

## A RESEARCH FRAMEWORK REVISITED: THE CULTURAL AFFECT ON MANAGERIAL AND ORGANIZATIONAL THEORY AND CURRICULUM POST-2007 GLOBAL ECONOMIC CRISIS

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### **Abstract:**

With the global proliferation of the internet, social media, and the growth of the European Union to 27 nations, it appeared that a trend toward global cultural homogenization was underway. However, with the onset of the global economic crisis in 2007, it can be argued that this trend not only slowed down, but reversed back to the cultural identities established by Hofstede. A research model is built on previous research that proposed a model on qualitative research on the affect of culture on theories of management and business. The model asserts that a society's culture affects everything including education and curriculum. This is particularly true of business/management/economics curriculum. The model assumes that any organization and any decision made in its context is an infoscape. The focus is on the conception that a person's culture frames and shapes covertly and tacitly his or her understandings or mental models of the nature and functionality of an organization and how to manage it. The model presents, as a component, an understanding of Power Distance and Uncertainty Avoidance dimensions and four organizational views: the organization as Pyramid, Market, Machine, and Family. The model also proposes a relation of organizational type to organizational governance styles: Monarchical, Feudal, Federal, and Anarchical. Furthermore, the model also includes the relationship between organizational models and styles of managing organizations: Directive, Analytic, Conceptual, and Social. As a final component, the model is mapped to and integrated into a meta framework that taxonomizes the categories for culturally framed decision making.

*Keywords: Culturally determined decision making, knowledge management, management style*

## 1. INTRODUCTION

This paper builds on the previous work of DeLorenzo et al., (2006); Burčik et al., (2007, 2008, 2009 2012); and Kohun et al. (2012) that explored cultural connections to curriculum, business education and decision making. Business and decision making curriculum, while attempting to follow global norms such as accreditation, standardized practice, and convention—still are contextualized within a local socio-cultural frame. If not—will likely not succeed (Burčik et al., 2007). However, the focus is on using Hofstede as a basis for explaining change in patterns of socio-cultural perspective. While Hofstede's thesis that persons, organizations and theories of management, are everywhere framed by their primary culture even as they profess to transcend it (Hofstede, Hofstede & Minkov, 2010, pp. 4-25, 309-310) is widely accepted, can changes be adequately explained used this same framework is explored. Furthermore, if changes in socio-cultural index values occur, can Hofstede's social-cultural dimensions be used, in part, to both analyze and explain these changes as a functional culturally framed knowledge management tool?

In light of this claim, the model raises the issue of the affects of a society's culture on the globalization of business education (theories of organization, management, and employees' motivation). As Hofstede and Hofstede (2005, p. 63) write: "The authors of management books and the founders of political ideologies generate their ideas from the background of what they learned when they were growing up." The model assumes that a society's culture affects the business educational curriculum (Hofstede & Hofstede, 2005).as Hofstede and Hofstede (2005, p. 20) write: "The business and business school literature often refers to national 'management' or 'leadership' cultures. Management and leadership, however, cannot be isolated from other parts of society." The model also assumes that any organization is an infoscape; a place of information flows and use. An infoscape or informational landscape is a view of an organization that envisions people, information flows, and business processes as constituting a holistic and dynamic multidimensional system (Skovira, 2004).

## 2. A GLOBAL CONTEXT

In a global economy, businesses continue to pursue strategic advantage by shifting from being multinational to being transnational. The traditional multinational is a national company with foreign subsidiaries, such an Irish subsidiary of Dell Computer, where the subsidiary is self-contained to manufacture its products, buy its supplies, and sell to customers almost entirely within Ireland.

Global businesses today are moving towards transnational companies where products and services across the globe are the same, but the structure is different. In a transnational company, the economic unit is the world where products are produced in a selected few locations and sold locally throughout the world Drucker (1997). It can be argued that "...global business and media not only fail to homogenize the world, but the net effect of their influence may be precisely the opposite" (Hooker, 2003, p.13). A reasonable explanation for this varied homogeneity is the many and numerous varied cultures in which this business is practiced.

This is further evidenced with the idea that "...global business and media weaken the nation state and the civic institutions it represents by making them increasingly irrelevant. More ancient forms of social organization fill the void, as nation states fracture along ethnic and religious lines" (Hooker, 2003, p. 13). There results an inherent instability with the clash between the global business influence and the cultural influences of ethnic and religious tradition, practice, and beliefs. This is evidenced throughout the world from a casual walk in London to the backstreets of Ljubljana to the market places of Firenze. Business education in its attempts to make business a science, objectifies its theories and their application essentially homogenizing them. Essentially formulas of success are studied and applied in multiple formats in a variety of cultural environments with varied success. With the standardization of the MBA, for instance, through accreditation such as The Association to Advance Collegiate Schools of Business -- AACSB International, the homogenization is insured without regard to when, where, how and why it is applied.

## 3. CULTURE

According to Hofstede (Hofstede, Hofstede & Minkov, 2007), culture is "...the collective programming of the mind that distinguishes the members of one group or category of people from another" (p. 6).The model focuses on the conception that a person's culture (enduring and stable systems of

shared meanings) frames and shapes covertly and tacitly his or her understandings or mental models (Norman, 1988) of the nature and functionality of an organization and how to manage it (Hofstede & Hofstede, 2005: 58, 248; Hooker, 2003). In examining the influence of cultural attributes on business education, particularly managerial and organizational theories (Hofstede, Hofstede & Minkov, 2007, pp. 24-25), it is useful to use the notion of Power Distance and Uncertainty Avoidance as established by Hofstede. This conception relies upon the correlation of the Power Distance and Uncertainty Avoidance dimensions of a culture to business and business education (Hofstede & Hofstede, 2005, p. 342). A society's "position" in the Power Distance Index and Uncertainty Avoidance Index generally posits a preferred organizational authoritative style and way of handling business processes (work flows) and information use. A large Power Distance culture prefers centralized authority; a strong Uncertainty Avoidance culture prefers structured work flows and information use. Because the Power Distance and Uncertainty Avoidance Index vary from one culture to another, it would appear that business education would benefit by including these cultural dimensions as analysis tools. A brief overview of these dimensions follows.

#### 4. POWER DISTANCE

Hofstede defines power distance as "...the degree to the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally" (Hofstede & Hofstede, 2005, p. 46; Hofstede, Hofstede & Minkov, 2007, p. 61). A high score suggests that there is an expectation that some individuals wield larger amounts of power than others. Countries with high power distance rating are often characterized by a high rate of political violence. A low score reflects the view that all people should have equal rights. Latin American and Arab nations are ranked the highest in this category; Scandinavian and Germanic speaking countries the least.

#### 5. Uncertainty Avoidance

The Uncertainty Avoidance Index essentially reflects "...the extent to which the members of a culture feel threatened by ambiguous or unknown situations" (Hofstede & Hofstede, 2005, p.167; Hofstede, Hofstede & Minkov, 2007, p. 191). Certain cultures seem to function well and thrive under conditions of high ambiguity and uncertainty. Other cultures, on the other hand, appear to need little ambiguity and a high degree of certainty to be comfortable to perform well. Discomfort and stress results when significant ambiguity is introduced into cultures that historically prospered under high structure, low ambiguity and great certainty. Likewise for cultures oriented toward high ambiguity when introduced with structure, low ambiguity, and high certainty.

#### 6. THE COMPARED SOCIETIES

The research model was developed upon an interesting differentiation among societies. As an example to demonstrate differences, (see Table 1) it is interesting to use Hofstede to compare European Union member societies along the dimensions of Power Distance and Uncertainty Avoidance.

**Table 1:** PDI and UAI of Selected Countries

Countries	PDI	UAI
Australia	36	51
Austria	11	70
Britain	35	35
Canada	39	49
Croatia	73	80
CzechRep	57	74
France	68	86
Germany	35	65
Hungary	46	82
New Zealand	22	49
Poland	68	93
Serbia	86	92

Slovakia	104	51
Slovenia	71	88
US	40	46

## 7. ORGANIZATIONAL MODELS

The model presents, as a component, an understanding of Power Distance and Uncertainty Avoidance dimensions and four organizational views: the organization as Pyramid, Market, Machine, and Family (Hofstede, Hofstede & Minkov, 2007, pp. 301-306). All of the views or models frame, in their own way, business processes or work flows and information use (Skovira, 2004). A pyramid-like organization (Hofstede, Hofstede & Minkov, 2007, p. 304) (for example in France, Czech Republic, Slovenia, Croatia, Serbia, and Poland) centralizes and concentrates authority and prefers structured work flows. A market-like organization (Hofstede, Hofstede & Minkov, 2007, p. 304) (for example in the United States, Great Britain, Australia, Canada, and New Zealand) has a preference for decentralized authority and unstructured work flows. A machine-like organization (Hofstede, Hofstede & Minkov, 2007, p. 304) (for example in Germany, Austria, and Hungary) normally does not centralize authority but does usually rely on rules and procedures to structure business processes. A family-like organization (Hofstede, Hofstede & Minkov, 2007, p. 306) (for example in Slovakia) concentrates authority autocratically but does not frame business processes with a lot of rules (Hofstede & Hofstede, 2005). The model (Figure 1) elucidates these organization types in terms of function and structure.

**Figure 1:** Organizational Models and Aspects

<p><b>Market</b>                  Small-PD, Weak-UA  <i>Authority not centralized</i>  <i>Work flow not structured</i>  <i>Information use not structured</i></p>	<p><b>Family</b>                  Large-PD, Weak-UA  <i>Authority centralized</i>  <i>Work flow not structured</i>  <i>Information use not structured</i></p>
<p><b>Machine</b>                  Small-PD, Strong-UA  <i>Authority not centralized</i>  <i>Work flow structured</i>  <i>Information use structured</i></p>	<p><b>Pyramid</b>                  Large-PD, Strong-UA  <i>Authority centralized</i>  <i>Work flow structured</i>  <i>Information use structured</i></p>

## 8. ORGANIZATIONAL GOVERNANCE

The model (Figure 2) also sets out, as a component, a relation of organizational type to organizational governance styles: Monarchical, Feudal, Federal, and Anarchical (Davenport, Eccles, & Prusak, 1992; Davenport with Prusak, 1997; DeLorenzo et al., 2006). Organizational governance is about information control. In the monarchical mode of corporate governance, information ownership or control is invested in one person or in one functional area of an organization. One individual designates significance and meaning of informational items and manages the interpretive models of information application (Davenport with Prusak, 1997, p. 74). In the federal mode of corporate governance, information control is shared across organizational boundaries of functional areas. Within this kind of political frame of information use, corporate interest groups define and interpret informational flows according to their situations (Davenport with Prusak, 1997, pp. 68-72). The feudal mode of corporate governance suggests that the separate corporate entities control and manage their own information culture and behavior. A senior manager is "lord of the information" (Davenport with Prusak, 1997, pp. 72-74). In the anarchical mode, control over meaning and the significance of information is personal and individualistic. There is no common sensibility of information use (Davenport with Prusak, 1997, pp. 75-76). Political frames of information use are managerial structures of informational flows for the distribution and sharing of information from a centralized to a decentralized perspective.

**Figure 2:** Organizational Governance and Organizational Models

<p><b>Market</b>                  Small-PD, Weak-UA                  Authority not centralized                  Work flow not structured                  Information use not structured                  Governance: <i>Federal</i></p>	<p><b>Family</b>                  Large-PD, Weak-UA                  Authority centralized                  Work flow not structured                  Information use not structured                  Governance: <i>Monarchical</i></p>
<p><b>Machine</b>                  Small-PD, Strong-UA                  Authority not centralized                  Work flow structured                  Information use structured                  Governance: <i>Feudal</i></p>	<p><b>Pyramid</b>                  Large-PD, Strong-UA                  Authority centralized                  Work flow structured                  Information use structured                  Governance: <i>Monarchical, Feudal</i></p>

## 9. MANAGERIAL STYLES

The model (Figure 3) also provides, as a component, a relationship between organizational models and styles of managing organizations: Directive, Analytic, Conceptual, and Social (Rowe & Mason, 1989; DeLorenzo et al. , 2006). The directive style manager “..has low tolerance for ambiguity and is oriented to task and technical concerns (Rowe & Mason, 1989, p. 4).” The analytic style manager “..has a high tolerance for ambiguity and is oriented to task and technical concerns (Rowe & Mason, 1989:, p.4).” The conceptual style manager “..has a high tolerance for ambiguity and is oriented to people and social concerns (Rowe & Mason, 1989, p. 4).” The social (behavioral) style manager “..has a low tolerance for ambiguity and is oriented to people and social concerns (Rowe & Mason, 1989, p. 4).” The uncertainty avoidance dimension identified by Hofstede is relevant as are the long term-short term and individualistic/social dimensions in defining both decision and management styles. Figure 3 organizes authority, work flow, information use, and governance into the four quadrant market, family, machine, and pyramid framework to label and differentiate between the management styles in this context. This reinforces the nature and organizational basis of the cultural attributes associated with each management style.

**Figure 3:** Managerial Styles and Organizational Models

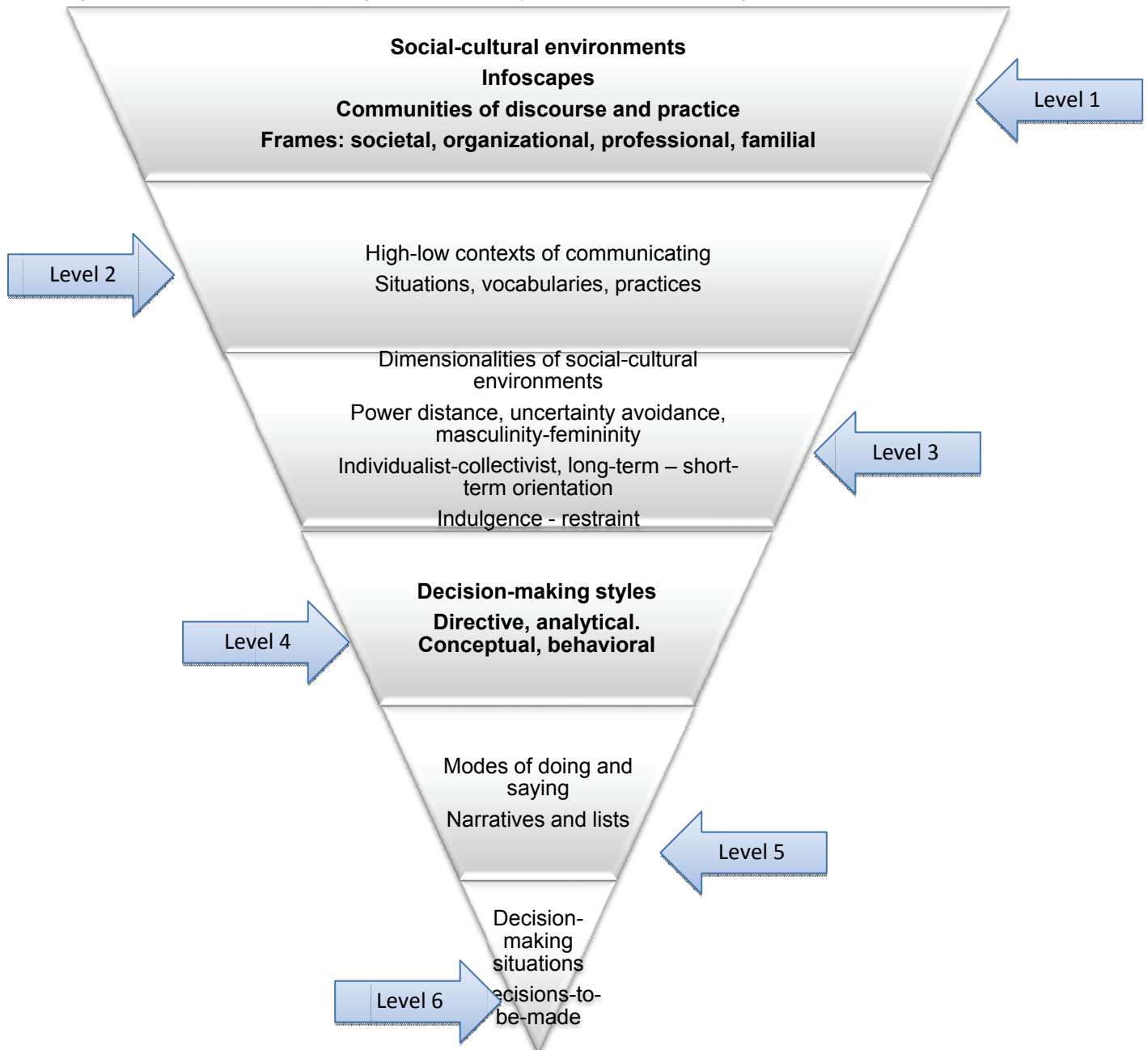
<p><b>Market</b>                  Small-PD, Weak-UA                  Authority not centralized                  Work flow not structured                  Information use not structured                  Governance: <i>Federal</i>                  Managerial style: <i>Analytical, Social</i></p>	<p><b>Family</b>                  Large-PD, Weak-UA                  Authority centralized                  Work flow not structured                  Information use not structured                  Governance: <i>Monarchical</i>                  Managerial style: <i>Directive, Social</i></p>
<p><b>Machine</b>                  Small-PD, Strong-UA                  Authority not centralized                  Work flow structured                  Information use structured                  Governance: <i>Feudal</i>                  Managerial style: <i>Analytical, Conceptual</i></p>	<p><b>Pyramid</b>                  Large-PD, Strong-UA                  Authority centralized                  Work flow structured                  Information use structured                  Governance: <i>Monarchical, Feudal</i>                  Managerial style: <i>Directive, Analytical</i></p>

## 10. A META FRAMEWORK: CATEGORIES FOR CULTURALLY FRAMED DECISION MAKING

Organizational governance as depicted in Figure 2 easily maps to the to the first layer of the meta model developed by Kohun et al. (2012). The first layer or category is one of social environments and infoscapes. In a knowledge management context it incorporates of communities of discourse and practice. Moreover—it includes the organizational frames that govern society, the professions, and the family. This layer is the overriding cultural context by which decisions are inevitably made. Information and its flow is both directed and governed by the characteristics which differentiate each model. Likewise the managerial styles (Figure 3) and their application can also be applied the meta

model that captures the contextualized or cultural framing action required for decision making. The management styles, in turn, map to layer four of the culturally framed decision making categories framework. This category or layer is directly inclusive of the culturally determined decision styles such as those described by Row and Mason. For example, conceptual managers prefer high ambiguity while a directive manager has a low tolerance to ambiguity. Levels 2, 3 and 5 are aptly inclusive of the remaining dimensions of Hofstede's model.

**Figure 4:** Research Model of Categories for Culturally Framed Decision Making



## 11. CONCLUSIONS

While business education has focused to incorporate global perspectives, business curricula can be argued to be conceived and framed at a local level. International accreditation like AACSB and the resulting standardization and homogenization of the way data are analyzed and how decisions are made drive curricular development. This resulting business education model provides a homogenized examination in a varied and cultural distinct world. The inclusion of cultural dimensions in the

business education model such as Power Distance and Uncertainty Avoidance enriches the potential for successful global awareness and understanding. While a case can be made for successful business practice and the teaching of such, ethnic, regional, and national cultural implications of managerial style and governance, it must be assessed and incorporated in the business practice. For instance, the use of a business model developed and applied in a Fortune 500 business may not necessarily transfer to an economy consisting entirely of small to medium companies where everyone knows everyone else producing locally consumed services or products. If this in fact is the case, the Hofstedeian cultural dimensions can be regarded as a major consideration in international business strategy and consideration. Likewise for culturally determined managerial decision styles. While the theories are well understood, there is a potential disconnect between the execution of business theory, the cultural perspective of the manager, and economic decisions made. To facilitate understanding and cultural contextualization, this paper proposes a research model that categorically frames decision making in culture based multi-dimensional taxonomy.

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