# The Influence of Culture on Judgment and Decision Making

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#### **ABSTRACT**

This study explores the influence of culture on judgement and decision making and arrives at three key conclusions: (a) there are indeed cultural differences in the world which impact on the way people make judgements and arrive at decisions; (b) individuals are affected and influenced by their national cultures; and (c) individuals who ultimately make decisions also bring on their personal characteristics. The challenge, however, is to find a way to clearly link these three aspects and develop a model that can predict or better explain culture in relation to judgement and decision making. The impact of national cultures on decision making was analysed and the conclusion is that national cultures only partially influence decision making, other factors including individual variables, organisational cultures, educational systems, as well as institutional arrangements that bind society. The evaluation of Hofstede's cultural framework has shown that although it drew attention to cultural differences in the world, criticisms labelled against it indicate that whereas there is no better alternative, its application cannot be conclusive. The review is especially informative to leaders and managers who engage in cross-cultural dealings as a clear understanding of cultural influences is key to successful international relationships.

Keywords: Culture, Judgement and Decision Making, Hofstede, Schwarz

## INTRODUCTION

According to Bonner (1999), judgement refers to the process of forming an idea, opinion, or estimate about an object, event, state, or any other phenomenon. Judgements involve an evaluation of current events or predictions about the future. In essence, judgements reflect one's beliefs. Speaking futher, Bonner (1999) considers the term *decision* to mean making up one's mind about an issue at hand. Typically, decisions are a consequence of judgements and involve choosing amongst a number of alternatives based on judgements around those options. Decisions are also influenced by one's preferences. Bonner (2008) explains that the quality of one's judgements and decisions are related to the characteristics that the decision maker brings to the task or the cognitive processes she uses while making a judgement or a decision. As such, a number of personal variables that affect one's ability to make good judgements and decisions include knowledge content and knowledge structure – what someone knows and the way they are organised in memory – and the extent to which a person is

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involved in a particular task. It therefore means that the level of one's knowledge on a particular subject and the extent to which they can marshal previous memory to bring back related knowledge and experiences, greatly impact on the quality of their Judgement and Decision Making (JDM). Furthermore, Bonner (2008) adds that cognitive processes impact greatly on the quality of JDM. Cognitive processes are intermediate steps that are involved in arriving at a final judgement or decision. These steps can be classified as: memory retrieval, information search, problem representation, hypothesis generation, and hypothesis evaluation.

Other personal variables that impact on the quality of JDM according to Bonner (2008) include intrinsic motivation, affect, abilities, confidence, risk attitude, cognitive style, gender and cultural background. Motivation is an internal state that impels or drives someone into action. Professionally, motivation may be driven by people's desire to maintain their reputations, monetary incentives and/or accountability demands. In terms of JDM, motivation results into two types of reasoning - cognitive and accuracy motivated reasoning. Cognitive reasoning drives one's motivation to follow logical steps in order to reach an appropriate judgement or decision and whatever is its outcome. Accuracy motivated reasoning affects cognitive processes by increasing the effort people put into those processes. This effort is directed towards doing the best they can in each process. Both of these two types of motivation could occur in real life professional settings. For example, an officer can be accountable to a superior with unknown views and thus gets the motivation to reach the most accurate conclusion. On the other hand, she may feel accountable to a client with known views and thus is motivated to reach a particular conclusion that is agreeable to the client. In the latter case, the officer engages in biased cognitive effort to reach and support that decision.

Just like motivation, affect also intervenes in JDM quality (Bonner, 2008). Affect refers to positive or negative evaluative reactions to stimuli such as events and results from a number of factors such as people's moods and parameters of monetary incentives. Like motivation, affective reactions play a role in cognitive processes that determine the quality of judgement and decision making. In some situations, affect can influence the retrieval or reconstruction of affect-congruent information from memory. Affect can also influence JDM-related cognitive processes in that people use current or predicted future affect as an important information cue. Affect could also influence the choice of processing strategies; positive affect typically leads to use of heuristic or less effortful processes, whereas negative affect tends to lead to more systematic, effortful processes. Another personal factor that Bonner (2008) identifies is personal involvement with a task. Both knowledge and personal involvement derive from experience in a task. Personal involvement means that someone has previously made a judgment or a decision in a particular situation. Personal involvement is an important variable in many professional settings that involve repetitive tasks and hence, regular JDM. Indeed personal involvement in a particular task has a greater effect and in fact could pose a serious impediment to JDM, especially if someone begins to take such tasks for granted or losses concentration (Bonner, 2008).

How Culture Influences Judgement and Decision Making: According to Hosfede (1980), culture is the collective programming of the mind, which distinguishes the members of one human group from another. Culture is also defined as:

shared motives, values, beliefs, identities, and interpretations of significant events that result from common experiences among members of a collective that are transmitted across generations.

Culture significantly influences an individual's beliefs about what is appropriate and inappropriate in terms of ethical behaviour (Mustamil and Quaddus, 2009). According to Bonner (2008), cultural background refers to a number of things such as one's nation of residence, ethnic background, race, and so forth. These definitions of culture border more on social rather than the institutional arrangements (such as laws, educational systems, etc.), which as will be seen later in this work, have a great influence especially on national culture (Schramm, 2001). The above definitions also do not consider the transient nature of culture as it is constantly evolving, being shaped by advancements in technology, the media industry and other effects of globalisation (Bergiel E., Bergiel, B. and Upson, 2012).

The most common way of analysing culture in work settings is through the use of Hofstede's (1980) five dimensions and related scales for classifying cultural factors that are relevant to work environments (Bonner, 2008). Bonner (2008) lists the five dimensions of Hofstede (1980) as: Confusion dynamism, masculinity versus femininity, individualism versus collectivism, power distance, and uncertainty avoidance. Confusion dynamism refers to whether a culture has long or short-term focus. Masculinity versus feminism refers to the extent to which individuals behave stereotypically in what is seen as being 'male' or 'female'. Individualism versus collectivism pertains to the degree to which individuals within the culture focus on their self-interests verses that of the larger group. Power distance is the degree to which members of a cultural group accept inequality among individuals within Organisations. Uncertainty avoidance refers to the extent to which individuals dislike uncertainty.

According to Chen and Li (2005), little is known about whether people in different cultures actually differ in their decision-making, especially in mixed-motive situations. These are situations where people's individual interests are in conflict with those of their group. Even less is known about decision-making involving members of different cultures (Chen and Li, 2005; Mustamil and Quaddus, 2009). Schramm (2001) concedes that the dominant literature in decision-making has so far been universalistic and has generally not treated the subject of decision making in light of different cultures. However, Gupta (2012) supports both the universality of culture dimensions as well as the culture specific aspects, for example, those found in personality research. For example, the expression of emotion is a cultural universal and base emotions are expressed universally (Gupta, 2012). However, cultural norms are said to suppress or amplify the base emotions according to the expected or appropriate level of expression for the culture of the individual. Triandis and Suh (2002) conclude that there is strong evidence of universality, but caution that the emic (particularly non-

Western) traits have been under-studied and could have a strong impact on the understanding of culture and personality when further research has been conducted. The views on mixed-motive situations show that cultural manifestations are much more complex than the standard five dimensions of Hofstede. For example, it is difficult to determine how the individual would behave when they think the group is wrong and they are right or the extent to which they are willing to sacrifice their individual interests in favour of those of the group (Mustamil and Quaddus, 2009; Kirkman, Lowe and Gibson, 2006). Similarly, the argument of culture universality versus country specific aspects makes it difficult to draw the line on when each of them applies and hence, blurs Hofstede's country specific differences.

Perhaps cognisant of the complex nature of culture, Bonner (2008) avoids discussing the intricate details of the effects of cultural background on JDM quality. Instead, she chooses to dwell on what research says about gender- and cultural background-related differences in cognitive and other factors that can affect JDM quality. To support her position, Bonner (2008) argues that studies on a number of such differences that examine gender or cultural background as the construct of interest run the risk of effectively examining the impact of multiple, completely confounded constructs. She further adds that what is common in JDM research is the use of gender or cultural background as a proxy for a single construct such as overconfidence. She, however, warns that such studies run the risk of having correlated omitted variables, and hence, must attempt to rule out alternative explanations.

One documented finding that Bonner (2008) discusses is differences in overall intelligence and in verbal, reasoning and spatial abilities among people with different ethnic backgrounds, although there is enormous controversy about the source of these differences. Bonner (2008) asserts that research to date on culture-related ability differences does not relate them to Hosftede's dimensions. The findings of Schramm (2001) confirm differences in intelligence and cognitive abilities between peoples of different nations. Comparing French and Danes, Schramm (2001) notes that the French analyse problems in a systematic way, evaluating all possible alternatives before making a conclusion, and even then, go back to cross check in order to confirm that all possible avenues have been considered. Danes, on the other hand are more practical, choosing to get quickly into action rather than get bogged down by detail. Because of this approach, Schramm (2001) reasons that Danes are better than the French when it comes to organisation and implementation. Further explaining the differences between the French and Danes, Schramm says that the French are more analytical, and rational, often juggling between being emotional and acting on impulse. The French go through this elaborate process, not only because they have to find perfect solutions to the identified problem but also because they sometimes have to defend the positions or decisions that they have taken. The Danes problem presentation relies on previous experience or established routines. To the Danes, emphasis is placed on finding realistic and practical solutions. As such they use 'sacrificing' and not 'optimising' approaches in relation to goals and therefore, utilise an inductive procedure. Compared to the

French therefore, Schramm (2001) reasons that the Danish decision making style is nearer to the "administrative man" model with its limited rationality and even to "muddling through" where the understanding of the problem at hand is limited to an approach similar to the prevailing one. Schramm (2001) attributes the French decision making style to three reasons. First, in France, customers do not necessarily accept standardised solutions; instead, they want to have their personal input into the final solution. Secondly, the education system in France encourages children to demonstrate intellectual capabilities. These capabilities constitute the very purpose of education and earn the student's prestige. Thirdly, at the work place, middle managers are often given the opportunity to compete with colleagues by demonstrating their intellectual prowess through proposing unique and individualised solutions. Such a situation is essentially a continuation of a lifelong competitive context that started in pre-school. However, in Denmark, Schramm (2001) explains that people are generally given a great amount of autonomy in decision making within their jurisdictions, and at the same time are expected to live up to a similar level of responsibility for actions taken. The Danes are judged primarily on two aspects: on cooperative abilities than on individual performance; and on results obtained rather than on brilliantly intelligent, but perhaps less workable ideas.

Schramm (2001) continues that in Denmark, there is greater interest in action learning, which starts with what people and decision makers, actually do, implying that pragmatic approaches seem to be more appealing to Danes than ideas. In the Danish educational institutions, pupils are not very much encouraged to demonstrate intellectualism and analytical abilities but rather more functionalism, pragmatism and understanding of coherence. Although, Schramm's (2001) study only compares two countries, and may not necessarily be representative of all other countries, at least he proves the point that some nations differ on overall intelligence and cognitive abilities, which may partly be explained by the nature and emphasis of the educational system that imparts knowledge and skills to the population, and also the work environment that nurtures those skills.

Perhaps to substantiate Schramm's findings, Bonner (2008) argues that one of the reasons why there may be differences is that certain cultures care very little about developing some of the abilities tested on standard intelligence tests. However, Sternberg (1996)'s examination of culture-related effects in creative and practical abilities shows fewer differences (Bonner, 2008). Citing a specific example from Eastern cultures, Bonner (2008) observes that people from there are less able to disembed figures from background, as is required from the embedded figures test.

According to Bonner (2008), people from different cultures may also differ as to intrinsic motives as well as their reactions to external motivators. Explaining further, she maintains that people in low power distance cultures may have greater instrinsic motives related to fairness. Furthermore, there appears to be differences across cultural groups in motives related to achievement and concern with reputation; however, these differences are not necessarily related to individualism. With regard to external motivators, Bonner (2008) notes that many accounting studies use Hofstede's

dimensions and find that people from different cultures differ from the motivation they feel from management control devices such as participatory budgeting and goals. Similarly, the motivation of people from both individualistic and collectivistic cultures operates through self-efficacy; however, self-efficacy concepts differ in line with cultural differences. Kirkman, Lowe and Gibson (2006) say collectivism is more associated with cooperation and increased receptiveness towards teams, while individualism increases conflict at the individual and group/organisation levels. According to them, this may help explain why team efforts often fail in highly individualistic countries such as the United States. In countries that are predominantly collectivist, there is increased preference and emergence of non-directive leadership such as charismatic, participative, and team-oriented styles. Indeed, collectivism is more likely to favour increased accountability as people feel their individual responsibility towards the team's success. Not surprisingly, Mustamil and Quaddus (2009) argue that a collectivist culture ensures that decisions do not harm others. However, they warn that a collectivist culture may actually lead to willingness to justify unethical behaviour in a bid to protect the interests of the group.

Bonner (2008) asserts that greater positive affect and lower negative affect are found in cultures with greater individualism; that differences also occur in overconfidence in knowledge among cultural groups and adds that Easterners, with the exception of Japanese, tend to be more overconfident than Westerners. However, recent occurances in Japan where citizens are increasingly questioning their leaders signifies that Japanese are after all becoming more bold and confident (Bergiel, E., Bergiel, B. and Upson, 2012). According to Bonner (2008), it is not clear which cultural dimensions may be related to overconfidence, there are also differences in risk attitudes across cultural groups. One specific finding is that people who are high in power distance appear to be less risk averse. This view is inconsistent with the perspective that initially, Japanese, who were reported to have a high power distance, tended to avoid risk while playing safe in most aspects of their lives. However, due to global trade, many Japanese are going out of their country, while many foreigners are also coming in to Japan. The result is increased adoption of risk seeking behaviour in order to cope with the demands of global trade. The opposite is true of the Americans, who initially were more risk taking. However, recent happenings such as the volatile stock markets, the credit crunch and terrorism, have created increased uncertainty that has led the American people to become more apprehensive of risk (Bergiel, E., Bergiel, B. and Upson, 2012). According to Bonner (2008), tolerance for ambiguity seems strongly related to the uncertainity avoidance dimension of culture. Because the world today is full of uncertainity, especially in business, where customer demands are ever changing, competitors are springing up surprises, the world is increasingly becoming intertwined through global business, while the political environment is more fluid and unpreditabe in many countries, people are generally beginning to accept and cope with uncertainity. People are thinking twice before making major decisions, while learning to spread risks in anticipation of unforeseeable occurances.

Bonner (2008) notes that perhaps what is most important is that people from different cultures differ in their knowledge, knowledge structures, and cognitive processes. This view was confirmed by Schramm's (2001) study which discussed the differences between the decision making processes of the French and the Danes. Bonner adds that people from different cultural groups categorise things differently and also differ in their need to categorise information. In particular, Bonner observes that people from Eastern collectivist cultures tend to group objects in terms of relationhips among them, whereas Western individualistic cultures tend to group objects on the basis of rules that are related to shared attributes.

Monga and John (2007) share Bonner's (2008) views and acknowledge that the manner in which Easterners think is different from that of the Western people. These authors explain that Easterners tend to think holistically and pay more attention to the context and how the elements relate to one another; while the Westerners think more analytically and pay more attention to dispositions. Bonner also adds that people from collectivistic cultures are less prone to overlook situational factors when attempting to understand the causes of outcomes. In addition, Bonner (2008) notes that Westerners are more likely to use logic in everyday reasoning, although it is not clear which cultural dimension accounts for this. The different cognitive styles could be traceable to the socialisation mechanisms employed in different parts of the world where from infancy, people are helped to derive meaning from their environments and to form views about the world.

As much as Bonner (2008) avoids discussing details about culture, she explains the cultural differences between countries although she does not give details about the causes of such differences. Similarly, most of her explanations revolve around the personal variables of JDM – intellegence, cognitive styles, knowledge structures and motivations – and did not say much regarding cultural influences on task and environmental variables. She hints on the environmental variable when she talked about risk and uncertainty avoidance dimensions of Hofstede. Although Bonner (2008) mentioned power distance and related it to only risk avoidance, it could also be argued that the framing of tasks in high power distance countries could take the form of directives geared towards fulfilling the goals of the higher authority. Similarly, the working environment in high power distance countries would be highly subdued with staff afraid of raising their concerns for fear of reprisal.

Suffice to say, since culture is very much associated with values, norms and beliefs, it is no surprise that much talk about culture revolves around the individual who lives in a certain country. It is no wonder therefore, that both Hofstede and other researchers have insisted having the indidvidual as the focal point of cultural studies (Kirkman, Lowe and Gibson, 2006; Chen and Li, 2005). What is conspicuously absent from Bonner's (2008) discussion of culture is the role of the Organisation (microlevel) in shaping culture especially at the individual level. Several authors (Podrug, 2011, Slater, S., Paliwoda and Slater, J., 2007; Robertson and Fadil, 1999; ) have emphasised how multi-national corporations have successfully shaped their organisation

cultures, and have applied the desired culture in all the countries where they operate. The organisation cultures have been shaped through staff training, storytelling, artefacts and symbols, values, and policies that all convey a consistent and distinct identity that sets apart the different corporations.

Jackson (2011) relates in detail how the colonial masters, through their home institutions, helped shape the current culture that is predominant especially in urban settings in Africa. Jackson (2001) also explains how the social and institutional arrangements work together to shape the culture in different countries. He highlights the role of the legal framework in shaping the behaviour of individuals through clearly defining what is acceptable and what is not in countries all over the world. Suffice to say, culture accounts for many of the personal variables, and hence, in explaining the elements that constitute personal variables, culture could be used to expound on why for instance, people have different cognitive styles, which could be attributed to dissimilar educational systems and socialisation mechanisms. People's knowledge content could be shaped by the emphasis of the education system in a particular country. For example, education systems that focus on analysis and intellectual prowess, like in France, would focus on accumulation of semantic (particularly declarative) knowledge involving mastery of concepts and principles. On the other hand, education systems, like those in Denmark, that focus on problem solving would emphasise procedural knowledge.

Culture could also be used to explain the knowledge retrieval processes. For example, the Westerners who reason using logic would retrieve knowledge based on its relatedness to the matter at hand, whereas the Easterners would have their knowledge categorised in scheme and hence retrieval processes would be according to relevant categories of knowledge. Similarly, culture could explain many task variables. In high power distance cultures, for example, the structure of the task would be more elaborate and would take the form of directives where the implementer would be required to follow the instructions precisely as they have been set. The reverse would happen in low power distance cultures where tasks would be framed in such a way that they promote dialogue and consultation between the supervisor and the subordinate. Collectivist cultures would promote teamwork, collective accountability and peer feedback, which all contribute towards a more motivating work environment. Individualistic cultures would promote increased competition, rivalry and focus on individual interest as opposed to that of the group. Whereas some cultures would be okay with the latter arrangement, a majority of people would prefer working in the former environment.

## The Role of National Culture in a Globalised Decision Making Environment

National 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 behaviour" (Podrug, 2011). However, this view is true to the extent that national culture has no external influences, which is not true as no one country is completely isolated from others and immune to

external influences (Jackson, 2011). In addition, Kirkman, Lowe and Gibson, 2006; Chen and Li, 2005; Gupta, 2012; Westerman, Beekun, Stedham and Yamamura, 2007) suggest that a better way of understanding culture is to trace it to the individual beliefs, values and perceptions and that each person's behaviour is dependent upon the context in which they find themselves, with each unique context requiring a different set of behaviour. National cultural values have influence on workplace behaviours, attitudes and other organisational outcomes (Kirkman, Lowe and Gibson, 2006). National culture has long been recognised as a key factor in explaining people's behaviour. Indeed, differences in national culture have been suggested as an important explanation of people's attitudes towards different countries. Aspects of national culture have been recognised in organisational behaviour to influence decisions such as: foreign investment; entry mode; research and development; as well as international consumer behaviour, including consumer innovativeness, impulsive buying and negotiation behaviour (Ng, Lee and Soutar, 2007).

#### **Differences in National Cultures**

Understanding cultural values of foreign cultures is particularly important as multi-national enterprises extend their operations around the globe (Slater, S., Paliwoda and Slater, J., 2007; Robertson and Fadil, 1999; Podrug, 2011). This is especially important because people tend to be much more uncomfortable when interacting with members of other cultures than when interacting with members of their own culture. Personal differences are often exaggerated and disagreements often occur when members of diverse cultures are confronted with interpersonal conflicts. Robertson and Fadil (1999) advise that a working knowledge of cultural and cognitive differences will not only enhance cross-cultural communication and interaction, but it will also provide individuals with a general guideline of proper or ethical behaviour in the specific countries where their Organisations are currently engaging in business activities. Identifying how different cultures think when developing and building corporate strategy, provides managers with greater insight as to how to develop affiliations a source of competitive advantage (Slater, S., Paliwoda and Slater, J., 2007).

Drawing attention to Hofstede's (1980) framework, Slater, S., Paliwoda and Slater, J. (2007) reason that because national culture exerts an effect on the behaviour of individuals, it influences the very way that business is conducted and in extension the way decisions are made. In an international business context, Podrug (2011) reasons that understanding the culture of target markets influences key company decisions such as structures, strategies and tactics. Podrug (2011) argues that many failures and difficulties in international markets are traceable mainly to cultural backgrounds rather than market conditions. Podrug's (2011) reasoning is based on the fact that strategies, structures and tactics that are successful in one market may not necessarily be successful or could even be completely inapplicable in another market, hence a need to adapt them to suit different cultural contexts. This argument makes sense because culture influences people's cognitive styles, their values and norms as well as their views about

other people (Ng, Lee and Soutar, 2007; Robertson and Fadil, 1999), which are all critical elements in crafting international strategy and designing its implementation mechanisms (Slater, S., Paliwoda and Slater, J., 2007). Podrug (2011) asserts that the decision making style is attached to the corresponding national culture, values and norms. Podrug further says that each step in the decision making process is influenced by culture. However, he also adds that apart from culture, the decision making style is also determined by individual characteristics of the decision maker as well as organisational variables. Furthermore, he identifies individual characteristics to include age, level of education, status; while organisational variables include ownership (government owned, private or mixed), type of industry, technology and organisational culture. The argument presented by Prodrug (2011) makes sense because although national culture influences managers' decision making styles, it is by no means the only variable. Individual characteristics of the decision maker that are influenced by their level of understanding, maturity and expertise play a major role in the decision making style of the manager. People who are older, more educated and with more experience, tend to make better quality judgements and decisions than those who are short in these areas. Similarly, the type of Organisation influences the decision making style of the manager. For example, decision making in government owned institutions is influenced by beraucratic tendencies and the need to follow protocol, due process; while decision making in private Organisations is influenced by the prevailing organisational culture that could either promote autocracy, participatory decision making or even the likelihood of fraud.

Ng, Lee and Soutar (2007) suggest that cultural distance negatively influences imports and exports between countries. These authors observe that cultural distance was a significant indicator of bilateral trade in the Pacific Basin. Sharing a similar culture not only led people in different countries to consume similar goods, but also reduced the cost of doing business. Countries that shared a common language traded much more, than countries speaking different languages. Further, similarities in cultural and belief systems were likely to foster positive country of origin images, thus increasing trade. In short, there could be a negative relationship between cultural distance and trade volume. As much as a short cultural distance eases communications and relationships between countries, trade relationships these days are more about strategic partnerships, in other words, what is the mutual benefit in trading with another country? Many countries now prefer reciprocal relationships rather than one sided dealings. Westerman, Beekun, Stedham and Yamamura (2007) note that national culture is primarily responsible for determining one's identity and social referents. Their view is that the strength of the identity relationship that exists between individuals and their national cultural communities makes it difficult for individuals to integrate into other cultures. They further argue that people attach themselves to their national identity, which then becomes the prime factor for their identification, and transcends any other form of identity. Because of this national identity, the work and accomplishments of people take on a national character. This factor is common, for example, in sports

activities where people identify themselves through their nationalities and feel obligated to promote the success of their countries. In business, it is common practice for people to refer to the ways in which they do things "at home" as a justification of their behaviour. In international trade, "country of origin" is often a key deciding factor for choice of goods and services coming from abroad as some countries have a reputation for 'excellence' (for example Germany and Japan) and therefore, people who come from such countries feel proud to be associated as such. However, with the advent of criminal acts such as terrorism, identifying oneself as being from particular countries may not be always fashionable as one could be targeted as a result.

As much as national culture presents a strong self-identity, Westerman, Beekun, Stedham and Yamamura (2007) reason that strong organisational cultures can be developed through socialisation and ethical training to have a stronger influence on ethical decision-making. They reason that additional avenues that companies can use include: open discussions on ethical issues; establishing ethical codes of conduct; nurturing organisational stories about what is acceptable and what is not; and promoting strong organisational belonging through visible rewards and recognition mechanisms.

In essence, doing this promotes decision-making that is lead more by the company's culture and identify much more than the national culture (Podrug, 2011). This kind of organisational culture or 'ethos' can be implemented consistently in different countries where the company operates and can act as a strong binding force between members associated with a particular company. Multi-national corporations develop that kind of distinct identity, that is informed by a unique value system, which influences not only decision-making but also overall organisational behaviour and all staff finds it easier to adopt it than would be the case if they were told to adopt a particular national culture.

## The Value of Hofstede's Approach to Understanding Cultural Differences

Hofstede's (1980) study was based on over 88,000 IBM employees from 72 countries (reduced to 40 countries that had more than 50 responses each) in 20 languages between 1967 and 1969 and again between 1971 and 1973. He later expanded the database with 10 additional countries and three regions - Arab countries and East and West Africa. To further validate his findings, Hofstede in 1983, replicated and extended his study to include a total of 50 nations, finding the same dimensions. In a more comprehensive review of published articles using his cultural dimensions, Hofstede in 2001 noted 140 non-IBM data studies that validated his cultural indexes (Kirkman, Lowe and Gibson, 2006). Hofstede's (1980) research confirms that decisions on how to expand internationally are influenced by how far different participating countries are from each other on cultural value (country) scores (Kirkman, Lowe and Gibson, 2006). More generally, values are related to the aggregate management practices and beliefs of nations. This confirms that the fit between national culture and management practices demonstrates that being culturally sensitive pays (that is to say, with higher returns on assets, sales, and higher bonuses).

Kirkman, Lowe and Gibson (2006) confirm that collectivism was negatively related to reward differential in Hong Kong but not in the U.S. In Mexico, collectivism was positively correlated with collaboration (and not avoidance), whereas in the U.S. collectivism was positively correlated with avoidance (and not collaboration). While individualism was found to be negatively related to agreeableness and conscientiousness in the U.S., it was not the case in the Philippines. As there is likely to be within-country variation on all of the cultural values, there may be compelling theoretical reasons why relationships between cultural values and outcomes differ depending on country. For example, Kirkman, Lowe and Gibson (2006) reason that the effects of cultural values on employee resistance to self-management and teams would be stronger in the U.S. than in the Philippines. The authors reason that employees would be less likely to resist company initiatives in countries with certain value constellations such as those high in collectivism (in which conformity norms would be high) and power distance (in which employees would likely follow managerial directives without question).

## Criticisms on Hofstede's Approach

As much as the foregoing discussion confirms truism in Hofstede's findings, Ng, Lee and Soutar (2007) argue that Hofstede's dimensions to compute cultural distance scores have not always found significant or expected relationships with variables of interest. Shenkar (2001) reviews the influence of cultural distance on Joint Venture (JV) performance, and notes inconsistent empirical results. Indeed, JVs with culturally distant foreign partners were more likely to fail, while others reported the reverse. Similarly, Elango (2003) did not find the predicted relationship between cultural distance and U.S. reinsurance operations. In addition, Kim (2003) finds that a socio-cultural index predicted internet firms' internationalisation processes better than cultural distance scores, probably because the internet may provide a much more culturally neutral basis for competition and therefore reduce the influence of culture. As such, it may be argued that cultural distance scores condense culture into a form that may be overly parsimonious. Not surprising that Hofstede's dimensions, on which most cultural distance scores are based, have been criticised as out of date and too condensed to capture culture (McSweeney, 2002).

Kirkman, Lowe and Gibson (2006) warn, however, that the substantiation of cross-level similarities is actually quite rare in the Hofstede-inspired research, not necessarily because they do not exist but because researchers seldom use a cross-level approach in a single study. Consistent with this view, Chen and Li (2005) note that most studies do not analyse effects separately by country because researchers are interested primarily in how cultural values (not country) relate to outcome variables. They explain that when researchers find different relationships by country, they tend to use post hoc rationalisations rather than theory to explain the differences.

Based on a study of Croatia, Hungary and Slovenia, Podrug (2011) identifies many similarities and differences in value orientation and decision-making styles. Podrug finds this extremely intriguing, because these countries faced similar political and economic contexts for many decades. There are a number of implications on the

conclusion of this study. First, countries may not necessary be distinct or similar in terms of culture even though they may share a common background with other countries, and hence, using nations as a basis of determining cultural differences may not necessarily yield desired results. Secondly, it may be necessary to examine the influence of ethnic groupings in determining culture dimensions. This argument could be valid because many countries have different ethnic groups, which are quite distinct in terms of culture, therefore, within a country there could be different cultural typologies. Thirdly, it may be prudent to examine individual influences on decision making, since each person presents with different age, experiences, level of understanding, educational level, maturity, and other factors, which all influence individual values and norms. Fourthly, because of Western influence through the media, technology, entertainment, sports, trade, movement of people, among others, it would be prudent to conclude that no one country would boast a distinctively consistent culture.

Hence, it would be advisable to examine cultural evolution or transition over time rather than considering it as a static phenomenon. In many areas, Hofstede-inspired research is disjointed and relies mostly on certain levels of analysis and direction of effects (Kirkman, Lowe and Gibson, 2006). In addition, research in organisational contexts seldom makes reference to non-organisational settings (Oyserman, Coon and Kemmelmeier, 2002). This lack of synergy has not helped in understanding culture in multiple settings. As much as 20 years have passed since Culture's Consequences were published, a lot still needs to be done to synchronise the many studies that have been carried out. Not surprising, therefore that Kirkman, Lowe and Gibson (2006) conclude that more research has been done to learn from Hofstede's research instead of questioning what his framework does not say. Hofstede's work has been widely criticised (by authors such as Kirkman, Lowe and Gibson, 2006; Ng, Lee and Soutar, 2007; Chen and Li, 2005 and Gupta, 2012) especially on aspects such as: limited sample (only IBM staff); reducing culture into just a few dimensions; standardising culture into distinct characteristics that do not change over time; and failing to draw a distinction between business and social contexts, among others. Because of these arguments that one would consider valid, it would be difficult to adopt Hofstede's model as the only approach to analysing culture.

## Making Sense of Criticisms on Hofstede's Research

As much as Hofstede's (1980) framework has been widely criticised, there appears to be no viable alternative yet for cultural assessment (Gupta, 2012). Ng, Lee and Soutar (2007) admit that determining the influence of culture on behaviour is not easy, as culture is a complex and broad construct that is difficult to accurately measure. To enable culture to be studied, measured and applied, Ng, Lee and Soutar (2007) explain that researchers have opted to use cultural indices or individual level self-reports. Such indices are then converted into cultural distance scores that help establish the differences and similarities between countries. Cultural scores are calculated based on any of the following methods: cultural index; self-rating scales; nine cultural clusters; and linguistic-

based measure of cultural distance. These approaches not only incorporate Hofstede's cultural dimensions, but they also provide a wider spectrum that facilitates a much more comprehensive measurement of culture, especially if more than one method is used. Similarly, Kirkman, Lowe and Gibson (2006) add that most researchers focused exclusively on individualism—collectivism at the individual level of analysis. Robertson and Fadil (1999) agree with this view and add that this could be because there has been significant empirical and theoretical support for this dimension. Consequently, the implications and conclusions drawn from such research are based on only a small aspect of Hofstede inspired research (Kirkman, Lowe and Gibson, 2006). This perspective implies that other cultural dimensions of Hofstede have not been given adequate attention, which means that the overall contribution of Hofstede has not been beneficial enough to guide a more comprehensive understanding of cultural differences between nations. Even after reviewing hundreds of studies published since his original book appeared in 1980, Hofstede still ignores everything but the culture level comparisons, thus missing an opportunity to draw conclusions across levels.

Hofstede (1980) also insists on applying the framework to the individual level (Kirkman, Lowe and Gibson, 2006). Consistent with Hofstede's (1980) view, Chen and Li (2005) also emphasise the importance of understanding people at the individual level because individuals from the same country may have different cultural values. According to Chen and Li (2005), it is the individual-level values that directly influence one's tendency to cooperate with others, not where the individual comes from. Hence, at the individual level, people can be induced to cooperate with others. For this reason, Chen and Li (2005) conclude that in order to get maximum benefit from business and cultural exchanges between nations and individuals, people need to be aware of both cultural and individual differences, and that predictions based on stereotypes can be seriously misleading.

Gupta (2012) notes that arguments against Hofstede's research are not about the existence of cultural dimensions. Rather, these criticisms focused upon: the representativeness of the sample; the validity of the claims made by Hofstede (1980) concerning the application of the dimensions; and the ethnocentrism of the items used to measure the dimensions. A key issue identified was the recognition of the weakness of the items' ability to serve as a set of measures for the dimensions identified. Gupta (2012) says that Hofstede himself admitted that "obviously, these items from the IBM questionnaire did not totally cover the distinction between [the four identified dimensions] ...in society. They only represent the issues in the IBM research that relate to this distinction,". Therefore, if Hofstede himself concedes to exceptions in his research, critics are right to raise limitations in his findings and conclusions.

Chen and Li (2005) disagree with the standard manifestation of culture. Using the idea of value trumping, they argue that in a specific context, certain cultural values take precedence over others. Thus, as many values and norms exist simultaneously in an individual's mind, the context in which he or she is involved is likely to activate a specific set of values and norms. For example, the mixed-motive business context

might be more likely to activate the individual's awareness of competition and make the competitive value salient. Gupta (2012) agrees that indeed the manifestation of culture is context specific. She argues that individuals exposed to a variety of cultural contexts throughout their life must adjust their behaviour to these contexts in order to successfully negotiate a given environment. Any individual will negotiate a variety of environmental contexts and do so based upon his or her own personal value structure, yet may express different behaviours given the same stimulus in differing cultural contexts.

Despite all the criticism of Hofstede's research, the five-dimension framework is still favoured by researchers because of its clarity, parsimony, and resonance with managers (Kirkman, Lowe and Gibson, 2006). Kirkman, Lowe and Gibson (2006) confirm that research carried out between 1980 to 2002 has sustained and amplified Hofstede's conclusions rather than contradicted them. These authors further note that researchers have used Hofstede's framework successfully to select countries that are culturally different in order to increase variance, and that most country differences predicted by Hofstede were supported. Thus, overall, Hofstede's values are clearly relevant for additional cross-cultural research. Gupta (2012) argues that despite the problems associated with their use, Hofstede's measures continue not only to be used, but also to dominate the literature because a viable alternative is yet to be developed. Jackson (2011) adds that the seminal contribution of Hofstede was to critique the universal nature of Western management and organizational principles and practices. However, Jackson (2011) regrets that much of the critique of Hofstede's contribution has not led to any significant new direction.

Ng, Lee and Soutar (2007) argue that it would be hasty to dismiss the use of cultural distance scores as they have been found to be useful in many instances. For instance, expected and significant relationships were found between cultural distance scores and an Organisation's direct foreign investment approach, a subsidiary's attachment to its parent company, and an Organisation's foreign acquisition performance. Ng, Lee and Soutar (2007) concede that there may be specific contexts in which cultural distance scores based on Hofstede's dimensions are appropriate and other contexts in which other forms of cultural distance may be more appropriate. As such, it is worth examining alternative ways to operationalise culture.

Whatever criticism has been labelled against Hofstede's culture dimensions, one thing for sure is that Hofstede opened the eyes of the world to the fact that culture manifests itself in different forms and that indeed cultures differ from country to country and that these differences called for a different management approach in each cultural context. It has also been proven that there are countries where people predominantly act as individuals (such as U.S. and France) and others where people act collectively (such as Japan and China). It is also true there are countries where people accept their place in society with due regard to authority and status (such as Japan) and others where the gap between those in authority and the populace is small (such as U.S. and Sweden). It has also been proved that some people are generally more risk taking than others who are a little conservative. However, when it comes to specific contexts,

this is where people tend to disagree with Hofstede, because the generalisations do not necessarily apply. Therefore, both the critics and Hofstede will have their place in research history.

## How to Address Weaknesses of Hofstede's Research

In order to ameliorate the weaknesses of the Hofstede framework, Ng, Lee and Soutar (2007) point to Schwartz's cultural values framework as an alternative for calculating cultural distance. Schwartz (1999) suggested seven cultural domains based on universal human value types. Schwartz's seven values include: (1) Conservatism - a society that emphasises close-knit harmonious relations, the maintenance of status-quo and avoids actions that disturb traditional order; (2) Intellectual autonomy - a society that recognises individuals as autonomous entities who are entitled to pursue their own intellectual interests and desires; (3) Affective autonomy - a society that recognises individuals as autonomous entities who are entitled to pursue their stimulation and hedonism interests and desires; (4) Hierarchy - a society that emphasises the legitimacy of hierarchical roles and resource allocation; (5) Mastery - a society that emphasises active mastery of the social environment and individual's rights to get ahead of other people; (6) Egalitarian commitment - a society that emphasises the transcendence of selfless interests; (7) Harmony - a society that emphasises harmony with nature. Schwartz (1999) summarises the seven culture level value types into three dimensions, namely: (1) Embeddedness versus autonomy; (2) Hierarchy versus egalitarianism; and (3) Mastery versus harmony.

As much as Schwartz's framework bears similarities with Hofstede's, Ng, Lee and Soutar (2007) argue that Schwartz's value dimensions offer several potential advantages compared to Hofstede's dimensions. First, Schwartz's values are theoretically derived while those of Hofstede are empirically derived. This means that Schwartz based his study on what is generally tested and acceptable regarding human behaviour, while Hofstede's study was based on direct and indirect observation of how people behave. However, Ng, Lee and Soutar (2007) add that both Schwartz and Hofstede later reviewed their frameworks empirically using large-scale multi-country samples. They both came to the conclusion that there were greater differences between countries than within countries. This confirms that both frameworks could be used to make comparisons between countries.

The second difference between the two frameworks is that Schwartz used more recent data (between 1988 and 1992) compared to Hofstede (between 1967 and 1969 and again between 1971 and 1973), which would mean that Schwartz's findings and conclusions are almost contemporary compared to Hofstede's which could be out of date, despite the fact that Hofstede replicated and extended his study in 1983 to include a total of 50 nations, and found the same dimensions. It is important to note, however, that Hofstede collected his data from people who were actually engaged in business (IBM staff) compared to Schwartz's which was collected from students and teachers. It could be argued therefore, that Hofstede's framework is

more relevant from a business perspective while Schwartz's framework is more applicable in a societal sense (Gupta, 2012). In addition, Jackson (2001) argues that Schwartz's egalitarian dimension might be more appropriate in explaining the ethical attributions in countries classified as more individualist, much more than Hofstede's individualism dimension. The egalitarian dimension explains how people within a society consider the interests of others and how they coordinate with them. An egalitarian society emphasises the superiority of selfless interest to promote the welfare of others, which results into harmonious living in society. This particular angle is not emphasised in Hofstede's dimensions. The hierarchy dimension of Schwartz is also different from the power distance dimension of Hofstede. Under the power distance dimension, people accept inequality among individuals within Organisations. However, in the hierarchy dimension, society emphasises the *legitimacy* of unequal distribution of power, roles and resources. People may choose to accept a situation because they cannot change it and probably they feel the status quo is better, however, when inequality is legitimised, it means that each person accepts their role and position in society and respect those who 'have more given unto them' as deserving.

Trying to apply Schwartz's framework to a business situation, Ng, Lee and Soutar (2007) reason that dimensions such as egalitarianism will influence marketing activities. For instance, products with harmful side effects to society (e.g. cigarettes) may be restricted in countries high on egalitarianism (such as United States, the European Union, China, and India), while products that promote preservation and harmony with nature (e.g. bicycles) may be more strongly encouraged by countries high on harmony (for example, the Scandinavian countries: Sweden, Denmark, and Norway).

Both Hofstede and Schwartz's frameworks could well be obsolete according to some researchers (Gupta, 2012; Ng, Lee and Soutar, 2007; Chen and Li, 2005). Their reasoning is that the data sets were collected decades ago and may well have been overtaken by modernisation in countries that were surveyed, which could have shifted cultural values. Ng, Lee and Soutar (2007) and Chen and Li (2005) argue that modernisation has several influences on culture. For example, modernisation increases individualism values probably because modernisation has overemphasised individual welfare, sometimes at the expense of others. Modern communication also results in cultural diffusion via films and television, and other factors such as tourism and commerce also facilitate cultural transmission. A case in point is the Chinese culture, which hitherto was more collective but has recently become more individualistic, after two decades of the 'open and reform' policy and its increasing economic development.

Consequently, the effects of modernisation on culture confirm that cultures indeed evolve and change, especially under the influence of changing economic conditions. This proposition is, however, contentious because Inglehart (2008) provides strong evidence that while cultures do evolve over time, the set of cultures are moving together in a similar direction and that over the 36 years between measurement, the paths of the cultures in question never crossed. Inglehart (2008) used data from the three waves of World Value Surveys, which included 65 societies and 75 per cent of

the world's population. The key finding was that there was evidence of both massive cultural change and the persistence of distinctive cultural traditions, and therefore, Inglehart (2008) concludes that it was highly unlikely that a homogenised world culture will be seen in the foreseeable future. This is because it seems that each culture will take its own unique path forward, depending upon a variety of economic and sociopolitical pressures experienced.

Jackson (2011), on the other hand reasons that the proponents of cultural convergence or divergence, do not appear to consider the process that goes on during cross-cultural interactions. Rather than trying to identify the nature of a cultural entity, such as a country, it would seem more legitimate to discover the nature of intercultural interactions at different levels of analysis, and their consequences. As such, Jackson (2011) points to a third perspective – cultural crossvergence – that suggests that culture and industrialisation will interact to produce a new value system, such as in the case of Hong Kong. Hong Kong represents a complex interface of Western and Chinese culture, business practices and management processes.

From this perspective, Jackson (2011) argues that the crossvergence theory may well be the key to understanding culture, not as a product or characteristic of a separate cultural entity such as a nation, but as an interface between or among different cultural influences – between attitudes, beliefs and values, and institutions as cultural manifestations; and within relationships containing power dynamics. Jackson (2011) reasons that the interfacing happens at three levels: macro level of geopolitical dynamics; meso level of inter-organisational interactions; and micro level of interpersonal interactions. These different levels further interact to produce diverse hybrid social forms of organisation, and multiple forms of individual cultural identity.

### **CONCLUSION**

This work explores the effects of culture on judgement and decision making. In particular, the paper reviews different perspectives on culture especially how it affects the behaviour of people both as individuals and as nationals originating from different countries. The last part of the work looks at the role of national culture in the global decision making environment and also includes an evaluation of Hofstede's cultural framework, drawing attention to its usefulness and criticisms, and suggests some areas for further research. The study is of a descriptive nature and adopts a meta-synthesis methodology (Cronin, Ryan and Coughlan, 2008) to glean and integrate pertinent insights around the issues of culture and decision making and makes recommendations into key issues that merit further research.

This study has demonstrated that culture has a significant influence on people's JDM. Culture influences not only the way people act, but also how they think, how they formulate views about others and the world, but most importantly, how they evaluate and choose between different alternatives. This understanding is invaluable especially for people and Organisations that have cross-border dealings. The study

has also discussed how culture is formulated through socialisation mechanisms as children grow up, the focus and emphasis of the education systems as well as the institutional arrangements that define what is generally accepted as right and wrong in a given society. In this work, it has also been discussed that most discussions on culture have largely dwelt on the individual, and not much on Organisations and institutions that play a role of shaping culture in society. What has emerged, however, is that culture does not mean the same thing to different people. For some, culture is viewed from a societal perspective, while for others, it is institutional. Still for some, it portrays a distinct identify for societies and especially nations. For others, it is transient in nature and has been adulterated through interactions between peoples of different nations, and as such may eventually lead to some form of global convergence.

There was a discussion of Hofstede's cultural framework, where it was generally agreed that he helped the world to understand that cultural differences indeed occur between countries and that these differences must be taken into account while developing suitable management systems and styles. Many have criticised Hofstede's cultural typology, however, few have offered viable alternatives to understanding culture, beyond confirming or disagreeing with his dimensions. The contentious positions on culture confirm that lacunas still exist in cultural research. Similarly, research is also required to confirm the actual context(s) where specific cultural dimensions are more relevant than others. In addition, much of cultural research has revolved around validating Hofstede's cultural dimensions, especially the individualism-collectivism construct. No other research has found completely new dimensions of culture other than variants of Hofstede's dimensions, although there is agreement that culture is much more complex than what Hofstede portrayed. Lastly, as much as modernisation and economic development have been found to have significant influence on culture, exactly, how this happens is not clear. Probably what is required, is a completely new paradigm in understanding and studying culture, beyond the existing frameworks and dimensions.

Not all is lost after all, despite the contentions on culture. It is clear that there are cultural differences across the world. It is also clear that these cultural differences affect trade and socialisation between people of different countries. It is also true that companies operating in different parts of the world have been able to successfully design and implement both multi-cultural strategies and those that respond to specific cultures. It seems that the way forward is not to study culture as a single entity, but rather to consider its influences in specific contexts. Companies that would like to gain entry to specific countries would do well to study the cultures in those countries with specific reference to their product and service offerings as well as their *modus operandi* and then design strategies that respond to the findings.

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