



SH Aidul Kazi

Managerial Decision-Making Behavior and Impact of Culture

Experience from three Countries:
India, Bangladesh and Finland



ACADEMIC DISSERTATION

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I wish to dedicate this work to the memory of:

My father Kazi Abdul Jabbar, who dedicated his life to empowering others through education.

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Irjala, November 2009

Shaidul Kazi

Foreword

Travelling is an interesting thing. It is even more interesting when you travel to foreign lands because it acquaints you with new cultures. Acquaintance with new cultures changes your attitude and thought process or at least adds new ideas to your existing knowledge/interest base. Acquaintance with new cultures may yield positive or negative feelings in you about the cultures, or may encourage you to study the cultures further.

As a Bangladeshi, after India, Finland was the second foreign land which I visited. When I arrived in Finland on August 29, 1991, it was not just for a short visit; it was meant as a long-term stay as I had come to pursue my education at the University of Tampere. Because of huge cultural gaps between Bangladesh and Finland, my early days in Finland were full of negative feelings and experiences about Finland and Finnish culture. In order to cope with the negative feeling and experiences, I became interested to study culture in general and Finnish culture in particular, as well as the impact of culture in management. The interest has become even more intense since I began teaching at TAMK/University of Applied Sciences in January, 1999. TAMK/University of Applied Sciences has paved a way for me to meet people from different cultures and teach courses to multicultural groups made up of participants from different continents. My interest to study culture has led me to embark on the current study.

After being so many years in Finland and through huge multicultural interactions one thing I have firmly understood is that “one cannot gain anything from a foreign/host/new culture through a hostile attitude to it, but gains are hidden in strong curiosity and efforts to know and study the culture.” Not less important is the desire to cope with it. My strong curiosity and strenuous efforts to know the Finnish culture and a desire to cope with it have made me very comfortable with Finnish culture today. For a foreigner, the Finnish culture and environment are both “very hard” and difficult to get into, but once you do get in, you feel very “soft and comfortable.” Your efforts have to be made on two fronts simultaneously; getting adjusted to the Finnish culture and getting adjusted to the Finnish natural environment.

I personally firmly believe that culture is a strong determinant factor that influences human behavior in general and particularly managers' behavior in making decisions. Consequently, my principal effort in this work has been to analyze and expose the dimensions of those influences from managerial points of view. On the subordinate participation issue which has been the main focus of the current study, wide variability in practice was found in the sample companies in the case countries. I consider this variability to be rooted in the different cultures - at family, national, and organizational level - in the case countries; ("*different*" in the sense that culture in one country is different from culture in another one).

International businesspeople - I suggest that whenever you go to do business in a foreign country, first master the cultural practices of that country. As one Indian manager says:

(q1) Indian culture is different from European culture. Whatever decision you want to take it should be made based on local perspective (India, table 3, manager no. 2, date of interview 27.10.2005).

I suggest you start from the root or family culture, then focus on the national culture; as the last step turn your attention to organizational culture. In this study, I have tried to expose cultural practices mainly at two levels - national and organizational - of the three case countries and how these practices influence managers in ensuring subordinate participation in decision-making processes. I will consider my effort worthwhile if the study assists you in understanding the general decision-making environment in the case countries, and particularly the decision-making environment in medium-sized companies in the industrial fields of electronics, electrical goods, and textiles.

Shaidul Kazi.

Abstract

In recent decades internationalization has forced more and more companies to expand their business operations across national boundaries. The trend has led firms to face different and unknown cultures. In international business, business success is strongly contingent, among other factors, on how business executives manage a new and unknown culture. Therefore, understanding other cultures and how those cultures influence business activities is indispensable for international operations and making appropriate business decisions.

The current study is about managerial decision-making behavior and how the process is influenced by culture. Culture is one factor among many others which is active in shaping and reshaping the ongoing decision-making process and style. As the core issue of analysis, the study analyzes on a comparative basis the participation issue in the managerial decision-making process. The participation issue has been analyzed from the managerial point of view; it examines how managers ensure subordinate participation in the decision-making process.

Empirical information on subordinate participation in managerial decision-making has been collected from twelve middle-sized and three large companies in three countries: Finland, India, and Bangladesh. The industrial sectors represented are the textile sector and the electronics and electrical sector. Personal interviews were conducted with forty-six middle- and higher level managers in the companies concerned. Although the interviews were based on an open-ended standardized questionnaire, certain issues were discussed with interviewees beyond the questionnaire.

In an organization, managers make different types of decisions on different occasions at different levels in order to run their organizational activities successfully. The current study has analyzed subordinate participation in three organizational decision-making areas; organizational strategy formulation, organizational change and personnel policy. The study provides a review of different organizational theories beginning from classical theory, and examines their impacts on managerial functions, including decision making activities. Later, a link is made between decision-making and culture, showing in particular how and why

culture - national and organizational - has become an approach for studying organizational decision-making.

Different models of decision-making, including the rational model, have been discussed elaborately, in order to expose how organizational decisions are made in reality. Also, conclusions have been drawn about how culture influences decision-making style. As the core issue of study is subordinate participation in the decision-making process, alternative methods of participation has been discussed. Through empirical study, participation methods/styles used by managers for ensuring subordinate participation in each case country have been discussed. Moreover, a number of probable explanations have been presented for why managers adopt a particular participation method in preference to others.

Keywords: Internationalization, Culture, Decision-making, Participation, Strategy, Organizational change and Personnel policy.

Tiivistelmä

Viime vuosikymmeninä kansainvälistyminen on pakottanut yhä useamman yrityksen laajentamaan liiketoimintoja yli kansallisten rajojen. Tämä suuntaus on johtanut siihen, että yritykset kohtaavat erilaisia ja tuntemattomia kulttuureja. Yrityksen menestyminen kansainvälisessä liiketoiminnassa on vahvasti riippuvainen, monien muiden tekijöiden lisäksi siitä, miten yritysjohtajat hallitsevat uutta ja tuntematonta kulttuuria. Jotta voitaisiin tehdä tarkoituksenmukaisia liiketoimintapäätöksiä kansainvälisessä liiketoiminnassa, on välttämätöntä ymmärtää toisia kulttuureita ja sitä, miten nämä kulttuurit vaikuttavat liiketoimintoihin.

Kyseessä oleva tutkimus käsittelee liikkeenjohdon päätöksentekoa ja kulttuurin vaikutusta tähän prosessiin. Kulttuuri on monien muiden tekijöiden ohella se, joka vaikuttaa meneillään olevan päätöksentekoprosessin luomiseen ja uudelleen muotoiluun. Analyysin keskeisenä asiana tutkimus erittelee vertailevin lähtökohdin osallistumisen ydintä liikkeenjohdon päätöksentekoprosessissa. Osallistumisen merkitystä on analysoitu liikkeenjohdon näkökulmasta; tutkimalla miten yritysjohtajat varmistavat alaisten osallistumista päätöksentekoon.

Empiirinen tietämys alaisten osallistumisesta liikkeenjohdon päätöksentekoon on koottu 12 keskikokoisesta ja kolmesta suuresta yrityksestä kolmesta eri maasta; Suomesta, Intiasta ja Bangladeshista. Tutkimuksessa esitetyt teollisuuden alat ovat tekstiili, elektroniikka ja sähköinen toimiala. Henkilökohtaiset haastattelut on toteutettu mainittujen toimialojen 46 keski- ja korkean liikkeenjohdon henkilölle. Vaikka haastattelut perustuvat avoimeen standardoituun kyselyyn, tiettyjä seikkoja on käsitelty haastateltujen kanssa kyselyn ulkopuolella.

Yritysjohtajat tekevät organisaatioissa erityyppisiä päätöksiä erilaisissa tilanteissa eri tavoin voidakseen suorittaa organisatoriset toimintonsa menestyksellisesti. Tämä tutkimus on analysoinut alaisten osallistumista kolmella organisatorisella tasolla: organisaatiostrategian formulointi, organisaatiomuutos, ja henkilöstöpolitiikka. Tutkimus luo katsauksen eri organisaatioteorioista lahtien klassisesta teoriasta, ja tutkii niiden vaikutuksia liikkeenjohdon toimintoihin sisältäen päätöksentekoaktiviteetit. Tutkimuksen jälkimmäisessä osassa päätöksenteon ja kulttuurin välille muodostetaan linkki, mikä erityisesti osoittaa

miten ja miksi kulttuuri - kansallinen ja organisatorinen - on muodostunut lähestymistavaksi tutkittaessa organisatorista päätöksentekoa.

Tutkimuksessa käsitellään yksityiskohtaisesti erilaiset päätöksentekomallit, rationaalinen malli mukaan luettuna, jotta voidaan osoittaa kuinka organisatoriset päätökset todellisuudessa tehdään. Johtopäätöksiä on tehty myös siitä miten kulttuuri vaikuttaa päätöksentekotapaan. Tutkimuksen keskeinen elementti on alaisten osallistuminen päätöksentekoprosessiin. Myös vaihtoehtoisia osallistumisen menetelmiä on käsitelty. Empiirisessä tutkimuksessa on käsitelty kussakin esimerkkimaassa liikkeenjohtajien käyttämiä osallistumisen menetelmiä, joilla on pyritty varmistamaan alaisten osallistuminen. Lisäksi on tuotu esille joukko todennäköisiä selityksiä sille miksi johtajat soveltavat tiettyä, muihin metodeihin verrattuna parempana pitämäänsä osallistumisen menetelmää.

Avainsanat: kansainvälistyminen, kulttuuri, päätöksenteko, osallistuminen, strategia, organisaatiomuutos ja henkilöstöpolitiikka.

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1. Prologue

The French are likely to be more comfortable with rational problem solving; the Japanese will feel freer to work simultaneously at several phases in the decision process. Mexicans are likely to put more efforts into the planning stage and less into the execution and implementation of the plans; North Americans will be more prone to rush to favorite solutions and implementation of them (Bass, 1996: 160).

Managerial decision-making style thus varies across cultures. The current study is about managerial decision-making behavior and how the process is influenced by culture. A general consensus will be drawn in this study that organizational culture, which is the principal determinant¹ of decision-making style² in any organization, is the offspring of national culture,³ and thus organizational culture is closely linked to its national culture. As a result, in multicultural companies one may notice the exposure of different cultures, reflecting the national cultural backgrounds of the members. In decision-making, culture is one factor among many others which is active in shaping and reshaping the ongoing process and the eventual decision. Consequently, in the very beginning, it may be mentioned that limiting the study of managerial decision-making behavior of a country to its culture alone is unwise, but to analyze a country's managerial decision-making behavior without the reference to its culture is equally

¹ In this study culture is being considered as the principal determinant factor of decision-making style. However, the study does not disregard the influence of other factors upon decision-making style. Figure 1 shows how different factors influence in pursuing a particular decision-making style by managers.

² By decision-making style I mean the five theoretical styles (Autocratic, Pseudo-consultative, Consultative, Participative, and Delegatory) which I have used for analysing power-sharing or participation in decision-making processes in the case countries.

³ National and organizational culture formation processes are different. However, the culture of a particular organization is heavily influenced by its national culture. The reason is that organizational culture originates in the general/national culture, the nature of the business, and the beliefs and values of the founder and/or early dominant leader(s). Apart from these soft factors, institutional issues like national and international laws and rules may influence the organizational culture formation process, for instance, employee rights, affirmative action programs, employee safety regulations, rules regarding business formation, and environmental sensitivity regulations. The current study considers national culture as the principal determinant of organizational culture.

unwise, although that is what many decision-makers and scholars want to do. Can we disregard the importance of culture in decision-making processes even if culture, or at least the approaches to studying culture, is still a somewhat controversial issue in organizational study? Without any doubt, the answer must be no. There is strong controversy and variance over the definition of the term culture, what factors should be included in cultural studies and what should be excluded, as well as the best approach to studying culture⁴. These issues and the scope of culture will be discussed later in this study.

However, the amount of literature coming out and scholarly discourse taking place clearly indicate that culture is an important determining factor, which influences managerial decision-making behavior now, and will continue to do so in the future as well.⁵ In recent years, the pace of globalization has flattened the world dramatically due to new inventions in the field of information and communication technology, the end of the Cold War in the early 1990s, and the proliferation of international trade through the activities of multinational corporations⁶ as well as trade specialization based on comparative advantage.⁷ The flattening process has brought substantial convergence to the practices that have been adopted by organizations, but divergence in behavior among the members of organization has remained very strong because of differences in cultural background. Therefore, in post-modern multicultural organizations, there is a common trend towards implementing modern practices and installing the latest tools

⁴ There are three dominant approaches in studying culture i.e., integration, differentiation, and fragmentation. These approaches drastically differ from each other in the way they figure out culture.

⁵ See for instance, Drenth, Koopman and Wilpert (1996) 'Organizational decision-making in a changing environment: Introduction and overview,' in *ibid* (eds) *Organizational decision-making under different economic and political conditions*. Amsterdam: Koninklijke Nederlandse Akademie van Wetenschappen.

⁶ A multinational corporation (MNC) is a company which has production facilities in at least two countries, i.e. it produces in a second country to its home base, not merely exports to it. Many multinationals produce in several countries and have an internationally oriented management. The growth of MNCs took off after World War 2 and continues to accelerate today. Most MNCs are owned by shareholders in the rich industrialized countries, although an interesting development in the 1990s was the rise of large MNCs owned by companies in the NICs, like South Korea and Taiwan (see Glanville, 1997: 374).

⁷ David Ricardo introduced the theory of Comparative Advantage (CA) in the early part of the 19th century. The theory of CA is perhaps the most important concept in international trade theory. According to the theory of CA, countries will find it mutually advantageous to trade if the opportunity cost of production differs. The opportunity cost of a choice is the foregone benefits of the next best alternative. CA exists when a country is able to produce a good more cheaply relative to other goods produced domestically than another country. Comparative advantage is a dynamic concept. A country can lose or acquire comparative advantage over time if there is a change in relative efficiency as measured by opportunity cost ratios. For example, in the immediate aftermath of World War 2, economists advised Japan to specialize in the production of rice. Japan ignored the expert advice. Extensive investment, technical expertise and a skilled labor force saw Japan acquire a comparative advantage in the production of cars and electronics (see for instance, *Ibid* and Anderton, 1995).

for reaching set goals, but there are considerable gaps in the way those practices and tools have been adopted by their members. It is not my purpose to tell readers that those modern and latest practices and tools have been accepted by some and have been opposed by others. But the point is that there have been gaps in willingness and readiness to accept the unfamiliar. This trend can be considered as the impact of culture on human behavior at work. Scholarly discourse about culture unveils that people in industrialized societies are more flexible and open to accepting new ideas and practices, but in conservative societies people prefer to maintain the *staus quo*. In conservative societies, especially in South Asia and the Middle-East, where religion still plays the dominant role in determining social order, any new idea or change is considered by the majority as a threat to their existence.

Modern technological inventions have brought huge and accelerating changes to all spheres of contemporary society. Technology is a system of ordered information concerning the relationship of humans to their material environment. As a cultural system, technology is a system of understanding shared within a society. In the west, technological change has been incremental; it is a historical issue because current technological change and scientific advancement started with the Industrial Revolution. In Asia, on the other hand, change has been much more rapid and more recent. There are many people in Asia working on computers today whose parents or grandparents made their living using water buffalo in the fields. The technological environments in Asia, including Bangladesh and India, are more varied than in many other parts of the world; however, as diffusion of technology increases in speed, the variation in technological environments will lessen. The technological environment affects all aspects of a company's operations. Moreover, changes in technology lead to the emergence of new types of organizations. In this perspective, Deal and Kennedy have mentioned that future organizations will be atomized organizations consisting of:

1. *Small, task-focused work units (ten to twenty persons maximum),*
2. *Each with economic and managerial control over its own destiny,*
3. *Interconnected with larger entities through benign computer and communications links,*
3. *And bonded into larger companies through strong cultural bonds (Deal and Kennedy, 1982: 182-83) where culture will be a strong determinant factor for organizational effectiveness and stability in macro social system.*

In daily management usage, participation can be considered as an active process of members, engaging together in a management practice within an organization. This is mutual engagement in action as a shared historical and social resource. Participation is both action and connection. The actions are the personal and social acts of doing, teaching, talking, conversing, thinking, reflecting, feeling, and belonging. Participation is a process characterized by mutual recognition, which is a source of identity. Identity is constructed through relations of participation. Participation is more than mere engagement in a practice; participation becomes part of our identity as we become part of each other. In participation we recognize ourselves in each other. As members of a community of practice, people embody a long diverse process of participation, of mutuality, both collective and personal. The organization is perceived as a collective identity, and participation is viewed here as mutual engagement of organizational members in decision-making processes. A democratic decision-making process which is based on participation is prerequisite to business success in the global market. Lawler has attributed Japan's extraordinary rapid and successful economic growth to its participative practices in decision-making processes (Lawler, 1986 cited in Joynt and Warner, 1996: 61). The notable objective of participative decision-making (PDM) is to increase followers' involvement and power-sharing, with the aim of increasing followers' ownership in the outcome of the process. Most organizations implement some sort of employee involvement program in managerial decision-making processes. Employee involvement programs in managerial decision-making processes is helpful for building employees' commitment, which is crucial for implementing adopted decisions. Walton identifies four levels of employee involvement and commitment:

- 1. Moral commitment is based upon the belief that what one is doing is morally correct.*
- 2. Spontaneous-expressive commitment is based upon the feeling that what one is doing is enjoyable and gratifying.*
- 3. Calculative commitment involves a trade-off between individual effort and organizational pay for that effort.*
- 4. Alienative or coercive commitment involves the use of fear and/or punishment to achieve compliance (Walton, 1980 cited in Fallik, 1988: 110-111)*

According to Etzioni, high job satisfaction and motivation are the result of consistency between organizational values and individual commitments (Etzion, 1961 cited in Ibid: 111). In addition, proponents of employee involvement programs claim that many employees desire a great role in decision-making and that participation is likely to increase job satisfaction and performance (See for instance, Crandall and Parnell, 1994; Parnell and Bell, 1994; Parnell et al., 1992; Sagie, 1994; Heller and Wilpert, 1981). Indeed, a number of empirical studies have concluded that subordinates prefer participative decision-making, regardless of their level of perceived influence on the organization (Cohen and Bailey, 1997; Cooke, 1994; Ford and Fottler, 1995; Sagie and Koslowski, 1994). Although employee involvement programs have been popular in the corporate world, empirical support demonstrating that they actually improve productivity remains inconclusive (Kearney and Hays, 1994). There is evidence that the success or failure of participative decision-making is linked to, among other factors, the likelihood that managers will embrace the approach (Cotton et al., 1988, 1993) or style. Whyte, for example, argues that the choice of a decision-making style depends, among other things, on the culture of the organization (Whyte, 1988). Consequently, the autocratic approach of Indian managers, for example, has been attributed either to the work culture prevalent in the organization or to the socio-cultural background of Indian managers (Chattopadhyay, 1975; Moddle, 1968). As a result, implementing the Japanese participative decision-making style may not be appropriate in the Bangladeshi or Indian context, as organizations in these nations emphasize more authoritarian and less democratic decision-making styles. But when we consider the Finnish context, participation in decision-making processes is widely encouraged and practiced with some degree of leniency towards authoritarianism, although strong leadership is common in Finnish companies, particularly in medium-sized companies.

In an organization, the process by which authority is transferred from superior to subordinate along the scalar chain is known as delegation. A firm is said to be centralized to the extent that authority is concentrated at relatively high levels of management. In contrast, to the extent that authority is delegated or dispersed throughout lower levels, a firm is said to be decentralized. The terms centralization and decentralization are relative, as complete centralization and decentralization are

not possible (Bedeian, 1984: 82). In such circumstances, the degree of decentralization in a firm is greater:

- 1. The greater the number of decisions made lower down the management hierarchy.*
- 2. The more important the decisions made lower down the management hierarchy.*
- 3. The more functions affected by decisions made at lower levels.*
- 4. The less checking required on the decision. (Dale, 1952 cited in Ibid: 82-83).*

Decentralization can be analyzed, whether it is low or high, by measuring how much lower level managers participate in decision-making processes. In general, one may experience a strong tendency towards centralization of authority in Indian and Bangladeshi firms, whereas in Finland decentralization is emphasized. High and low power distance (see for instance, Hofstede 1991, 2001, and Hofstede and Hofstede 2005) in the society may correlate with this centralization and decentralization of authority.

The aim of the study is to explore decision-making behavior in medium-sized private sector companies operating on a for-profit basis. The sample companies have been chosen from two sectors, the textile and the electronic and electrical⁸ sectors. The author conducted personal interviews in all of the three case countries during the year 2005. While interviewing across the sample companies, the author has found evidence of differences in the methods used for ensuring participation in managerial decision-making processes. Therefore, the hypothesis of the current study is that the decision-making behavior/style displayed by managers in ensuring followers'/subordinates' participation is contingent on cultural factors.

⁸ International trade has facilitated ways for countries to specialize based on comparative advantage. The current trade behavior between South Asia and the Scandinavia shows that export of textile products from South Asia to Nordic countries is growing. On the other hand, from Nordic countries' electronics and electrical products export and technology transfer, and direct investments have been growing to South Asia. Nokia's investments in India can be cited in this case. Moreover, Nordic countries' outsourcing to South Asia and especially to India is growing fast in the electronic and electrical fields and the information technology sector. These trends have provided the logic behind choosing the textile and the electronic and electrical sectors.

2. Background and scope of the study

My next step is to allow my notion of things to range from dated sense-data, to physical events, to material objects, and to arbitrary classes of things and organized classes of things, so that my thing can be any thing. Envisaging thing in this way will make room for models being concrete or abstract to various degrees and in various manners (Chao, 1967 cited in Dubin, 1978: 57).

Managerial decision-making behavior from a comparative perspective is the topic of this study, where culture is being used as an analyzing tool. National and organizational cultures have been studied by many scholars in order to visualize the type of culture nation states and their organizations belong to. Some of those scholarly studies on culture and empirical information collected through personal interview are used in analyzing managerial decision-making style in the case countries. In analyzing decision-making style, the current study is focusing on the issue of participation, which is a managerial technique. Applicability of this technique varies according to various issues, but culture is the issue of consideration in this research.

2.1. Research background

National boundaries are losing their meaning as economic frontiers (Kobrin, 1995 cited in Joynt and Warner, 1996: 7). As Ohmae states, ‘on a political map, the boundaries between countries are as clear as ever. But on a competitive map, a map showing the real flows of financial and industrial activity, those boundaries have largely disappeared (Ohmae, 1990: 18)’, which leads to globalization. In the era of globalization, companies cross national boundaries with the aim of getting the best possible rewards from their investments. According to Freidman, globalization is

not just a passing trend but a worldwide phenomenon that has replaced the cold war system. From 1945 until the late 1980s, the nations and cultures of the world were compartmentalized into two major camps, the “communist bloc” and the “free world.” However, with the demise of world communism, so powerfully symbolized by the physical dismantling of the Berlin Wall, the world is experiencing a new type of integration of markets, technology, and information, which is oblivious to both national and cultural borders. This post-cold war globalization is driven by free-market capitalism and the idea that the more a country opens up its market to free trade, the healthier its economy will become. The economics of globalization involves lowering tariff barriers while privatizing and deregulating national economies. The North American Free Trade Agreement (NAFTA) and the European Economic Union are two examples of the recent globalization of markets. The result of the globalization of markets is that goods and services from all over the world are making their way into other cultures (Freidman, 1999 cited in Ferraro 2002: 9).

This globalization trend has made more and more companies expand their business operations across national boundaries. The trend has made it essential to implement and execute managerial activities in new, unknown, foreign countries. In many cases, companies have tried to use managerial practices similar to those used in the home country. Almost without exception this has led to management failure, as at least some adaptations to the foreign country’s management conditions are usually necessary. This is because countries differ in their management environments. Furthermore, approaches to values and to moral reasoning differ markedly among nations.⁹ Consequently, academics and experienced international managers have created an awareness of the impact of culture on human behavior. In his discussion, Trompenaars (1996) notes that different cultures have different ways of solving common problems.

Likewise, contingency theorists in the field of organization theory have demonstrated that there are a few universals associated with organizing and managing within a culture. Consequently, successful firms organize to meet situational demand, striving for a congruence, or fit, between their internal organizational arrangements and the demands of their environment. An

⁹ For detail see: Hofstede, G. (1980) *Culture’s Consequence in International Business*, Sage Beverly Hills: Sage and Hall, T. (1976) *Beyond Culture*. New York: Doubleday.

organization's environment¹⁰ is defined as the total of outside factors which influence or may influence, any aspect of an organization. At the centre of all the organizational systems is the management process,¹¹ which develops and maintains the fit between the organization and its environment and between its sub-systems. This process can be described as the relation of systems of organization to market, technological and social contexts.

Decision-making is central to an understanding of organizations and of business, since decisions underpin and direct organizational activities. Similarly, decision-making is one of the most crucial issues in the management process.¹² Individuals¹³ in organizations make decisions but the way they make decisions differ from one country to another.¹⁴ Basi acknowledges that it is the administrative level and the organizational culture which together create the position context which in turn determines the decision-making requisites for the position holder (Basi, 1998: 232). Therefore, the impact of cultures cannot be disregarded in decision-making style. There is a strong influence of national culture upon the formation of its organizational culture, which ultimately determines how things are done in an organization.

All organizations may face similar problems but they differ in the way those problems are solved. According to Terpstra and David:

¹⁰ An organization's environment can be divided into two groups i.e., task and general environment. Task environment is made up of aspects such as employees, customers, suppliers, competitors and government. On the other hand, general environmental aspects include culture, technology, education, politics, natural resources, sociology, demography and economy (Bedeian, 1984: 183-184).

¹¹ It is very hard to identify the exact point where serious thinking about management and the workings of organizations began. One can trace writings about management and organization as far back as the known origins of commerce. From them, much can be learned about the early organizations of the Egyptians, Hebrews, Greeks and Romans. The origin of management and organizations will be discussed in more detail later in this study.

¹² There are certain basic functions that all managers perform. These are planning, organizing, staffing, leading, and controlling. In total, they represent what is often called the **management process**. Decision-making is a basic part of every task in which a manager is involved.

¹³ In an organization, individuals mean managerial and non-managerial employees. Any decision in organization is commonly made by managerial employees but non-managerial employees also make some decisions. Decisions made by non-managerial employees include whether or not to come to work on any given day, how much effort to put forward once at work, and whether or not to comply with a request made by the boss.

¹⁴ For instance, Arab managers believe in autocratic decision-making where subordinates hardly have any chance to express their views. On the other hand, in Scandinavia, managers ensure participation of subordinates in decision-making process.

People in global business be triply socialized – to their culture,¹⁵ their business culture,¹⁶ and their corporate culture.¹⁷ When we operate in the global marketplace it is imperative that we be informed about these three cultures of our customers, competitors, venture partners, suppliers, or government officials (Terpstra and David 1985 cited in Harris, Moran, and Moran, 2004: 27).

Consequently, managers heading for foreign operations should pay due consideration to culture¹⁸ and its impact upon the decision-making behavior of managers. Failure to acknowledge this in practical terms could bring disastrous consequences for organizational interests.

2.2. Literature review: studies on participative decision-making on a comparative basis

Comparative analysis of participative decision-making is not new in the field of management and organizational behavior. Participative decision-making is a process whereby we can measure how willing managers are to share their power with followers or subordinates. Most managers use this participatory decision-making with a view to increasing employee satisfaction. Whether participative decision-making will be successful or not is dependent, among other things, upon factors such as the decision-related information given to the followers, their willingness to participate in the process, the types of decision currently at hand etc. A number of comparative studies focusing on different issues in decision-making may have been made by different scholars, but only two are discussed here.

A study conducted by Heller and Wilpert (1981) called “Competence and Power in Managerial Decision-Making” can be cited. The study was conducted in organizations¹⁹ in eight different countries²⁰ among the senior-level managers,²¹ and

¹⁵ The national culture of a country

¹⁶ A company’s business culture refers to the practices used by the company to its international markets, for instance, practices used by Motorola of the US in the Finnish market.

¹⁷ The organizational culture

¹⁸ The current study considers that cultural differences, if well managed, are resources, and not barriers for international operations.

¹⁹ A total of 129 organizations were included in the study

explored the effect of different national characteristics on the decision behavior of managers. The study dealt with twelve different types of decisions. The writers have technically avoided the word 'culture' and used 'national characteristics' instead. The aspect of decision-making which received particular emphasis in Heller and Wilpert's study was the way a manager and his close subordinates get involved in the decision process. The word most frequently used to describe the process of involvement is 'participation'. The research aimed at discovering the circumstances in which participative decision-making was used, what conditions led to this type of behavior, and what consequences participation had. Five methods of taking decisions were identified, showing the range of participation from low to high:

- 1 *Own decision without detailed explanation*
- 2 *Own decision with detailed explanation*
- 3 *Prior consultation with subordinates*
- 4 *Joint decision-making with subordinates*
- 5 *Delegation of decision-making to subordinates*

The range was called the 'influence-power continuum' or IPC for short, where methods 1 and 2 give subordinates or colleagues very little opportunity to exert influence, method 3 gives more, and methods 4 and 5 can be said to share the power and authority given to a manager with other managers who are either subordinates or colleagues. The justification for calling the range of choices a continuum is that it describes increasing amounts of opportunity to get people involved, to participate, and to share power (Heller, 1971 cited in Heller and Wilpert, 1981: 26). The study asked managers to describe the extent to which they use the IPC in relation to colleagues on their own level of management.

The researchers used the term 'relativity' in showing managerial decision-making behavior differences in eight countries. By relativity they meant that a given behavior, decision-making for instance, varies significantly with circumstances like technology, structure, age, or country. Moreover, they considered that any

²⁰ Britain, Sweden, the US, Germany, Spain, Holland, France, and Israel

²¹ The inquiry covered the two senior levels of management reporting directly to the chief executive. A total of 1600 managers were taken as sample from the 8 different countries. Out of the total sample about 800 managers come from the top sample or level 1 (abbreviated L1) and about the same number are immediate subordinates of L1.

significant differences between countries were a sign that national groups differ in managerial attitudes or behavior. The study found that all the five decision-making methods were quite popular among the managers surveyed, but they found national differences in the frequency of using those decision-making methods. They found that the top sample managers from the UK, US, Germany and Israel used the most centralized decision-making methods. On the other hand, Swedish and French managers were comfortable with using comparatively decentralized methods. The researchers draw the conclusion that there are significant differences in the decision-making behavior of managers in the different countries.

Another study which was conducted lately, called “Meaning and context of participation in five European countries” by Szabo (Szabo, 2006) can also be mentioned here. The study is a qualitative cross-cultural study of participation in managerial decision-making and surveyed 35 middle managers in five European countries: the Czech Republic, Poland, Finland, Sweden, and Germany. The findings of the study suggest that country-specific models of participation exist, which are embedded in broader country- and culture-specific concepts. The study focused on answering two principal research questions:

- 1. The meaning and enactment of participation from a cross-cultural perspective, and*
- 2. General context factors.*

Regarding the first research question, strong variation was found among the Czech, Finnish, German, Polish, and Swedish samples. This suggests that the meaning of participation is embedded in broader country and culture-specific concepts, and the enactment of participation is naturally determined to a great extent by this more or less implicit understanding. The findings show that even though the Czech managers were highly positive about participation, the positive attitude was constrained by the descriptions of autocratic managerial practices. The managers in the Czech sample were the final decision makers, which explains their use of autocratic decision-making models. There is a growing tendency among Czech managers to hire outside experts and get them involved in the decision-making process. Furthermore, there is potential change under way in Czech management since the Velvet revolution, because increasing numbers of business people are

receiving their executive education in the West, and introducing Western business practices. Conversely, the Finnish sample was characterized by values of autonomy and concern for quality. Independent work done by empowered employees defined working life. Consequently, participation is viewed as an essential tool for the integration of independent work and opinions. In many cases, managers in Finnish organizations take the role of facilitators, who prepare the ground for the empowered subordinates to contribute effectively to decision-making. However, the manager is the one officially responsible for a decision and for its outcome. On the other hand, German managers consider their subordinates as “valuable human capital” and view participation as an integral part of managerial decision-making which is also an effective tool to achieve sound decisions and ensure employee motivation. In Poland, participation in decision-making means the provision of information to managers by subordinates, rather than consultation. In addition, external specialists may also be used for decision input. Finally, the Swedish sample shows that Swedish managers value equality and fairness and act on the premise of “smooth interpersonal relations”. Participation is a “natural ingredient” of managerial decision-making.

In exploring answers to the second research question, three contextual factors emerged i.e., decision type, time-related issues, and conflict. The research findings show that whether managers make use of participation and to what extent is dependent upon decision-type; major versus minor decisions. In the cases of Finland and Sweden, managers favor participatory decision-making for major decisions, whereas minor decisions are taken with less subordinate involvement in Sweden, and with a preference for delegation in Finland. The Czech and Polish findings, however, suggest a reversed pattern. In both these countries, participation is ‘tolerated’ for minor issues, whereas major decisions are taken at the managerial level. In Germany, both major and minor decisions qualify equally well for subordinate involvement in decision-making, mainly based on the assumption that participation can improve decision quality and commitment independent of the decision’s importance.

Time-related issues constitute the second main factor influencing the use of participation. The research findings reveal that in all the case countries, managers tend to behave in a less participatory manner when facing time constraints, compared to cases with little time pressure. In addition, participation is considered

sometimes as a waste of time regardless of the managers' country of origin. However, the time spans that are considered a "waste of time" vary across country samples. For instance, the tolerated time span is fairly short for Polish managers, as compared with the Germans.

Finally, conflict is the third main factor influencing managerial use of participation. Conflict related data suggest differences across the five countries. For instance, Swedish managers prefer smooth interpersonal relations, so they avoid conflict, even if this means less participation. In contrast to the Swedish, the German managers view conflict as a learning opportunity, so participatory behavior is hardly influenced by potential conflict. The Finnish managers, with their preference for independent work within an integrative framework, similarly assume that different opinions will be voiced in decision-making processes. There is pressure on Czech managers to avoid conflict, since dealing with conflict represents an unproductive use of time. Like the Czechs, the Polish managers view conflict as an obstacle to efficient and fast decision-making.

Both the studies discussed above have explored how national or country-specific cultural factors influence participation in decision-making behavior. Heller and Wilpert's study used successful companies from eight case countries as their sample, and involved a large number of interviewees. On the other hand, Szabo conducted a general survey of only 35 managers in five European countries. The current study has a strong link with both the discussed studies, in the sense that it, too, is a cross-cultural comparative study in the field of management, and deals with decision-making behavior, specifically the issue of participation in decision-making. However, the current study differs in some respects from the two mentioned studies. For one thing, it is a comparative study between two developing Asian countries and a highly developed European Union member country. Moreover, the study concentrates only on the textile, and the electronic and electrical sectors, where the sample companies are medium-sized and mostly family-owned. Furthermore, the current study deals with only three decision issues, whereas Heller and Wilpert dealt with twelve decision issues, while Szabo does not mention the decision issues at all.

2.3. Aim of the study and explanation of research concepts

In the era of globalization, the forms of international business are changing rapidly from the much emphasized and practiced mode of import-export to new forms of operations such as the following: assembly operations, contract manufacturing, licensing agreements, joint ventures (in the form of equity participation), total ownership of foreign production facilities (in the form of FDI), management contracts, turnkey operations, franchising, and strategic alliances.

Most importing and exporting, licensing agreements, franchising, contract manufacturing and turnkey operations are conducted as impersonal market transactions, which require little or in some cases no understanding of one's counterpart. In all of these business forms, both parties involved in a market trading transaction need to recognize the free will of the other party, do not need to share common goals or cultural values. Consequently, market transactions do not require shared goals,²² shared values²³ or shared business strategies.²⁴ There is a debate in international markets over convergence and divergence in the business practices used by companies. In the era of globalization, firms may use common standardized international business practices (if there are any) or they may maintain differences based on their country/culture of origin. According to Hipsher et al., when firms originating from different regions compete and operate in the same markets, they retain distinct differences (Hipsher et al., 2007: 7). On the other hand, a company's history and location of origin matter. Companies originating from Asia have developed a different history of operating in different environments compared with companies originating from the West (Duysters and Hagedoorn, 2001 cited in *ibid*: 7). Consequently, convergence is a vague concept in international business and divergence is the reality. In this situation, understanding others' culture is feasible for international business management, especially in the following types of

²² A company can have a number of goals e.g., official goals, operative goals, societal goals, output goals, system goals, product goals, and derived goals (see Bedeian, 1984: 106)

²³ Value system differs because of organizational and national cultural differences.

²⁴ A business entity can have more than a single strategy at a time from among the following strategies: forward integration, backward integration, market penetration, market development, product development, concentric diversification, conglomerate diversification, horizontal diversification, retrenchment, divestiture, and liquidation (See David, 2005: 163).

operations: assembly operations, joint ventures, total ownership of foreign production facilities, management contracts, and strategic alliances.

Of course, on the one hand, not everything is culture-based. On the other hand, it would be incorrect to equate the behavior of individuals entirely with that of the cultural grouping to which they belong. Not all Indians behave²⁵ in the same way, contrary to what many people expect. So stereotyping gives us only a partial picture of the operations of a cultural group. Nevertheless, scholars²⁶ in the field of cultural studies have made distinctions among countries on the basis of national cultural features. The current study also acknowledges national differences based on culture and aims at comparing the impact of culture on management practices between Asian²⁷ and Nordic²⁸ organizations²⁹. Management is a vast field of study and includes a large number of issues. Consequently, the study would not be able to focus on all the management issues but concentrates on one, the decision-making behavior of Asian and Nordic managers. The study will compare the decision-making behavior of Asian and Nordic managers from a cultural point of view.

In an organization, managers make different types of decisions on different occasions at different levels (an elaborate discussion of managerial decision-making functions based on hierarchical positions has been discussed in chapter 7) in order to run their organizational activities successfully. For instance, decisions must be made regarding how to ensure customer satisfaction, how to create value in products, which products to produce, which strategy to adopt, where to locate the assembly plants, how to bring organizational changes, how to formulate and implement personnel policies, how to manage organizational crisis, how to make a balance between organizational interest and customer services etc. The very existence of an

²⁵ However, the common behavior patterns of Indians will be different from the common behavior patterns of Chinese. Moreover, one will certainly find some features in behavior patterns of Indians which will be absent from the behavior patterns of Chinese people.

²⁶ For instance, Hofstede (1991 & 2001), Lewis (1996, 2000 & 2005) and Trompenaars (1993 & 1996)

²⁷ Asia is a large sub-continent that has intra-regional sub-groupings such as South East Asia, East Asia, West Asia, South Asia and Central Asia. The study focuses on South Asia and more specifically two countries of South Asia; India and Bangladesh. Incorporating these two countries as case studies is logical: they have quite similar cultures; they were once a single country and colony of the British Empire. In addition, in many respects, Indian culture has a strong influence over its neighbors e.g., Sri Lanka, Nepal, Bhutan, the Maldives and Pakistan. Consequently, a study of these two countries could be a reliable representative study for the rest of the South Asia.

²⁸ Finland is the only Nordic country which is included in this study.

²⁹ Only private sector organizations operating on the basis of profit making and influenced by market mechanisms have been included in the existing study. Among the sample companies some have experience in international operations in the forms of import-export.

organization is entirely dependent on how effectively managers make proper decisions on these issues. Managers in different countries differ in their decision-making behavior because of the differences in national as well as organizational culture. The current study intends to make a comparative analysis of managers' decision-making behavior in adopting organizational strategy, bringing organizational change and adopting and implementing personnel policies.

The twin principal intentions of the study are to try to empower international managers **(1) to understand the impact of cultural diversities on strategy choice, bringing organizational change and implementing personnel policies across the three case countries; and (2) to develop cultural sensitivity among international managers so that they may create 'culturally synergistic solutions' to international management problems.** Cultural diversities cause problems in international business but the current study acknowledges that cultural diversities can be transformed into a resource for organizational success if they are managed effectively.

2.3.1. Organizational strategy

An organizational strategy can be described as a particular direction, which shows how an organization will be proceeding in order to achieve its ultimate objectives. Stacey defines strategy as the evolving patterns of an organization's identity. Strategy is about what an organization does, what it is, and this is exactly what identity means (Stacey, 2003: 319). It is understood from Stacy's statement that one can make a distinction between and among organizations based on their perceived strategies. Bowman and Asch refer to the strategy of a firm as its perceived posture with regard to its customers, competitors, employees, production processes, structure etc. (Bowman and Asch, 1987: 4). This definition makes it clear that strategy has a crucial role to play in an organization's environment. On the other hand, the environment could also influence which strategy an organization should pursue. Chandler has forwarded an even broader-based definition of strategy. According to him, strategy is the determination of the basic, long-term goals and objectives of an enterprise, and the adoption of action and the allocation of resources necessary for those goals (Chandler, 1962: 13).

Chandler's definition of strategy categorically shows that determining organizational long-term goals and objectives are not the end task of a strategy. In order to realize organizational goals and objectives, appropriate actions should be pursued, which should also be backed by adequate resources. The current study defines strategy as a particular direction of a firm for achieving its ultimate goals and objectives, and the formulation of courses of action with the support of its available resources, such as human, technological, financial, and informational resources.

An organizational strategy emerges from dialogue and debate that goes on among the key players in the business. This might happen in formal meetings in the form of decision-making processes. However, in many cases strategy emerges from odd comments made as people meet in corridors or coffee rooms.³⁰ Emergence of organizational strategy in this study is considered to be the result of formal decision-making processes. Empirical evidence suggests that strategic decision-making is a responsibility of upper-level management of an organization, but the style which upper level management uses in strategy choice varies among the sample companies in the three case countries.

An organization can have a single strategy or many strategies at the same time. Strategies are likely to exist at a number of levels in an organization, for instance, corporate, business and operational levels (Bowman and Asch, 1987: 37). These three levels of strategy are closely interlinked with each other. The success of a particular level cannot be imagined without the contribution of the other levels. The main focus of this study will be on how in the three case countries corporate strategies are adopted and how different groups of people exert their power in the decision-making process of strategy selection and ultimately its formulation.

2.3.2. Organizational change

Organizations continually change as their environments and their members change. Organizational changes are departures from the status quo or from smooth trends. They are almost without exception the products of an emerging force. There are two

³⁰ See Cope, M. (2003) *The Seven Cs of Consulting: the definitive guide to the consulting process* (2nd edn). London: Prentice Hall, p. 197.

such forces for change: the organization's top managers or internal forces, and the organization's environment or external forces. As Huber and Glick argue top managers of an organization can influence organizational change in four important ways.

1. *Top managers bring change through their belief systems—their values, ideologies, and mental models of cause-effect relationships.*
2. *Top managers can also serve as inhibitors of change. Their beliefs and their competencies can cause top managers to serve as constraining agents.*
3. *Top managers impact their organizations as interpreters of the organization's environment.*
4. *In some cases, top managers are manipulators of the organization's environment (Huber and Glick, 1995: 9).*

Similarly, organisation choice theory holds that an organisation changes because its top management chooses new strategic directions (Stacey, 2003: 263). In many organizations, one may see top management working with different environmental actors e.g., labor unions, creditors, customers and suppliers with a view to the improvement of their organization.

Today's business environment is changing so rapidly that it leaves everyone breathless. The velocity of change is so rapid, so quick, that if you do not accept the change and move with the change, you will most probably be left behind. External forces that trigger change include the inability to remain competitive in price, or respond with new products to innovations by competitors. Pressure to change can also come from community or consumer interest groups, markets, as well as from government regulations.

Organizational change may be also considered as organizational development (OD). The aim of change may be to create a flexible, responsive organism that accepts change as a normal and inevitable part of the flow of events, and makes change a positive factor in planning, decision-making and growth. Organizational change according to Balogun and Hailey, may be introduced in four different ways: (1) *Adaptive – is a 'non-paradigmatic change implemented slowly through staged initiatives'.* (2) *Reconstruction – is also a 'non-paradigmatic change to realign the way the organization operates, but in a more dramatic and faster way'.* (3)

Evolution – is a ‘transformational change implemented gradually through different stages and interrelated initiatives’. (4) Revolution – is ‘fundamental, transformative change but it occurs via simultaneous initiatives on many fronts, and often in a relative short space of time’ (Balogun and Hailey, 2009 cited in Green, 2007: 21).

Organizational change almost always shifts power from one hand to another hand; consequently change is not welcomed equally by everyone connected to the change because of a fear of losing authority. Organizational change efforts of managers can be manipulated by culture in many ways. In conservative societies, organizational change is severely resisted by its members. In this study, conservative societies are considered to be those societies where, among other things, religion and inherited social values still play a crucial role in determining social behavior. These could be the reasons why in the Middle East and South Asia it is tough to bring change in social and political institutions. Equally, in high power distance societies, people holding authority are unwilling to delegate it to lower levels of the organizational hierarchy through a fear that they will lose authority. Consequently, in high power distance countries, decision-making authority is concentrated very much at the top of the organizational hierarchy. Any change effort aiming at decentralization of authority is severely resisted.

2.3.3. Personnel policy/human resource policy³¹

The bedrock upon which any organization is built is the people who staff it. Their competencies, motivations and commitment to the organization are the pivot points around which the success or failure of any program is built. (Fallik, 1988: 53)

The days of slave labor ended a long time ago. In addition, the days of employment arrangements based on hiring and firing at the will of the employers are also over in most parts of the world.³² In most production activities, more than fifty

³¹ The current study will be using both the terms ‘personnel policy/human resource policy’ without making any distinction between them.

³² In Western European welfare-oriented countries, employment is relatively more secure than in the North American open economies. Consequently, in USA and Canada it might be very easy to get a job, but it is also possible to lose it easily. This scenario arises from the more flexible labor market in North American countries compared to the Western European countries. In

percent of the cost is comprised of the cost of labor³³. On the other hand, in developed and service-oriented economies, production activities are based more on intellectual labor than on manual labor. Consequently, the function of motivation has become more important than ever before, as productivity is strongly contingent on the willingness of the worker. The total productivity of a worker is certainly dependent on his/her ability and willingness to do work. A properly able worker with human capital and willing mentality contributes more positively to the organization. Full employee contribution is necessary for making better organizations which will ultimately be able to face and solve central challenges posed by the environment. Werther and Davis have stated a number of challenges which our organizations face: global competitive challenges; unemployment challenges; social responsibility challenges; medical, food, and housing challenges; ethical challenges; workforce diversity challenges; population growth challenges; and unknown challenges (Werther and Davis, 1996: 7).

In order to meet the mentioned challenges, organizations need to operate successfully. The key to successful operation in any organization is the effective utilization of its human resources. People in organizations endowed with a range of abilities, talents and attitudes, influence productivity, quality and profitability. People set overall strategies and goals, design work systems, produce goods and services and monitor quality. Nowadays, human resource management – also known as personnel management³⁴ - takes place within the context of change and diversity. Contemporary organizations face more quick and turbulent change than ever before and people working in contemporary organizations require expertise in coping with

South Asian countries, employment in the public sector is more secure than in the private sector. In the private sector, employment is very much dependent on the 'will of the employers'. Labor union activities are strictly controlled, and are non-existent in most private sector companies.

³³ This has forced companies in the developed world to locate their labor-intensive production activities in countries where cheap labor is available and salary laws (minimum and maximum salary legislation) are non-existent or at least not applied strictly. An example is call centers of US companies located in Bangalore, India.

³⁴ The main features separating HRM from personnel administration/management are as follows (Legge, 1989):

- Personnel administration focuses on the management and control of subordinates, while the focus of HRM is the management team.
- A focus on the role of line managers and a profitability orientation normally characterizes HRM but not personnel management.
- The management of organizational culture is related to HRM, but plays no part in personnel management.

diversity. Personnel policies usually set broad guidelines for the enterprise on how to manage its human resources and implement agendas.

The state of personnel policies, or what can be commonly called human resource policies, has reached its current stage by overcoming a long series of hazardous events; a number of past events have shaped the process. The most important past events that have brought personnel policies to their present stage are the industrial revolution; welfare measures adopted by some employers in North America and in Britain in the 1890s; industrial welfare activities after WW1; contributions of prominent management scholars such as F. W. Taylor, Max Weber, Elton Mayo, Chester I Barnard; and the WW2 period and subsequent growing demand for materials and labor.

Cultural diversity, the rule of law in society, and the economic condition of the state could affect the application of human resource policies, roles, and practices by its intensity and perspective. For instance, in relationship-oriented cultures, recruitment could be based on nepotism, where group members or relatives are given priority over others. On the other hand, task-oriented cultures prefer recruitment based on expertise. Where promotion is concerned, long service, seniority in the organization and loyalty to superiors could be the main preconditions in some cultures. In Middle-Eastern and in South Asian companies this type of promotional practices are highly visible, unlike in Scandinavian organizations. Consequently, one sees that subordinates do not hesitate to do almost anything to please their bosses in order to get promoted. The current study will analyze how human resource policy-related decisions are influenced by culture.

2.4. Research question

In general, in Asian and in particular in India and Bangladesh, executives appear aloof and autocratic to their subordinates. This may be seen more explicitly in decision-making processes in South Asian countries. In contrast, in the Nordic countries, managers may treat their subordinates quite equally when making any

organizational decision.³⁵ How should this behavior of Asian and Nordic executives be understood? If this behavior is attributed to personality, one description comes to mind which is arrogant. This is probably wrong, being based more on prejudice and stereotype than on actual fact. However, if the behavioral outcome is attributed to cultural differences, one stands a better chance of making the following more valid interpretation: as it turns out, Asian culture encourages a more distant managing style, whereas in Nordic countries a closer managing style is valued. There are a number of reasons why Asian managers practice a distant managing style than Nordic managers. (The issue has been touched on in chapter five of the national culture part, chapter eight of the empirical part, and the epilogue of the study).

In the new business economy, firms face a major challenge: how 'to learn from the many environments to which they are exposed, and to appropriate the benefits of such learning through their global operations in trans-national innovations'. It is equally important for a firm intending to go international and those which have already been involved in international operations to learn as much as possible about local environments. Firms adopt different strategies in an effort to learn about the environments of their target markets, such as joining business environment courses based on their target markets,³⁶ collecting information from published materials, in some cases by employing local employees and by sending company executives for a certain period to the target market. By 'local environment' the current study means the cultural environment of the host country. Understanding local culture helps an executive to use appropriate business practices in culturally diversified global markets. Cultural diversity is always a big challenge to international businesspeople. Contemporary literature shows that cultural diversity is not always a problem for international business; on the contrary, it could be a gift if diversity is managed properly.

Organization theorists have argued for years about how people make decisions. Some believe that managerial decision-making reflects a conscious, rational process in which managers select criteria and use them to evaluate alternative solutions to particular problems. The internationalization process has facilitated contacts

³⁵ In order to get a broad picture of Asian/Nordic/Scandinavian/Finnish culture and its impact upon management and decision-making see for instance, Bjerke (2001: 197-222), Trompenaars (1996: 138-152) and Hofstede (1991: 23-173, 2001).

³⁶ These types of courses are arranged in Finnish educational institutions as well, for instance, (a) Doing business in Asia; (b) Business Environment in Russia etc.

between companies and with other cultures, and this contact with other cultures has itself created new problems when we attempt to use the rational model. This is the situation because managers from different cultures perceive the world differently; as a result, views of rationality differ cross-culturally as well. Therefore, one can conclude that decision-making is culturally contingent.

Organizations are associations of people having common goals. Organizations are also open political systems. In any organization, when its members exert power we consider them as engaged in politics. An organization is a platform that brings together people with different types of interests, from different professional and social backgrounds, all trying to achieve the goals set forward by their organizations. Achieving organizational goals needs resource, but economic resources are always scarce. Therefore, there is a need to allocate available resources among the competing groups in an organization. So an organization can be called a resource-sharing system as well. As long as organizations are considered as resource-sharing systems, where there is an inevitable scarcity of those resources, political behavior will appear. Farrell and Peterson, define political behavior in an organization as those activities that are not required as part of one's formal role in the organization, but that influence, or attempt to influence, the distribution of advantages and disadvantages within the organization (Farrell, and Peterson, 1882: 405). This definition expresses the idea that political behavior is something extraneous to organizational activities, but essential for obtaining better treatment in the organization. Pettigrew defines political behavior as behavior by individuals, or, in collective terms, by sub-units, within an organization that makes a claim against the resource-sharing system of the organization (Pettigrew, 2002: 98). Competing groups or members in organization try to obtain approval for as much resources as possible for their own projects or goal accomplishment activities. Both the definitions explain political behavior as the most important factor for organizational resource distribution.

Decision-making may be seen more accurately as a game of power in which competing interest groups vie with each other for the control of scarce resources (Miller et al., 2002: 78). Interest groups or stakeholders can exist inside and outside of an organization. Interest groups are formed with the aim of achieving common goals, as opposed to other less important goals. These interest groups try to influence the decision-making process in such a way that decision-makers choose an

alternative which favors their own interest groups. Obviously, the participation or influencing capacity of interest groups in decision-making processes could vary in different societies or political systems. In societies where there is an autocratic or totalitarian political regime, decision-making is highly concentrated in few hands and decisions are ideology-based. In democratic societies backed by multiparty political systems, the environment is more favorable to the participation of interest groups in organizational decision-making.

Power is the main source of politics in organizations. According to Weber, 'power' is the probability that one actor within a social relationship will be in a position to carry out his own will despite resistance, regardless of the basis on which this probability rests (Weber, 1947: 152). In social organizations, legitimate power is allocated to positions of authority in the hierarchy. This 'rational-legal' power as Weber states is given according to status and regularizes access to the decision-making process. Those with the requisite authority can participate in what occurs. Some can both discuss decisions and authorize them. The contribution of others is relegated to just the providing or cataloguing of data, or the recording of outcomes. Still others do not take part at all, and in the majority of organizations they are the great majority (Weber, 1947 cited in Miller et al., 2002: 78).

However, the use of legitimate power is not the only way in which influence is exercised. Power-holders may choose to behave in ways which further their own, or others', interests. They may frame the matter for decision in a way which suits their own ends or blocks the objectives of others. They push for preferred alternatives, whether or not these will lead to decisions which benefit the organization (Miller et al., 2002). There are organizations where authority is concentrated in the hands of only a few officials, who are located at the apex of the organization hierarchy. Those people ultimately influence the decisions at all levels. At the other extreme, are those organizations where participation in decision-making is ensured through the decentralization of authority. Therefore, the nature and degree of centralization and decentralization of authority in organizations influence the decision-making process.

In societies with large power distance, authority can be identified at the apex of the organization hierarchy, and decision-making is heavily influenced by the higher-ups in the organization. On the other hand, in societies with small power distance, there is a greater accommodation of organizational members in decision-making

processes. Moreover, in some societies, extraneous factors strongly influence organizational decision-making, for instance, reference groups, social background and the personality of the decision-makers. This study is going to investigate the intrinsic nature of the decision-making process of organizations in the three case countries. 'Decision' in this case is viewed as being fundamentally concerned with the allocation and exercise of power in organizations. The making of decisions, especially the most important and strategic ones, is of vital significance to organization stakeholders. Therefore, it is crucial to know who the main players are in the decision-making process. The current study is concerned in answering the following question:

How does culture influence participation in the organizational decision-making process?

The issue of participation and the influence of culture on decision-making styles have been analyzed in this study through a hypothetical model (See figure 1). The study will give an in depth look at the participation issue in organizational decision-making processes. Consequently, to approach the main question, the following related questions deserve proper consideration:

Who are involved in the making of decisions?

Who are left or kept out and why?

Who are in a position to exercise influence?

Who are able to introduce decision issues onto the decision-making agenda?

Who are able to keep decision issues off the decision -making agenda?

An understanding of these issues is very important in analyzing participation in decision-making behavior in organizations. In many cases, decision-making reflects the ultimate will of the head of the organization. Also, there are situations and organizations where greater participation is encouraged.

Organizational decision-making behavior has been discussed by organizational theorists, psychologists, and social psychologists. The current study would not be able to address all of those perspectives. Consequently, the focus will be given to the perspective put forward by the organizational theorists. Based on the above-

mentioned principal question and sub-questions, the study will analyze how decisions are made in organizational settings in the three case countries.

The study is going to test the proposition that culture, both national and organizational, has significant impact on choosing managerial decision-making style and thereby on ensuring subordinate participation. However, in organizational decision-making, culture is only one among many other factors which influence the likely decision-making style a manager will adopt, the extent to which he or she will ensure subordinate participation or share influence with subordinates. The study is not going to address participation in decision-making processes directly, but it will show how culture affects managers' choice of decision-making style. The chosen style ultimately reveals the reality of participation in the decision-making process. How managers choose a decision-making style is a reflection of national as well as organizational culture (see figure 1). Nevertheless, the study acknowledges other factors which play a crucial role in choosing managerial decision-making style. Apart from the decision-making style, what type of decision a manager will make is entirely dependent upon his/her position in the formal organizational hierarchy. Out of the three decision issues covered in this study, one i.e., organizational strategy formulation, is completely a decision issue for the upper management. The study will not analyze hierarchical level based decision issues (Chapter seven examines different decision-making styles and types of decisions managers perform based upon their location in the formal organizational hierarchy) but will only analyze how managers share influence with subordinates (or jointly make decisions with the subordinates) in the three chosen decision areas covered in this study.

In figure 1, national culture, organizational culture, globalization, founder of the company, stockholders/owners, industry of operation, and competitors are all independent variables. These independent variables influence managers in choosing their decision-making style or methods of participation such as autocratic, pseudo-consultative, consultative, participative, and delegation styles. However, not all the independent factors will be considered in this study, but organizational culture alone. In discussing organizational culture, the study will pay due attention to national culture, as national culture is considered to be the principal source of organizational culture.

In this study, by 'participative decision-making' I mean joint decision-making, either by a manager and one subordinate or a manager and a group of subordinates.

The subordinate or subordinates could belong here to the managerial level or to the worker pool. Moreover, participation should be clearly distinguished from autocratic decision-making, where bosses make decisions on their own, and from delegation/delegatory, where the employee or employees make the decision alone.

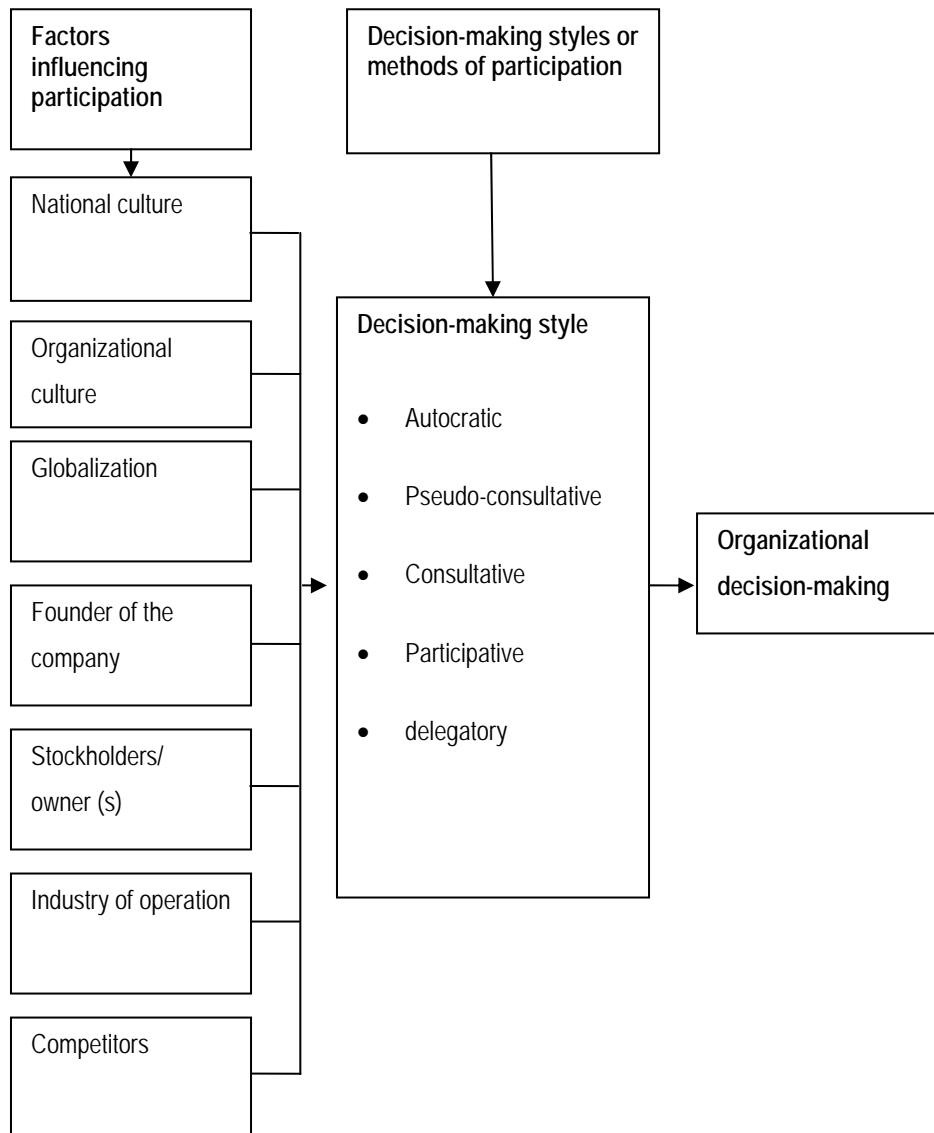


Figure 1: A hypothetical model: Showing factors influence in choosing organizational decision-making style

In an organization there may be a dominant decision-making style, such as autocratic, consultative, or participative. On the other hand, depending upon the type of decisions to be made, different decision-making styles may be used concurrently.

Thus, in certain decision-making processes autocratic style may be more suitable, but in other cases the participative style. While conducting personal interviews across the sample companies, it became crystal clear that for strategic decisions autocratic style is more common than for the other two types of decisions i.e., organizational change and personnel policy-related decisions. Most of the Finnish managers opined that strategic decisions are matters for upper management; the management team is responsible for making strategies where general workers do not take part. In Bangladesh and India, strategic decisions are strongly influenced by the MD/CEO.

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.**

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.

2.5. Research setting and methodology

Management research is a knowledge-creating activity which may be compared to any manufacturing process where the type of technology employed (philosophical orientation) and the method of production adopted (research method), as well as the raw material used (experience and established knowledge) together with the operator's capabilities (researcher's competence) ultimately determine the quality and reliability of the product (Chia, 2002, Partington eds: 16-17). In order to uphold quality and reliability, the author exerts optimum effort for maintaining a scientific path for conducting the study. Figure 2 shows the path of the study.

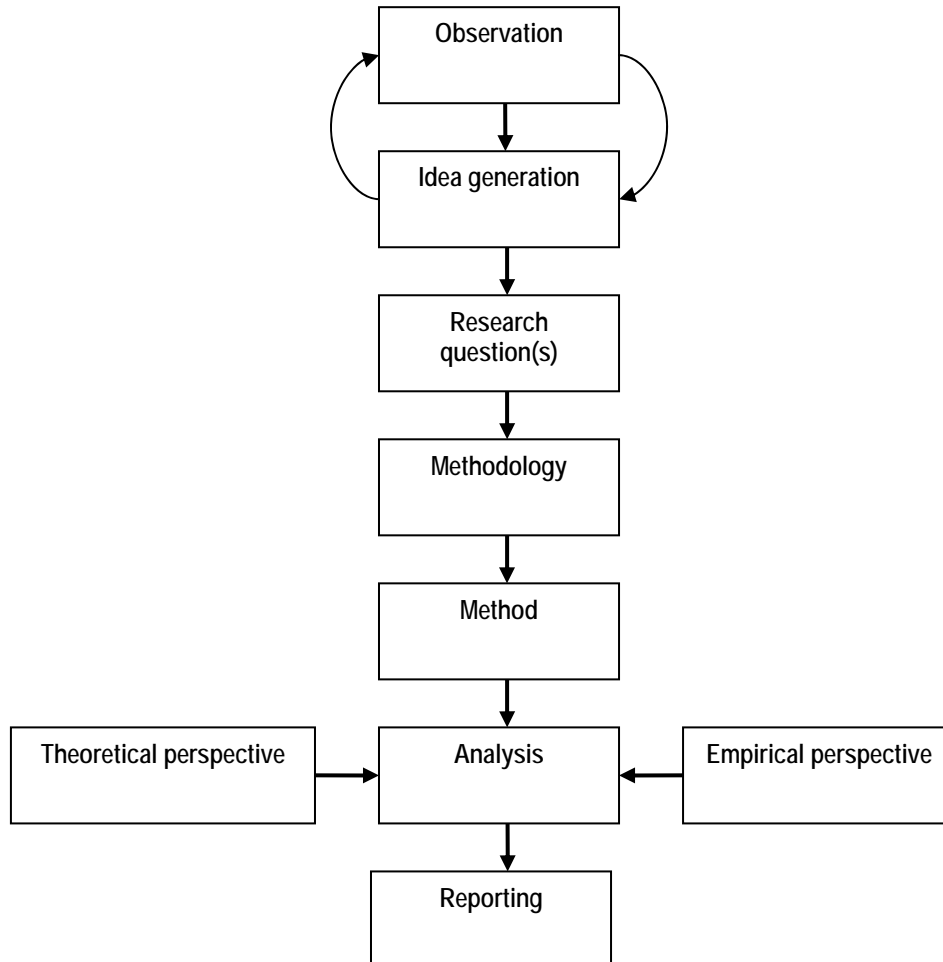


Figure 2: Path of the study

Epistemology, methodology, and method are some of the key concepts in the philosophy of social sciences (see Eriksson and Kovalainen, 2008: 12-13) and it is important to consider them for conducting a reliable and valid qualitative research. In order to present the experience of managerial decision-making behavior in the three case countries, it is essential to take up the important question of epistemology first. According to Hatch, epistemology is a branch of philosophy that concerns itself with understanding how we can know the world. Epistemology concerns assumptions about how knowledge is obtained or created. It is typical in the social sciences to draw a distinction between objectivist and subjectivist epistemologies (Hatch, 1997: 47). Acquiring and obtaining knowledge according to a subjective epistemological view is based on the researcher's own observations and interpretations, but objective epistemology advocates knowledge which is external

and theory - neutral. The current study is grounded in a subjective epistemological perspective, where the researcher's own observations and interpretations are the keys to acquiring and obtaining knowledge. As Chia writes, in epistemological investigations we attempt to reflect on the methods and standards through which reliable and verifiable knowledge is produced (Chia, 2002, Partington eds: 2). Before proceeding further, it is essential to know whether there is any distinction between the method and methodology. Methodology and method have virtually and operationally different meanings and applicability.

Methodology gives us the answer to the question: How should we study the world? (methodological debates about what kinds of data and design to emphasize for what purposes and with what consequences) (see Patton, 2002: 134). On the other hand, Silverman writes that methodologies can be defined broadly and schematically (e.g. quantitative and qualitative methodologies) and narrowly and precisely (e.g. grounded theory, case study, ethnography) (Silverman, 2005 cited in Eriksson and Kovalainen, 2008: 16). From methodological points of view this is a qualitative study and more precisely a qualitative case study because there are three case countries: India, Bangladesh and Finland.

Methods denote the ways in which data are produced, interpreted and reported. They consist of procedures and techniques exemplified by particular research instruments, so questionnaires, semi-structured interviews, participant observation and role-playing are all examples of research methods (Dunne et. al. 2005: 162-63). Empirical data plays an important role in this qualitative study. Qualitative research is associated with research questions and phenomena of interest that require exploration of detailed in-depth data, aimed at description, comparison or prescription (Johnson and Harris, 2002 in Partington (eds): 109). The aim of the study is to compare the collected data, in order to identify similarities and differences in managerial decision-making behavior among the three case countries. Those similarities and differences are analyzed from the point of view of participation in the managerial decision-making process concerning issues related to organizational strategy, change and personnel policy. According to Miles and Huberman, whether it is descriptive or comparative, qualitative research is usually exploratory, in-depth, and meets some or all of the criteria listed here: (1) *Intense and prolonged contact in the field.* (2) *Designed to achieve a holistic or systemic picture.* (3) *Perception is gained from the inside based on actors' understanding.* (4)

Little standardized instrumentation is used. (5) Most analysis³⁷ is done with words. (6) There are multiple interpretations available in the data. (Miles and Huberman, 1994 cited *ibid*). The current study tries to explore the impacts of culture on managerial decision-making behavior when adopting organizational strategy, bringing organizational change, and implementing personnel policies in the case countries.

There are three major components of qualitative research: (1) *Data: often collected through interviews and observations.* (2) *Interpretive or analytical procedure: the techniques to conceptualize and analyze the data to arrive at findings or theories.* (3) *Report: written or verbal. In the case of students, the report is written in the form of a thesis or project* (Becker, 1970; Miles and Huberman, 1984; Strauss and Corbin 1990 quoted in Ghauri et.al. 1995: 85)

Primary information plays a crucial role in analyzing research issues i.e., organization strategy, change, and personnel policy. Primary information has been collected through the personal interview method. The nature of the present study suggests personal interview as the most appropriate source of primary information. According to Patton, interviews yield direct quotations from people about their experiences, opinions, feelings, and knowledge (Patton, 2002: 4). The goal of any qualitative research interview is therefore to see the research topic from the perspective of the interviewee, and to understand how and why they come to have this particular perspective. To meet this goal, qualitative research interviews will generally have the following characteristics: a low degree of structure imposed by the interviewer; a preponderance of open questions; and focus on ‘specific situations and action sequences in the world of the interviewee’ (Kvale, 1983 quoted in King 2004, in Cassell and Symon (eds.): 11) rather than abstractions and general opinions (King, 2004, in *ibid*: 11). A key feature of the qualitative research interview is the nature of the relationship between interviewer and interviewee. The interviewee is seen as a ‘participant’ in the research process, actively shaping the course of the interview rather than passively responding to the interviewer’s pre-set questions (King, 2004, in *ibid*: 11). The course of the interviews in the current study did not

³⁷ Qualitative data analysis methods can be divided into two i.e., thematic analysis and narrative analysis. The present study has adopted a thematic perspective where interviews have been tape recorded and direct quotations have been used for analyzing managerial decision-making behavior. However, the presence of a narrative perspective can also be found here as in some cases stories were made for analyzing interview data and writing the report.

stay apart from the influence of the interviewees. The interviewees did take an active part in the interviewing process and the author has established a lasting relationship with some of the interviewees.

Once the decision has been made to use the interview as the main source of primary information, the researcher must choose the format of the questions. Closed, fixed-response interviews seemed inappropriate for collecting the necessary data for analyzing managerial decision-making behavior. Consequently, open-ended interviews were conducted. According to Patton, there are three basic approaches for collecting qualitative data through open-ended interviews: (1) *the informal conversational interview*, (2) *the general interview guide approach*, and (3) *the standardized open-ended interview* (Patton, 2002: 342).

The researcher had prior consultation concerning the interview type with some of the sample managers, who indicated that they would not have plenty of time to spare for the interview. Moreover, the managers wanted to know about the interview purposes, topics, as well as the questions. Therefore, it would not have been rational to use the informal conversational interview. On the other hand, the standardized open-ended interview alone would have been too inflexible, as some issues arose spontaneously during the interview session. Consequently, the current study used a combination of approaches. A guide approach was combined with a standardized format; key questions were specified exactly as they must be asked while some items were left to be explored at the interviewer's discretion.

2.6. Context of empirical information

Fifteen business organizations in the three different countries form the context of this study's empirical information. Different scholars have classified organizations from different perspectives according to the demands of their research. However, the classification which is used here is the one put forward by Katz and Kahn. Their classification is based upon the primary activity of the organization as a sub-system within the larger society. According to them there are four broader types of organization:

Productive or economic organization, which are concerned with the creation of wealth, the manufacturing of goods, and the providing of services for the general

public or for specific segments of it. These organizations can be subdivided into the primary activities of farming and mining, the secondary activities of manufacture and processing, and the tertiary activities of services and communication. They provide the output – food, clothing, shelter, and the rest – for some of the most basic human needs.

Maintenance organization, which are devoted to the socialization of people for their roles in other organizations and in the larger society. Organizations like the school, college, university, training institution, mosque, and church are all maintenance structures of the social order.

Adoptive organizations, which create knowledge, develop and test theories, and, to some extent, apply information to existing problems. Universities (in their research activities) and research organizations carry on this adaptive function for society as a whole.

Managerial or political organizations, which are concerned with the adjudication, co-ordination, and control of resources, people, and subsystems. At the apex of political structures is the state, which provides a specific form of legitimation in its legal statutes and which has a theoretical monopoly on the use of organized physical force for mobilizing the society against external enemies and internal rebels (Katz and Kahn, 1966: 112-3).

All the fifteen sample organizations in this study are part of Katz and Kahn's productive or economic typology. These companies are engaged in manufacturing goods and thus operate in the secondary sector of the economy.

The data for qualitative analysis typically come from fieldwork. During fieldwork, the researcher spends time in the setting under study – a program, an organization, a community, or wherever situations of importance to a study can be observed, people interviewed and documents analyzed (Patton, 2002: 4). As Johnson and Harris describe, qualitative research is not necessarily small- scale, looking at a single event, individual, group or organization; it can make comparisons across numerous units. In general, the more units that are included, the less depth is achieved, and this is the trade off. There are no rules about how many is enough. The number of interviewers, observations, diaries or surveys needed depends on the research questions and the limitations of time, money and researchers available to collect and analyze the data (Johnson and Harris, 2002 in Partington: 110). In order to maintain the depth of the findings, and considering

available time, finance and other resources, the study has incorporated altogether twelve medium-sized and three large-sized companies as sample companies from the three case countries i.e., Bangladesh, India, and Finland.³⁸ The researcher's original intention was to interview only managers from medium-sized companies, but this plan proved unworkable. Consequently, three large companies have also been incorporated in the sample. However, those three large companies are not giant public limited companies or multinational corporations but private limited companies.

The author interviewed altogether forty-six middle and upper-level managers from the fifteen sample companies of the three case countries. Tables 1, 2 and 3 and the explanations below each table give the designation of the interviewees, interview date, and name and address of the sample companies, together with the area of production and year of establishment. The interviewer used a standardized open-ended questionnaire for primary data collection. The questionnaire was made up of seven open-ended questions³⁹ about the three decision areas: organizational strategy, organizational change, and personnel policy. In addition to the seven decision-related questions, the questionnaire had two more general questions i.e., one about the interviewee him-/herself and the other one about the company.

Most of the interviews were tape recorded. However, a few managers declined to have their interviews recorded, so those were written down on paper. In India, one manager even refused to talk to the interviewer, despite having previously promised to do so. Therefore, he took a questionnaire from the interviewer and sent his answers later as an e-mail attachment. Except for this case in India, all the interview sessions were very friendly and co-operative. In most of the cases, the researcher had an opportunity to ask the interviewees additional questions rather than confining the discussion to the questions mentioned on questionnaire alone.

The language of the interviews was Finnish, Bengali, and English. In Finland, English and Finnish were used interchangeably. In Bangladesh, Bengali was mostly used but a few managers occasionally used English in answering. The language of

³⁸ Six companies from India; three from textiles and three from the electronic and electrical sector. Four companies from Bangladesh; two from textiles and two from the electronic and electrical sector. Five companies from Finland; three from textiles and two from the electronic and electrical sector. The total number of interviewees in India was fifteen, in Bangladesh fifteen, and in Finland sixteen. Thus, forty-six managers from the fifteen sample companies in the three case countries were interviewed.

³⁹ See appendix 1

interview in India was only English. Each interview session lasted from thirty to forty-five minutes. The interview responses which have been used for analysis, explanation, argumentation, and reference have been written down on paper in English from the AV devices. All responses which have been used in the study as quotations (q) have got a serial number like q1, q2, q3, and so on, in order to make it convenient for further reference.

This study chose three case countries where two are from South Asia and one from the Nordic region of Europe. There is a wide distinction between the two extremes. At one extreme, Bangladesh and India belong to the developing world, whereas Finland at the other extreme is part of the highly-developed world. India was chosen for its emerging economy and Hinduism as the epicenter of its culture. Moreover, India is an interesting case because, despite intra-cultural heterogeneity, it survives as a single nation fostering Indian culture and management practice. Bangladesh was chosen in view of its cross-nationality, and as a case study in how a small Islam-dominated, multi-religious state with language homogeneity manages to stick to its own culture, regardless of the natural calamities which it faces every year. Finland was chosen due to its high- technology base, egalitarian social system, and the ‘success-through-hardship’ mentality of Finnish people, which may be considered instrumental in making it one of the most competitive countries in the world. In the recent past, Finland was ranked by the Global Economic Forum as number one on its list of the world’s most competitive economies.⁴⁰

⁴⁰ In 2005, Finland has been ranked as the world’s most competitive economy for the third time by the World Economic Forum (http://www.yle.fi/uutiset/news/2005/09/finland_most_competitive_189189.html: Accessed: 14.11.2009 at 16:27).

Table 1: Finland: Sample companies & interviewees' information

No	Designation	Company name	Date of interview
1	Managing Director	Oy Esmi Ab	04.05.2005
2	Financial Manager	Oy Esmi Ab	12.05.2005
3	Service & Maintenance Manager	Oy Esmi Ab	12.05.2005
4	Purchase Manager	Oy Esmi Ab	12.05.2005
5	Chief Executive Officer	Reima Oy	04.05.2005
6	Logistics Manager	Reima Oy	28.04.2005
7	Production Manager	Reima Oy	28.04.2005
8	Managing Director	Tutta Oy	16.05.2005
9	Director, Supply Operations	Kemppi Oy	27.04.2005
10	Marketing Director	Kemppi Oy	02.05.2005
11	Materials Manager	Kemppi Oy	02.05.2005
12	Manager, R & D Department	Kemppi Oy	16.05.2005
13	Chief Executive Officer	Nanso Oy	11.05.2005
14	Technical Manager	Nanso Oy	11.05.2005
15	Business Controller	Nanso Oy	17.05.2005
16	Product Development Manager	Nanso Oy	10.05.2005

Oy Esmi Ab/a company of Schneider Electric

Kalkkipellontie 6, P.O.Box 415,

02601 Espoo, FINLAND. www.esmi.fi Area of production: Producer, developer, and expert in fire alarm-and security management. Year of establishment: 1936 (then the name was A/B Electrosignal-Sähkömerkki O/Y & since 11. 02. 2008 Pelco Finland Oy)

Reima Oy

Jämintie 14, P.O.Box 26,

38701 Kankaanpää, FINLAND. www.reima.com

Area of production: Children's clothes. Year of establishment: 1944

Kemppi Oy

Hennalankatu 39, P.O.Box 13,
15801 Lahti, FINLAND. www.kemppi.com

Area of production: Welding equipment & machines. Year of establishment: 1949

Nanso Oy

P.O.Box 4, Tanhuankatu 2,
37101 Nokia, FINLAND. www.nanso.com

Area of production: Women's cotton undershirts, men's underwear, cotton socks, T-shirts, and nightwear. Year of establishment: 1920

Tutta Oy

P.O.Box 26, 38701 Kankanpää, FINLAND. www.tutta.com

Area of production: Clothing for babies and small children.

Year of establishment: 1959.

Table 2: Bangladesh: Sample companies and interviewees' information

No	Designation	Company	Date of interview
1	MD	Energypac	02.06.2005
2	GM Production	Energypac	04.06.2005
3	Manager (Switch & breakers)	Energypac	02.06.2005
4.	Manager (Sales & marketing)	Energypac	02.06.2005
5	MD & Chairman	MICRO	05.06.2005
6	GM (Production)	MICRO	05.06.2005
7	Manager, Production	MICRO	05.06.2005
8	Manager (R & D)	MICRO	05.06.2005
9	MD	FMYDL	30.05.2005
10	Executive Director	FMYDL	30.05.2005
11	Asst Manager (Maintenance)	FMYDL	30.05.2005
12	Senior Executive (Store)	FMYDL	30.05.2005
13	Executive Director	Silver Line	07.06.2005
14	Production Manager	Silver Line	07.06.2005
15	Deputy manager (Factory)	Silver Line	07.06.2005

Energypac Engineering Ltd.

Jiban Bima Tower (11th floor Fl.), 10 Dilkusha C/A,
Dhaka-1000, BANGLADESH. www.energypac.com

Area of production: Power transformer & switchgear. Year of establishment: 1981

Micro Electronics Limited (MICRO)

BASIC Electronics Complex, Section # 7, Mirpur,
Dhaka-1216, BANGLADESH. Tel. +88 02 8012288

Area of production: Transformer, Automatic Voltage Stabilizer, Emergency Light
etc. Year of establishment: 1984.

FM Yarn Dyeing Ltd. (FMYDL)

House no # 2/A, Road # 55, Gulshan-2

Dhaka 1212, BANGLADESH.

Area of production: Yarn/textile

Year of establishment: 2002

Silver Line Composite Textile Mills Limited (Silver Line)

Silver Tower (17th floor),

52 Gulshan Avenue, Dhaka-1212, BANGLADESH

Tel. +88 02 8852881-5

Area of production: Yarn

Year of establishment: 2004

Table 3: India: Sample companies and interviewees' information

No	Designation	Company	Date of interview
1	MD	NEEL	27.10.2005
2	Manager (Production)	NEEL	27.10.2005
3	Marketing manager	NEEL	27.10.2005
4	Factory in charge	NEEL	27.10.2005
5	Director	Kothari Fabtex Pvt. Ltd	25.10.2005
6	MD	Kamadgiri Synthetics	27.10.2005
7	GM-Finance	Kamadgiri Synthetics	25.10.2005
8	Marketing Manager	Kamadgiri Synthetics	25.10.2005
9	Manager-Export	Kamadgiri Synthetics	27.10.2005
10	Director	Polprost	28.10.2005
11	Director	Polprost	28.10.2005
12	MD	Paragon Cables	03.11.2005
13	Manager,-Works	Paragon Cables	03.11.2005
14	MD	Gopal Fashion Pvt. Ltd	02.11.2005
15	GM	Gopal Fashions Pvt. Ltd	02.11.2005

NEEL Industrial Systems Pvt. Ltd

402, Sapphire Arcade, 42, M.G. Rd.,

Rajawadi, Ghatkopar (E), Mumbai-77. INDIA.

Tel. 91-22-25164326-27. http://www.tradeget.com/free_list/p18924/index.html

Area of production: Manufacturer & Exporter of Servo Controlled Voltage Stabilizers, Noise cut off Transformers, Isolation Transformers, Real Time Power Factor Correction Systems, Ground Leakage Monitoring Systems & UPS

Year of establishment: 1979

Kothari Fabtex Pvt. Ltd.

50/51 Kothari Chambers, Ramwadi,

Kalbadevi Road, Mumbai-400002. INDIA. www.kotharifab.com

Area of production: Blouse fabrics and in other products (poplin, embroidered dress materials and other value added materials etc.). Year of establishment: 1985

Kamudgiri Synthetics Ltd

Regd. Office: 10 Singhania Wadi, 187 Dadyseth Agiary Lane,

Chira Bazar, Mumbai-40002, INDIA.

Tel. 91-22-019118 & 91-98201-82659

Area of production: Different types of fabrics

Year of establishment: 1987

Paragon Cables Industries Pvt. Ltd.

C-357 DSIDC Industrial Park, Nerela, Delhi-110040, INDIA.

Tel. 91-11-27782009. <http://www.indiamart.com/company/498560/#>

Area of production: Different types of cables

Year of establishment: 1984

Gopal Fashion Pvt. Ltd

5526 Nai 1st floor, Katra Rahti,

New Delhi-110006, INDIA.

Tel: 91-11-23950290. <http://www.gopalfashion.com/products.htm>

Area of production: Different types of women "sarees" (10 meter long designed fabric that women wear in different parts of South Asia).

Year of establishment: 1975

Polfrost Air-Con Pvt. Ltd.

Plot A-144/7, M.I.D.C. Indl. Area, Pawane P.O.K.U.Bazar

Navi Mumbai-400705, INDIA. www.polfrost.com

Area of production: Temperature control products for varieties of applications

Year of establishment: 1989

2.7. Limitations of the study

Decision-making is one of the most important functions of management at any level. Consequently, many have opined that a managerial job and decision-making are inseparable from each other. Comparative studies of decision-making may help managers operate internationally. This study aims at exploring and analyzing managerial decision-making behavior in the three case countries with a view to helping business people who are interested in doing business in the case countries.

Every study has its own strengths and limitations; the current study is no exception. The original plan was to conduct a comparative study of managerial decision-making behavior in four case countries: India, Bangladesh, Finland, and Sweden. However, because of resource limitations, the number of case countries had to be cut down to three i.e., India, Bangladesh, and Finland. Inclusion of Sweden could have made the study even more informative and given a better Nordic and South Asian dimension to this study.

Managerial decision-making behavior has been studied through culture: national and organizational culture. Any cultural study is very complex, as different scholars have defined culture in different ways, and disagreements exist over which issues should be included in discussions of culture, and which issues should be excluded. Moreover, approaches to studying culture differ sharply from each other. Culture has been discussed here from the integration point of view, without denying the merits of the other two approaches, namely differentiation and fragmentation.

The case country India is a vast country inhabited by more than a billion people, and possessing a very heterogeneous culture. The people of India speak many different languages, in all there are fifteen major and several hundred minor languages and dialects. The culture of one state in India differs radically from the culture of other states. Empirical data in India was collected through interviewing only fifteen managers from six different companies located in the New Delhi and Mumbai areas. Interviewing more managers across India could have produced even richer empirical data.

The current study is by nature empirical, exploratory and descriptive; this imposes certain limitations on its findings which could be addressed in future research by studying other countries and other companies in the same region, and possibly by employing additional or different methodology. In addition, the majority

of the case companies are family-owned limited companies operating in two industrial sectors; the textile and the electronic and electrical sectors. Consequently, the findings may not be applicable in other sectors or in large and multinational companies.

2.8. Validity and reliability of the study

Analyzing managerial decision-making behavior from a comparative perspective using a qualitative research method is the theme of this exploratory study. Traditionally, research in management has been based on positive science, quantitatively oriented, along a linear deductive path. However, the position is changing for management research, which “seems implicitly to assume a realistic perspective” (see for instance, Hunt, 1990), a perspective, which is arguably more practitioner-oriented. Realists share the positivists’ aim of explaining and predicting social phenomena. However, where phenomena have not yet been fully discovered and comprehended, realist investigation often seems more appropriate; it is better adapted to identifying phenomena and transforming people’s experiences into verbal experiences of the researcher (see for instance, Donnellan, 1995; Tsoukas, 1989). Regardless, the validity and reliability of exploratory qualitative study is a key issue for all parties concerned.

According to Patton, qualitative research uses a naturalistic approach that seeks to understand phenomena in context-specific settings, the "real world setting [where] the researcher does not attempt to manipulate the phenomenon of interest" (Patton, 2002: 39). In this case, a high degree of validity and reliability provides not only confidence in the data collected but, most significantly, trust in the successful application and use of the results in managerial decision-making. What are these two concepts: validity and reliability?

Validity in its quantitative sense refers to the correctness of the operationalization of constructs that are used in the research project. In contrast, in qualitative research, the issue is often how to gather information so that an optimal operationalization can be achieved at a later stage in the research (Ruyter and School, 1998: 7). Therefore, the researcher should give very high priority to using appropriate methodology for data collection, so that the results become meaningful in relation to the respondent’s

everyday reality. In this sense, one could argue that qualitative research offers the possibility of ecological validity which is inseparable from the respondent's reality.

The reliability of a research instrument concerns the extent to which the instrument yields the same results on repeated trials. Although unreliability is always present to a certain extent, there will generally be a good deal of consistency in the results of a quality instrument gathered at different times. The tendency toward consistency found in repeated measurements is referred to as reliability (Carmines & Zeller, 1979). Therefore, whether a study is reliable or not can only be measured by conducting further research on the same subject matter or in relation to it.

Some scholars have compared validity and reliability with quality, trustworthiness, and legitimacy of a study. Measuring validity and reliability in qualitative research is not easy at all. However, Patton states that validity and reliability are two factors which any qualitative researcher should be concerned about when designing a study, analyzing results and judging the quality of the study (Patton, 2002). Because of the comparative nature of this study, personal interviews have been conducted in the case countries with a view to ensuring validity and reliability. The aim of the study is to unveil the climate of subordinate participation in managerial decision-making processes in middle-sized private sector companies. The sample companies have been chosen from only two sectors i.e., the textile and the electronic and electrical sectors. On the other hand, empirical information has been collected from managerial-level personnel alone through personal interview. No non-managerial level workers have been interviewed. Consequently, the study will be valid if subordinate participation is considered from the managerial point of view but not the other way around. Where reliability is concerned, the researcher has ensured reliability as far as possible by basing the study on empirical information, without manipulating the situation. However, the reliability of the study can only be tested by conducting further research on the same or a related topic and comparing the findings.

2.9. Structure of the study

The study is composed of nine chapters based upon the three main pillars i.e., culture, decision-making, and participation, but the main perspective of analysis is regional from the standpoint of globalization. Consequently, the path of the study will follow these intentions. *The first chapter or the introductory part* covers the changing global economic circumstances and why a comparative analysis of decision-making through a cultural window is crucial. Participation as a concept has been briefly discussed here.

Chapter two can be considered as the backbone of the present study. It includes the background of the study, literature review, aims of the study, and the research hypothesis, questions and methodology. In sum, this chapter explains thoroughly the viability of this study and how the study has been conducted. The three decision areas targeted in the study, namely strategy, organizational change, and personnel policies, have also been discussed here. Moreover, the chapter incorporates other subjects like context of empirical information, limitations, validity and reliability of the study, and finally the structure of the study.

Chapter three is devoted to analyzing the theoretical perspectives of the study. This chapter explains how different opinions and views have been dominating organizations and their perspectives as social institutions since their emergence. In this regard, an effort has been made to unveil different views, including the classical view, the human relations movement, the systems approach, and the culture perspective. At the same time, this chapter also describes how those views have tried to determine the relationships between the organization and its environment, both the general and the task environment. Finally, without abandoning the other perspectives, alongside those discussions efforts have been made to explain why the perspective of culture has become crucial for studying organizations in the contemporary business environment.

Chapter four analyzes culture in general and organizational culture in particular, together with its sources. The chapter tries to show how different scholars have represented culture from their own viewpoints and why studying culture is worthwhile. An in-depth look has also been given into the elements of culture, and how different approaches have considered culture.

Chapter five examines cultural features of the three case countries i.e., India, Bangladesh, and Finland. Prior to the discussion of their cultural features, brief historical information about the emergence of those countries as independent nation states has also been provided.

Chapter six discusses different decision-making theories and their applicability in organizational decision-making situations. A distinction has been made between rational and non-rational models of decision-making. Moreover, the chapter also shows how organizational decisions are made in practical circumstances. Furthermore, the relationship between culture and decision-making has also been drawn.

Chapter seven is devoted to exploring managerial roles according to different scholars, and the place of the decision-making role within the broader circle of managerial activities. In addition, managerial decision-making role differentials on the basis of management position in the organization have been covered. The chapter also includes and explains alternative models of participation or power sharing in decision-making processes. This chapter prepares the ground for the empirical study presented in the following chapter.

Chapter eight, which can be considered as the core chapter of the study, comprises the empirical results. Alternative power sharing models have been analyzed and their results have been presented. The results reveal a close link with the research hypothesis that managerial decision-making behavior is culturally biased and the five alternative models of power sharing adequately represent that bias. *Chapter nine* takes the form of an *epilogue*, which summarizes the empirical results so that the readers can easily understand the premises and outcomes of this study. Moreover, the chapter identifies areas where the current study has contributed, and suggests areas for further research. Figure 3 shows the process and proceedings of the study at a glance, where the main topics of discussion in each chapter have also been very briefly summarized.

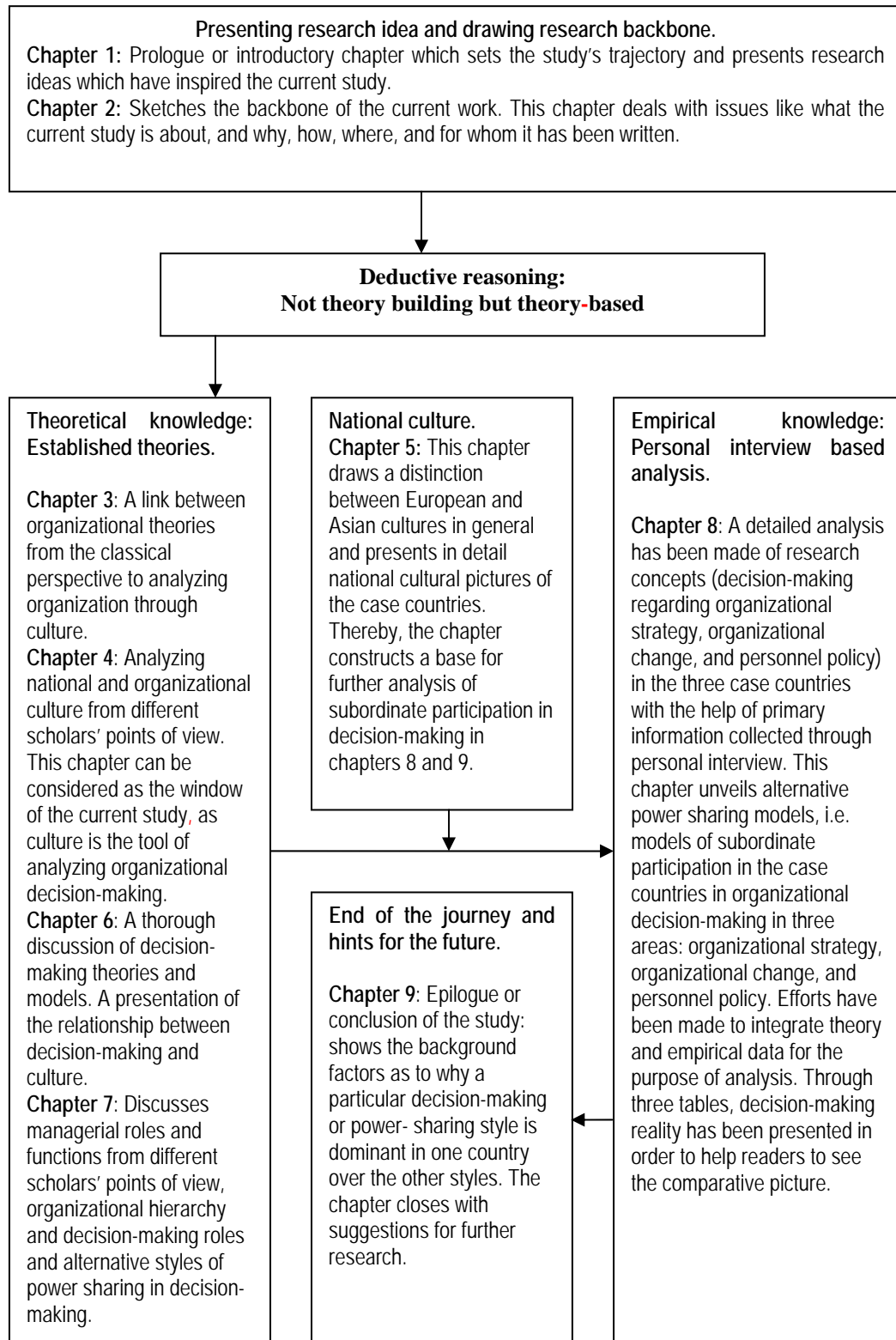


Figure 3: Process and proceedings of the research at a glance

3. Theoretical perspective and understanding of organization culture

Theories are nets cast to catch what we call “the world”: to rationalize, to explain, and to master it. We endeavor to make the mesh ever finer and finer. (Karl R. Popper, The Logic of Scientific Discovery⁴¹).

3.1. Emergence of organization theory

A theory is an attempt to explain a segment of experience in the world. The particular thing that a theory explains is called the phenomenon of interest. In organization theory, the primary phenomenon of interest is the organization (Hatch, 1997: 9). Organizations affect us as individuals, as well as at the group, community, national, and international levels. For instance, to understand inequality among members of a society, one must look at the ways in which organizations reward people in terms of income, prestige, and authority. In the Scandinavian countries including Finland, we see a very narrow gap between and among members in society because organizations reward people with income, prestige, and authority based on strong egalitarian principles.⁴² As all organizations, regardless of size, are collections of human beings, a large portion of organization theory is devoted to explaining how humans are effectively dealt with in organizational settings so that organizational goals may be achieved. Moreover, organization theories attempt to expose the organizational reality and the functional existence of organizations. Each theory explains the way organizational activities are arranged, and the way the organization relates to its environment, including its workers, clients, competitors

⁴¹ Quoted in Dubin, R. (1978) Theory Building (Revised edition). New York: The Free Press. P. 15

⁴² These types of societies can be considered as horizontal individualist societies as opposed to vertical individualist societies like the USA. The core individual belief in rewards according to merit is qualified by the greater share apportioned to those of higher rank in vertically individualist societies, with the desire for equal sharing of resources in horizontally individualist countries (see Abraham, 1997).

and the general environment. Knowledge in organization theories helps people to understand the organization's structure, purpose and activities, and how the organization as an entity works.

Despite the pervasive impacts of organizations on human beings, the academic discussion about organizations and organization theory is a relatively new field. Starbuck writes that although people have been creating organizations for many thousands of years, generalizations about organizations – contributions to organization theory – are almost entirely the product of the last half of the twentieth century. Moreover, the history of organization theory contrasts with the history of managerial thought. Theoretical writings about management began more than 4,000 years ago. The idea that some organizations had the essential properties of bureaucracy was muted more than 3,000 years ago. The idea of organization theory may have originated with Gulik's phrase 'the theory of organization,' but it appears to have been Simon who most actively promoted the actual phrase 'organization theory'. Simon envisaged 'organization theory' as a broad category that includes scientific management, industrial engineering, industrial psychology, the psychology of small groups, human resource management, and strategy (Starbuck, 2003: 143-5).

Contemporary organization theories are the products of their perspectives or more generally societal and technological changes. According to Ott, theories about organizations do not develop in a vacuum. They reflect what is going on in the world – including the existing culture. Contributions to organization theory vary over time and across cultures and subcultures. A number of issues in the past have been instrumental in the development of organization theories; these include the advent of the factory system, World War II, the "flower child"/antiestablishment/self-development era of the 1960s, and the computer/information society of the 1970s (Ott, 1989: 140), and more recently the information and communication technology which has flattened the globe (Friedman, 2005) since the middle of the 1990s. Therefore, organization theories have emerged from the changes and events that our society has experienced at different points in time.

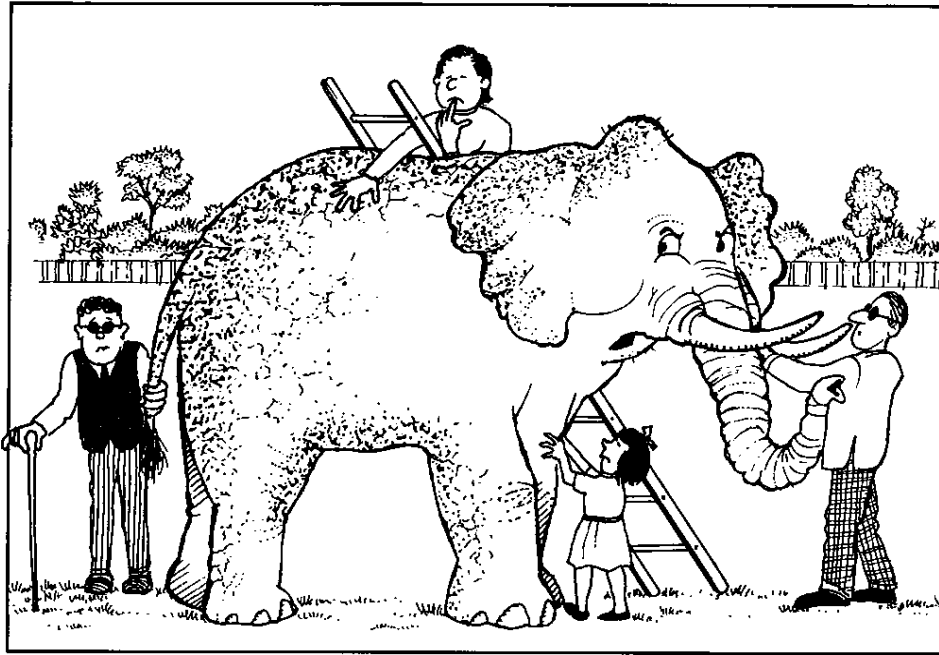


Figure 4: Few blind people are examining an elephant
Source: Ghauri, P. et al (1995: 94).

As organization theories are the products of their perspectives, one must notice strong diversity in organizational theories and the way they represent organizational reality. Therefore, Hatch opines that organizational theorists often justify the diversity of organizational theory and its multiple perspectives by pointing out the complexity of organizations. Hatch has illustrated organizational complexity by the Hindu parable of the blind people and the elephant (see figure 4). After meeting an elephant the blind people described the animal in different ways depending upon their personal encounter. According to their various descriptions, an elephant is like a leaf, a rope, a wall, a tree, a spear, and a snake. In reality, each of them had gotten hold of a different part of the elephant and so had come away with remarkably different accounts of what this creature is like. Like the blind men, organization theorists encounter a large and complex phenomenon with perceptual equipment that handicaps them with respect to knowing it in a holistic or total way (Hatch, 1997: 7).

As a result, different theorists perceive organizations from different points of view without giving anyone a complete picture about the organization. This leads to groupings among organizational theorists and perspectives based on the time period at which the particular theory or perspective emerged. Ott writes that organization theorists from one school quote and cite each other's works regularly. However,

they usually ignore theorists and theories from other schools, or acknowledge them only negatively. Each of the major perspectives or schools of organization theory is associated with a period in time (Ott, 1989: 140-41). Thereby, through ups and downs, some have lost their appeal and others have occupied the leading position. However, none of the theories can be neglected as a way of understanding organizations because each one exposes a different aspect of the whole.

3.2. Evolution and definition of organization as social institution

Modern humans (homo sapiens) are thought to have evolved about 100,000 years ago. However, evidence of formal institutions in human society dates from less than 10,000 years ago (Redmond, 2008: 569).

Prior to the dawn of “civilization” or at the primitive stage, humans were organized in hunter-gatherer bands.⁴³ These bands were highly mobile, possessed little in the way of individual property, and are thought to have been governed by strong informal norms of egalitarianism and sharing, which eventually helped to suppress the ability of one individual to exercise control over the others. Because of this informal governance, the hunter-gatherer organizations did not have status rivalry. Decision-making was consensual; there was no place for free rides. The shift from the primitive to the predatory stage was accompanied by agricultural development, 8,000-9,000 years ago. Agricultural development resulted in the gradual decline of the norms of sharing and egalitarianism, which paved the way for households to accumulate personal stores of wealth. Thus households became increasingly autonomous from the control of the group, resulting in a decline in consensus-based decision-making⁴⁴. The declining in egalitarianism made it acceptable for some individuals to control the activities of others. Gradually, the change in social and economic activities, and the broadening of the production process made the control process indispensable (ibid: 269-571). According to Witt,

⁴³ Hunting animals for meeting food demands and protecting themselves from the attack of wild animals have been their main goals.

⁴⁴ Consensual decision-making is widely practised in countries like Japan, Sweden and Finland. Participation is the principal pillar of consensual decision-making.

formal organizations were developed as a way to preserve power and dominance that arose in informal institutions that had become inegalitarian (Witt, 2006 cited *ibid*: 571). The historical development of organizations shows that it was the desire for exerting power and dominance by one group over the other which gave birth to formal organizations.

Today, formal organizations play a prominent and predominant role in human societies. As Sims et al. write, organizations enter our lives in different ways: we work for them, we consume their products, we see buildings which house their offices, we read about them in the newspapers and absorb their advertisements (Sims et al., 1993: 1). Consequently, human beings are surrounded by numerous organizations from birth till death. These organizations are public, private and voluntary in nature.

Public sector organizations aim at providing services to the general masses. There is a value judgment involved in public sector activities. The root of this value judgment is social benefit. Consequently, profit making is not its principal objective. At the same time, the size of the public sector in a particular country is contingent on its political ideology, social demand and to some extent resource availability.

In contrast, private sector organizations run on a for-profit basis. Cost-benefit analysis is the main pillar of private sector organizations.

The emergence of voluntary organizations has been a result of the insufficiency, inefficiency, and in some cases non-existence of the other two sectors in serving vulnerable groups and managing urgent situations.

Regardless of their nature, organizations influence all spheres of our life at home, at work, and throughout the social spectrum. All the sample companies in this study belong to the private sector, and operate with profit making as their prime objective.

Organizations can be said to be institutionalized insofar as their behavior is determined by culturally conditioned rules which manifest themselves in certain routines for action and which give meaning to those actions. They reflect relatively stable values, interests, opinions, expectations and resources (March and Olsen, 1984, 1989). Organizations are products of their broader socio-cultural systems; consequently, organization behavior differs across cultures. This behavior pattern is a result of interaction between organizations and their surroundings. According to Meyer and Scott, every organization has a history, and in the course of time it evolves its own accepted ideas about what work is important and what results are

‘good’, and about how such results can be achieved. Some ways of thinking and behaving come to be seen as self-evident, thus excluding other interpretations and behaviors (Meyer and Scott, 1983). In their long march ahead towards goal accomplishment, organizations adopt different strategies. In some cases, for accomplishing the same goals different organizations could adopt different strategies or different courses of action. If the environment changes, organizations may abandon their current goals and switch to a new set of goals in order to survive.

The term ‘organization’ evolved from a Roman medical term⁴⁵ into a perceived property of societies, and then came to denote both a property of divers social systems and medium-sized social systems that possess some degree of ‘organization’ (Starbuck, 2003: 145). What is meant by ‘an organization’? Despite their existence all around us, it is not so easy to define an organization; different scholars have defined organizations in different ways. However, it is vital to define organization before we discuss theories of organization. According to Weber:

An organization is a system of continuous purposive activity of a specific kind (Weber, 1947: 151).

Weber’s definition is very short and simple but it has a deep meaning: people form organizations with a specific purpose, and that purpose has a certain continuity. A broad and comprehensive definition of organizations is given by Hall:

An organization is a collectivity with a relatively identifiable boundary, a normative order (rules), ranks of authority (hierarchy), communication system, and membership coordinating systems (procedures); this collectivity exists on a relatively continuous basis in an environment, and engages in activities that are usually related to a set of goals; the activities have outcomes for organization members, the organization itself, and for society (Hall, 1977: 309).

Hall himself has confessed that this is a broad and cumbersome definition. However, the definition encompasses almost all the characteristics of a

⁴⁵ The term ‘organization’ is also referred to come from the Greek language, ‘organ` meaning a member (of body).

contemporary organization. Individual organizations could differ from each other but in general we see an organization as (1) a collection of people, having (2) certain guiding principles or rules, (3) a hierarchy of authority, (4) a particular goal or a number of goals, and (5) identifiable boundaries. An organization exists on a continuous basis in its environment and it experiences change or development; organizational change occurs mainly in order to adapt to a changing environment. Moreover, through its goal or outcome-related activities, an organization affects itself, its members and the society in general. In reality, an organization channels all of its current efforts into accomplishing future outcomes or goals. Goal accomplishment is one of the most important elements of Hall's definition.

There is a strong tendency among organization theorists to supplement definitions of organizations with accounts of what organizations look like. This has led to the use of metaphors or images among organization theorists. Metaphor is a comparison made by referring to one thing as another. According to Stacey:

Metaphors are formulated through intuition, a form of tacit reasoning that links images that may seem remote from each other (Stacey, 2003: 160).

In reality, metaphor allows us to understand one kind of experience in terms of another by suggesting an identity between two things that we would not normally consider to be equivalent, such as life and a long and winding road, or a man and a lion. As long as we understand one element of the metaphor, we can learn something about the other. Thus, metaphor encourages us to explore parallels between an object of interest and something that is better known to us, or at least known in a different way (Hatch, 1997: 51). Thus, metaphor helps us to understand an organization by comparing it with other objects or entities. Morgan, who has presented organizations through eight different metaphors, has put forward the following justifications for using metaphor such as:

Metaphors are central to the way in which humans forge their experiences; through metaphor we develop language; not only are metaphors essential to the development of language, but, what amounts almost to the same thing, they are essential to develop cognition; through metaphor we generate an image of data (Morgan, 1980: 610-611).

Consequently, the use of metaphor in organization studies is well founded. However, the present study does not use metaphor as a central theme of the research, but using metaphor is a way to expose multiple existences of social organizations.

Morgan (1997) has argued that how we define, understand and conceptualize organizations depends on our mental images of the essential shape and feature of organizations. Morgan's belief is that most definitions and theories of organization can be associated with a particular organizational metaphor. Morgan suggested eight different metaphors, each of which according to [Basden](#), provides a different way of thinking about organizations, seeing the organization:

- 1. As a goal-seeking machine with interchangeable parts,*
 - 2. As a biological organism that continually adapts to change,*
 - 3. As a central brain that can respond to, and predict, change,*
 - 4. As centring on a set of shared values and beliefs,*
 - 5. As centring on power and conflict, as a means whereby individuals achieve their own aspirations or mutual self-interest,*
 - 6. As centring on norms of behavior, so that the organization is likened to a psychic prison,*
 - 7. As an instrument of domination.*
 - 8. As flux and transformation,*
- (<http://www.isi.salford.ac.uk/dooy/ext/org.metaphors.html>. Accessed: 12.09.06 at 14:00)*

A brief review of each of these metaphors could help us to understand organizational reality, theoretical foundations and how to define them. However, the current study is about analyzing managerial decision-making behavior in Finland, India, and Bangladesh from a cultural point of view; consequently a thorough discussion of all of those eight metaphors is not necessary. The discussion will thus be restricted to the metaphor which considers organizations as centering on a set of shared values and beliefs, which is relevant to the topic of culture.

Organizations are considered cultural systems. According to the cultural metaphor, organizations can be seen as socially constructed realities based on communication and cognition of people in the organization. The way people

construct organizations depends on a society's stage of development, varies from one society to another, and varies between and within organizations. Consequently, cultural differences between and among organizations and within organizations are common. Cultural differences within an organization mean the existence of subcultures. This cultural difference is more visible when organizations are studied cross-culturally. The study of culture in management is not a very old issue. As Morgan says:

Culture has become a hot topic in management in the 1980s and early 1990s, with the special character of Japan prompting Western management theorists to take special interest in the culture and character of their own countries and the link with organizational life (Morgan, 1997: 120).

Nowadays, whenever discussion of international business or cross-cultural management arises, culture occupies the most important place for businesspeople and managers. Scholarly discourses reveal that culture influences business and a nation's effort to progress and develop. More importantly, a strong culture is a precondition for success.⁴⁶ On many occasions, it has been claimed that Finnish and Japanese economic success is rooted in their strong culture. Consequently, culture can be regarded as one of the most important components of organizations in a nation. As Gool and Sambharya explain:

Organizations have three interrelated components. The first component, the socio-cultural system, includes the strategies, structures and management processes. The cultural system is the second component that embodies the affective dimensions in a system of meaning that is manifested in ideology, myths, etc. The third component includes the individual actors who are meaning shapers (Gool and Sambharya, 1995: 824).

Culture may be considered to be the root factor which shapes and reshapes the socio-cultural system. Furthermore, the individual actor's role in any organization is contingent upon his/her cultural background. Culture is conservative by nature and

⁴⁶ See for instance Deal and Kennedy (1982 and 1999)

difficult to change. Despite this fact, every organization adopts measures to ‘acclimatize’ its new members to the existing organizational culture, because individual roles are influenced by norms and values (see figure 5), which are the most important pillars of organizational culture.

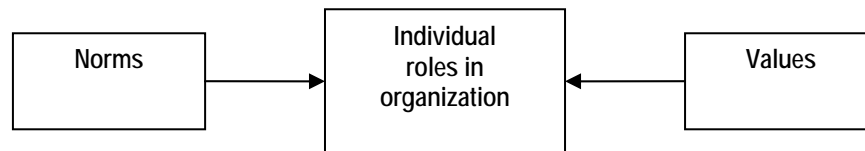


Figure 5: Norms and values influence individual roles

Interest in studying the management of a particular group or society through a cultural window is on the rise. According to Bennett and Kenneth, five transitions occurred in cultural groupings as people developed societies to meet common needs.

-Transition 1: People living in family units as part of hunting and gathering societies joined other families in large groups whose undertakings were directed and organized by group members.

-Transition 2: Nomadic group hunting became localized and people settled in geographic territories where they established one or more encampments.

-Transition 3: People began to raise plant foods and breed animals in emerging village communities.

-Transition 4: The rise of trade and craft manufacturing led to an urban revolution where people in groups began to concentrate geographically in cities or towns.

-Transition 5: The discovery of means to extract and concentrate energy and other resources in great quantities led to the modern state, which balances between business interests and community interests (Bennett and Kenneth, 1993 cited in Parker, 1998: 166-167).

A global world may represent a sixth transition stage:

-Transition 6: Business activities make it possible for people to transcend geographic and national loyalty barriers to meet their needs (Ibid).

The study of culture, both organizational and national culture, has become an essential precondition for business success for companies operating across national boundaries, i.e. for transition stage 6. Before we talk further about organizational culture or the theoretical framework which has led to the study of organizations from a cultural point of view, we need to give a working definition of organization. What is an organization really; how can it be defined? After studying the definitions of Weber and Hall, and the metaphors of Morgan, it is now clear that no single definition or metaphor would be enough to understand organizations. In other words, a single definition or metaphor does not present a holistic picture of an organization. To some degree, which way an organization will be considered or defined depends upon the field of study. The current study is aimed at analyzing managerial decision-making behavior on a comparative basis from a cultural point of view; therefore, it would be most logical to consider organizations as:

Associations of people who engage in a common purpose and have a shared culture called organizational culture.

The definition is closely linked to Hall's and Weber's definitions and Morgan's cultural metaphor. Literature in the field of organization theories shows that the emergence of such theories is caused by historical events and needs. Each theory of organization has emerged to fill a particular gap in our understanding of management of organizations. The beginning of industrial organizations or the factory system changed the entire basis of production activities and divided the people engaged in the production process into two groups: factory owners or capitalists, and the proletariat or working class. The working class people became subordinate to owners or managers and salaried workers to the factory. The establishment of the factory system destroyed a traditional way of life; it provoked intense resistance and conflict over the emerging organization of production. There was an urgent need to deal with such labor problems and keep the capitalists' production going. Therefore, the inception of organization theories can be traced more precisely to the need to deal with labor problems in the factory system.

In order to understand how organization theories influenced the management of work organizations and its complexities, and the contributions of different theorists, a chronological review of different organization theories is essential. The following

sections explain the basic theories that have been developed to explain the operation of human organizations. The explanation will start with the classical perspective on organization theories and end with the contribution of culture to the study of organizations. As the main theme of analysis of this study is the role of culture in managerial decision-making behavior, and especially the issue of subordinate participation in the decision-making process, this chapter gives just a very brief glance at the classical, human relations, and systems theories. The aim behind this course of explanation is to expose the inadequacies that these theories have and show how the cultural perspective has remedied these inadequacies in analyzing human organizations.

3.3. The Classical perspective on organization theory and its shortcomings

The management stream of classical theories was shaped by Weber, Taylor and Fayol, among others, and focused on the practical problems faced by managers in industrial organizations. In classical organization theories, there was an effort to search for the one best way to organize for production so that optimum work could be extracted from the workers. In addition, due attention was paid to the rationalization process in industrial organizations. According to Merkel:

The classical perspective dominated organization theory into the 1930s and remains highly influential today (Merkel, 1980 cited in Ott, 1989: 147).

Ott states that over the years, classical organization theory expanded and matured, but its basic tenets and assumptions have never changed. These fundamental tenets are:

- 1. Organizations exist to accomplish production-related and economic goals.*
- 2. There is one best way to organize for production, and that way can be found through systematic, scientific inquiry*
- 3. Production is maximized through specialization and division of labor.*

4. *People and organizations act in accordance with rational economic principals (Ott, 1998:147-48).*

A reflection of these tenets can be seen in the classical theories discussed below.

3.3.1. Max Weber and his theory of bureaucracy: types of domination

German sociologist Max Weber was interested in defining the key characteristics of industrial societies, one of which he saw as an unavoidable increase in bureaucracy. Weber emphasized the rational virtues of bureaucracy (Hatch, 1997: 32). Bureaucratic domination was a result of the rationalization of industrial society. In this connection, Weber has identified three pure types of legitimate domination/authority. The validity of the claims to legitimacy according to Weber may be based on:

Rational grounds—*resting on a belief in the legality of enacted rules and the right of those elevated to authority under such rules to issue commands (legal authority).*

Traditional grounds—*resting on an established belief in the sanctity of immemorial traditions and the legitimacy of those exercising authority under them (traditional authority).*⁴⁷

Charismatic grounds—*resting on devotion to the exceptional sanctity, heroism or exemplary character of an individual person, and of the normative patterns or order revealed or ordained by him (charismatic authority)*

⁴⁷ During the field study across the three case countries I noticed the elements of traditional authority. One Finnish manager (Finland, table 1, manager no. 10, date of interview 02.05.2005) said that his company used to recruit family members earlier but nowadays it is no longer the case. However, family members may get a position on the board of directors, the supreme policy-making body. In Indian and Bangladeshi companies' traditional authority is commonly seen in such a way that power shifts from father to son, older brother to younger brother, or in some cases vacant positions are filled by family members. In certain cases, positions are created for family members as well. In India, one MD (India, table 3, manager no. 1, date of interview 27.10.2005) said that "my younger brother is boss of one unit of the company and you can interview him as well." I did interview the brother, who was a unit boss. In Bangladesh, during an interview with the lady MD (Bangladesh, table 2, manager no. 5, date of interview 05.06.2005) of one electronic company, she described how she had become the MD after the death of her husband.

In the case of legal authority, obedience is owed to the legally established impersonal order, whereas in the case of traditional authority, obedience is owed to the person of the chief who occupies the traditionally sanctioned position of authority and who is (within its sphere) bound by tradition. Finally, in the case of charismatic authority, it is the charismatically qualified leader as such who is obeyed by virtue of personal trust in his revelation, his heroism or his exemplary qualities so far as they fall within the scope of the individual's belief in his charisma (Weber, 1978: 215). Authority, in whatever form, is necessary for any organization to function, because it is through authority that coordination of efforts is achieved (Jackson and Morgan, 1982: 14). In formal organizations, authority is distributed according to the hierarchical order; the higher the position in hierarchy, the more authority the position-holder possesses. Leader leads followers and authority acts as backbone.

3.3.2. Frederic Taylor and scientific management

Frederic Taylor, an American, founded and popularized the scientific management movement at the turn of the twentieth century. Scientific management was the first attempt to deal systematically with the "labor problem" in industrial organizations. As Jaffee writes, under the emerging factory system, the unique and problematic nature of labor is manifested in: *(1) its possession and control of knowledge about the methods of production, and (2) its capacity to exercise discretion in its exertion of work efforts* (Jaffee, 2001: 50). These twin and associated problems, from the perspective of owners, were directly confronted by Frederic Taylor (1856-1915) and his theory of scientific management (Ibid). Taylor believed that worker control over production knowledge and know-how placed owners at a serious disadvantage. It was skilled workers and foremen, rather than the owners, who determined the organization and pace of production. In this situation, Taylor's effort was directed at shifting the power in industrial organizations from workers to owners by introducing managerial control and supervision, and by introducing differential pay for performance, which eroded worker solidarity.

The central elements of Taylor's system, which substantially contributed to the rationalization process of organizations at the turn of the twentieth century, involved

four basic steps. (1) *Analysis of each element in the labor process including rules of motion for each worker and standardization of working conditions* (2) *Scientific selection, training, and development of workers* (3) *Co-operation between managers and workers* (4) *Equal division of work and responsibility between management and workers* (Ibid: 52) or *divide work nearly equally between managers and workers, so that the managers apply scientific management principles to planning the work and the workers actually perform the tasks* (http://en.wikipedia.org/wiki/Frederick_Winslow_Taylor. Accessed: 9.11.2009 at 09:37).

Taylor's theory of scientific management was an effective tool for enabling managers to improve efficiency in industrial organizations.

3.3.3. Henry Fayol

Henry Fayol, one of the major contributors to classical organization theory, deserves credit for his general laws of administration, and the five components⁴⁸ and fourteen principles of administration that he defined. Fayol's fourteen principles were as follows: (1) *Work should be divided to permit specialization.* (2) *Authority and responsibility are directly related.* (3) *Discipline is necessary to enforce agreed-upon behavior.* (4) *A worker should have only one supervisor (unity of command).* (5) *A worker should have one director (unity of direction).* (6) *Individual interests must be subordinate to general interests.* (7) *Pay should be fair for work done.* (8) *Authority should be centralized.* (9) *A chain of supervision should link top and lower supervisors (span of control).* (10) *People and things should be in a logical order.* (11) *Employee loyalty should match management justice.* (12) *Turnover should be minimized with tenure provided to employees.* (13) *Managers should allow subordinates to take initiative.* (14) *Good communication should foster esprit de corps* (Fayol 1949). Fayol stressed that the real number of principles was arbitrary and the list non-exhaustive (for example, Brodie, 1967; Fayol, 1949). He asserted that the principles should be flexible and adaptable to every need. In this sense, he diverted his principles away from a purely mechanistic view, towards a more adaptive one.

⁴⁸ These components are also called "elements" or "processes". According to Fayol, principles should guide the execution of these management processes.

The organizational culture perspective totally rejects the basic assumptions, precepts, and tools of classical organization theory. The two schools have virtually nothing of content in common except that organizations are the focus of their attention (Ott, 1989: 147-48). The idea that management is the product of social, economic, and cultural perspectives on society is not considered in classical views of organization theory. Moreover, classical theories of organization treat workers in the same way as production tools of industrial organizations, disregarding the human side of the workers. The next wave of organization theory was primarily concerned with the human elements: the name of Elton Mayo in relation to the human relations school is well known.

3.4. Elton Mayo and the human relations school

Elton Mayo is known as the founder of the Human Relations Movement. At the Hawthorne plant Mayo along with his associates examined productivity and work conditions. The studies grew out of preliminary experiments at the plant from 1924 to 1927 on the effect of light on productivity. Those experiments showed no clear connection between productivity and the amount of illumination, but researchers began to wonder what kind of changes would influence output (http://www.accel-team.com/motivation/hawthorne_02.html. Accessed: 27.05.2007 at 14:00).

The second group of studies at the second relay-assembly group, the mica-splitting test room, and the bank-wiring observation room revealed that the individual workers did not behave as “rational” economic actors but as complex beings with multiple motives and values; they were driven as much by feelings and sentiments as by facts and interests. Furthermore, they did not behave as individual, isolated actors but as members of social groups exhibiting commitments and loyalties stronger than their individualistic self-interests. Thus, in the bank-wiring observation room, workers were observed to set and conform to daily work quotas – group norms restricting production – at the expense of their own higher earnings. And informal status hierarchies and leadership patterns developed that challenged the formal systems design by managers (see Roethlisberger and Dickson, 1939: 379-447). Thereby, the Hawthorne studies discovered that workers’ motivation is a

complex issue and is dependent on more than only economic factors. The studies also highlighted the importance within formal organized entities of informal groups, which are instrumental in achieving higher production and group harmony.

The Hawthorne studies paved the way to drawing some crucial conclusions opposed to the scientific management school, namely: *(1) Material incentives are far less effective than originally supposed and nonmaterial values such as the acceptance and respect of peers may have equal or greater influence over the actions of individuals. (2) The group to which an individual belongs exercises an informal authority that affects individual actions, often to the apparent disadvantage of the individual. (3) Determining the amount of work an individual is physically capable of doing is usually less significant in predicting actual output than determining the amount of work the group believes is proper. (4) Learning to communicate and deal with the informal authority of the group may be of equal or greater importance to the formal authority of management than learning to communicate and deal with individuals (Koehler et. al.1981: 24).*

These conclusions provided managers with new insights into how to deal with their work force with a view to extracting optimum productivity. This new direction suggests that workers cannot be considered only as mechanistic parts of the production process, but that attention must be paid to human factors as well. Mayo, who was the main proponent of the human relations approach, contributed much to establishing human factors in organizational management. After Mayo, other behavioral scientists have contributed to the “human resource” approach. The classical theorists focused only on the ‘ability dimension’ of the workers for productivity and motivation, since for them, financial incentives were central to organizational success. The ‘willingness dimension’ was completely disregarded, a deficiency which was remedied later by the human relations movement led by Mayo and other behavioral scientists. However, the classical theorists and the proponents of the human relations movement were both directed at the inner factors of the organization: organization structure, function, specialization, efficiency, management practice and so on. They had a closed-system view of organizations. In reality, organizations need to adjust their course of action through mutual co-operation with their environment, a matter which will be discussed soon; but we will now turn to the contribution of Simon in the field of organization theory as Simon’s theory is based upon human decision-making and its limiting factors.

3.5. Simon and his decision-making theory

Simon is well known for his “satisficing” approach to administrative decision-making. The “satisficing” approach was a reaction to the “maximizing” effort of the classical “economic man” in the organizational decision-making process. Simon, at the age of 31 in 1947⁴⁹ published his first book, “Administrative Behavior^{50.}” The aim of the book was to show how organizations can be understood in terms of their decision-making processes (Simon, 1976: ix and xxv). The core theme of his book is the behavioral and cognitive processes of making rational human choices, that is, decisions. Simon got a Nobel prize in 1978 for his contribution to science in the area of decision processes in economic organizations.⁵¹

Good administration, which is frequently called management,⁵² is a prerequisite for organizational success. In his renowned book, *Administrative Behavior*, Simon posits a definition of good administration, which requires that, among several alternatives involving the same expenditure, the alternative to be selected is the one that leads to the greatest accomplishment of administrative objectives with the least expenditure. Good administration, or administrative efficiency, is important for conserving the scarce resources that the organization has at its disposal for accomplishing its tasks. This is “rational behavior” and is evaluated in terms of the objectives of the larger organization.

Simon’s attempt to specify the conditions necessary for achieving administrative efficiency within organizations, leads him to state that the central concern of administrative theory is “the rationality of decisions – that is, their appropriateness for the accomplishment of specific goals”. He adds that the task of administration is to design the environment in such a way that “the individual will approach as close as practicable to rationality⁵³ in his decisions (Simon, 1947: 240-241). To give a proper understanding of the concept of “rationality” in decision-making, Simon provides a general definition:

⁴⁹ However, in addition to the first published one, the current study will use as source the subsequent editions as well.

⁵⁰ *Administrative Behavior* was Simon’s doctoral dissertation as well.

⁵¹ His book *Administrative Behavior* was emphasized in particular.

⁵² The term “administration” of the 1940s and 1950s had become “management” by the 1960s. Likewise, the term “administrator” of the 1940s and 1950s had become “manager” by the 1960s.

⁵³ Judged in terms of the organization’s goals

Roughly speaking, rationality is concerned with the selection of preferred behavior alternatives in terms of some system of values whereby the consequences of behavior can be evaluated (Simon, 1947: 75). Then, he divides rationality into six kinds of organizational rationality. A decision is:

Objectively rational—if, in fact, it is the correct behavior for maximizing given values in a given situation.

Subjectively rational—if it maximizes attainment relative to the actual knowledge of the subject.

Consciously rational—to the degree that the adjustment of means to ends is a conscious process.

Deliberately rational—to the degree that the adjustment of means to ends has been deliberately brought about (by the individual or the organization).

Organizationally rational—if it is oriented to the organization's goals.

Personally rational—if it is oriented to the individual's goals. (Ibid).

Economic man represents the objective rationality as an ideal model. In reality there are of course limitations to this model. One is limited by unconscious skills, habits, and reflexes; by one's values and conceptions of purpose, which may diverge from the organization's goals; and by the extent of your knowledge and the information available (Simon, 1976: 241). According to Simon, actual behavior is thus limited compared to objective rationality in at least three ways: (1) *Rationality requires complete knowledge and anticipation of the consequences that will follow on each choice. In fact, knowledge of consequences is always fragmentary.* (2) *Since these questions lie in the future, imagination must supply the lack of experienced feeling in attaching value to them. But values can be only imperfectly anticipated.* (3) *Rationality requires a choice among all possible alternative behaviors. In actual behavior, only a very few of all these possible alternatives come to mind. (Ibid: 81).*

Given these limitations, a model of rational behavior by the administrative man is outlined. The administrative man as a model compared to economic man is different in two vital ways: (1) *Whereas economic man maximizes—selects the best alternative from among all those available to him, his cousin, administrative man, satisfices—looks for a course of action that is satisfactory or “good enough.”* (2) *Economic man deals with the “real world” in all its complexity. Administrative man*

recognizes that the world he perceives is a drastically simplified model [...] He makes his choices using a simple picture of the situation, that takes into account just a few of the factors that he regards as most relevant and crucial. (Ibid: xxix).

The basic distinction for decision-making is that in most global models of rational choice, “economic man” evaluates all alternatives before making his choice. However, in actual human decision-making, alternatives are often examined sequentially and the best satisfactory alternative is likely to be the one actually selected—satisficing. This is the main focus of Simon’s decision-making process in organizations because, according to Simon, administrative theory is the theory of intended and bounded rationality; it contains “the behavior of human beings who satisfice because they have not the wits to maximize” (Simon, 1957: xxiii). Simon’s “satisficing” approach to decision-making exposes the decision-making reality in most social organizations. Human beings who are the main actors in social organizations cannot function like “economic man”. Simon accorded due importance to the human dimension in his analysis of decision-making in administrative organizations, which is understood from his definition of an organization as well. An organization, according to Simon, is:

“The complex pattern of communications and other relations in a group of human beings” rather than “something drawn on charts or recorded in elaborated manuals of job descriptions” (Simon, 1957: xxiii).

Simon’s definition of an organization indicates that he has considered cultural factors as important to organizational analysis, an idea which was absent in classical thinking on the subject. However, Simon did not include environmental issues in his analysis.

3.6. The systems approach and the contingency theory

One profound shortcoming of both scientific and humanist management theories was these theories’ “closed” system view of organizations (Koehler et al.1981:

31). This “closed” system view detaches organizations from outside influences. Organizational studies with the “closed” system approach are limited to analyzing mechanical and managerial dispositions inside organizations. But an organization is more than a simple mechanical and managerial device, closed to the influence of the environment in which they exist. This is the crucial point made by the advocates of the “systems” approach to organizations. The systems theory, according to Kast and Rosenzweig, is based on the notion that organizations can be visualized as systems (Kast and Rosenzweig, 1981 cited in Bartol & Martin, 1998: 54). A system, as Bertalanffy states, is a set of interrelated parts that operate as a whole in pursuit of common goals (Ibid: 54). According to Bertalanffy (1956) there is interdependency between and among the interacting parts of the system. The interdependency also has a degree, which varies from system to system based on complexity and relations among their different parts. Ashby and Buckley state that in social systems, such as groups and organizations, the connections among the interacting parts become relatively loose: less constraint is placed on the behavior of one element by the condition of the other (Ashby, 1968 and Buckley, 1967 cited in Scott, 1987: 77). In the era of globalization and internationalization, organizational success is contingent upon how well they interact with their surrounding environment. Organizations need to interact with the outside environment because they are social systems dealing with human beings. Boulding states that organizations are symbol-processing and social systems. They are symbol-processing systems in the sense that organizations process self-consciousness and so are capable of using language; human beings function at this symbol-processing level. They are social systems in the sense that organizational members share a common social order and culture ((Boulding, 1953 cited in Scott, 1987: 77-78).

The current study analyzes the influence of culture in managerial decision-making processes in medium-sized businesses in the case countries. The sample companies are part of the social system as they share a common social order and culture. The way an organization functions in society is the product of its culture. At the same time, the sample companies are also “open- system”, as they are capable of self-maintenance based on throughput of resources from their environments. Organizations are open-system, as they interact with their

environment for survival or for proper functioning. Glouner describes the open-, or natural-, system approach as follows:

The natural-system model regards organizations as a “natural whole,” or system. The realization of the goals of the system as a whole is but one of several important needs to which the organization is oriented (Glouner, 1959 cited in Hall, 1977: 56).

So according to Glouner, goal-seeking can be subordinated to survival if survival is at stake. This orientation of an organization can be explained in other ways, for instance, the current globalization trend has compelled many organizations to diversify their goals in order to survive. Obviously, organizations are established to accomplish certain goals, but in the course of goal accomplishment some goals become more important than others. On the other hand, because of changes in environmental demands, organizations may abandon certain goals and adopt new ones. An open-system organization sets its goals through mutual understanding with its environment, where a feedback system is strongly active. Feedback is the basic characteristic of Forrester’s systems dynamics model. According to him:

Systems of information feedback control are fundamental to all life and human endeavour, from the slow pace of biological evolution to the launching of the latest satellite. A feedback control system exists whenever the environment causes a decision which in turn affects the original environment (Forrester, 1958 cited in Stacey, 2003: 93).

Forrester’s model highlights the importance of feedback systems in human decision-making. Continuous organizational development for survival in the competitive business world is only possible if a proper feedback system is in position. The open-system perspective has been more fully developed in the work of Katz and Kahn. According to Katz and Kahn, organizations are influenced by the environment continuously; they import raw materials/inputs from the environment; the through-put process also works surrounded by the environment; and finally organizations deliver their output to the environment. The organization as a system would collapse if there were a disruption to the cycle of input/through-put/output (Katz & Kahn, 1966). The approach of Katz and Kahn is built around the general systems model that is finding favor in many disciplines (Buckley 1967 & 1968 cited

in Hall, 1977: 58). It was system thinking that was primarily instrumental in integrating organizations with their environments. The relationship between organizations and their environment led to the emergence of contingency theory.

Contingency theory has its origin in a number of well-known organizational studies that examined the relationship between the internal organizational structure of firms and the environmental demands placed upon these organizations (Jaffee, 2001: 210). Lawrence and Lorsch made one such renowned study. They argued that different environments place differing requirements on organizations: specifically, environments characterized by uncertainty and rapid rate of change in market conditions or technologies present different demands—both constraints and opportunities—on organizations than do placid and stable environments. They also suggest that different segments or subunits within a given type of organization may confront different external demands (Lawrence and Lorsch, 1967).

In the present era of globalization and rapid technological change, companies seeking business operations across national boundaries need to be “contingent”, or situational, in making business decisions. The contingency or situational approach may be focused on host country culture, both national and organizational.

3.7. Studying organization through culture: An emerging trend

One of the most important parts of the organization’s general environment is culture. Recall Morgan (1997), who has discussed culture as one of the metaphors for organizational analysis. In his metaphor, the essence of organization revolves around the development of shared meanings, beliefs, values and assumptions that guide and are reinforced by organizational behavior. Moreover, he indicated that it was the Japanese success, in industrialization after WW2, and penetration into international business in the 1970s, which encouraged other nations, especially in the West, to study the impact of culture in management. Thereby, culture has become a hot topic in management studies since the 1980s. In addition, Barly and Kunda argued that different historical periods are characterized by particular surges of managerial theorizing. Rational modes of theorizing surged under the ideologies of scientific management (1900-1923) and systems rationalization (1955-1980),

while normative modes of theorizing swelled under the ideologies of organizational betterment (1870-1900), welfare capitalism/human relations (1923-1955), and organizational culture (1980-present) (Barley and Kunda, 1992 cited in Jaffee, 2001: 167). And as the internationalization process broadens, culture is becoming even more important in studying organizational operations which cross national boundaries. However, the importance of other modes of managerial theorizing cannot be disregarded in the surge of normative modes of theorizing. In this connection, Barly and Kunda state that normative rhetoric should surge when profitability seems to depend more on the management of labor (Barly and Kunda, 1992 cited in Ibid: 167). Success in contemporary organizations is heavily contingent on how managers recruit, train, motivate, and maintain their workforce. Consequently, the labor force is considered as the most important asset of an organization, on which its profitability and existence are dependent.

According to the corporate culture perspective, culture fulfils several important organizational functions. Pfeffer suggests that one of the tasks of management is to construct and maintain systems of shared beliefs and meanings. Management provides rationalizations or explanations that legitimate its behaviors to its members as well as to its external constituencies (Pfeffer, 1981). Culture conveys a sense of identity to members of the organization (Deal and Kennedy 1982; Peters and Waterman 1982), and helps generate commitment and motivation (Peters and Waterman 1982; Smircich 1983). An organization's culture guides its behavior (Beyer, 1981; Smircich 1983) and can be expected to influence the performance of firms (Gool and Sambharya, 1995). In theory, it contributes to the coherence of a firm's behavior, to the energy that employees bring, and to the performance discipline of the company (Ansoff and Baker 1986). Altogether, these cultural factors lead the firm to its success.

4. Culture in general and organizational culture in particular

The issue of culture is one of the most important topics in the field of international business (Lu and Lee, 2005:4).

Culture is fundamentally a group problem-solving tool for coping in a particular environment. It enables people to create a distinctive world around themselves, to control their own destinies, and to grow. Sharing the legacy of diverse cultures advances our social, economic, technological, and human development. Culture can be analyzed in a macro context, such as in terms of national group, or in a micro sense, such as with a system or organization (Harris, Moran , & Moran, 2004:31). The current study deals with both the cultures: national and organizational.

4.1. Culture is gaining ground

How culture is perceived is a factor of who will be using it and in which field or from what perspective. Despite the different perspectives on culture in organizations, the focus on cognitive components such as assumptions, beliefs, values, as the essence of culture prevails in the literature (e.g., Gregory, 1983; Dyer, 1985; Schein, 2004). Culture can be used for many different types of analysis. It can provide the foundation for many different kinds of understanding. Consequently, culture's importance is not declining but is on the rise. This study is an attempt to analyze and compare the managerial decision-making behavior in three different national⁵⁴ and two different regional contexts⁵⁵ and to do this through the culture governing these contexts.

⁵⁴ India, Bangladesh, and Finland

In the field of international business, the study of culture has become crucial since it has been recognized that culture creates challenges and problems for firms in their international business operations. Culture is a central influencing factor for employee behavior in organizations of a given nation. Organizations are systems of action designed to mobilize human, capital, technological, intellectual, and information resources in order to achieve specific tasks such as extracting mineral resources, producing and distributing consumer products, or providing financial or professional services. Management is the process of keeping these systems adapted to their environment. Within a given country, management is strongly characterized by its culture.⁵⁶ As nations differ culturally, so do their management styles as well. Consequently, when moving into the area of international business, the need to be aware of cultural aspects of management is crucial and from this perspective, success in the domestic environment does not ensure success in overseas assignments. In this connection, Ferraro states that:

One of the most common factors contributing to failure in international business assignments is the erroneous assumption that if a person is successful in the home environment, he or she will be equally successful in applying technical expertise in a different culture (Ferraro, 2002: 7).

Tunga and Black et al. go further:

Failure in the overseas business setting most frequently results from an inability to understand and adapt to foreign ways of thinking and acting rather than from technical and professional incompetence (Tunga, 1988 and Black et al., 1992 cited in ibid: 7).

In the contemporary world, the globalization process has been making more and more companies globally interdependent in many different ways such as trade, investment, recruitment of workforce, outsourcing, technology transfer, strategic

⁵⁵ South Asia and the Nordic region

⁵⁶ Because of the importance of 'culture' in the field of international management, it has given rise to a sub-discipline of international management studies called cross-cultural management or intercultural management, within the broader discipline of management.

alliances, and so on. The performance of a company in any of these areas is dependent upon how skillfully managers apply technical expertise, and understand and adapt to foreign ways of thinking and acting. So an understanding of culture is a must.

A company could adopt one or more of the available modes of internationalization for expanding globally. The common modes of internationalization are export-import, licensing agreements, franchising, joint ventures, turnkey projects, foreign capital investment and strategic alliances (However, in some modes of internationalization, culture may be less important than in others, as has already been mentioned in this study). Business success in any of these modes is contingent upon making appropriate business decisions which also suit the host country. Consequently, in the international business context, decision-makers should take into consideration the decision-making culture of the host country. An understanding of national and organizational culture would provide a framework for understanding decision-making culture in a given society.

4.2. Culture: different meanings to different scholars

Within management studies and especially within international management studies, the classical anthropological concept of culture has tended to reinforce the conviction that culture can only be understood as a differentiating factor, separating one group of human beings from another. This approach focuses on culture as an accumulation of general factors, which have subsequently been used as a yardstick for characterizing – and ultimately stereotyping – socio-cultural systems such as national culture or cultures associated with ‘lesser’, defined entities such as a company, football team, the freemasons, or a political party (Holden, 2002: 23). Definitions of culture vary, however, in their use of a central concept. The central concept in use may include ideologies (Harrison, 1972), a coherent set beliefs (Baker, 1980; Spaienza, 1985) or basic assumptions (Wilkins, 1983; Phillips, 1984; Schein, 2004), a set of shared core values (Deal and Kennedy, 1982; Peters and Waterman, 1982), important understandings (Sathe, 1983), the “collective will” (Kilmann, 1982: 1). In order to gain a deep understanding of culture we will focus

now on some broad definitions. The American Heritage Dictionary has defined culture from a broader perspective:

Culture is the totality of socially transmitted behavior patterns, arts, beliefs, institutions, and all other products of human work and thought characteristic of a community or population; a style of social and artistic expression peculiar to society or class (The American Heritage Dictionary 1976: 321).

However, to get a better and deeper understanding about the concept of culture, one should study the anthropological definition of culture. According to Pedersen and Sorensen

Within the field of anthropology, which has developed the concept of culture most fully, 'culture' relates to all aspects of a group's behavior and its social organization, whether the group studied is a village, a tribe or a nation (Pedersen and Sorensen, 1989: 1).

Therefore, a good starting point could be the definition of the American anthropologists, Kroeber and Kluckhohn which is still widely quoted by management authors today:

Culture consists of patterns, explicit and implicit, of and for behavior acquired and transmitted by symbols, constituting the distinctive achievements of human groups, including their embodiments in artifacts: the essential core of culture consists of traditional (i.e., historically derived and selected) ideas and especially their attached values; a culture system may, on the one hand, be considered as products of action; on the other, as conditioning elements of future action (Kroeber and Kluckhohn, 1952 cited in Holden, 2002: 21).

The notable features of Kroeber and Kluckhohn's definition are:

- *The members of a culture system share a set of ideas, and especially values.*
- *These are transmitted (particularly from one generation to another) by symbols.*
- *Culture is produced by the past actions of a group and its members.*

- Culture is learned.
- Culture shapes behavior and influences one's perception of the world (Holden, 2002:21-22).

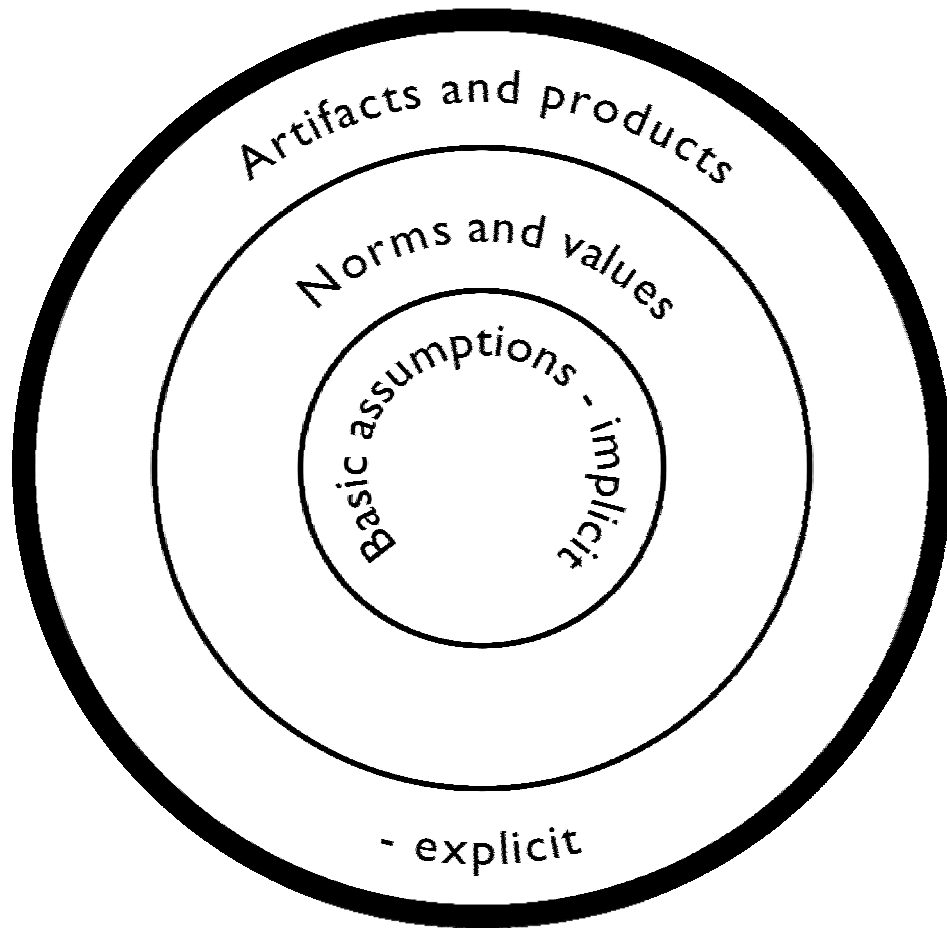


Figure 6: A model of culture
Source: Based on Trompenaars, 1996: 23

Similarly Hofstede, states that culture is learned and derived from one's social environment (Hofstede, 1991: 5). Among other things, religion and social institutions⁵⁷ could be two of the most powerful components of the social environment that might influence a particular culture. In most Asian countries, religion and social institutions play an important role in shaping culture. This trend is especially visible in South Asian countries such as India and Bangladesh. Belonging to a certain social class or strata determines a person's position in the

⁵⁷ The family can be considered as an important social institution where people learn their basic norms and values, which are reflected in the rest of their life consciously or sub-consciously.

society. Religion on the other hand, touches every sphere of its adherents' lives. According to Hofstede:

Culture is the collective programming of the mind that distinguishes the members of one group or category of people from another (Hofstede, 2001: 9).

Hofstede's definition is closely linked to the definition of Kroeber and Kluckhohn. Hofstede (Ibid) has made a distinction between culture and personality. To him, culture is a group property whereas personality is an individual trait set. To Hofstede, "mind" stands for the head, heart, and hands – that is, for thinking, feeling, and acting, with correspondences of beliefs, attitudes, and skills. In this process, culture includes values; systems of values are a core element of culture (Ibid: 9-10), which ultimately shapes the culture.

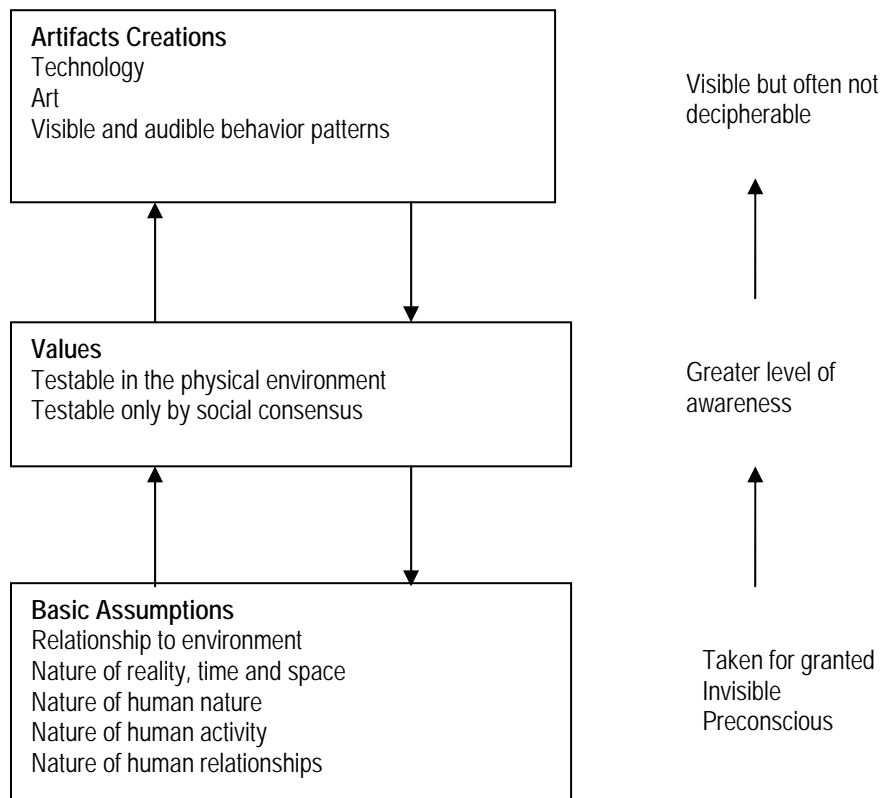


Figure 7: Levels of culture and their interaction
Source: based on Schein, 1985:14.

There can be a question about whether a particular culture is visible or not? In practice, some cultural properties are visible or explicit and the rest are invisible. In this connection, Trompenaars has divided cultures into three layers (see figure 6) where the outer layer, which is explicit, is composed of artifacts and products; the middle layer contains norms and values, and the core, which is made up of basic assumptions about existence, is invisible (Trompenaars,1996: 22-23). Thus, in Trompenaars' model, artifacts and products are visible but the other two categories - norms and values, and basic assumptions - are invisible. However, invisibles are determinants of visible artifacts and products. Similarly, Edgar Schein, a social psychologist concerned with visible and invisible culture, distinguishes three levels (see figure 7) of culture.

Analysis of the above mentioned definitions exposes the idea that every culture has certain elements; these elements will be discussed later in this chapter. Now we will turn to the organizing role of culture. According to Holden:

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, the professional and the personal (Holden 2002: 22).

If such groups can be defined as stable units with a shared history of experience, they will have developed their own cultures. Hofstede, for instance, identified six such broad levels of culture:

- *A national level according to one's country (or countries for people who migrated during their lifetime).*
- *A regional/or ethnic and /or religious level and /or linguistic affiliation level, as most nations are composed of culturally different groups and /or religious and/or language groups.*
- *A gender level, according to whether a person was born as a girl or boy.*
- *A generation level, which separates grandparents from parents and children.*
- *A social class level, associated with educational opportunities and with a person's occupation and profession.*

- For those who are employed, an organizational or corporate level, according to the way employees have been socialized by their work organization (Hofstede, 1991: 10).

The target of the current study is to focus upon Hofstede's last level - the organizational or corporate level culture. However, national culture will not be overlooked because according to Hatch:

The most unified understanding of organizational culture comes from the idea that organizations are manifestations of a larger cultural system (Hatch, 1997: 206) which indicates the national culture.

Hofstede's study of cultural values in IBM subsidiaries operating in over 40 different countries found evidence of national cultural differences within IBM's organizational culture. Before defining organizational culture, a working definition of culture will be given here which follows:

For the purpose of this study 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.

The most common feature of a culture is its stability. However, according to Gillan:

Cultures change when an individual can articulate a need that most people in society have vaguely felt but have not explicitly recognized (Gillan, 1948, cited in Bate, 1994: 249).

In addition, Hofstede states that:

Change takes place in every culture, for instance, change comes from the outside, in the form of forces of nature or forces of human beings: trade,

conquest, economical and political dominance, and technological breakthroughs (Hofstede, 2001: 34-35).

In the contemporary world, trade and technology are playing most significant roles in bringing cultural changes in different nations. The change process is not always as smooth as many think, because of resistance. Resistance comes from different directions, for instance, government, conservatives and pressure groups. The direction of analysis is now changing from general definitions of culture to definitions of organization culture.

4.3. Organization culture

Organization culture has fascinated both academics and practitioners alike since the early 1980s, when Peters and Waterman (Peters and Waterman, 1982) laid down their eight attributes of excellence in management, and Deal and Kennedy (1982) advocated the importance of a “strong culture” in organizations. According to Deal and Kennedy:

Every organization has a culture. The organization culture, whether weak or strong, has a powerful influence throughout an organization; it affects practically everything—from who gets promoted and what decisions are made, to how employees dress and what sports they play (Ibid: 4).

Culture, therefore, touches all management functions of an organization, including the decision-making process. Deal and Kennedy further state that:

The key to effective leadership in corporations is reading and responding to cultural clues. Throughout human history and across national boundaries, culture articulates a distinctive way of life (Deal and Kennedy, 1999: 3), when applied to an organization or social unit culture is unique.

Pedersen and Sorensen state that:

In organizational theory the cultural perspective is partly recognized because of its anthropological claim of uniqueness. 'Uniqueness' in organizational culture studies is an assumption shared by organizational culture researchers, implying that organizations in principle are independent cultural configurations. Organizations develop and maintain unique systems of values, beliefs, norms and meanings of their own (Pedersen and Sorensen, 1989: 1-2).

However, uniqueness does not disregard the existence of sub-cultures in organizations. Most large organizations have a dominant culture and numerous subcultures. A dominant culture expresses the core values that are shared by a majority of the organization's members. Core values are the primary or dominant values that are accepted throughout the organization. Sub-cultures tend to develop in large organizations to reflect common problems, situations, or experiences that members face. Martin and Siehl identify three types of subcultures: enhancing, orthogonal, and counter-cultural (Martin and Siehl, 1983). Subcultures may enhance, refine, or challenge a dominant organizational culture. The existence of organizational sub-cultures does not necessarily undermine organizational effectiveness. Moreover, sub-cultures as tightly knit work groups or teams that share a common set of values and assumptions may be particularly effective and productive. The organizational decision-making process may be visualized as competing groups, influenced by sub-cultures, exerting pressure to obtain a favorable decision outcome. Consequently, organizational decision-making is a complex process influenced by different factors, forces, and groups, where the ideal rational decision-making model has little to do.

Different scholars have defined organization culture in many different ways. As Schein writes:

Culture as a concept will be most useful if it helps us to better understand the hidden and complex aspects of life in groups, organizations, and occupations (Schein, 2004: 9).

The anthropological model is most helpful in this regard, as anthropologists focus on deeper and more complex aspects of culture. Following anthropology-centered definitions might help us to understand organizational culture:

Organizational culture is the pattern of beliefs and expectations shared by the organization's members which powerfully shapes the behavior of individuals and groups within the organization (Byars, 1987: 84).

Organizational culture is considered here as a group phenomenon and culture is shared. The definition is not superficial, as it focuses on invisible parts of culture such as beliefs and expectations. By analyzing organizational conceptual structure, Bate defines organizational culture as:

The meaning or aspects of the conceptual structures which people hold in common and which define the social or organizational reality (Bate, 2002: 194).

Bate's definition also focuses on the deeper aspects of culture, such as norms and values, as parts of the conceptual structure which define organizational reality. Bate acknowledges that:

The culture, once established, prescribes for its creators and inheritors certain ways of believing, thinking and acting which in some circumstances can prevent meaningful interaction and induce a condition of 'learned helplessness – that is a psychological state in which people are unable to conceptualize their problems in such a way as to be able to resolve them. In short, attempts at problem-solving may become culture-bound (Ibid: 193).

In his explanations, Bate expresses the idea that organization members' problem solving behavior is culture-bound. Therefore, managerial decision-making in an organization may be influenced by its culture.

Schein, perhaps the most influential writer about organizational culture, give us a more precise definition. He sees organizational culture as:

(1) a pattern of basic assumptions about how the group copes with the outside world and about how members should act within the group. (2) These assumptions define how members should perceive, think and feel about

problems. (3) The assumptions have been invented, discovered or developed by the group out of their experience. (4) The group sees these assumptions as valid, i.e., they “work.” (5) The group thinks these assumptions are important to teach to new members (Schein, 1992: 12).

Schein’s framework according to Bate, showing the three ‘levels’ (see figure 7) of culture has become the standard benchmark for defining organizational culture. The framework is all-inclusive, referring to every conceivable kind of process - thinking, acting, perceiving, believing and judging. Not a single stone has been left unturned, and not a single thing has been left out (Bate, 1994: 13). The term culture has many uses in the academic field. Holden distinguishes three primary uses of culture:

(1) Culture referring to an aspect of a national or ethnic grouping, including summations of characteristics with reference to distinctive (culture-specific) management style or negotiation style. (2) Culture referring to the special qualities of an organization (‘corporate culture’). (3) Culture referring to mental attributes (Holden, 2002: 29).

For the purpose of the current study, organizational culture will be viewed 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.

4.4. The value of studying organizational culture

Why is culture important? It has already been mentioned that ‘culture’ is a group property analogous to ‘personality’ in individuals. Robbins acknowledges that for group members, culture is the “*social glue that helps holds the organization together by providing appropriate standards for what employees should say and do (Robbins, 1996: 687).*”

Consequently, whatever type of decision managers intend to make, at whatever level, that decision may be influenced by culture. Thereby, culture may help to reduce uncertainty in the decision-making process as culture shows the ways decision-makers should follow.

At the formal company level, a particular company's culture differentiates it from other companies and helps explain why employees are attracted to one employer versus other employers. In this case, a company's values, such as freedom, liberty, and a friendly attitude to the environment could play a strong role.

Moreover, from the corporate perspective, culture helps explain why some companies are more successful than others. Kotter and Heskett investigated the relationship of culture to corporate performance. They summarized their research by means of four conclusions:

(1) Corporate culture can have a significant impact on a firm's long-term economic performance. (2) Corporate culture will be an even more important factor in determining the success or failure of firms in the next decade. (3) Cultures that inhibit strong long-term financial performance are common, and they develop easily, even when employees are reasonable and intelligent people. (4) Although tough to change, corporate cultures can be made more performance enhancing (Kotter and Heskett, 1992: 11-12).

So far, I have tried to analyze different definitions of culture, its usage in management, and its importance. The main focus has been to represent culture from the anthropologists' point of view. No two cultures are alike. Cultures differ and those differences can be measured through studying their elements.

4.5. Elements of culture

Cultural differences manifest themselves through the elements of culture. At the same time, the strength of a culture is dependent on its elements. According to Deal and Kennedy, the robust culture is woven from the interplay of a set of interlocking cultural elements. History yields values. Values create focus and share behavior. Heroic figures exemplify core values and beliefs. Rituals and ceremony dramatize

values and summon the collective spirit. Stories broadcast heroic exploits, reinforce core values, and provide delightful material for company events (Deal and Kennedy, 1999: 3) and artifacts represent the inner dimension of culture. The main elements of culture are described in the following paragraphs.

Artifacts

Artifacts are explicit culture. Explicit culture according to Trompenaars is the observable reality of the language, food, buildings, houses, monuments, agriculture, shrines, markets, fashions, arts (Trompenaars, 1996: 22), rituals, ceremonies, and other behavioral manifestations. Finnish organization culture, being egalitarian and low in power distance, helps managers to maintain an open communication system between and among managers when making organizational decisions. As one manager says:

(q2) All belongs to each other. Every decision influences everyone. We collectively select designs even though designs are brought by the designers (Finland, table 1, manager no. 7, date of interview 28.04.2005).

According to Schein, the most important point about artifacts is that they are easy to observe and very difficult to decipher. He further suggests that if the observer lives in the group long enough, the meanings of artifacts gradually become clear. If, however, one wants to achieve this level of understanding more quickly, one can attempt to analyze the espoused values, norms, and rules that provide the day-to-day operating principles by which the members of the group guide their behavior (Schein, 1992: 17-18). In practice, artifacts are offspring of espoused values, norms and rules. Therefore, an understanding of norms, values, and rules of a culture gives us clear picture of its artifacts.

Norm

Norms are the mutual sense a group has of what is “right” and “wrong”. Norms can develop on a formal level as written laws, and on an informal level as social control (Trompenaars 1996: 22). For instance, in Islamic countries Sharia law bars people from using alcohol, as the religion Islam does not permit its followers to drink alcohol. Moreover, on an informal level, in Islamic countries there is a strict control over pre-marital sex. Business norms as Hatch says involve concerns such as when you should inform your boss of potential problems, what sort of clothing you should

wear, and whether or not it is appropriate to display emotion in the workplace (Hatch, 1997: 214). Social norms vary from country to country as it varies from one organization to the other. Social norms influence the building of organizational norms. People in organizations, perhaps in particular at the management level, often share the norms: their ideals of what is decent, rational, etc. do not differ from those of the important people outside the organization. This makes the norms particularly strong. Bypassing organizational hierarchy may violate a norm of organizational communication in certain societies but in other societies it may be easily accepted. As one manager in Bangladesh says:

(q3) In weekly departmental meetings general workers give to the departmental heads their opinion (also conveniences and inconveniences). Those opinions come to upper level through the departmental heads. The lower level workers should follow proper channel (Bangladesh, table 2, manager no. 9, date of interview 30.05.2005).

The above statement exposes a bureaucratic type of organization which follows strong hierarchical order. On the other hand a Finnish manager says:

(q4) There is a freedom so that everyone can speak out (through e-mail or telephone call). We have also a mail box so everybody can put their idea about anything. Moreover, anyone can directly come to me (MD) to let their opinion known. No formal channel need to be maintained (Finland, table 1, manager no.1, date of interview 04.05.2005).

One may see a less bureaucratic and more organic organizational typology in Finland, which facilitates organizational communication in a quick and easy manner.

Values

Values are the principal building blocks of a culture. Hatch states that values are the social principles, goals, and standards held within a culture to have intrinsic worth. They define what the members of an organization care about, such as freedom, democracy, tradition, wealth or loyalty. Values constitute the basis for making

judgments about what is right and what is wrong, which is why they are also referred to as a moral or ethical code (Hatch, 1997: 214).

Values are important driving forces of a culture. A notable feature of culture is that it is a learning process and held by a group. Schein states that all group learning ultimately reflects someone's original beliefs and values, their sense of what ought to be, as distinct from what is (Schein, 2004: 28). Gradually, the belief and value are transformed into a shared value or belief and ultimately a shared assumption.

Deal and Kennedy claim three specific benefits accruing to the establishment of shared values in organizations.

- 1. Managers pay extra attention to whatever issues are stressed in the corporate value system.*
- 2. They tend to make better decisions, on average, because of the guidance they receive through their understanding of the company's shared values.*
- 3. They work a little harder (Deal and Kennedy, 1982: 33-36).*

They also point to a number of potential risks when values are firmly established:

- 1. The risk of obsolescence when the business environment changes and values lag behind*
- 2. The risk of creating resistance to change*
- 3. The risk of contradiction between professed company values and those actually dominated by top management (Ibid)*

Deal and Kennedy's statement explores both sides of an organization's value system. In short, values specify to group members what are important for their existence, while norms establish a behavior pattern that group members can expect from each other. A culture according to Trompenaars, is relatively stable when the norms reflect the values of the group. When this is not the case, there will most likely be a destabilizing tension (Trompenaars, 1996: 23). Contemporary instability in Iraqi politics can be a result of the imposition of Western democratic norms and values. Those are being imposed in a quick and indiscriminate way when Iraqi society is not ready to cope with them.

In the context of organization studies, McGregor has suggested that the study of management can be approached from the point of view of basic social values (McGregor, 1972). Florence et al divided human values into two general categories, each consisting of three values which are briefly defined as follows:

Tribalistic: A submissiveness to authority and/or tradition

Conformist: Has a low tolerance for ambiguity; adheres to prevailing norms and values and needs structure and rules to follow

Sociocentric: A high need for affiliation and little concern for wealth

Egocentric: Aggressive, selfish, restless, impulsive and in general, not inclined to live within the limits and constraints of society's norms

Manipulative: Materialistic, expressive, and self-calculating to achieve an end

Existential: A high tolerance for ambiguity and for those who have different values; usually expresses self but not at the expense of others (Flowers et al., 1975 in Ali et al., 1995: 29).⁵⁸

Values are considered as the most important foundation stone for exploring cross-cultural variations.⁵⁹ Due to the variations in value systems, which is the core element of culture, managerial decision-making behavior may vary. However, decision-making style is also contingent upon other factors as well, such as situation, the type of decision involved, and the type/size of the organization.⁶⁰

An understanding of norms and values is very important for understanding a group and its working behavior. One has to go even further, as Schein states that to get at the deeper level of understanding, to decipher the pattern, and to predict future behavior correctly, we have to understand more fully the category of basic assumptions (Schein, 1992: 21).

⁵⁸ During the field work it was evident that in India and Bangladesh the dominant managerial values were more a tribalistic and conformist whereas in Finland it was more of an existential.

⁵⁹ Hofstede's study (1991) on IBM subsidiaries in over 40 different countries can be mentioned here. He found substantial differences in the value systems of workers from different nationalities.

⁶⁰ By type I mean sole proprietorship, partnership, private limited company, public limited company, & co-operatives (consumer cooperative & workers' cooperative). Company size also affects decision style; in a small business there may not be any opportunity to ensure participation, as compared with large companies. The nature of an organization may also have impact upon decision style, such as whether the company is a for-profit private organization or a voluntary/not-for-profit organization or a government organization.

Basic assumption

Basic assumptions are the core of any culture. Schein states that basic assumptions are those solutions to problems, which work repeatedly and are taken for granted by the group members. Further, he states that culture as a set of basic assumptions defines for us what to pay attention to, what things mean, how to react emotionally to what is going on, and what actions to take in various kinds of situations (Schein, 2004). Basic assumptions, according to Hatch, exist outside ordinary awareness and are, for the most part, inaccessible to consciousness (Hatch, 1997: 210). Members of a cultural group react to a situation guided by its basic assumptions. Basic assumptions construct and guide behavior of a cultural group. Hatch further states that from the perspective of the members of a culture, the set of basic assumptions is truth, and what they assume or believe to be real and not generally open for discussion. This unquestioned “truth” penetrates every aspect of cultural life, and colors all forms of experience that it touches (Ibid: 210). So, it is basic assumptions which govern a group when it is searching for alternative courses of action in problem-solving situations.

Symbols

Symbols are words, gestures, pictures or objects that carry a particular meaning which is only recognized by those who share the culture (Hofstede, 1991: 7).



Figure 8: Logo of Mercedes-Benz

Source: http://www.dinesh.com/History_of_Logos/Car_Logos_-_Design_and_History/Mercedes_Benz_Logo_-_Design_and_History/. Accessed: 08.04.2009 at 12:00.

So symbols may consist of objects which point at something beyond themselves, which can be understood only by people (at least initially) who share the same culture. According to Hatch, thus, a symbol consists of both a tangible form and the

wider meaning (or meanings) with which it is associated. The dove (See figure 9), for example, is a commonly recognized symbol for peace (Hatch, 1997: 219).

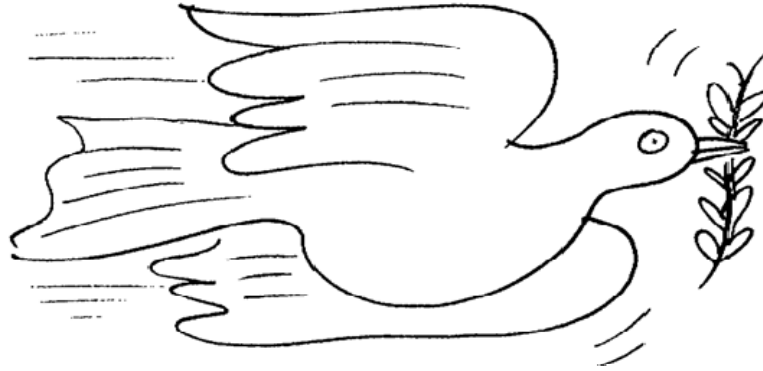


Figure 9: The dove carrying an olive branch is an ancient and widely recognized symbol of peace

Source: Hatch (1997), p. 219

Hatch further explains that in this symbol the tangible form is the image of the bird; the meaning that extends beyond this form is peace. There can also be organization-specific examples of symbols such as the logo of Mercedes-Benz. As a tangible form, this logo is usually a piece of metal with a distinctive shape. In terms of symbolic meaning, the logo signifies that a given automobile is the product of Daimler-Benz. However, the Mercedes logo could symbolize the inner properties of the automobile such as quality, luxury, and prestige (Ibid: 219). At a personal level, when a rose is given to a teacher, partner, or parents, it could signify the meanings of honor, love, or respect.

Rituals and ceremonies: Culture in action

A ritual is like a drama (Rosen, 1985; Trice & Beyer, 1984, cited in Martin, 2002: 66). A ritual consists of a carefully planned and executed set of activities, carried out in a social context (an audience), with well-demarcated beginnings and endings (like a play) and well defined roles for organizational members (like a script). Sometimes, costumes and props are even used (Martin, 2002: 66). Rituals are performed in a very formal and rational way. Rituals can provide clues about the culture's beliefs and values i.e. the inner dimension. Rituals are repetitious or routine activities but ceremonies are celebrated only occasionally. Whether repetitious or occasional, rituals and ceremonies tell us a lot about how people in the group think, and what they value. Rituals help group members to prepare

themselves for cultural duties. Consequently, international businesspeople should be well aware of the business rituals in the host country.

Heroes

Heroes are persons, alive or dead, real or imaginary, who possess characteristics which are highly prized in a culture, and who thus serve as models for behavior (Hofstede, 1991: 8) in an organization. These heroic figures could be scattered everywhere - across functions, divisions, and stations. They become heroic figures because of their extraordinary contributions to the company. Recognizing their contributions offers an opportunity to solidify and reinforce cultural values.

Stories: Cultural Oral History

Stories carry cultural values and are a part of everyday life (Deal and Kennedy, 1999: 7). Stories are crucial for keeping culture alive. Consequently, stories exemplify core values of an organization. In addition, focus on cultural heroes captures extraordinary events such as successes, exploitations, and mistakes. New employees learn a substantial part of organizational culture from stories.

4.6. Organizational culture typology

The terms “corporate” and “organization” culture will be used here interchangeably for the same meaning: “the special qualities or behavior patterns of an organization.” According to Goffee and Jones, culture has become a powerful way to hold a company together against pressures of disintegration, such as decentralization, de-layering, and downsizing (Goffee and Jones, 1996). Regardless of organizational type, this is undeniable. Culture is a normative instrument which bolsters a company’s identity as one organization. Therefore, it is very likely that without culture, a company would lack values, direction, and purpose. Is there one right culture for every organization? The answer is probably no.

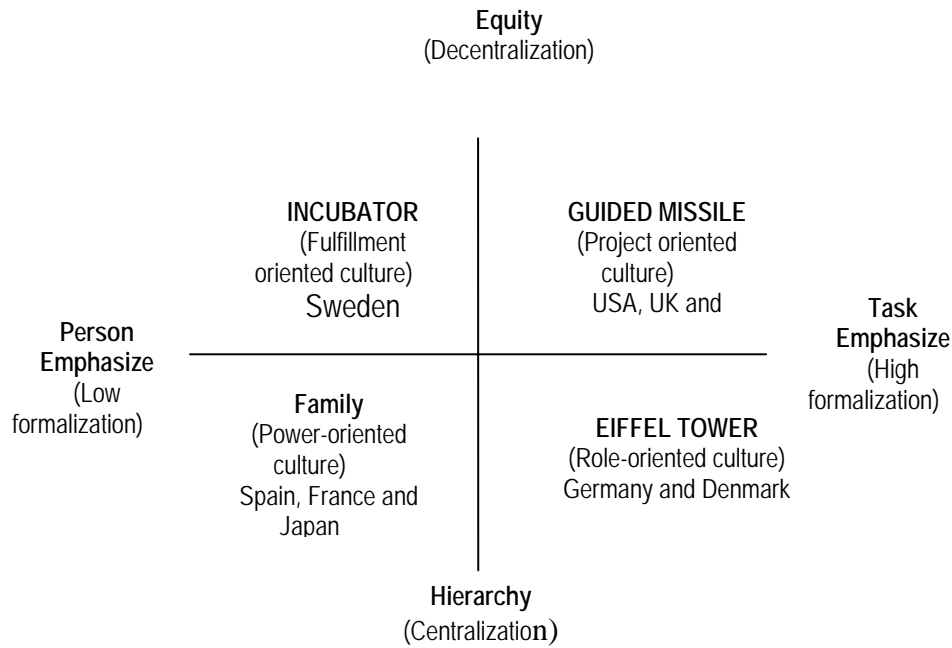


Figure 10: Organizational culture

Source: Based on Trompenaars' (1993) cited in Therese, J. (2001) 'The influence of national culture and organizational culture alignment on job stress and performance: evidence from Greece', *Journal of managerial Psychology* 16 (3): 229-242.

As nations differ, so do organizations, but not all national and organizational differences are due to culture. Besides culture, national differences can occur because of differences in issues such as language, legislation, religion⁶¹, education, geographical and climate variables, economic, technological, and political conditions and so on. Furthermore, organizations differ for work-related or functional reasons. They vary because of differences in their use of technology, industrial sector, type of business, legal framework⁶², market share, competitive capabilities, strategies, business philosophy, to mention a few examples. However, the principal aim here is to show how organizations differ culturally. Studying organizational culture typology is crucial in order to understand how decisions are made in an organization. An organization's culture determines whether decisions

⁶¹ Religion strongly influences culture in many countries. Even if in European culture religion does not have a strong and visible role to play, in South - and West Asia religion still plays a vital role in all social-political issues.

⁶² I mean the legal framework of business organizations such as sole proprietorship, partnership, limited company, co-operative, and public corporation.

will be made centrally by an autocratic manager, or whether wider participation will be ensured based on participative principles.

A number of organization culture typologies have emerged in the literature. An organization may be composed of a mixture of organization cultures, while one type dominates. Trompenaars' (1993) organizational culture typology, which is based on the work of Harrison (1972) and Handy (1985) categorizes organizational culture into four main types.

4.6.1. The Family (a power-oriented culture)

This culture is characterized by strong emphasis on hierarchy and an orientation toward the person. Individuals within this organizational form are expected to perform their task as directed by the leader, who may be viewed as the caring parent. Subordinates not only respect the dominant leader or father figure but they also seek guidance and approval. This culture is usually found in small entrepreneurial companies controlled by powerful figures. However, it does not mean that elements of this culture can not be held by medium-sized or large companies. Leader(s) in this type of culture share a belief in individuality and in taking risks. They believe that management should be an informal process with few rules and procedures, where the leader, manager, or owner of the company should play a dominant role.

4.6.2. The Eiffel Tower (a role culture)

A strong emphasis on hierarchy and an orientation toward task characterizes this culture. The "Eiffel Tower" image is intended to symbolize the typical bureaucracy – a tall organization, narrow at the top and wide at the base, where roles and tasks are clearly defined and coordinated from the top. Authority is derived from a person's position or role within the organization, not the person per se. People here share a belief in the importance of security and predictability. They equate successful management with rules and regulations. However, because of its emphasis on following rules and regulations, this type of culture is considered by many as inflexible, and likely to impede organizational goal achievement. This

culture is commonly top heavy, which discourages creativity at the lower levels. This has encouraged Western companies, and especially service-oriented companies, to reject the Eiffel Tower model in favor of flat and organic organizational structures.⁶³ When comparing Finnish organizations with Swedish ones, many Finns claim that Finnish organizations are more hierarchical. However, there is a strong preference for flat and organic structures in Finnish organizations.

4.6.3. The Guided Missile (a task-oriented culture)

Trompenaars' third type of organizational culture is characterized by a strong emphasis on equality and an orientation towards the task. "Getting things done" is the main philosophy of this culture. Everything from the organizational structures, processes and resources are all geared toward achieving the specific task or project goals. Power is derived from expertise rather than the formal hierarchy. This organizational culture is commonly seen in free market capitalist economies such as the USA, Canada, and the UK.

4.6.4. The Incubator (a fulfillment-oriented culture)

The last model in Trompenaars' organizational culture typology is characterized by a strong emphasis on equality as well as an orientation toward the person. Trompenaars states that the purpose of the organization in such a culture is to serve as an incubator for the self-expression and self-fulfillment of its members. This type of organizational culture is visible in the Nordic countries including Finland.

Trompenaars acknowledges that "pure types" seldom exist; they are mixed or overlaid, with one type of culture dominating. Nevertheless, in different national cultures, one or more of these types clearly dominate the corporate scene.

⁶³ Organic organizational structure is characterized by (1) Flatness: communications and interactions are horizontal, (2) Low specialization: knowledge resides wherever it is most useful, and (3) Decentralization: great deal of formal and informal participation in decision making. Organic organizations are comparatively more complex and harder to form, but are highly adaptable, flexible, and more suitable where external environment is rapidly changing and is unpredictable. Also called open organizations, they are contrasted with mechanistic organizations (<http://www.businessdictionary.com/definition/organic-organization.html>. Accessed: 9.11.2009 at 09:50).

Trompenaars has represented a selection of countries and their respective organizational cultures in figure 10, which Trompenaars has advised readers to interpret cautiously (Trompenaars, 1996: 159-161).

Apart from Trompenaars, Heady, and Harrison, also Basi (1998) has identified different types of organizational cultures, namely paternalistic, bureaucratic, and synergistic organizational cultures. Basi's typology has a close relationship with the typology given by Trompenaars. The current study will adopt Basi's typology in analyzing organizational culture and managerial decision-making behavior in the three case countries.

4.6.5. The Paternalistic Culture (the family or power-oriented culture)

The paternalistic cultural type can be compared with Trompenaars' Family type and Handy's power-oriented type of culture. 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. The total organization is influenced by the personality of the boss.

All the ten companies where I conducted interviews in Bangladesh and in India clearly represent this paternalistic culture. In South Asia, including Bangladesh and India, the family is the basic social unit from where everything flourishes. At home, at the family level, the head of the family, normally the father, controls everything and everyone moves according to his will. There is a mutual exchange system in families in South Asia: the head of the family takes care of all other members' well-being in exchange for loyalty and obedience. The head of the family even allocates freedom to its members concerning what they can do and what they cannot do. I would like to brand this situation as a "*freedom circle*", which means that people in the family are free, but inside the allocated "*freedom circle*." The value system which people develop at family level is also displayed in their work organizations. Consequently, in Bangladesh and in India, the head of the company controls and dictates almost everything in the company and is the sole power source. As one manager says:

(q5) All the vital decisions are made by me like land purchase or capital goods (India, table 3, manager no. 6, date of interview 27.10.2005).

Regardless, subordinates may enjoy freedom but inside the allocated “*freedom circle*.” As the same manager says:

(q6) Always we give priority to participation. Decisions are taken collectively. Nothing can be done alone. When it is difficult to reach a decision based on consensus then I have to make the decision. Do not know whether good or bad (ibid).

This paternalistic culture can be seen more in organizations in the high power distance societies. According to Hofstede’s study, India scored 77 on the power distance scale and occupied 10th position in the ranking list, which shows that India is a high power distance country (Hofstede’s, 1991). Hofstede did not include Bangladesh in his original study but the estimated score shows that Bangladesh is a higher power distance country compared to India. The estimated score of Bangladesh on the power distance scale is 80 (http://www.geert-hofstede.com/hofstede_dimensions.php. Accessed: 29.06.2009 at 10:39).

Finland, on the other hand, is a very egalitarian country compared to the other two case countries, Bangladesh and India, but during interviews there at least one mid-level manager from one family-owned company expressed her dissatisfaction, citing the existence of paternalistic culture in the company concerned. According to her:

(q7) It is a family company and its culture is to make decisions at the upper level. I do not think that the trend will change soon (Finland, table 1, manager no. 11, date of interview 02.05.2005).

In reality, whether the company is small or medium-sized, paternalistic culture exists to a greater or lesser extent in all family-owned companies where the owner-founder of the company wishes to structure everything according to his own will. Therefore, the philosophy of the founder(s) is an important source of any organizational culture, as will be discussed at the end of this chapter.

4.6.6. The Bureaucratic culture (the Eiffel Tower or role culture)

This culture has much in common with Weber's ideal model of bureaucracy. However, although Weber's ideal bureaucracy hardly exists, modern day organizations are to some extent bureaucratic by nature. A 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 organizational system is essentially command and control as directed by the top level. In fact, bureaucracy is a system of administration, but it also means in the negative sense an inflexible and troublesome administrative process. Sometimes, in emphasizing rules and regulations, bureaucracies disregard the principal goals of the organization.

In South Asia and especially in Bangladesh and India, organizations are heavily bureaucratic by nature and follow a mechanistic organizational structure, which reduces organizational flexibility in responding to customers' demands. However, because of the globalization process and international trade, a slow trend has been taking place towards replacing bureaucratic organizational culture with a more flexible and customer-responsive one across South Asia. This cultural change process is more visible in private sector companies compared with public sector organizations.

4.6.7. The Synergistic culture (the Guided Missile, incubator or task-oriented culture)

The synergistic organizational culture has some similarities with Handy's task-oriented culture and Trompenaars' Guided Missile and Incubator cultures. 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. The organization as a system is molded to achieve relational synergy between individuals and groups to accomplish mutually agreed on goals. In this culture, all stakeholders are considered as part of the total organizational existence.

A synergistic culture is the common organizational culture type in Western Europe, Nordic Europe, North America and other developed economies. However, the degree of this culture's dominance could vary widely. During the interview sessions with the sixteen interviewees in four different companies in Finland, I have understood that a synergistic organizational culture is the dominant organizational culture type in Finland. This synergistic organizational culture in Finnish organizations could be a result of the egalitarian nature of Finnish society.

4.7. Emergence of organization culture

Culture in general and organizational culture in particular has been discussed elaborately in the beginning of this chapter. However, the sources of organizational cultures have yet to be discussed. There are numerous organizations around us operating in different sectors: private, public and non-profit-making sectors, but each organization has its own unique culture. Once organizational culture is formed, it passes over time to the upcoming generations. Therefore, continuity or stability is one of the most important features of culture. We consider that culture is more or less stable but major changes could take place in culture as well. Consequently, it is very important to investigate the following questions: **Where does organizational culture come from? Who play the main roles in culture formation? How does it develop? Why does it continue to exist even though organization members come and go over the years? How does it change?**

The following sections will attempt to answer the mentioned questions, which will ultimately elucidate the origins of culture, its development over time, and stability. However, no attempt will be made to answer the questions one by one; they will be dealt within the form of a general discussion.

By synthesizing the above mentioned definitions of culture, I shall call here organizational culture: "the way organizational members do things around them." The way organizational members do things differs according to context. Therefore, the critical dimensions of organizational culture are a product of its context or external environment, and content or internal environment. This is similar to the individual action process in society. An ordinary individual's behavior is directed by the influences of his/her outer environments and internal stimuli although this

interaction process is not so smooth. Ott mentions three general sources or determinants of organizational culture: (1) *The broader societal culture in which an organization resides.* (2) *The nature of an organization's business or business environment.* (3) *The beliefs, values, and basic assumptions held by founder(s) or other early dominant leader(s).* He further states that the three general sources are not completely independent of one another. Ordinarily, the founder's basic assumptions are in part shaped by the broader culture of the society. The founder's assumptions influence the choice of business where the firm engages. The business environment both affects and is affected by the societal culture. Therefore, organizational culture can be considered as a product of the unique sum of composite blending of the three general sources (Ott, 1989: 75).

4.7.1. The broader societal culture of an organization

Organizational culture and societal culture are inseparable from each other. In general, the beliefs, values, and expectations held by an organization's important internal and external stakeholders are formed in the broader societal culture. Social beliefs, values, and assumptions are relatively stable, and these transform organizational cultures. Consequently, in Indian organizations, organizational culture is basically influenced by the broader societal culture of India. Therefore, a Finnish company which establishes a trade relationship with an Indian firm may soon find that in the Indian partner company (a) there is a tall hierarchical organizational structure, (b) decision-making power is concentrated at the apex of the organizational structure, (c) promotion is mainly based on seniority rather than expertise, (d) bosses maintain distant management styles with subordinates, (e) subordinates are loyal to their superiors more than they are loyal to the company etc.

Economic change or growth, among other things, brings changes in society. This economic change directly instigates a new wave of changes in organizational culture. Rostow outlined the stages of economic growth as: traditional, transitional, take-off, maturity, mass consumption and beyond (Rostow, 1960 cited in Basi 1998). In the process of economic change and globalization, India and Bangladesh will be considered as at the take-off stage, whereas Finland represents the beyond mass consumption stage.

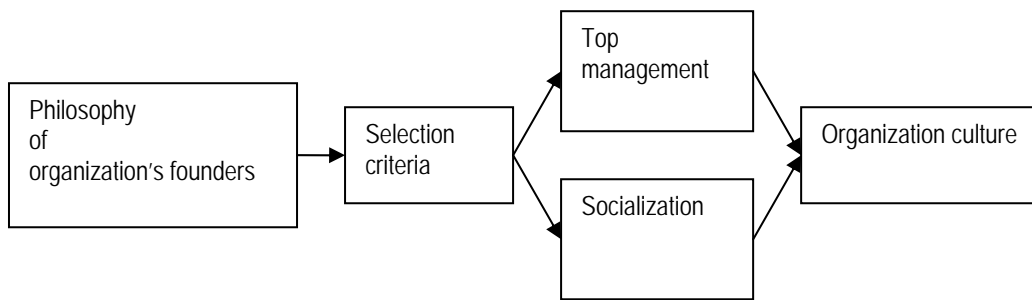


Figure 11: How Organizational Culture Forms
 Source: Based on Robbins, 1998: 610.

4.7.2. The nature of the business environment

The type of business in which organizations are engaged and their general business environment are the second grouping of important determinants of organizational culture (Deal & Kennedy, 1982; Sathe, 1985). Generally, organizations operating in the field of education will have different organizational culture from organizations operating in the field of health. Furthermore, it is very common that different firms operating in the field of health will show some similarities in their organizational culture, even if each organization will try to develop its own unique culture. In addition to the type of business, the market size, the geographic distribution of markets, and competitive scenario all interact in developing an organization's culture.

4.7.3. The beliefs, values, and basic assumptions held by founder(s)

The culture of an organization can be influenced by the philosophy of its founder(s) or leader(s). According to Ott, founders and other dominant, early organization leaders seek out and attract people who share their views, values, beliefs, and assumptions and, through the force of their personalities, further shape the culture (Ott, 1989: 81). Schein also mentioned the role of leaders in his leadership theory of culture formation. According to Schein, a unique function of leadership is the creation and management of culture (Schein, 1985: 171).

The culture of a particular organization can be heavily influenced by the philosophy of its founder or leader. New workers are recruited through proper selection criteria so that they do not disagree with the ideological basis of the organization. Socialization and top management's direction further acquaint new members with the organizational culture. Figure 11 shows how the process works.

Thus, the unique cultural imprint of the founders and other early dominant leaders is pervasive and remains long after they leave or die (Ott, 1989: 82). Furthermore, Ott stated that the three sources of organizational culture are not independent of each other, but every organization culture is the unique result of a composite blending of the sources of organizational culture (Ibid).

Decision-making and a managerial job in any organization, irrespective of its size and orientation, are not separable, but not all managers make similar types of decisions. The position of managers in the organizational hierarchy determines which type of decisions a particular manager is going to make. Therefore, it is managers' positions which determine the decision type under his/her jurisdiction, but the styles managers display in decision-making is dependent on their organizational culture. What are the principal roles or decision-making roles that managers perform at different levels of the organizational hierarchy? What are the styles managers adopt in each organizational culture type? These are the issues which will be discussed in chapter eight.

Successful participative decision-making in any organization is a result of effective group effort. A leader/manager who leads a group can take the first initiative to ensure participation of other group members in the decision-making process. However, people's willingness or ability to work as effective group members is not the same in all societies. Furthermore, not all leader/managers are equally willing to share their power with their subordinates or followers.

Different cultures ensure participation in different ways; the degree of participation in the decision-making process is culturally determined (See for instance, Heller and Wilpert, 1981; Wilpert et al., 1996). Hofstede's writing reveals that a greater degree of participation is seen in societies where there is a smaller gap between classes (low power distance) and more empowered people (Hofstede, 1991, 2001 and Hofstede and Hofstede 2005). This could explain why participative decision-making is so common in the Nordic countries.

5. Review of national cultures: Finland, India and Bangladesh

Within nations that have existed for some time there are strong forces toward further integration: (usually) one dominant national language, common mass media, a national education system, a national army, a national political system, national representation in sports events with a strong symbolic and emotional appeal, a national market for certain skills, products, and services. Today's nations do not attain the degree of internal homogeneity of the isolated, usually non-literate societies studied by field anthropologists, but they are the source of a considerable amount of common mental programming of their citizens (Hofstede, 1991: 12).

This mental programming, or culture, collectively differs based on national identity and offers to its citizens' unique patterns in dealing with everyday issues and events. Consequently, national cultural understanding will facilitate comprehension of how nations solve their problems. Analysis of managerial decision-making behavior in the three case countries requires an understanding of their national cultures as well. Geertz seeks to describe a single culture, richly and deeply (Geertz, 1973) or to contrast a very small number of cultures, mostly to highlight their differences (Geertz, 1983), or both (Martin, 2002: 40). The current study will make an in-depth analysis of the three case cultures with a view to creating a foundation for analyzing their managerial decision-making behavior.

As national culture is one of the main sources of organizational culture, it is logical to give a deep look into the main features of the case cultures. Kakabadse states that:

Cultural differences exist between people of different nationalities. From one country to another, people speak a different language, dress differently, enjoy different cuisines, and identify with different social customs. Moreover,

cultural differences exist within any one country (Kakabadse, 1982: 11), which can be exemplified, among others, through ethnic affiliation, regional differences, and languages spoken.

Regardless of intra-country or intra-nation differences, each country or nation possesses some features which are in some way unique. Apart from Kakabadse, Hofstede also acknowledges national cultural differences. His famous study on the IBM subsidiaries in over forty different countries shows the cultural differences between nationalities. Although the study conducted by Hofstede is now quite old, it still reflects many of the realities that can be seen in national cultural differences. Hofstede expressed those differences through his famous four dimensions (Hofstede, 1991, 2001, and Hofstede and Hofstede, 2005):

1. Power distance. This dimension measures the equality of power distribution between boss and subordinate. High power distance means that in that culture bosses have much more power than their subordinates. In low power distance countries, bosses treat their subordinates as peers. Out of the three case countries only two were included in Hofstede's original study, where India scored 77 points and Finland 33 points, which means that India is a high power distance country but Finland is a low power distance country. The estimated score of Bangladesh on the power distance scale is 80 (http://www.geert-hofstede.com/hofstede_dimensions.php. Accessed: 29.06.2009 at 10:39) which means power distance in Bangladesh is greater than the other two case countries.

2. Uncertainty avoidance. High uncertainty avoidance indicates that the culture likes to try to control the future. According to Handy (Handy, 1988: 201):

Uncertainty avoidance is associated with dogmatism and authoritarianism, with traditionalism and superstition.

On the uncertainty avoidance dimension India scored 40 compared with Finland's 59, both countries being part of Hofstede's original study. The estimated score of Bangladesh is 60 (http://www.geert-hofstede.com/hofstede_dimensions.php. Accessed: 29.06.2009 at 10:39). Hofstede's study shows that India has a lower tendency towards uncertainty avoidance than Finland and Bangladesh.

3. Individualism. As described by Hofstede, individualism is the degree of preference of individuals for loosely knit frameworks in which individuals are supposed to take care of themselves and their immediate families. In simple terms this means a preference for living and working in a collectivist or individual way. On the individualist index, Finland scored 63 whereas India scored 48. In Asia there is much more reliance on the extended family and the subsuming of the individual identity within the group. On the other hand, in Finland, with its higher score on individualism, there is a tendency for individual achievement to be emphasized. Bangladesh is more collectivist and less individualist compared with both Finland and India. The estimated score of Bangladesh on the individualism scale is only 20 (http://www.geert-hofstede.com/hofstede_dimensions.php. Accessed: 29.06.2009 at 10:39).

4. Masculinity. Hofstede's last dimension, masculinity, pertains to gender roles in the society. Masculinity is connected with ambition, the desire to achieve and to earn more, whereas its opposite, femininity, is more concerned with inter-personal relationships, the environment and a sense of service. A masculine culture prefers quantity of things to quality of life, with men almost always preferring the quantity alternatives. In Hofstede's index masculine and feminine values can apply to both men and women. When we apply this dimension on India, Bangladesh, and Finland it shows that India is more masculine (scored 56 compared with Finland's 26). The estimated score of Bangladesh is 55 (http://www.geert-hofstede.com/hofstede_dimensions.php. Accessed: 29.06.2009 at 10:39).

The current study finds huge differences among the cultures of the three case countries. Before an elaborate look is given into each individual country's culture, an effort is made to draw a distinction between Asian cultures and European⁶⁴ cultures, because two of the case countries are located in Asia and one is in Europe. Moreover, India and Bangladesh are part of the developing world, whereas Finland is part of the highly developed service sector dominated West. Certain cultural features which are strongly visible in developing or emerging societies are not visible, or are only weakly visible in the west. Consequently, the stage of economic development may initiate cultural change, and this may be exposed through generation gaps. In Finland for instance, the generation born in the 1980s differs in

⁶⁴ The principal emphasis will be given to South Asian and Nordic/Scandinavian culture in this perspective.

many ways from the generation born in the 1940s or 50s. Economic development in an agriculture-dominated society leads to industrial development, which brings socio-cultural change. Among other things, industrialization leads to social changes in the family, the role of women and the younger generation; increased mobility; urban migration and changes in life-styles. Terpstra and David have shown the impact of industrialization upon family ties as follows:

Stage 1: Industrialization demands relocation; the frequency and intimacy of contact among kin members decrease.

Stage 2: A disparity of life-styles emerges between generations. Social mobility allows some kin members to move up rapidly, leaving others behind and making contact more difficult.

Stage 3: The functions of large kinship groupings are appropriated by more specialized agencies and business firms in urban areas. Care of children can be bought in child care centers. Children receive less preschool education from grandparents and more from “Sesame Street.” The elderly can be sent to retirement homes. The family can be fed at fast-food restaurants.

Stage 4: The tradition of helping family members find jobs breaks. Occupations become more specialized and kinsfolk are less likely to know of suitable positions or to have sufficient influence to help place a relative (Terpstra and David, 1985: 199-200).

Industrialization has brought fundamental changes in many parts of Asia, such as Japan, South Korea, Singapore, Malaysia, Taiwan, Thailand, and China. Moreover, huge change is underway in many other parts of Asia, where India and Bangladesh could be crucial examples. Certainly industrialization has brought visible changes in the Asian socio-cultural system, but has not westernized Asia very significantly. The following section focuses on the cultural differences between Asia and Europe in general.

5.1. Fundamental cultural differences between Asia and Europe: the macro perspective

Asia is the largest continent on Earth. It is home to more than half of the global population; more than two billion people live in India and China alone. Intra-regional variations are not uncommon in Asia; some of the wealthiest countries (Japan and Singapore) are neighbors to some of the poorest (e.g., Cambodia and Bangladesh) countries. All the major religions are represented here, for example, Islam in Indonesia, Bangladesh, Pakistan, and Malaysia; Buddhism in Thailand and Japan; Catholicism in the Philippines; Hinduism in India. Some countries are extremely homogenous ethnically (e.g., Japan and Korea), while some are very diverse (e.g., Malaysia with its Malay, Chinese, Indian, and lately emerging Bangladeshi communities). Some countries are huge in terms of land area and populations (China and India), while others are tiny (e.g. the Maldives and Singapore).⁶⁵ Despite these variations, it is not uncommon to hear people from “the man in the street” to highly educated scholars referring to “Asians” and “Asian culture” as though the cultures of Asia can be considered as a single culture, and Asian people as a single ethnic group. Even though this is not true in reality, Asians do have many things in common, which makes others consider them as a single group of people. According to Keyes:

Asia is primarily a geographic region, but it can also be considered a macro-culture. There have been extensive interactions between the different ethnic groups in Asia over the centuries resulting in serious flaws in every attempt to classify Asians into separate ethnic groupings (Keyes, 2002 cited in Hipsher et al., 2007: 18).

However, until recent times, due to geographical features such as deserts, mountains and oceans, the Asian region remained almost completely isolated from other major areas of civilization, and therefore the macro-culture evolved for the most part regionally and independently (Fairbanks, 1989 cited in *ibid*). When considering Europe, inter and intra-national differences are obvious. On the Asian

⁶⁵ See for instance Leung and White (2004: 11)

sub-continent, too, inter and intra-cultural differences exist. Nevertheless, a clear distinction can be discerned between the way daily problems are solved in Asian cultures as compared with European⁶⁶ ones, as explained in the following sections.

5.1.1. In Asia orientation is to group; in Europe it is to individual

The introduction of wet rice farming was the beginning of the modern Asian way of life. Even today, rice farming is the occupation of more people in Asia than in any other part of the world. In wet rice farming, irrigation and draining of the field requires cooperation. This process of cooperation leads to collective effort and group behavior (Hipsher, et al. 2007: 18-19). Consequently, collectivism is stronger in Asia, whereas individualism is stronger in Europe. According to Yang, modernization has led to increasing individualism in a wide variety of nations (Yang, 1988 cited in Joynt and Warner, 1996: 98). Regardless, the study conducted by Hofstede (1991) clearly shows that countries in Asia, Africa, and Latin America are less individualist or more collectivist compared with Western European and Anglo countries.

5.1.2. Egalitarianism vs. in-egalitarianism

In Europe, and especially in the Nordic region, people live in very egalitarian societies. Clear indications of egalitarianism include strong democracy, liberal multi-party political systems, strong social welfare systems, and relatively small gaps between levels regarding salaries, power, and status. In Asia on the other hand, in-egalitarianism is the dominant social trend. In-egalitarianism is visible through larger power distance in society, inequality in income and wealth distribution, weak democracy⁶⁷ in many countries, strong non-democratic power bases⁶⁸, and low literacy rates, to name just a few features.

⁶⁶ Focus will be given mainly to the Scandinavian and Nordic perspective

⁶⁷ Pakistan can be an example

⁶⁸ For example the military, which in some countries consume huge resources and hold enormous power

5.1.3. Rationality vs. personal appeal

The term *rationality* has been defined differently in different fields of study. However, the word "rational" derives from the Latin word "ratio," which means "reason" or "computation," and to be rational means having or exercising the ability to reason. "Rationality" is defined as the quality or state of being rational. Rationality is closely linked to the concept of logical argument, which is based on cause and effect relationships. Rationality features strongly in the behavior patterns of European people, whereas in Asia personal appeal and emotional bonds have more power. Consequently, facts, figures, and social practicality are more important in decision-making in European organizations. In Asia on the other hand, where personal appeal is crucial and emotional bonds are very strong, decision-making is strongly influenced by the position of the decision-maker, past events, relationships, and recommendations of reference groups, among other things.

5.1.4. The use of religion: separation or mixing

In Europe, too, there was a time when a king could not rule over his territory without the recognition of the church. However, certain events in the past, such as the European renaissance, the French revolution, and the industrial revolution have all brought fundamental changes in the social lives of Europeans. Consequently, dogma has been replaced by science as the dominant influence on social systems in Europe, which has led to a separation between religion and social organizations, for instance, politics. In Asia, religion strongly influences social life including politics. Asia's dominant religions are: Islam, Hinduism, Buddhism, & Confucianism⁶⁹.

⁶⁹ **Confucianism** is not strictly speaking a religion, but it has pervasive influence in China and the Southeast Asian countries. Confucianism is an ancient Chinese ethical and philosophical system, originally developed from the teachings of the early Chinese sage and philosopher Confucius. Confucian philosophy, which values filial piety, loyalty, rank and hierarchy, righteousness, friendship and education, began developing during the Han period. However, the philosophy officially lost its central role in Chinese political life in 1905 with the collapse of the system of monarchy. In 1949, Confucianism was officially denounced by the Chinese Communist Party (CCP) as they believed that it was a symbol of the old system.

5.1.5. Submission to age in Asia and submission to expertise in Europe

In Asia, there is a common saying that “age brings honor”. Regardless of religion or region, all over Asia, at home or in organizations, age is considered a principal source of authority and opportunity distribution. Seniority is respected widely. At home, the most senior family member⁷⁰ in most cases has the power to decide a matter. Also in organizations, seniority brings high position and a special place in the decision-making process. According to Park and Sung:

The origin of this cultural tradition of respecting the elders can be traced back to the Greek and Roman Senate, making it impossible to argue that seniority reverence is only an Asian Phenomenon. In the 18th century BC, the Roman Empire relied on senators to make decisions, and the Senate was composed of elders from noble families (Park and Sung, 2004: 464).

However, in present-day Europe and in most of the highly individualist countries, seniority may not have any value for authority and opportunity distribution; it is expertise which brings honor.

5.1.6. High power distance and collectivism vs. low power distance and individualism

Asian culture is dominated by high power distance and collectivism, whereas European culture is dominated by low power distance and individualism. These issues of power distance, individualism and collectivism are widely used in cross-cultural management studies. High power distance naturally leads to an autocratic and paternalistic management style, where there will be a visible gap between managers and subordinates. In contrast, low power distance is viable for a participative or democratic management style. Whereas individualism emphasizes personal expertise and success, collectivism concentrates more on group success and

⁷⁰ Father decides most of the family issues but in the absence of the father, the eldest son plays the role of father.

team work. These are not the only macro-level cultural features of Asia and Europe but these are easily visible. These concepts and Hofstede's four dimensional models will dominate discussion of the national cultures of the three case countries (Hofstede, 1991).

5.2. Finland

Finland calls itself “the land of a thousand lakes”. In fact, there are altogether 187,888 lakes in Finland including the two biggest ones i.e., Saimaa and Päijänne. Indeed, lakes occupy a special place in Finnish life, which may be deduced from the fact that *Järvinen* (lake person) is a very common Finnish surname.

Finland⁷¹ is part of Nordic Europe. By the European Nordic countries one usually refers to Denmark, Norway, Sweden, Iceland, and Finland and their associated territories which include the Faroe Islands, Greenland, and Åland. In English, Scandinavia is sometimes used as a rough synonym for the Nordic countries. However, strictly speaking, the Scandinavian countries comprise only Denmark, Norway, and Sweden. Consequently, Finland, though a Nordic country, does not belong to “mainstream” Scandinavian culture. If we consider language as a mirror of culture, then this statement becomes even stronger, as the Finnish language does not belong to the Scandinavian language group. Nevertheless, some of the Scandinavian cultural viewpoints are also valid for Finland. Furthermore, from the global perspective, Sweden, Denmark, Norway, and Finland are often combined into one cultural group.⁷² In this study, Finnish culture will be considered as part of the broader Scandinavian and Nordic cultures without any distinction being made between them, unless a special need to differentiate them arises.

The Finns do not consist of a homogeneous society of five million; the population comprises the descendants of no less than five different ethnic groups: the Häme people (Hämäläinen), Karelians (Karjalainen), the Savo people (Savolainen), Ostrobothnians (Ostrobotnialainen), and Lapps (Lappalainen) (Dahlgren & Nurmelin, 1998: 9-10). Of course, there are people who do not have a clear idea of which ethnic group they belong to, as some of them have parents from different parts of Finland. Consequently, these people believe they belong to two

⁷¹ Finland is the northernmost country after Iceland and it has four neighbours i.e., Norway, Russia, Estonia, with which Finland has close linguistic, ethnic and cultural ties, and Sweden. Approximately 7 per cent of Finns have Swedish as their mother tongue and in the Finnish education system learning Swedish as a second language is obligatory.

⁷² http://en.wikipedia.org/wiki/Nordic_countries. Accessed: 28.10.2007 at 22:00) & Bjerke, Bjorn (2001). *Business Leadership and Culture: National Management Styles in the Global Economy*. Northampton, MA, USA: Edward Elgar Publishing Limited. P. 197.

ethnic groups. Apart from the Finns, there are over 100,000 foreigners living in Finland, a majority of whom are of Russian origin.

Religion in Finnish life is no way near as strong as it is in India or Bangladesh. However, religion has always been a symbol of Finnish society. According to Snyder and Anikari, it was around the 12th century that the whole of Finland became Catholic, through the influence of Sweden. After a few hundred years, together with the other Northern European countries, Finland embraced Lutheranism and since then Lutheranism has been the dominant branch of Christianity in Finland. Many other varieties of Christianity are also represented. The Orthodox Church has a strong following. In addition, there are Pentecostals, Jehovah's Witnesses, Seventh Day Adventists, Mormons, Roman Catholics, Baptists, and members of the Free Church,. Although most Finns do not consider themselves very religious, they like belonging to an organized church⁷³ and normally attend a church service during the important religious holidays. The church usually plays an important role in baptisms, marriages, funerals and confirmations (Snyder and Anikari, 1996: 100). Apart from Christians, the modern Finnish state also has small Hindu, Muslim, and Jewish communities.

The modern state of Finland, which is now a member of the European Union and belongs to the OECD, emerged as an independent country on December 6, 1917 through a declaration of the Finnish parliament. However, Lewis writes that up to the 12th century there was no Finnish state, merely land where a cultural group (or groups) had found a way of making a living, and which they had defended for centuries (Lewis, 2005: 24). There was a political vacuum until the middle of the 12th century over the geographical area that is now called Finland. But gradually, Finland began to attract the interest of two of its neighbors: Sweden to the west and Novgorod (Russia) to the east.

In the race for control over Finland, Sweden was far ahead, and reached Viipuri (Viborg) at the end of the Gulf of Finland through the so-called third crusade in 1293. Finally, through the Treaty of Pähkinäsaari (between Sweden and Novgorod) in 1323, Finland's eastern border was clearly defined, whereby Finland became a province of Sweden. According to Lewis, although Finland became a province of the kingdom of Sweden, it was not occupied or subjugated. Rather, the Finns were

⁷³ However, church membership is falling nowadays, especially among the young people.

partners in a shared nation (Ibid: 26), a partnership marked by mutual understanding, respect and co-operation on issues of common interest during the six hundred years of Swedish rule over Finland.

In 1809, Russia invaded Sweden's "Eastland" province, i.e. Finland. In the same year, the Peace Treaty of Hamina awarded the whole of Finland to Russia, ending six hundred years (1323-1809) of Swedish rule. Finland thereby became a Russian Grand Duchy, and remained so for 108 years (1809-1917). The Bolshevik revolution in Russia in October, 1917 changed the political landscape of Russia, which offered the Finnish parliament a chance to declare Finnish independence in December 6, 1917. However, some time after the declaration of independence a civil war broke out between the Red and the White factions, which ended in the White victory over the Red Armies in May, 1918. Finland became a republic in the summer of 1919, and K.J. Ståhlberg (1865-1952) was elected the first president.

Subsequently, in 1939, Russia invaded Finland in hostilities known in Finland as the Winter War, in which Finland lost 10 per cent of its territory in Karelia to Russia. In 1941 Russia bombed several Finnish cities; in response Finland launched its own attack against Russia hoping to reclaim the land they had lost during the Winter War; thus the Continuation War began. Although Finnish armies did cross the pre-1940 Russo-Finnish border and fought on Russian soil during the Continuation War, later they were pulled back. As Lewis writes, at the truce of September 1944, Finland was war-battered, wounded, fragile, and imposed upon (Lewis, 2005: 38). However, Finland did not look back and by 1952 had paid war reparations to Russia in full. I remember an old proverb in this connection: "***That which does not kill us can only make us stronger.***" Consequently, the hard times which Finland suffered could not kill it, but only made it stronger subsequently.

Finland is a part of the larger Nordic culture but it shares linguistic roots with Estonians and Hungarians. The language spoken by the Finns belongs to the Finno-Ugric language group, and originates from central Asia, whereas the Finnish people originate from Eastern Europe. However, Finns today share more cultural traits with the Nordic countries than with their Eastern neighbors. The indigenous people of Finland live in the north of the country and are called Lapps or Laplanders or Sami people. In reality, the Finnish name for the country, "Suomi" (land of the Sami) is linked to the indigenous people. The Sami people have their own indigenous language and culture, which differs from the greater Nordic culture but not much

discussed about the differences. Some of the notable cultural features and value systems which have made Finland unique from others' and at the same time have contributed to Finnish ways of thinking and behaving are discussed in the following sections.

5.2.1. Social life and the Finnish mentality

Finland is considered as a clean, crime-free, and poverty-free society (Lewis, 2000: 269), although relative poverty can never be eradicated from any society. According to Tixier, Finnish social life is very organized; punctual people are liked, and one activity is not interrupted to address another problem simultaneously (Tixier, 1996: 36) so one should have patience to wait for one's own turn. However, Finnish society is not overly formal; rather it is relatively relaxed, whether in the home, at work or in sauna. As Tixier further says, Sauna⁷⁴ is closely linked to Finnish social life. It symbolizes easing and relaxation, but also a spiritual renewal, a purification and respect for the body; it incorporates a relationship with nature (Ibid: 37).

Finns as a nation possess a high degree of cohesiveness, which may be because of the homogeneous nature of the Finnish people. This cohesiveness has been instrumental in changing Finland from an agrarian society into the modern high-tech society of today, as cohesiveness improves group performance. This cohesiveness sometimes makes it difficult for foreigners to become integrated into Finnish society.

Finland is a very liberal society but rules are highly internalized. A person should know what is expected of him/her in a certain situation. It is like Britain's unwritten constitution. Finland is a highly law-abiding society. Some of the striking features of the Finnish mentality include among other things honesty, modesty, harmony, hesitancy to express oneself, determination⁷⁵ and in extreme cases rudeness. Finns are normally very friendly but do not hesitate to be rude if anyone tries to manipulate them. Finns may be considered as slow decision-makers, but once the

⁷⁴ An invitation to a sauna should be considered an honour and a treat. Remember that Finns sauna naked, but accept that foreigners may prefer to wear a towel or bathing suit.

⁷⁵ Or sometimes even stubbornness and endurance are also typical Finnish qualities. The famous *sisu* (combative spirit) implies the courage individually to overcome, not to give up, to confront adversity.

decision is adopted, reversing it is practically impossible and the utmost individual and group efforts will be exerted for its implementation.

5.2.2. Individualism and collectivism – a co-existence

In many ways, Finnish culture is similar in outlook to other Nordic cultures. Shared values include an unshakable belief in the social welfare system and a sense of egalitarianism. However, the rugged nature of the Finnish landscape and climate, and the historic struggles of the Finnish people against their powerful neighbors to both east and west have shaped their culture, and distinguish it from the other Nordic cultures. This has made for an equally powerful belief in the ideal of the flexible, clever, ingenious individual, who can find a way through difficult circumstances. Sometime this strong individualism runs counter to the social welfare goals of the larger group, but in most cases, group pressures tend to “normalize” any overtly individualist behavior. Consequently, Finnish individualism is tempered by its social collectivism; Finns accept that the social goals of the group must take priority over individual goals and ambitions. Thus Finns complain about paying progressive income taxes, but in order to maintain high standards of social welfare and equality, they comply with tax regulations. At a personal level, Finns are highly individualist, as they are very keen to preserve their individual freedom where dressing, voting and choosing partners are concerned. Emphasis on the nuclear family is part of the same pattern. But I have observed that they also like drinking very much in group and that is the time when they are most extrovert and participate actively in discussion.

5.2.3. Egalitarianism

In modern democratic societies, the term "egalitarian" is often used to refer to a position that favors, for any of a wide array of reasons, a greater degree of equality of income and wealth across persons than currently exists.⁷⁶ Broadly, egalitarianism is a belief in human equality especially with respect to social, political, and

⁷⁶ See Stanford Encyclopaedia of Philosophy (<http://plato.stanford.edu/entries/egalitarianism/>). Accessed: 23.11.2006 at 13:00.

economic rights and privileges.⁷⁷ There is a strong sense of egalitarianism in all spheres of Finnish society, ranging from family to school and work organizations.

In his study, Hofstede identified Finland as a highly feminine (i.e. low masculinity) country.⁷⁸ Social egalitarianism is one of the main features of many highly feminine countries. Consequently, there is a continuous stress on equality in Finnish society. This equality shows in many ways - an emphasis on equality in work places, narrowing of status gaps, narrow gaps among different salary scales, greater participation in making decisions of common interest. At the family level, this equality shows through the way equal weight is given to the opinions of children and their parents. Equality is at the heart of the school system. Opportunities are open to all, and everyone receives the same education no matter what their socio-economic level may be. Moreover, teachers maintain the role of facilitators and friends to their students, at least in the tertiary level.

5.2.4. Democracy and authoritarianism – a delicate balance

Finns love freedom of expression and choice; however, they very seldom express themselves in an extrovert manner. Although they may hold strong opinions, most Finns show restraint in voicing them openly. Keeping quiet is preferable to “speaking out of turn”. Children are taught from an early age by parents to refrain from expressing opinions, and are encouraged instead to play with other children in the group. At the organizational level, Finnish managers are employee-oriented, stressing factors such as participation in decision making and team work. However, Tixier says, the Finnish management style resembles the German, British or North American style more than the style common to Scandinavian countries. They are more autocratic than, for example, the Swedes. Distances to power are important. The hierarchy exists and it is respected but without excessive formality (Tixier, 1996: 38). Although Finnish managers initiate unhindered consultation with their subordinates as to decision issues, the managers exert a strong influence on the ultimate decision; this process represents a balance between authoritarian and

⁷⁷ See Merriam-Webster Online (<http://www.m-w.com/cgi-bin/netdict?egalitarianism>). Accessed: 23.11.2006 at 22:00.

⁷⁸ See Hofstede, G (2001), *Culture's Consequences: Comparing values, behaviors, institutions and organizations across nations* (2nd ed.). California: SAGE Publications.

consultative styles of management. The scenario might be different in high-tech electronics and information technology companies, which have flourished in Finland since the mid-1990s. This balance between a consultative style and authoritarianism can also be visible in child-rearing practices in Finnish families. It is very common in Finnish families that when children do something wrong, parents consult with them about the issue but do not hesitate to display an authoritarian style if the same mistake is repeated.

5.2.5. A reserve culture: Difficult to get into but comfortable once within

The severe climate explains Finns' slowness and hesitance in expressing themselves, a characteristic which strikes every observer (Tixier, 1996: 36) and gives Finns a reputation as reserved people. The winter makes people depressed and less productive; the month of November is the most critical month, when the annual suicide rate reaches its peak. One can even discern a sharp difference in behavior of individual Finns in winter and summer. Unfortunately, the summer is extremely short but sunny. According to Lewis, Finnish culture can be categorized as a reactive culture. Reactive cultures are "listening cultures." People from reactive cultures rarely initiate action or discussion. Reactive people listen before they leap (Lewis, 2005: 70-71). Moreover, Finns lack "small talk" skills and take jokes very seriously. Many outsiders consider Finland as a closed world. In this situation, I would advise outsiders who want to be accepted into the Finnish "in-group" to take the initiative in making contacts. At the same time, one should remember that getting into Finnish society may be difficult, but once within, everything starts to fall into place. It is important to demonstrate willingness to speak Finnish, and show curiosity about Finnish culture.

5.3. India

(q8) India is a cosmopolitan country. If you can fit in India you can fit in any other parts of the world. If you can drive in Calcutta then you can drive anywhere in the world (India, table 3, manager-3, date of interview 27.10.2005).

India is a large country with huge intra-national diversity among the basic building blocks of its culture e.g., language, religion, history, and geographical distribution. Because of these diversities it is somehow difficult for an outsider to comprehend the Indian culture. As a result, it might be helpful to start by giving a deep look at these diversities.

Where language is concerned, Hindi, spoken as a mother tongue by over four hundred million people, is India's official language. The use of English is also enshrined in the Indian Constitution for a wide range of official purposes, notably communication between Hindi and non-Hindi speaking states. In all, there are fifteen major and several hundred minor languages and dialects.

India, as the second most populace country on earth after China, is inhabited by more than a billion people, who are affiliated to different religious beliefs; however, Hinduism is the main religious faith of the majority of Indian people (over 82%). After Hinduism, Islam is the second largest religion in India, followed by over 12% of the Indian population. Islam began to spread in India in the early eighth century, but the process continued over a period of 500 years. Thereby, India has become the fourth largest Muslim country after Indonesia, Pakistan, and, Bangladesh. Apart from the two main religions, one may find some other religions in India as well, namely Sikhism, Jainism, Christianity, Zoroastrianism, and Judaism. In India, all spheres of public life are in one way or another influenced by its religions.

In the conventional discourse, Indian history begins with the birth of the Indus Valley Civilization in such sites as Mohenjo-Daro, Harappa, and Lothal, and the coming of the Aryans in the second millennium BC (Kulke and Rothermun, 1998: 7-30). The European presence in India dates to the seventeenth century, and it is in the latter part of this century that the Mughal empire began to disintegrate, paving

the way for regional states. In the contest for supremacy, the British emerged as 'victors'; their rule was marked by conquests on the battlefields of Plassey and Buxar. The Rebellion of 1857-58, which sought to restore Indian supremacy, was crushed; and with the subsequent crowning of Victoria as Empress of India, the incorporation of India into the empire was complete. By the early part of the twentieth century, a nationalist movement had emerged; and by 1919-20, Mohandas Karamchand ('Mahatma') Gandhi had emerged as the virtually undisputed leader of this movement. Successive campaigns had the effect of driving the British out of India in 1947, but not before they had partitioned it, and carved out the state of Pakistan - later divided further to create Pakistan and Bangladesh.

India, with its capital, New Delhi, is located in Southern Asia, bordering the Arabian Sea to the west and the Bay of Bengal to the east. The country shares land boundaries with Bangladesh, Bhutan, Burma, China, Nepal, and Pakistan. The climate varies from tropical monsoon in the south, to temperate in the north. India has upland plain (the Deccan Plateau) in the south and flat to rolling plain along the Ganges. In the west there are deserts and in the north the Himalayas. The highest point is the Kanchenjunga, at 8,598 m. above the Indian Ocean.

Considering the diversities in Indian language, religion, history, and geographical distribution, it is clear that Indian culture is highly heterogeneous, as wide cultural differences can be noticed among its twenty nine states and five union territories. However, some shared cultural characteristics can be discerned, which have organized the Indian people as a single nation. These important cultural features will be discussed in the following sections.

5.3.1. Family

Individual life in India is organized around the family. Family is the most important building block of Indian society. The Hindu principle of "baradari" which is a "brotherhood" or "joint family" system, has been one source of strength in Hinduism. In a typical joint or extended family, authority is distributed primarily according to age rather than expertise. Age always has an important place in the Indian family system. Consequently, in Indian organizations, promotion is based more on seniority or age rather than on expertise. This trend sometime creates

leadership crises, as seniority is given priority over expertise. The family businesses normally pass from father to son and from son to grandson. As one manager says:

(q9) This company was first founded by my father and passed to me later. I have one son of 19 years but as of today I do not know whether he would take over the company or not after me (India, table 3, manager no. 6, date of interview 27.10.2005).

It is very common in India that a father expects his business to pass from him to his son/sons. Consequently, there is a strong pressure on women to give birth to boy babies in Hindu families because it ensures the continuity of the family and saves dowry finance. Adult children are encouraged to maintain strong bonds with the family. Therefore, in business life and on other occasions, people feel proud to make reference to family or family members. The family is the ultimate source of individual security in exchange for loyalty from its members. Consequently, it is very common to see extended families in India, where parents live with their children and grandchildren in a single family home. Also, positions in family businesses are given to family members. As one MD says:

(q10) In the beginning this company was very small, we were two workers me and one assistant who was sharing the same table with me. Now my brother heads factory and father is one among three directors who takes care of finance and taxation (India, table 3, manager no. 1, date of interview 27.10.2005).

5.3.2. Collectivism

Collectivism is one of the most important features of Indian society. As a result, the thought processes of an individual run more around “we” than “I” in India. In collectivist societies, preserving social harmony is the paramount issue. This can be reflected in many ways, such as consensus-based decision-making, based on the expectations of the group, submission of individual will to the will of group,

protecting the interests of group members, and distrust of outsiders. As one manager says:

(q11) Always we give priority to participation. Decisions are taken collectively. Nothing can be done alone (India, table 3, manager no. 6, date of interview 27.10.2005).

As Hofstede writes, most people grow up in collectivist societies, among a number of people living closely together, not just their parents and other children, but members of an extended family – grandparents, uncles, aunts and cousins, and sometimes also neighbors, housemates, co-villagers, and lords or servants (Hofstede, 2001: 225). This type of child-rearing environment creates a strong sense of “we” rather than “I” among members of a society. In collectivist societies, the establishment of a business does not always consider profit making as its principal objective; providing employment opportunities for group members can be an aim in itself. Consequently, productivity, efficiency, cost-benefit ratio analysis, and profitability may not always be calculated so carefully as it is in the West. Of course, those issues receive some consideration in Indian businesses as well, but employing one’s own group members may take priority over other objectives in some cases.

5.3.3. Religion

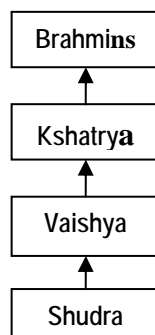


Figure 12: Caste hierarchy in Hinduism

Kumar and Sehti indicate that the fundamental underpinning of Indian culture is still provided by the fundamental principles of Hinduism, which continue to shape Indian thought and behavior (Kumar and Sehti 2005: 56). Hinduism is a caste-based religion, and was first introduced by the Aryans in the Indian subcontinent nearly four thousand years ago.

The religion lacks creeds and dogma; practices are the most important factors. Hinduism is an ethnic religion. Hindus are born, not made. Partly for this reason, Hinduism can be almost exclusively identified with the Indian subcontinent. “Caste” and “Dharma” are the main pillars of the religion.

There are four main castes, which are shown above (Figure 12) in the order of their hierarchical position in Hindu religious belief. Functionally, at the apex of the caste hierarchy stand Brahmins – the teachers and priests of the Hindu religion. Then come Kshatriya (warriors), Vaishya (merchants and craftsmen), and Shudra (menial workers) respectively. Within these four basic castes there have developed some three thousand subdivisions of castes and sub-castes. Outside the castes there are the outcastes, also known as “scheduled castes” or untouchables.

This caste system has made Indian society a hierarchical society. As Sinha writes, “Hierarchical order signifies that the whole cosmos and everything within it – animated as well as in-animated – are arranged in a hierarchical order, being superior to some and inferior to others (Sinha cited in Kumar and Sehti, 2005: 59).” This social hierarchy has created huge power distance between and among people in India. There are two visible classes i.e., ruler and ruled or patron and client. In India, as well as in the whole of South Asia, patron-client communitarianism is very strong. In this system, patrons offer favors or benefits to clients in return for their loyalty.

5.3.4. Fatalism

As Lewis argues, fatalism is widespread and gives one a comforting fallback option. If you succeed, you are well off; if you fail, it is destiny that was unkind. These attitudes encourage Indians to be risk takers (Lewis, 2000: 341), but in some cases may discourage them from taking risks. This fatalism sometimes obstructs rational thinking among people. Therefore, when dealing with an Indian, outsiders are

advised to be logical, but contingent as well, because fatalism in some issues makes people less logical and dependent upon unworldly factors.

5.3.5. Social interaction and occupational dynamism

Indian culture is heavily influenced by the Hindu religion. Hinduism is a caste-based religion, where each caste has its own occupational area. Consequently, occupational mobility is difficult, but not impossible. The German sociologist Max Weber has described Hinduism as opposed to capitalist development, as Hinduism does not permit individuals to choose their occupation freely. This might be one reason why post-independence India chose a socialist economic model, which ended with the economic reforms of 1991. Hinduism also affects social interaction and coexistence between and among people. The caste system is hierarchically arranged; there are castes called the upper castes and lower castes. Therefore, upward mobility is not possible; a person cannot move from one caste to another. Moreover, each caste is normally endogamous and there are many kinds of restrictions on interaction between and among castes. Reincarnation is a tenet of the Hindu faith. Consequently, a person can earn a better life in a future incarnation through performing well the duties of his/her own caste in the present life. This trend inhibits free interaction and coexistence between and among members of different castes. In practice, it can be seen in Indian villages that there are separate neighborhoods for each caste. People interact freely within the caste but meet barriers to interaction with members of other castes. However, in present-day India these restrictions are beginning to break down. In this time of globalization, it is becoming more common for people of different castes to live in the same neighborhood and work in the same company, mixing with each other freely regardless of caste and religion affiliation.

5.3.6. Concepts of time and work

The clock, not the steam engine, is the key machine of the modern industrial age (Mumford cited in Terpstra & David, 1985: 121)

For Mexican peasants, the distance of a trip is converted to time. A trip is measured in days, not in miles. A trip takes its time. You don't worry about getting there sooner. When people begin to travel, they say that time no longer exists. And when they arrive, they say time exists once again (Spielberg cited in ibid)

Thus the concept of time varies from culture to culture Lewis writes that for Indian people, the concept of time is cyclical, so things will inevitably reoccur (Lewis, 2000: 342). Consequently, Indian people accept time in a flexible way and there is no fixed ending and beginning. When dealing with time, there is a lack of seriousness among Indian people. Business meetings scheduled for ten o'clock, for instance, may not always start on time. Delays are very common when performing jobs. Therefore, in India, a promise to do something in thirty minutes may not always mean thirty minutes but it may mean thirty-five minutes or even an hour. However, the new generation of Indian business people is becoming very much more time-oriented. Time and promises are both very sacred to them. It felt to the author during field work in India that the people in Mumbai are much more time-conscious than the people in New Delhi.

Also the concept of work varies inter-culturally. In India, work is taken as part of life; the orientation is rather to being than doing, which means that work is approached in a relaxed way. This approach, too, is currently changing, however. According to Sinha, in India, there exists a culture of *aram*, which roughly means without (being) preceded by hard and exhausting work (Sinha, 1985 cited in Kumar and Sehti, 2005: 67). However, the traditional concept of work among Indians is changing gradually because of economic reforms introduced in 1991, and the trend towards globalization.

5.3.7. Relationships

Gestland argues that Indians are strongly relationship-focused. Consequently, one needs to make a friend before one can make a deal. Moreover, one needs to know the local do's and don'ts of relationship-building (Gestland, 2002: 129). Doing business in relationship-focused countries is a time-consuming matter. In the West,

organizations are the basic units to be considered for business dealings, but in India, individuals are more important. As everyone needs to deal with individuals, personal relationships are a vital factor. As a result, starting a business in India may be a bit time-consuming to begin with, but once relationships with suppliers, customers and other partners have been built and the parties involved know each other, everything should go very smoothly. Business success in relationship-focused countries is dependent upon a wide network of friends and relatives.

5.3.8. Social hierarchy and status

The influence of the Hindu caste system has helped to shape Indian society in a hierarchical order. As Gestland writes, the concept of status leads logically to a discussion of caste. Hindus belong to whatever caste they are born into. They cannot move up the caste ladder by getting a PhD, by getting elected to higher office, or by becoming a millionaire (Ibid: 128). Although the situation is changing very gradually, the caste-based social hierarchy is still the dominant feature of Indian society. Indian people are status conscious; the higher a person is located in the caste hierarchy, the higher the status he/she holds. In Indian organizations, hierarchical order is strictly maintained. Bypassing the organizational hierarchy may not be tolerated. Authority is usually located at the apex of the organizational hierarchy. The authoritarian form of leadership style is the most common. One way communication, from top to bottom, is very common, but not the other way around. However, in private sector companies we may see a different picture. As one manager says:

(q12) In decision-making process we ensure participation by discussing face to face (India, table 3, manager no. 5, date of interview 25.10.2005).

This suggests that face to face discussion ensures the participation also of bottom level people in the decision-making process. Possibly, issues related to employee welfare and personnel policy are those which managers prefer to discuss with workers in person.

5.4. Bangladesh

The Bengal region was probably the wealthiest part of the Indian subcontinent in the Middle Ages and up to the sixteenth century (Lewis, 2006: 445-446). Although those days have gone already, Bangladeshi people are still very rich in human qualities, as shown by the hospitality that they show to others especially to foreigners.

Bangladesh is called “the land of rivers”; it has around seven hundred rivers, including tributaries, which have a total length of about 24,140 km. They consist of tiny hilly streams, winding seasonal creeks, muddy cans (Khals), some truly magnificent rivers and their tributaries and distributaries. Bangladesh has four major river systems – (1) the Bramaputra-Jamuna, (2) the Ganges-Padma, (3) the Surma-Meghna, and (4) the Chittagong Region river system (see Banglapedia, 2004). Popular poems and songs depict Bangladesh as the land of “Padma, Meghna, and Jamuna.” Consequently, rivers are closely linked to the life and culture of the Bangladeshi people.

Bangladesh has existed as a sovereign and independent state since December 16th, 1971. When Pakistan was established in 1947, Bengal was partitioned into East Bengal and West Bengal; the former became the eastern part of Pakistan while the latter became a province of India. In 1956, East Bengal was renamed East Pakistan when the first Constitution of Pakistan took effect. On independence on December 16th, 1971, East Pakistan was renamed Bangladesh (Ahmed, 2004: 23). Bangladesh is located in the south of the Asian sub-continent. It is surrounded by India to its east, west, and north, and the south is bordered by the Bay of Bengal.

Bangladesh means the country or the land where the language of the people is Bengali⁷⁹ (Bangla). Bangladesh is the third largest Muslim country in the world⁸⁰.

⁷⁹ It was February 21, 1952 when people of Bangladesh (then East Bengal or the eastern part of Pakistan) sacrificed their lives for the recognition of Bengali as one of the state languages of Pakistan. Since then, February 21 has been celebrated as Mother Tongue Day in Bangladesh. However, on 17 November, 1999, the Educational, Scientific and Cultural Organization of the United Nations (UNESCO) proclaimed 21 February as International Mother Tongue Day, thus honoring the Bengalis who fought for the right to express themselves in their own tongue. Accordingly, 21 February 2000 was the first time that Mother Tongue Day was celebrated not only in Bangladesh, but around the world. Many believe that it was the Bengali language movement of

The early inhabitants of Bangladesh were mainly Buddhist; some were converted later to Hinduism, which is well known for its rigid caste system. In the eighth century, when Islam spread to India, it also reached Bengal. A large number of people in Bengal were attracted by the equality and the classlessness of Islamic society and embraced this new faith (Ibid: 23-27). Islam is the dominant religion in Bangladesh, and it influences all spheres of social life. Out of the total population, 86% are believers in Islam and around 12% believe in Hinduism. The remaining 2% is made up of Christians, Buddhists, and some followers of indigenous tribal faiths. Over the centuries the nation has developed a culture which has given them a separate identity. Some of the most notable features of Bangladeshi culture are discussed in the following sections.

5.4.1. Religion

Majumdar argues that in contrast to the West, an important part of culture in the East comes from the religious background. A community or people may speak the same language and live in the same country but due to the effect of religion they may fall into distinct cultures (Majumdar cited in Ahmed, 2004: 31). In all the seven South Asian countries, including Bangladesh, religion is the main influencing factor of national culture: Hinduism in India,⁸¹ Nepal, and Bhutan; Buddhism in Sri Lanka; Islam in Bangladesh,⁸² Pakistan, and the Maldives. Although the Bengali language is spoken by all Bangladeshi people, the two main religions, Hinduism and Islam, have created a culture which has two separate flows within it. Consequently, intra-cultural distinctions are strongly visible in Bangladesh due to these two main religious affiliations. However, there are numerous common cultural features which Bangladeshi Hindus and Muslims equally share. These include, among other things, celebrating the Bengali new-year (1st of Baishak), Mother Tongue Day (21st February), and the harvesting festival of Nobanno during the Bangla month of Agrahaoin.

1952 which eventually led to the War of Liberation in 1971 and achieved independence for the Bengalis by the establishment of Bangladesh.

⁸⁰ Bangladesh hosts the three-day Bishwa Ijtema (World Congregation), the largest annual congregation of the world Muslim community after the Hajj at Makkah, Saudi Arabia.

⁸¹ However, India is also home to over 130 million Muslims

⁸² Around 14 million Hindus live in Bangladesh

Islam is the state religion of Bangladesh but the state ensures equal religious freedom for others as well. Consequently, there are holidays for observing religious festivals and performing religious rituals for Hindus, Christians, and Buddhists as well as for Muslims. The religion of Islam has a visible presence in the daily life of Bangladeshi people. Right after independence a government order was passed to prohibit horse-racing, because the races were associated with gambling, which is not allowed in Islam. No casinos exist in Bangladesh either. Moreover, the use and sale of alcohol are strictly controlled.⁸³ In the financial sector, Islamic banks⁸⁴ function side by side with conventional banks. In addition to the Islamic banking system, an Islamic education system also exists, with huge numbers of Madrashes (Islamic schools) operating side by side with the conventional schools. There is even a public Islamic University in Bangladesh. In order to pay respect to Islam, the ‘Red Cross’ was renamed the ‘Red Crescent Society’ in March, 1988. Regardless of the influence of Islam, Bangladesh is considered a liberal Muslim country, where people of different religious faiths co-exist peacefully and diverse opinions are accommodated.

5.4.2. Patron-client ties

The social structure in South Asia is very in-egalitarian by nature, because of inequality in resource distribution among its citizens and groups. This unequal resource distribution system has given rise to a relatively small resource-owning group and a vast group having only limited resources. In Bangladesh, this resource-owning class is commonly called the *patron class* and the group having only limited resources is called the *client class* in the sense that they have reciprocal exchange ties. Neher argues that throughout Asia, “exchange bonds” determine power, status, authority relations, and the citizen’s role in society. These exchanges constitute rewards and values which one person provides for another in exchange for comparable benefits. A person who has command over resources attains power over

⁸³ According to the airport baggage rule in Bangladesh, a Bangladeshi citizen cannot enter Bangladesh with alcohol as part of his/her permitted baggage. However, alcohol is available for Bangladeshis and foreign citizens in some designated places and restaurants.

⁸⁴ Islamic banks function according to the Islamic Law (Sharia). In particular, Islamic law prohibits *usury*, the collection and payment of *interest*, also commonly called *riba* in Islamic discourse. Therefore, the activities of Islamic Banks are interest free.

others who need those resources but have only limited access to them (Neher, 1994). In Bangladesh, the dominant pattern of exchange interaction is the superior-subordinate relationship, characterized by personal, reciprocal ties between persons or groups of persons who command unequal resources by mutually beneficial transaction. These patron-client ties can be seen all over the country, both in the countryside and in urban areas.

Primarily, patron-client bonds emerge from personal relationships such as kinship groupings, official ties within the bureaucracy, school ties, or village origins; they are based largely on personal loyalty. In urban areas, patron-client ties are more specialized and impersonal, and a client will arrange to have more than one patron so as to meet multiple needs (Ibid: 950). There can be seen different types of reciprocal transactions in patron-client relationship. In politics, a patron seeks the vote of a client with a promise to return benefits if the patron get elected. In rural Bangladesh, a patron helps clients by providing financial help and intellectual services in return for loyalty and support on different occasions. There is a superior-subordinate consideration all over Bangladesh in all socio-political issues and cases. The patron is always in the superior position and the client is always in the inferior position.

Bangladesh is a high power distance country, which is clearly seen in these patron-client relationships. However, it is possible for a person of low status to gain power and become a patron by accumulating resources. The type of resources a patron holds are not always financial but may be intellectual, enabling access to official channels to get work done quickly, the ability to influence an issue, and so on. High power distance has created two separate classes in Bangladeshi society: rulers and ruled, where patrons can be identified with the first group and clients belong to the second. In social dealings, a client will go to great lengths to maintain

5.4.3. Family, personalism, and gender treatment

Bangladesh is a collective society. The group is the basic building block of any collective society. As Plunkett et al. write, loyalty to the group is an essential cultural value in Bangladesh. At the core of the group is the extended family, which forms the basis of social and economic life in Bangladesh and remains a cornerstone

despite the recent shift towards nuclear families. The head of the household assumes much responsibility, and provides for parents, children, and other relatives. They may all occupy one house or compound area, establishing separate kitchens as the family grows and more independence is sought. When a son marries, his wife is brought to the family home and assumes the duties outlined by her mother-in-law. The family is a tightly knit group, not only for economic and protective reasons, but as a major centre of both recreational and social activities (Plunkett et. al., 2000: 37). Consequently, an individual's identity revolves around the family into which he/she was born.

Apart from the family, personalism is another strong pillar of Bangladeshi society, which means that power resides in powerful individuals, rather than in a system of rules or laws. A person can be famous due to his or her charismatic qualities. Personalism has also been manifested in Bangladeshi politics, through hereditary leaders such as Begum Khaleda Zia (widow of the late president Ziaur Rahman), and Sheikh Hasina (daughter of the late prime minister Sheikh Mujib), who both became premiers. According to many, it was their personality, and the reputation of their families which helped them to become premiers of Bangladesh. In Europe, bureaucracy, formal law, and institutions play the main role in society, but in Asia, and especially in Bangladesh, it is persons which come first, not institutions. In Bangladesh it is persons, personality, personal alliances, and personal bonds which determine social order. This personalism trend makes it difficult to train successors in Bangladesh; consequently, when a leader falls everything changes dramatically.

In the highly personalized and family-oriented Bangladeshi society, gender is an important issue at home and in the workplace. Although women represent roughly half of the total population of Bangladesh, principally the society is male dominated. However, day by day a growing number of women are occupying important positions, including the premiership of the state.⁸⁵ In addition to the premiership, out of the 330 parliament seats, 30 of them have been reserved for female parliamentarians. Regarding workforce participation, the numbers of female workers are growing all the time because of affirmative action programmes taken by

⁸⁵ Begum Khaleda Zia has served two five-year terms as prime minister of Bangladesh and Sheikh Hasina has served one five-year term and has again been elected for the second time in 2008 for another five-year term.

successive post-independence governments, assisted by the advances women have made in education. However, in the workplace the treatment a female worker receives may differ from that accorded to her male counterparts because a Bengali woman, according to Ahasan et al., represents an all-embracing traditional culture that covers everything from simple standing, looking, and walking, to membership of various communities (family, religious, etc.). This culture includes very definite attitudes to “moral” issues, such as pre-marital sex, family planning, adultery – and even to free association with men. The perception of working women is therefore affected by these religious/cultural reference points (Ahsan et al., 2002: 377). Consequently, even if female participation in the Bangladeshi workforce is on the rise, still the positions they hold and the roles they play are very much constrained by the trio of factors, namely family, religion, and being female. Moreover, the Pardah custom⁸⁶ hinders female participation in issues outside the home and jobs which are traditionally male-dominated.

⁸⁶ Pardah custom involves the seclusion of women from public observation by means of concealing clothing (including the veil) and by the use of high-walled enclosures, screens and curtains within the home (<http://www.britannica.com/EBchecked/topic/483829/purdah>. Accessed: 2.11.2009 at 21:38).

6. Understanding decision-making in organization: a longitudinal analysis

The area of organizational decision-making is part of the broader field of organizational studies and organizational theory. It has therefore followed a similar pattern of evolution, drawing on a variety of paradigms and perspectives and being characterized by a multiplicity of theories, models, and methodologies (Miller, et al, 2002: 74).

The decision-making perspective developed, at least partially, to challenge the rational, prescriptive, problem-solving approach to the making of choices in organizations, building on the idea that the rational model does not provide a realistic description of what happens in organizations (Laroche, 2002: 254).

I would consider that human choice is the core element of the decision-making process (see figure 13). A situation which does not permit the exercise of individual choice does not allow decision-making to take place.⁸⁷ This is the reason why decision-making occurs in an environment which allows the exercise of freedom of choice. However, the degree of freedom that the participants in a decision-making process can exercise may vary because of different organizational and social arrangements. Moreover, the very concept of participation also varies across organization, society and decision type. These are the issues linked to broader socio-cultural phenomena of a particular context, and I will return to these issues, especially the matter of culture, in the latter part of this chapter.

⁸⁷ Decision-making in this context would be highly authoritarian and commonly seen in regimes ruled by unpopular dictators desperate to concentrate all powers in the hands of a single person, or in organizations which are not interested in subordinate participation.

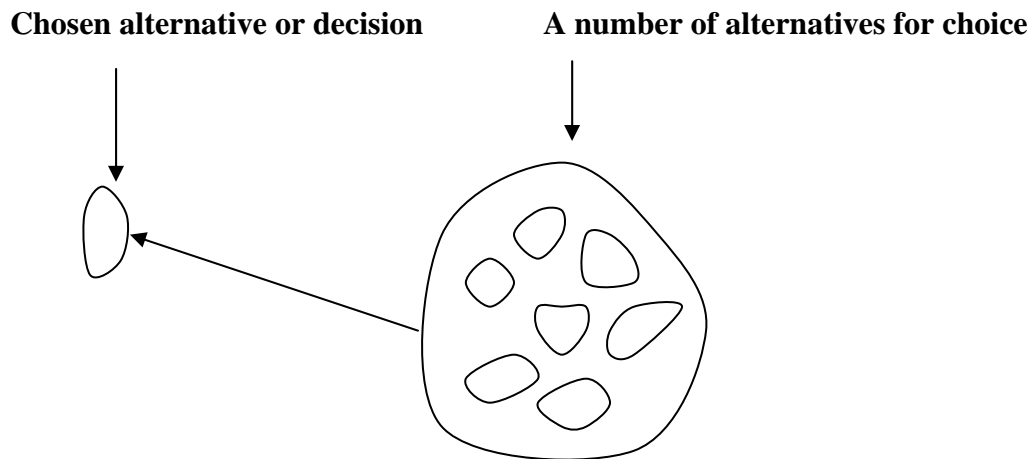


Figure 13: Alternatives and choice process

In a formal organization, authority is the main source of decision-making, which allows managers to exercise their power of choice. Moreover, (Simon, 1957) it is authority that gives an organization its formal structure. According to Simon, authority may be defined as follows:

Authority is the power to make decisions which guide the action of another person (pp. 124-25).

Consequently, decisions made at the upper level guide the behavior of the subordinates, as the upper level wields more authority. In a formal organization structure, authority distribution and its exercise jurisdiction is identified according to the incumbent's position in the organizational hierarchy. However, the way authority is exercised varies among nations and their organizations. In the sample companies of the three case countries, empirical findings reveal that managers in Bangladeshi and Indian companies tend to exercise their authority in a more overt and autocratic way. They dictate the decision-making process and choose an alternative which reflects their own opinion more strongly. As one Indian MD said:

(q13) This is a family business. I am very much involved in decision-making. I take workers and managers views but at the end of the day the decision is

made by us directors (India, table 3, manager no. 14, date of interview 02.11.2005).

There is an authoritarian tone to the statement of the MD as he first tells it is his responsibility to make all the necessary business decisions, although he does consult the subordinates as well. However, another Indian MD, who was born in India but educated in the USA, had a totally different opinion about decision-making. As he says;

(q14) Whatever the decision is, that affects the bottom line. So I definitely give a lot of emphasis on participation (India, table 3, manager no. 12, date of interview 03.11.2005).

Comparing these two responses, it is clearly evident that Indian decision-making style is undergoing change. The young Western-educated managers may be more open and participative compared with their older counterparts. Consequently, it may be said that traditional decision-making style may change due to, for instance, the education a person receives.

Authority has certain functions, regardless of the style of exerting authority. Simon has mentioned three such functions of authority which deserve attention: (1) *It enforces responsibility of the individual to those who wield the authority.* (2) *It secures expertise in the making of decisions.* (3) *It permits coordination of activity* (Simon, 1957: 135).

The authority of a manager differs according to his/her position in the organizational hierarchy. This is why different types of decisions are adopted at different levels of the organizational hierarchy. Nevertheless, the way authority is exercised and decisions are made differ across countries and cultures. In India and Bangladesh, decisions are made at the upper level, where subordinate participation is minimal and in many cases limited to going through the motions of asking subordinates' opinions. However, this is the case in more traditional and government-sector organizations. The scenario may be different in private sector companies, where the aim is profit making through customer service. As one Bangladeshi manager says:

(q15) Once in a week we meet with the departmental heads. We give emphasis on two ways solutions. All decisions are talked with the concerned departments but the final decision is made by the executive director (ED) in this factory. The last decision is made by me (Bangladesh, table 2, manager-13, date of interview 07.06.2005).

The statement shows that the decision-making process is to some extent participative, but the executive director dominates the process. Top-dictated and top-heavy organizations are common in India and Bangladesh, where a head of department or head of the organization may be called in order to solve a small problem.

6.1. Understanding the concept of decision-making

Decision-making according to Heracleous, is one of the most central processes in organizations and a basic task of management at all levels. An understanding of decision-making processes is therefore vital if managers are to go some way towards improving them (Heracleous, 1994: 16) in the national and global perspective. Numerous organizational researchers in the past several decades have investigated and written about organizational decision-making from a variety of perspectives and approaches. For a sampling of seminal works see Anderson (1983), Argyris (1976), Eilon (1969), Heller (1971), Heller and Wilpert (1981), Heller et al. (1983), Hickson et al. (1986), March and Shapira (1982), Vroom and Yetton (1973), Simon (1947), March and Simon (1958), Lindblom (1959), Cyert and March (1963), Mintzberg et al. (1976), Brunsson (1985). Moreover, the topic is a must in textbooks on management, for instance Mullins (1985), and Hatch (1997). Despite this avid ongoing attention, the subject of decision-making is still riddled with theoretical dilemmas which often obscure more than they clarify and describe how organizational decision-making processes actually occur (Kriger and Barnes, 1992: 440).

Decisions are made throughout organizations. Issues such as new products, new technologies, pricing strategy, geographic location of facilities, restructuring, or a new emphasis on cultural values, all depend upon decision-making processes, but so

do choices about which computer to purchase, or how many new employees to hire for the holiday season. Decisions of all types and magnitudes shape and form organizations, and in this sense, you can look at an organization as a locus for decision-making theory (Cyert and March 1963 cited in Hatch, 1997:270). Of course, decisions take place endlessly, so it is also possible at a given point in time to interpret an organization as the product of its decisional history (Ibid: 270). Consequently, it is clearly understood that, on one hand, decisions are made in organizations and on the other hand, organizations come into being because of decisions, for instance, decisions which are aimed at accomplishing a goal or a number of goals. Organizations can thus be considered as entities for goal accomplishment.

Organizational goals are, “a desired state of affairs which the organization attempts to realize” and as “that future state of affairs which the organization as a collectivity is trying to bring about”.⁸⁸ Here goals describe: (1) future desired end results to which (2) present efforts are directed. An organization may pursue a certain goal or a number of goals at the same time. Further, in the course of time organizations may give higher priority to one particular goal than others.

Based on the relationship between compliance and goals, Etzioni has categorized organizational goals into three types, which are: (1) *Order goals – attempt to place some kind of restraint upon members of the organization and to prevent certain forms of behavior.* (2) *Economic goals – concerned with the production of goods and/or services to people outside of the organization.* (3) *Cultural goals – concerned with symbolic objects and with creating or maintaining value systems of society. Social goals, which serve the various needs of members of the organization, are classified as a subtype under cultural goals (Etzioni, 1961: 72-3)..*

On the other hand, Perrow has made a different categorization of organizational goals. According to him, organizations have five different types of goals which are: (1) *Societal goals – the goods produced and services provided by an organization to enhance general welfare, maintain order, and generate and maintain culture.* (2) *Output goals – consumer products, business services, health care, and educational programs.* (3) *System goals – the organization itself and the manner in which it functions. Examples would be the goals of growth, stability, profit, and market*

⁸⁸ Etzioni, A. (1964). *Modern Organizations*. Englewood Cliffs, N.J: Prentice-Hall, P. 6.

share. (4) Product goals – product goals relate to the characteristics (quality, styling, uniqueness, variety) of the goods and services in question. Derived goals– Derived goals mean what the top management chooses to do with the power and resources it accumulates while pursuing other goals. For example, top management may use its power and wealth to further certain political aims, or to provide community services and so on (Perrow, 1970: 135-136 cited in Bedeian, 1984: 108-109)

Perrow (Ibid) further suggests that these categories are not always distinguishable or necessarily exhaustive. However, they do serve to emphasize that virtually all organizations have multiple and shifting goals that are often competing and are sometimes even incompatible. Cyert and March have viewed organizations as coalitions. According to them, in a business organization the coalition members include managers, workers, stockholders, suppliers, customers, lawyers, tax collectors, regulatory agencies, etc. Consequently, in a business firm, goals result from the outcome of bargaining among members of a coalition. They have identified five goals: (1) *Production goals* – concerned with reducing production variation through the smoothing process so that the company can maintain a certain level of production. This certain level of production should also be demanded by the coalition members. (2) *Inventory goals* – aspirations with respect to the inventory level of finished goods. This goal aims to bring a balance between goods in stock and sales. Firms should maintain a sound stock so that they can deliver as demanded by their customers and do not run out of goods. *Sales goals* – aspirations with respect to the level of sales, either in monetary terms, number of units, or both. Companies produce goods or services and their survival depends upon the sales of those goods or services. Consequently, various members of an organization's coalition make demands so that the organization meets some general criteria of sales effectiveness. *Market share goals* – an alternative to the sales goal. The aim of market share goals is to measure sales effectiveness. The market share goal is linked to the demands of those parts of the organization which are primarily interested in comparative success and in demands for growth. *Profit goals* – linked to accounting procedures for determining profit and loss. Profit making is the principal aim of all private firms. The profit goal may be an aspiration relating to amount of monetary profit, or profit share, or return on investment. The profit goal is usually most closely linked to pricing and resource allocation decisions. The five goals are not

listed in any necessary order of importance as most of the time no order of importance is required. However, all goals must be satisfied. Cyert and March further suggest that even though most of the time no order of importance is necessary, there may be an implicit order of priority in different organizations (Cyert and March, 1963: 26-43). All of the sample companies in this study operate in the secondary sector and their ownership pattern is private limited companies. From their ownership pattern it can be suggested that economic factors are most important to them, which leads them to priorities such goals as output goals, production goals, profit making goals, systems goals, and cultural goals. It is needless to say that goals are very important for an organization and they serve the organization as:

Guidelines for Action: By describing future desired end results, goals serve as guidelines for action, directing and channeling efforts and activities of organizational participants.

Constraints: To the extent that goals prescribe what “should be” done, they also serve to prescribe what “should not be” done.

Source of legitimacy: Goals provide legitimacy for an organization by justifying its activities and its very existence to such groups as customers, politicians, employees, stakeholders, and society at large.

Standard of performance: To the extent that goals are clearly stated and understood, they offer direct standards for evaluating an organization’s performance.

Source of motivation: Organizational goals often give incentives to members.

Rationale for organizing: Goals provide a basis for organizational design (Bedeian, 1984: 106-108).

Bedeian states that organizations are structural devices for the accomplishment of specific goals (Bedeian, 1984: 104). Goal accomplishment naturally leads an organization to select a course of action or an alternative way; this selection process is considered as decision-making. Organizational existence is dependent upon the appropriateness of its decisions. This necessarily requires an organization to influence its decision-making process. According to Beach, organizational influence upon decision-making is exercised by: (1) *dividing tasks among its members*, (2)

establishing standard practices, (3) transmitting objectives through the organization, (4) providing channels of communication that run in all directions, and (5) training and indoctrinating its members with the knowledge, skill, and loyalties which allow them to make the decisions the organization wants made in the way the organization wants them made (Beach 1990:11).

Therefore, whether decision makers make desired decisions for the organization or not is contingent on influences exerted by the organization upon the decision-making process. From Beach's explanation, it is evident that one of the most important ways to influence decision-making is to indoctrinate employees in the existing organizational culture. Decision-making is one of the primary responsibilities of being a manager. The dynamics of organizing creates a need for decision-making. Modern organizations need decisions to be made in order to be able to function effectively, which forces managers to spend a large portion of their time in decision-making at both the operational and strategic level. The works of Mintzberg (1973) and Stewart (1967; 1976; 1983) have placed decision-making high on the managerial agenda, while Simon (1945) has suggested that 'managing' and 'decision-making' are practically synonymous. A decision is normally described as a conscious choice between at least two alternative actions. Furthermore, decision-making can also be considered as identifying and choosing solutions that lead to a desired end result. An understanding of decision-making models would help us to comprehend how decisions are made in organizations and what factors influence the decision-making process directly and indirectly.

6.2. Decision-making models

Models can be mathematical, social or philosophical. They can involve physical phenomena, emotional phenomena or, in fact, anything capable of theoretical analysis. Because they are used in theoretical analysis, there have been many different models developed to explain the same or similar phenomena. Each theoretical discipline, in examining an occurrence, must develop its own model to explain.(Rice and Bishopruck, 1973:3).

There are numerous models of decision-making which let us know the theoretical basis of decision-making in formal organizational settings. In this study I will present a few of them which represent decision realities. The origin of organizational, or more specifically managerial, decision-making theory can be traced to Simon and his doctoral dissertation, later published as *Administrative Behavior* in 1947. According to Pomeroy and Adam, before Simon, the field of decision-making belonged to economics rather than management. The dominant model was of maximizing a utility function under constraints - ideas that came from von Neumann's game theory, and the theory of markets and supply-demand equilibrium, as illustrated in the work of Pareto, Edgeworth, Walras and, more recently von Neumann (Pomeroy and Adam, 2004: 648). After its publication in 1947, Simon's book, *Administrative Behavior*, was quickly recognized for its insights into human behavior in general, and for Simon's idea of "limited rationality" in particular. The views that Simon developed in *Administrative Behavior* on decision-making and limited rationality stayed with him as he proceeded to translate his political science insights into economics, organization theory, psychology, and artificial intelligence. Furthermore, the idea that human rationality is goal-directed but has limited information-processing capability, stayed with him for the next fifty years, as he investigated decision-making in individuals and organizations. Simon argued that organizations make it possible to make decisions because they constrain the set of alternatives to be considered and the issues that are to be treated as relevant. Organizations can be improved by specifying the ways in which the limits on rationality are defined and imposed (Augier and Feigenbaum, 2003:195). After moving to Carnegie in 1949, Simon collaborated on work that established the field of organization theory. The founding work was a major study done with March, published as *Organizations* in 1958. The book continued the argument that decision-makers are not able to act in an objectively rational manner; rather, they are constrained by both cognitive and external limitations. March and Simon (1958), wrote in *Organizations*, "most human decision-making, whether individual or organizational, is concerned with the discovery and selection of satisfactory alternatives; only in exceptional cases it is concerned with discovery and selection of optimal alternatives."

In many instances, it is said that effective decision-making must be rational (Koontz & Weihrich, 1988: 135). The classical rational model has its root in the

economic theory of the firm. This model suggests that managers engage in completely rational decision processes, ultimately make optimal decisions, and possess and understand all information relevant to their decisions at the time they make them (Bartol & Martin 1998: 142). In reality, there is no single best way to organize, to teach, to do research, or to make decisions. However, some approaches are more effective than others. The “best approach” is the one that fits the circumstances (Hoy and Miskel cited in Tarter and Hoy, 1998: 212). The principal aim of the current study is to analyze the relationship between culture and decision-making processes in the case countries, more specifically, how organizational culture facilitates the sharing of decision-making power between managers and their subordinates. However, it is more logical to review the available decision-making models before examining the link between decision-making and culture. Our review of decision-making models will start with the rational approach.⁸⁹

6.2.1. The rational decision-making model

The rational model is essentially normative in that it takes a prescriptive rather than a descriptive approach to decision-making. It attempts to prescribe, on the basis of some rather precise assumptions, the conditions under which managers should make decisions in formal organizations (Harrison, 1993: 28). A rational decision-making process is often suggested as the way in which decisions should be made. Hatch states that the rational model (see Figure 14) begins with the definition of a problem and the collection and analysis of relevant information that serves as a frame for the decision-making activity. The next step is to generate and evaluate as many alternatives as possible, considering the likelihood of both positive and negative consequences for each option. This is followed by selection from among the alternatives on the basis of criteria that have been worked out in advance and are related to the objectives of the firm. Finally, the selected alternative is implemented (Hatch, 1997: 272-273). A feedback cycle is commonly attached. According to Heracleous, this rational decision-making process is underlain by certain assumptions and characteristics which are highly unrealistic in practice. Some of the

⁸⁹ Traditionally, decision-making has been closely associated with the notion of rationality, this concept generally being considered positive for managerial action.

assumptions are that: (1) *Decision-makers have a clear and unambiguous understanding of the nature of the problem and of their objectives in relation to this problem.* (2) *A comprehensive search for alternative courses of action and their consequences with respect to this problem is feasible and is carried out.* (3) *Each alternative is objectively evaluated with respect to its chances of achieving the desired objectives, and the alternative most likely to achieve these objectives is selected and then implemented.* (4) *Monitoring of consequences is continually and objectively carried out to determine success of chosen courses of action with respect to objectives.* (5) *The rational decision-making model makes no reference to the filtering and constraining influences of the organizational paradigm on the decision process as a whole.* (6) *The model also ignores the significant effects of political behavior (Heracleous, 1994: 16).* In addition, the model disregards the impact of culture, both national and organizational, in the decision-making process.

Are decision-makers in organizations rational? Do they always carefully assess problems, identify all relevant criteria, use their creativity to identify all viable alternatives, and painstakingly evaluate every alternative to find an optimizing choice? The answer would probably be no, except when the problem is an exceptionally simple one. However, to get a more comprehensive view of rationality in organizational decision-making, one should turn to the discourses of Herbert Simon, who was the 1978 Nobel Laureate in Economics, and James March.

6.2.2. The bounded rationality model: “administrative man” and “satisfactory decisions”

The concept of bounded rationality was first mooted in Simon’s doctoral dissertation, which was later published in 1947 as *Administrative Behavior*. The concept was further developed by Simon and March in their jointly published book *Organizations*. In this book, Simon and March (1958) argued that the assumptions of human rationality had to be replaced by a more realistic conception of human capacities. With regard to decision-making, humans are limited in: (1) *the amount of information they can access and process,* (2) *the number of possible alternatives they are able to entertain,* and (3) *their ability to predict the consequences of their actions.*

These human limitations create constraints on the capacity for rational decision-making. Thus, March and Simon suggested that the rational economic human who made optimal decisions should be replaced with the administrative human who made satisfactory⁹⁰ decisions. They believed that satisfactory decisions were, in most cases, enough for the efficient operation and realization of the goals of the firm. The limitations on rational decision-making have also been a major theme in the literature of public administration since the field has evolved.

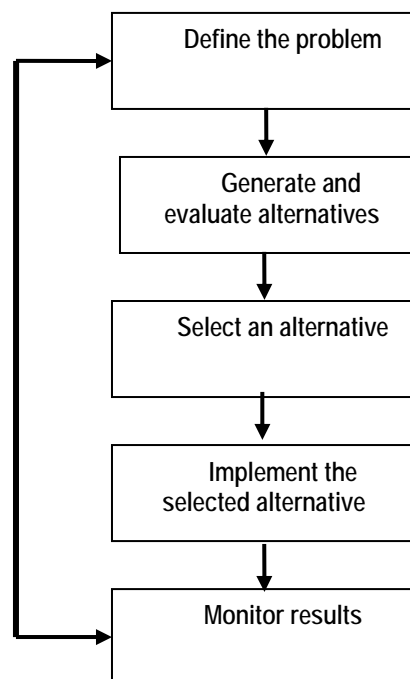


Figure 14: A typical rational model of decision-making
Source: Hatch, 1997: 273

In practice, the absolutely rational model is beyond reach. Decision-making does not follow a perfect rational path. Accordingly, Simon accepts that managers have to operate within a ‘bounded rationality’.⁹¹ Operating within bounded rationality does not mean that managers are irrational. They intend to be rational and their behavior is reasoned but due to limitations they cannot attain the wholly rational

90 Satisficing or satisfying criteria, for instance, include (Bedeian, 1984: 117) “reasonable share of market,” “adequate profit,” “fair price,” and “acceptable rate of return.”

91 In Simon’s definition of the term, ‘**bounded rationality**’ is the result of human and organizational constraints.

level (Simon cited in Miller et al., 2002: 77). According to Bedeian, Simon's concept of bounded rationality negates the myth of the so-called economic man and replaces it with a more realistic model of human decision-making (Bedeian, 1984: 118).

Nevertheless, Simon argues that some decision processes may approximate to rational prescriptions, for example decisions which occur more frequently, which are familiar, almost routine, may be made in a relatively straightforward fashion. These decisions are comprehensible to managers and usually there exist tried and tested protocols, formulae or procedures for making them (Simon cited in Miller et al., 2002: 77). They are 'programmed', (see Simon, 1997), in the sense that they can be made by reference to existing rubrics. Programmed decisions are often made lower down the organizational hierarchy; they are the operational decisions, which can be safely left to subordinates.

In contrast, 'non-programmed decisions' are those which are unfamiliar; they have not been encountered in quite the same way before; they are to some extent novel, unusual. These non-programmed or strategic decisions have worrying implications for managers. Because of their consequentiality, these decisions are usually sanctioned or authorized by the most senior executives in the organizational hierarchy (Cyert and March cited in Miller et al., 2002: 77).

Finally, the issue of rationality in decision-making can be considered as a confusing one. Decisions in organizations are subject to constraints endemic to the context in which they are made. How are organizational decisions made in reality? Finding an answer to this question requires a review of other decision-making models besides the rational one alone.

6.2.3. The garbage can decision-making model: irrational decision-making

The garbage can model can be an example of a non-programmed decision-making process, which holds that managers behave in virtually a random manner in making non-programmed decisions.

The garbage can model of organizational choice was introduced at the beginning of the 1970s in an article by Cohen, March, and Olson published in *Administrative Science Quarterly* (Cohen et al., 1972) as a direct challenge to the concept of

rationality in decision-making. In the article, the writers challenge both the pre-existence of goals to direct organizational choices and the orderliness of choice processes. According to them:

Decisions are an outcome of four partially independent streams: a stream of problems, a stream of potential solutions, a stream of participants, and a stream of choice opportunities (Ibid).

Bedeian comments:

Likening organizations to irrational “garbage cans” into which various participants have poured miscellaneous problems and solutions, they view organizations as “organized anarchies” with no clear or consistent idea of what they are trying to do, how they are supposed to do it, or who is to decide (Bedeian, 1984: 119).

Decision-making is contingent on four aspects i.e., a problem, a solution, the relevant participants, and a choice opportunity. More specifically, a decision will only be made if these four aspects simultaneously intersect. Participation of subordinates in decision-making is considered in this study as a core element. Empirical findings show that among other things, organizational culture may be in a strong position to influence participation of subordinates in decision-making processes. As one manager says:

(q16) We have discussions but not so much. Only few people talks and others are quite. Upper management does as those few people tell. There is a distinction between influential and less influential managers. There is lobbying here. Only influential people can bring decision issues to the decision-making table (Finland, table 1, manager no. 11, date of interview 02.05.2005).

Even though formal participation in decision-making meetings is unrestricted, few people in reality have any input into the decision-making process. Uncertainty drives the rest.

In the garbage can model a choice opportunity is a meeting place for problems looking for decision situations in which they might be aired, solutions looking for problems to which they might be the answer and participants looking for problems to solve. However, choice opportunities may not necessarily be associated with problem solutions. In reality, some choices are made without concern for problems and some participants create solutions before knowing the problems which they solve (Bedeian 1984: 119).

Thus, it seems that decisions are made on a random basis, without any rational consideration.

The model is particularly suited to situations in which the environment and technology is poorly understood, or where key actors move in and out of the decision process because other activities compete for their time and attention (Hatch, 1997: 278).

One can hardly find any organization that always makes its decisions based on this model, but most organizations face this type of decision-making situation from time to time. March and his colleagues have mentioned that this model is appropriate for institutions like universities, because they operate under high stress conditions, confronting unique situations in which preferences may be ambiguous and unstable, technologies unclear, and participation fluid. Decision-making in such circumstances is likely to assume certain features of the garbage can model.

6.2.4. The incremental model: a strategy of successive limited comparisons

Administrators also face times when alternatives are nearly impossible to discern, consequences elude prediction, and satisficing simply does not work well. In these cases administrators are forced to make small incremental changes, then monitor the outcomes of each incremental change. Lindblom (Lindblom, 1959) first described this incremental model of decision-making as the “science of muddling through” or “disjointed incrementalism.” He argued that administrators spend more time muddling than in systematic means-ends analysis. In fact, Lindblom proposes that

successive limited comparison may be the only feasible approach to systematic decision-making when the issues are complex, uncertain, and conflict-laden. What is arresting here is that objectives, exhaustive analysis, and prior criteria for success are not used. Means-ends analysis is inappropriate because objectives and alternatives emerge simultaneously. Only a small range of options, closely resembling the current situation, is considered. The incremental strategy directs successive comparisons of each incremental change until decision-makers are comfortable with a choice.

Lindblom argues that this is not only a description of what is done in organizations but also what ought to be done, given the inherent unpredictability of the context in which decision-makers work. According to some, incrementalism, or 'muddling through' as Lindblom has referred to it, is less a recipe for change, than a formula for inertia. Incrementalism is not enough for radical changes, but is good for bringing a slight or small change to the status quo.

Quinn has called strategic decision-making "logical incrementalism", where managers take logically connected decisions step by step in order to reach an intended destination. The key points that Quinn made about the strategic decision-making mode are as follows:

(1) Effective managers do not manage strategically in a piecemeal manner. They have a clear view on what they are trying to achieve, where they are trying to take the business. The destination is thus intended.

(2) But the route to that destination, the strategy itself, is not intended from the start in any comprehensive way. Effective managers know that the environment they have to operate in is uncertain and ambiguous. They therefore sustain flexibility by holding open the method of reaching the goal.

(3) The strategy itself then emerges from the interaction between different groupings of people in the organization, different groupings with different amounts of power, different requirements for and access to information, different time spans and parochial interests. These different pressures are orchestrated by senior managers. The top is always reassessing, integrating and organizing.

(4) The strategy emerges or evolves in small incremental, opportunistic steps. But such evolution is not piecemeal or haphazard because of the agreed purpose and the role of top management in reassessing what is happening. It is this that provides the logic in the incremental action.

(5) The result is an organization that is feeling its way to a known goal, opportunistically learning as it goes (Quinn, 1980 cited in Stacey, 2003: 71-72).

According to the model of the strategic decision-making process, organizations move forward with an intention to achieve its goals, but to begin with they do not adopt any comprehensive decision or strategy for achieving the planned goals. However, managers do move forward logically, one step at a time, towards pre-set organizational goals. As Stacey states, in logical incrementalism, overall strategy emerges from step-by-step, trial-and-error actions occurring in a number of different places in an organisation (Stacey, 2003: 72). This is a process of learning from mistakes and successes, where collective actions of all organizational units are indispensable.

6.2.5. A political model: decision-making as a political process

Organizations turn on politics – most managers have come to accept it. They recognize that politics are largely endemic to managerial relationships (Butcher and Clarke, 1999: 9). Is it not possible for an organization to be politics-free? It is possible, but most unlikely. The reason is that organizations are commonly considered as resource sharing platforms⁹² while all organizations are built up of individuals and groups with different values, goals, and interests. This sets up the potential for conflict and competition over resource allocation because the economic resources that an organization possesses are limited. Conflict and competition among individuals and groups over resource-sharing in an organization lead to politics. Political behavior requires some attempt to use one's power bases. Power is an ever-present feature of organizational life. Legitimate power is allocated to

⁹² However, organizations have other meanings as well.

positions of authority in the hierarchy. According to Weber, this 'rational-legal' power is given according to status and regularizes access to the decision-making process. Those with the requisite authority can participate in what occurs (Weber, 1947).

However, the use of power legitimately is not the only way in which influence is exercised. Power-holders may choose to behave in ways which further their own, or others', interests. They may frame the matters for decision in a way which suits their own ends or blocks the objectives of others. In organizations, political behavior is directed to influencing the goals, criteria, or processes for decision-making. In any organization there may conflict over goals but that should be reconciled. Tarter and Hoy acknowledge that decision-making is essentially manipulative, that is, pragmatic, personal, and in a word, political. Consequently, all organizations must deal with political issues, which affect most, if not all, decisions (Tarter and Hoy, 1998: 219).

In any organization, a typical political process involves individuals uniting their interests and proposing alternatives that are collectively beneficial to them. There can be many interest groups active in an organization at the time of decision-making. Each group may try to propose an alternative which may be contradictory to the interests of other groups and may therefore face opposition or resistance from them. In a situation like this, when a particular group does not succeed with their combined power to influence the decision-making process, they may form coalitions with other groups having more or less similar interests. In reality, there is a greater degree of ambiguity in this model because it is hardly possible for decision-makers to find a problem-solving alternative. Consequently, decision-makers try to find interest-accommodating alternatives. A coalition stays together so long as they do not have interest-conflict, but interest conflict could split them up very quickly. As a result, in the political arena, one can usually see short tenure of coalition governments.

6.3. Organizational decision-making reality

All of the models discussed above contain some degree of truth regarding how decisions are made in organizations, but the models do not succeed individually to

describe the exact decision-making situation in organizations. Spanger and Niemeyer created a classification system for decision-makers in organizations, which may have some links with the decision-making models. The types of decision-makers in their classification are: (1) *The economic decision-maker – who is interested in only what is useful and practical.* (2) *The aesthetic decision-maker – whose highest values lie in harmony and individuality, pomp and power.* (3) *The theoretical decision-maker – interested in the discovery of truth for its own sake and in diversity and rationality.* (4) *The social decision-maker – who loves people, considers other people as ends, and is kind, sympathetic, and unselfish.* (5) *The political decision-maker – who is interested primarily in power, influence, or renown.* (6) *The religious decision-maker – whose highest value is the greatest spiritual and absolutely satisfying experience, an ascetic who seeks experience through self-denial and deduction.* However, it may be impossible in any organization to find anyone who is a pure example of any one of these, for most people are mixtures. The decision-making realities in an organization can be associated with some of the decision-maker categories in Spanger and Niemeyer's system, such as the economic decision-maker with the satisficing model, the aesthetic decision-maker with the incrementalism model, the theoretical decision-maker with the rational model, and the political decision-makers with the political model (Spanger and Niemeyer, 1922 cited in Moody, 1983: 17).

Usually the decision-making perspective in organizations is encircled by uncertainty and ambiguity. In this connection, Adler states that good decision-makers in every culture are those who learn to cope with the ambiguity and uncertainty of reality (Adler, 2002: 182-83). Moreover, decision-making is influenced by such factors as outside pressure on decision-makers, sunk costs, personality characteristics of decision-makers, and the influence of outside reference groups. Furthermore, decision-making can be affected by cognitive nearsightedness of the decision-makers, the assumption that the future will repeat past, oversimplification, over-reliance on one's own experience and national and organizational culture. The current study will analyze from a comparative perspective the relationship between culture and decision-making, or more specifically how culture influences managerial decision-making behavior.

Comparisons of decision-making practices are interesting because managers as well as employees will increasingly be involved in cooperation across borders, in

multi-cultural teams, in mergers and acquisitions, in international and multinational corporations as well as international organizations and institutions like the European Union (EU), World Trade Organization (WTO), United Nations (UN), international aid organizations and the like. In addition, since the collapse of the former USSR, the end of the Cold War, and the expansion of the European Union⁹³ we are experiencing more mobility of managers within Europe and internationally.

6.4. Culture and decision-making relationships

In the workplace, managers and subordinates alike are continually confronted with the need to make choices from different options. Managers may have to do so in decisions involving capital purchases, hiring employees, or forming alliances. Employees also may have to decide which jobs or assignments to take, which compensation or investment plans to enroll in, or with whom to associate. To explain how people choose between options, scholars have also suggested a role for culture (Xiao and Su, 2004:328).

Needless to say, making decisions is the most important job of any executive. It is also the toughest and riskiest. Bad decisions can damage a business and a career, sometimes irreparably. So where do bad decisions generally come from? In many cases, they can be traced back to the way the decisions were made – the alternatives were not clearly defined, the right information was not collected, the costs and benefits were not accurately weighed. However, sometimes the fault lies not in the process of decision-making but in a miscalculation of organizational culture. According to Harrison:

There is a growing awareness that managerial decision-making is both a product of, and an influence on, the culture in which it exists. This awareness has resulted in a movement away from the traditional approaches to decision-

⁹³ The European Union (EU) was originally created by six founding states in 1958, following the earlier establishment by the same six states of the European Coal and Steel Community in 1952, but has grown to its current size of 27 member states. There were six successive enlargements during this period, with the largest occurring on May 1, 2004, when 10 new member states joined.

making which relied heavily, if not exclusively, on the disciplines of economics, mathematics, and statistics (Harrison, 1993: 27).

Culture burst on to the intellectual landscape of business in the early 1980s, and it has captured the interest of academics, journalists and businesspeople alike. Subsequently, a large amount of literature has been devoted to understanding culture and its impact on business and management, for instance Pascale and Athos (1982), Hofstede (1984), Peters and Waterman (1984), Schein (1985), Adler (1986), Harris and Moran (1987), Deal and Kennedy (1982 and 1999), Rohwer (1995), and Trompenaars (1995). However, the objective of this section is neither to explain the concept of culture nor its applicability to the broader business spectrum but to expose the link between culture and decision-making. According to Bate:

The culture once established, prescribes for its creators and inheritors certain ways of believing, thinking, and acting which in some circumstances can prevent meaningful interaction and induce a condition of ‘learned helplessness’ – that is a psychological state in which people are unable to conceptualize their problems in such a way as to be able to resolve them. In short, attempts at problem-solving may become culture-bound (Bate, 2002: 193).

Consequently, culture may create a mindset which is stable and guides our behavior in a particular direction. Our way of doing things is culture specific, so each culture is somehow unique from other cultures. However, this uniqueness is not hard but soft, because culture is, in Hofstede’s phrase “the software of the mind” (Hofstede, 1991).

The fact that culture influences organizational behavior⁹⁴ is well recognized, so culture influences organizational decision-making processes and behavior as well. According to Wilpert et al:

⁹⁴ Adler, N. (2002). *International Dimensions of Organizational Behavior* (4th edn). Canada: South-West, a division of Thomson Learning.

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 behavior, but presents decision-making as a universalistic phenomenon, meaning that the principles of decision-making processes and practices are universal, and that managers act in much the same way regardless of their cultural background. But Arabs, for instance, do not necessarily make decisions the same way that Canadians or Finns do. Therefore, it is important to recognize, as Adlar 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 decision should be made autocratically by an individual manager or collectively in groups (Adler, 1991).

It is not only national culture but also organizational culture which affects the decision-making of an organization. Therefore, culture affects decision-making both through the broader context of the nation's institutional culture, which produces collective patterns of decision-making, and through culturally-based value systems that affect each individual decision-maker's perception or interpretation.⁹⁵

Cultures differ in terms of time orientation, belief in destiny, the importance of rationality, participation in decision-making, and preferences for personality or person, among many other issues. In European countries, time is considered as a precious commodity; consequently, managers make decisions as quickly as possible. In Egypt, on the other hand, decision-making is a slow process, because time is not considered seriously. Therefore, it is very important to understand the way a nation handles time in order to understand whether decisions are likely to be made quickly or slowly.

⁹⁵ See Deresky, Helen (2008). *International Management: Managing Across Borders and Cultures* (6th ed). Upper Saddle River, New Jersey 07458: PEARSON, Prentice Hall, p.172.

In Islamic countries, belief in destiny is very important. In some cases, a European businessperson may not get a final decision from his/her Muslim counterpart because of their belief in destiny. Instead, a Muslim manager may conclude a deal with his/her European counterpart with the common expression of 'inshallah' – "God Willing."⁹⁶ This stems from the belief that everything, good or evil, proceeds directly from the divine will. A Muslim person believes that something could only happen if God wants it to happen. To many people, therefore, a paper document is just a symbol, but Allah's will is essential for materializing the deal.

Rationality in decision-making is crucial in Scandinavia and Western Europe but in many countries rational judgment is not highly regarded. A Scandinavian manager might make an important decision intuitively, but he or she knows that it is important to appear to proceed in a rational manner because rationality is greatly valued in Scandinavia. In many parts of Asia decisions are not made based on strong rational foundations. For instance, in countries like Bangladesh, Pakistan and India, rationality is not much valued when making decisions. In contrast, socio-cultural factors such as family preferences, religious affinity, emotional bonds, patron-client relationships, pressure from interest groups and personal interest could be the leading issues affecting decision-making.

In democratic decision-making processes, participation of subordinates in decision-making is a must. In countries like Finland, Norway and Sweden managers openly discuss upcoming decisions with their subordinates. This is the case, with some exceptions, in other Western countries as well, but when we turn to the Middle Eastern countries then it can be seen that decision-making authority is extremely concentrated in the hands of managers. In Japan, on the other hand, group decision-making is very important. The Japanese value conformity and cooperation. So before Japanese managers make an important decision, they collect a large amount of information, which is then used in consensus-forming group decisions.

Age brings honor – it may not be true in European organizations but it is true in many organizations in Asia. For instance, in Korean, Japanese and Chinese organizations, the most senior officials are given due honor and their opinions are highly valued for decision-making purposes. In India and Bangladesh, senior

⁹⁶ In practice, inshallah or "God willing" is an expression that is also used in most conversations in Islamic countries.

officials always play a vital role in an organization's day-to-day operations, including the decision-making activities. Moreover, in Indian and Bangladeshi organizations, a person may have strong command over decision-making activities if he/she comes from an influential family. Family background is one of the most important symbols for gaining honor in these societies. Consequently, expertise alone may not be enough for a person to reach the decision-making level of an organizational.

7. Managerial decision-making role and style

A managerial culture emphasizes rationality and control. Whether his or her energies are directed towards goals, resources, organizational structures, or people, a manager is a problem solver (Zaleznik, 1992: 127).

Managers need to make numerous decisions in solving problems⁹⁷ which organizations may confront in achieving their goals or performing daily activities. At the same time, the success of an organization is believed to be highly contingent upon the quality of its decisions. Managers are people who get work done by other, so a major part of the managerial role is dealing with people. The behavior of people in work organizations varies across cultures. Consequently, in applying managerial roles one has to be cautious about cultural differences and incorporating elements from other cultures. Different scholars have explained different types of managerial roles. What is the nature of the managerial role? According to Basi:

A role may be viewed as the performance of certain action activities and interactional patterns expected of a person occupying a certain management position in an organization. Rationality in such expectations involves two aspects: What (action activities) the position holders should perform, as well as how they (interactional patterns) should be performed (Basi, 1998: 232).

What is expected regarding the function of a manager is dependent upon the position he /she holds in the organizational hierarchy. In strict bureaucratic organizations each position offers a jurisdiction to its incumbents, within which the

⁹⁷ Both the terms decision-making and problem-solving will be used in this study interchangeably for the same meaning. However, decision-making is part of the larger process of problem-solving. We see decision-making as focusing around the central problem of choice between alternative courses of action.

incumbents should operate. On the other hand, the interactional or behavior patterns - the way a manager performs this function - is determined by the existing organizational culture

The two principal invisible components of culture, namely norms and values, have a strong influence upon managerial roles (see figure 15). Roles are commonly understood as behaviors the job incumbents are expected to display in certain situations. Decision-making is one among many other roles which a manager performs. As Rees and Porter state:

The overall organizational culture within which managers operate is likely to have a great impact on their individual style (Rees and Porter, 1998: 168).

Culture is a learning process, so new employees learn organizational culture through a process of socialization. Socialization initiates managers into the organization's culture. An employee who has been properly socialized to the organization's culture knows how things are done. Whenever a new employee is recruited, a socialization process follows in order to acquaint the new recruit with the organization's culture. The performance of a new manager is dependent upon how properly he/she has been socialized (see figure 16). The socialization process is an attempt to indoctrinate new employees with the dominant values of the organization. However, regardless of socialization, sub-cultures will exist in any organization. The existence of sub-cultures may be because of differences among organizational members in regard to their field of education, national culture, philosophy of life etc.

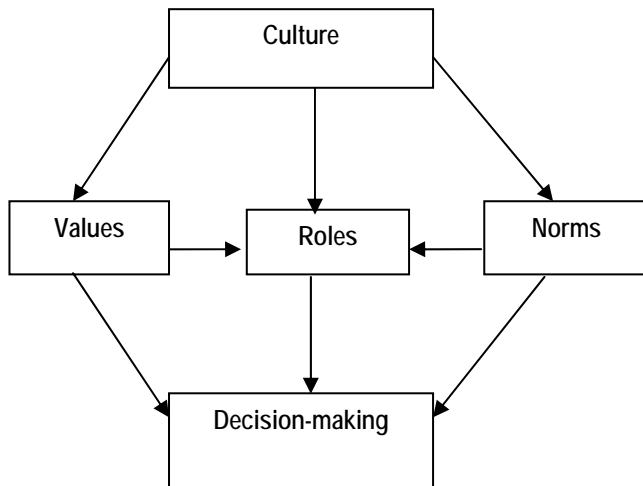


Figure15: The way norms and values influence decision-making roles

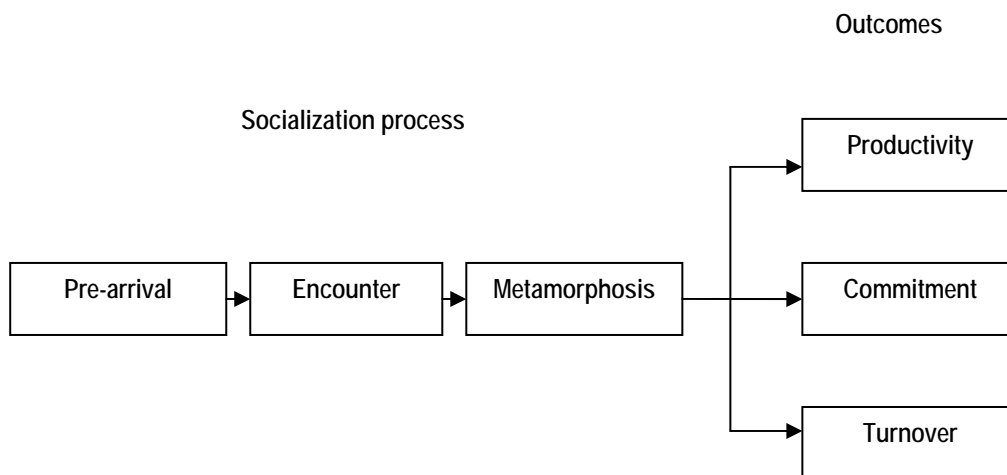


Figure 16: A Socialization Model

Source: Based on Robbins, 1998: 608.

There is debate over the very concept of management as to whether management is a science or an art or a craft. As Mintzberg states that:

Management certainly applies science: managers have to use all the knowledge they can get, from the science and elsewhere. But management is more art, based on “insight,” “vision,” “intuition.” And most management is craft, meaning that it relies on experience – learning on the job. This means it

is as much about doing in order to think as thinking in order to do (Mintzberg, 2004: 10).

From Mintzberg's acknowledgement we can reach the conclusion that effective management happens where science, art, and craft all meet. Therefore, there is no best way to manage; it depends on the situation. This situational concept reveals the importance of culture in managing. Some scholars have even tried to make a distinction between managers and leaders; Zaleznik can be cited in this respect. In his article "Managers and Leaders: Are they different?" published in Harvard Business Review, Zaleznik has cited four factors where managers and leaders differ: motivation, personal history, how they think, and how they act (Zaleznik, 1992). According to Mullins, the job of the manager requires leadership ability, and leadership is in effect a subset of management. This suggests that all managers, by virtue of their position, are leaders. However, he, too, views these two concepts as different; on one hand, leadership may be viewed as getting people to do things willingly; on the other hand, management is viewed more usually as getting things done through other people in order to achieve stated organizational objectives. The emphasis of leadership is on interpersonal behavior in a broader context. Management is regarded as relating to people working within a structured organization with prescribed roles (Mullins, 1985: 225). Despite the nice distinctions that have been drawn between leader and manager, the current study will use the two terms, manager and leader, interchangeably without drawing any distinction between them. In a formal organization, a manager is seen as a leader; a leader influences his/her subordinates in order to get work done. Within an organization, leadership influence will be dependent upon the type of power that the leader can exercise over subordinates. There are, according to French and Raven, five main sources of power upon which the influence of the leader is based.

Reward power is based on the subordinate's perception that the leader has the ability to obtain rewards for those who comply with directives.

Coercive power is based on the subordinate's perception that the leader has the ability to punish or to bring about other undesirable outcomes for those who do not comply with directives.

Legitimate power is based on the subordinate's perception that the leader has a right to exercise influence because of the leader's role or position in the hierarchy.

Referent power is based on the subordinate's identification with the leader. The leader exercises influence because of charisma or because of reputation. The subordinate may wish to be like the leader or to be associated with the leader.

*Expert power is based on the subordinate's perception of the leader as someone who is competent and who has some special knowledge or expertise in a given area (French and Raven, 1968 cited in *ibid*: 226).*

As already mentioned, the terms manager and management are closely linked to each other in formal organizations. A manager is a person who performs the basic management functions i.e., planning, organizing, staffing, influencing, and controlling. However, managerial functions or the jobs a manager performs have expanded and changed over time because of the changes which have occurred in the global economic context and the efforts of organizations to cope with these changes. Managers perform management functions, which are facilitated by the fundamental 'linking processes' of decision-making and communicating, to achieve the basic managerial purpose of organizational effectiveness. Where do managers reside? They reside in formal organizations with different designations and at different levels of the organization. Mintzberg sees a manager as a person in charge of an organization or one of its component parts. He or she is given formal authority over that unit, and holds responsibility for its efficient production of goods and services (Mintzberg, 1973: 166).

What do managers do or what is the managerial role? What kind of decision-making position does he/she occupy within the overall managerial function? Answering these questions directly may not be possible, but analyzing different scholars' work on managerial functions may help a great deal.

7.1. Managerial functions and decision-making: Historical development

Decision-making is a crucial part of the overall managerial role or function. What managers do or the functions they perform have attracted scholarly attention for a long time. Broader principles and theories were conceptualized by the classical theorists and other scholars for developing understanding of the metamorphosis of managerial roles. Some of those developments are discussed here with a view to tracing the decision-making function of managers within the totality of managerial functions.

7.1.1. Mary Parker Follett

Mary Parker Follett (1868–1933) was an American social worker, consultant, and author (http://en.wikipedia.org/wiki/Mary_Parker_Follett. Accessed: 06.06.2007 at 12:00). Without mentioning the decision-making function directly, Follett explained that the CEO performs three main functions: (1) *Defines the organization's purpose, co-ordinates its activities, and anticipates its future.* (2) *In translating than to the group, the leader gives the group its purpose, pulls together all the efforts of the team, and has a long range vision.* (3) *In all of this the leader is the integrator of all the points of view, all the divergent interests and all the differences of opinion.* This is the potency of leadership, it is “the power of integrating...which creates community (Follett in McLarney and Rhyno, 1999: 296). In her analysis of CEO functions, Follett indicates that the CEO is responsible for the overall well-being of the organization, and in this regard decision-making is an integral function of any CEO. Follett has focused on the upper level of the management, where strategic issues of an organization are dealt with. A contemporary of Follett, Fayol has described managerial functions even more elaborately, as discussed in the next section.

7.1.2. Managerial functions and Henry Fayol

Henry Fayol was born in 1841 and died in 1925. After 30 years as an eminently successful practitioner, Fayol devoted the remainder of his life, from 1918 to 1925, to promoting his theory of administration, that is, management (Fayol, 1949). Fayol was perhaps the first to note the need for management education (Brodie, 1967). Henry Fayol's work on management, which was described in his treatise "General and Industrial management" (Fayol, 1949), where he outlined the key functions of management as planning, organizing, coordinating, commanding, and controlling, has had a significant impact on managers and the practice of management around the world. Fayol (1949) argued that all industrial undertakings precipitate activities that can be categorized into six groups: technical, commercial, financial, security, accounting, and management.

Fayol's work focused on the last category, management, which was composed of five functions:⁹⁸ planning, organizing, commanding, coordinating, and controlling. Fayol devoted huge attention to these five functions or components in his book. Carroll and Gillen argued that Fayol's functions "represent the most useful way of conceptualizing the manager's job" (Carroll and Gillen, 1987: 38). Similarly, Wren states that "Fayol's elements of management provide the modern conceptualizing of a management process; his principles were lighthouse to managerial action" (Wren, 1994: 139). According to Fayol, principles should guide the execution of these management functions. In today's post-modern information-based society, the number of functions a manager performs may go well beyond the functions mentioned by Fayol, but the functions he defined still hold the core position in managers' work.

Even though an analysis of Fayol's five functions of management does not reveal anything directly about decision-making, managers do make numerous decisions in executing their managerial functions. More specifically, in order to implement plans, whether of the strategic or action type, which is the number one function of management, managers need to make decisions constantly. Decisions are the alternatives chosen in performing managerial functions. Consequently, decision-

⁹⁸ Also called elements or processes

making cannot be separated from Fayol's managerial functions; it is subsumed there and activated in performing management functions.

7.1.3. Gulick and his POSDCORB concept

In describing the tasks of a chief executive, Gulick has used Fayol's work extensively. Based on Fayol's functional analysis, elaborated in his book "Industrial and General Administration", Gulick developed the POSDCORB concept, which is an acronym of the words: planning, organizing, staffing, directing, coordinating, reporting, and budgeting (Gulick, 1947: 13).

In his POSDCORB concept, Gulick considered decision-making as one of the important jobs of the chief executive. Traces of decision-making activities may be observed in all of the seven tasks of chief executives. Even though Fayol's approach was extensively used by Gulick for describing the chief executive's job, Fayol's principles of management are not beyond criticism. Simon has criticized the administrative principles of specialization, unity of command, and span of control. Even though the principle of specialization is widely considered as a facilitator of administrative efficiency, Simon argued that this simple statement conceals fundamental ambiguities. According to him, "specialization" is not a condition for efficient administration; it is an inevitable characteristic of all group effort, however efficient or inefficient that effort may be. In group effort it is not possible for two persons to be doing the same thing in the same place at the same time; consequently, two persons are always doing different things, which is the root of specialization. Simon further suggests that specialization should follow a particular manner and a particular line in order ultimately to increase administrative efficiency. In group effort, "administrative efficiency is increased by a specialization of the task among the group in the direction that will lead to greater efficiency". Unity of command, which is viewed as an enhancer of administrative efficiency by arranging the members of an organization in a determinate hierarchy of authority, has also been criticized by Simon as contradictory to the principle of specialization. Finally, Fayol's span of control concept is said to enhance administrative efficiency by limiting the number of subordinates who report directly to any one administrator. However, in an organization with interrelationships between members, a restricted

span of control inevitably produces excessive red tape. Furthermore, regardless of whether the span of control is increased or decreased, undesirable consequences are inevitable (Simon, 1957: 20-28).

A quarter of a century after the English translation of Fayol, Henry Mintzberg (1973), in “The Nature of Managerial Work”, dismissed as “folklore” Fayol’s (1949) conception of managerial work. Management is not, Mintzberg said, about functions. Rather, it is what managers do. He said his findings were “as different from Fayol’s classical view as a cubist abstract is from a Renaissance painting” (Mintzberg, 1973: 9). Since that time, much of the debate has centered on “who is right, Mintzberg or Fayol” (Duncan, 1999: 32)? Regardless of this debate, my aim here is not to take sides on this issue, but to analyze managerial roles or functions sketched by different scholars and identify the position of decision-making within those roles.

7.1.4 Mintzberg, H. (1973) and the nature of managerial work

Mintzberg can be considered as one of the most influential writers on managerial roles in this most recent era. He provided a new perspective on the roles of managers of the 1970s. He used a descriptive diary method for observing senior managers at work and highlighted ten roles as the key to understanding senior managers at work. He defined major dimensions of managerial work in three categories: (1) *interpersonal, which has three subordinate sub-roles of figurehead, leader, and liaison (inside and outside)*; (2) *informational, which relates to sub-roles of monitor (of internal and external information), disseminator (of information), and spokesman*. (3) *The third and final set of managerial activities involve the making of significant decisions – handling requests for authorization, scheduling manager’s own time, holding meetings to make strategies and handle problems, and negotiate with other organizations*. (Mintzberg, 1973). Mintzberg reiterated that the manager takes full responsibility for his organization’s strategy-making system, and thereby gets substantially involved in every significant decision made by his company. Mintzberg presented this set of decisional roles from the sub-roles of entrepreneur (i.e. change agent), disturbance handler, resource allocator, and negotiator. In addition to manager’s roles, Mintzberg suggests six basic purposes of

the manager, or reasons why organizations need managers: (1) *to ensure the organization serves its basic purpose and the efficient production of goods and service*; (2) *to design and maintain the stability of the operations of the organization*; (3) *to take charge of strategy making and adapt the organization in a controlled way to changes in its environment*; (4) *to ensure the organization serves the ends of those people who control it*; (5) *to serve as the key informational link between the organization and the environment*; (6) *as formal authority to operate the organization's status system* (Mintzberg, 1973 cited in Mullins, 1985: 140).

Mintzberg's study is based on senior level management and considers decision-making as the most crucial part of the managerial role. Through decisional roles, managers in practice exert influence over the entire company. Mintzberg's work was widely used and praised in the Western countries.

Despite the wide acceptance of Mintzberg's work in the Western context, the relevance of these roles in Asia can be observed through alternative manifestations. The Mintzberg roles in Asia are often embedded in the contextual variables through many proxy behaviors (Shenkar et al., 1998). Consequently, in the non-Western context, such as in India and Bangladesh, Mintzberg's managerial roles can be applied but only with some reservations or by taking local features into consideration. In this regard, Mintzberg himself has noted that national cultural forces may have implications for managerial roles.

In addition to Follett, Fayol, and Mintzberg, three more personalities can be considered who have contributed to the field of managerial function, namely Kotter, Hales, and Bennis.

7.1.5. Kotter and managerial job responsibilities

Kotter's observations led him to agree with Mintzberg that executives' activities do not fit neatly into Fayol's framework of planning, organizing, etc. In "The General Managers", Kotter noted that "although there is 'an enormous amount of literature' on 'management' most concern processes or tools, not who managers are, what they do, or why some are more effective than others" (Kotter, 1982).

Kotter's book is based upon his efforts to improve this situation by an extensive study of fifteen general managers. Kotter identified significant communality of

behavior in the managers studied. He described the following overall job responsibilities: (1) *In the longer run, formulating organizational goals, directions, and priorities including what business to be in and how to acquire key resources.* (2) *In the medium run, effective resource allocation in terms of long-run goals.* (3) *In the short run, efficient allocation of resources along with some profit responsibilities.*

Kotter's long-run managerial responsibilities clearly show that managers are the people who make organizational strategies or strategic decisions – what business to be in and how to acquire key resources. Moreover, effective and efficient resource allocation based on goals and profits lead managers to make decisions. Consequently, decision-making is part of Kotter's managerial responsibilities.

7.1.6. Hales and his elements of managerial work

Hales reviewed the literature of Mintzberg and Kotter among others. Based on this review, Hales identified common themes and threads of what he termed “elements of managerial work”. These are: (1) *acting as a figurehead and leader of the organizational unit;* (2) *liaison: the formation and maintenance of contacts;* (2) *monitoring, filtering and disseminating information;* (3) *allocating resources;* (4) *handling disturbances and maintaining work flows;* (5) *negotiating;* (6) *innovating;* (7) *planning;* (8) *controlling;* and (9) *directing subordinates* (Hales, 1986).

An analysis of the managerial models put forward by the six scholars including Hales shows that all of them, directly or indirectly, include decision-making as a crucial role of managers. However, among these six scholars, Mintzberg is the only one who has directly identified the decisional role as one of the most significant roles of being a manager. Hales has strongly supported Mintzberg's approach by incorporating all the decisional sub-roles into his elements of managerial work. The studies conducted by Fayol, Mintzberg, Kotter, and Hales have been based on the work of upper-level management. Not all managers perform the same types of roles. Consequently, administrative level differences yield role differences as well.

7.1.7. Different levels entail different roles

Parsons (Parsons, 1957) was one of the first theorists to articulate the significance of various administrative levels as major determinants of managerial roles. His articulation pointed out three distinct levels: institutional (upper), organizational (middle), and technical (lower). He argued that the managerial roles at these levels differ significantly from each other. The institutional level mainly looks outward and interfaces with the organization's task environment; the technical level is concerned with getting the daily work accomplished and is, therefore, mainly inward-looking. The organizational level provides the interface between the institution and the technical level. Similarly, Basi identified three commonly used administrative levels and corresponding roles: executive (upper), managerial (middle), and supervisory (lower).

Executive (upper) role

The executive role touches organization-wide issues such as strategy, target markets, technology, the organization-environment relationship, the change process etc. Conceptual skills are very important at this level. In today's turbulent business environment, an executive should be a visionary so that he/she can lead the organization and even the organization environment in order to reach the desired destination. Like a steward, an executive looks after the overall well-being of the organization. To this end, he/she may try to develop cohesion among the organizational members for mutual cooperation and power sharing purposes. However, it is not always the case that an executive is interested or willing to share power with others. In the higher power distance societies there is a tendency among executives to act alone. Finally, an executive's roles are linked to the macro-level organizational issues, which he/she performs as a guardian of the organization, not in isolation but in connection with the other organizational members.

Managerial (middle) role

The managerial role can be considered as the linking role, connecting the executive and supervisory levels. Because of this linking role, a manager should be an effective leader to those below, and an effective follower to those above. As a result, managers must develop working relationships with the supervisory people and information-sharing skills with the executive. The executive role is to formulate organizational strategy; in order to do this effectively, the executive has to receive

reliable information from the grass-roots level through managers. Managerial roles help organizations to keep their operational activities ongoing, such as procurement of proper inputs, conducting the conversion process smoothly, and delivery of the required outputs to market. An organization's success is entirely dependent upon how smoothly this chain of activities i.e. input, conversion process, and output keep going. Moreover, managers need to keep in continuous contact with the suppliers and buyers. In doing these jobs, managers must also play a negotiator's role. Even though managerial jobs gradually become routine, managers need to face contingencies as well.

Supervisory (lower) role

Supervisors are directly linked to the execution of organizational activities and thereby they are closely associated with the production line workers. These people are responsible for designing a task, assigning it to the appropriate workers, and monitoring its execution. Consequently, efficiency and effectiveness of a production operation is contingent upon the supervisor's skills. The supervisor has to develop working relationships with the workers - individually and as a group; this relationship is instrumental in motivating the workers. As supervisors stay very close to the production line workers, they need to support the workers in case of any need or problem. This supportive role of supervisors requires technical skills. As managers act as the link between executives and supervisors, so supervisors are the link between managers and workers (Basi, 1998: 233-235).

The aforementioned discussion shows that decision-making is an integral part of the managerial role. However, the type and nature of the decisions to be made are determined by the manager's position in the organizational hierarchy.

7.2. Organizational hierarchy and managerial decision-making roles

According to Hatch, when organizational theorists speak of organizational decision-making they refer to decision-making processes that occur at all levels and in all units of an organization. In most traditional hierarchical organizations, the decision-making process is specialized (see figure 17). Top management focuses on strategic decision-making, middle managers emphasize decisions about internal structural

arrangements and coordination among units, and lower level managers are responsible for decisions about day-to-day operational activities within their assigned units.

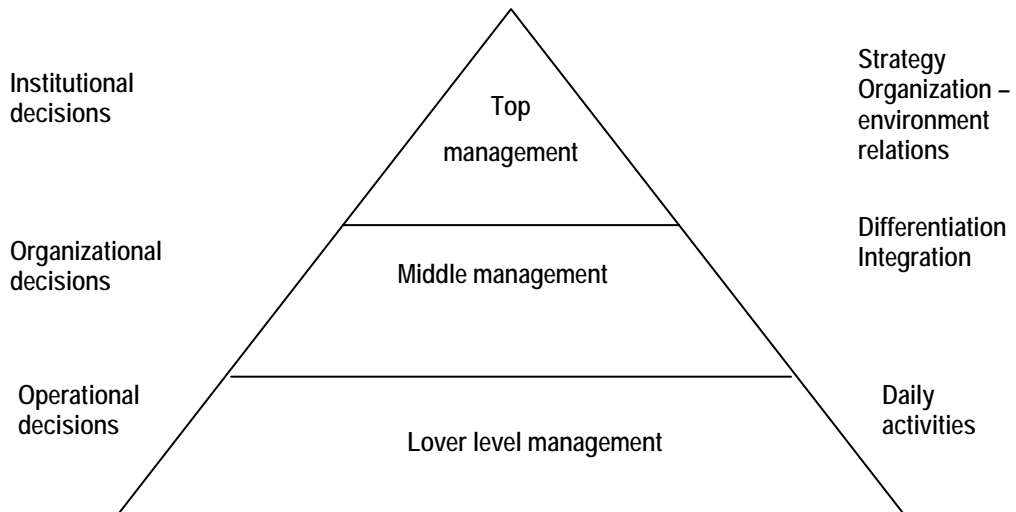


Figure 17: Decision-Making in the hierarchical organization
Source: Based on Hatch, 1997: 271.

Meanwhile, in functional structures (see figure 18), decisions about marketing are made by marketing departments, accounting decisions by accounting departments, and so forth.

In divisional structures (see figure 19), decision-making follows divisional interests and concerns. Studies of post-industrial organizations suggest that this sort of specialization is no longer effective within the fragmented and organic structures of new organizational forms like networks, joint ventures, and strategic alliances.

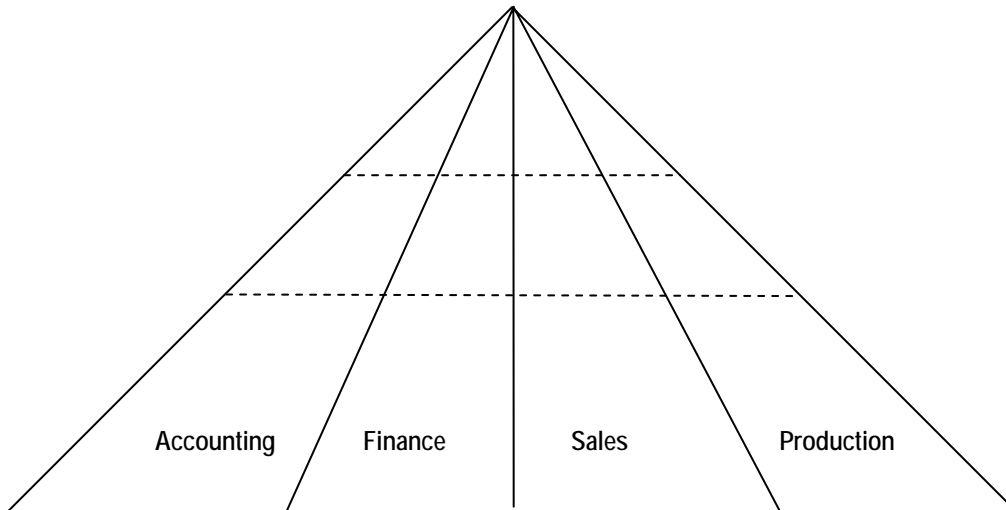


Figure 18: Decision-making in the functional organization
 Source: Based on Ibid.

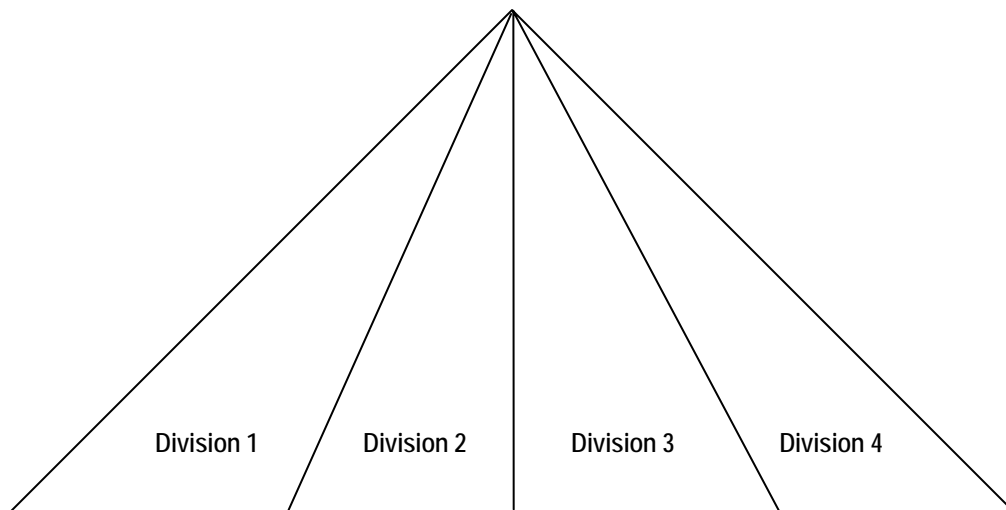


Figure 19: Decision-making in the divisional organization
 Source: Based on Ibid: 272

In contemporary organizations with organic organizational structures, a more integrated decision-making process is visible, where one can hardly notice any broad gap between and among the decision-makers at different levels, or in different functions or divisions. In other words, decision-making is more convergent in present-day organizations, where hierarchical, functional, and divisional barriers are becoming more blurred than in traditional ones. Even though there is a greater

degree of dependency between and among different hierarchical levels, each level has its own authority for making certain types of decisions.

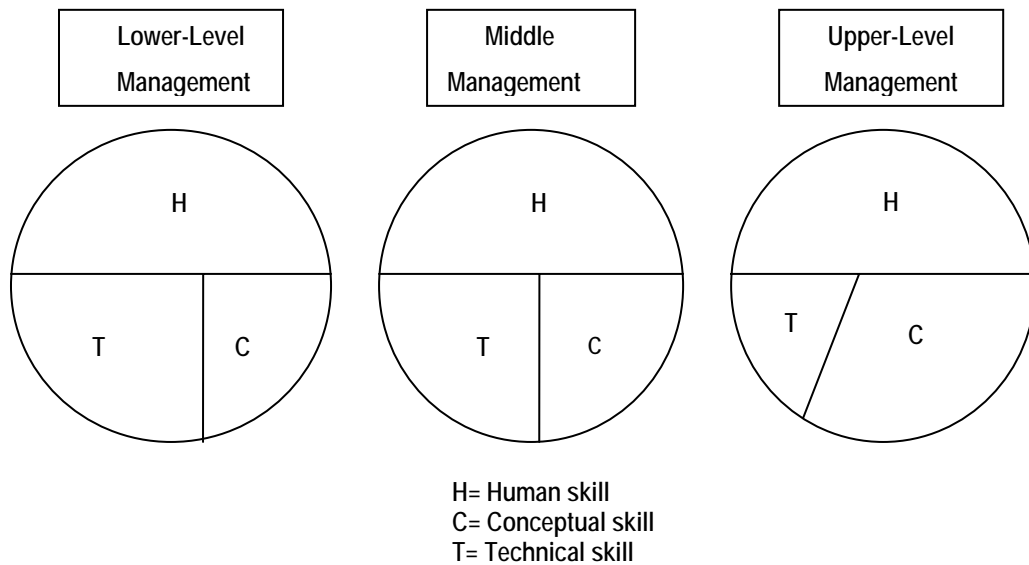


Figure 20: Desired Skill Mix for Various Managerial Levels

Source: Based on Hodge and Johnson, 1970 cited in Koehler et al., 1981: 227.

Based on the administrative levels and managerial roles, it can be assumed that managers at different levels require different types of skills in order to perform their roles effectively. There is no clear account of the types of managerial skills needed for better performance, but as Katz argues, there is agreement that technical, conceptual, and human skills (see figure 20) all play a role in managerial effectiveness (Katz, 1955 cited in Koehler et al., 1981: 226). Although these skills are needed at all levels of organizational management, the level of management determines which skill is most important for enabling the leader to communicate with colleagues, subordinates, and superiors about decision issues. According to the management levels and the skills demanded, it can be predicted that conceptual skills are more important for the upper-level of management and technical skills for the lower-level, whereas human skills are equally important for all levels of management (Ibid: 226-27) .

Human skill is the ability of managers to unite subordinates into a cohesive unit for action as a coordinated work group. To this end, managers must make a link between group members' satisfaction and organizational goals. Conceptual skill, on the other hand, is the ability to think in abstract terms and is more crucial for the

upper-level management, which must deal with decisions, actions, and policies that affect the total organization and environment. Finally, technical skill is the ability to propose practical solutions to concrete organizational problems. For instance, a foreman in an automobile production plant may be called upon to find a faster method for installing tires on a new car or solving a conflict regarding work shifts. All these skills are important for all managerial levels, but only human skills are equally important at all levels.

7.3. Administrative levels and decision typology

Management decisions vary. In practice, people occupying different positions within an organization, and therefore performing a different set of management tasks, are confronted with very different types of decisions. For instance, the decisions of a personnel manager who deals with recruitment issues may not have any resemblance to the decisions made by a marketing manager busy with selling products to different market segments. Similarly, decisions of a CEO differ from the decisions made by a supervisor. According to Cooke and Slack, three dimensions are particularly useful in differentiating management decisions: (1). *How much of the organization the decision encompasses, i.e., whether the decision is strategic or operational.* (2). *How well defined the decision is, i.e., whether the decision is structured or unstructured.* (3). *How connected the decision is with others, i.e., whether the decision is dependent or independent (Cooke and Slack, 1991: 21).*

A manager heading a small unit makes decisions which are of the operational type and predominantly significant for the specific unit alone. A CEO, on the other hand, makes a market development plan, which is strategic decision and touches all aspects of the organization. Of course, we see some decisions which are clear, well defined, distinct, and unambiguous. Other decisions are ill-understood, fuzzy, and difficult to tackle. In case of structured decisions, alternatives are clear and easily selectable, but in the case of unstructured decisions, selecting one option out of many is an unclear and confusing task. Decisions which are made in different parts of the organization are somehow linked to each other. However, some decisions are more closely linked than others. For instance, a decision regarding a product price increase could have a direct impact on sales if the demand for the product is elastic.

Thomson's decision-making typology which divides decisions into four types; computational, compromise, judgmental and inspirational is presented below.

Computational decisions, or what Simon (Simon, 1997 cited in Basi, 1998: 235) called programmed decisions, occur when a manager presumes to know enough about the preferred outcome to attempt an optimal alternative, or one that will result in the highest level of attainment for the organizational objective. These are the simple and routine types of operational decisions and are left for the lower or supervisory level.

Conversely, **judgmental or non-programmed decision-making** occurs when outcome preferences are clear but cause and effect relationships are uncertain. Strategic decisions are usually of the judgmental or non-programmed type. These decisions have serious impact on the total organization and its existence. These decisions are formulated at the executive level. As one departmental head says:

(q17) We talk everything in group. Organizational change and strategy related decisions are made at the upper level (Finland, table 1, manager no. 7, date of interview 28.04.2005).

The most senior person at executive level uses his / her judgment as to the possible courses of action which will ultimately be instrumental in achieving the preferred outcome. However, according to Harrison and Pelletier, strategic decisions are seldom made by chief executives acting alone. Rather they are usually the product of the top management team – i.e. the CEO and the managers reporting directly to him / her (Harrison and Pelletier, 1995: 53). During interviews in Bangladesh and India conducted for this study, it emerged that CEOs often do, in fact, act alone when it come to formulating organizational strategy. But in these countries, too, others' comments are sought and taken into consideration. As one MD says:

(q18) We have open market so I cannot take a decision all on a sudden. I need to consult to other managers. I also check what they think (Bangladesh, table 2, manager no. 1, date of interview 02.06.2005).

Compromise decision-making takes place when there is certainty about cause and effect relationships but uncertainty about outcome preferences. To take an example, an organization may know from its past records that in order to grow its annual revenue by 5 per cent, R&D expenditure has to be raised by 2 percent. In this case there is agreement about the cause and effect relationship. However, the parties concerned may not have consensus as to the goal, in this case the annual growth rate which they want to achieve. If they cannot resolve the question of what the goal should be, then third party intervention may settle the issue by working out a compromise acceptable to the parties concerned.

Inspirational decisions result when there is uncertainty about both cause and effect relationships as well as outcome preferences. For instance, an organization may not be sure what growth increase should be targeted for the following year or how growth might be achieved. In this situation, what is needed is a philosophic mind, able to make informed, intuitive decisions based on historical data entwined with future perspectives (Thompson, 1967 cited in Basi 1998: 235).

The **rational decision-making** model cannot be applied in a straightforward way to strategic decision-making because of its limitations (see chapter 6). Significant organizational decisions of the strategic type are usually made at the executive level. These strategic decisions are future- oriented and based on predicted information; consequently, “judgmental and intuitive” decision-makers are necessary. Coordination, on the other hand, is the main function of the managerial level; significant decisions in this area are likely to be a matter of negotiation and compromise. In addition, a certain amount of judgment is always involved. Finally, supervisory decisions are likely to be predominantly computational because of the relative clarity of decision parameters at this level. However, judgments are also necessary at the supervisory level, too. Thus, regardless of management level, judgments are always necessary; only the relative prominence of judgment-based decision-making varies from one level of management to another.

The preceding discussion reveals that managerial roles vary according to managerial position in the organizational hierarchy. This variation is a matter of importance, such that the more important the role is, the higher in the management hierarchy it will be executed. However, in organic organizational structures, which have a higher degree of authority devolution, there is greater flexibility and power sharing in role execution. What about the relationship between context on the one

hand and required skills and decision types on the other hand? Required skills and decision types are also contextual issues. Important, long-term or strategic decisions, which are judgment-oriented and based on conceptual skills, are always made at the highest level. On the other hand, the coordinating role of middle-level managers leads them to make compromising and judgmental decisions. Regarding skill requirements, these middle-level managers need conceptual and technical skills in equal amounts, since they play a bridging role between upper and lower management levels.

The decision areas which are being addressed in the present study are strategy making, initiating organizational change, and adopting personnel policies. These decisions are usually the most significant types of decisions in any organization and they have pervasive long-term impact upon the organization and its internal and external stakeholders. The rational decision-making model may show a path for decision-makers to proceed, but the intuition and judgments of managers are even more important, since decisions of these types contain clear outcome preferences, but cause and effect relationships are uncertain. As a result, the complexities involved in these types of decisions make it undesirable for the CEO to act alone; a greater degree of participation is normally required. However, participation depends on how much the CEO is willing to share his/her power with subordinates, and how the subordinates perceive the proposed participation. Furthermore, not every employee can participate in every decision. Although participation cannot always be the preferred decision-making method, there are certain situations when participation seems the most advantageous. Kanter provides the following list of situations when participation works best:

- (1) To gain new sources of expertise and experience.*
- (2) To get collaboration that multiplies a person's effort by providing assistance, backup, or stimulation of better performance.*
- (3) To allow all those who feel they know something about the subject to get involved.*
- (4) To build consensus on a controversial issue.*
- (5) To allow representatives of those affected by an issue to influence decisions and build commitment to them.*

- (6) To tackle a problem that no one “owns” by virtue of organizational assignment.*
- (7) To allow more wide-ranging or creative discussions/solutions than are available by normal means (for example, getting an unusual group together).*
- (8) To balance or confront vested interests in the face of the need to change.*
- (9) To address conflicting approaches or views.*
- (10) To avoid precipitous actions and explore a variety of effects.*
- (11) To create an opportunity and enough time to study the problem in depth.*
- (12) To develop and educate people through their participation: creating new skills, new information, and new contacts (Kanter, 1982: 6-7).*

Regardless of the mentioned benefits of participation on certain occasions and for certain issues, participation or employee involvement may not be worthwhile. Kanter has mentioned a few such occasions when participation is not the best approach:

- (1) When one person clearly has greater expertise on the subject than all the others.*
- (2) When those affected by the decision acknowledge and accept that expertise.*
- (3) When there is a “hip pocket solution”: the manager or company already knows the “right answer.”*
- (4) When the subject is part of someone’s regular assignment, and it wasn’t his or her idea to form the team.*
- (5) When no one really cares all that much about the issue.*
- (6) When no important development will result or others’ knowledge would neither contribute to nor be served by their involvement.*
- (7) When people work more happily and productively alone (Ibid: 7)*

Therefore, according to Kanter, participation or employee involvement is contingent upon the situation at hand. However, it can be assumed that the success of participation in a decision-making environment may be dependent upon issues such as how participation is perceived by managers and their subordinates, the type of decisions at hand, expectations of the main stakeholders, and organizational

culture, among other things. For the purposes of this study's analysis of participation in the decision-making process, the issue of interest is organizational culture.

7.4. Decision-making and power sharing

The current study focuses on participation in managerial decision-making, that is, how managers share powers with their subordinates in a joint platform. Participation is also considered as an instrument for empowering workers. According to Whyte, worker participation has been a popular topic for studies of organizational behavior since the 1940s and 1950s. By the 1960s and 1970s worker participation programs were on the rise in the United States (Whyte, 1983) and by the mid-1980s arguments for participation became even stronger (Pringle and Dubose, 1989). When applied properly, participation can be effective in improving performance, productivity and job satisfaction (Sashkin, 1984). The recent trend towards globalization has increased the complexity of decisions, which requires increasing use of participative decision-making in a rapidly changing environment and the increasing pressure of world competition. Organizations in different cultures ensure participation in decision-making in their own culturally appropriate way. Soon we will discuss some alternative models of participation from this cultural perspective.

As we already know, managers cannot ensure subordinate participation in all organizational issues. However, participation can be ensured in different activity areas of an organization. Sashkin and Cotton et al. have mentioned four such areas.

One of them is goal setting. Here employees can take part in establishing a goal for a task, designing a job or even the speed at which the work should take place.

Next, employees can take part in making choice among alternative courses of action presented to them such as working hours, placement of equipment or simply choices between set alternatives to complete a routine task.

Third, employees can take part in solving problems, which involves defining the issue and setting the alternative courses of action.

Finally, participation may involve making organizational changes, such as setting company policies that might involve hiring, layoffs, profit sharing or investments. Employees may participate in any or all of these four areas at any one time (Sashkin, 1984 and Cotton et al., 1988).

Employees can participate in different activity areas of an organization, including decision-making, directly or indirectly and formally or informally. There are three dominant ways; employees can participate as individuals, making their own decisions and setting their own goals; or they may pair up with a manager to form a decision-making team; or all employees may participate in a decision-making group with other members of the group being managers or co-workers (Sashkin, 1984). This participation (Cotton et al., 1988) may be formal, as in quality circles, or may be informal with members of a group expressing opinions in order to reach some consensus. Employees may participate directly in decision-making or indirectly through a representative elected to present employee ideas or concerns to a group. This study considers participation as the way in which managers facilitate direct participation of their subordinates in the decision-making process.

Follett considers business as a social setting, not only an economic one. Follett suggested that individuals and groups could contribute to each other only when involved individuals are also the decision-makers (Eylon, 1998: 18). Her view was clearly in favor of integration rather than fragmentation. She saw participation as a principal tool for making an effective decision. Further, Follett suggested that organizations function on the principle of power "with" and not power "over." She recognized the holistic nature of community and advanced the idea of "reciprocal relationships" in understanding the dynamic aspects of the individual in relationship to others. Follett advocated the principle of integration through power sharing. Her ideas on negotiation, power, and employee participation were influential in the development of organization studies (http://en.wikipedia.org/wiki/Mary_Parker_Follett. Accessed: 06.06.2007 at 12:30). Follett's concept of integration was an alternative to domination or compromise. The concept emerged from her rejection of the exercise of power "over" people; she argued that a more productive solution can be the exercise of power "with" others. Exercising power with others leads managers to embark on power sharing or participation in organizational issues.

In the field of business where international operations are concerned, issues of decision style become more complex, and comparative studies have suggested that national cultures differ in ways particularly relevant to the participation issue. For instance, Hofstede found that a wide difference in power between people (power distance) was not equally acceptable in all national cultures (Hofstede, 1991), and D'Iribarne describes how the roles of managers and their relationships with their subordinates vary considerably in different countries, despite similarities of product, technology and size of organization (D'Iribarne, 1989 cited in Ryan, 1999: 35). The participation literature also provides evidence that participation in its structural aspects is both perceived and practiced differently across cultures (Cotton, 1993; McFarlin et al., 1992) because different cultures attribute different value to power sharing. National culture, along with organizational culture, can play a strong role in determining managerial power sharing behavior in the decision-making process. One way of considering this is to use Hofstede's four dimensions mentioned earlier in this study.

Employee participation is likely to be most acceptable in low power distance nations, where inequalities among people are minimized and subordinates expect to be consulted by their managers. In high power distance societies, subordinates are likely to be separated from their bosses by wide differentials in salary, and are likely to have greater reliance on them. In collectivist societies, employees are more likely to be integrated into groups, and mechanisms such as quality circles may be more successful in terms of group dynamics as has been seen in Japan. However, if these societies also have high power distance, there may be less expectation that the managers will accept the proposals put forward by the quality circles; their role may be more consultative. In high-femininity societies, managers may strive for consensus and emphasize equality, solidarity and quality of life. In these societies employee participation will be more acceptable than in high-masculinity societies, where managers are expected to be decisive and assertive and there is greater emphasis on competitiveness. As far as uncertainty avoidance is concerned, employees working in societies where uncertainty avoidance is strong may prefer a more directive management style rather than the uncertainty which can be generated when decision-making is devolved (Hofstede's 1991). Thus national cultural differences lead to the formation of different types of organizational culture in different countries. However, organizational culture does not differ only due to the

differences in national culture; organizational culture may differ across sectors as well. For instance, in the software industry, where managers' deal with a highly educated workforce and organizational success is dependent upon intellectual property, a more democratic/participative decision-making style is the norm regardless of the country.

Cultural differences, however, need to be seen as relative rather than absolute and, as Hampden-Turner and Trompenaars (1993) show, a description of any particular national culture will contain its contradictions as well as its consistencies. Nevertheless, it is important to consider how culture can affect the perception and implementation of practices such as participative decision-making. In general, the study of cultural impact on participative decision-making uncovers barriers and opportunities to participation or power sharing. The comparisons made among Bangladeshi, Indian, and Finnish respondents in my sample are used here to illustrate the effect of culture in participative decision-making in organizations in the three case countries.

7.4.1. Alternative styles of power sharing in decision-making

Power is defined as the ability of one individual, function, or division to influence another individual, function, or division to do something that it would not otherwise have done (Dahl, 1957). A number of researchers have reported that managerial success and subsequent organizational advancement is determined by how power is perceived (Yukl et al., 1993), but occasionally it is recognized that power has been, and still is, a negative force in many organizations (Newstorm and Davis, 1997). Indiscriminate use of power by power holders or lack of its devolution towards the lower levels may make power a negative force in an organization. In most of the developing countries, organizations are highly centralized, with power located at the apex of the organizational hierarchy. As a result, the concept of power devolution is somehow absent and power holders use power without accountability. This situation makes others perceive power as a negative force. However, Mintzberg acknowledges that the study of power and its effects is important for an understanding of how organizations operate. It is possible to interpret every interaction and every social relationship in an organization as involving power

(Mintzber, 1983). In an organization, it is leaders or managers who use power to materialize organizational objectives. Kanter argues that power is fundamentally “the ability to mobilize resources (human and machine) to get things done”. It is thus implied that managerial power is positive in terms of its output (Kanter, 1979: 66). Managers are the people who get work done by others, and power in this perspective acts as a managerial instrument. According to Kipnis and Schmidt, favorable performance gain ratings are largely affected by managers’ effective use of influence (power) behavior (Kipnis and Schmidt 1988). Moreover, effective leadership is frequently defined as the ability to influence employees so that they are committed to accomplishing organizational goals (Yulk et al., 1993). To what extent managers’ share power with their subordinates in making organizational decisions is the main issue of this study. Power sharing has been considered as subordinate participation in managerial decision-making processes.

In the 1970s, Vroom and Yetton developed and tested a contingency, or situational, model of participative decision-making. The model identifies five options for involving subordinates in decisions, and seven decision rules that determine the conditions under which each of the five options are effective. The five options are outlined below.

The leader solves the problem or makes the decision personally, using the information available at the present time

The leader obtains necessary information from subordinates, then personally decides on a solution to the problem. The leader may or may not tell subordinates the purpose of the questions. Their input is limited to the leader's request for information.

The leader shares the problem with relevant subordinates on a one- to-one basis. After getting their ideas, the leader makes the decision. The decision may or may not reflect subordinate views.

The leader shares the problem with subordinates in a group meeting during which she/he obtains their ideas and suggestions. The leader then makes the decision personally. The final decision may or may not reflect subordinate influence.

The leader shares the problem with subordinates as a group. Together, all parties generate and evaluate alternatives and attempt to reach consensus on a solution.

The leader facilitates the meeting, attempting to keep attention on the problem and moving the group toward a mutually acceptable solution. However, the leader does not try to influence the group to arrive at any particular solution (Vroom and Yetton, 1973).

Which participative option should be chosen is based on the use of several decision rules or questions. These include:

whether the decision has a high-quality requirement

whether the leader has sufficient information to make a high-quality decision

whether the problem is structured

whether acceptance of the decision by subordinates is essential for effective implementation

whether an authoritative decision would be accepted if made

whether conflict among subordinates is likely in the decision and

whether subordinates share the organizational goals to be attained in making the decision (Ibid).

These decision rules, together with the five options, suggest that certain options are more effective than others, depending on the situation. Using these decision rules would lead to better quality decisions and violating them might reduce decision effectiveness.

In order to expose degrees of participation in organizational decision-making processes Hirschein identifies three broad categories:

Consultative – the participants provide input into the process but the decisions are ultimately made by another person or group

Democratic - all participants have an equal voice in the decision making but the implementation of the decision is left to another person or group

Responsible - all parties have an equal vote in the decision-making and, in addition, are responsible for its implementation (Hirschein, 1985: 224-237).

In order to analyze participation in decision-making processes in the case countries I will use the decision-making style typology of Ali (1989), which is a modified version of Muna (1980) and also used by Yousef (1998). This typology has much in common with the other two typologies, namely those of Vroom and Yetton, and Hirschein. Ali's typology is being used here as it fits the objective of this study. Ali's typology includes the following styles: autocratic style, pseudo-consultative style, consultative style, participative style, and delegatory style.

7.4.1.1. Autocratic style

Decisions are made by managers without consultation with subordinates. Many organizations in South Asia, where high power distance is the principal characteristic, make decisions in this way. People's attitudes toward authority in the work situation are generally consistent, even though they may have different attitudes towards other kinds of structure. The autocratic person believes that it is right and proper that there should be power differences among individuals. In this style, decisions are made by managers to the extent that political, economic, social, and other forces allow them to act as sole decision-makers. This style allows one way communication – top down. Decisions can be made faster in this style compared with the other styles, but subordinates may be highly de-motivated and employee initiative may be discouraged; moreover, it may lead to potential loss of skilled workers. There is no power sharing scope in this style.

7.4.1.2. Pseudo-consultative style

This style adopts a slightly softer stance in regard to power sharing with subordinates compared with the autocratic decision-making style. Here, managers most often consult with their subordinates concerning the decision issues, but that does not mean that managers take their ideas and suggestions into consideration. This is an approach to decision-making which was strongly represented in some of the interviews which I conducted in India and Bangladesh for this study. As a courtesy, managers talk to their subordinates concerning decision issues from time to time, but that does not ensure that their ideas and opinions will be taken into

consideration. This style does not differ much from the first one, communication is still one way – top down; there is no employee ownership in the final decision, and decisions are still the product of the manager alone.

7.4.1.3. Consultative style

(q19) I ask my subordinates about the upcoming decision. Also my upper bosses call me when an important decision is taken (Bangladesh, table 2, manager 14, date of interview 07.06.2005).

With this style, the ice starts to melt. Managers most often have prior consultation with their subordinates on decision issues. Then managers make decisions that may or may not reflect subordinates' influence. However, in this style managers are prepared to consult, which leads to two-way communication between managers and subordinates regarding decision alternatives. Because of the consultation, staff input can improve the quality of the eventual decision. Employees start to have ownership in the final decision, which helps managers to implement decisions easily. Increased staff motivation is another advantage of this style. However, this style makes decision-making a slow process due to the prior consultation with subordinates. All the respondents in my sample in Finland mentioned having prior consultation on decision issues with all concerned parties. Finnish respondents also reiterated that consultation with subordinates about decision issues is the usual process in Finnish organizations. In Indian and Bangladeshi organizations, consultation is possible only if superiors take the first initiative.

7.4.1.4. Participative style

In this style managers most often share and analyze problems with their subordinates as a group, evaluate alternatives, and come to a major decision.

(q20) We talk everything in group. Organizational change and strategy-related decisions are made at the upper level. I do not make those types of

decisions. Personnel policy decisions are made by me. However, nothing can be done alone. In strategy decisions MD asks my opinion (Finland, table 1, manager 7, date of interview 28.04.2005).

All the Finnish respondents reported that strategic decisions are highly participative in their organizations. The CEOs adopt organizational strategies through sharing information with the members of a management team. In making strategic decisions, market forces are the main priority for Finnish organizations. Participation is also highly visible in the other two types of decisions (organizational change and personnel policy) as well. In Bangladesh and India, the CEOs consult with the management team regarding strategic decisions, but discussion normally proceeds in line with the opinion of the CEOs. The positive sides of this style are that employees get involved in management decisions and thus get empowered as well. These benefits all help to create a motivated and committed work team with good management-employee relationships.

7.4.1.4. Delegatory style

In this style, subordinates receive decision-making responsibility from their superiors. Practice of delegatory style creates a decentralized decision-making environment, where superiors delegate a substantial amount of decision-making authority down the organizational hierarchy. In empowered organizations like Finnish ones, managers delegate huge amounts of decision-making authority to the lower levels of the organizational hierarchy. However, in Bangladesh and India, delegation of authority to the lower levels of the organizational hierarchy is seldom seen. Consequently, even simple decisions are made at the apex of the organizational hierarchy.

Finally, it is evident that decision-making is one of the most important managerial functions. For performing this decision-making function, each manager requires the skills which are instrumental to proper decision-making at the particular level in the organizational hierarchy which he/she occupies. The type of decision a manager will make is contingent upon his/her position in the organizational hierarchy, but how the decision will be made i.e. the decision-making style, is a

matter of organizational culture. Therefore, it is possible to conclude that power sharing in decision-making processes is culturally determined. Managers' power sharing behavior in decision-making in the three case countries will be discussed in the following chapter.

8. Results of the empirical study

More and more goods and services are traded globally these days; more and more managers operate across both borders and cultures. 'Globalization', on the one hand, coexists with 'localization' on the other hand. Understanding the balance between these two ends of the spectrum has become increasingly important (Warner, 2003: 1)

8.1. Qualitative research and comparative management studies

Qualitative research in comparative management has gained momentum in recent years but this trend is more dominant in Europe than anywhere else. Examples are Burnstein (1995), Joynat and Warner (1996), Usunier (1998), Schramm-Nielsen and Lawrence (1998), Lawrence and Edwards (2000). Comparative management is necessarily concerned with the concept of culture. The study of culture in management is not a very old issue as has already been mentioned in this study. A number of background issues which have led scholars, academics, and business people alike to embark on cultural studies merit analysis. It has been argued that broad attention to organization or corporate culture resulted from a threefold crisis that was felt in the 1980s regarding certain organizational aspects (Krell, 1988 cited in Dahler-Larsen, 1994: 4-5).

The first crisis was due to the worsening competitive position experienced by western companies. Based on comparisons with successful Japanese companies, many studies postulated a relationship between cultural aspects and organizational performance (Denison, 1990; Gordon and DiTomaso, 1992; Kotter and Heskett, 1992). Culture thereby became an important topic of discussion and research in the Western world, but now researching culture has become a universal phenomenon. Moreover, courses related to culture in general and organizational culture in

particular have become a crucial part of business and management programs at higher educational institutions around the world.

The second crisis was felt in the area of organization theory, since its traditional content could not explain adequately the phenomena contributing to the crisis of competitiveness in the Western world. Supporters of the cultural vision stressed the untenability of the mechanistic approach, seen from the perspective of the complexity of organizations. Aspects such as “shared values and meaning” among organizational members were seen as important for understanding performance and motivational issues. These shared values and meaning, which are an integral part of corporate culture, had been completely neglected by the traditional mechanistic organizational theories. According to corporate culture prescriptions, managers and consultants should no longer focus on organizational structures, career patterns, task designs, motivation schemes, etc. They should concentrate on the ‘shared meanings’ in the organization, i.e., corporate culture, which was understood as a general key to a number of organizational phenomena, including those of productivity and motivation. Corporate culture even leads to a love of the company and its products (Peters and Waterman, 1982: 36).

Third, a societal crisis arguably played a role in bringing corporate culture into the light. Organizations, seen as abstract and complex techno-economic entities, were considered as merely alienating, incapable of providing or supporting the social orientation implicit in human nature. Alienation manifests itself in various ways, such as the disappearance of the relationship between human individuals and the product of their labor, or the disappearance of relationships between humans individually, resulting from impersonal bureaucratic structures and task division. Organizational culture was seen as a means to counteract these developments through the creation of social integration and value patterns, which on the one hand serve as behavioral guidance, and on the other hand reduce the distance between personal activities and the organizational goals and mission.

More recently, some other events such as the collapse of the former USSR, the end of the Cold War, and recent trend of globalization in the world economy have made culture even more important. During the Cold War and the existence of the USSR, the whole globe was divided into two compartments - the communist block countries maintaining a closed economic system, and the democratic free world maintaining a market economic system. The end of the Cold War and the

dissolution of the USSR at the beginning of the 1990s led to the emergence of a globalization process which made companies stateless and global. In this situation, understanding other cultures and the way they influence organizational issues, including the decision-making process, has become absolutely crucial for business success. As Harris et al. state:

The organizational culture of a foreign corporation may provide formal rules and regulations guiding its decision-making process. A negotiator can find ways to influence a foreign corporation's decisions by analyzing its corporate culture and structuring arguments to fit within established guidelines (Harris et. al. 2004: 71).

Consequently, effective decision-making with foreign counterparts requires cultural understanding. A number of authors who have elaborated theories and models that may serve as guidelines for studies in comparative management research or organizational culture include Hofstede (1984), Schein (1985), Trompenaars (1993), Lewis (1996) and, Sackmann (2006), all of whom are Europeans, or of European descent.

Through his famous study of the IBM subsidiaries in over forty different countries, Hofstede showed the cultural differences between nationalities, and their impact on organizations, using his four famous dimensions i.e., power distance, individualism, uncertainty avoidance, and masculinity. The current study has used Hofstede's dimensions extensively for analysis purposes. Schein (1985), in his book "Organizational Culture and Leadership", has analyzed and defined organizational culture through his famous three levels: artifacts, espoused values, and basic assumptions. According to him, culture is multidimensional and multifaceted; culture reflects the group's efforts to cope and learn. In addition, among other things, he showed how culture defines leadership, and that in order to understand a culture it is essential to understand the organization. Schein's levels of culture have been used in this study as a tool for defining organizational culture. Trompenaars (1993) has identified five value orientations in order to explain regional cultural differences. His work greatly influence our ways of doing business and managing, as well as our responses in the face of moral dilemmas. The orientations are:

Universalism versus particularism (rules versus relationships).

Collectivism versus individualism (the group versus the individual).

Neutral versus emotional (the range of feelings expressed).

Diffuse versus specific (the degree of involvement).

Achievement versus ascription (how status is accorded).

Apart from these five orientations for exploring national cultural differences, based on three aspects of organizational structure, i.e. the general relationship between employees and their organization; the vertical or hierarchical system of authority defining superiors and subordinates; and the general views of employees about the organization's destiny, purpose and goals and their places in this, Trompenaars (1993) has created an organizational cultural typology (see figure 10) in order to elucidate regional organizational differences.

In order to facilitate comparative management studies, Lewis (1996) has classified the world's cultures into three rough categories i.e., linear-active, multi-active, and reactive. Linear-actives are those who plan, schedule, organize, pursue action chains, do one thing at a time. According to him, Germans and Swiss are in this group. Multi-actives are those who are lively, loquacious people who do many things at once, planning their priorities according to the relative thrill or importance that each appointment brings with it. He has identified Italians, Latin Americans, and Arabs as members of this group. Reactive cultures are those cultures that priorities courtesy and respect, listening quietly and calmly to their interlocutors and reacting carefully to the other side's proposals. He has included Chinese, Japanese, and Finns in this group.

Sackmann (2006) has analyzed corporate culture and made a link between corporate culture and leadership behavior as factors for organizational success. Based upon the ten dimensions⁹⁹ which are regarded as key to ensuring the survival of businesses in a challenging environment, she has analyzed six case companies¹⁰⁰

⁹⁹ 1. Common goal orientation. 2. Corporate social responsibility. 3. Commonly-held beliefs, attitudes and values. 4. Independent and transparent corporate governance. 5. Participative leadership. 6. Entrepreneurial behavior. 7. Continuity in leadership. 8. Ability to adapt and integrate. 9. Customer orientation. 10. Shareholder-value orientation.

¹⁰⁰ The BMW group, Deutsche Lufthansa AG, Grundfos A/S, Henkel KGaA, the Hilti Aktiengesellschaft, and Novo Nordisk A/S.

and showed that their corporate culture and culturally aware management are critical to their business success.

There is a lack of concern with the cultural aspects of decision-making in the classical theories, which present decision-making as a universalist phenomenon, meaning that the principles of decision-making processes and practices are universal, and that managers act in much the same way in comparable situations in all highly industrialized countries. We find this universalist attitude not only in theories of decision-making, but also in connection with most other organizational issues (see Boyacigillar and Adler, 1991). However, principles of decision-making processes and practices differ across cultures irrespective of the degree of industrialization, and these principles compel managers to adopt culturally synergistic problem-solving approaches. The aim of this study is to analyze and explore cultural differences and how those differences affect managers' power sharing behavior, or participation in decision-making processes. In the exploratory study discussed here, managers in the sample companies were asked to respond to questionnaire items concerning their perceptions and opinions of participation in decision-making processes in three decision areas in their own organizations, and their own behavior in decision-making situations.

8.2. Cross-cultural views on participation: Finland, India, and Bangladesh

Participation is one of the most misunderstood ideas that have emerged from the human relations approach. It is praised by some, condemned by others, and used with considerable success by still others (McGregor, 1960: 124).

If people are asked to participate in making a decision, they will believe that it is a measure of respect for their intelligence (Moody, 1983: 24)

In an organization, the responsibility for making a decision usually rests with one executive, though it is very rare that he or she actually makes the decision unaided. As one manager says:

(q21) Once in a week we meet with the departmental heads. We give emphasis to two-way solutions. All decisions are discussed with the department concerned but the final decision is made by the ED in this factory. The last decision is made by me (ED) (Bangladesh, table 2, manager 13, date of interview 07.06.2005).

Due to the need for analyzing current problems and choosing the right alternative, the executive requires information. The successful decision-maker must be able to contact the right individual for the information needed. Finding the right individual is not an easy job as the right individual is determined by that individual's ability and position in the organization. The wise decision-maker tries not only to find out which people have the requisite information, but also to cultivate a personal relationship with them, so that both benefit. In any organized setting, often one finds guidance through the formal chain of command; however, informal contacts and interactions yield the day-to-day information that permits the organization to operate effectively. Out of the many ways for obtaining required information, ensuring participation by organization members in the decision-making process may be one of the best ways. However, the current study finds that the participative decision-making approach is not equally used in all decision areas. **The study has focused upon three managerial decision areas: corporate strategy, organizational change, and personnel policy. It shows 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.**

The empirical findings reveal that the approach of participation in decision-making processes is not ensured to the same extent by managers in the three case countries. The current study views the reason behind this variation in practice as the differences in their cultural structure at organizational and national level. When considering the Finnish cultural perspective, one may notice that the Finnish national culture is low in power distance (Hofstede, 1991, 2001, and Hofstede and Hofstede, 2005) and Finnish organizational culture is of the synergistic type (Basi 1998). In Finland, both the national and organizational culture facilitate and

encourage employee participation in organizational issues, including the decision-making process. As one Finnish manager says:

(q22) There is a freedom so that everyone can speak out (through e-mail or telephone call). We have also a mail box so everybody can put their ideas about anything. Moreover, anyone can directly come to the MD to make their opinion known. No formal channel needs to be maintained (Finland, table1, manager 1, date of interview 04.05.2005)

On the other hand, high power distance (Hofstede, 1991, 2001, Hofstede and Hofstede, 2005) is the main feature of Indian and Bangladeshi national culture, and the organizational culture may be viewed as of the paternalistic type (Basi 1998). This high power distance national culture and paternalistic organizational culture engender a management system which discourages participation in organizational issues, including the decision-making process. As one Bangladeshi MD says:

(q23) In decision-making, we do not depend on consensus. We listen to opinion but decisions are made at the upper level and especially by the MD in all the three areas (Bangladesh, table 2, manager 9, date of interview 30.05.2005).

Consequently, in this study, Finland, India, and Bangladesh were considered as appropriate countries for studying participation in the decision-making process due to the significant cultural differences among the countries. When comparing India with Bangladesh, one may not expect huge and fundamental cultural differences between them, as both the countries are located in South Asia and they are neighbors to each other. However, there is a fundamental distinction between Bangladesh and India which is related to their religion. Islam is the main religious faith in Bangladesh whereas Hinduism is the main religion in India; thus Islamic values are dominant in Bangladesh and Hindu values are in India. Differences in basic values have created two cultures in many ways distinct from each other despite the countries' being neighbours. In addition, Bangladesh differs from India on all four of Hofstede's dimensions (Hofstede, 1991, 2001, and Hofstede and Hofstede, 2005). On the other hand, we get significant cultural differences when we

make a comparison between India and Bangladesh on one side and Finland on the other side (See chapter five for a broader discussion on culture of these three case countries). The following pages will analyze the participative environment from a broader socio-cultural perspective in each of the three countries.

Finland represents a developed Western market economy. It is a small European Nordic country with slightly over 5 million¹⁰¹ citizens and it is a member of the European Union (EU) and European Monetary Union (EMU). The level of education is very high and thus human resources are one of the strengths of the society. The other key factor in the Finnish economy is the level of technology. Finland has received top positions in world competitiveness rankings and globalization rankings.¹⁰² Moreover, in 2005-2006 Finland stood in the second position in the world after the USA as the most innovative country. Today, Finland enjoys a well-run innovation system benefiting from strong governmental stewardship, but the system was originally designed, at least in part, as a response to the cataclysmic economic change in 1991, occasioned by the collapse of the Soviet Union.¹⁰³

From the cultural point of view, Finland markedly differs from the other two case countries. On Hofstede's (Hofstede, 2001) four classical dimensions, Finland represents a low power distance culture in which all employees have a fair amount of autonomy and all participate in decision-making (Lindell and Arvonen, 1996; Myers et al., 1995; Suutari, 1996; Hofstede, 2001). In Finland, equality of the sexes is well advanced and the culture can be ranked as Feminine (Hoppe, 1993; Myers et al., 1995; Hofstede, 2001). If judged from the employment opportunity point of view, women are not far behind the men. However, the service sector employs more women, whereas industry and the construction sector are dominated by men. Equality between women and men has quantitative as well as qualitative aspects. According to Petäjaniemi, quantitative equality can be measured in figures, percentages and wages. It means that women and men have equal opportunities in the different areas of society, education, power structure, work and free time. Qualitative equality means that the knowledge, skills, experiences, and values of

¹⁰¹ See: <http://www.vaestorekisterikeskus.fi/> (Accessed: 11.09.2007 at 15:00)

¹⁰² In the Global Competitive Report published by the World Economic Forum, Finland secured top position in three consecutive years 2003, 2004, & 2005.

¹⁰³ See Harvard Business Review, March 2009, p. 112. www.hbr.org

women and men in society are given equal weight. Equality therefore does not mean that women should be integrated, for example, into the workplace to operate purely on men's terms, but that women and men should be able to play an equal role, and influence society, work, and family life on their own terms (Petäjaniemi, 1996: 42). This qualitative and quantitative equality has created in Finnish workplaces a sense of strong acceptance of anyone, regardless of gender identity. In India and Bangladesh, on the other hand, men and women have virtually separate positions in the workplace, despite government measures to reduce gender inequality.

Ordinarily in work organizations, the formal or representative participation system in Finland is based on collective agreements and labor laws. Employees' opportunities for participation in decision-making in their organizations have been increased through laws such as the Labor Protection Act, and the Co-operation within Undertakings Act (Kauppinen, 1994 cited in Vanhala, 1995: 42) Participation is centered on the shop steward system which dates back to 1946, and is based on the general agreement between the labor market parties. The shop steward system is strongly established in Finland. Since World War 2, employee participation has broadened from the shop floor level to a strategic decision-making level (Vanhala, S. 1995: 42-43), which has become possible due to Finland's continuous emphasis on empowering its workers. As one MD says:

(q24) The final decision is of course a formal decision. This decision is made by the people who take the highest financial risks, or the shareholders. However, most of the ideas come from the keepers, like someone who is very good in sales or marketing (Finland, table 1, manager 5, date of interview 04.05.2005).

In the 1990s, the emphasis in discussion of participation shifted from representative¹⁰⁴ to direct participation, using such forms as various group and

¹⁰⁴ Representative participation may be an interest-bound involvement in collective action, mainly put into effect by bargaining units or statutory bodies of representatives. The establishment and further extension of co-determination as an integrated system of information, consultation and joint decision-making at plant and enterprise levels, based upon statutory law, has turned representative participation — in the sense of work-related interest presentation — into a substantive and basically unchallenged part of working life. Representative participation ceased to be accidental and bound to some specific issues. Instead, a structure gradually emerged for dealing with practically any problem related to workers' interests and even for joint rule-making via enterprise and plant agreements. Thus

teamwork models,¹⁰⁵ project groups¹⁰⁶ and branch meetings¹⁰⁷. The main reasons for the emphasis on employee participation are seen to be related to the adoption of new organizational and management methods, such as lean production and total quality management (TQM), increasing competition and the globalization of markets as well as the decreasing power of labor unions. Today, both employees and employers see the advantages of direct participation. From the employers' point of view, all forms of participation which promote employees' commitment and motivation are important (Vanhala, S. 1995: 43). The special feature of Scandinavian capitalism is "stakeholder capitalism."¹⁰⁸ Consequently, in Finland, managers not only ensure participation of their subordinates in the decision-making process but interest groups outside the organization are also incorporated sometimes.

Finland is a highly developed Nordic country, but India and Bangladesh both belong to the developing world. The concepts of participation and participative management differ substantially between developed and developing countries. In this regard, Ali and Machungwa have mentioned some problems and difficulties of participative management in developing countries. They surveyed the working of participative management in four developing countries, namely Bangladesh, India, the former Yugoslavia and Zambia, and summarized the problems as follows.

First, there is an authoritarian approach of management in developing countries, especially in Bangladesh and India. Management in these countries still holds the traditional notion of management through centralization of authority and control. Managers believe that decision-making is their prerogative power.

Secondly, there is a relatively low level of education among the workers and inadequate understanding of their new roles in management and business

a network of statutory rights and contractual regulations emerged which strongly backs vested interests (<http://rphrm.curtin.edu.au/1993/issue1/participation.html>. Accessed: 1.6.2009 at 13:30).

¹⁰⁵ In order to solve any disagreement in the workplace, management and workers try to solve it in a team or in a group. In the teamwork model, greater worker participation is ensured.

¹⁰⁶ A Project Group is comprised of a number of people say for instance 15 to 20 participants who are engaged in performing a particular assignment in an organizational area and who represent a balanced variety of professions and experiences.

¹⁰⁷ Branch meetings can also be considered as departmental meetings, where everyone participates for consulting on certain issues which require solutions. Branch meetings may be held once a month or as required.

¹⁰⁸ See Bjerke, 1999: 212-213.

operations of their companies. Although efforts have been made to educate and train the workers and managers on the principles of participation, a bulk of them still lacks proper knowledge, attitudes and skill to make participation work.

Thirdly, there is a lack of the proper psychological atmosphere of trust, confidence and co-operation among workers' representatives and managers in work councils.

Finally, they noted, there is a lack of interest, initiative, and continued support for participation from professional and scientific communities, such as individual researchers, academicians, management experts, and academic and training institutions, in the forms of discussions, critical analysis, and program evaluation (Ali and Machungwa, 1985 cited in Ali et al.,: 1992: 11-12).

Consequently, it is seen that the problems of participative management in the developing countries are all encompassing.

India represents an Asian developing country with a population of over one billion. The economy is still dominated by agriculture, but it has a strong emerging information technology sector. Developments in textiles, machinery, and the electronics and electrical sector are also noticeable. Since the economy was opened up to the international community in 1991, India has attracted huge foreign investment from the outside world. Culturally, India is a high power distance and collectivist country (Hofstede, 2001). Consequently, egalitarianism and individualism are both somehow taboo in Indian society. Social ranking and division according to wealth and power are widespread and clearly visible, a situation which has been further strengthened through the influence of the Hindu religion and its caste system. The caste system impedes social mobility but does not hinder wealth accumulation. But even obtaining huge wealth or higher academic degrees cannot give a person an opportunity to move upwards on the caste ladder.

The caste system and unequal distribution of wealth have given birth to an inequalitarian social system in India. In Indian society, egalitarianism is further curtailed through its treatment of women. Women are considered as “porodhon” or “wealth of others” in Hinduism, which hinders participation of women in family decision-making processes, specifically those regarding long-term family issues.

Once married, women are not entitled to receive paternal property, consequently, during the wedding of a daughter, parents pay dowry according to their financial capacity.¹⁰⁹ According to Upreti:

Rapid urbanization and industrialization in India in the past few decades witnessed a slow process of social change in which the joint family system has gradually broken down, or at least has ceased to play an important role in urban India. At the same time, equality of opportunity in public employment and office has led to some definite improvement in the status of urban, middle class, educated Indian women, as reflected in the growing numbers of women employed in public services occupying positions of political power and authority (Upreti, 1988).

And yet, in formal and organized employment, the participation rate of women in India is just 22 per cent (Ratnam and Jain, 2002: 278), which is very low compared to the West in general and Finland in particular. Furthermore, Muslim women have been left far behind Hindu women; improvements in their status in line with other social changes are scarcely visible, despite the progressive nature of the Indian Criminal Code and the Constitution of India (Ghosh and Roy, 1997: 905).

The caste system in Hinduism distinguishes people according to their profession or vocation; each caste has its own duties to do. The caste system binds its followers so that they cannot switch to professions other than the one prescribed by their caste; this hinders free choice in job market participation. However, the constitution of India does not bar its citizens from freely participating in the job market. Even though the caste system is still very strong in Indian rural areas, in urban communities its influence is on the decline, particularly as it affects labor market participation. Although, trade unionism in India has a history of one hundred years (Ibid: 277), in Indian private sector companies, workers are usually denied the right to labor union participation. Labor union activities were not-existent in all five

¹⁰⁹ Parents must pay dowry during the wedding of their daughters regardless of their economic condition. As a result, it is normal practice among Hindu families to start to save money as soon as a girl baby is born. Consequently, the MPS (marginal propensity to save) is relatively higher in Hindu families having daughters.

sample companies in India. As an Indian manager describes labor union activity in his company:

(q25) We do not have big problems. We had once a problem when there was a strike - then we had a labor union. When a labor union comes, problems start. Now we do not have a labor union (India, table 3, manager no. 1, date of interview 27.10.2005)

Trade union activities are accepted in the public sector and union activities also exist in many private sector firms, though on a limited scale. As one manager says:

(q26) In small companies labor unions are almost nil. If the workers' number is above five hundred then there should be a labor union right according to the Indian labor union law (India, table 3, manager no. 3, date of interview 27.10.2005).

In contrast to Finnish participative management, research shows centralized decision-making and little participative management in Indian organizations (see Kakar, 1971; Sparrow and Budhwar, 1997; Tayeb, 1987). The reality is exposed in the speech of an Indian director:

(q27) My role is policy making and giving guidance to everyone (India, table 3, manager no. 11, date of interview 28.11.2005).

In answer to another question the same director says: *We are just like dictators. If it is good for the company we go ahead with it. On the other hand, if it is bad we do not let it go ahead.*

All executives try to do their best for their company, but the executive in question expresses his view in an authoritarian tone. It may be seen quite often in India and in Bangladesh that executives use their authority in a more overt way. However, a much softer approach is also visible, one where managers consult with their subordinates and make participative decisions. As another Indian MD says:

(q28) We try to involve all of our managers in the decision-making process. Sometimes we even leave the decision-making in their hands. The idea is that gradually they will grow up and mature by making decisions (India, table 3, manager no. 1, date of interview 27.10.2005).

Consequently, alongside an authoritarian management style one may notice participative practices or even delegatory measures in Indian organizations. According to Gollakota and Gupta:

The forms of corporate ownership and governance in India show many influences, self-corrections, and new directions. They identify first a colonial Western European influence, followed by a model inspired by the Soviet Union, later including an adaptation of a Japan-Confucian model, and then the development of a prototypical North American model of governance (Gollakota and Gupta, 2006: 186).

Therefore, in course of time, the corporate ownership and governance system has experienced many transitions. Gollakota and Gupta (Ibid) have identified four phases of such ownership in India, and asserted that each ownership form displays a different value system. They have used Kurien's (2004) taxonomy (Appendix 2 gives a brief description of Kurien's taxonomy of values.) to illustrate the dominant values represented by each ownership form. See below the dominant ownership forms and corresponding values:

Phase I. Pre-independence (until 1947) – eco-centrism and family ownership.

Phase II. The License Raj (1947-1981) – social altruism and public enterprises.

Phase III. Knowledge professionalism (1981-1991) – social justice and professional ownership.

Phase IV. Liberalization (1991 onwards) – ego-centrism and foreign ownership (see Gollakota and Gupta, 2006: 186-91)

The economy of India has changed substantially since 1991 and it has become more open than ever before. This trend has enabled Indian managers to take a

posture which I would like to brand as **a more consultative and less authoritarian/autocratic management style, where decisions are still made at the top, at least in medium-sized family owned companies.**

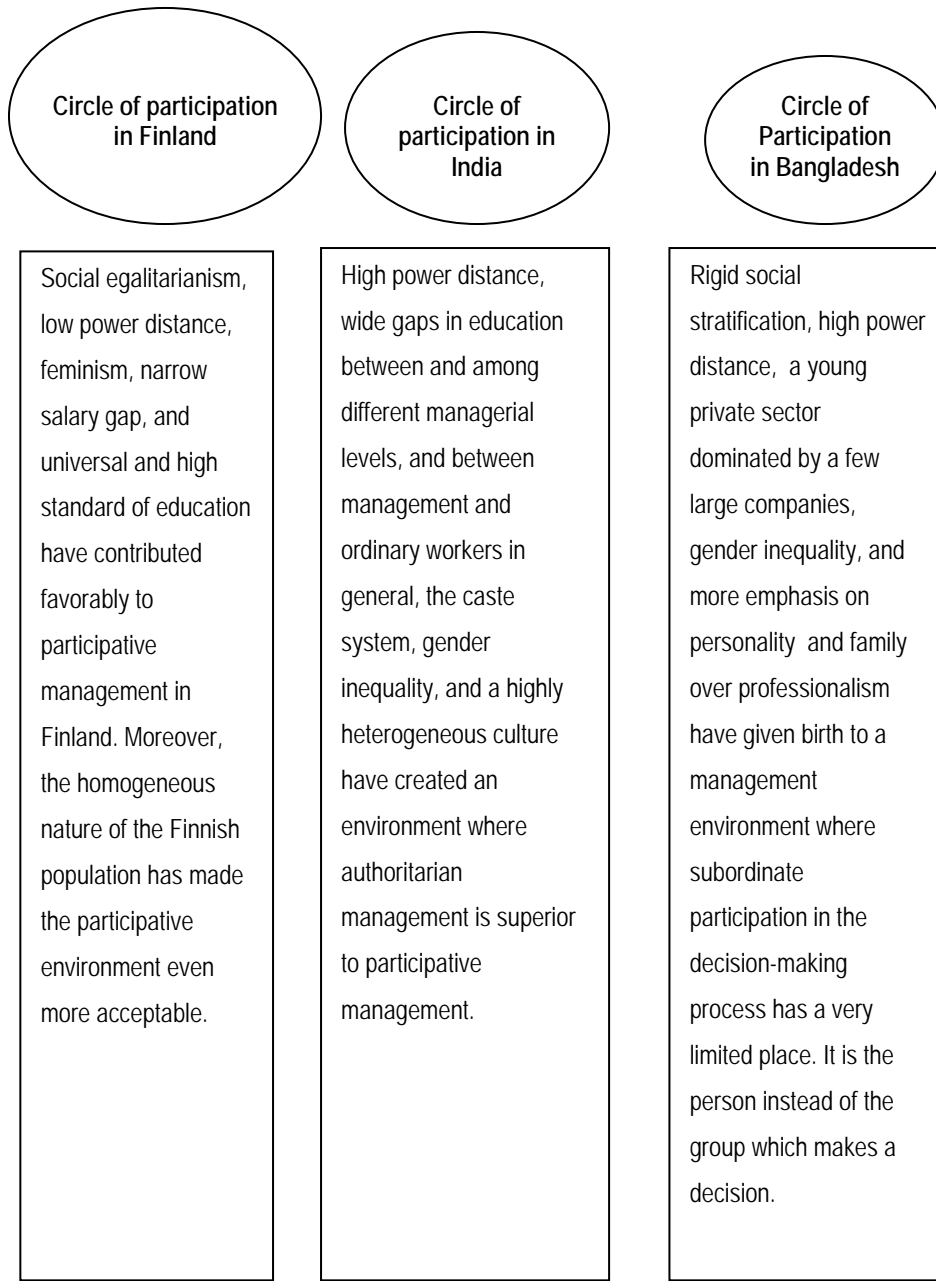


Figure 21: Circles of participation in decision-making: A comparative scenario

In this more consultative style the circle of participation (see figure 21) is not large enough, and subordinate participation is limited to delivering his/her opinion to the superior regarding a decisional issue. As one manager says:

(q29) I sometimes take ideas from the workers too. They sometimes give very good ideas. (India, table 3, manager no. 13, date of interview 03.11.2005).

Nonetheless, the scenario could be totally different in the emerging information technology firms, where managers deal with a highly educated workforce and the innovation of an individual worker could make the company's fortune overnight.

An important feature of family ownership and governance in India is that owners/shareholders can gain and maintain control over a company even when their actual equity contributions are low. Exercise of control implies the ability to effectively determine decision-making in an organization (Fama and Jensen, 1983). Although ownership of substantial equity is usually thought to be essential to exercise control, that is not always true in practice (Short, 1994). In India, many families with small equity investments exercise considerable control over companies. This is possible in part because the equity bases of corporations are low, and firms often use debt financing for growth (Goswami, 2000). Debt financing is also a common source of company financing in Bangladesh. Debt financing can be seen as the principal source of company financing in almost all the developing countries due to over-reliance on the banking sector. In the West, including Finland, equity financing is given more priority over debt financing. However, companies try to maintain a balance between debt financing and equity financing.¹¹⁰

In Bangladesh, social stratification¹¹¹ seriously impedes participation in all spheres of social life. Unlike the social ranking in India, which is fundamentally based upon Hinduism and its caste system, in Bangladesh social rankings emerge due to variations in accumulation and possession of knowledge, wealth, and power. In addition, family background is an important issue. Even the fact that Islam,¹¹² the

¹¹⁰ In reality, it is seen that when the economy suffers from recession, companies use equity financing; on the other hand, in the upturn phase of the trade cycle, companies rely more on debt financing.

¹¹¹ Social stratification refers to the hierarchy of classes within a society and to the relative power, income, privilege, and social priorities of these various layers of society (Terpstra and David, 1985: 193).

¹¹² Islam is a word that means resignation or submission to Allah. A Muslim is one who is accepting and is submitting to the will of Allah. This can easily be understood by the expression of Inshallah, "God willing" in Muslim countries and among Muslim people living outside the Muslim World. Inshallah comes from the strict belief of Muslim people that everything, good or evil, proceeds directly from divine will. Moreover, Muslim people believe that the existence of Allah is all pervasive. Islam is not only a religion but also a way of life promoting equality and brotherhood of

main religion in Bangladesh, considers all of its followers as equals has not been able to change the situation. The mentioned scenario has made Bangladesh a high power distance society. Also, as family is the basic building-block of a person's thought process, the society is collectivist rather than individualist by nature¹¹³. Although Bangladesh is a collectivist society, collectivism is practiced in a different way from, for instance, in Japan. Bangladeshi people are very collectivist at family level and like to live in family groups, but they seldom extend this collectivism up to management decision-making level.

Japanese collectivism extends from the family even to the organization level. As a result, a basic philosophical concept of Japanese management is *ringiseido*: decision-making by consensus. In this system, every relevant manager must place his/her stamp of approval (*ringi*) on the project. Once all the approvals are collected, decisions are made at the organizational apex. This *ringi* or approval system has decentralized the decision-making authority all over the organization. In Bangladesh, however, centralization of decision-making authority is most commonly seen, and subordinate participation is rare.

Ali et al. examined the attitudes of managers, supervisors, and workers towards participative management in Bangladeshi organizations. Their findings revealed that:

*Workers expressed more positive attitudes than the managers and supervisors.
Supervisors expressed more favorable attitudes than managers. Managers*

every Muslim, of whatever race or color. The core of Islam, the holy Quran contains a system of Muslim law that encompasses every aspect of life, be it ritual, personal, family, criminal, or commercial. The Sharia or Islamic Law, regulates all facets of life, including political, social, and legal justice. The religion of Islam is based on five pillars with which Western firms must be familiar in order to avoid negative implications in business operations. The five pillars are as follows:

- There is no one to worship except Allah, and Mohammad is Allah's messenger to all human beings until the Day of Judgement.
- Prayers. There are five required periods of prayer during the day. In addition, the Friday noon prayer is very important, where attendance is obligatory for all adult males.
- Fasting. The observance of fasting during the month of Ramadan, the month when the Quran was laid down.
- The payment of Zakat, a religious tax or alms-giving. Alms-giving refers to the sharing of wealth. It is an annual tax of 2.5 per cent collected from all individuals and used for charity.
- The Pilgrimage to Mecca. Every adult Muslim who can afford it is required to undertake a pilgrimage to the holy city of Mecca.

¹¹³ For further information on power distance and individualism and collectivism see Hofstede, 1991, 2001 and 2005.

expressed a lukewarm support for participation. Both workers and supervisors perceived certain organizational situations as barriers to participation. However, managers did not perceive these situations as barriers. The implication is that a participative management system is likely to be met with resistance from managers, while workers and supervisors will support it (Ali et al. 1992).

The study conducted by Ali et al exposed that in Bangladesh there is strong pressure from the lower levels for participative management but at the upper level the pressure is weak. During the field study in Bangladesh, managers voiced support for wider subordinate participation in decision-making, especially the departmental heads. As one departmental head says:

(q30) Normally, for decisions regarding departmental recruitment, selection, work scheduling, implementing a new work method and long-term issues we ensure subordinate participation (Bangladesh, table 2, manager no.12, date of interview 30.05.2005).

However, the extent of subordinate participation which is practiced in medium-sized Bangladeshi companies is more or less decided by the superiors. The situation is that a subordinate can participate in the decision-making process only if his or her superior permits such participation. As one manager says:

(q31) Suggestions can be put forward but disagreement between subordinate and superior means job loss for the subordinate (Bangladesh, table 2, manager no. 12, date of interview 30.05.2005)

Guidelines may be set regarding which decision issues a subordinate can participate in; bypassing these guidelines is not allowed. As one manager says:

(q32) Workers can also meet to consult with the boss but no way to bypass authority for bringing complaints (Bangladesh, table 2, manager no. 10, date of interview 30.05.2005) which symbolizes a bureaucratic organization of Weber's typology.

In Bangladeshi medium-sized companies, the situation regarding participation may be considered as **regulated participation of subordinates in the decision-making process**.

Women represent roughly half of the total population of Bangladesh; nevertheless, Bangladesh is a male-dominated society which obstructs women from participating in different social issues and opportunities. According to Dube, male-dominated societies are characterized by women's dependence on and obedience to men, and each man's obligation to support his wife and children (Dube, 1997). This social structure lays down codes of conduct in accordance with the patrilineal social setup and, although Bangladesh's constitution guarantees equal rights, women still lag behind men in many aspects of life (Hussain, 1999). However, a balanced participation by men and women in different socio-cultural, economic, and political issues is crucial for national development. The government's affirmative-action programs have been helping women to enter the public services as well as the armed forces sectors in limited numbers. Despite these measures, there is a long way to go to the point where women can have a balanced opportunity to participate in decision-making in the male-dominated Bangladeshi public services and armed forces. In the private sector, a large number of women have been working in the ready-made garment (RMG) sector. A very limited number of them may belong to the management level.

The concept of participation in Bangladeshi organizations may vary as a result of the economic transformation which has been taking place from independence on 16th December, 1971, up until the present day. In general, the transformation process in the economy could be broadly divided into three phases. The first phase of transformation (1972-1978), generally witnessed a period of reconstruction of socialist planning within a closed economy in which a large part of the private sector was brought under a centrally regulated system. The second phase of development (1979-1990) was a period of gradual withdrawal of government, and movement towards achieving a free play of market forces. The third phase, from 1991 until now, is a period of structural reformation in the overall economic system. Various significant programs have been introduced to reshape the economy; for instance, in the early 1990s the government adopted a trade liberalization strategy together with open investment and privatization policies. The first phase was

obviously a critical period for private sector organizations and participation was limited to the planners or to the government bureaucrats. However, privatization during the second phase changed the concept of participation: decision-making was transferred from the hands of government bureaucrats to the private sector managers. Finally, the trade liberalization and globalization trend in the third phase has encouraged managers to show a more participative posture. As a Bangladeshi MD says:

(q33) Now I give emphasis on participation. Earlier, until 1994, I used to make strategic decisions alone. I had then high confidence in myself. Authoritarian decisions are sometimes effective (Bangladesh, table 2, manager no. 5, date of interview 05.06.2005).

The wind of globalization has touched Bangladesh like many other countries and this globalization process has been contributing to changing attitudes among Bangladeshi managers from a more authoritarian approach towards a participative one. Nevertheless, it is still the managers who define the extent of subordinate participation, not the other way around.

When comparing the macro participative environment in the three case countries, it is seen that the circle of participation (see figure 21) in Finland is larger than the circles of participation in Bangladesh and India. On the other hand, the circle of participation in India is larger than the circle of participation in Bangladesh. Those hypothetical circles show the factors which limit and lead participation in the three case countries. There is no doubt that the participative management approach is used in decision-making processes in all the three case countries but they differ in the degree to which the participative approach is applied in the decision-making process.

8.3. Decision-making reality in the case countries: empirical findings

The cultural heritage of most nations has a tremendous impact on its societal, economic and political structure. In turn, the societal, economic, and political structure of many nations influences the development of management practices and values found in the respective country. As a result, management practices and values differ from country to country due to each nation's unique culture and traditions (Hargittay and Kleiner in Hipsher et al., 2007: 43).

Some societies have an individualistic orientation while others have a more collectivist orientation. Some societies temper competitive interaction with strong ideals of cooperative behavior within and between groups. Some societies are comfortable with more informal, participatory interaction while others favor more formal, ranked interaction. There is wide variation in actual versus apparent centralization of authority in decision-making (Terpstra and David, 1985: 188).

Management in a given country or nation is the offspring of its social, cultural, economic and political system. Historical experiences also exert a powerful influence on a nation's culture. Past historical events and their impacts consolidate the future course of action¹¹⁴ of a nation. As nations face different historical

¹¹⁴ Many believe that creation of the present European Union (EU) was a result of the devastations which Europe experienced during the 1st and 2nd World Wars. In order to avoid future conflicts, some had a vision of co-operation and a united peaceful Europe. This vision led to the creation of today's EU. The first step on the road to today's EU was the formation in 1952 of the European Coal and Steel Community (ECSC) by France, Germany, Italy, Luxembourg, Belgium, and the Netherlands. Secondly, in 1957, the European Atomic Energy Community was formed by the same six countries to encourage the growth of the peaceful use of nuclear power. Thirdly, the European Economic Community (EEC) or Common Market, was also created by the same six countries and came into existence on 1 January 1958 after the signing of the Treaty of Rome in 1957. Fourthly, the Treaty of Rome paved the way for the creation of a customs union by the same six member states, and this was successfully completed by 1986. Fifthly, the EEC was expanded from an organization of six members to a nine member organization through the inclusion of Denmark, Ireland, and UK in 1973. In 1980s, the EEC experienced further enlargement; Greece joined in 1981 whilst Spain and Portugal joined in 1986. Sixthly, the Single European Act (SEA) was signed in 1985, and came into force in 1987, so creating a genuine common market by 1 January 1993; this led to the change of the organization's name from the EEC to the European Community (EC). Seventhly, the Maastricht

experiences and they differ socially, culturally, economically, and politically, they display differences in their management system as well, which also affects the decision-making style. Consequently, according to scholars, efforts towards convergence in management philosophies and practices face the following divergence pressures: (1) *Countries are at different stages of industrial and economic development.* (2) *Distinctive political and economic frameworks.* (3) *Unique value systems, cultural features and institutions.* (4) *Intra-national heterogeneity.* (5) *Different choices at macro-(societal) and micro-(organizational) levels on the nature, content, and process of employment relations.* (6) *Divergence between stated institutional frameworks and practices; variations in the spread, taken-up, and operation of technology.* (7) *Alternative solutions to common problems.*

In varying degrees, all of these aspects apply in all three case countries of the current study, and they give a distinctive nature to the management philosophies and practices in each case. Earlier in the study, a detailed analysis has been provided of culture in general and the national culture of each of the case countries in particular. The discussion of national cultures visualized the distinctive cultural features of each of the case countries. Therefore, our management approach should be adapted as much as possible to local philosophies and practices in order to ensure successful business operations.

In researching the use of the participative approach in decision-making processes in the sample companies in the three case countries, reasonable variances were found during the field study. According to the answers to the questions on the questionnaire, (see appendix 1 for detailed information about the questions) a country by country analytical discussion will follow here, to explore the reality of participation in the three decision areas, which are strategy formulation, organizational change/development, and personnel policy. After this analysis, the decision-making reality in the three case countries will be compared by means of parallel tables.

Treaty in 1992 was a breakthrough towards a united Europe. It laid down a timetable for the creation of a single currency. It also established a framework for co-operation in foreign policy between member countries. To signify the move forward by the Treaty, the name of the Community was changed from the EC to the European Union (EU). The 1993 and successive enlargements have increased the total members of the EU from twelve to twenty seven. The EU officially promotes cultural diversity within union and its member countries.

8.3.1. Strategic decision-making and the participative approach

Strategy is the limited set of important, non-routine, nonprogrammable decisions that guide overall organizational direction (Parker, 1998: 491) and conceptual skill is very important in strategy making process without limiting human and- technical skills. Regardless of the decision typology, these three skills; conceptual skills, human skills, and technical skills are very important for managers in making decisions.

The steps in strategic decision-making can be visualized as follows:



Figure 22: Organizational mission is the root of organizational strategy

Strategic decisions are made at certain points in time, but their implementation may range from one to three or one to five years¹¹⁵ depending upon the type of company and their operations. However, in certain cases, the time period may be longer. Due to its depth and importance, adopting an organizational strategy is basically an upper-management responsibility in general and in particular in the sample companies in all of the three case countries. In Bangladesh, the MD plays a

¹¹⁵ In recent years, the speed of technological change has forced many technology-based companies to shorten their strategic decision period. For instance, the renowned Finnish cell phone maker, NOKIA, has brought down its strategic decision period below two years. According to one NOKIA official, strategic decisions are nowadays made for one and a half years.

vital role in making strategic decisions, even if he/she listens to others' opinions. As one MD says concerning strategic decisions:

(q34) We listen to every manager's opinion but the final decision is made by the MD (Bangladesh, table 2, manager 9, date of interview 30.05.2005).

Moreover, if needed, even the board of directors may be involved in the strategy-making process. As one Finnish manager says:

(q35) This is made by the management group¹¹⁶, and finally approved by the board of directors. If needed, the board of directors can intervene in the strategy making process.¹¹⁷ Not much possibility for workers or middle management to participate because they are not familiar with these kinds of decisions (Finland, table 1, manager no. 6, date of interview 28.04.2005).

When comparing both the statements, it is seen that in Bangladesh it is mainly the person or the MD who is responsible for making strategic decisions, but in Finland it is the group. It may be the organizational culture which is behind these opposing scenarios. According to Basi:

A synergistic culture is characterized by organic structures and processes, and flexible position roles designed to serve client-centered organizational goals as prescribed through participation of key stakeholders. The organizational system is molded to achieve relational synergy between individuals and groups to accomplish mutually agreed on goals (Basi, 1998: 237).

¹¹⁶ A management group or team is directly responsible for managing the day-to-day operations of a company including the profitability. Most of the vital decisions are taken in management team meetings in limited companies. Afterwards, those decisions are approved by the board of managers or board of directors. Board of managers/directors is a body of elected or appointed members who jointly oversee the activities of a company. Shareholders, on the other hand, are owners of the company. Most of the members of the board of managers/directors are appointed or elected from the shareholders. Managers are employed by companies for performing certain functions.

¹¹⁷ It should be mentioned that in general some members of the board of directors may also be members to the management team if they work for the company alongside being a member of the board of directors.

The synergistic organizational culture in Finnish companies facilitates greater participation of managers in the strategic decision-making process. Whereas the paternalistic nature of organizational culture in Bangladeshi companies gives greater power to the MD in making strategies. According to Basi:

A paternalistic culture is characterized by top-dictated structures and processes, and roles designed to serve certain organizational goals as prescribed by the boss. The organizational system is essentially the long shadow of the boss's persona (ibid).

As Lewis says about decision-making in Bangladeshi business circles:

The patron or manager makes most decisions. The decision-making process often takes the form of wordy debate, but in the end the most powerful figure normally has his way (Lewis, 2006: 447).

In this case, the MD or the CEO of the company may be meant by “the most powerful figure”. In Bangladeshi organizations, one may notice a strong patron-client relationship between and among superiors and subordinates. As patrons, managers distribute benefits to subordinates in the form of promotion, favoritism, nepotism and so on. In return, superiors expect, whenever necessary, extreme loyalty and support for their actions, decisions, and stances from the subordinates.

In all of the Finnish sample companies, organization strategies or corporate strategies are adopted whenever there is a need for them. It is upper management, or the management team lead by the managing director, which is responsible for adopting organizational strategies. As one MD says:

(q36) Strategies are absolutely made by the top management. Our company has a strategy group in Paris. Strategy comes from the head office in Paris. Not direct strategy but guidelines and based on those guidelines we make our own strategy (Finland, table1, manager no. 1, date of interview 04.05.2005)

In certain cases, especially when the management team alone cannot adopt a suitable strategic decision for the company, then the issue may even go to the board

of directors' (owners') level. It can also be that the management team makes a proposal and based on those proposals the board of directors makes the final strategy: As one manager says:

(q37) First we have an analysis stage upon upcoming strategy. Based on that analysis the management team prepares proposals but the strategic decisions are made by the board of directors (Finland, table 1, manager no. 10, date of interview 02.05.2005)

However, another manager says, without ruling out discussions and consensus:

(q38) Frankly, in most of the cases the CEO is the person who makes the final decision (including final strategic decisions) always. In most of the cases, the members of the board of directors are just advisors (Finland, table 1, manager 5, date of interview 04.05.2005).

Middle management is not directly involved in the strategy-making process but they collect information which is needed for formulating strategy. As the immediate previous manager says:

(q39) The middle management is part of the strategy formulation process in this sense that they actually collect all the information ((Finland, table 1, manager no. 10, date of interview 02.05.2005).

However, in most of the cases, strategic decisions are adopted in a management team meeting. Usually, the board of directors sets a target for the management team and the management team makes suitable strategy to reach the target. In the sample companies, extensive discussions ordinarily take place among management team members before any strategic choice is made. As one manager opines:

(q40) The board of directors gives us a target. Based on those targets we in the management team make a proposal. Finally, the board of directors approves those proposals as strategy (Finland, table1, manager no. 9, date of interview 27.04.2005).

During interview sessions in the sample companies it became clear that the management team members freely talk over the upcoming strategic choices. This freedom of speech could be because of the individualistic nature of the Finnish culture. According to Kim and Triandis, one of the core values of individualism is freedom (Triandis, 1988).

Despite the possibility to make strategic decisions by management team through open and free consultation, there were some exceptions as well. One CEO exposes his feelings by revealing that:

(q41) In most of the cases there is somebody behind the decision other than the group. (Finland, table 1, manager no. 5, date of interview 04.05.2005).

It has already been mentioned that strategy is commonly made by the management team based upon the target(s) put forward by the board of directors. What about the role of the lower level management or the general workers then? Lower level managers who do not belong to the management team can make known their wishes regarding a proposed strategy through their departmental heads. Moreover, the non-managerial workforce can also send their comments or suggestions regarding the upcoming strategy, but there is no guarantee that their comments or suggestions will be considered. As one manager says:

(q42) Factory floor level workers can not play an important role in the strategic decision-making process. They can send their ideas upwards but there is no assurance that those will be materialized. Factory floor level workers in fact do not send strategy-related ideas (Finland, table1, manager no. 9, date of interview 27.04.2005).

Therefore, it is clear that in the sample companies everyone may take part in the strategy formulation process but management team members can participate directly and others indirectly through sending comments and suggestions. Moreover, sometimes outside pressure groups are also incorporated into the strategy formulation process, for instance, environmental groups. In addition, outside factors influence upcoming strategy. As two managers say,

(q43) Culture, legislation, consumers, and competitors have an influence when we formulate our corporate strategy. It was for us very difficult to run our office in the USA without posting a Finn there. Culture in the USA is different from ours. Consumer groups influence us through product liability (Finland, table 1, manager 10, date of interview 02.05.2005).

(q44) Competitors influence corporate strategy (Finland, table 1, manager no. 6, date of interview 28.04.2005).

The statements show that the sample companies are open systems by nature, as they are influenced by their outside environment when making strategic decisions. Organizations are open systems as they interact with their environment for survival or for proper functioning.

Almost all the Finnish managers expressed the view that in formulating corporate strategy, competitors have more influence than other factors. According to Porter, the nature of competitiveness in a given industry can be viewed as a composite of five forces: (1) *Rivalry among competing firms.* (2) *Potential entry of new competitors.* (3) *Potential development of substitute products.* (4) *Bargaining power of suppliers.* (5) *Bargaining power of consumers* (Porter cited in David, 2005: 94).

Porter further suggested that rivalry among competing firms is usually the most powerful of the five competitive forces. The strategies pursued by one firm can be successful only to the extent that they provide competitive advantages over the strategies pursued by rival firms. Changes in strategy by one firm may be met with retaliatory countermoves, such as lowering prices, enhancing quality, adding features, providing services, extending warranties, and increasing advertising (Ibid) Whenever a strategy is made, a majority opinion is considered as a decision. As one manager says:

(q45) In the strategic decision-making process, in order to avoid conflicts we discuss and discuss. We have anyway some limits to discussion. The majority gets their way. (Finland, table 1, manager no. 9, date of interview 27.04.2005).

Democratic decision-making, which is also considered as participative, is viewed as rational by the Finnish managers in making strategies. This process is viewed by the sample firms as objectively rational (Simon, 1947:75) in the sense that democratic strategy formulation is the correct behavior for maximizing values from the Finnish perspective, as Finland is a liberal democratic country.

If someone does not agree with the newly adopted strategy, he/she usually leaves the company. This is a common way to avoid confrontation. However, the management team tries to convince the opposing party by showing facts. As one manager says:

(q46) Strategic decisions should be clear decisions. I don't remember any conflicts. We make these decisions based on facts. We reduce conflicts by showing facts to those who oppose the decision (Finland, table 1, manager no. 10, date of interview 02.05.2005)

In conclusion, it is apparent that strategic decisions in Finnish medium-sized companies are adopted by their management teams led by the managing directors. The board of directors is closely involved in the strategy-making process through giving approval, providing guidelines, and by intervening in case of difficulties. However, direct and indirect participation ensure (almost) everyone's ownership in the upcoming strategy. The process can be considered as democratic and participative. Consequently, once the strategy is adopted, it is usually easy to implement.

In Indian and Bangladeshi small and medium-sized companies, one may notice some features which may lead these companies to use the authoritarian management style. However, many scholars also brand Asian management style as paternalist. The following characteristics are commonly seen in most South Asian companies:

- (1) There is no realistic separation between management and ownership.¹¹⁸*
- (2) The decision-making process is usually dominated by the owner/manager.*

¹¹⁸ This company was founded by my father. Later it was passed to me. I am the MD and make all the vital decisions (India, table 3, manager no. 6, date of interview 27.10.2005).

- (3) *Managers in most cases are not professionally educated; a business is transferred from father to son¹¹⁹ and from son to grandson. In some cases, the business may go from husband to wife.¹²⁰*
- (4) *Business activities are focused on local markets.¹²¹*
- (5) *Businesses originate in the informal sector of the economy.¹²²*
- (6) *Companies once had been headed by craftsmen who later turned into businessman.*
- (7) *There is dependence on debt financing rather than equity financing, which creates huge dependency on the banking sector.*
- (8) *A large number of companies are also financed through informal sources such as relatives or friends.*
- (9) *There is weak organizational structure and a lack of marketing skills*

Almost all of the above-mentioned characteristics were found to some extent in all the sample companies in India and Bangladesh. The most interesting issue is that, with only one exception, none of the MDs had any formal business education.

In Indian medium-sized companies, organization strategies or corporate strategies are adopted whenever these are necessary for the companies. Even though India is a high power distance country and organizational culture is paternalistic by nature, which leads to an authoritarian management style, in medium-sized companies in the private sector the situation may be somehow different. In Indian medium-sized private sector companies, strategies are formulated by the management team headed by the managing director. The MD plays a vital role. As one MD says:

(q47) Usually, I believe that information comes from the bottom-up and authority comes from the top-down. I give broader guidelines to subordinates

¹¹⁹ The business was passed to Indian manager no. 6 from his father (India, table 3, date of interview 27.10.2005).

¹²⁰ Manager 5 (Bangladesh, table 2, date of interview 05.06.2005) of Bangladesh became MD/Chairman on the death of her husband.

¹²¹ The local market is the focus of Paragon Cables (See India, table 3) and a majority of the sample companies in Bangladesh and India.

¹²² The informal sector of the economy means the sector which is not formally recorded by the government but plays an important role in national economy. For instance, in many parts of India and Bangladesh you find a lot of businesses which have been operating for a long time without government registration.

and ultimately major decisions in this company I make. Day-to-day decisions are taken by departmental heads (India, table 3, manager no. 12, date of interview 03.11.2005).

This decision-making process seems, in Simon's terms, personally rational (Simon, 1947: 75). In this sense, "personally rational" means that it is oriented to the goal of the MD. But in many cases strategic decisions are formulated in practice by the management team. As two MDs say:

(q48) Strategic decisions are made by the management team of the company. The management team is divided into two teams - marketing and manufacturing. I head both the teams (India, table 3, manager no. 6, date of interview 27.10.2005)

(q49) Strategies are decided by the top management in consultation with other managers/departmental heads. The market situation is taken into consideration. Specialized knowledge (based on departmental requirements) is brought in by the departmental heads (India, table 3, manager no. 1, date of interview 27.10.2009).

However, in some cases it may also be seen that the MD alone makes the strategic decisions. As one manager says:

(q50) Strategies are made by the MD; he chairs the management. We had a target for production last year and next year we are going to increase it. It is the MD who makes this strategy (India, table 3, manager no. 13, date of interview 03.11.2005)

According to Chatterjee & Nankervis, in India decision patterns are characterized by a 'top-down' approach, with the exception of non-traditional economic sectors. In most family-run conglomerates, professional and expert advice may be obtained, but participatory synergy in such organizations is not common (Chatterjee & Nankervis, 2007: 94).

Despite the dominant role of the MD in strategy formulation, the MD does talk over the upcoming strategy or strategies with departmental heads and the general manager. As the same manager says:

(q51) Yes, I also give ideas about different issues like how to increase production and quality. The MD asks only from me about strategic decision issues. Later, I share the decision with my shop floor workers ((India, table 3, manager no. 13, date of interview 03.11.2005).

The above quotation indicates that the power sharing arrangement in decision-making processes in the sample company is of a consultative type, in which, as Ali (Ali, 1989) says, managers are prepared to consult, leading to two-way communications between managers and subordinates regarding decision alternatives. In strategic decision-making Indian MDs also try to bring consensus; as one manager says:

(q52) In strategic decisions our MD talks to departmental heads and tries to reach a consensus. Consensus is very important (India, table 3, manager no. 2, date of interview 27.10.2009).

It is also not uncommon that the MD has difficulties with his/her subordinates in reaching consensus: As another manager says:

(q53) So many times I had consensus problems with the MD but we solved them through consultation and clarification (India, table 3, manager no. 13, date of interview 03.11.2005).

When we look at the bottom level workers, then we find that they are not involved in the strategic decision-making process, which does not exclude the possibility that they could send any suggestions they might have to the upper level. As one manager says:

(q54) Bottom level workers have a chance to bring up decision issues. They even get a reward for it. We encourage them to come up with solutions, talk

freely to the supervisors. Normally, production supervisors have weekly meetings with the workers where they discuss openly with the workers on production issues (India, table 3, manager no. 2, date of interview 27.10.2005)

The bottom level workers need to give their opinions to their immediate superiors, and these immediate superiors can bring them forward. Hierarchy is very important, and has to be followed in India. As Chattejee & Nankervis explain:

Traditional social and cultural forces that act on a business stem from expected loyalties to the larger family and community and the traditional acceptance and expectation of hierarchy (Chattejee & Nankervis, 2007:101).

It was also understood during the field study that bottom level workers are not so much interested in strategic issues, which may be explained by Ali and Machungwa' assessment:

There is a relatively low level of education among the workers and inadequate understanding of their new roles in management and business operations of their companies (Ali and Machungwa, 1985).

On the other hand, they are interested in issues such as overtime, work shifts, and salary increases. In the strategy formulation process, conflicts and disagreements arise from time to time which are resolved in different ways. As two managers say:

(q55) Opposition sometimes comes at perception level, if a person does not understand something. We are all looking for a common goal that is the company goal. I haven't experienced severe opposition. Whatever opposition comes we solve it peacefully (India, table 3, manager no. 4, date of interview 27.10.2005).

(q56) Yes conflicts are there almost all the time. We follow a middle path. One has to agree with everyone. I cannot say that what I say has to be done. I can not say that what someone else says has to be done. We figure it out and

follow a middle path so that everyone is not too unhappy (India, table 3, manager no. 12, date of interview 03.11.2005).

The above statement reveals that the conflict resolution process is somehow a process of compromise. They do not play a win-lose game but a win-win game. Regardless of the efforts made to reach consensus, strategic decision-related conflicts sometimes even lead to the voluntary departure of employees. As one manager says:

(q57) We lost a manager when his view did not match the view of us (MD's) (India, table 3, manager no. 1, date of interview, 27.10.2005).

However, most of the time, organizational strategy selection reflects the ultimate will of the managing director. As in Indian families the father has authority to take all types of decision, the same situation can be noticed in Indian medium-sized organizations in the sense that most of the important decisions, including the strategy formulation, are made by the head of the company or the managing director. As another director says:

(q58) As far as the decision is related to strategy, then it is the MD who makes it (India, table 3, manager no. 11, date of interview 28.10.2005).

Once a strategy is chosen and adopted by the managing director, his/her subordinates have nothing to say, but take the strategy forward to the implementation stage. Opposition to decisions made by the managing director is not tolerated, and refusal to accept them may lead to dismissal in most cases. Of course, negotiation is also initiated to resolve opposition. Even if the head of the company decides the organizational strategy alone, he/she expects collective efforts for its implementation. This situation exposes the tribalistic values of Indian organizations, which, according to Florence et al., require submissiveness to authority by subordinates (Florence et al. in Ali et al. 1995: 29).

To sum up, it can be said that strategic decisions in Indian medium-sized companies are adopted by its upper management and most importantly by the

managing director. This being the case, the managing director allows hardly any scope for participation by his/her subordinates. The situation is also described by some scholars as follows: “Indians resist change, hesitate to delegate, or even accept authority, are fearful of taking an independent decision, are possessive towards their inferiors and frequently surrender to their superiors.”¹²³

The history of private sector development in Bangladesh is much shorter than in India or Finland. Bangladesh has a long colonial past, first as a British colony, which ended in 1947 when the British left the Indian sub-continent after dividing it into two parts: India and Pakistan. Present-day Bangladesh thereby became a part of Pakistan, but got independence on December 16th, 1971 through a nine-month war of liberation. From independence until 1979, successive governments undertook reconstruction work with a view to improving war-damaged infrastructure. During this reconstruction period, government economic policies were based on the socialist planning model, and the whole private sector was brought under government control. However, from the beginning of the 1980s, the private sector began to flourish gradually due to a shift in government economic policy from a planned to a market orientation. Most of the private sector companies in Bangladesh are family-owned business enterprises. According to Terpstra and David:

In countries where loyalty to kin is strong, where professional management is not widely accepted, and where trust of strangers in business is weak, the family business is prevalent (Terpstra and David, 1985:187).

Family is a strong institution in Bangladesh, where extended families are also very common. People are loyal to their family members in terms of benefit distribution. Consequently, nepotism is widespread. All four sample companies in Bangladesh are family owned; none of the companies were established by professional businessmen and none of the MDs have formal business qualifications.

¹²³ Budhwar, P. (2003) Culture and Management in India in Warner, M. (eds), Culture and Management in Asia. London: RoutledgeCurzon.

Strategic decisions in the sample companies are made because of their necessity and the MD plays a fundamental role. This is what Gesteland also acknowledges; according to him:

“In most Bangladeshi businesses all important decisions are made by the managing director, who typically is unwilling to delegate any of his authority. When this person is overburdened or out of station, your urgent fax or email is likely to go unanswered (Gesteland, 2002: 132).”

In a Bangladeshi company, strategy formulation can be considered as a game strongly influenced and dominated by its MD, who is also the founder of the company. This scenario results from the integral identity of the owner-manager, which means there is no separation between these two identities. As one MD says:

(q59) In case of strategic decisions, we listen to every manager’s opinion but the final decision is made by the MD (Bangladesh, table 2, manager no. 9, date of interview 30.05.2005).

Even though the strategic decision-making process is dominated by the MD, the strategy sometimes may be based upon the main goal of the company: As one GM says:

(q60) Customer satisfaction is our main priority. We make that strategy which would ultimately satisfy our customers. The CEO mainly decides organizational strategy but he consults with the head of the marketing department (Bangladesh, table 2, manager no 2, date of interview 04.06.2005).

Where departmental strategies are concerned, departmental heads have more power. However, they still need to consult the MD. As one MD says:

(q61) Departmental strategies are taken by the departmental heads¹²⁴. Corporate level strategies I take with the managers. In fact, I encourage them to make the strategy and I approve it (Bangladesh, table 2, manager no. 5, date of interview 05.06.2005).

However, talking to a manager does not necessarily mean that their opinion must be taken into consideration in strategy formulation. Subordinates' opinions are taken into consideration only if they match the opinions of their superiors. Despite this fact, there is a tendency to listen even to opinions at grass roots level. As one adviser says:

(q62) There is a suggestion box where bottom level workers can give their suggestions. We open the suggestion box once a month and check those suggestions. We accept some and reject others. The acceptance rate might be 10%. They can give suggestions on any issue but in fact they only give suggestions related to their own work - not strategy-related suggestions (Bangladesh, table 2, manager no. 8, date of interview 05.06.2005).

The same adviser says further that:

(q63) This is a private company so if they (MD & Board members) think that there is no importance for our participation then they (do not let us participate). They take decisions and afterwards inform us which decisions they have taken. As they take decisions without consulting others, they sometimes make right decisions and sometimes wrong decisions. However, they do not make many wrong decisions because they talk to the chief adviser (Ibid).

The statement of a departmental head also confirms that strategies come from the top:

¹²⁴ This represents decision-making based on function. In functional organizations, each function like accounting, finance, sales, production, makes their own decisions.

(q64) It is a product-oriented organization. We have marketing activities. We decide based on market demand. I get decisions and based on it I/my department produces products (Bangladesh, table 2, manager no. 14, date of interview 07.06.2005)

In strategic decision-making processes conflicts may arise but those are resolved through persuasion and consultation. If nothing helps, then the MD's/CEO's decision must be accepted: As one GM says:

(q65) In decision-making meetings, conflicts and disagreements arise but we try to convince and motivate them (opposing parties/individuals in this case). The final decision regarding conflict resolution comes from the CEO (Bangladesh, table 2, manager 2, date of interview 04.06.2005).

The strategic decision-making scenario in Bangladeshi companies is a type of panoramic scenario, where one-person decision-making, i.e. autocracy, exists alongside consultation and participation, i.e. group decision-making. Despite the co-existence of all of these realities, I would characterize the situation as heavily autocratic, with certain scope for consultation and participation. Not only in Bangladesh but also in India most of the organizations are top heavy, subordinates are heavily dependent upon their superiors' instructions, and superiors expect subordinates' loyalty. Subordinate loyalty in many cases shows through the acceptance of superior's orders and decisions without question.

8.3.2. Organizational change-related decision-making and the participative approach

'If you do not change, reality in the end forces that change upon you.' (Wilde cited in Dolan et al. 2006: 97)

'Willingness to change is a strength, even if it means plunging part of the company into total confusion for a while' (Welch, J.–Former CEO, General Electronic cited in *ibid.* 116).

Organizational change is an ongoing process caused by internal and external forces. Change is something which we can never escape from, either in our personal or organizational situations. This part deals with the making of decisions related to organizational change, with specific reference to how such decisions are made in the sample companies.

In Finnish organizations, overall decisions related to organizational change, such as decisions to reorganize, to close down an existing department, to set up a new department, to expand internal resources etc. are usually the task of upper-level management. As a CEO says:

(q66) The process is more or less the same as for strategy-related decisions. Organizational change comes from the MD/CEO. Most change comes from the fixed costs. For instance, we do things like this today and it costs so and so much. Can we change it? If we get yes and yes answer, then we make organizational change. Then we decide on the people who can implement the organizational change (Finland, table 1, manager 5, date of interview 04.05.2005).

However, the final decision is adopted through extensive discussion in management team meetings. As two departmental heads say:

(q67) We talk about everything in a group. Organizational change and strategy-related decisions are made at the upper level. I do not make those types of decisions (Finland, table 1, manager no. 7, date of interview 28.04.2005)

(q68) The management team makes organizational change-related decisions. It comes like, first strategy and then organizational change. There should be a match between strategy and organization (Finland, table 1, manager no. 10, date of interview 02.05.2005)

New organizational strategy requires organizational changes such as new structure. As David says:

Changes in strategy often require changes in the way an organization is structured because of two major reasons: (1) Structures mainly dictate how objectives and policies will be established. (2) Changes in strategy often require changes in structure in that structure dictates how resources will be allocated (David, 2005: 250).

In the case of intra-departmental changes, departmental heads have certain authority to make decisions in cooperation with the managing director. Some departmental-level changes, such as how to make the best use of departmental resources, introducing a new method, changing internal arrangements etc. are initiated by the departmental heads in cooperation with supervisors and the general workforce. As one manager says:

(q69) Organization-wide changes are influenced by the upper management. Middle management has more roles to play in departmental-level changes (Finland, table 1, manager no. 10, date of interview 02.05.2005).

During the change process, inter-departmental conflicts may arise, which are resolved through negotiation and discussions. As two departmental heads say:

(q70) Conflicts and disagreements are first discussed in our own management team. If not resolved, then the MD intervenes with a solution (Finland, table 1, manager no. 6, date of interview 28.04.2005)

(q71) Reasons and facts reduce conflicts. We have a good information flow and we explain to everyone why we are taking a certain decision. We also prepare our employees a bit earlier that there might be some changes (Finland, table 1, manager no. 10, date of interview 02.05.2005).

Finland is one of the most technologically advanced societies in the world. Technological improvements come through research and development, and through acceptance of the processes of change which are suggested by the findings of the research and development. Finland excels from these perspectives. Whenever a new

technology is proved beneficial, it is quickly accepted and put to use. On some occasions in Finland, I have heard tell that:

It is not the workforce¹²⁵ but technology which is instrumental to high and improved productivity in Finnish organizations.

Nordic capitalism is considered as 'stakeholder capitalism', so whenever any change initiative is undertaken all parties are incorporated. As one manager says:

(q72) All workers can take part organizational change-related decision-making. Workers negotiate with the shop stewards, who are labor union representatives. These representatives participate in the meetings where we make organizational change-related decisions (Finland, table 1, manager no. 6, date of interview 28.04.2005).

The change process in the sample Finnish companies has been very dynamic. Whenever a change is needed, change-related decisions are made and implemented. Even though change decisions are made mainly at the upper level, good advice from the bottom is not disregarded. As one MD says:

(q73) When there is a need for organizational change, we commit to change. The management team makes guidelines and brings changes. Change decisions are top-down but not bottom up. Not even locked.(this does not rule out the possibility). If good advice comes from the bottom then we consider it. (Finland, table1, manager no. 1, date of interview 04.05.2005).

However, another manager says:

(q74) Bottom level people have nothing to say in organizational change-related decisions (Finland, table 1, manager no. 10, date of interview 02.05.2005).

¹²⁵ However, due to high quality education and training, the Finnish workforce is highly productive.

On the other hand, if the proposed change is very small then the MD makes it alone. But for bigger corporate-level changes, the MD asks for others' input and a collective decision is made. As one departmental head says:

(q75) For small corporate-level changes there is no asking. However, for vital changes we have meetings and we give ideas. Participation happens for bigger-level changes but not for small changes. We had two days ago one small change which I did not know about before the change was implemented (Finland, table 2, manager 3, date of interview 12.05.2005).

A new strategy requires a new type of organizational arrangement, which is part of the organizational change/organizational development process. It is the upper level management or the management team which knows best what kind of change should be introduced for materializing the newly adopted strategy. The empirical findings show that corporate organizational change-related decisions in the Finnish case companies are usually adopted by the upper management, where the MD plays a vital role. For departmental-level changes, middle management plays an important role, but still needs to consult the MD. Despite the dominance of upper level management in corporate organizational change-related issues, opinions are sought across the organizational, although the factory floor-level workers are not so interested in change-related issues. One CEO describes the situation as follows:

(q76) In my 21 (1984-2005) years of working life here, I have not got any ideas from the factory floor-level but only from the supervisors. Factory floor level workers send ideas about their welfare, like can we get one free day or arrange an old clothes sales day etc (Finland, table 1, manager no. 5, date of interview 04.05.2005).

In Indian organizations, broad organizational change-related decisions such as reorganizational, closing of an existing department, setting up of a new department, expansion of internal resources etc. are usually the task of the upper-level management and especially the managing director. As two MDs say:

(q77) As a top person of this company, I make all the final decisions (India, table 3, manager no. 12, date of interview 03.11.2005). This includes organizational change-related decisions.

(q78) The same MD says in answer to another question that “whatever the decision is, that affects the bottom line. So I definitely give a lot of emphasis to participation. I even encourage workers to participate in decision issues (Ibid).”

(q79) We have a couple of supervisors. If the decision concerns their area of operations then I take them with me, but I am the person to make the final decision. I consider their opinion in day-to-day issues (India, table 3, manager no. 14, date of interview 02.11.2005).

The same picture is also visualized in Budhwar’s statement:

India has two management systems operating side by side: the philosophy is paternalistic but the organizational structure is bureaucratic and hierarchical in nature. Indian decision-making is a process of consultative activity but the final decision is always made at the top (Budhwar, 2003: 75).

Collective decision-making based on consensus is not uncommon in certain decision cases. Whenever a change or any other important decision has to be made, a collective decision based on consensus is prioritized. As one manager says:

(q80) We have had conflicts many times like conflicts regarding machine buying. We finally make the decision based on consensus (among the directors) (India, table 3, manager no. 14, date of interview 02.11.2005).

However, it might not always be possible to reach consensus in the Indian companies. In this situation a satisfactory measure is adopted. As one manager says:

(q81) It is not always possible to reach consensus. Finally, satisfactory decisions are taken based on facts in all the cases; strategy, change, and personnel policy (India, table 3, manager 2, date of interview 27.10.2005).

This can be equated with Simon's "satisfactory decision-making model of administrative man", which comes into play due to human limitations. Human limitations create constraints on the capacity for rational decision-making. Consequently, managers adopt an alternative which is "satisfactory."

In the case of intra-departmental changes, departmental heads have certain authority to make decisions in cooperation with the managing director. As one departmental head says:

(q82) As far as decision-making is related to production, liberty is given me to make decisions regarding product quality & target, recruitment in the department and so on. Of course I need to discuss with my MD (Ibid)

The departmental heads take change initiative in cooperation with their subordinates. This willingness to take initiative may be an emerging trend which may be a result of the reforms taking place in the Indian economy. These reforms began in the early 1990s and have connected the Indian economy to the wider global economic system. As Chatterjee and Nankervis state:

*In recent years in **India**, there has been wider acceptance that the lack of competition and professionalization were two serious weaknesses hindering managerial change and innovation. Internal competition of more than 100 machine tool manufacturers, nine auto makers, fifteen camera companies and about twenty electronic, and entertainment producers have led India's transformation into the global innovation and quality club. Acceptance of change and innovation for managers is becoming more common with the reform movement (Chatterjee and Nankervis, 2007: 95).*

During the change process inter-departmental conflict arises which is resolved through mutual negotiation. In the negotiation process, the managing director of the firm plays a vital role. If parties engaged in conflicts do not accept the negotiated

deal then it is up to the managing director to make a decision, which the opposing parties must accept. As one director says:

(q83) There are conflicts. Conflicts are not harassment. We solve them through consultation (India, table 3, manager no. 11, date of interview 28.10.2005).

In the work context, “Asian managers have a stronger tendency to seek perspectives that favor compromise, for instance preferring equality-oriented outcomes when resolving conflicts” (Leung, Tinsley & Pillutla cited in Xiao & Su, 2004: 336).

They prefer a win-win game rather than a win-lose game when resolving a conflict. Moreover, in Asian organizations there is a strong tendency among its members to avoid conflict and contradictions. According to Ohbuchi and Takahashi:

Subordinates often find it difficult to express ideas that might contradict those of more senior co-workers, as it would violate hierarchical standing and embarrass the latter. Similarly, co-workers of the same level may avoid disagreement for fear of embarrassing each other in the presence of a superior. Thus, to avoid confrontation and conflict, it is not surprising that Asians often appear to be less willing to express their true beliefs (cited ibid: 337).

The change process in Indian organizations is not very dynamic. It is very slow or static. India stands relatively high on uncertainty avoidance. Relatively high uncertainty avoidance implies an unwillingness to take risks and accept organizational change¹²⁶

Nevertheless, the globalization process is contributing to a more rapid pace of change, especially in the IT sector and other technology-based organizations. Indian managers are very calculative about any organizational change, which reflects the conservative social trend of India. Indian managers are very willing to bring

¹²⁶ Budhwar, P. (2003) Culture and Management in India in Warner, M. (eds), Culture and Management in Asia. London: RoutledgeCurzon.

organizational changes if the expected change does not jeopardize their own interest and culture.

In conclusion, it may be said that the MD plays the key role in bringing any type of corporate change in medium-sized companies in India. Consultation may take place, but it is the MD's opinion which in the end can be considered as the final decision.

I have already mentioned in this study that Hofstede did not incorporate **Bangladesh** in his original study, but in many cultural issues Bangladesh stands very close to India. Like India, Bangladesh is a relatively high uncertainty avoidance country, where change and delegation are something which may not be welcomed. On the uncertainty avoidance scale, the estimated score of Bangladesh is 60, which is even higher than India. In typical Bangladeshi organizations, we may see the following characteristics in varying degrees: (1) Change is something which is opposed by the vast majority of organizational members. (2) Superiors do not willingly give freedom to subordinates but are more willing to regulate. (3) Delegation of authority is considered as a threat to superiors. (4) There is too much dependency of subordinates upon superiors; even a small issue should be dealt with by the high-ups. (5) Loyalty, kin relationships, ethnic affiliation, regional affinity, and communal similarity, rather than performance and qualifications, may be the main basis for recruitment, promotion, and opportunity distribution. However, the scenario in new generation private sector companies could be somehow different. As one MD and a GM say:

(q84) As the market demands, we create a new department. Depending upon changing circumstances organizational change-related decisions are adopted (Bangladesh, table 2, manager 9, date of interview 30.05.2005).

(q85) Technology influences us to bring organizational changes (Bangladesh, table 2, manager no. 2, date of interview 04.06.2005).

Therefore, it is understood that the companies in question are quite flexible and respond to the demands of their surrounding environment. These organizations are open-system by nature and willing to cope with the changing situation.

Organizational change-related decisions are strongly influenced by the MD also in Bangladeshi private sector companies. As one departmental head says:

(q86) Organizational change depends ultimately on the will of the CEO (Bangladesh, table 2, manager no. 3, date of interview 02.06.2005).

However, in many cases, consultative and participative approaches may also be seen. The organizational change-related decision-making process may be visualized through the following responses of an MD, a GM, and an ED respectively.

(q87) Organizational change-related decisions I take alone but listen to others' feedback (Bangladesh, table 2, manager no. 5, date of interview 05.06.2005).

It seems here that power sharing with subordinates in organizational change-related decision-making is of the pseudo-consultative type, where, according to Ali, managers most often consult with the subordinates concerning the decision issues, but that does not mean that the managers take their ideas and suggestions into consideration (Ali, 1989).

(q88) In organizational change-related decision-making, the CEO talks to me, and sometimes he accepts my recommendation and sometimes does not accept. Organizational change-related decisions the CEO takes so that there is no scope for disagreement or to reach consensus (Bangladesh, table 2, manager no. 2, date of interview 04.06.2005).

Both authoritarian and pseudo-consultative styles (Ali, 1989) are visible in this case, as the CEO talks to the subordinates but he makes the final decision in order to avoid disagreement. However, the following example is more consultative:

(q89) We chalk out any change or organizational set-up change then inform our MD and finally we make the change-related decisions in cooperation with the MD. We have not yet called in any outside consultant for organizational change (Bangladesh, table 2, manager no. 13, date of interview 07.06.2005).

The same manager says about participation of his subordinates in factory-level change and development:

(q90) Anyone can come and suggest to me any change and development. Lower level workers do not get involved in the decision-making process, but the management level does. We don't have general meetings where everyone can participate and tell their problems and ask for solutions. We have an orientation program which is also a kind of meeting where everyone can speak and ask for solutions. (They can even tell about their personal problems). The orientation program takes place according to need. We have a weekly meeting where departmental heads participate and we talk about everything there (Ibid).

However, reaching consensus may not always be an easy task and when it is difficult to reach consensus the CEO's intervention is the natural solution. As one departmental head says:

(q91) When we cannot reach any decision based upon consensus then the CEO gives the final decision according to what he thinks good for the company (Bangladesh, table 2, manager no. 3, date of interview 02.06.2005).

The same manager also talks about conflicts in general, and conflicts in organizational change-related decision-making in particular, and how those are resolved. Here as well he portrays the CEO as the final decision-maker. He even describes the CEO's behavior as a "one man show" as the CEO ultimately resolves all conflicts.

(q92) In certain cases conflicts are very severe in our company, especially at production level. We have to deliver products but the production people do not work hard. I am usually involved in conflicts with the production technicians. The CEO intervenes then and resolves the conflicts. In this case the CEO is like a "one man show" as he alone solves the conflict (ibid).

What we see is that consultation is very important in decision-making processes in Bangladeshi companies even though there is no guarantee that the ideas sought through consultation will be taken into consideration in the final decision. In the consultation process it is not unusual that subordinates often support superiors' ideas in order to show subordinate obedience to their superiors, which is sometimes misleading. In Bangladesh, it is a cultural norm not to reject elders' opinions at the family level or superiors' opinions at the organizational level. This trend sometimes creates management problems, as new ideas which come from others are not easily welcomed.

8.3.3. Decisions regarding personnel/human resource policy¹²⁷ and participative approach

Collectivism or group orientation is a crucial feature of Asian cultures in general and Indian and Bangladeshi cultures in particular. Managers in collectivist, group-oriented societies define themselves as members of clans or communities and give top priority to group. Group-oriented personnel managers are more likely to hire friends or relatives of people already working for the organization. In hiring employees, collectivist managers may try to hire those most qualified, but their prime selection criteria will be trustworthiness, loyalty and compatibility with co-workers. In contrast, individualist personnel managers will be more inclined to hire those best qualified to do the job based on personal skills, expertise, and discretion. From the cultural point of view, Finnish culture is more individualist than India (Hofstede, 1991; Hofstede, 2001) and Bangladesh, where collectivism / group orientation is prioritized.

In an organization, human resource management (HRM) is responsible for carrying out personnel policies. HRM is that part of the management process which specializes in the management of people in work organizations. Human resource policies cover functions of HRM such as staffing (including strategic human resource planning, recruitment and selection), training and development (including orientation, employee training, employee development and career development), motivation (including motivation and job design, performance evaluation, rewards

¹²⁷ The current study will be using both the terms 'personnel / human resource policy' without making any distinction between them.

and compensation, and employee benefits), and maintenance (including safety and health, communication, and employee relations) (De Cenzo and Robbins, 1996; Gold and Bartton, 1999; Dessler, 2003) .

Cultural diversity, rule of law in the society, and the economic condition of the state can all affect the application of human resource policies by its intensity and perspective. For instance, in relationship-oriented and collectivist cultures, recruitment is often based on nepotism, where group members or relatives frequently get priority. In contrast, individualist and task-oriented cultures prefer recruitment based on expertise. In some countries, rules regarding salary are not strictly implemented; consequently, in those countries minimum salary legislation is poorly observed, or totally ignored, which results in huge salary gaps between and among job-holders. Moreover, in developing and poor economies, salary level is not high enough for unskilled and factory workers to meet their basic needs. This situation forces many workers to do overtime or find extra work.

In a small power distance country like Finland, one may easily notice in the personnel management field that: *(1) Salary ranges between top and bottom jobs are relatively small. (2) Workers are highly qualified. (3) Superiors should be accessible to subordinates. (4) The ideal boss is a resourceful democrat. (5) Subordinates expect to be consulted before a decision is made that affects their work. (6) The workers accept that the boss is the one who finally decides (See Hofstede and Hofstede, 2005: 56). (7) There is strong presence of labor unions. (8) Government legislation is extensively followed in personnel management issues.*

In Finnish organizations in general, and the sample companies in particular, personnel policies are structured according to the labor legislation of Finland. As one manager says:

(q93) Legislation and rules give guidelines. Managers and workers do not have much power in it (Finland, table 1, manager 10, date of interview 02.05.2005).

Labor legislation in Finland has been developed through co-operation between government and labor market parties. Where the planning of personnel issues is concerned, that is normally done by the upper management, with middle management following the adopted policies. As one manager says:

(q94) Personnel policies are planned by the high management. Guidelines are planned by the high management and we in middle management follow those guidelines. The main decisions are made by the upper level but we can send proposals on different issues (Finland, table 1, manager no. 11, date of interview 02.05.2005)

In Finland it is often heard said that “hiring a worker is easy but firing one is very difficult.” One needs to have a strong reason for firing a worker, and consultation with the labor union is required. As one manager says:

(q95) Layoff decisions are not easy and are adopted according to legislation. Discussion/negotiation goes on between management and labor union¹²⁸ representatives. The final layoff is done according to criteria like age, expertise, and length of service Finland, table1, manager no. 6, date of interview 28.04.2005)

In adopting certain personnel policy-related decisions, the factory floor-level together with the labor union has more power. As one manager says:

(q96) Many decisions are taken through co-determination (YT-neuvottelu). Supervisors have a big role in it. Promotion is based upon performance and seniority. Performance is more important nowadays. However, earlier seniority was more important (Finland, table1, manager no. 9, date of interview 27.04.2005).

Consensus is very important in personnel policy-related decisions: As the same manager says:

(q97) We try to find consensus but the final decision is made by the owner. Co-determination (YT-neuvottelu)¹²⁹ is used to help reach consensus (Ibid).

¹²⁸ A typical Nordic feature, particularly visible in Finland, is the strong position of the trade unions and the high unionization rate. Today, the unionization rate of wage-earners is 90 per cent, which includes retired, student and non-paying members (See Vanhala, 1995:31-40).

¹²⁹ In the system of co-determination, workers in large companies usually form special bodies - workers councils and in smaller companies elect worker representatives. These act as intermediaries

One of the cultural features of Finland is egalitarianism. Egalitarianism means co-determination at work in Scandinavian firms and a democratic decision making style. Industrial democracy fits with the Scandinavian type of culture (See Bjerke, 1999).

Another manager says:

(q 98) If we have any difficulties reaching consensus regarding personnel policy-related decisions, then I go to my supervisor and discuss it. Discussion is the only way to avoid conflicts in reaching consensus (Finland, table 1, manager no. 3, date of interview 12.05.2005).

In personnel policy-related decisions or in any other cases, Finnish managers prioritize consultation and consensus, but if these two do not work then they do not hesitate to become even authoritarian. As one MD says:

(q99) We try to make organizational-level decisions based on consensus, but if it does not work then I take the decision and I take responsibility if it is not a question of life and death. If it is really a serious issue then I take the issue to the board of directors for their opinion and we reach a consensus at the board of director level. If we cannot reach consensus then we act as dictators (Finland, table 1, manager 5, date of interview 04.05.2005).

This shows that if needed, Finnish managers do not hesitate to become authoritarian. In general, Finnish managers are more autocratic than their Swedish counterparts. According to Tixier:

The Finnish management style resembles more the German, British or North American style than that common to Scandinavian countries. Finnish managers are more autocratic than, for example in Sweden. Distances to power are important. The hierarchy exists and it is respected but without excessive formality. Subordinates are used to receiving orders (Tixier, 1996: 38). In the Scandinavian

in exercising workers' rights to be informed or consulted with on decisions concerning employee status and rights (<http://en.wikipedia.org/wiki/Codetermination>. Accessed: 3.7.2009 at 18:00).

type of culture, hierarchy means inequality of roles which are established for convenience (Bjerke, 1999: 199) but not for status differences.

Depending upon the type of personnel policy-related conflicts, they are dealt with at the appropriate level of authority. As the last-cited manager says:

(q100) If conflict is in my unit then I deal with it. I can also call the HR manager to help me. If conflicts are bigger and at corporate level, then the upper management deals with it (Finland, table 1, manager no. 3, date of interview 12.05.2005).

Consultation and mutual discussion are prioritized for resolving conflicts in personnel policy-related issues. As two departmental heads say of conflict-resolution methods:

(q101) Simply through discussions, which help resolve personnel policy-related conflicts (Finland, table 1, manager 7, date of interview 28.04.2005).

(q102) Open discussion and feedback on employees. Be flexible to the wishes of the employees. Sometimes give up some wishes and sometimes be harder about some wishes. Open information (Finland, table 1, manager 0, date of interview 02.05.2005).

Departmental heads ensure the participation of their subordinates in personnel issues like work scheduling, planning for holidays, training needs etc. However, sometimes the policies come from the upper level of the management. As one departmental heads says:

(q103) Generally speaking, personnel policy-related decisions come from top to down but not down to top. However, factory floor-level workers can send their wishes and we happily follow those wishes in some cases. But sometimes it is also difficult to follow their wishes (Finland, table 1, manager 10, date of interview 02.05.2005).

In conclusion, it seems that in the Finnish medium-sized sample companies, personnel policy-related decisions are the product of an interplay among labor legislation, labor unions, management, and the workers for whom those decisions are meant. Culture in this case facilitates a participatory approach in the decision-making process. As Mehta et. al. say, Finland's national cultural scores on Hofstede's four dimensions suggest that this country is a small power distance society, can be considered as an extremely feminine culture, and is somewhat individualistic.¹³⁰ This suggests that people generally feel little inequality, view themselves as interdependent, and seek participative decision-making (low power distance) (See Mehta et. al. 2003: 62) in personnel policy-related decision-making.

Indian management style is principally of the paternalistic type. As Budhwar says:

This paternalistic management style is a result of complicated family ties and strong authority figures in Indian society and organizations (Budhwar, 2003: 71).

Because of this paternalistic management style, in Indian companies a worker is considered by the manager not only as a worker, but somehow also as a member of an organizational family. Therefore, it is the responsibility of managers to look after the well-being of their subordinates. As one manager and a director say:

(q104) I have never terminated any workers. I take workers as my children. I hear their problems and try to solve them. The paternalistic type of Indian management is represented here (India, table 3, manager no. 13, date of interview 03.11.2005)

(q105) We contribute to the marriage ceremonies of the kids of our workers. We give their kids books and school fees. We have welfare programs. They are our people. This is our family (India, table3, manager no. 11, date of interview 28.10.2005).

¹³⁰ Finnish individualism is horizontal by nature as opposed to vertical which is commonly seen in the USA (See Abraham, 1997).

Group-oriented Indian culture heavily favors recruiting family members, friends, or relatives to fill the vacancies available. According to Lewis:

Neptism is a way of life in traditional Indian companies. Family members hold key positions and work in close unison (Lewis, 2006: 435-36).

During this survey, it was found that most of the important positions in the sample companies were held by family members. As one MD says:

(q106) This is a family business so I got this position directly. We have a few companies. I was given this company (India, table 3, manager no. 12, date of interview 03.11.2005).

In one of the sample companies, the eldest brother was the MD even though he did not have formal business education and could not speak English at all. On the other hand, his immediate younger brother, who had formal business qualifications and could speak English very well, only held the position of company director. Authority and position in family businesses are held according to age. As one MD says:

(q107) This is a family business. We live in a joint family. My father has four brothers. We are the second generation. I am the eldest son in our joint family so I became the MD. In the joint family system, authority is distributed according to age (India, table 3, manager no. 14, date of interview 02.11.2005).

The process symbolizes Weber's traditional authority. It is a social tradition that business authority goes from father to son. There is a strong tendency to recruit members from one's own in-groups and family. As Lewis also says:

In a family business the elder son rarely decides what he wants to be – he is born to carry on the trade of the father, the father is expected to groom him for the job (Lewis, 2006: 435).

Consequently, in typical Indian families, there is a strong pressure to give birth to a male child. In fact, in South Asia and especially in Hindu families in India, giving birth to a male child enhances the status of the mother in the family, whereas giving birth only to daughters may weaken the status of the mother in the family.

In Indian medium-sized companies, in some personnel policy-related issues, employees enjoy greater freedom and their participation is encouraged, but the overall picture is still one of domination by the upper-level management. As one director says:

(q108) Upper level management looks after the personnel policy for its lower level management (India, table no. 3, manager no. 5, date of interview 25.10.2005).

However, during the interviews with departmental heads, which were conducted for this study, I received the impression that departmental heads enjoyed participation on many issues but their freedom was restricted in the sense that their opinions and ideas should be similar or very close to the opinions and ideas of their MD. The MD is like a father figure in private sector medium-sized companies in India. As one GM says:

(q109) If I have an idea then I tell it to my boss; the boss makes the ultimate decision. Sometimes I have disagreement with my boss but my boss is a good engineer and also a good designer. So eventually I agree with what he says (India, table 3, manager no. 15, date of interview 02.11.2005).

The above statement reveals the absolute loyalty of subordinate to superior. Because of limited employment opportunities, changing jobs is unusual in India and Bangladesh, which makes subordinates very loyal to their superiors and they strictly obey superiors' authority. Dismissal from a job could lead to disaster not only for one's own career but for the whole family as well.

In matters of departmental recruitment and motivational activities, the departmental head has authority. Departmental conflicts are resolved through mutual discussion between the departmental head and the fellow workers. Moreover, workers have their own say regarding work scheduling and overtime as

well as casual leave. If parties involved in a conflict can not solve it, then the MD intervenes to settle the matter. As one director says:

(q110) It is best to try not to have any conflicts in decision-making, but if conflicts do arise, then the top executive's decision is considered to be suitable (India, table 3, manager no. 5, date of interview 25.10.2005).

One of the gloomiest aspects of working in Indian medium-sized companies is the length of workdays. Workdays in Indian firms are too long. As one manager says:

(q111) For workers we have 72 hours of weekly work; 12 hour workdays, 09:00-21:00, 6 days a week. Sometimes they need to work more than 12 hours a day and then they get food allowances. They are happy with it (India, table 3, manager no. 13, date of interview 03.11.2005).

The trade union movement in India has its origins in the independence struggle against British rule, and the deep politicization of the movement was viewed as contributing to social stability. Union formation in India is relatively simple, as the legal requirement for registering a union only needs a handful of people. In 2005, India had approximately 47,000 registered unions with six million members, which is about two per cent of the total national workforce (See Chatterjee and Nankervis, 2007: 96-97). However, in the sample companies workers did not have a right to form a labor union. Therefore, they do not have any chance to take part in discussion about issues concerning their collective well-being. As two managers say:

(q112) Fortunately we do not have a labor union. Labor unions are a nuisance (India, table 3, manager no. 14, date of interview 02.11.2005).

(q113) There is no labor union in this company. Workers are not dissatisfied even though there is no labor union (India, table 3, manager no. 2, date of interview 27.10.2005).

There are wide salary gaps between and among different positions and levels. How much salary a worker receives in the private sector is entirely dependent upon the decisions of the managing director. There is no minimum wage legislation that the companies follow. This kind of salary gap scenario can be seen in high power distance countries like India and Bangladesh. According to Hofstede and Hofstede:

Salary systems show wide gaps between top and bottom in the organization (Hofstede and Hofstede, 2005: 55) in high power distance countries.

There is no scope for collective bargaining due to the non-existence of labor unions. However, whenever there is a problem, the MD or immediate superior intervenes and takes the initiative in finding a solution. As one manager says:

(q114) Sometimes there are problems as workers are not educated and they do not understand. In such cases I guide them according to my ability and solve problems thereby (India, table 3, manager no. 13, date of interview 03.11.2005).

In high power distance countries like India, the ideal boss in the subordinates' eyes, the one they feel most comfortable with and whom they respect most, is a benevolent autocrat, or "a good father" (Hofstede and Hofstede, 2005:55). As long as the good father is kind to the subordinates and respected by them, he is generally able to solve any conflicts which arise.

Due to lack of strong labor legislation and the non-existence of labor unions in medium-sized companies, most of the personnel policy-related decisions are adopted by the management and especially through the directives of the MD. The paternalistic type of organizational culture and the high power distance national culture have yielded wide gaps between subordinates and superiors. In large power distance countries according to Hofstede and Hofstede, superiors and subordinates consider each other as existentially unequal; the hierarchical system is based on this existential inequality. Organizations centralize power as much as possible in a few hands (Ibid: 55). In a scenario of this type, participation of subordinates in personnel policy-related decisions may be dependent on the wills of their superiors.

Bangladesh is close to India when considering its cultural characteristics; consequently, collectivism, or group orientation, influences HR policies in Bangladeshi organizations as much as in Indian organizations. However, in some cases the situation may be even a bit more extreme in Bangladesh. There is a very common saying in Bangladesh that:

“If one does not have a mama (maternal uncle), chacha (paternal uncle) or dulabhai (brother-in-law) in an influential position” then getting a job may be very difficult.”

The saying reveals the group orientation of Bangladeshi society. One may notice in organizations in collectivist societies according to Hofstede and Hofstede, that *“employees are members of in-groups who will pursue their in-group’s interests”* (Hofstede and Hofstede, 2005: 104). Consequently, nepotism is widespread in recruitment in Bangladeshi organizations, private and public alike. In the Bangladeshi sample organizations, recruitment of workers is dependent upon the needs of the company and the hiring process is strictly controlled by the MD. As one MD says:

(q114) Recruitment decisions we (MD in consultation with the senior managers) take centrally, like how many will be recruited in the coming six months (Bangladesh, table 2, manager no. 5, date of interview 05.06.2005).

There is a strong tendency to recruit in-group people to the company: As one GM says:

(q116) We recruit through personal references or personal contacts. Our existing people bring to work people they know (Bangladesh, table 2, manager no. 2, date of interview 04.06.2005).

Personnel-related decisions like promotion, work scheduling, overtime etc are done at the factory or department level. Upper management does not pay so much attention in these areas. However, in case of need, upper management may be consulted. As two managers say:

(q117) Promotion, selection of a new employee, training-related issues in this factory we decide through consultation with the senior managers of the management team (Ibid).

(q118) Departmental managers take personnel policy-related decisions. Sometimes departmental heads give promotion to the workers who they choose. It is told to the workers that if they do not get proper treatment then they can come to me directly. In this case they can even bypass the hierarchy. We give promotion based on workers' personal file (Bangladesh, table 2, manager no. 5, date of interview 05.06.2005).

Awarding promotion to one's own chosen people may be a political process. It is a play of power because power-holders may choose to behave in ways which further their own, or others', interests. They may frame the matters for decision in a way which suits their own ends or blocks the objectives of others. In organizations, political behavior is directed to influencing the goals, criteria, or processes for decision-making, in this case, decisions about promotions. Disagreement or lack of consensus is not uncommon in personnel policy-related decisions, but those are resolved by deploying supporting facts and figures. As one manager says:

(q119) In personnel policy-related issues, we use facts and figures in order to reach consensus when it is difficult to reach consensus. Like in the case of giving promotions, we use documents about work. We face sometimes difficulties in personnel policy-related decisions. We even lost a worker 3 years ago when he did not agree with our decision (Bangladesh, table 2, manager no. 2, date of interview 04.06.2005).

Family is the basic building block in Bangladeshi society; at the same time regionalism is very strong. Whenever two Bangladeshi people are introduced to each other for the first time, in Bangladesh or abroad, very quickly they will ask each other which region of Bangladesh they come from. People form groups based on regional identity. These two issues, family and regionalism, heavily influence HR policies, especially recruitment and opportunity distribution in organizations. As one MD says:

(q120) The local people of Valuka (where the factory is located) think that it is their right to get a job first (Bangladesh, table 2, manager no. 9, date of interview 30.05.2005).

Gender issues are not taken so seriously in private sector companies. However, in the ready-made garment sector, almost all the workers are female. Yet only one among all the managers that I interviewed in Bangladesh was a woman. In fact, she became MD on the death of her husband. In Bangladeshi society, women are honored and respected, but this respect does not extend to equality in the work place.

Workers in private companies are not entitled to join labor unions publicly. However, in the ready-made garment sector there are some underground labor union activities. Due to the absence of labor unions, workers' job security is very low; hiring and firing are dependent upon the will of the MD. In the sample companies, workers did not have the right to join a labor union. As two managers say:

(q121) There is no labor union in our company. They never tried to form a labor union. They are satisfied with the salary and benefits they get from us (Bangladesh, table 2, manager no. 9, date of interview 30.05.2005) even though the satisfaction has not been independently verified (interviewee replied when interviewer asked).

(q122) Labor unions play a destructive role. He further states that joining to labor union brings unrest to company activities. Whenever our workers have some problems we listen to them and we take steps to solve them. They do not need any labor union activities (Bangladesh, table 2, manager no. 13, date of interview 07.06.2005).

Decisions on employees' monthly salaries are completely taken by the MD. Private sector companies are not bound by the law on minimum salary levels. During recruitment a candidate is told the amount of salary he/she will receive. There is a huge salary gap between and among managerial and non-managerial level employees and within the managerial level as well. The same manager further says:

(q123) In the private sector there is no minimum-maximum salary system or legislation. No rules concerning salary (Bangladesh, table 2, manager no. 13, date of interview 07.06.2005).

Another manager says almost in the same voice:

(q124) Salary is given according to the will of the company owner. There is no government regulation here. We give salary according to the salary given by the competitor firms for the same job (Bangladesh, table 2, manager no. 14, date of interview 07.06.2009)

Management style in Bangladeshi companies is authoritarian but huge elements of paternalistic management style are seen. Like in India, Bangladeshi managers also take an interest in employees' personal and family well-being. As one manager says:

(q125) We have an orientation program once every three months, which is also a kind of meeting where everyone can speak and ask for solutions (they can even tell about their personal problems like family and kids) (Bangladesh, table 2, manager 13, date of interview 07.06.2005).

Another manager from the same company says:

(q126) We have worker orientation once every three months for general workers. We tell workers about their personal welfare (food and health) (Bangladesh, table 2, manager 14, date of interview 07.06.2005).

Thus managers do not consider their employees from the classical management theory point of view – as workers who are motivated by financial incentives alone. They consider workers from the human relations perspective, giving due attention to informal issues for motivation in addition to financial benefits.

In the Bangladeshi private sector, and especially in the sample companies, due to the lack of adequate legislation governing personnel management and the non-existence of labor unions, personnel administration is based on the will of the

management, or more particularly, on the will of the MD or owner. However, the owner or MD develops a family-type atmosphere in the company, where the MD plays the role of father figure; most of the vital decisions regarding personnel policies are formulated by the MD. Moreover, the MD is the person who provides all types of solutions and is in a position to ensure job security. Nonetheless, consultation between the MD and his/her subordinates in the personnel policy-related decision-making process cannot be ruled out. These scenarios may stem from the paternalistic organizational culture, and high power distance and collectivist national culture.

8.4 Decision-making reality at a glance

A strong preference for one decision style leads to inflexibility in decision-making, and difficulty in understanding the decision styles of others (Nutt, 1990 cited in Ryan, 1999).

Empirical findings across the fifteen sample companies in the three case countries reveal that managers do not rely on a single style in making decisions in the three decision areas: corporate strategy, organizational change, and personnel policy. In making decisions they apply different styles ranging from autocratic style to a delegatory one, where culture, among other factors, influences the choice of a particular style. The principal focus of the present study is to explore whether managers ensure subordinate participation in the decision-making process or not. Findings show that all the sample companies in the three case countries ensure participation of their subordinates in the decision-making process. However, there are differences in the way they achieve this, which I would consider as differences in degree, rather than completely different and opposing approaches. We can conclude that certain factors, including cultural norms, influence Indian and Bangladeshi managers to use autocratic and consultative¹³¹ decision-making styles (See figure 25). However, by saying this I am not denying that they also use other

¹³¹ I would consider decision-making style in Bangladesh as a bit more autocratic and less consultative compared to that of India. Consequently, the hypothetical circle of participation (See figure 19) is smaller than that represented by India.

styles, but autocratic and consultative are the two dominant decision-making styles in India and Bangladesh, especially in the sample companies. In contrast, findings from the Finnish companies show that certain factors including cultural norms (See figure 26) influence Finnish managers to use a participatory style in decision-making processes. I consider that the participatory decision-making style is dominant among Finnish managers and especially in all the five sample companies. However, in certain cases and for certain decision issues, Finnish managers, too, can be autocratic, consultative, pseudo-consultative, or even delegatory. In reference to the preceding discussion on “*decision-making reality in the case countries: empirical findings*” the decision-making realities regarding the three decision areas are summed up in tables 4, 5, and 6.

The brief summary of strategic decision-making in the three case countries in table 4 shows that in the Finnish case companies, it is always a matter of teamwork, even though the MD is the formal decision-maker. Discussion, participation, collaboration, and interaction are the fundamental pillars of strategic decision-making,¹³² but it is the job of the top management, where conceptual skills are very important as strategies are non-programmed decisions. I would consider strategic decision-making to be a participative process of upper management in the Finnish sample companies. In the Indian and Bangladeshi sample companies, it is more the MD’s job to make company strategies. Even if he/she consults with fellow managers and subordinates, the MD’s wish gets the main priority in making corporate strategy. I would consider strategy making in Indian and Bangladeshi companies to be more of an autocratic process, with some scope for consultation.

¹³² As one CEO says: “In most cases somebody comes up with an idea. That means that - well - he/she makes a question mark about the existing strategy and is saying, ‘I do think that something is wrong.’ So he/she gives an idea and then we put a team together consisting of partners or shareholders of the company, and we sit down and discuss it. We have more or less quite free brainstorming and then one or more of these partners sit down to create a new strategy; then we take it to the board of directors and analyze it a couple of times and if we today find a strategy which is very promising then in a couple of years we change it, the existing one.” (Finland, table 2, manager no. 5, date of interview 04.05.2005).

Table 4: Strategic decision-making at a glance

Finland	India	Bangladesh
<ul style="list-style-type: none"> - Strategic activities belong to top management (q36) - The board of directors work as advisors (q38), target providers (q40) and in some cases strategy formulators (q37) - It is the team, not the person which makes the strategy (q35). - In certain cases there is a powerful individual behind the strategy influencing the group (q41). - Middle management helps through information (q39) but factory floor-level workers are not interested in strategic decisions (q42). - Strategy formulation is a systematic and scientific process (q37) which somehow resembles the rational decision-making process. - Conflicts in strategy formulation are resolved through discussion and facts (q45; q46) so utmost effort is made to reach consensus. 	<ul style="list-style-type: none"> - Team or person. It is the person who is more vital in strategy formulation, which means the MD is behind strategy formulation (q47; q50; q58). - However, the MD rarely makes strategies unaided, but talks to other managers (q51) and the members of the management team, which is the formal strategy-making body (q48; q49). - Efforts are made to reach consensus, even though it is not easy (q52; q 53). - If factory floor-level workers have any strategic ideas, they can send them through the proper channels (q54). Hierarchy should be maintained. - Opposition to a strategy is minimized peacefully (q55), however, opposition is rare. In conflict resolution a middle path is adopted so that everyone saves face (q. 56). 	<ul style="list-style-type: none"> - The MD is in a position to make strategies, as the owner and manager is usually one and the same person in the private sector in general, and especially in the sample companies, but he does talk to other managers (q59; q60; q34), - In departmental strategies, departmental heads have greater authority, but in corporate strategies the MD is the decision- maker (q61). - Factory floor level workers can send suggestions, but they do not send strategic suggestions (q62). - People who oppose new strategy and disagree with it are persuaded and motivated to accept it. If nothing helps, the CEO's decision is final in conflict resolution (q65). Opposing a new strategy may end in dismissal as well.

Table 5: Organizational change-related decision-making at a glance

Finland	India	Bangladesh
<ul style="list-style-type: none"> - Organizational change-related decision-making is almost the same as for strategy making - corporate changes are made by the upper management; the MD plays a vital role but the real decision is formed in a management team meeting (q66; q67; q68). - Compared to strategic decisions, organizational change-related decisions are more participative in the sample companies (q72). As with strategy making, here also factory floor level workers do not send any ideas (q76). - For small changes, upper management does not consult the lower level, but for larger ones, consultation takes place (q75). - Disagreements and conflicts are resolved by talk, facts and reasons, information flow, or finally through the intervention of the MD (q70; q71). 	<ul style="list-style-type: none"> - Organizational change-related decisions are made by the MD. If the decision affects the lower level, the MD emphasises participation of the lower level or listens to them. The MD talks to the managers whose area will ultimately be affected by the proposed changes (q77; q78; q79). - Departmental heads have certain power to make departmental level changes (q82). - In bringing change, consensus is important at upper level or among the upper level managers (q88). When consensus is not possible then satisfactory decisions are made (q81) as a way to save face. - Conflicts are not uncommon in bringing organizational change; they are solved through consultation (q83). 	<ul style="list-style-type: none"> - Organizational change-related decisions are ultimately made by the CEO/MD depending upon feedback (q86; 87). However, market demand and technological changes are instrumental to making changes (q84; q85). In certain cases, in order to avoid disagreement change-related decisions are made by the MD (q88). This shows that the MD is like a father figure whom no one should disobey. - In bringing organizational changes, suggestions are also welcome. In this case, the manager level mainly comes forward (q90). When the MD can not reach consensus with the managers then his decision is final (q91). - In resolving conflicts, sometimes the CEO acts like a strict autocrat and imposes a settlement which ends conflicts (q92).

When we look at the comparison of organizational change-related decision-making processes in the three case countries shown in table 5, then we see that these decisions are made in the same way as the strategic decisions. In the Finnish case companies, the board of directors does not influence these types of decisions; rather it is the management team which makes organizational change-related decisions. On the question of participation, organizational change-related decisions are more participative than the strategic decisions. And both strategic and organizational change-related decisions are made by the top management. Top management usually does not ensure participation for smaller changes, but for bigger changes greater participation is ensured.

In the Indian and Bangladeshi sample companies, organizational change-related decisions are made by the direct influence of the MD/CEO, just the same as for organizational strategy. However, the CEO/MD consults with the managers whose areas might be affected by the proposed change process. Where departmental changes are concerned, departmental heads have authority to carry out changes in consultation with the MD/CEO. In India, even though the MD makes organizational changes, he still emphasizes consensus. In Bangladesh, managers talk to their subordinates regarding upcoming changes. This approach may be considered as authoritarian style with some scope for consultation.

In table 6, the personnel policy-related decision making process in the three case countries has been briefly sketched. When we compare the three case countries, it is clear that the Finnish labor market is very formal. Consequently, personnel policy-related decisions are very firmly based upon government legislation, and cooperation between management and labor unions. Co-determination is a crucial instrument through which most industrial disputes are resolved. Promotion is based upon performance, which has replaced the previously common seniority as the crucial criterion for promotion. In contrast, the Indian and Bangladeshi labor markets, like those in many other developing countries, are more informal in character, in the sense that the employer's will determines the fate of workers rather than government legislation or union-management cooperation. In small and medium-sized companies, labor unions are non-existent; consequently, the decision of management or of the MD/CEO is final on matters concerning the labor force, such as salary, recruitment, promotion, terms of employment etc. Collective

bargaining is unheard of, as there is no labor union. However, in certain cases, the MD/CEO may consult the workers who may be affected by upcoming decisions.

Table 6: Personnel policy-related decision-making at a glance

Finland	India	Bangladesh
<ul style="list-style-type: none"> - The Finnish labor market is very regulated by government legislation and rules. Personnel policies are devised based upon those laws and rules (q93). Personnel policy guidelines are made by the upper management, and middle management follows them (q94). - Labor union activities are very strong in Finland in general and in the sample companies in particular. Most of the decisions are adopted through co-determination (YT-neuvottelu), where management and union representatives participate (q95). - In personnel policy-related issues, supervisors have a certain role (q96) but rules and legislation guide them. - Conflicts are settled simply through consultation (q101). 	<ul style="list-style-type: none"> - Due to the lack of proper legislation and the absence of labor unions, personnel management in the sample companies runs like in a family, where the owner/MD takes care of the workers (q104; q105). - Nepotism is a way of recruitment. Family members get first priority for vacant positions (q106); the eldest son gets top priority (q107). - Labor union activities are considered by the management as trouble-making and management does not see any benefit in labor union presence (q112; q113). - Workdays are very long and the weekly break is also short (q111), which makes life miserable to workers. 	<ul style="list-style-type: none"> - Lack of proper legislation makes personnel management run according to the will of the owners. In the Bangladeshi private sector there is no minimum wage legislation (q123); salary is given according to the will of the owner (q124). - Labor unions are considered as a destructive force, which owners feel are unnecessary (q121; q122). Consequently, collective bargaining hardly exists. - Nepotism is the main method of recruitment (q116) and the MD takes recruitment decisions centrally (q115). - The role of management towards general workers is like that of guardians. Management needs to take care not only of work issues but of workers' personal welfare as well (q125).

9. Epilogue

Summary of the results; dominant decision-making style in the three case countries

Some cultures view the group as a vehicle for actually making decisions. Others treat groups as a sounding board for ideas or as a setting for announcing decisions already reached. In the former case the group's modus operandi is participative and each person is expected to express his or her own views and to be focused on creating a quality decision. In the latter case group members are expected to 'buy in' to legitimate authority's vision and to receive their instructions on how to implement that vision. This distinction can lead some members to search for emergent leadership and consensus decision making, while others wish for a strong leader who will give the group the direction it needs (Smith and Berg, 1997: 10).

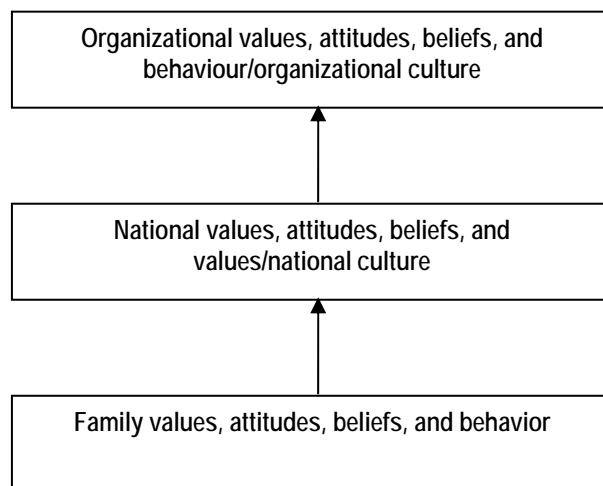


Figure 23: Family values, beliefs, norms, and behavior as principal roots of culture - national and organizational culture.

Finnish organizational and national culture view the group as a vehicle for actually making decisions, whereas in India and Bangladesh, the group may be

considered as a sounding board for ideas or as a setting for announcing decisions already reached beforehand by the MD/CEO.

The family is the first group in our lives that has a significant effect on our values, attitudes, beliefs, and behavior (Giddens, 1984). These values, attitudes, beliefs, and behavior, which in aggregate we call culture, are transmitted over time from one generation to another. The differing family structures in a society may have a strong link with the differing values, attitudes, beliefs, and behavior among families. Alternatively, cultural differences may be rooted, among other things, in the family structure of the society, as is shown in figure 24.

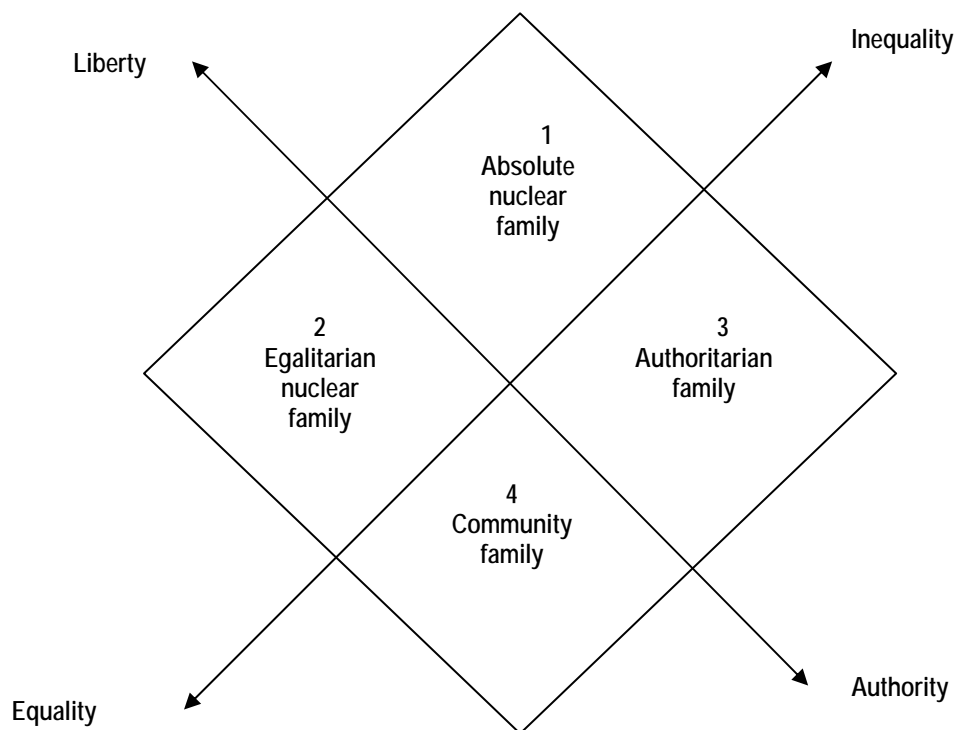


Figure 24: Todd's typology of family
Source: Todd, 1985: 10.

Todd's (Todd, 1985) typology of family structure,¹³³ which was also used by Sharma and Manikutty (Sharma and Manikutty, 2005), is an excellent tool for

¹³³ Todd's (Todd, 1985) original typology was developed focusing only on male members of the family. Even though the current study uses Todd's typology, a gender free viewpoint will be adopted eventually. When considering the Finnish perspective, using a gender neutral viewpoint will be more appropriate, as in Finnish families and places of work, gender equality is paramount. In contrast, in

explaining values, attitudes, beliefs, and behavior in a family. Based on four dimensions i.e., authority-liberty and equality-inequality, Todd has identified four family types (Figure 24):

The absolute nuclear family type is liberal and in-egalitarian. On reaching adulthood, children are expected to establish independent households and means of livelihood. No precise conventions on inheritance of paternal property prevail, as this property is viewed as belonging to one generation that may do as it wishes with it. In such families, children are socialized to be independent and achievement-oriented.

The egalitarian nuclear family is characterized by the concepts of liberty and equality. While separation of households is expected, the property is divided equally among the children, who are socialized to be somewhat independent and achievement-oriented.

In individualist and low power distance Nordic countries, and particularly in Finland, these two family types, namely the absolute nuclear family and the egalitarian nuclear family, are the social norm. For people in these families, becoming independent and achievement-oriented is an important value. As soon as they reach adulthood, they will try to branch out alone, leaving behind the expectation of inheriting paternal or maternal wealth. Family members in Finland learn to share information with each other without any fear and develop a sense of gender egalitarianism; empowering family members is a natural trend. Consequently, at family, national and organizational level, participative or democratic decision-making is a dominant feature

The authoritarian family displays the values of inequality and authority. While the ultimate authority resides with the senior generation, one child is an anointed heir, who is treated as more equal than others. The association between the senior generation and the chosen heir is close, while other members of the junior generation are expected to establish independent households and means of livelihood.

The community family is characterized by the values of equality and authority. Children live with their parents in extended families and all next-generation

India and Bangladeshi societies, applying a gender neutral viewpoint has to be done with discretion, because of male domination and the religious teachings of Islam and Hinduism.

members are treated equally in terms of inheritance rights. The leader of the senior generation has the ultimate authority in such a family.

In the high power distance and collectivist or group-oriented societies of India and Bangladesh, we can see that the latter two family structures, namely the authoritarian and community family, are the social reality. 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. However, when it comes to the distribution of paternal or maternal land properties in a Muslim family, then all sons get equal slices. In typical Muslim families, women are entitled to inherit one third of the paternal property; in other words, the total property is divided into three parts and a female heir gets one third and a male heir gets two-thirds if there is only one son and one daughter in the family. In case of more daughters and sons in a family, the male heirs inherit double the amount of their female siblings.

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. In a typical Hindu family, women are usually not included in long-term family decision-making, as they are not entitled to inherit family property once they are married. In typical Muslim families, too, family issues are ordinarily dealt with by the male members of the family, where age brings authority and honor.

The current study considers that culture which is practiced at family level passes to the national as well as the organizational level (see figure 23). At family level in India and Bangladesh, a person in most cases experiences the father as the sole decision-maker regarding family issues. The father may ask the opinions of other family members about upcoming decisions but that is not obligatory; in fact it seldom happens except in highly educated families. More commonly, the father announces already-made decisions to the family members, and everyone should accept them. Therefore, people in these societies experience authoritarian decision-making practices from the very beginning, at the family level.

At the national level in South Asia and especially in India and Bangladesh, the state is very strong. By “state” we mean 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. Hardly any government policy is reviewed by a public opinion survey before its enactment. Usually, national decisions are made by central government and are implemented by government officials. 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. Asia in general favors compromise, and showing loyalty in exchange for security or some other benefits is very important. Consequently, 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. According to Smith et al., paternalism is defined as a hierarchical relationship in which the superior provides guidance, nurturance, protection and care, and in return the subordinate is loyal and deferent (Smith et al. 2006: 196). It follows from this that a manager is not only a manager but also a parent figure in Indian and Bangladeshi organizations. I would brand managerial decision-making style in medium-sized Indian and Bangladeshi organizations mainly as autocratic, but moving towards the consultative (see figure 25). Consequently, there is a place for participation, but the circle of participation is smaller than in Finland. By smaller circle of participation I mean the scope for participation is more limited. (See figure 21).

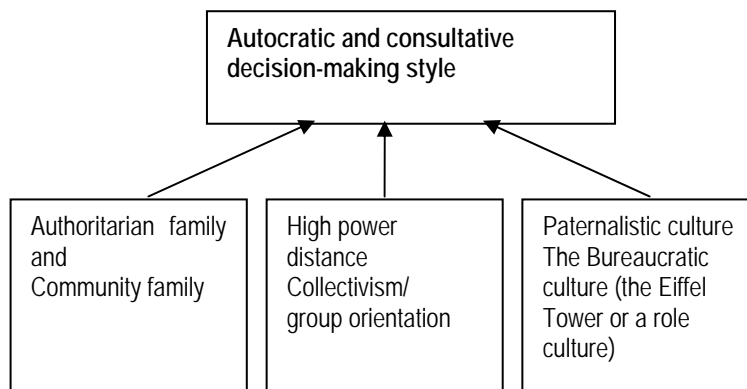


Figure 25: Factors favoring authoritarian and regulated consultative decision-making style in Bangladeshi and Indian organizations.

Economic development has occurred across Asia in different time periods, resulting in different stages of industrialization for different countries at any given time. India has begun to shift to an export-orientation phase since 1991, after having had a heavy and capital-intensive, inward-looking import- substitution strategy for many years. From this perspective, Bangladesh is relatively more progressive than India, because it began to emphasize opening up its market for international trade and investment already in the second half of the 1970s.

In both countries, the industrialization process has been dominated by small and medium-sized family-owned companies. These firms are personal in nature as they are typically regarded as family possessions; control is largely associated with ownership and is highly centralized. There is hardly any separation between ownership and management. However, because of the increasing global competition and the challenges posed by the growing internationalization process, these family businesses are gradually absorbing professional managers from outside into their companies. Alternatively, some are sending family members to study management and business, with an expectation that once they have completed their studies, these business graduates will be able to run the family business more professionally. Consequently, the new generation of managers is increasingly moving away from an autocratic style towards a more consultative decision-making style. Regardless, the dominant decision-making style is autocratic, and it will remain so because high power distance in India and Bangladesh leads to social inequality, which in turn gives rise to autocratic leadership and centralized authority.

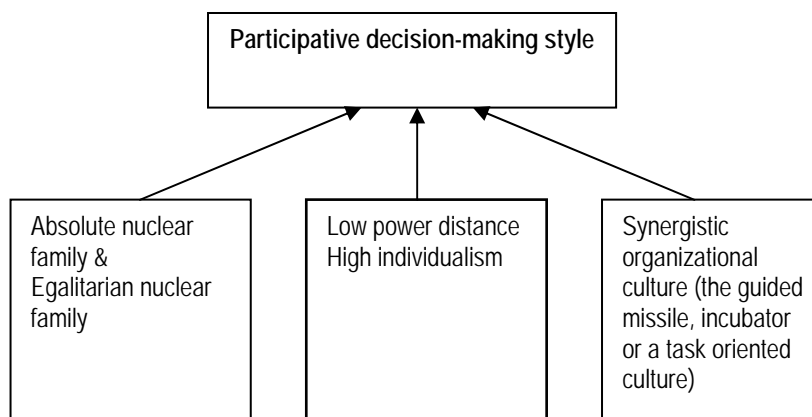


Figure 26: Factors favoring participative decision-making in Finnish organizations

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.

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. At the same time, parents give due value to the choices, views, and opinions of their children in daily family issues like which dress to buy, which hobby to choose, where to go and so forth. There is a strong feeling among Finnish parents that pressure should not be put on children to do something against their will; they should not be influenced to do something that they are not really willing to do. However, if there is a family issue where everyone's interest is at stake, the issue is openly discussed with everybody's participation.

I would consider Finland as a soft state compared with India and Bangladesh, which are strong states. 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. At the same time, Finland is a strongly law-abiding, liberal democratic society with a very flat hierarchy. Most of the national-level decisions are made through extensive debate in parliament and public opinion surveys. Furthermore, if a decision touches the interest of every citizen, then the issue goes to a national referendum. (The decision to join the European Union was one such issue.) Consequently, government officials and central government are responsible for transforming public opinion into decisions rather than being the ultimate decision-makers.

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. At the same time, managers like the participative management style of their superiors. Due to the egalitarian nature of Finnish society, decisions are made through wide participation and the decision-

making environment is non-competing; interest accommodation is prioritized over interest competition. Yet 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, I would brand managerial decision-making style in Finnish medium-sized companies as principally participative¹³⁴ (see figure 26) with a very small admix of authoritarianism. This authoritarianism is more apparent when “*Finnish managerial decision-making style is compared with that of Swedish managerial decision-making style, just to justify that the Finnish style is more authoritarian than the Swedish one.*”¹³⁵ However, when compared with India and Bangladesh, the circle of participation in Finnish managerial decision-making processes is much wider (see figure 21).

The Contribution of this research

This comparative study has aimed at analyzing managerial decision-making behavior in medium-sized private sector companies in the textile, and the electronics and electrical industrial fields in India, Bangladesh, and Finland. The approach for analyzing managerial decision-making behavior has been through culture; the issue of analysis has been subordinate participation in the managerial decision-making process, keeping in mind the following principal question and related sub-questions:

How does culture influence participation in the organizational decision-making process?

Who are involved in the making of decisions?

Who are left or kept out and why?

Who are in a position to exercise influence?

Who are able to introduce decision issues on to the decision-making agenda?

Who are able to keep decision issues off the decision-making agenda?

¹³⁴ However, in Finland a paternalistic type of organizational culture with autocratic/authoritarian decision-making style has been typical in the early stage of industrialization in the 1800s and in the first half of the 1900s.

¹³⁵ Two managers revealed this during interview. They are: Finland, table 3, manager no. 10 & 9, date of interview 27.04.2005 & 02.05.2005 respectively.

Comparative study in the field of management, and using culture in the comparison process are not new issues. However, the uniqueness of this study is that it has focused on two South Asian countries and one Nordic country for comparison. In comparing managerial decision-making 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 27). 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. The concept of family has not been introduced in the early parts of the study as a major variable, but in chapter four due emphases has been given to the idea that the family is an important social institution, which might influence the shaping of a particular culture. In the family people learn their basic norms and values, which are reflected throughout their lives, consciously or sub-consciously.

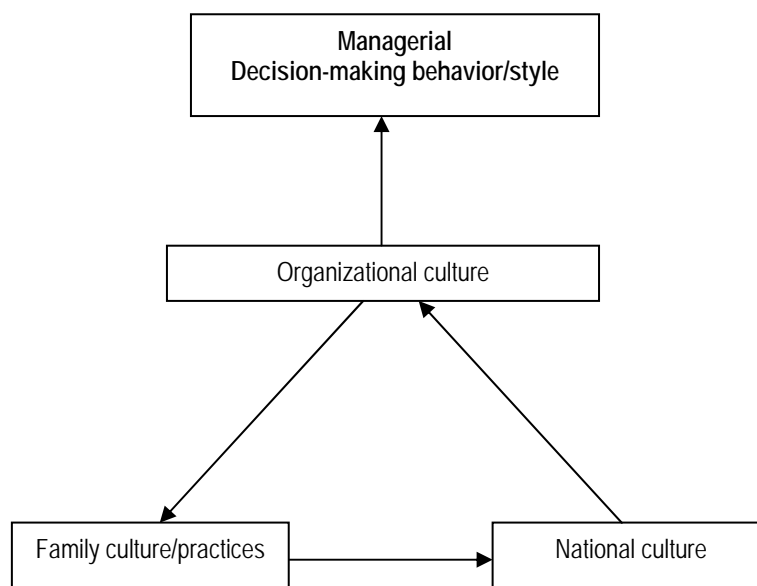


Figure 27: The relationship among family culture, national culture, and organizational culture.

Secondly, the research has succeeded in answering the main question and the related sub-questions, and thereby added value to the already existing literature in the field of comparative management studies concerning these three case countries. The macro environment in India and Bangladeshi organizations favors the

concentration of power at the apex of the organizational hierarchy. This power concentration acts against delegation, and decentralization of authority and decision-making activities. This allows managers to exert influence on their subordinates. Consequently, in medium-sized companies, the MD is the key person in the decision-making process. The MD influences the decision-making process in accordance with his/her own will; he/she is also able to introduce decision issues into the upcoming decision agenda, and has the power to keep issues off the agenda as well. In Finnish medium-sized companies, on the other hand, decision-making is a participatory process, where open discussion is encouraged and expected. In Asia, and particularly in Bangladesh and India, loyalty to one's superior is demonstrated through accepting the superior's decision silently without any question. But in Finland, the same behavior in a subordinate would be considered unproductive, showing lack of initiative, creativity and entrepreneurial spirit.

Finally, the study has contributed with empirical information on the decision-making practices in three decision areas: corporate strategy, organizational change, and personnel policy. This empirical information might enable international business people to gain an insight into the decision-making process and subordinate participation in it in medium-sized companies in the three case countries.

Further research suggestions

The globalization process, which began at the beginning of the 1990s and gained momentum especially after the end of the Cold War, has made companies virtually stateless and economies virtually borderless. As a result, companies and countries have been investing in places and sectors which yield optimum returns on their investments. This trend has intensified competition between and among companies and countries, and has increased the risk of failure in trade and investment internationally. Understanding host country culture might reduce the risk of failure and help international business people to cope with competition more effectively, through the adoption of a synergistic problem-solving approach regarding corporate strategy, organizational change, and personnel policy.

In analyzing decision-making in medium-sized companies and the participation of subordinates in the process, the current study has considered the managers' point of view. Therefore, there is scope to conduct a complementary study of the managerial decision-making process and the issue of subordinate participation which incorporates the views of both managerial and non-managerial staff. In

addition, future research could be directed towards how to improve subordinate participation in decision-making processes in Indian and Bangladeshi medium-sized companies. Moreover, from a cultural point of view, managerial attitudes towards decision-making and power sharing with subordinates could be studied by incorporating more case countries from South Asia and the Nordic region.

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Appendix: 1

India, Bangladesh, & Finland

Questionnaire guide

1. General information on the company

Name of the organizational

Year of establishment

Number of workers

Product range

Target customer group

Any fragmentation in customer group

2. Information about interviewee

2.1 Name?

2.2 Education?

2.3 Position in the organizational hierarchy?

2.4 Career path?

2.5 How long have you been working for the company?

2.6 What kind of role in general do you play in the company?

2.7 What kind of decision-making role do you play in your organizational?

2.8 Contact with any Asian/South Asian company/companies (Applicable only to Finnish and Swedish interviewees)

2.9 Contact with any Scandinavian company/companies (Applicable only to Indian and Bangladeshi interviewees)

2.10 Contact with any Indian/Bangladeshi company/companies (Applicable only to Finnish interviewees)

3. Decision-making process in the organizational

- 3.1 In your organizational, how is a decision made concerning:
 - 3.1.1 Strategy
 - 3.1.2 Organizational change
 - 3.1.3 Personnel policy
- 3.2 Do you give emphasis to participation in the decision-making process concerning:
 - 3.2.1 Strategy
 - 3.2.2 Organizational change
 - 3.2.3 Personnel policy
- 3.3 How does your organizational ensure participation for decisions concerning:
 - 3.3.1 Strategy
 - 3.3.2 Organizational change
 - 3.3.3 Personnel policy
- 3.4 What happens when it's difficult to reach consensus in the decision-making process concerning:
 - 3.4.1 Strategy
 - 3.4.2 Organizational change
 - 3.4.3 Personnel policy
- 3.5 Does the company give any opportunity to its bottom level workers for bringing up a decision issue concerning:
 - 3.5.1 Strategy
 - 3.5.2 Organizational change
 - 3.5.3 Personnel policy
- 3.6 How are conflicts in decision-making, if there are any, reduced regarding:
 - 3.6.1 Strategy
 - 3.6.2 Organizational change
 - 3.6.3. Personnel policy
- 3.7 How do outside factors such as labor unions, environmental groups or competitors influence the making of decisions concerning:
 - 3.7.1 Strategy
 - 3.7.2 Organizational change
 - 3.7.3 Personnel policy

Appendix: 2

Taxonomy of Kurien

Kurien (2004) presents a taxonomy of four corporate governance philosophies: social justice (or cooperative), ego-centric, social-altruistic, and eco-centric. Each of these will be discussed in the historical analysis.

The cooperative or social justice orientation emphasizes a “people-centered and sustainable form of societal organizational based on equity, justice, and solidarity” (Kurien, 2004, p. 103). An exemplar would be the corporate governance in Western Europe, particularly Germany, which is based on the principle of co-determination, which strives for social solidarity, equity and justice.

The ego-centric or capitalist orientation holds that what is in the interest of the individual shareholders is in the interest of society. North America, particularly the US, is a strong proponent, where Friedman (1962: 163) observed “One and only one social responsibility of business [is] to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.” The logic is simple: for businesses and for the community as a whole, profits generate growth.

The social-altruistic or utilitarian orientation encourages firms to strive to promote the greatest good of the greatest number. Eastern Europe, particularly the ex-Soviet Union, has been the most salient practitioner. By eliminating private property rights and through national planning, the communist bloc sought to encourage the greatest good of the greatest number.

The eco-centric orientation emphasizes the Confucian values of conservation, thrift, and stability. This view brings into focus the cyclical (as opposed to linear) nature of social and natural laws, based on principles of feedback and reciprocal

influence. The emphasis is on enlightened self-interest: a strong customer orientation, strong promotion of employee development, strategic partnerships with vendors and dealers, and greater corporate social responsibility. This creates a system where long-term family-like relationships are maintained among the various constituencies. East Asia, particularly Japan, exemplifies this perspective.