

Influence of National Culture on Decision-Making Style

Najla Podrug*

Abstract:

The reality of international business is often a confrontation with failures and difficulties that are a result of a lack of understanding of cultural background, and not market conditions. The decision-making process depends on cultural background and choice of “the right way” – decision-making styles are dependent on the values and beliefs of the people involved in the decision-making process. Considering the fact that Western managers often neglect cultural differences present in the CEE context, the objective of this research was to point out the cultural similarities and differences in decision-making styles between Croatia, Slovenia and Hungary. A narrow-sample strategy was used in empirical research that confirmed that cultural values do influence decisions and decision-making styles and the hypothesis was accepted through X2 test analysis between Hofstede’s dimensions of national culture and decision-making style.

Keywords: comparative cultural research, decision-making style, narrow-sample strategy, X2 test analysis

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1. Introduction

With the expansion of globalization, awareness of the global complexities involved in cross-cultural interactions has been expanding. Though it can be said that at the macro level there is a form of global culture around the use of technology, communication and business, at the micro level the experiences, values, perceptions, and behaviors of individuals vary within national and ethnic cultures (Sanyal, 2001). Therefore, for success in the new economy, it is essential to have knowledge of other cultures, cultural values and their impact on the types of organizations that emerge and behaviors that take place within them (Francesco and Gold 2005).

A different cultural environment requires different managerial behavior. The reality of international business is often a confrontation with failures and difficulties that are a result of a lack of understanding of cultural background rather than that of market conditions. Strategies, structures, and activities adequate for one cultural context can produce considerably different effects or even be counterproductive in another cultural

context. Therefore, strategies, structures, and activities, as well as means and methods of achieving organizational goals, need to be adapted to the socio-cultural environment (Podrug 2005).

The focal interest of this research is to determine cultural differences in decision-making style. The decision-making process depends on the cultural background and choice of “the right way” – decision-making style is dependent on the values and beliefs of the people involved in the decision-making process. Empirical research on cultural differences in decision-making style is marginal in comparison to other research into aspects within management (Yousef, 1998). In addition to the abovementioned arguments for identifying cultural differences in decision-making style,

Najla Podrug

Department of Organization and Management,
Faculty of Economics and Business Zagreb
E-mail: npodrug@efzg.hr

cooperation between the countries analyzed and EU expansion enhances the possibility for political and economic cooperation with other countries. Considering the fact that Western managers often neglect cultural differences present in the CEE context (Kolman et al. 2003), the objective of this research was to point out the cultural similarities and differences among decision-making styles in Croatia, Slovenia and Hungary.

2. National Culture and its Role in Decision-Making Style

To understand cultural differences in decision-making style, it is necessary to understand the primary ways in which cultures around the world vary (Adler 2002, p. 16). Anthropology has produced a literature rich in descriptions of a full range of cultural systems, containing profound implications for managers working outside their native countries. After cataloging more than 100 different definitions of culture, anthropologists Kroeber and Kluckholm (1952) define culture in the following way: "Culture consists of patterns explicit and implicit, and for behavior acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiment in artifacts; the essential core of culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other hand as conditioning elements of future action. Culture is something that is shared by almost all members of some social group that older members of the group try to pass on to younger members and something (as in the case of morals, laws and customs) that shapes behavior." Managers frequently view culture as "the collective programming of the mind which distinguishes the member of one group or category of people from another" (Hofstede, 2001).

Many experts have dealt with the problematic nature of defining a national culture's dimensions on theoretical or empirical bases. In 1961, Kluckhohn and Strodtbeck came up with a multidimensional classification of culture based on the following values and their extremes: (1) an evaluation of human nature (evil/mixed/good), (2) the relationship of man to the surrounding natural environment (subjugation/harmony/mastery), (3) orientation in time (toward past/present/future), (4) orientation toward activity (being/being in becoming/doing), and (5) relationship among people

(lineality/collaterality/individualism). In 1976, Hall developed a unidimensional culture model according to ways of communicating (high and low context cultures). Inkeles and Levinson developed the following dimensions of national culture in terms of standard analytic issues: (1) relation to authority, (2) conception of self, including the individual's concepts of masculinity and femininity and (3) primary dilemmas of conflicts and ways of dealing with them, including the control of aggression and the expression versus inhibition of affect (Hofstede and Hofstede 2005). The abovementioned authors have determined their dimensions primarily starting from theoretical postulations; next the conclusions of their empirical research will be presented.

Schwartz (1999) has defined, apart from the classification of values on the level of the individual, the classification of values on the national level. Starting with the average values of students and professors in 38 different cultures, Schwartz has defined the following categories: conservatism, hierarchy, mastery, affective autonomy, intellectual autonomy, egalitarian commitment and harmony. Inglehart (1997) carried out a survey – the WVS (World Value Survey) – with over 60 000 subjects in 43 countries, representing around 70 % of the world population, and including 360 questions concerning all areas of human life, including ecology, economy, education, family, work, health, religion, politics and so on. One great contribution of the WVS to comparative cultural research is its identification of two factors called key cultural dimensions: "well-being versus survival" and "secular-rational versus traditional authority." In the business world, Trompenaars's classification with seven dimensions is very popular. It includes universalism versus particularism, individualism versus collectivism, affectivity versus neutrality, specificity versus diffuseness, achievement versus ascription, time orientation and relation to nature (Trompenaars and Hampden-Turner 2000). House has carried out Global Leadership and Organizational Behavior Effectiveness (GLOBE) research on 500 different organizations and 62 societies and calculated the following dimensions: power distance, uncertainty avoidance, social collectivism, in-group collectivism, gender egalitarianism, assertiveness, future orientation, performance orientation and humane orientation (House, Javidan, Hanges and Dorfman 2002). All the aforementioned researchers have contributed to the better understanding and acceptance of national culture as a prerequisite for the comparison of national and international business, but Hofstede's major

contribution for cross-cultural management on the global level is unquestionable (Nasierowski and Mikula 1998, Zagorsek, Jaklic and Stough 2004).

Hofstede's dimensions of national culture, determined for 53 countries and regions of the world, are preeminent based on the frequency of their citation and by their importance in the field of cross-cultural management (Sondergaard 1994). Engaged as a leading researcher in IBM's office for Europe, Hofstede carried out a research in the period from 1967 to 1969, with over 60,000 respondents, employees in IBM's branches in 53 countries, and repeated the research in 71 countries in the period from 1971 to 1973 with a modified questionnaire on 60,000 respondents (30,000 respondents from the first study, 20,000 respondents recently employed by IBM, and 10,000 respondents who did not participate in the first study). By factor analysis Hofstede defined four factors, that is, four dimensions of national culture: (1) power distance, (2) uncertainty avoidance, (3) individualism/collectivism and (4) masculinity/femininity. Long-term versus short-term orientation was added later (Hofstede and Bond 1984). These dimensions together cannot be assumed to exhaust the universe of differences between national cultures, but they have substantial face-validity and have been empirically demonstrated many aspects of management and organizations.

The power distance dimension measures "the extent to which less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally" (Hofstede 2001). The uncertainty avoidance dimension measures "the extent to which the members of a culture feel threatened by uncertain and unknown situations." Uncertainty avoidance indicates the extent to which a society feels threatened by ambiguous situations and the extent to which a society tries to avoid these situations by adopting strict codes of behavior, a belief in absolute truths, establishing formal rules, and intolerance toward deviant ideas and actions (Hofstede 1980). Individualism stands for "a society in which the ties between individuals are loose – everybody is expected to look after him/herself and his/her immediate family only" while collectivism stands for "a society in which people from birth onwards are integrated into strong, cohesive in-groups, which throughout people's lifetimes continue to protect them in exchange for unquestioning loyalty." Masculinity stands for a society in which social gender roles are clearly distinct: men are supposed to be assertive, tough

and focused on material success, and women are supposed to be modest, tender, and concerned with quality of life; while femininity stands for a society in which social gender roles overlap: both men and women are supposed to be modest, tender and concerned with quality of life (Hofstede 2001). "Long-term orientation stands for the fostering of virtues oriented towards future rewards, in particular, perseverance and thrift. Short-term stands for the fostering of virtues related to the past and present, in particular, respect for tradition, preservation of face and fulfilling social obligations" (Hofstede and Hofstede 2005).

Rowe and Boulgarides (1983) suggest that decision-making style approach is a useful means for understanding managers, their decision making, their problem solving, and their ability to interact with others in the organization. Many empirical studies (Ali 1989, Tayeb 1988, Mann et al. 1998) have confirmed the role of cultural background in the choice of a decision-making style. Unlike other aspects of management and organization that were on numerous occasions analyzed in connection to cultural context and Hofstede's dimensions, this has not been the case with decision-making style.

Taylor, Tannerbaum and Schmidt were pioneers in academic discussions on decision-making styles, although these were also closely connected to leadership styles. With Simon and other authors, the 1960s were characterized by a revolutionary turnaround towards decision-making and decisions (Sikavica et al. 1999). Researchers and practitioners have come to universal agreement on the definition of decision-making styles, yet not on types of decision-making styles. Classifications of decision-making styles within management literature are, as a rule, based on a continuum between autocracy and democracy, with differences in detail specifications of types between autocracy and democracy the opposite poles of the same continuum. Vroom and Yetton, Muna, Ali, P. L. Hunsaker, J. S. Hunsaker etc. defined different typologies of decision-making styles.

Adler (1991) emphasizes the role of national culture by saying that decision-making style must be attached to the corresponding national culture, values and norms. Therefore, decision making is culturally contingent, and in each step of the decision-making process culture influences the ways managers and others make decisions. As presented in Fig. 1, decision-making style is also determined by individual characteristics and organizational variables. Yousef (1998) defines age,

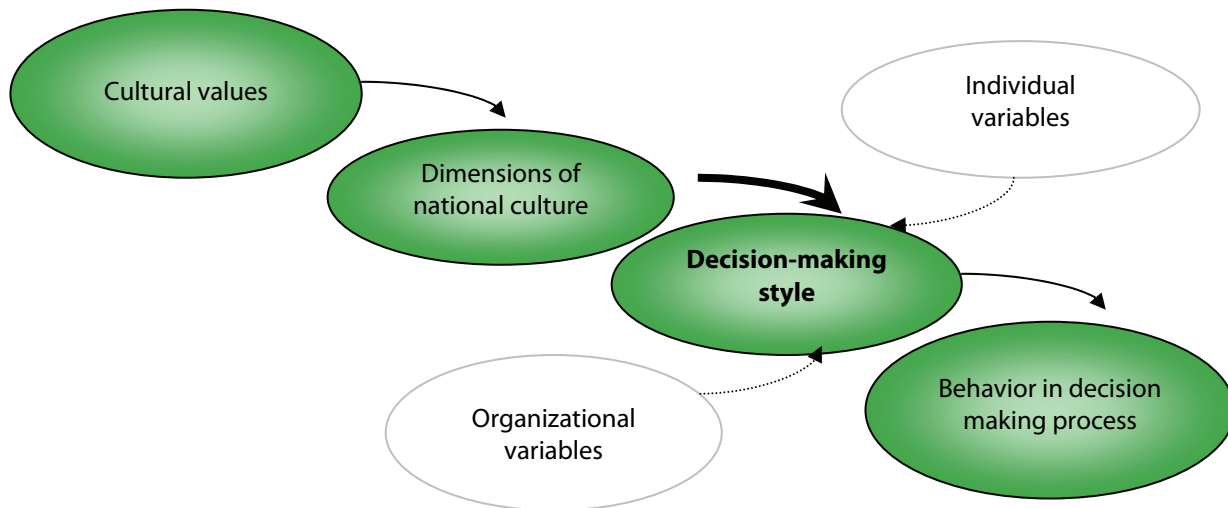


Figure 1: The national culture's influence on decision-making style

education and hierarchical level, but not gender as individual variables and size, level of development, ownership (state, private or mixed ownership), industry, technology and organizational culture as organizational variables.

Since modern business conditions result very often in situations in which we have to make complex decisions with long-term consequences, it is understandable that complex decisions are above all the consequences of social and cultural values instilled in every individual. Therefore, social and cultural values influence decisions and decision-making style. The hypothesis was tested through X^2 test analysis between Hofstede's dimensions and decision-making style.

3. Methodology and Interpretation of Empirical Research

The cross-cultural research strategy used for this empirical research was a narrow-sample strategy based on comparison of similar subcultures in different countries. Empirical research was conducted in Croatia, Slovenia and Hungary and respondents were graduate and doctoral students in the field of business and economics.

The instrument used in the study was a questionnaire containing general information about respondents and questions regarding decision-making styles with Ali's typology. Ali's typology (1993) includes six decision-making styles: autocratic, pseudo-consultative, consultative, participative, pseudo-participative and

delegatory. The decision-making style was analyzed in the following four aspects: the most preferred decision-making style, the practiced decision-making style, the most effective decision-making style and the decision-making style used by an immediate supervisor.

		CROATIA	SLOVENIA	HUNGARY
GENDER	male	40	16	25
	female	28	14	24
AGE	under 25 years	10	0	-
	between 25-30 years	31	28	12
	between 31-40 years	22	2	25
	more than 41 years	5	0	12
EDUCATION LEVEL	B. Sc., B.A.	64	3	7
	M. Sc.	4	26	40
	Ph.D	0	1	2
	other	0	0	0
TOTAL		68	30	49

Table 1: Sample characteristics (number of respondents)

Decision-making styles	<i>the most preferred decision-making style</i>	<i>practiced decision-making style</i>	<i>the most effective decision-making style</i>	<i>decision-making style used by immediate supervisor</i>
Autocratic	-	1,5%	-	20,9%
Pseudo-consultative	3%	2,9%	4,4%	34,3%
Consultative	71%	64,7%	52,9%	22,4%
Participative	20%	19,1%	23,5%	6,0%
Pseudo-participative	6%	10,3%	5,9%	10,4%
Delegatory	-	1,5%	13,2%	6,0%
TOTAL	100%	100%	100%	100%

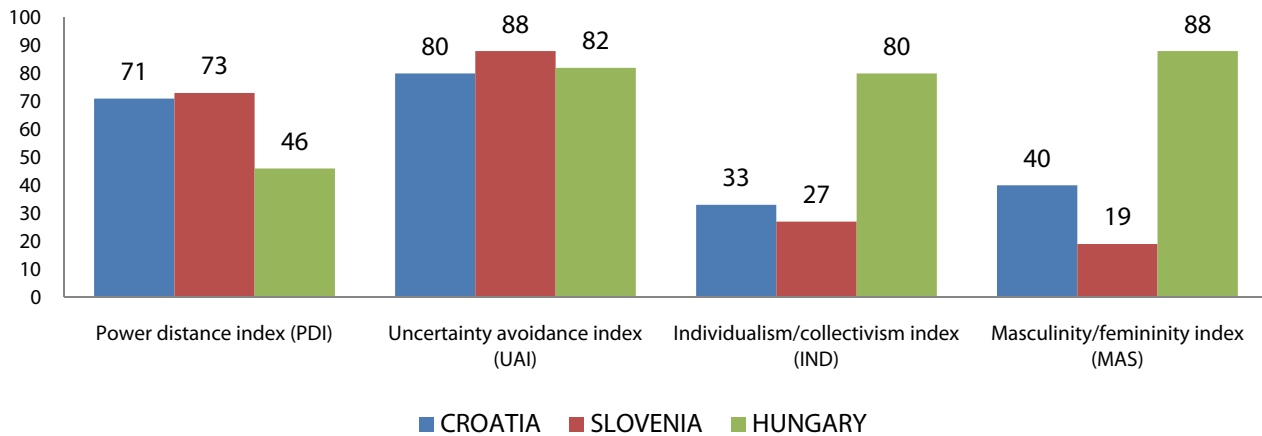
Table 2: Decision-making styles for Croatia

Decision-making styles	<i>the most preferred decision-making style</i>	<i>practiced decision-making style</i>	<i>the most effective decision-making style</i>	<i>decision-making style used by immediate supervisor</i>
Autocratic	5%	4,2%	-	15,2%
Pseudo-consultative	5%	4,2%	6,4%	37,0%
Consultative	57%	58,3%	46,8%	30,4%
Participative	14%	20,8%	29,8%	6,5%
Pseudo-participative	19%	12,5%	12,8%	4,3%
Delegatory	-	-	4,3%	6,5%
TOTAL	100%	100%	100%	100%

Table 3: Decision-making styles for Hungary

Decision-making styles	<i>the most preferred decision-making style</i>	<i>practiced decision-making style</i>	<i>the most effective decision-making style</i>	<i>decision-making style used by immediate supervisor</i>
Autocratic	7%	3,7%	-	7,1%
Pseudo-consultative	4%	-	6,9%	25,0%
Consultative	25%	29,6%	24,1%	35,7%
Participative	36%	44,4%	41,4%	21,4%
Pseudo-participative	25%	22,2%	27,6%	3,6%
Delegatory	4%	-	-	7,1%
TOTAL	100%	100%	100%	100%

Table 4: Decision-making styles for Slovenia



Source: Hofstede, G. 2001. *Culture's Consequences: Comparing Values, Behaviours, Institutions and Organizations Across Nations*. Second Edition, Thousand Oaks, CA: Sage Publications.

Figure 2: Hofstede's dimensions of national culture for Croatia, Slovenia and Hungary

The consultative style represents the leading decision-making style with regard to its preference and effectiveness for Croatia. The delegatory and autocratic styles are not recognized in the preferences of Croatian respondents, but these styles are recognized as those predominantly used by supervisors. Croatian managers employ styles that are closer to the autocratic side of the decision-making style continuum (autocratic 20.9%, pseudo-consultative 34.3%, and consultative 22.4%). On the contrary, respondents believe that their practiced decision-making styles are closer to the delegatory side (consultative 64.7%, participative 19.1% and pseudo-participative 10.3%).

Similar to Croatian respondents, for Hungarian respondents the most preferred and practiced decision-making style is consultative, followed by the participative and pseudo-participative styles. In terms of preference and practice, Hungarian respondents do not particularly value the delegatory style, although 4.3% of respondents recognize it as the most effective. The autocratic style is used by 15.2% of Hungarian managers, which is closer to the results from Croatia than those of Slovenian managerial practice, but they believe that it is not an effective decision-making style.

In terms of preference and effectiveness the foremost important decision-making style for Slovenia is the participative style. Also indicative is the fact that consultative and pseudo-participative immediately follow the participative decision-making style. Respondents from Slovenia do not recognize the autocratic and delegatory styles as the most effective.

Evidently, various decision-making styles similarities are identified for Croatia and Hungary. In terms of preference, practice and effectiveness the leading style is consultative, meaning that decisions are made after consultations with subordinates and colleagues, but do not necessarily reflect the subordinates' and colleagues' influence. Slovenian respondents give priority to the participative style in terms of preference, practice and effectiveness, meaning that they share and analyze problems with subordinate(s) and colleagues as a group, evaluate alternatives, and come to a majority decision. Concerning the decision-making styles used by immediate supervisors, it was concluded that Croatian and Hungarian managers employ styles closer to the autocratic side of the decision-making style continuum when compared to Slovenian managers.

In order to determine the influence of national culture on decision-making style, X^2 test analysis was used to identify the likelihood of connection between the variables of Hofstede's dimensions of national culture and decision-making style. The dimensions presented in fig. 2 for Hungary are taken from the original Hofstede research study, while the dimensions for Croatia and Slovenia are estimations done by Hofstede in 1991. The dimension of long-term/short-term orientation was excluded from analysis since it was not part of the original research, and consequently it was not possible for Hofstede to do estimations for Croatia and Slovenia.

The confirmation was identified in three aspects: the most preferred decision-making style; the most effective decision-making style; and the decision-making style used by immediate supervisors. Table 5 shows the results

of X^2 test analysis, conducted in order to determine statistical connection between the most preferred decision-making style preferred and the national culture, which was statistically significant with 1% probability (p-value = 0.005).

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	39,676	20	.005
Likelihood Ratio	41,249	20	.003
Linear-by-Linear Association	2,727	1	.099
N of Valid Cases	147		

Table 5: X^2 test analysis - the most preferred decision-making style and national culture

According to the results presented in table 6, the conclusion is the following: with 1% probability, there is a statistically significant connection between the most effective decision-making style and national culture (p-value = 0,000). The effectiveness of a particular decision-making style is a reflection of personal and cultural values, and therefore the conclusion that a statistically significant connection between the most effective decision-making style and national culture exists is not surprising.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	51,110	20	.000
Likelihood Ratio	46,554	20	.001
Linear-by-Linear Association	3,107	1	.078
N of Valid Cases	147		

Table 6: X^2 test analysis - the most effective decision-making style and national culture

The connection between decision-making style used by immediate supervisors and national culture was also tested with X^2 test analysis. The results are presented in table 7 and confirm a statistically significant connection with 5% probability (p-value = 0,046).

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	31,730	20	.046
Likelihood Ratio	32,083	20	.042
Linear-by-Linear Association	,501	1	.479
N of Valid Cases	147		

Table 7: X^2 test analysis – decision-making style used by immediate supervisor and national culture

Evidently, social and cultural values do influence decisions and decision-making styles and the hypothesis is accepted through X^2 test analysis of the relationship between national culture and decision-making style.

4. Conclusion

Due to increased mobility in the global labor market and the internationalization of business, many organizations are confronted with business failures and difficulties due to a misunderstanding of cultural background. Misapprehending rather than understanding these differences is the reason for numerous business confusions and failures. This research and the results it presents might be of considerable value for academics and practitioners. From an academic perspective it might increase understanding of the nature and scope of the impact of numerous variables and in turn increase understanding of management thinking, practices and styles across cultures.

Many similarities and differences in value orientation and decision-making style have been identified for Croatia, Hungary and Slovenia. The abovementioned is extremely intriguing, since these countries faced similar political and economic contexts for many decades and the conclusions set forth here may be helpful for understanding managerial practice, and the sources and consequences of different management principles and practices in the countries analyzed.

Most of the past comparative cultural researches, including this research, use country as a surrogate for culture. It may be worthwhile, then, for future research to be conducted on the level of ethnic groups. In addition, it would be interesting to conduct a "time-series"- based study on culture change in a region, especially allowing for the examination of the impact of Western concepts on cultural values in transitional economies. A typical study

of cultural values can sometimes lead to ignoring individual differences in cultural values and result in national-level stereotypes. Future research needs to measure cultural values at the individual level and try to assess connections between individual cultural values and decision-making style. 

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