Cross–Cultural Management of Chinese MSMEs in Electronics Industry

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Abstract

This research aimed to study: 1) To analyze the role of cultural adaptation as a mediating factor between cultural differences and corporate performance. 2) To examine the moderating effect of cultural intelligence on the relationship between cultural differences and corporate performance. 3) To provide empirical insights on how MSMEs can leverage cross–cultural management strategies to enhance their operational efficiency and competitive advantage. 4) To identify the key challenges faced by MSMEs in cross–cultural settings and propose managerial solutions. This study adopted a quantitative research method. A total of 550 valid responses were collected from managers and employees working in micro, small, and medium–sized enterprises (MSMEs) in Shanghai's electronics industry, all of whom were engaged in cross–cultural work environments, selected by convenience sampling. The instrument for collecting data was a structured questionnaire developed from validated scales measuring cultural differences, cultural adaptation, cultural intelligence, and corporate performance. Analysis of data was conducted by descriptive statistics, factor analysis, and regression modeling. The research results were found as follows: 1) Cultural adaptation significantly mediates the relationship between cultural differences and corporate performance. 2) Cultural intelligence positively moderates both the link between cultural differences and adaptation and the relationship between adaptation and performance. 3) Empirical findings support that MSMEs equipped with cultural competence achieve greater competitiveness and internal efficiency. 4) Challenges identified include miscommunication, conflicting management styles, and cultural value misalignment; solutions include cultural training, adaptive communication frameworks, and inclusive management practices.

Keywords: cross–cultural management; cultural intelligence; cultural adaptation; corporate performance; Chinese MSMEs

Introduction

Globalization has significantly increased the interaction between businesses and diverse cultural environments. For micro, small, and medium-sized enterprises (MSMEs), effectively managing cultural differences is crucial for survival and growth. Unlike multinational corporations, MSMEs often lack the resources and expertise to effectively navigate cross-cultural challenges, making cultural adaptation and intelligence critical for their success (Chopra et al., 2024).

The electronics industry in Shanghai, as a dynamic and rapidly evolving sector, provides a unique context to study how MSMEs cope with cross-cultural complexities. Given the city's status as a global business hub, MSMEs in this sector frequently engage in cross-border collaborations, workforce diversity, and international partnerships, further emphasizing the need for effective cross-cultural management (Rezaei, 2024). The local government's initiatives—such as the "Shanghai Action Plan for Digital Transformation of SMEs (2022–2025)"—have fostered a business environment that encourages international cooperation, foreign talent employment, and digital openness, all of which enhance cross-cultural interactions (Shanghai Municipal Commission of Economy and Informatization, 2023). Furthermore, the city's cosmopolitan workforce and concentration of foreign-invested enterprises amplify the importance of effective cross-cultural management.

Despite the potential advantages of globalization, MSMEs often struggle with cross-cultural communication, misunderstandings, and operational inefficiencies that stem from cultural differences. Poor intercultural communication in Chinese MSMEs leads to increased project delays, client dissatisfaction, and fragmented team collaboration, especially in technologically complex industries like electronics (Siddiqui et al., 2023). These challenges are exacerbated by the absence of standardized training in cross-cultural competencies. Cultural adaptation plays a crucial role in bridging these gaps, allowing businesses to align their operations with diverse market and workforce expectations (Carvalho et al., 2023). However, many MSMEs continue to adopt informal or reactive approaches to cultural adaptation, leading to inconsistent strategies and cultural misalignment within teams (Balasubramanian, 2022). Moreover, the lack of institutional support and limited awareness of cultural frameworks result in fragmented adaptation efforts. Cultural intelligence, as a managerial capability, enables business leaders to understand and respond effectively to cultural variations, thereby improving decision-making and strategic alignment (Zhou & Charoensukmongkol, 2022).

Nevertheless, MSME managers often exhibit low levels of cultural intelligence, largely due to inadequate international exposure and limited access to targeted cross-cultural leadership development (Gaur et al., 2021). This deficiency contributes to high employee turnover, unproductive multicultural teamwork, and missed opportunities for international expansion (Luu, 2022; Kumar et al., 2024). Without appropriate cultural adaptation and intelligence, MSMEs risk facing market entry barriers, high employee turnover, and decreased competitiveness (Kumar et al., 2024).

This study contributes to the growing body of research on cross-cultural management by offering empirical evidence on the challenges and opportunities faced by MSMEs in China. By identifying key mechanisms through which cultural adaptation and intelligence influence business performance, the findings offer practical guidance for MSME managers, policymakers, and business practitioners. Effective cross-cultural management can help MSMEs improve employee collaboration, enhance international business negotiations, and strengthen market positioning (Boafo et al., 2025). Furthermore, the study provides policymakers with insights on designing support programs to enhance MSMEs' cross-cultural competencies, ultimately fostering economic growth and global integration.

The findings of this study will have significant implications for business leaders seeking to navigate cultural complexity. It will assist MSME managers in identifying best practices for cultural adaptation, developing strategies to build culturally intelligent teams, and creating an inclusive work environment that promotes productivity and innovation. In addition, the study will inform training programs and policies aimed at equipping MSME managers with the necessary skills to thrive in international markets. As businesses continue to expand globally, understanding the dynamics of cultural adaptation and intelligence will be vital in shaping the long-term success of MSMEs.

Research Objectives

1. To analyze the role of cultural adaptation as a mediating factor between cultural differences and corporate performance.

2. To examine the moderating effect of cultural intelligence on the relationship between cultural differences and corporate performance.

3. To provide empirical insights on how MSMEs can leverage cross-cultural management strategies to enhance their operational efficiency and competitive advantage.

4. To identify the key challenges faced by MSMEs in cross-cultural settings and propose managerial solutions.

Literature Review

Theoretical basis

Cultural Intelligence (CQ) Theory refers to an individual's or organization's ability to function effectively across culturally diverse contexts. It is conceptualized as a multidimensional construct encompassing cognitive, motivational, and behavioral capabilities that enable actors to perceive, interpret, and respond appropriately to cultural differences. Over the past two decades, the theory has been extensively validated and refined, with recent studies confirming its applicability in global business, human resource management, international education, and intercultural communication (Richter et al., 2023; Zhou & Charoensukmongkol, 2022). CQ is typically divided into four dimensions: metacognitive CQ (awareness and strategic thinking about cultural interactions), cognitive CQ (knowledge of cultural norms, practices, and conventions), motivational CQ (interest and drive to adapt in cross-cultural settings), and behavioral CQ (ability to exhibit culturally appropriate actions) (Egwuonwu et al., 2022; Poort et al., 2021). In this study, Cultural Intelligence Theory is employed as a moderating framework, explaining how the presence of high CQ among MSME managers strengthens the positive impact of cultural adaptation on corporate performance.

Acculturation Theory refers to the psychological and behavioral adjustments that individuals or groups undergo when interacting with culturally dissimilar environments. The framework has been widely adopted to understand how cultural contact influences identity, adaptation strategies, communication behavior, and performance outcomes in both individual and organizational contexts (Kunst & Mesoudi, 2024; Ward & Szabó, 2023). Recent research has extended the theory to organizational behavior, exploring how firms and managers adapt to culturally diverse business environments (Kaur Bagga et al., 2023; Stahl & Maznevski, 2021). Key variables studied in acculturation-based research include cultural identity, communication adaptation, interpersonal adjustment, and organizational outcomes, such as performance or satisfaction. In the context of this study, Acculturation Theory provides the theoretical foundation for the mediating role of cultural adaptation. Chinese MSMEs operating in increasingly globalized markets—especially in the electronics sector—must navigate diverse communication styles, managerial practices, and value systems.

Resource-Based View (RBV) of the Firm posits that sustainable competitive advantage arises from the possession and effective utilization of valuable, rare, inimitable, and non-substitutable (VRIN) resources. Recent studies have extended the RBV to account for cross-cultural competencies as intangible strategic resources, particularly in globalized and knowledge-intensive industries (Jahanshahi et al., 2025; Nuccio & Mogno, 2023). Cultural intelligence, adaptive communication skills, and cultural learning mechanisms are increasingly recognized as forms of strategic human capital that enable firms to manage international complexity and drive performance (Ayoko et al., 2022; Hong & Minbaeva, 2022). However, while RBV traditionally focuses on static resource possession, the theory faces conceptual tension with CQ and acculturation frameworks that emphasize fluid and behavioral capabilities. This study resolves that tension by arguing that cross-cultural competencies become VRIN resources only when they are routinized, embedded in organizational processes, and leveraged across culturally complex interactions (Al Humdan et al., 2024). In this study, RBV frames cultural adaptation and CQ as intangible strategic resources that, when embedded in organizational routines, contribute to market responsiveness, employee satisfaction, and cost-efficient operations. Yet, performance may not always precede capability; reverse causality is acknowledged-higher-performing firms may indeed have greater slack resources to invest in intercultural training

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Despite growing interest in cross-cultural competencies and their impact on firm performance, few studies integrate CQ, acculturation, and RBV into a unified explanatory model within the MSME context—particularly in industries like electronics that depend on global coordination but lack deep HR infrastructure (Boafo et al., 2025). Existing research often isolates these theories, neglecting their theoretical interplay and tensions. Moreover, most studies focus on MNCs or Western SMEs, with limited empirical attention to Chinese MSMEs navigating domestic-international cultural hybridity. This study addresses these gaps by systematizing how CQ (as dynamic capability), adaptation (as mediated behavioral adjustment), and RBV (as performance logic) interrelate in explaining performance outcomes.

The conceptual model proposed contributes by demonstrating that CQ strengthens the transformation of adaptation into competitive value, while adaptation serves as a necessary conduit through which cultural differences influence firm performance. The integration of these theories provides both theoretical clarity and practical direction for resource-constrained firms operating in increasingly multicultural ecosystems

By conceptualizing cross-cultural competencies and adaptation strategies as strategic resources, this study examines how MSMEs in the electronics sector convert internal cultural capabilities into competitive advantages, such as enhanced market responsiveness, employee satisfaction, and operational performance.

Hypothesis Testing

Cultural differences play a crucial role in shaping business performance, particularly for micro, small, and medium-sized enterprises (MSMEs) operating in international markets. According to recent studies (Wu et al., 2022), cultural differences influence decision-making processes, leadership styles, and employee engagement, ultimately affecting organizational success. Empirical research has shown that firms that fail to address cultural variations experience lower productivity and increased workplace conflicts (Chen et al., 2022).

Conversely, organizations that embrace cultural diversity and invest in cross-cultural training benefit from improved communication, enhanced innovation, and increased employee satisfaction (Cahyono, 2025). A study by Madi Odeh et al. (2023) found that culturally adaptive leadership styles contribute to organizational agility and resilience in diverse markets. MSMEs need to develop cultural sensitivity to thrive in competitive international business environments. Therefore, this study proposes:

H1: Cultural differences significantly influence corporate performance.

H2: Cultural differences significantly impact cultural adaptation.

Cultural adaptation refers to the process through which businesses adjust their management practices, communication strategies, and operational processes to align with different cultural norms (Leal-Rodríguez et al., 2023). As a mediating variable, cultural adaptation bridges the gap between cultural differences and business performance. Firms that implement adaptive strategies, such as localized marketing campaigns, culturally tailored HR policies, and flexible leadership approaches, tend to achieve higher performance levels (Shan & Wang, 2024). Research indicates that MSMEs that invest in cultural adaptation frameworks experience fewer

cultural misunderstandings and enhanced collaboration with international partners (Tereshchenko et al., 2024). This is particularly relevant for the Shanghai electronics industry, where businesses frequently engage in cross-border transactions and international supply chains. Effective cultural adaptation allows MSMEs to navigate regulatory challenges, foster positive relationships with stakeholders, and optimize operational efficiency (Bello et al., 2024).

H3: Cultural adaptation significantly affects corporate performance.

Cultural intelligence (CQ) is the capability to function effectively in culturally diverse settings (Sun & Wang, 2022). It comprises four components: cognitive CQ, metacognitive CQ, motivational CQ, and behavioral CQ (Chédru & Ostapchuk, 2023; Livermore et al., 2022). As a moderating variable, CQ influences how well businesses can adapt to cultural differences and leverage diversity for competitive advantage (Stoermer et al., 2021). High-CQ managers exhibit better problem-solving skills, stronger negotiation tactics, and greater leadership effectiveness in cross-cultural environments (Garamvölgyi & Rudnák, 2023). For MSMEs, the ability to assess and respond to cultural nuances can determine their success in international expansion (Annuridya Rosyidta Pratiwi et al., 2024). Research suggests that firms that integrate CQ training into their corporate strategy experience increased market adaptability and long-term business sustainability (Livermore et al., 2022). Therefore, this study proposes:

H4: Cultural intelligence moderates the relationship between cultural differences and cultural adaptation.

H5: Cultural intelligence moderates the relationship between cultural adaptation and corporate performance.

Conceptual Framework

Building on prior literature and theoretical models, this study proposes a conceptual framework that integrates cultural differences as the independent variable, corporate performance as the dependent variable, cultural adaptation as the mediating variable, and cultural intelligence as the moderating variable. The framework provides a structured basis for examining the complex dynamics of cross-cultural management in MSMEs. The conceptual model is presented in Figure 1.
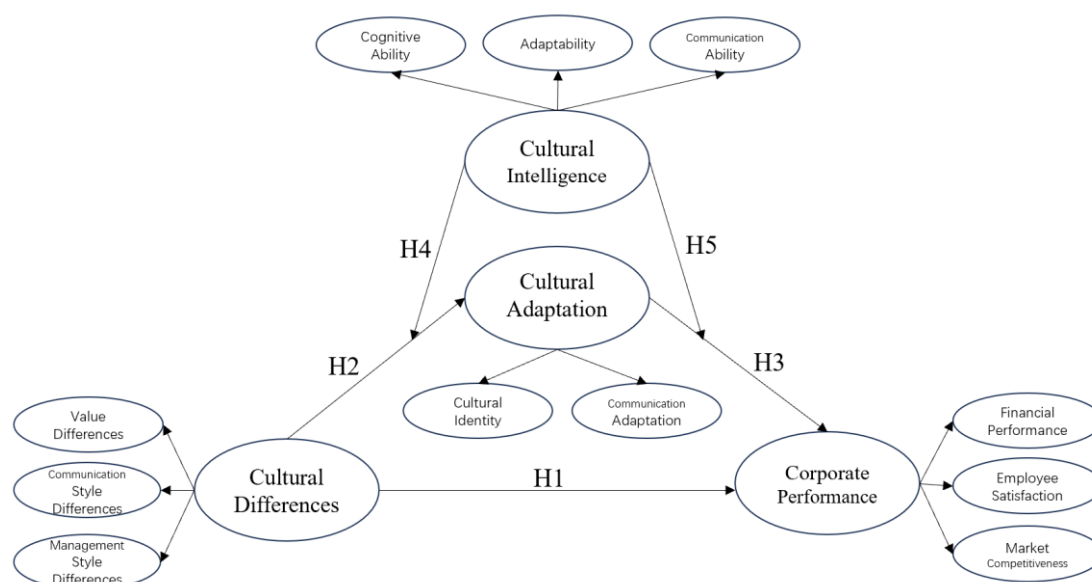
Figure 1 Conceptual Framework

Research Methodology

This study employed a quantitative research design to investigate the effects of cultural differences, cultural adaptation, and cultural intelligence on corporate performance among micro, small, and medium-sized enterprises (MSMEs) in Shanghai's electronics industry. A structured questionnaire was used to collect primary data, and Structural Equation Modeling (SEM) was adopted to evaluate the complex relationships among variables and test the proposed hypotheses (Hirose & Creswell, 2022).

The target population consisted of managers, team leaders, and employees working in cross-functional departments of MSMEs engaged in international trade, foreign partnerships, or multicultural teams within Shanghai's electronics sector. All participants were required to have direct experience working in cross-cultural environments. To ensure representativeness, the sample was drawn using convenience sampling through two primary channels. The first channel was the Wenjuanxing online platform, which allowed efficient survey distribution and real-time response management. The second channel included professional networks and industry associations such as LinkedIn and Maimai, where survey links were distributed via email to expand the sample pool and ensure greater access to senior professionals in the electronics sector. Screening questions were included in the questionnaire to confirm that participants were employed in MSMEs located in Shanghai and operating in the electronics industry. The final dataset

comprised 550 valid responses, collected in two phases: online distribution from April to June 2024, and paper-based distribution at industry conferences from July to August 2024. who might not frequently use online survey platforms but are active in professional networks.

Screening questions were used at the start of the questionnaire to confirm that participants met three inclusion criteria: (1) currently employed in a micro, small, or medium-sized enterprise; (2) working within the electronics industry; and (3) engaged in cross-cultural work contexts such as foreign client communication, multicultural project teams, or international market coordination. Responses that did not meet these criteria were excluded. The required sample size was determined by the rule of thumb that at least ten responses are needed per item in a questionnaire. With 55 scale items, a total of 550 responses were deemed sufficient to ensure statistical reliability for SEM analysis. Prior to full deployment, a pilot study with 60 participants was conducted to refine the questionnaire. Feedback from the pilot led to rewording of unclear items, improvements in response options, and adjustments in layout to enhance user experience. The final instrument comprised 62 items divided into two sections: demographic background and key research constructs. These constructs were measured using a five-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree). Cultural differences were assessed through perceived variations in values, communication styles, and management approaches; cultural adaptation was measured through cultural identity and communication adaptation; cultural intelligence was evaluated in terms of cognitive ability, adaptability, and interpersonal communication; and corporate performance was assessed through financial performance, employee satisfaction, and market competitiveness.

To ensure measurement quality, both reliability and validity tests were conducted. Cronbach's Alpha coefficients for all constructs exceeded the 0.7 threshold, indicating strong internal consistency. Validity was assessed through factor analysis. The Kaiser-Meyer-Olkin (KMO) value was 0.620, and Bartlett's Test of Sphericity was significant ($p < 0.001$), confirming the appropriateness of the data for factor extraction. Exploratory factor analysis revealed that the first five factors explained 52.766% of the total variance, while the first eleven factors accounted for 72.345%, demonstrating a solid empirical structure. The factor loading matrix showed high loadings on expected dimensions, and communalities were adequate across variables. These results, along with confirmatory factor analysis, supported the instrument's convergent and discriminant validity, affirming its suitability for SEM.

The data were analyzed using SPSS for descriptive and correlation analyses, while AMOS was employed for SEM to examine direct, mediating, and moderating relationships among the variables. This methodological approach ensured a rigorous examination of the theoretical model and supported the study's aim to contribute empirical insights into effective cross-cultural management within Chinese MSMEs in the electronics industry.

Research Results

Descriptive Statistics

To understand the characteristics of the respondents, descriptive statistics were conducted. The sample consisted of 550 MSME employees and managers from Shanghai's electronics industry. Table 1 summarizes the demographic details of the respondents. The descriptive statistics indicate that the sample is well-distributed in terms of demographic characteristics, ensuring a representative dataset for further analysis.

Table 1 Essential Information

	Group	Percentage (%)
Gender	Male	60.2
	Female	39.8
Age Range	25–34 years	45
	35–44 years	30
	45 years and above	25
Educational Background	Bachelor's degree	55
	Master's degree	30
	Others	15
Work Experience	Less than 5 years	40
	5–10 years	35
	More than 10 years	25

Correlation Analysis

Pearson correlation analysis was conducted to examine the relationships between key variables: cultural differences, cultural adaptation, cultural intelligence, and corporate performance. Table 2 presents the correlation coefficients. The results indicate significant positive relationships between the key variables, suggesting that firms with better cultural adaptation strategies tend to have improved corporate performance.

Table 2 Correlation Coefficients

Variable Relationship	Correlation Coefficient (r)	p-value
Cultural Differences – Cultural Adaptation	0.52	< 0.001
Cultural Adaptation – Corporate Performance	0.49	< 0.001
Cultural Intelligence – Cultural Adaptation	0.45	< 0.001
Cultural Intelligence – Corporate Performance	0.38	< 0.001

Structural Equation Modeling (SEM)

To test the proposed hypotheses, Structural Equation Modeling (SEM) was conducted using AMOS 26.0. The results confirmed that all five hypotheses were supported. The standardized regression coefficients (β) and significance levels (p-values) are presented below. These results confirm that Cultural adaptation partially mediates the relationship between cultural differences and corporate performance. Cultural intelligence plays a significant moderating role in both the relationship between cultural differences and cultural adaptation, and between cultural adaptation and corporate performance.

Table 3 Structural equation model path test

Hypothesis	Path	β	p-value	Result
H1	Cultural Differences ⟶ Corporate Performance	0.395	< 0.001	Supported
H2	Cultural Differences ⟶ Cultural Adaptation	0.431	< 0.001	Supported
H3	Cultural Adaptation ⟶ Corporate Performance	0.394	< 0.001	Supported
H4	Cultural Intelligence moderates Cultural Differences ⟶ Cultural Adaptation	0.205	0.001	Supported
H5	Cultural Intelligence moderates Cultural Adaptation ⟶ Corporate Performance	0.134	0.008	Supported

Figure 2 illustrates the structural model and the relationships among the four latent variables: Cultural Differences, Cultural Adaptation, Cultural Intelligence, and Corporate Performance. The structural model reveals several significant pathways that explain the interplay among the core variables. Cultural differences significantly influence cultural adaptation (β = 0.431), suggesting that as cultural discrepancies become more pronounced, organizations are compelled to adopt more adaptive strategies to maintain internal coherence. In turn, cultural adaptation positively affects corporate performance (β = 0.394), indicating that firms capable of adjusting to cultural challenges tend to achieve better operational outcomes. Additionally, cultural

differences also have a direct effect on corporate performance (β = 0.395), underscoring the dual impact of diversity when not mediated by adaptation. Importantly, cultural intelligence moderates the relationships between cultural differences and cultural adaptation, as well as between cultural adaptation and corporate performance. This highlights that higher levels of cultural intelligence enhance the effectiveness of adaptation efforts and magnify their positive influence on organizational success, reinforcing the critical role of cross-cultural competence in MSME performance. The model demonstrates how both direct and moderated relationships operate, offering a comprehensive understanding of how cross-cultural variables influence organizational outcomes within MSMEs in the electronics sector.
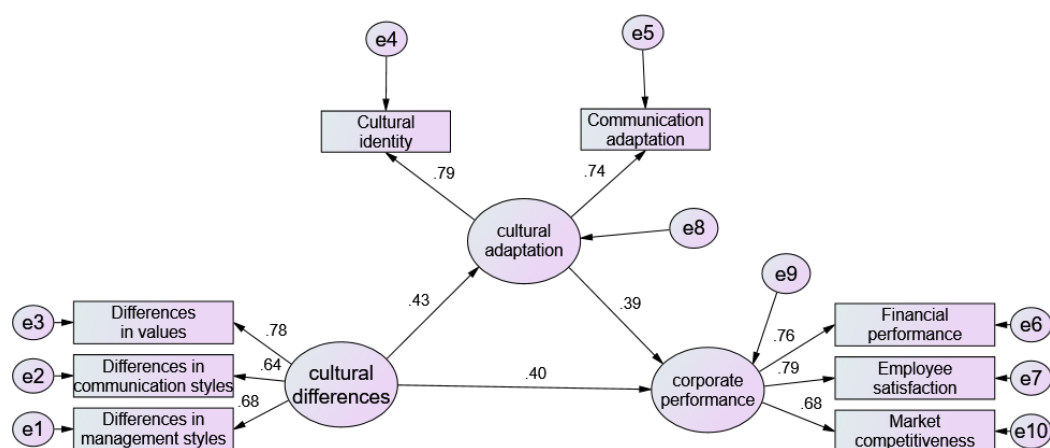

Figure 2 Structural Equation Model

Reliability and Validity Analysis

1. Reliability Test

Cronbach's Alpha values for all sub-dimensions exceeded 0.7, indicating strong internal consistency and reliability of the measurement scales:

Values Differences: α = 0.847

Communication Style Differences: α = 0.801

Management Style Differences: α = 0.811

Financial Performance: α = 0.841

Employee Satisfaction: α = 0.794

Market Competitiveness: α = 0.803

Cognitive Skills: α = 0.795

Adaptability: α = 0.817

Interpersonal Communication: α = 0.844

Cultural Identity: α = 0.830

Communication Adaptation: α = 0.761

2. Validity Test

Construct validity was assessed through both Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA). The results confirmed that the measurement items adequately represent the intended latent constructs and meet the basic psychometric standards.

Convergent validity was evaluated based on Average Variance Extracted (AVE) and Composite Reliability (CR). Table 4 present the results of Convergent validity. While some AVE values fall slightly below the recommended threshold of 0.50, all CR values exceed 0.70, indicating acceptable internal consistency. According to Fornell and Larcker (1981), convergent validity can still be considered adequate when CR is sufficiently high, even if AVE is marginally lower than 0.50. Specifically, although the AVE for "Communication Adaptation" is 0.389, its CR value of 0.760 indicates that the construct retains acceptable reliability. Given its theoretical relevance as a key component of cultural adaptation, this dimension was retained in the model. Discriminant validity was assessed using the Fornell–Larcker criterion. The square root of each construct's AVE was greater than its correlation with any other construct, confirming satisfactory discriminant validity across all latent variables.

Table 4 Convergence Validity

Construct	AVE	CR
Values Differences	0.527	0.848
Communication Style Differences	0.450	0.803
Management Style Differences	0.463	0.811
Financial Performance	0.518	0.843
Employee Satisfaction	0.436	0.795
Market Competitiveness	0.452	0.805
Cognitive Skills	0.437	0.795
Adaptability	0.471	0.816
Interpersonal Communication	0.523	0.846
Cultural Identity	0.500	0.833
Communication Adaptation	0.389	0.760

Discussions

The findings provide empirical evidence supporting the role of cross-cultural management in MSMEs.

The results of objective 1 showed that Cultural adaptation plays a critical role in bridging the gap between cultural differences and corporate performance. Organizations that effectively integrate cultural adaptation strategies tend to exhibit improved operational efficiency and employee satisfaction (Kai Liao et al., 2021).

The results of objective 2 showed that Cultural intelligence enhances an organization's ability to adapt to cross-cultural challenges. Managers with higher cultural intelligence are better equipped to handle diversity and foster inclusive work environments (Alexandra et al., 2021). Cultural Differences Influence Corporate Performance: The results confirm that cultural differences significantly impact corporate performance. This finding aligns with previous studies indicating that mismanaged cultural differences can lead to communication barriers and decreased efficiency (Olanrewaju et al., 2024).

The results of objective 3 showed that the findings suggest that MSME leaders should prioritize cultural training programs to enhance cultural intelligence and adaptation strategies. Additionally, policies should be implemented to facilitate cross-cultural collaborations in international business settings.

This study provides evidence that cultural adaptation mediates the relationship between cultural differences and corporate performance, while cultural intelligence moderates these relationships. These findings offer valuable insights for business leaders in MSMEs, highlighting the importance of cultural competence in global business operations. Future research should explore the impact of technological advancements on cross-cultural management in MSMEs.

New Knowledge from Research

This study advances the field of cross-cultural management by offering novel empirical evidence on how Chinese MSMEs in the electronics sector navigate cultural complexity to enhance corporate performance. First, it confirms the mediating role of cultural adaptation in transforming cultural differences into organizational benefits, demonstrating that firms which actively align their internal practices with cultural diversity can significantly boost operational efficiency, employee satisfaction, and competitiveness. Second, the study provides one of the few empirical validations of cultural intelligence as a moderating variable, revealing that culturally intelligent managers are

more capable of implementing effective adaptation strategies and achieving positive performance outcomes. This expands the theoretical application of Cultural Intelligence Theory beyond individual behavior into organizational strategy, particularly in the context of MSMEs.

Third, by integrating Acculturation Theory, Cultural Intelligence Theory, and the Resource-Based View (RBV), the study proposes a multidimensional model that reconceptualizes cultural competence as a strategic asset—positioning intangible resources such as adaptability, intercultural communication, and leadership sensitivity as key drivers of sustainable performance. Furthermore, the study identifies miscommunication, divergent management styles, and cultural value misalignment as central challenges in MSMEs' cross-cultural operations, offering practical managerial solutions including targeted training programs, adaptive communication frameworks, and inclusive policy development.

Collectively, this research contributes new theoretical insights and practical tools for MSMEs seeking to internationalize. It underscores the importance of building internal capabilities—not just market-facing strategies—for long-term success in culturally dynamic environments. The model developed and validated through this study can inform both academic theory and business practice in the fields of international entrepreneurship, intercultural communication, and strategic human resource management.

Conclusion

This study investigated the effects of cultural differences, cultural adaptation, and cultural intelligence on corporate performance among micro, small, and medium-sized enterprises (MSMEs) in Shanghai's electronics industry. Utilizing Structural Equation Modeling (SEM), the research empirically validated that cultural adaptation acts as a mediating variable between cultural differences and corporate performance, while cultural intelligence plays a moderating role in this relationship. These findings provide a comprehensive understanding of how cross-cultural dynamics shape business outcomes in MSMEs operating in globalized environments.

The results reveal that cultural differences significantly influence corporate performance (β = 0.395, p < 0.001), underscoring the complex challenges MSMEs face when engaging with culturally diverse stakeholders. More importantly, cultural adaptation emerged as a critical mediating factor (β = 0.394, p < 0.001), suggesting that organizations must develop and institutionalize effective strategies to address cultural disparities. Additionally, cultural intelligence

was shown to moderate cross-cultural interactions (β = 0.205, p = 0.001), indicating that managers with high levels of cultural intelligence are better equipped to implement adaptive strategies and promote enhanced performance outcomes. Firms that actively integrate cultural adaptation mechanisms tend to experience higher employee satisfaction, greater operational efficiency, and improved market competitiveness.

This study contributes to the theoretical advancement of cross-cultural management by illustrating the combined effects of cultural adaptation and cultural intelligence on organizational performance. It extends the application of Cultural Intelligence Theory and Acculturation Theory within the Resource-Based View (RBV) framework, emphasizing the strategic importance of intangible capabilities in MSME contexts. The findings offer actionable implications for MSME leaders and policymakers, advocating for the development of cultural intelligence training programs and the implementation of inclusive, adaptive leadership practices.

In a rapidly globalizing business environment, MSMEs that proactively manage cultural diversity will be better positioned to sustain competitive advantage. The integration of cultural intelligence, adaptive leadership, and inclusive organizational policies can serve as key levers for enhancing operational performance and achieving long-term growth. These strategic capabilities are especially vital for MSMEs seeking to internationalize in knowledge-intensive industries such as electronics.

Despite its contributions, this study has several limitations that suggest directions for future research. First, its industry-specific focus on Shanghai's electronics sector limits the generalizability of the findings; future studies should investigate MSMEs in other industries to broaden the applicability of the model. Second, the reliance on self-reported data may introduce response bias; longitudinal designs or qualitative case studies could offer more nuanced insights. Third, the geographical limitation of conducting research in Shanghai necessitates comparative studies across different cultural and regional settings. Lastly, the growing influence of digital platforms and artificial intelligence in facilitating cross-cultural interactions warrants deeper exploration in future cross-cultural management research.

Suggestions

The findings of this study provide several practical implications for the management of MSMEs, particularly those seeking to expand into international markets. A key recommendation is the enhancement of cross-cultural training programs. MSMEs should allocate resources to

systematically improve the cultural intelligence of both managers and employees. Such training should go beyond basic cultural awareness and instead emphasize intercultural communication, conflict resolution techniques, and adaptive leadership. By equipping personnel with these competencies, organizations can better navigate cultural differences and reduce the likelihood of miscommunication or interpersonal friction in diverse business settings.

In addition to training, the development of adaptive business strategies is essential. Organizations operating in multicultural environments should adopt flexible management practices that accommodate diverse communication norms, decision-making styles, and work ethics. Rather than treating cultural differences as constraints, firms can leverage them as sources of innovation and strategic differentiation. Cultural diversity, when properly managed, has the potential to enhance creativity, improve problem-solving processes, and strengthen overall organizational performance.

The study also underscores the importance of strengthening organizational policies that support cultural integration. Formalizing inclusive practices through clear policies can foster a more collaborative workplace culture and improve employee retention across culturally heterogeneous teams. Promoting leadership diversity further reinforces this objective by ensuring that decision-making reflects multiple cultural perspectives, which can increase a firm's responsiveness to dynamic international market demands.

Finally, digital technology offers new avenues for cross-cultural engagement. MSMEs should embrace digital collaboration tools to bridge geographic and cultural gaps among team members, particularly in the context of remote or hybrid work environments. Virtual training platforms and AI-driven cultural intelligence tools can support ongoing learning and adaptation, enabling firms to respond swiftly and effectively to cultural challenges. By integrating these digital solutions, MSMEs can enhance their operational agility and maintain competitive performance in global markets.

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