

Cross-cultural decision-making



“ DECISION-MAKING STYLES ACROSS CULTURES”

Executive Summary

According to Schramm-Nielsen(2001), there has not been much of concern with the cultural aspects of decision-making. This results in making decision-making as a universal phenomenon which means that decision makers act much or less the same way regardless of cultural background. Purpose of this article is thus find out to what extent decision making styles vary across cultures by using Hofstede’s National Culture in terms of Individualism-Collectivism dimension. The discussion results from literature reviews of several scholars. It is explained that National Culture influence decision-making styles in three ways such as perception of the problem, the generation of strategies and alternatives, and the selection of one alternative.

Introduction

It is in our human nature that we have to make decisions from time to time. It can be as simple as what to wear on a daily basis. It can also be very complex such as when a manager has to make a critical decision for a company.

In organizational settings, decision making is very crucial to determine an organization’s success. That is why decision makers have to be careful when they are required to do so. Interestingly, different individuals have different decision making styles. Scott and Bruce (1995) describes decision making as “ the learned, habitual response pattern exhibited by an individual when confronted with a decision situation”. It means that people will react in an observable behaviour pattern when they have to make decision.

One issue that has been attracting researchers' attention is what influences decision making style. Individual differences, for example, can influence the decision making style in terms of how they perceive certain issues (Messick, 1984). Another interesting variable is culture. According to Chen and Li (2005), culture can affect decision-making through its influence on individual values. It is even more relevant today because of globalization where no holds are barred. Employees, including managers, are more prone to cultural exposure than before. Businesses are becoming more global and it has become a necessity, rather than a choice. Due to this, they have to work with people from different cultures to survive.

Unsurprisingly, there has not been a lot of studies focusing on cultural influences on decision-making styles. Cognitive theories on decision-making rarely take culture into account while cross-cultural psychology deals only to a small extent with decision making. (Güss, C. D., 2002).

By understanding the whole concept of culture and decision making styles, one can analyze why certain people make decisions in a particular certain style. It can also be used to understand why certain decisions work in certain countries and not in others. Instead of using culture as a general term, this article will thus use National Culture by Geert Hofstede. There are two main reasons why this article uses Hofstede's theory. Firstly, according to Thorne and Turner (2001), his dimensions enable " an examination to be made of differences in cultural values and norms." It means cultural patterns of a country are more likely to predict its people's behaviour in certain ways by looking at its values and norms. It can also be utilized to explain why people from certain countries behave differently from others on the same issue.

<https://assignbuster.com/cross-cultural-decision-making/>

Secondly, the theory is also simpler in a sense that it is easily understood and applicable. One can use the dimensions to compare countries especially when they are in the extreme, such as Western and Eastern countries.

However, since there are five dimensions which will be too broad to study, this article will focus more on the Individualism and Collectivism dimension. The reason is because it is the most popular and widely used in cross-cultural psychology (e. g., Hofstede, 2000; Kim, Triandis, Kagitcibasi, Choi, & Yoon, 1994).

Therefore, the purpose statement of this article is to find out to what extent decision making styles vary across cultures by using Hofstede's National Culture in terms of Individualism-Collectivism dimension.

Literature Review

Culture

Before going into detail on National Culture, it is necessary to understand the basic concept of culture. A general definition of culture, as stated in Thorne and Turner (2001), is that culture is the “ beliefs, values, and assumptions shared by all or almost all of an identifiable group of people.” The statement explicitly says that culture should be something that is agreed on, shared, and held as the governing rule in that particular society. Another interesting fact is that culture can be shared worldwide as long as the members agree on it. For example, punk culture exists in all parts in this world.

Clifford Geertz also provides a useful definition of culture. He says that:

Culture is best seen not as complexes of concrete behaviour patterns – customs, usages, traditions, habit clusters...but as a set of control

<https://assignbuster.com/cross-cultural-decision-making/>

mechanisms, plans, recipes, rules, instructions for the governing of behaviour (Geertz, 1973, p. 44)

His argument clearly points out culture does not only explain a pattern of behaviour but also serves as a guide to that behaviour. For example, the Chinese have to wear red outfit during Chinese New Year because they believe it brings good luck. The tradition has been practised for centuries and it is a part of Chinese culture. The rationale behind this is that wearing red in Chinese New Year is a culture and therefore it guides them to wear red every Chinese New Year.

According to Hall (1993), culture is very important in business settings because “ business is conducted solely by and between people...[and]... when people work together, their feelings, emotions, work habits, in fact all the little things we take for granted (the hidden dimension of culture) must be dealt with.’ Doing business is more than just signing a contract between two people. There are things that underlie it such as cultural differences that can affect the process greatly.

National culture

National Culture is one of the more popular theories in the cross-cultural field. Coined by G. Hofstede (1980), the study was carried out through responses from more than a hundred thousand personnel in IBM between 1967 and 1973 where the questionnaire touched on work-related values. His study resulted in four dimensions analyzing national culture: Individualism, Masculinity, Power Distance and Uncertainty Avoidance.

Individualism-collectivism refers to the extent to which the identity of members of a particular culture is determined by individual choice or groups they belong to. Cultures with high individualism usually value high on privacy, personal achievement, and autonomy, whereas those with high collectivism value high on togetherness and group harmony. A good example of a country with high individualism will be United States. On the other hand, Asian countries like Japan, China, and Korea are a good example of countries with collectivism dimension.

Masculinity-femininity refers to the extent to which typically masculine attributes (e. g. competition, assertiveness, tough) prevail over typically feminine attributes (e. g. sensitive, quality of life and dependant). In organizational setting, those with masculinity dominance will most likely to be male-dominated whereas cultures with femininity dominance are most likely to have female in top management position.

Power distance, on the other hand, refers to the degree of inequality between the people and the powers that be. Society in high power distance cultures respect and accept the formal hierarchy. It means that they accept the fact that their status is not similar to the powers that be and that they shall not question it. Malaysia, for example, is a country with high power distance. The people are not allowed to question and challenge the government and the King. The people know what kind of ‘punishment’ they may get if they do so. Meanwhile, society in low power distance cultures tend to have governments that are willing to share authority with the people.

Uncertainty avoidance refers to the degree on how certain cultures are willing to take risk. Cultures with high uncertainty avoidance tend to prefer structures, rules, and regulations to avoid or reduce ambiguity. Cultures with low uncertain avoidance will be more interested in discovering and innovating. (Hofstede, 1980)

Later on, a group of researchers in Hong Kong constructed a survey based on Chinese values. Publishing as the Chinese Culture Connection (1987), they discovered three dimensions that were almost similar to Hofstede's (Individualism, Masculinity, and Power Distance). However, they also identified a relatively different dimension called as Confucian Dynamism. The dimension is also known as time orientation which means that cultures with high time orientation will emphasis more on the future while those with low time orientation focus more on the present. Subsequently, the dimension was adopted by Hofstede and changed the name to long- versus short- term orientation.

According to Kagitcibasi & Berry (1989), these dimensions have been widely used by researchers to help explain cross-cultural differences. The study, however, has received criticism in terms of the sample, methodology, and the dimensions itself. Schwartz (1994), for example, says that responses' sample from industrialized nations may differ from those in Third World countries. Besides that, the sample was from IBM only in which they have a strong organizational culture and was male-dominated when the data was collected. It may generate different results today. However, this article will not discuss this in further detail as this is not the primary focus here.

National Culture plays a big role in analyzing and comparing cultures between nations. With Individualism- Collectivism as the primary attention, it can be used as a tool to analyze the impact of the culture on decision-making styles.

Decision-making styles

In organizations, decision-making is unavoidable and important. Once the decision-maker makes the wrong decision, the impact is enormous and critical. Thus, decision-makers are advised to think thoroughly before deciding on a certain issue.

Before going further into decision-making, it is important to understand the basic definition of decision-making. According to dictionary. com, decision-making is defined as the cognitive process of reaching a decision. Decision making, thus, is a process that involves stages before coming to a decision.

However, differences in the socialization of managers and the business situations that they face may influence the decision-making process and choices that they make. According to Rowe and Boulgarides (1994), by knowing an individual's decision style pattern, it can be predicted how the individual reacts to various situations. They argue that every individual has certain observable patterns of decision-making.

They also argue that decision-making is affected by many factors including “the context in which a decision is made, the decision maker's way of perceiving and understanding cues, and what the decision maker values or judges as important” (Rowe & Boulgarides, 1983). That is also one of the

reasons why there are many employees who get frustrated because their superiors do not judge a certain issue as important as they do.

Scott and Bruce (1995) identified five decision-making styles such as:

1. Rational

People with a rational decision making style usually prefers a structured and logical approach. Before making a decision, the individual has to have all relevant information available. From there, the individual will come out with decisions and evaluate the pros and cons of each decision. This particular kind of decision-making style is suitable when the context involves big risks such as big amounts of money.

2. Intuitive

Intuitive decision-making style refers to reliance upon impressions and gut feelings. People who have this kind of decision-making style are confident with themselves and prefer to make decision by listening to their inner voice. People, unsurprisingly, are used to making intuitive decisions that the rationale cannot explain. This is because a subjective perception has already involved in the individual's mind.

3. Dependent

People with dependent decision-making style rely on direction and support of others. Usually, this decision-making style can be found in Collectivist cultures where decision has to be agreed upon others. For example, when a high school student wants to decide what he wants to study, he would need to seek his parent's approval first.

4. Avoidant

People with avoidant decision-making style usually prefer to stay away from making decision. This also happens when they do not want to make the decision until it reaches a critical stage. For example, a person may decide not to pay his taxes because he feels it is not essential yet. He will only pay when he is being chased by the government.

5. Spontaneous

Spontaneous decision-making style refers to an impulsive decision-making style. For example, a Managing Director of a company suddenly decides to go for a company trip without consulting his employees regarding their schedule.

One must take note, however, that the five decision-making styles do not mean each is one of a kind. In a study done by Spicer and Sadler-Smith (2005), they suggested four alternate models to decision-making styles: model A (rational-dependant and intuitive-spontaneous-avoidant), model B (rational, intuitive-spontaneous-avoidant, and dependant) , model C (rational, intuitive-spontaneous, dependent and avoidant), and model D (rational, intuitive, dependent, spontaneous, and avoidant).

In their study, they found out that higher rational scores are related with lower scores on the intuitive, avoidant, and spontaneous scale. Intuitive, spontaneous, dependant, and avoidant scales are positively related. And yet, Scott and Bruce (1995) argue that even though the dimensions are conceptually distinct, they do not necessarily mean they are exclusive.

National Culture (Individualism-Collectivism) and Decision-Making styles

As previously stated, decision-making styles are influenced by many factors such as the context in which a decision is made, the decision maker's way of perceiving and understanding cues, and what the decision maker values or judges as important.

Hofstede's National Culture studied the work-related values of IBM employees and found remarkable variations. National background explained about half of the overall differences in these values. Given the influence of national values on how decisions are made, cross-cultural differences in work-related decision-making are even more likely to happen. (Martinsons & Davison, 2007).

A survey done by Nagashima, R (1993) found that the Japanese perceive Western (and particularly American) thinking to differ greatly from their own way of thinking. The Japanese perceive Western thinking as “ objective, analytic, and impersonal” compared to the Japanese's. Besides that, the strict Western distinction between the rational and the irrational has also been contrasted with the Japanese which finds the balance between the two. This affects the way they make decisions in terms of how they perceive certain issue.

Meanwhile, another study conducted by Martinsons and Davison (2007), also found that American, Japanese and Chinese business leaders possess a distinctive decision-making style. American business leaders have a decision style that indicates a higher need for achievement. They tend to be more result and performance oriented and make decisions that either respond to

challenges or create opportunities. More generally, American managers, again, have a tendency to “analyze” situations and/or “conceptualize” potential solutions. Their decision-making tends to be more of rational than intuitive.

In contrast, the needs for affiliation and personal power are more important to Japanese and Chinese business leaders respectively. Japanese business leaders tend to favour decision-making outcomes that maintain established relationships or help to develop new ones. Chinese business leaders also emphasis on creating and maintaining guan xi (relationship) with others. Their decision-making can be identified as dependant. Their decision-making style is in line with the Collectivism dimension.

On the other hand, the American is more individualistic where their decision-making style tends to prioritize personal achievement. This indicates that national culture plays a role in decision-making styles.

Ohbuchi, Fukushima, and Tedeschi (1999) studied the influence of cultural values on how people make decisions. They asked American (more individualistic) and Japanese (more collectivist) students to recall a conflict experience and to describe it. The authors differentiate four major tactics that consists of several sub-tactics.

The results indicate that the American students prefer aggressive tactics and the collectivist Japanese students favour avoidance tactics. The American students were oriented towards achieving justice, whereas the Japanese students were more concerned about the relationships with others. The American students' result show that the American's decision-making style

reflects the individualistic dimension while the Japanese and Chinese represent collectivist dimension. The results support Hofstede's dimensions.

Discussion

Based on the literature review, there are evidences that decision-making styles are indeed affected by factors such as values, interests, and environment. According to Güss, C. D. (2002), Individualistic values and Collectivist values influence individuals' decision making in three ways. These values can influence how the individuals perceive the problem, the generation of strategies and alternatives, and the selection of one alternative.

Perception of the problem

Cultural expectations and values are represented in the individual's mind. These values lie in the individuals immediately when they are born. They are raised to understand that they have expectations to be met before they leave the world. Values, in a way, become the guiding principle on what they should do about their lives. This also applies on decision-making styles. The values can explain why certain people prefer a particular decision-making style over others. It is also because the success of their decision-making depends on what is appropriate and expected in their cultural environments.

According to Triandis (1994), people with Collectivist values pay much more attention to the social aspects of problems. They perceive a problem based on the judgment if the problem concerns about themselves or the people around them. People with Individualistic values, on the other hand, put more attention to the individual aspects of problems. They will react faster if the problems deal with the self.

Generation of strategies and alternatives

Cross-cultural comparisons show that people in Individualistic cultures prefer active, assertive and confrontational strategies for resolving conflicts (Ohbuchi, Fukushima, & Tedeschi, 1999), have more confidence in their personal decisions (Mann, Radford, Burnett, Ford, Bond, Leung, Nakamura, Vaughan, & Yang, 1998) and might, therefore, be more decisive and risky than people in Collectivist cultures in their decisions.

Besides that, the generation of strategies and alternatives for decision-making process is more likely to be dependent on the value of the decision itself, whether it is more beneficial to the individual or society. Individualistic cultures will opt for one that can benefit themselves. On the other hand, the strategies and alternatives generated from Collectivistic cultures will put greater emphasis on relationship with others. It means that if they are not in line with the society's expectation, the strategies and alternatives might be rejected.

Imagine a scenario where an employee is being offered a position because of favouritism. In Individualistic cultures, he or she is more likely to accept it though he or she is aware that others know that he or she is being promoted because of favouritism. Yet, he or she will still take it because it can benefit him or herself. On the other hand, if that employee is in Collectivism cultures, he/she is more likely to refuse the promotion because he/she feels bad to others. The fact that he/she is chosen not because of performance but of favouritism may create enough discomfort already.

Selection of an alternative

Individualistic cultures are characterized by independent of the self. The individual views himself or herself as relatively independent from others. Individualism countries are much or less dominated by values like personal achievement, growth, and advancement. As mentioned earlier, people from Individualism countries, like America, that can benefit them, not necessarily the society.

According to Yi & Park (2003), people from Individualistic cultures will prefer to make decision by majority vote. To them, it is of great importance that the individual interests are served. When they fail to reach consensus, they will turn to majority vote as it allows each individual to voice out their opinion.

Meanwhile, collectivist cultures put emphasis on the significance of relationships, roles and status within the social system. People from Collectivism countries are more likely to ask approval from others before making a decision because they do not want to ruin their relationship. They also favour consensus when it comes to group decision that enhance relationship and harmony. Asian countries, for example, score high in Collectivistic cultures. The important value of relationship is applied when they make decision. The decision-making style, hence, is more of dependent as they depend on other's opinion to make decision.

A dissatisfied employee, for instance, decides to quit his job. If his values are influenced by Individualistic values, he will quit his job because it is the right thing to do for him. However, this is not the case if he is from Collectivistic cultures. He might stay on the job because his parents or families expect him

to be successful in the job. Or, there is also a high possibility that he will discuss furthermore with his peers/families whether he should quit the job or not.

Limitation

This article, unfortunately, has its own limitations that should be taken into consideration.

The limitation is that there is only a literature review to back up the support of this article. It is possible, however, that a future research will be carried out to study more in-depth regarding this matter. Because of its limitation, the argument cannot be generalized as it has not been tested whether the argument is applicable across fields.

Conclusion

Earlier, it is stated that the purpose of this article is to find out to what extent decision making styles vary across cultures by using Hofstede's National Culture in terms of Individualism-Collectivism dimension.

In order to find an enlightening answer, a literature review is carried out of several scholars.

It is found out that there are three ways on how National Culture can influence decision-making styles such as perception of the problem, the generation of strategies and alternatives, and the selection of one alternative.

Individuals from Collectivist cultures pay much more attention to the social aspects of problems. They perceive a problem based on the judgment if the

problem concerns more about themselves or the people around them.

People with Individualistic values, on the other hand, put more attention to the individual aspects of problems. They will react faster if the problems deal with the self.

Once they have identified the problem, the generation of strategies and alternatives have to go along with the values. Individualistic cultures will make a decision that can benefit themselves. On the other hand, the strategies and alternatives generated from Collectivistic cultures will put greater emphasis on relationship with others.

The way they choose an alternative also deeply influenced by the cultural values. Individualistic cultures will prefer a decision that emphasis on self-improvement while Collectivistic cultures will prefer a decision that puts more attention on the relationship with others.

In conclusion, decision-making styles are indeed varied across cultures. By using Individualistic-Collectivistic dimension, the decision-making style vary to the extent on the decision itself; whether it is for the self or others.