

Managerial Decision-Making style: India, Bangladesh, and Finland. Cultural side of the game

Dr. Shaidul Kazi

Tampere University of Applied Sciences

Kuntokatu 3, 33520 Tampere, FINLAND

Cell: +358 40 8277901 E-mail: shaidul.kazi@tamk.fi

The paper is about managerial decision-making style and how the process is influenced by culture. Subordinate participation in decision-making processes has been analyzed with a view to exposing decision-making style in India, Bangladesh, and Finland. The participation issue has been analyzed from the managerial point of view; it examines how managers ensure subordinate participation in the decision-making process. The paper is based on the PhD dissertation of the author entitled “Managerial Decision-Making Behavior and Impact of Culture” which was defended on 18.12.2009, at the Faculty of Economics and Administration, University of Tampere, Tampere, Finland. The study finds that managerial decision-making style varies in the case countries and the root factor of these variations is culture; organizational- national- and family culture.

Keywords: Culture; Decision-making; Participation; Style.

1. Introduction

Managerial decision-making style varies across cultures. In decision-making, culture is one factor among many others (see figure 1) which is active in shaping and reshaping the ongoing process and the eventual decision. As the core issue of analysis, the paper analyzes on a comparative basis the participation issue in the managerial decision-making process in India, Bangladesh, and Finland. The participation issue has been analyzed from the managerial point of view; it examines how managers ensure subordinate participation in the decision-making process. While gathering empirical information, the author has found evidence of differences in the methods used for ensuring participation in managerial decision-making processes. Therefore, the hypothesis of the study is that the decision-making style displayed by managers in ensuring subordinates’ participation is contingent on cultural factors; organizational- and national culture. The family culture is considered here as the root factor.

2. Culture, decision-making, and participation

How culture is perceived is a factor of who will be using it and in which field or from what perspective. According to different scholars, the central concepts in use for denoting culture may include ideologies, a coherent set beliefs, or basic assumptions, a set of shared core values, important understandings, the “collective will”, (Kazi, 2009: 90) and “the collective programming” (Hofstede, 2001:9). Emphasizing the central concepts, an operational definition of culture follows, “*culture is considered as something which is comprised of norms and values and governs human behavior to a particular direction, which is learned, does not change easily, which is characteristic of a particular group, and which is transmitted over time from one generation to the other (Kazi, 2009: 97).*”

Holden states that “*culture can be used to represent an organizing principle at different levels of human endeavor: for example, the international, the national, the regional, the organizational, and the professional (2003: 22).*” If such groups can be defined as stable units with a shared history of experience, they will have developed their own cultures at the national and organizational levels. Organization culture according to Bate is “*the meaning or aspects of the conceptual structures which people hold in common and which define the social or organizational reality (2002: 194).*”

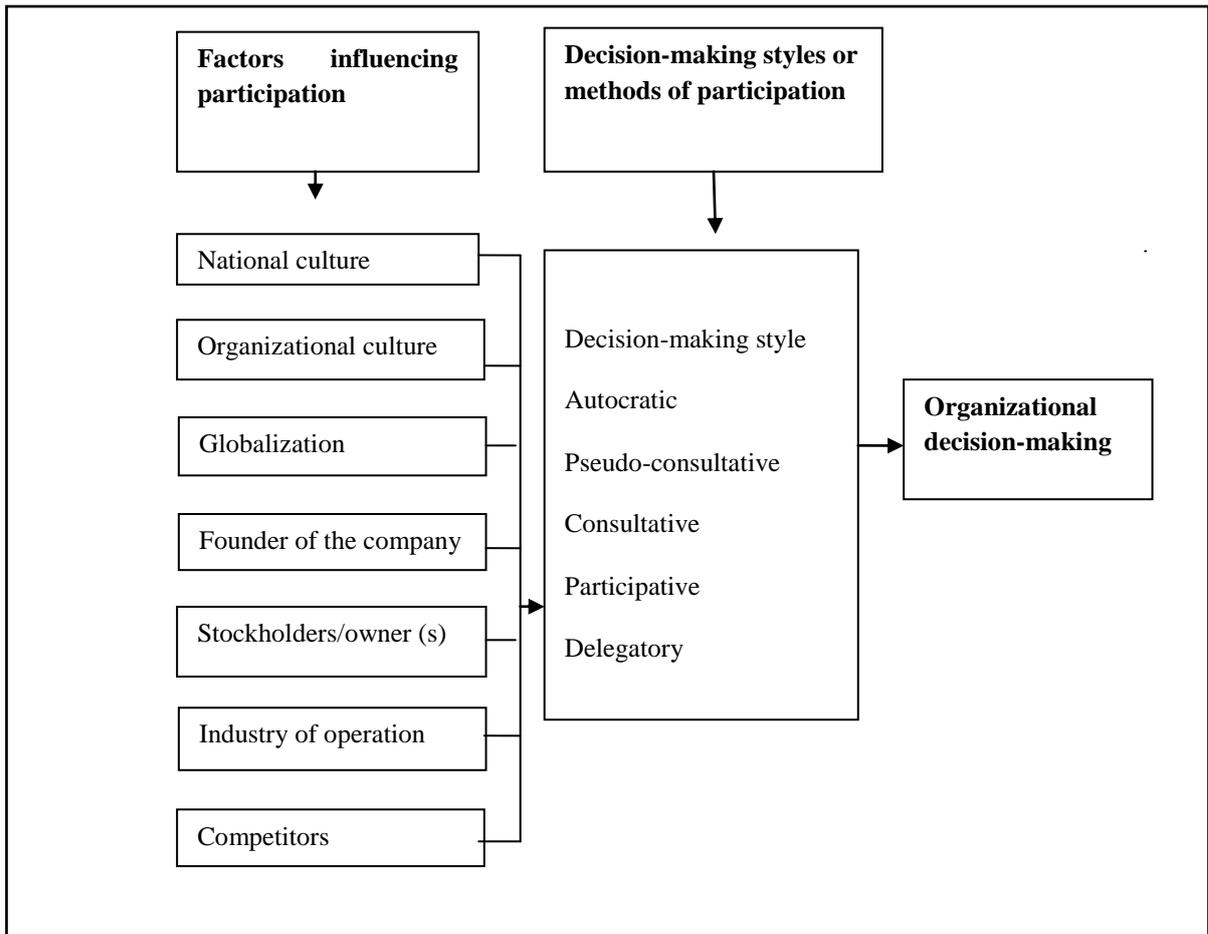


Figure 1: A hypothetical model: Showing factors influencing organizational decision-making style
Source: Kazi (2009):

Bate’s definition focuses on the deeper aspects of culture, such as norms and values, as parts of the conceptual structure which define organizational reality. Close to Bate’s definition, organizational culture is viewed here as *“the special qualities or behavior patterns of an organization including the decision-making patterns. These behavior patterns are products of the organization or more specifically its members’ deep held norms, beliefs, value-systems, and basic assumptions (Kazi, 2009: 101).”*

The fact that culture influences organizational behavior is well recognized, so culture influences organizational decision-making processes and style as well. According to Wilpert et al, *“culture is an important contingent factor in understanding the determinants and effects of organizational decision-making (Wilpert et al., 1996: 14).”*

What can be seen in practice is that the rational model makes no acknowledgement of cultural differences that might influence managerial decision-making style, but Arabs, for instance, do not necessarily make decisions the same way that Finns do. Therefore, it is important to recognize, as Adler writes, that *“the cultural background of the decision maker can have significant influence on his or her selection of problems, depth of analysis, the importance placed on logic and rationality, or whether organizational decisions should be made autocratically by an individual manager or collectively in groups (Adler, 1991).”*

Human choice is the core element of the decision-making process. A situation which does not permit the exercise of individual choice does not allow decision-making to take place; this is a situation which may be called the command and control process. Decision-making in this context would be highly authoritarian and commonly

seen in organizations which are not interested in subordinate participation (Kazi, 2009: 150). In practice, most organizations implement different types of employee participation program in managerial decision-making processes. Moody states that “if people are asked to participate in making a decision, they will believe that it is a measure of respect for their intelligence (1983: 24).”

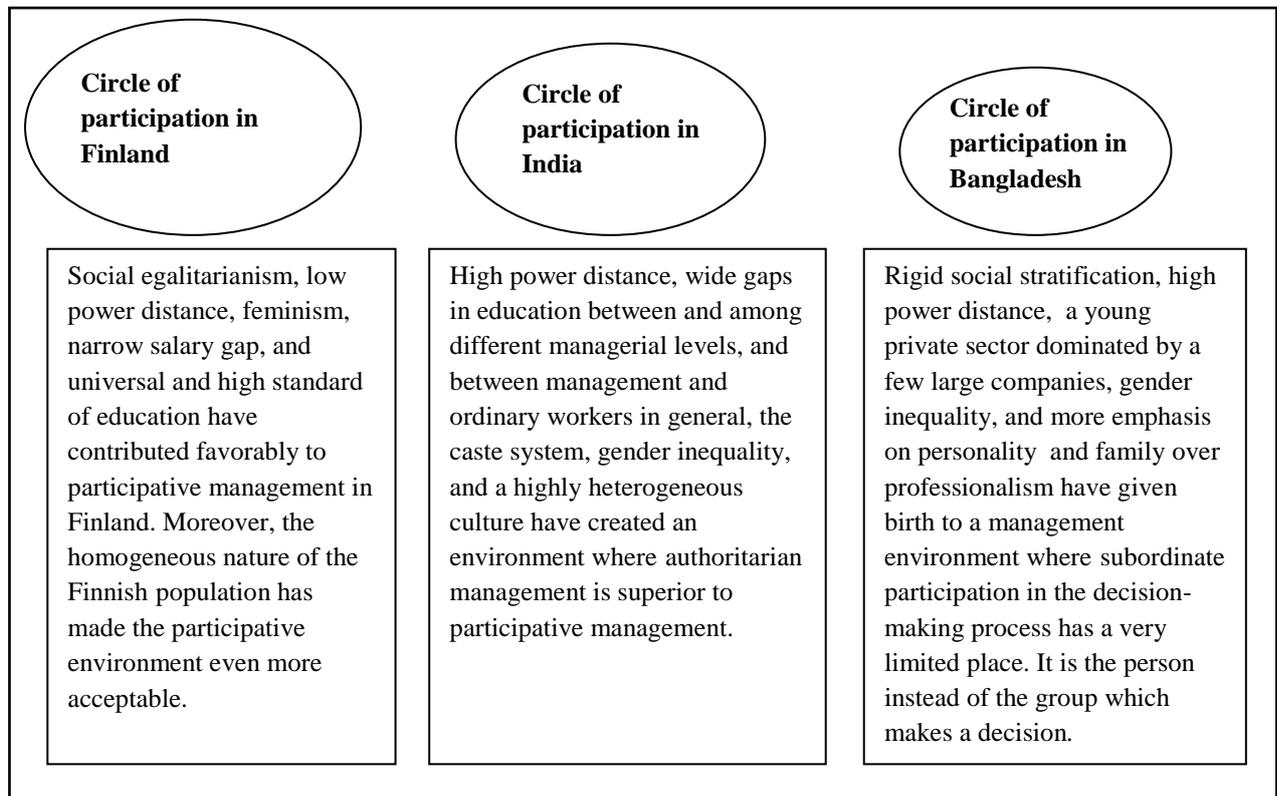


Figure 2: Circles of participation in decision-making: A comparative scenario

Source: Kazi (2009): 219.

The study focuses upon three managerial decision areas i.e., corporate strategy, organizational change, and personnel policy. Research findings show that decisions related to personnel policy are more participation-oriented than the other two, whereas corporate strategic decisions are made more autocratically than the other two; decisions related to organizational change fall in between the participative and the autocratic orientations (Kazi, 2009: 210). In addition, the overall participative environment in decision-making in the sample organizations of the case countries varies because of certain factors which are shown through the circle of participation (see figure 2). Of the three case countries, Finland has the largest circle of participation and Bangladesh has the smallest. India falls between the two. The size of the circles of participation reveals that participation is most widely practiced in the decision-making of Finnish companies and least in Bangladeshi companies, where India falls in between Finland and Bangladesh in practicing the participative approach.

2.1. Cultural landscape: The case countries

Culture collectively differs based on, among other things, national- and organizational identity, and offers to its members' unique patterns in dealing with everyday issues and events. National- and organizational culture and their impact on management have been studied, among others, by Hofstede (1991) and Basi (1998). Hofstede's famous study on the IBM subsidiaries in over forty different countries shows the cultural differences between nationalities. Hofstede expressed those differences through his famous four dimensions i.e., power distance, uncertainty avoidance, individualism, and masculinity (Hofstede, 1991). These four dimensions have been used here

extensively for analysis, argumentation, and interpretation of managerial decision-making styles. In reality, India and Bangladesh both are high power distance countries whereas Finland is a low power distance country. Regarding the uncertainty avoidance dimension, India is a relatively low uncertainty avoidance country but Finland and Bangladesh exist almost parallel on the score scale. They are relatively high uncertainty avoidance countries compared to India. On the individualism dimension, Finland is a highly individualist country. In contrast, India and Bangladesh are low individualist or highly collectivist countries. On the masculinity dimension, India and Bangladesh are more masculine countries but Finland is a low masculinity or high femininity country (see for instance Hofstede & Hofstede, 2005 & http://www.geert-hofstede.com/hofstede_dimensions.php, accessed: 23.09.2010 at 10.30).

Organizational culture can be divided into three categories i.e., paternalistic, bureaucratic, and synergistic organizational cultures. A paternalistic culture is symbolized by top-heavy structures and processes and roles designed to serve certain organizational goals as prescribed by the head of the organization. On the other hand, bureaucratic culture is characterized by well established structures and processes, and formally prescribed position roles designed to serve organizational goals as prescribed by the top people in the hierarchy. The main features of the synergistic culture type are organic organizational structures and processes, and flexible position roles designed to serve client-centered organizational goals as prescribed through the participation of key stakeholders (Basi, 1998). These three categories of cultures are to some degree present in the organizations of all the case countries. However, the dominant cultural patterns in Bangladeshi and Indian organizations are paternalistic and bureaucratic, but in Finland it is synergistic (Kazi, 2009).

3. Context and methodology

This study is grounded in a subjective epistemological perspective, where the researcher’s own observations and interpretations are the keys to acquiring and obtaining knowledge. Fifteen private sector business companies from the case countries form the context of this study’s empirical information. The industrial sectors represented are the textile sector and the electronics and electrical sector. All the fifteen sample companies are part of Katz and Kahn’s productive or economic typology (Katz and Khan, 1966: 112-3). These companies are engaged in manufacturing goods and thus operate in the secondary sector of the economy. Altogether forty-six middle and upper-level managers from the fifteen sample companies were interviewed. A standardized open-ended questionnaire was used for data collection.

4. Decision-making styles in the case countries

Family is the first group in our lives that has a significant effect on our values, attitudes, beliefs, and behavior (Giddens, 1984). During the field study, the author found that not only national- and organizational culture which influence decision-making style in a particular country but also family culture/practices. The culture which is practiced at family level passes to the national as well as the organizational level (see figure 3). Todd’s typology of family is used to expose family structure in the sample countries. (See figure 4)

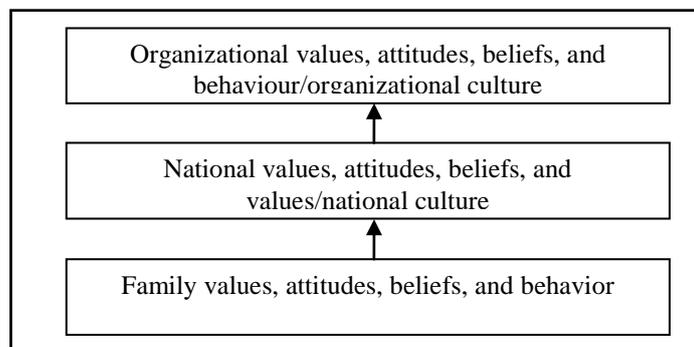


Figure 3: Family values, beliefs, norms, and behavior as principal roots of culture -national and organizational culture.

Source: Kazi, 2009: 273.

In individualist and low power distance Nordic countries (Hofstede and Hofstede, 2005) and particularly in Finland the absolute nuclear family and the egalitarian nuclear family are the social norm (Kazi, 2009: 275). For people in these families, becoming independent and achievement-oriented is an important value. Family members in Finland learn to share information with each other without any fear and develop a sense of gender egalitarianism. Consequently, at family, national and organizational level, participative or democratic decision-making is a dominant feature

In the high power distance and collectivist or group-oriented societies of India and Bangladesh (Hofstede and Hofstede, 2005), one may see that the authoritarian and community family, are the social reality (Kazi, 2009: 276). With some variations, authority and resource-distribution in a typical Bangladeshi or Indian family takes place so that the father hands over the family business to the eldest son, and all other children work in different areas of the same business under the leadership of the eldest son. Alternatively, different children head different businesses if the family owns more than a single business.

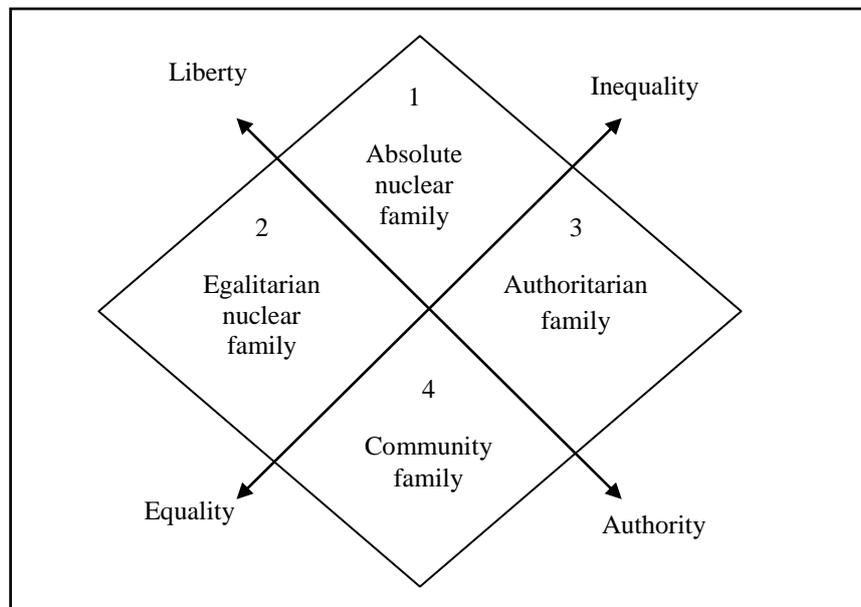


Figure 4: Todd's typology of family

Source: Todd (1985): 10 in Kazi (2009): 274.

In male-dominated Indian and Bangladeshi societies, it is usual that businesses are passed from father to son, but in rare cases from father to daughter. There is a high power distance between and among family members, where age brings authority and honor.

At the national level in South Asia and especially in India and Bangladesh, the state is very strong. By "state" meant the government and particularly the central government and government officials. It is very common that at state level most of the national decisions are adopted by the central government without consultation with the general masses. Due to the high power distance in South Asian society, there is a wide gap between the ruler and the ruled.

At organizational level, there is a top heavy approach in India and Bangladesh. As head of the organization, the managing director has immense influence in all organizational decision-making. Subordinates hardly ever oppose any decision made by the managing director. In South Asian societies, there is a moral obligation on more powerful

people to look after the less powerful people in exchange for loyalty. This trend has given birth to a paternalistic management style in India and Bangladesh. Managerial decision-making style in medium-sized Indian and Bangladeshi organizations is mainly autocratic, but moving towards the consultative type (see figure 5). Consequently, there is a place for participation, but the circle of participation is smaller than in Finland. By smaller circle of participation is meant that the scope for participation is limited or restricted to consultation level which, may be identified with regulated consultative type (See figure 2).

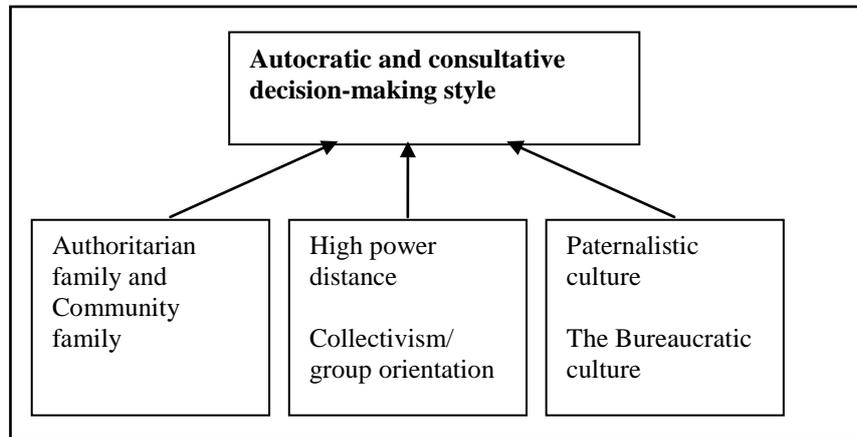


Figure 5: Factors favoring autocratic and regulated consultative decision-making style in Bangladeshi and Indian organizations.
Source: Kazi, 2009: 277.

As in other Nordic countries and Scandinavia, in Finland openness, egalitarianism, empowerment, and participation are integral parts of family, national and organizational life. Finnish culture is characterized by low power distance, high individualism and low masculinity, and these all help to promote a participative decision-making style at family, national, and organizational levels of Finnish society (Ibid.: 279).

In Finland, people get acquainted with participation from the very beginning of their lives in their own families. In a typical Finnish family, children from a tender age learn to express their own opinions and views, and participate in making choices.

Finland can be considered as a soft state compared with India and Bangladesh, which are strong states (Ibid). Because of the low power distance, there is a very narrow gap between ruler and the ruled, just as in the family there is a very low distance between parents and children. Most of the national-level decisions are made through extensive debate in parliament and public opinion surveys. Consequently, government officials and central government are responsible for transforming public opinion into decisions rather than being the ultimate decision-makers.

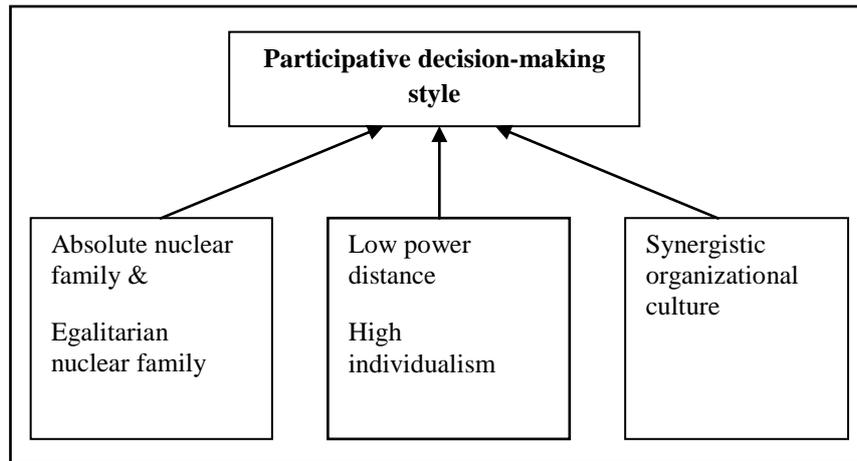


Figure 6: Factors favoring participative decision-making in Finnish organizations
Source: Ibid: 278.

In Finnish organizations, managers encourage their subordinates to take responsibility and operate independently within their own jurisdiction. Initiative and creativity are highly praised at all levels of the organizational hierarchy. Because of low power distance and an empowered workforce, managers make decisions after extensive consultation with their subordinates. Due to the egalitarian nature of Finnish society, decisions are made through wide participation and the decision-making environment is non-competitive; interest accommodation is prioritized over interest competition. Despite the participative nature of managerial decision-making style in Finland, managers, especially in medium-sized private sector companies do not hesitate to become authoritarian in situations when a decision is essential, but reaching consensus through participation is impossible. Finally, it would be rational to brand managerial decision-making style in Finnish medium-sized companies as principally participative (see figure 6) with a very small admix of authoritarianism.

5. Conclusion

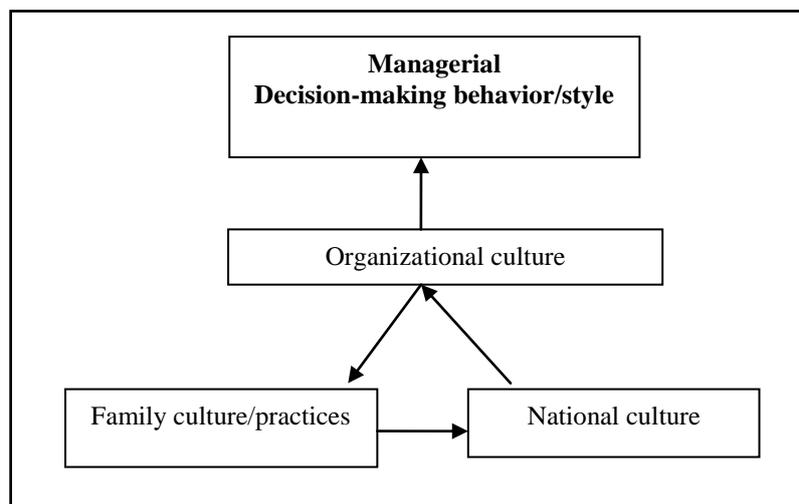


Figure 7: The relationship among family culture, national culture, and organizational culture.
Source: Ibid: 281.

In comparing managerial decision-making style/behavior, the study has shown a close connection among family, national, and organizational levels of culture, and established the logic that the root of organizational culture is family culture or the practices at family level (see figure 3). However, there is a cyclical relationship among these

three levels of culture; they reinforce each other so that changes in organizational culture affect practices at family level, which in turn influence the national culture (see figure 7). In the longer-run, organizations' dominant decision-making style may be influenced by changes at the national level such as: (1) Shifts from agriculture to industrialization. (2) Shifts from industrialization to services. (3) Improvements in the general level of literacy. (4) Changes in income and social opportunity distribution. (5) Integration into the internationalization process, and (6) Changes in life-style (Ibid: 46). The mentioned changes may influence the dominant decision-making style among managers. Consequently, the dominant decision-making style may change from autocratic to pseudo-consultative; pseudo-consultative to consultative; consultative to participative and so forth. Therefore, decision-making style may not be constant but contingent.

References

- 1) Adler, N. (1991), *International Dimensions of organizational Behavior* (2nd edn.) Kent Publishing, Boston.
- 2) Basi, R. (1998), "Administrative decision making: a contextual analysis", *Management Decision*", vol. 36, no. 4, p. 232-240.
- 3) Bate, P. (2002), "The Impact of Organizational Culture on Approaches to Organizational Problem-solving", Salaman, G. (eds) *Decision Making for Business: A Reader*, Sage Publications; London, p. 192-207.
- 4) Giddnes, A. (1984), *The constitution of society: Outline of the theory of structuration*, University of California Press, Berkeley, CA.
- 5) Heller, F. and Wilpert, B. (1981). *Competence and Power in Managerial Decision-Making: A Study of Senior Levels of Organizational in Eight Countries*, John Wiley & Sons, UK.
- 6) Hofstede, G. and Hofstede, G. (2005), *Cultures and Organizations: Software of the mind*. McGraw-Hill, New York.
- 7) Hofstede, G. (1991), *Cultures and Organizations: Intercultural Cooperation and its Importance for Survival-software of the mind*, McGraw-Hill Book Company, London.
- 8) Hofstede, G. (2001), *Culture's Consequences: Comparing values, behaviors, institutions and organizations across nations* (2nd ed.), SAGE publications, California.
- 9) Holden, N. (2002), *Cross-Cultural Management: A knowledge Management Perspective*, Prentice Hall, UK
- 10) Katz, D. and Kahn, R. (1966), *The Social Psychology of Organizations*, John Wiley & Sons Inc., New York.
- 11) Kazi, S. (2009), *Managerial Decision-Making Behavior and Impact of Culture*, Tampere University Press, Tampere.
- 12) Moody, P. (1983), *Decision Making: Proven Methods for Better Decisions*, McGraw-Hill, Inc., USA.
- 13) Todd, E. (1985), *The Explanation of Ideology: Family Structures and Social Systems*, Basil Blackwell Ltd., UK.