded statistically significant results, as evidenced by an F-value of 47.736 (F(1,400) = 47.736, p < 0.05) – detailed in Table 4. This F-value, along
with the exceptionally low p-value of 0.000 (well below the standard threshold of 0.05), indicates a strong correlation between the independent variables (social culture, government policy, and management style) and the dependent variable (cross-cultural management of multinational firms). This model effectively demonstrates a significant relationship between these factors, solidifying its reliability in assessing their influence.

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>424.32</td>
<td>2.00</td>
<td>212.16</td>
<td>47.74</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>688.90</td>
<td>155.00</td>
<td>4.44</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,113.22</td>
<td>157.00</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Conclusion**

In conclusion, multinational corporations must accurately grasp the distinct cultural differences, showing due respect for diverse cultures and striving to blend them harmoniously. Cultural integration within these enterprises involves more than a mere merger; it entails employees from varied cultural backgrounds understanding, acknowledging, and assimilating other cultures. Managers should deeply comprehend each culture's traits, extract their essence, infuse innovative management concepts, and gradually forge a new corporate culture that amalgamates the strengths of each culture while aligning with the enterprise's operational reality.

As the global economy progresses rapidly alongside technological advancements, globalization accelerates, shaping the world economy towards a globalized direction. Business management is increasingly influenced by foreign cultures, impacting internal company dynamics. This necessitates companies to adeptly navigate cross-cultural challenges by mastering relevant business management methodologies and techniques. This paper delves into the significance and components of cross-cultural business management, examines how business management is shaped by cross-cultural interactions, and offers recommendations for achieving effective cross-cultural business management.

In the realm of cross-cultural management, organizations should incorporate valuable cultural traits and ensure their seamless integration into the existing cultural framework. Emphasizing cross-cultural communication skills can transform a company into one that embraces diverse cultural heritages, fostering internal cohesion and development. The study highlights a positive correlation between job satisfaction and cross-cultural training, underscoring the necessity of cross-cultural practices. Yixin Energy Technology Co. in Shanghai, China recognizes this need for cross-cultural integration. It is advisable for businesses to implement tailored cross-cultural training programs catering to various levels of expatriates. Embracing cross-cultural management practices can enhance expatriate experiences and organizational success by facilitating smoother integration into new cultural environments.

**References**


**Table 3. ANOVA of this Study**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>424.32</td>
<td>2.00</td>
<td>212.16</td>
<td>47.74</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>688.90</td>
<td>155.00</td>
<td>4.44</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,113.22</td>
<td>157.00</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


