

THE INFLUENCE OF NATIONAL CULTURE ON STRATEGIC DECISION MAKING: A CASE STUDY OF THE PHILIPPINES

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ABSTRACT

Strategic decision processes are influenced by various sets of context variables. In this paper the influence of characteristics of the national culture in which an organization is embedded is analyzed, using data from the Philippines as an illustration. National culture is conceptualized following Hofstede's seminal study, and the strategic decision process following the Bradford studies of organizational decision making. The findings suggest that national culture does indeed influence decision processes in the expected directions, and that the conceptualizations based on Hofstede and the Bradford studies provide a fruitful framework for further studies.

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INTRODUCTION

Strategic decisions, e.g., decisions concerning the products a firm is to produce or the markets it is to compete in, undoubtedly have an important impact on organizations. Given this importance, the assumption seems reasonable that managers do their best to make the best decisions possible. In line with this assumption, strategic decision making has traditionally in the management literature been represented as a fully rational process. However, by now it is clear that these decision making processes are heavily influenced by various context variables, like the organizational structure and culture, the composition of the management team, and the personalities of the decision makers (Noorderhaven 1995).

In this paper we focus on one particular set of context variables, *viz.*, the national culture of which the decision makers in firms are a part. Hofstede (1980) defines national culture as the collective programming of the mind which distinguishes the inhabitants of one country from those of other countries. Basic values and beliefs are acquired early in life, through socialization and education. In this way inhabitants of a country come to share certain basic beliefs and assumptions and the tendency to prefer certain states of affairs over others.

It seems likely that national culture has a bearing on the strategic decision processes that take place within organizations. For instance, one dimension of differences in national cultures is *power distance*, i.e., the extent to which the less powerful members

of a society expect and accept that power is distributed unevenly (Hofstede 1980). Doubtlessly strategic decision processes in organizations in high power-distance societies will tend to be more top-down than those in organizations in low power-distance societies.

In this paper we will explore the issue of the influence of national culture on organizational strategic decision processes. We will use observations made by Western managers of strategic decision processes within organizations on the Philippines as an illustration of the phenomenon. Our immediate purpose is not to produce general insights into the influence of national culture on organizational strategic decision making, nor into the specifics of the Philippine case. Rather, through an exploration of decision processes in the Philippines as perceived by Western managers we want, firstly, to illustrate the relevance of cultural differences in explaining organizational strategic decision processes, and, secondly, put this issue on the research agenda.

ASPECTS OF THE PHILIPPINE CULTURE

In this section we give a very brief characterization of the national culture prevalent on the Philippines, based on Hofstede's (1980; 1991) seminal work. Hofstede distinguishes five main dimensions of national culture: power distance, uncertainty avoidance, individualism-collectivism, masculinity-femininity, and long-term versus short-term orientation. *Power distance* was described above. *Uncertainty avoidance* refers to the extent to which members of a society feel uncomfortable in unstructured or ambiguous situations, i.e., situations for which no standard rules of behavior exist. *Individualism-collectivism* concerns the relation between an individual and his social environment. In individualistic

societies the individual is assumed to take care of himself and his immediate relatives, in collectivist societies the individual is cared for by the group, in exchange for unconditional loyalty. *Masculinity-femininity* has to do with the dominance of tough or tender values, and with the division of emotional roles between the sexes. In masculine societies there is a sharper distinction between male and female roles than in more feminine societies, and both men and women tend to endorse tougher values. *Long-term* versus *short-term orientation*, finally, concerns to what extent societal values are focused towards the future, or rather the present and the past. For example, in long-term oriented societies perseverance is a dominant value, in short-term oriented societies respect for tradition.

By looking at the relative position of the Philippines on these five dimensions the national culture of this country can be put in a comparative perspective. In Table I the Philippine culture is compared with that of the U.S.A. and Hong Kong (as typical representatives of Western and ethnical Chinese cultures). The entries are the scores on the various indices developed by Hofstede. The indices run from approximately 0 to approximately 100.

Table I: Cultural Characteristics of the Philippines, the U.S.A., and Hong Kong			
	Philippines	U.S.A.	Hong Kong
Power Distance	94	40	68
Uncertainty Avoidance	44	46	29
Individualism	32	91	25
Masculinity	64	62	57
Long-Term Orientation	19	29	96
Source: Hofstede (1991)			

On the basis of Table I we can conclude that relative to the West the Philippine culture is characterized by a very large power distance and low individualism. Relative to Hong Kong the Philippine society is characterized mainly by its high power distance and in particular by its short-term orientation.

The differences between the Philippine culture and that of Hong Kong are interesting, given the fact that the Philippines, the 'sick man of Southeast Asia', to date have been unable to show anything comparable to the economic growth of the regional 'Tigers'. Scores on long-term orientation have been shown to correlate significantly with World Bank data on economic growth over the past 25 years (Franke et al. 1991; Hofstede and Bond 1988). The influence of the Spanish colonial rule from 1571 to 1896 and the predominant Roman catholic religion apparently make the Philippines different from other countries in the region.

STRATEGIC DECISION-MAKING PROCESSES

Most of the studies of organizational strategy focus on the outcome, i.e., the strategy that is formulated and/or implemented, rather than on the process of decision making itself. A noticeable exception is formed by the Bradford studies, the most comprehensive empirical research project on organizational decision making to date (Cray et al. 1988; 1991; Hickson et al. 1986). In the context of this paper we are not primarily interested in the findings of the Bradford studies. These findings, if we are correct in our assumption that national culture has a bearing on organizational strategic decision making, are rather specific for the British context. What we borrow from the Bradford studies is the system

of describing strategic organizational decision processes. In the Bradford studies five main aspects measured by in total 12 different variables are distinguished. The five main aspects are *scrutiny* (collection of information about the problem and possible solutions), *interaction* (forms of interaction between decision makers), *flow* (delays and interruptions in the decision process), *duration* (the duration of the decision process), and *centrality* (the level in the organization at which the final decision is authorized for implementation). Table II gives an overview of these five aspects and the corresponding variables.

The instrument developed in the context of the Bradford studies can also be used to study strategic decision processes in a comparative cultural perspective. For this purpose, the scores on the various variables of decision processes taking place in different cultures are compared. In this way we can find out whether a particular kind of strategic issue is tackled in a different way in culture A than in culture B.

Given the complexity of the problem field, it is difficult to formulate a-priori expectations with regard to these differences. One way to proceed is to formulate very general hypotheses with regard to strategic decision processes in ideal-typical societies. This is the approach followed by Schneider (1989). She distinguished between two broad models of strategy formulation. One is the 'controlling approach', with an emphasis on top-down processes and quantitative, objective information. The other is the 'adapting approach', emphasizing bottom-up processes and qualitative, subjective information. The first process is typical for cultures in which there is a high emphasis on hierarchy, individualism, and a strong task orientation. The second process is associated with cultures with a low emphasis on hierarchy, collectivism, and a strong social orientation. According to Schneider, the U.S. would be an example of a society in which the controlling model predominates,

Table II: Aspects and Variables of Strategic Organizational Decision Processes		
Aspect	Variable	Description
Scrutiny	Expertise	The number of sources consulted in the search for information
	Disparity	The variation in confidence in the reliability of different information sources
	Externality	The confidence in external information relative to that in internal information
	Effort	The effort made to collect information from various sources
Interaction	Informal Interaction	Informal interaction, e.g., in hallway conversations or over lunch
	Formal Interaction	Formal interaction, e.g., in meetings of committees or project teams
	Scope for Negotiation	The room for disagreement, discussion and negotiation
Flow	Disruption	The occurrence and length of disruptions (breaks without any action) in the decision process
	Impedance	Seriousness of causes of delays (e.g., awaiting for priority vs. active opposition)
Duration	Gestation Time	Interval from the first mention of the issue until the beginning of specific decision making action
	Process Time	Interval from the initiation of decision action to final authorization
Centrality	Level	At which level (high-low) in the organization is the decision authorized?
Source: Cray et al. (1988; 1991)		

whereas in Japan the adapting model would be more prevalent.

Schneider's approach appears to be problematic. For one thing, the view of Japan as a society with a lower emphasis on hierarchy than the U.S. is contentious, at best. Furthermore, although Schneider states that her model can also be used for cultures that do not fit the stereotypes, it is not clear how this should be done in the case of a society

that does not resemble either the U.S. or Japan. Given the complexity of decision processes and the multiplicity of national cultures we prefer to study the differences between what happens in comparable decision situations in specific cultures. The ideal research design would consist of a comparison of one particular kind of strategic decision within a number of culturally divergent countries.

We have not been able to realize that ideal in the pilot project on which we report in this paper. During a visit to the Philippines in the beginning of 1995 the first author interviewed ten western expatriate managers who had been involved in strategic decision making in the Philippines as well as in their country of origin. These managers were asked to compare the processes leading to a particular kind of strategic decision in both countries. A definition of the term 'strategic' was not given, because of the ambiguous meaning of the concept. Questions pertaining to all variables developed in the Bradford studies were asked.

This research design has the advantage that our attention was not limited to one class of decision situations. The variety in decision situations makes it more likely that our findings are representative for a broad range of strategic decision processes.

The fact that western managers were asked about decision processes both in their own country and in the Philippines can be seen as a strength as well as a weakness. The weakness is that the answers reflect the perception of the western manager with his western frame of mind only. On the other hand, in all studies of decision processes using interview data one gets a subjective view of these processes. If we had asked Philippine managers about decision processes in the Philippines, and western managers about those in the West, the answers would have been very difficult to compare. Thus, the advantage of our design is that the observations of decision processes in both cultures are directly

comparable. However, we should not make the mistake of taking the picture drawn by the western managers as an objective representation of *the* characteristics of strategic organizational decision processes in the Philippines.

Finally, as our interviewees come from various countries, we cannot say that we compare the Philippines with a specific western country. Three of our respondents were from the UK, two from the Netherlands, and one each from Belgium, France, Germany, Australia and Switzerland. In Hofstede's (1980) survey all these countries scored much lower on power distance, and much higher on individualism, than the Philippines.

With regard to masculinity and uncertainty avoidance the picture is less clear. On average, the western societies from which our respondents originate are less masculine than the Philippines. But this is due mainly to the very low score of the Netherlands. If we exclude Holland, the difference between the Philippines and the West becomes insignificant. Accordingly, we will assume that differences on this dimension are relatively unimportant in explaining differences between decision processes in the Philippines and in the West.

All the western countries except the UK score higher on uncertainty avoidance than the Philippines. Therefore it seems reasonable to assume a lower uncertainty avoidance in the Philippine context. Finally, with regard to long-term orientation we have data only for four of the western countries (Australia, Germany, the Netherlands and the UK, countries of origin of 7 of the ten respondents). These societies score much higher on long-term orientation than the Philippines, a difference in orientation that may be assumed to influence decision processes.

NATIONAL CULTURE AND DECISION MAKING

We will now formulate some expectations with regard to the impact of the cultural differences identified above on strategic decision making processes.

In the first place, the Philippine culture was found to be characterized by a much higher power distance than the western cultures. In terms of the decision process as operationalized in the Bradford studies, this may be assumed to impact on the *scope of negotiations* and the *level of final authorization*. If power differences are emphasized in an organization, the scope to negotiate over a decision outcome is more limited. We also expect the final authorization to take place at a higher level in such a context.

The more collectivist attitude prevalent in the Philippine decision context may be expected to have a bearing on four variables: *disparity*, *externality*, *informal interaction* and *formal interaction*. Collectivistic societies are more particularist, in individualistic societies a universalist attitude is more prevalent. Therefore there will be more disparity in the range of confidence in the reliability of information in the Philippines, since this confidence is strongly coupled to the identity of the source of information. In collectivist societies information coming from the in-group is seen as more reliable than information coming from an out-group, hence we expect that confidence in external sources of information will be relatively low. In collectivist societies open conflicts and discussions are avoided if possible. In a formal setting, such as a formal meeting, conflicts can lead to a loss of face, which has to be avoided at all cost. Therefore there is a strong tendency in collectivist cultures to prepare decisions in an informal process. As a consequence, we expect informal interaction to be relatively important in the Philippines, and formal interaction relatively unimportant.

As far as the dimension of long-term orientation is concerned, the most obvious link is that with the two variables pertaining to the duration of the decision process, *gestation time* and *process time*. Cultures characterized by a strong long-term orientation people are future-oriented, and time is seen as a scarce resource. Short-term oriented cultures emphasize the present and the past, and value a sense of tradition. The expectation is that this attitude will be associated with a more relaxed attitude to decision processes, and longer gestation and process times.

The findings of our mini-survey in the Philippines are presented in Table III. The second column shows the differences in the means of the scores on a variable (Philippines minus the West), the third column indicates whether this difference is statistically significant at the 95% confidence level (standard two-sided T-test).

The expected impact of the higher power distance in the Philippines is reflected in a higher level of final decision authorization, as expected, but not in a smaller scope for negotiations. The expectations based on the strongly collectivist orientation of the Philippine culture are all borne out. Thus, the disparity with regard to the perceived reliability of different sources of information is larger than in the West, and relatively little confidence is placed in external sources of information. The decision processes in the Philippines are characterized by relatively much informal interaction, and relatively little formal interaction. The gestation and process time of decision processes in the Philippines does indeed appear to be longer, as expected on the basis of the prevalent short-term orientation.

An unexpected finding is the higher score on disruption in the Philippines. Although we did not formulate a hypothesis pertaining to this decision variable, with hindsight our finding can perhaps be understood in the light of the short-term orientation

Variable	Difference between mean scores	Significant at 95% confidence level?
Expertise	- 0.45	NO
Disparity	1.75	YES
Externality	- 1.45	YES
Effort	0.40	NO
Informal Interaction	1.50	YES
Formal Interaction	- 0.70	YES
Scope of Negotiations	0.05	NO
Disruption	1.40	YES
Impedance	0.45	NO
Gestation Time	1.40	YES
Process Time	1.35	YES
Level	0.70	YES

of the Philippine culture. If time is not seen as a scarce resource, people will not mind very much if decision processes are disrupted.

CONCLUSIONS

All in all, the picture that arises from our -admittedly very restricted- survey fits in nicely with the expectations based on known cultural differences between the Philippines and the West. This finding indicates not only that cultural differences do indeed appear to have a bearing on strategic decision processes (this is not very surprising), but also that the

conceptualization of culture and decision processes as provided by Hofstede (1980) and Cray et al. (1988; 1991), respectively, forms a workable framework for the study of this influence.

Of course, no definite conclusions can be drawn on the basis of our little study. But our findings do suggest an interesting research agenda. A follow-up study should cover a somewhat larger number of decisions in a number of non-western countries, with a maximum of variation not only on the dimensions of power distance, individualism and long-term orientation, but also on the dimensions of masculinity-femininity and, particularly, uncertainty avoidance. For practical reasons, we propose that our approach of asking western managers to compare decision processes in their native countries with those in the foreign country in which they work at the time of the study is maintained. Objective measures of decision processes are in principle to be preferred, but insisting on this would in our view make the problems of comparative decision processes unsurmountable.

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