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Analysis of the Impact of Corporate Cultural Differences on Multinational Operation Performance

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Abstract. As economic globalization continues to deepen, more and more domestic companies are engaging in international operations, and differences in corporate culture have become a key soft factor affecting the success or failure of overseas business. This article focuses on multinational corporations. Drawing on relevant theories and literature, it investigates how corporate cultural differences affect international business performance, with a particular emphasis on analyzing their interaction from the perspective of cross-cultural human resource management. The research finds that corporate culture differences have a two-way effect: if a company rigidly sticks to its home country's management style and ignores cultural adaptation, it can easily lead to problems in human resource management such as employee cognitive conflicts, broken psychological contracts, and talent loss, which increases internal management costs, reduces organizational collaboration efficiency, and ultimately hampers international business performance. Cross-cultural awareness, localized HR strategies, inclusive corporate culture, and digital HR platforms are important factors that determine how cultural differences play out. Based on this, the paper proposes optimization strategies from different angles, aiming to provide theoretical guidance and practical insights for companies going global to resolve cross-cultural conflicts.

Keywords: Differences in corporate culture, Performance of multinational operations, Cross-Cultural Human Resource Management, cultural fusion, localization

1. Introduction

Globalization represents a trend for local enterprises to expand overseas and go international. The accelerating pace of globalization means growing interdependence in the global economy, technology, talent, information and investment [1]. Cross-border trade grows rapidly alongside global industrial and supply chain restructuring, enabling firms to internationalize. Advancing global economic integration lowers trade barriers and allows cross-border flows of resources, capital, talent and technology. Cross-border operation thus serves as a core strategy for modern enterprises to scale up, source global resources and lift competitiveness. Corporate cultural integration's greatest strength lies in seeking common ground while preserving differences. Cultural integration is achieved through continuous collision and adaptation between two distinct corporate cultures, enabling both sides to understand and accept each other's strengths, foster strengths and circumvent

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weaknesses for joint development [2]. In recent years, China's opening-up has been continuously elevated, and the "Going Global" strategy has been further implemented. A number of high-quality local enterprises have successively deployed overseas markets. They expand international business via overseas factory construction, cross-border mergers and acquisitions, establishment of branches and cross-border cooperation. The number, investment scale and business coverage of their cross-border operations keep expanding.

Against ongoing international expansion, cross-border operations face multiple challenges. Beyond tangible resource integration barriers in technology, capital and markets, the greater difficulty lies in soft management problems caused by cultural collisions. Distinct national cultures, customs and values create varied corporate cultures. Unlike visible gaps in systems or technology, corporate cultural differences are hidden, enduring and pervasive. These factors permeate internal management, market operations and talent management, yet they are frequently overlooked by managers. Many cross-border business failures stem not from technical limitations or funding shortages, but from soft conflicts such as management frictions and talent turnover induced by cultural divergence. Unresolved cultural conflicts drain internal resources, disrupt overseas subsidiaries and hurt operational performance. Hence, exploring how corporate cultural differences shape cross-border operational performance, unpacking its mechanism and building robust cross-cultural management systems are essential for sustainable growth among Chinese multinationals. This paper adopts the literature research method to sort out the transmission logic through which corporate cultural differences influence cross-border performance and supplement relevant theoretical perspectives. It can offer theoretical and practical references for Chinese multinational firms to identify cultural risks, optimize cross-cultural management and improve overseas operational performance [3].

2. The real-world background and core definition of cross-cultural human resource management

Driven by economic globalization, multinationals boast increasingly diverse workforces. Staff at overseas subsidiaries vary in ethnicity, religion and culture, with marked divergences in values, work habits and communication styles. Hence, traditional HRM models developed within monocultural settings cannot be directly adopted for cross-border operations. Some international firms mechanically replicate home-country management while disregarding local cultural traits, triggering breached psychological contracts, team disputes and local talent turnover, which lifts hidden management costs and damages overseas performance. Against this backdrop, cross-cultural human resource management has drawn wide scholarly attention. Hu Jinniu et al. define it as a systematic organizational method to sustain competitive advantages. By reasonably adjusting and controlling human resource practices according to cultural differences, enterprises reshape organizational culture through mutual adaptation and cultural integration, effectively resolve internal conflicts, enhance employees' organizational identification, and achieve optimal allocation of human resources [4]. This definition clarifies its core logic: cross-cultural management is not mere compromise toward cultural diversity, but integrates cultural differences into full-cycle HR practices. Via continuous adaptation, adjustment and integration, organizations rebuild their cultural systems, ease multicultural management conflicts, boost employee belonging and optimize global human capital allocation. Subsequent research by Zhao Gongao and Fan Sijie extended this theoretical framework. They examined practical measures such as cross-cultural training, localized HR strategies, inclusive culture building and digital HR systems. Their work highlights cross-cultural HRM as a critical mediator linking corporate cultural differences and multinational

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performance. For multinationals, effective adoption of such management logic directly shapes internal team stability and coordination efficiency, and further determines overseas competitiveness and business results.

3. Main ways corporate culture differs in multinational operations

3.1. Problems caused by differences in values and beliefs

Values influence people's selection of models, means, and behavioral objectives, and shape certain preferences [4]. Values constitute the core of corporate culture and the fundamental source of cultural divergence. As implicit cultural elements deeply embedded in employees' cognition, values are difficult to observe directly but profoundly govern employees' work attitudes, behavioral choices, and evaluation criteria. Forged during long-term development under internal and external environmental factors, such cultural differences embody the distinct organizational attributes of individual enterprises [5]. Long-term development shapes collectivist values among Eastern firms, which prioritize group interests and team goals. They value staff loyalty and organizational belonging, favouring corporate stability even at the cost of individual sacrifices. By contrast, many host countries adopt an individualistic culture. Local staff uphold individual values, voice personal demands, and prioritize personal achievement, work-life balance and individual career growth. When these two groups collaborate in multinationals, value clashes inevitably emerge, creating gaps in understandings of work goals, responsibility and reward systems. In projects, home-country management focuses on team output and collective performance, stressing teamwork and dedication. Local employees, however, seek recognition for personal contributions and fair rewards for individual efforts. Though these cognitive gaps rarely spark immediate open conflicts, they quietly reduce work motivation. Accumulating across recruitment, appraisal, incentive allocation and teamwork, such discrepancies create latent risks of internal management conflicts.

3.2. Collaboration and communication across corporate culture differences

Cultural differences within multinational corporations are inherent and difficult to alter [6]. Communication styles and employee behavior habits are outward expressions of corporate culture, directly reflecting how people interact within an organization under different cultural backgrounds. Different cultures give rise to very different communication patterns. In high-context cultures, communication doesn't just convey work information; it also plays a role in maintaining interpersonal relationships. Some cultures favor indirect, polite communication styles. Such cultures balance consideration for interpersonal feelings and relationships, often expressing disagreement subtly to avert direct conflict and preserve others' face and emotional well-being. On the other hand, low-context cultures favor a direct communication style, openly pointing out issues, focusing on work outcomes, prioritizing efficiency in information transfer, and paying less attention to the emotional aspects of interactions. In the process of cultural synergy, enterprises must consistently uphold and actively promote this core value of respect among all employees [7]. Respect underpins the resolution of communication and behavioural divergences. A mutually respectful atmosphere helps employees acknowledge cultural differences, reduce prejudice-driven conflict, and build a humanistic foundation for better cross-border operational performance. Communication differences easily trigger misinterpretation and internal friction. Employees vary in work behaviours: some follow hierarchies and stay conservative, while local staff are more open to innovative ideas. Mutual respect accommodates both styles and unlocks employee potential; its absence causes ongoing

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internal tensions. Mismatches in language, cognition and behavioural expectations increase communication costs, impair collaboration and hurt business outcomes. Respect alleviates such issues, eases cultural conflicts, reduces management costs, retains local talent, improves project delivery and ultimately boosts cross-border operational performance.

4. A study on how differences in corporate culture affect the performance of multinational businesses

4.1. The negative impact of corporate culture differences on multinational business performance

Employees from diverse cultural backgrounds differ in work attitudes, communication styles, leadership expectations and conflict resolution approaches [8]. Chinese corporate culture is dominated by collectivism, emphasizing teamwork and collective interests, while many foreign corporate cultures advocate individualism and free innovation [9]. These two value systems rooted in national cultures carry inherent cognitive gaps. Cultural differences are not merely abstract concepts but are deeply embedded in employees' work perceptions, behavioural habits and evaluation criteria, influencing the operation of multinational enterprises through organizational management practices.

When home-country firms transfer management models to overseas subsidiaries, simply copying domestic logic exposes collectivism-individualism conflicts. These conflicts spread across recruitment, task allocation, performance appraisal, incentive systems and team decision-making, harming cross-border performance through multiple channels. In talent selection, differing evaluation criteria lower person-job fit and increase HR replacement costs. In task allocation, disputes over responsibility and result ownership cause buck-passing or unacknowledged contributions, delaying projects. In appraisal and incentives, clashes between team and individual orientations demotivate staff and reduce HR efficiency. In team decision-making, tensions between consensus-seeking and individual expression alter decision-making processes and reduce responsiveness to foreign markets.

If enterprises adopt an ethnocentric mindset and lack cross-cultural management awareness, fail to adjust institutional arrangements to accommodate cultural differences, and disregard host-country employees' cultural backgrounds and psychological expectations, internal conflicts are likely to arise. Such conflicts initially manifest as cognitive and communication misunderstandings. Left unresolved over time, they escalate into organizational antagonism, driving up internal management costs, eroding profits, reducing operational efficiency and triggering local talent turnover. This weakens capabilities for overseas market expansion and is ultimately reflected in performance indicators such as revenue and market share, suppressing firms' cross-border operational performance.

4.2. Cultural differences in companies bring positive effects

Corporate cultural differences can also exert a non-negligible positive enabling effect on cross-border operational performance. The two value orientations are not entirely contradictory. With sound cross-cultural management and an inclusive organizational environment, cultural differences can be transformed into unique competitive advantages of diversity and provide internal impetus for performance improvement. If enterprises abandon the inherent mindset of cultural assimilation and respect the logical strengths of different cultures, they can achieve complementary advantages

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between varied corporate cultures. Cultural diversity thus becomes a valuable organizational resource, boosting corporate development across innovation, resource allocation and market expansion.

Building an inclusive organizational culture is a key measure for multinational enterprises to integrate cultural differences and stimulate innovative vitality [10]. Multinational firms are inherently characterized by cultural divergences, including collectivism versus individualism and direct versus indirect communication styles. Adhering to an ethnocentric management model and forcibly eliminating cultural diversity will suppress employees' ideas, intensify internal conflicts and fail to leverage the value of cultural pluralism. Centered on respecting multiculturalism, an inclusive organizational culture does not pursue complete cultural uniformity but recognizes the rationality of diverse values and behaviors, providing employees from different cultural backgrounds with equal opportunities for expression. In such an inclusive atmosphere, employees do not need to abandon their original cultural norms, allowing diverse perspectives to fully communicate and collide. In management practice, an inclusive culture mitigates cultural prejudice and communicative misunderstandings, strengthens the sense of belonging within multicultural teams, converts potential cultural conflicts into competitive advantages, improves team collaboration, and ultimately boosts cross-border operational performance from the perspective of organizational culture.

5. Conclusion

From a cross-cultural HRM perspective, this paper examines how corporate cultural differences shape cross-border operational performance. The study identifies dual effects stemming from collectivist and individualist cultural divides. On the negative side, blind replication of parent-firm systems without local adaptation sparks value conflicts in recruitment, task allocation, performance appraisal, incentive design and team decision-making. Resulting cultural misunderstandings and internal friction increase coordination costs, impair teamwork, drive local talent turnover and hurt overseas performance. Conversely, effective cultural integration converts cultural diversity into competitive strengths. An inclusive, respectful culture combines collectivism's teamwork benefits with individualism's creativity. It reduces cross-cultural communication barriers, leverages local market insights, aligns global strategy with local operations, and fuels innovation and business expansion. Thus, instead of removing cultural differences, multinationals should adopt cross-cultural HR practices to mitigate conflicts and turn cultural diversity into a performance driver.

This study has limitations. This study draws primarily on qualitative literature analysis and does not incorporate quantitative surveys or panel data; therefore, the magnitude of the positive and negative impacts of cultural differences cannot be quantified. It only contrasts Chinese collectivism and Western individualism, failing to classify host-country cultural types or incorporate moderators such as firm size, internationalization length and industry. Future research may collect panel data of Chinese multinationals to test the mediating effect of cross-cultural HRM. Grouped analysis by cultural distance, industry and firm size can explore effect boundaries, and case studies on representative firms may summarize practical cross-cultural management experience.

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