The Impact of Cross-Cultural Leadership on Management Performance in International Organizations: A Malaysian Perspective

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ABSTRACT

The current cross-cultural issue in the developing countries is centered on the efficiency and effectiveness of the foreign organizations. Thus, organizations in the developing countries are striving hard to collaborate, learn and internalize in host country culture. Based on the underlying cross-culture perspective, this paper aims to empirically examine the contribution of the dimensions of cross culture which are home country culture, managers’ experience and culture training for the organizational performance through manager’s adoption. The theoretical model and hypotheses in this study were tested using empirical data gathered from international organizations that operated in Malaysia, through survey questionnaires and analyzed using the correlation coefficients and multiple linear regression analyses. The results revealed that understanding home country culture and managers’ experience as two critical elements of cross-culture have significant effects on the international organizations that operated in Malaysia. The study has bridged the literature gaps and provides an empirical evidence of a positive significant correlation between the cross-culture and its critical elements of are the home country culture, managers’ experience and the organizational performance through managers’ adaptation.

Keywords: Leadership, Cross-Culture, Performance

INTRODUCTION

The concept of cross-culture is associated with understanding individuals like managers and head of employees from different cultures in the way they interact with each other and communication within one common business environment. In addition to that, cross-cultural leadership emerged in recent years due to the presence of globalization phenomenon and this concept has developed to understand the impact of globalization on leadership and the impact a new culture on managers’ performance.

Nowadays, many organizations become global including organizations from developing countries such as Malaysia, and with recent developments in the industrial sector in Malaysia, many Malaysian companies become global and opened international branches around and at the same time bring oversea expertise from the global market in Malaysia. Dealing with a quite different culture in international organizations requires special leaders who can cope with different environments quickly and work with partners and employees of other cultures without major difficulties. However changing the business culture still becoming a series challenge to many organizations, and it cannot be assumed that a manager who is successful in one country will be successful in another (Peng & Shin, 2008).
Over the past decades the globalization phenomena in business world, mainly directed from the West to the East. In recent years we saw many western companies were merged and acquiring Asian companies with a rapidly increasing rate. This acquisition has brought new cultural influences to main developing countries in Asia such as Malaysia, and a new kind of organizational culture has emerged that bear many challenges to Malaysian leaders and managers.

LITERATURE REVIEW

Performance Management

Performance of the management is to describe a range of managerial activities designed to monitor, measure and adjust aspects of individual and organizational performance through management controls of various types. It integrates the management of organizational performance with the management of individual performance (Ferreira & Otley, 2009). It includes the range of activities that ensure firm objectives are constantly achieved both effectively and efficiently (Siddiqi & Zakariya, 2012). In the context of human resources, it represents the ongoing process of communication between managers and subordinates that aims to support the accomplishment of firms' strategic objectives. The process incorporates establishing performance plans, supporting employee motivation, observing and evaluating performance as well as rewarding the performance (Dubois, 2010).

The ultimate competitive asset of any organization is its people, thus organizations should develop employee competencies in a manner aligned with the organization's business goals (Lengnick-Hall et al, 2011). This can be achieved through performance management systems, which act as both behavioral change tool and enabler of improved organizational performance through being instrumental in driving change (Mansor et al, 2012). This can then be institutionalized through organizational policies, systems, and structures. Performance management therefore aims to emphasize and encourage desired and valued behaviors thus is a key tool of communication and motivation within organizations seeking a competitive edge through strategic change and control (Chiang & Birtch, 2010). Performance management then becomes a system for translating organizational intention and ambition into action and results delivering a strategic goal, such as behavioral change.

The system also brings focus to organizational change and development, particularly regarding competencies. When competency profiles support company goals, they become instrumental in developing the human resources necessary to deliver business goals (Bhattacharyya, 2011). As a result, performance management system is an important tool for communicating priorities and for providing feedback to stimulate employees to meet the new expectations.

According to Armstrong and Baron (2005), performance management is a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors. It supports the rationale that people and not capital provide organizations with a competitive advantage (Reynolds and Ablett, 1998). The objective of performance management is to transform the potential of human capital into performance by removing intermediate barriers as well as motivating and rejuvenating the human resource (Kandula, 2006). Competitive capacity of organization can be increased by building strong people and effectively managing and developing people, which is in essence performance management (Ahmad, 2012).
Measuring Management Performance

The activity of managers is measured usually in close relation with the organization results, or in other words, the organization performance (Poister, 2008). In most of the cases, whenever organizations experience low performance, the manager usually be replaced, considering that he/she was an underperforming manager and his/her replacement it is believed to improve performance. On this issue, many studies have been developed on the both sides of the replacements: the replacement generates performance, and performance generates replacement (Chen & Hambrick, 2012).

The past studies have undertaken extensive investigation upon performance measurement (Paranjape et al, 2006). The area of strategy, accounting, and operations management has converged to form a field that is developing a momentum of its own. For example, the most widely known approach to performance measurement is the Balanced Scorecard which is widely used as a strategic development and execution tool (Kaplan et al, 1996).

Following their review of the performance measurement literature, Neely et al (1995) defined performance measurement as the process of quantifying the efficiency and effectiveness of action. Kennerley & Neely (2002) identified the activities required to measure performance by defining a performance measurement system as consisting of three inter-related elements: (1) individual measures that quantify the efficiency and effectiveness of actions; (2) a set of measures that combined to assess the performance of an organization as a whole in supporting infrastructure that enables data to be acquired, collated, sorted, analyzed, interpreted and disseminated; (3) performance as multidimensional to measure and manage infrastructures.

Further, Ittner et al (2003) broaden the scope of performance measurement into strategic development and course of action which includes development of strategies or objectives and consideration of actions to improve.

Leadership and Culture

Abbe et al (2007) stated that cross-cultural psychology attempts to understand how individuals of different cultures interact with each other. Along these lines, cross-cultural leadership has developed a way to understand leaders who work in the newly globalized market. Today, international organizations require leaders who can adjust to different environments quickly and work with partners and employees of other cultures (House et al, 2001), and further it cannot be assumed that a manager who is successful in one country will be successful in another (Javidan et al, 2006).

One of the most prominent and influential studies to date regarding leadership in a globalized world is the Hofstede dimensions of culture. The study reveals similarities as well as differences across cultures and emphasizes the need to be open-minded to understand the differences in other cultures. Hofstede (2007) utilize five dimensions of culture to compare cultures to give leaders an understanding of how to adjust their leadership styles accordingly. These dimensions include individualism/collectivism, feminine/masculine, power distance, uncertainty avoidance, and long term/ short term orientation.

Dickson et al (2003) define cross-cultural leadership as the ability of an individual (the leader) to intentionally and unequally influence and motivate members of a culturally different group toward the achievement of a valued outcome by appealing to the shared knowledge and meaning systems of that culturally different group. In reviewing this definition, it becomes clear that what separates cross-cultural leadership from simple
leadership are the words “culturally different.” What separates simple leadership from cross-cultural leadership is the need for leaders to consider the implications of the differences in the knowledge and meaning systems of their followers and to incorporate these differences into the influence process. In the literature on diversity management and cross-cultural leadership, there is a tendency to adopt a perspective in favor of “harmony” between the differences, to develop “cultural synergies”. This is argued to be for the collective benefit of all stakeholders of the organization. However, these “cross-cultural management” or “diversity management” discourses tend to build on the perspective of the management level (Wahl & Höök, 2007).

House et al (2004) argued that organizations must consider cultural differences as the globalization of business continues to increase. He states that “as economic borders come down, cultural barriers go up, thus presenting new challenges and opportunities in business.

According to Mills (2005) leadership can be based on traditions based on the examples as follows; in America, with its longstanding experience with professional business leadership, the most readily available role model for the head of a company is the corporate CEO. In China businesses are managed by the head of the family. In France, it remains the military general. In Japan, it is the consensus builder. In Germany today it is the coalition builder. The complexity of the environments in terms of cultures, values, history and political background, is addressing towards a plurality of leadership style. The Leadership should be indeed tailored according to the different environment.

Gächter et al (2010) conclude that commonalities and differences emerged among the different countries. They pointed out that the four Cs of Leadership (courage, commitment, character and conviction played a central role in the countries. Leadership can be achieved thanks to the charisma and to economic and mass-media power, but shows also how the leadership position and its relating power could be exploited for personal interests rather than social benefits, growth trends and improvement through changes.

Matveev (2007) showed how national culture orientations and cross-cultural communication competence affecting on the full range leadership framework and transformational leadership dimensions. Attributes of effective leadership and the choice of communication strategies vary for different cultural contexts; however, the charismatic or value-based leadership dimension contributes the most to universally perceived effective leadership styles.

Cayla & Eckhardt (2008) mentioned some patterns in the relationship between types of corporate culture adopted by companies with the preferred leadership styles used by the leaders. For the foreign companies, the results have shown the significance between corporate culture and leadership styles, however there is no association exists among local companies. In addition, there is no association between corporate cultures and company’s performance, and no association between leadership styles and company’s performance in both types of organizations as concluded by Cayla & Eckhardt (2008).

In some regions and countries such as Philippines and Hong Kong, there is high diversity in leadership style. Generally, leadership style should be adapted with cultural environment and space dominant in the organizations (Wiley, 1996 in Taleghani, 2010). Combining direction-goal model of Robert House and dividing cultural dimensions in studies done by Geert Hofstede, a model is prepared and the most suitable cultural behavior pattern in 18 countries on this basis is constructed.

In reference to Hofstede Cultural model, leadership is classified into 4 categories: directional leadership (preparing guides for staff about what they should do and how to perform it, work planning, and functional standards), supportive leadership (attention to welfare of the staff and their requirements, establishment of friendly relationships with staff and equal behaviors
toward all staff), participatory leadership (consulting with staff and serious attention to their attitudes during decision making), and success oriented leadership (encouraging staff to perform works to the highest levels, determining the goals to such an extent that they can be realized with challenges, expression of trust in high abilities of the staff). On the basis of the findings of this model, participatory leadership is recognized suitable for all studied cultures. The participatory leadership may or may not be the best leadership style in intercultural management due to different situations (Javidan et al, 2006).

A study by Tung (1981) found that about 40 % of the managers assigned in foreign countries failed due to lack of awareness in cultural differences. The biggest challenge is the ability of an individual to be able to understand and tolerate on the cultural dimensions (Hölcke & Lövnord, 2011). Misunderstandings between cultures occurred when individuals are not able to adapt it which may cause business deals to declined (Gesteland, 2008). Additionally, Holopainen & Bjo'Kman (2005) found that poor adjustment to the host country will have a large impact on the performance and the likeliness of incompleteness of the assignment.

Relationship between Cross-Culture Leadership and Performance Management

A review of literature and practice suggests there are a number of elements which might typically be found in a performance management. These elements are often depicted as a performance management cycle (IDS, 2003). In general, performance management models place objective-setting and formal appraisal systems at the center of the cycle, and the literature suggests that these two areas might be particularly affected by the cultural context (Lindholm et al, 1999). A typical cycle may involve the objective settings, performance review and performance and development.

METHODOLOGY

A survey method was used and the questionnaires were anchored by the five point Likert scale in this study. The respondents were among the employees at the managerial levels in the selected business organizations in Malaysia and 123 questionnaires were collected. Random sampling was adopted by the researchers. The data collected from the respondents are coded, tabulated and analyzed into logical statements using mean and percentage analysis. The Questionnaire method was chosen for its versatility, speed and cost benefits and the data collected were analyzed using Statistical Package for Social Sciences (SPSS) to examine the relationships as well as to derive to the conclusion of the findings.

DATA ANALYSIS AND INTERPRETATION

The analyses of this study comprises of reliability analysis and correlation analysis. The findings for each analysis are discussed in each section as follows.

Table 1. Summary of Reliability Analysis

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach’s Alpha</th>
<th>No of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Management Experience (IME)</td>
<td>0.93</td>
<td>14</td>
</tr>
<tr>
<td>Background About New Culture (BNC)</td>
<td>0.94</td>
<td>10</td>
</tr>
<tr>
<td>Training To Work Outside Malaysia (TOM)</td>
<td>0.89</td>
<td>10</td>
</tr>
<tr>
<td>Performance Of Management (PM)</td>
<td>0.91</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>40</td>
</tr>
</tbody>
</table>
The results presented in the Table 1, indicate that the Cronbach’s Alpha is the tool for testing the reliability statistics for all variables. Total of 123 respondents participated in this study particularly the employees at managerial level from business organizations in Malaysia. All instrument are reliable and more than .80 as suggested by Sekaran (2003) as an excellent instruments.

Table 2. Summary of Correlation Analysis

<table>
<thead>
<tr>
<th>Item</th>
<th>PM</th>
<th>IME</th>
<th>BNC</th>
<th>TOM</th>
</tr>
</thead>
<tbody>
<tr>
<td>PM</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IME</td>
<td>.731**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BNC</td>
<td>.726**</td>
<td>.947**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>TOM</td>
<td>.601**</td>
<td>.852**</td>
<td>.861**</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 2, illustrates the relationship between the dimensions of cross-cultural and the managerial performance of the foreign organizations in Malaysia. Results have shown that all variables have a positive relationship and implicated that the international management experience, understanding new culture, and training to work outside have a positive significant relationship with managers’ performance.

Firstly, the relationship between managers’ experience has a strongly positive significant relationship with a performance a value of value 0.000 of 73%. The relationship between international management experience and background about new culture was strongly significant at value 0.000 and Pearson correlation 94.7%, and finally the international experience management has a strong positive relationship with training to work outside Malaysia at value 0.000 and Pearson correlation 85.2%.

Secondly, the background of a new culture has a strong positive significant relationship with management performance at value 0.000 and Pearson correlation 72.6%. Thirdly, training outside Malaysia has a strong positive significant relationship with management performance at value 0.000 and Pearson correlation of 60%. It also has a positive relationship with international management experience at value 0.000 and correlation of 85% and finally it has a significant correlation with background of new culture at a value of 0.000 and Pearson correlation 86%.

In this study the regression linear analyses was used determine the level of significant on linear relationship between variables of the study namely: 1) international experience of managers;2) background about new culture; and 3) training to work outside Malaysia upon the management performance in the organizations. The test focuses on the slope of the regression line as follows:

\[ Y = \beta_0 + \beta_1X \]

The \( \beta_0 \) is a constant, \( \beta_1 \) is the slope (also called the regression coefficient), \( X \) is the value of the independent variable which is cross-culture (international managers experience, background about new culture and training outside Malaysia), and \( Y \) is the value of the dependent variable which is management performance.
Table 3. Model Summary

<table>
<thead>
<tr>
<th></th>
<th>R</th>
<th>R -squared</th>
<th>Adjusted R-squared</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.743a</td>
<td>.551</td>
<td>.540</td>
</tr>
</tbody>
</table>

a: Predictors (Constant): cross-culture

Table 4. ANOVA

<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>67.390</td>
<td>4</td>
<td>22.463</td>
<td>48.766</td>
<td>.000b</td>
</tr>
<tr>
<td>1 Residual</td>
<td>54.816</td>
<td>119</td>
<td>.461</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>122.206</td>
<td>123</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Illustration in Table 3 above refers to the result of linear regression which reveals R-Square is the coefficient of determination. It shows that the variance in the dependent variable is explained by the model which represents the management performance. In other words, the regression model explains 74.3% of the variance in the management performance. In addition, Table 4 represents the results of the ANOVA test whereby there was a significant effect of the variables on management performance at the p < .05 level for the conditions as follow: F (4,119) = 48.766, p = 0.000.

Table 5. Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</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>-.405</td>
<td>.196</td>
<td>3.730</td>
<td>.000</td>
</tr>
<tr>
<td>1 IMEcopy</td>
<td>.486</td>
<td>.09</td>
<td>.471</td>
<td>2.398</td>
</tr>
<tr>
<td>1 BNCcopy</td>
<td>.429</td>
<td>.08</td>
<td>.418</td>
<td>2.066</td>
</tr>
<tr>
<td>1 TOMcopy</td>
<td>-.184</td>
<td>.142</td>
<td>-.160</td>
<td>-1.292</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Management Performance

As a most participants nominates to increase the management performance of the Malaysian organizations by increasing the levels of cross-culture management to these companies. In addition respondents’ cross-culture 55.1% showed positive correlation ($r = 0.54$, $p< .001$) with the management performance. Table 5 indicates that the linear regression demonstrated a significant positive relationship ($F=48.766$, $P=0.000$). Management performance = (.486 international managers’ experience +.429 background of new culture –.184). The hypothesis of training outside Malaysia was not significant, and then it was rejected.

CONCLUSIONS

In order to enhance the performance of international organizations that operated in Malaysia in terms of continuous improvement, sustaining a competitive in the local and global market,
improve customers’ satisfaction and employees’ loyalty, and growth in sales and profit effectively. Globalization has created new reality, which requires companies to re-strategize their objectives and to understand the reality of customers’ needs in order to become competitive. However, all of these are difficult to achieve without clear understandings on cultural differences which could affect the overall performance of organizations particularly those that operate abroad. Importantly, companies must continuously enhance their cross-culture understandings especially those going or operating abroad. The journey of understanding the cross-culture in foreign countries is challenging. For example, many corporations have shut down their operations abroad due to problem related with differences in culture. In effort to minimize these barriers, organizations must be able to learn to adapt and build a common ground of understandings in order to deal with the differences among the people. Organizations should be selective and train their managers in preparing them for foreign task assignments. Therefore, high tolerance and awareness of differences in culture will be able to assist the newly appointed managers in many ways when they are abroad.

REFERENCES


