Challenges and Coping Strategies of Cross-cultural Management in Chinese Enterprises in the Process of Globalization

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Abstract. With the acceleration of economic globalization, more and more enterprises are choosing international development strategies as a way to cope with the many challenges and opportunities brought about by globalization.However, due to the cultural differences between different countries, multinational enterprises are faced with many challenges of cross-cultural management, so cross-cultural management is an important topic in the management of multinational enterprises, which is of great significance to the operation of multinational enterprises.Through literature research, this paper sorts out the challenges faced by cross-cultural management of enterprises in the process of globalization, to put forward the coping strategies of cross-cultural management of enterprises.This paper finds that in the process of globalization, enterprises face many challenges such as cultural differences, value differences, and language barriers. Cross-cultural management can help multinational enterprises eliminate the negative effects of cultural differences and enhance the internal work efficiency and international competitiveness of multinational enterprises.MNEs can achieve better cross-cultural management through human resource localization strategies, multicultural compatibility strategies, and cross-cultural training.

1 Introduction

Since the twentieth century, the acceleration of technological progress and the decreasing costs of international trade have contributed to the transnational separation of production stages or processes, and the study of global value chains has received increasing academic attention.(Gereffi et al., 2003；Feenstra, 2011) More and more enterprises choose to realize their internationalization strategy through cross-border operations (Dunning & Lundan, 2008), to reorganize their business activities based on the global market.From the perspective of world cultures, as transnational business unfolds, intercultural organizations will shift from being mono-cultural to multi-cultural, with business activities becoming more culturally colored.At present, Chinese enterprises, as the main body of overseas investment, can integrate, absorb and utilize the world's resources with a global vision and continuously enhance their overseas competitiveness by implementing the internationalization strategy.Relevant data show that 70% of all multinational business failures are due to cultural reasons (Beer & Nohria, 1999). Therefore, cross-cultural management of enterprises is crucial, but the research on cross-cultural management in China is far from catching up with the pace of globalization of Chinese enterprises.With the acceleration of globalization and China's "One Belt, One Road" construction process, more Chinese enterprises choose to go abroad to explore overseas markets and actively integrate into the process of economic globalization.Hence, cross-cultural management has become an essential issue for Chinese companies to consider when exploring overseas markets. From this point of view, this paper intends to clarify the definition and development of globalization and cross-cultural management through literature research, analyze the impact of globalization on cross-cultural management of enterprises, and discuss the challenges of cross-cultural management in the process of globalization, and accordingly put forward targeted countermeasures for cross-cultural management of enterprises, to provide decision-making references for the process of globalization for the integration of Chinese enterprises, and help multinational enterprises to carry out a more in-depth understanding of the interpretation of cross-cultural management.

2 Concept definition

2.1 Definition and History of Globalization

Under the trend of globalization, some enterprises have chosen to enter international markets to develop their business.to expand their transnational business by selecting an international development strategy. Under this strategy, enterprises transform their operations from local to multinational enterprises, integrating into globalized networks and operating in different countries and regions.Existing literature has found that whether a firm chooses to enter an international market is influenced by a variety of factors, such as the firm's vision, management's international background, the firm's resource capacity, and international market demand (Lu et al., 2010; Szymura-Tyc & Kucia, 2016; Kano et al., 2020; Fourie, 2022).The related research of enterprise internationalization strategy began in the 1960s, and foreign scholars explained the multinational operation of multinational enterprises based on the practice of multinational enterprises in developed countries.Internationalization strategies are often accompanied by high risks and high returns, especially for firms in emerging countries, whose internationalization is in a latecomer position and cannot identify international market information, thus facing a more complex and changing external environment and internal and external resource differences (Li, 2018).Vermeulen & Barkema (2002) classified the internationalization strategy of a firm into three dimensions: scope of internationalization, speed of internationalization, and pace of internationalization.The expansion of internationalization suggests that multinational firms need to spread the costs of R&D and marketing to accommodate consumer preferences in different markets. Finite rationality implies that firms need to ensure that decisions are optimizable, and since rapid internationalization exposes firms to greater risks, multinational firms need to be able to manage risks.The pace of internationalization requires enterprises to control the magnitude of their market operations, and in the face of potential risks, enterprises need to collect and analyze internal and external information to better cope with various shocks. A sustained and stable pace of internationalization is in line with the current trend of globalization and can help multinational enterprises better adapt to the international environment.

2.2   Definition and History of Cross-Cultural Management

According to the existing literature, cross-cultural management refers not only to the process of transnational operation but more to the management process in which any cross-cultural organization or individual can understand, communicate, coordinate, integrate, and innovate multiple cultures when cultural conflicts occur in the process of interaction with different cultural groups, to turn disadvantages into advantages (Chevrier, 2003; worchel, 2005; Romani et al., 2018).Cross-cultural management originated in the early ancient trade activities, and in the late 20th century, with the continuous development of economic globalization and technological progress, it has become an inevitable trend for enterprises to conduct business activities in multi-cultural environments.As an emerging discipline, cross-cultural management has gradually formed and developed. Based on the above views, this paper defines cross-cultural management. Cross-cultural management refers to the management process of understanding, communication, coordination, integration, and innovation to solve conflict when a company has cultural conflicts and other challenges in the process of interacting with different cultural groups in the process of multinational operation.

3   Challenges to Cross-Cultural Management in Enterprises in the Context of Globalization

3.1   Cultural Differences

Cultural difference is an essential feature of cross-cultural management. MNCs that ignore cultural differences face a higher risk of business failure (Worchel, 2005). In the case of foreign firms, the composition of their workforce is often characterized by diversity, with both dispatched employees from the Chinese parent company and foreign employees.Cultural differences between two groups due to the existence of ways of thinking, beliefs, social habits, cultural traditions, and other cultural differences (Romani et al., 2018) can lead to the emergence of cultural conflict phenomena such as communication barriers, which reduces the degree of fit in-group cooperation. Religious beliefs, as an important cultural difference factor, can affect several aspects of cultural differences. To avoid damage to business operations, companies need to deal with this issue.

3.2   Value Differences

For employees at different levels of the organization, the cultural background may lead to large differences between managers and employees in terms of values (Thomas & Peterson, 2016). Chinese management tends to be cautious in terms of investment, and expatriate managers are more willing to invest a lot of money in new project research. These two different business philosophies can lead to contradictory phenomena and even conflict between the two parties.Multinational enterprises do not pay enough attention to common values, pursue purely economic interests in their investments, fail to make multinational management effective, and fail to find cultural common ground, which will directly lead to negative impacts on work efficiency and business operations, thus leading to the failure of cross-cultural management.

3.3   Language Barriers

Language is an essential means of communication, and one of the biggest obstacles faced by multinational enterprises in the process of operating overseas is the language barrier. It is difficult for domestically posted employees to quickly adapt to the local language overseas, thus making it difficult for them to assimilate into the local life and customs (Aichhorn & Puck, 2017).In addition, due to the differences in language communication and behavioral expression, there will be inconsistencies in understanding and execution between foreign personnel and Chinese employees in the process of teamwork and project execution, which in turn leads to a reduction in efficiency, thus affecting the development of the enterprise.

4   The Importance of Cross-Cultural Management for Multinational Enterprises

4.1   Removing Barriers to Cultural Differences

In international market cooperation, multinational enterprises differ from foreign enterprises in many aspects, such as culture, which will affect the business model of both, thus preventing multinational enterprises from quickly adapting to and integrating into the local market. Cultural differences are not only detrimental to enterprise development, but may also lead to international disputes.If the problems caused by cultural differences cannot be effectively dealt with, they will become an

obstacle to the development of multinational enterprises (Beer & Nohria, 1999; Thomas & Peterson, 2016). By improving their cross-cultural management capabilities, multinational enterprises can better emphasize and cope with the risk of cultural differences and accelerate cultural integration, thus helping them to eliminate the obstacles of cultural differences and promote the rapid growth of multinational enterprises in the international market.

4.2   Enhancement of Efficiency Within Multinational Enterprises

For the employee composition of multinational enterprises, there are both foreign native employees and Chinese employees stationed abroad. The values and communication problems arising from cultural differences, if not properly addressed, can result in higher turnover rates and affect the normal business activities of the organization (Thomas & Peterson, 2016).Therefore, multinational enterprises need to eliminate the communication and collaboration barriers between employees of different cultural backgrounds through cross-cultural management, so as to enhance their work enthusiasm. At the same time, with the enhancement of cross-cultural management ability of multinational enterprises, the internal staff's recognition of the enterprise will continue to improve, thus making the stability of the staff and the efficiency of the internal work of the enterprise can be effectively guaranteed.

4.3   Enhancing the International Competitiveness of Multinational Enterprises

The enhancement of cross-cultural management capabilities of MNEs can help them to improve their competitive advantages in the international market (Alhamad et al., 2015). First, it can effectively reduce the operating costs of multinational enterprises. The enhancement of cross-cultural management capabilities can enable multinational enterprises to conduct market development more effectively overseas and reduce the enterprise's operating costs. Second, it can effectively enhance the differentiated competitiveness of multinational enterprises. This is an important ability of multinational enterprises, with the improvement of differentiated competitiveness, helps enterprises to respond to market changes more easily, to meet the needs of business development.

5   Coping Strategies for Cross-Cultural Management in Multinational Enterprises

5.1   Human Resource Localization

Multinational enterprises can actively implement human resource localization strategies to reduce cultural conflicts among employees. The localization strategy advocates that foreign firms should integrate into the local cultural environment, and a successful localization strategy can integrate with the local culture, thus eliminating cultural differences between countries.The localization of human resources is crucial in the implementation of localization strategies by enterprises. Human resource localization can help overcome cross-cultural management by making multinational enterprises relevant to local markets and consumers so that they are sustainable. By properly recruiting local employees and focusing on listening to their advice, corporate decisions can be made more responsive to the local environment.

5.2   Multicultural Compatibility

Multinational enterprises can implement a multicultural compatibility strategy to promote the complementarity and integration of different national cultures and to resolve cultural conflicts among employees. The strategy of cultural compatibility refers to the fact that in multinational enterprises, the home country's culture is not regarded as the main culture of the enterprise, but other cultures are allowed to join in, to realize cultural coexistence and mutual communication.The multicultural compatibility strategy can greatly utilize the advantages of different cultures and can make the corporate cultural environment healthier. Multicultural compatibility consists of two aspects: the first aspect is the parallel compatibility strategy. Multinational enterprises use local culture as a carrier and then integrate the culture of the parent company to obtain proper cultural compatibility. Even if there is a huge difference between the culture of the parent company and that of its subsidiaries, under the parallel compatibility strategy, the two can not only avoid cultural conflicts but also realize complementary and mutual support.The second aspect is the strategy of peaceful coexistence. Finding similarities between multiple cultures, avoiding conflicts, and realizing peaceful coexistence. The core lies in respecting different cultures, seeking common ground while reserving differences, learning from each

other, and drawing on the good aspects of both cultures to build a pluralistic corporate culture.

5.3   Intercultural Training

Multinational enterprises should carry out cross-cultural training to promote cultural awareness and understanding among employees. Cross-cultural training is an effective means for multinational enterprises to solve cross-cultural conflicts, and its purpose is to enable employees with different educational philosophies to better understand the differences in each other's cultures, to enhance the efficiency of communication, and to help employees correctly understand the content of communication. Cross-cultural training should allow employees with different cultural concepts to carry out special cultural training together, in-depth understanding of cultural differences and similarities.Consideration of the effectiveness of intercultural training includes three aspects: First of all, employees reach a basic understanding of cultural differences and can willingly and diligently understand each other; secondly, employees' capabilities are enhanced and their psychological conditions are healthier; finally, foreign management is selected based on local staff, to be able to make decisions that are in line with local cultural characteristics.

6   Conclusion

Actively participating in globalization competition is an important way of enterprise development and an inevitable choice for enterprises to comply with the trends of the times. However, the objective existence of cultural differences often leads to multinational enterprises facing cultural conflicts and other problems in the process of business development, and if cross-cultural management is neglected, it may lead to the failure of the enterprise's multinational operation.Therefore, multinational enterprises should raise the importance of cross-cultural management and actively take effective measures to continuously improve the level of cross-cultural management to avoid cross-cultural management risks.The research in this paper provides corresponding theoretical and practical guidance for promoting the healthy development of multinational enterprises and helping enterprises gain a favorable position in global competition.Multinational enterprises should objectively recognize

and understand the existence of cultural differences, value differences, and language barriers, and take effective ways to implement cross-cultural management, establish a perfect cross-cultural human resource management model, learn, understand, and respect the differences between different cultures, and carry out a variety of forms of cross-cultural training activities, which are of great significance to multinational enterprises in eliminating cultural differences, and improving internal work efficiency and international competitiveness.

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