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ORIGINAL RESEARCH PAPER

Cultural implications of business strategy-making

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ABSTRACT:The central issue in strategy formulation and implementation process, or strategy-making, is the identification of environmental forces and the preparation of a plan of action to deal with them. This necessitates scanning the environment for gathering information. Environmental scanning should enable the firm to identify these forces. Doing this not only calls for information gathering, but also for deciding what to look for, where to look, and what to select from the very large amount of information available. These steps are based on culturally programmed perception processes. Also, strategy-making requires assessing internal capabilities of the firm. Both, internal and external steps in the strategy-making process involve perception and thinking, both of which are influenced by culture. Therefore, country differences can be expected in each step. In this regard, the process of strategy-making varies among managers of different cultures. This paper addresses these issues and discusses implications of cultural differences on the strategy-making process.

KEYWORDS: *Culture and strategy; Culture and perception; Cultural impact.*

INTRODUCTION

The central issue in strategy formulation is the identification of environmental forces that may have an influence on the organization and the preparation of a plan of action to deal with them. Environmental scanning should enable the firm to identify these forces. Doing this not only calls for information gathering, but also for deciding what to look for, where to look, and what to select from the very large amount of information available. The process is not an objective and mechanistic activity that is free of human biases. The scanning and information gathering is a culturally based perceptual process. The external environmental assessment aspect of strategy formulation has been described by Schneider (1989) as a five-step process of scanning behavior, information selection, interpretation, validation, and prioritizing. Because these steps are based on culturally programmed perception processes, country differences can be expected in each step.

Strategy formulation and implementation also deal with internal organizational issues that center on the relationships among people, such as the place of individuals and groups in the society, the hierarchy, power, and authority. Both internal and external steps in the strategy-making process involves perception and thinking, both of which are influenced by culture. Therefore, the process of strategy making varies among people of different cultures.

The paper elaborates on these issues in two parts. First, how people relate to the environment is discussed. Second, the relationship among people in different cultures is examined. Within the framework of these two presentations, cultural difference in perception and thinking is explained. The paper concludes with a discussion on implications on strategy-making.

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All managerial efforts are geared toward securing survival and success for the organization. The method of achieving these goals, however, varies. A number of factors differentiates among managers and their decision making processes. This variation, among many factors, is basically a product of the individual manager's personality and the environmental factors surrounding the organization. The environmental factors include economic, financial, social, political, technological, and cultural. Among all these factors, cultural issues stand out. The most prominent cultural factors are how people relate to the environment, and their relationship with one another.

Relationship with the Environment

American and many other Western societies consider exploitation of nature a desirable action. People are considered to be masters of the world and this belief leads to an engineering orientation toward nature. It means that the physical environment should conform to the design made by people. If there is any mismatch, it is the physical environment that should be changed to fit the plans and obstacles in the path are destroyed. In contrast to this proactive and engineering view, some cultures believe in a symbiotic relationship with the nature. Native Americans, for example, instead of attempting to change the environment, believe in living in harmony with the surroundings, and trying to be a part of it, not apart from it. The mental framework used by an engineering-oriented person is very different from a symbiotic mentality. Each mentality leads to a different scanning behavior. An engineering-oriented person looks for data in support of change and intervention in the environment. In contrast, preference to live in harmony with the environment leads a symbiotic-oriented person to search for non-destructive alternatives.

The scanning behavior is best carried out if one believes that people are able to control their environment. This belief, however, is not universal. The Buddhists and Muslims, for example, believe that events are predetermined. Such a belief limits their scanning behavior. If environmental forces are beyond the control of individuals, and if events are preordained, what is the use of a strategy? This is not to say that Muslim or Buddhist businesses function with no plans or strategies. It involves the acknowledgment in these cultures of the limits of human control. This is in sharp contrast to the American "can do" mentality and belief in self-determination.

Strategy formulation, above all, is a mental exercise and a thought process. Thinking patterns vary among people. This variation is due to the cultural programming of the mind that influences perception and shapes the individual psyche. In the simpler life of pre-industrial societies, people were accustomed to direct contact with objects and persons. In their thinking, they relied on *visual associations* between events and the environment. Industrial societies have grown complex and have substituted abstract concepts for the visual association, concrete objects, and relationships (Kolde, 1985). Now, we know that different parts of the brain are activated by abstract and concrete concepts (Crutch and Warrington, 2005; Binder *et al.*, 2005). Daily life in civilized societies relies more on conceptualization and abstraction. Cultures, however, vary in their methods of conceptualization and abstraction. There are cultural differences in the use of cognitive models of environment for interpretation of the nature and the world. An important cognitive model that very much influences organizational life is a causation model that is employed to explain events.

Research findings suggest, for example, that there is a difference between the way Americans and Japanese perceive causation (Diener *et al.*, 2003; Nakamura, 1964; Tusunoda, 1975; Masuda and Nisbett, 2001). In short, the type of information that people select from the scanning process is a function of cultural upbringing. Cultural differences result in various perceptual models that are the product of the abstraction process. Synthesizing these findings, Doktor (1983) suggests that managerial practices of the Japanese and Americans are due to different views of causation.

A different use of brain structure and differences in cognitive models lead to two different causation maps. American thinking is shaped by Aristotelian logic that assumes an action-reaction process, the position that events occur in "response" to one or more prior events. Most Japanese use an "environmental" model of causation. They rely on the concrete data received from primary senses. They emphasize the more concrete environmental relationships such as group consensus, nation, and security.

As Nisbett (2003) stated "two different approaches to the world have maintained themselves for thousands of years. These approaches include profoundly different social relations, views about the nature of world, and characteristic thought processes. Each of these orientations-the Western and the Eastern- is a

self-reinforcing, homeostatic system. The social practices promote the world-views; the world-views dictate the appropriate thought processes; and the thought processes both justify the world-views and support the social practices. Understanding these homeostatic systems has implications for grasping the fundamental nature of the mind, for beliefs about how we ought ideally to reason"

The American cognitive model is logical, sequential, and it is based on an abstract concept of universal reality. Japanese cognition is based on concrete perception that relies on senses data, emphasizes the particular rather than universal, reality is not abstract, and has a high sensitivity to environmental context and relationships. The abstract concepts used by Americans to explain organizational behavior, such as leadership, morale, and decision making, are not well defined in the Japanese language (Doktor, 1983).

Western cultures, and particularly the American culture, place a high value and priority on rational, objective, and factual information in support of business decisions. Aristotelian logic used by images of the same object. A three-dimensional view is due to the differences between the two images. Discarding the variations between the two images results in a two-dimensional, flat object. For the Japanese the objective truth of Aristotelian logic is a foreign concept, which does not have an exact equivalence in Japanese and therefore does not make sense. The translation of the term "objectivity" into Japanese does not quite match the meaning implied by it in the English language. The Japanese translation for the foreign word "objectivity" is *kyakkanteki*, which means the guest's point of view, and subjectivity is *shukanteki*, meaning the host's point of view (Maruyama, 1984; Pattee, 2012).

There are fundamental differences between the way Westerner and Easterners view the world. Westerners pay more attention to objects, while Easterners focus more on the overall surroundings. Consequently, Easterners are more likely to detect relationships among events than Westerners. Westerners believe more than Easterners in the ability to control the environment and see the world as composed of objects, while Easterners see the world as composed of substances. This leads to the Westerners method of organizing by categorizing the objects, and Easterners emphasizing the relationships. Because of Easterners' heightened perception of the environment, they attribute causality more to the context, and tend to resolve contradiction and conflict by seeking a middle option between two positions. Westerners on the other hand, rely more on logical rules and in resolving contradiction insist on the correctness of one side (Nisbett, 2003). Table 1 summarizes the differences between Easterners and Westerners.

It could be surmised from the preceding discussion that scanning behavior is a function of assumptions regarding the nature of "truth and reality" (Schneider, 1989). It also will be recognized that other aspects of the scanning behavior, namely, selection, interpretation, validation, and prioritization, are influenced by mental frameworks and the interpretation of the observation of environmental phenomenon (Marsh *et al.*, 2001). Observations of the managerial practices of other nations, for example, are interpreted using our cultural cognitive maps. The application of our cultural cognitive maps for understanding and evaluating the people of other cultures is also called a self-reference criterion (SRC). SRC is the unconscious reference to one's own cultural values (Lee, 1966). SRC may lead us to wrong conclusions. For instance, in the past few decades, the success of Japanese business has lead to the study of Japanese managerial practices, in a search to inconveniences for future adjustment. This, therefore, would call for a collective participation in the process (Maruyama, 1984).

In the same vein, the use of SRC in the interpretation of Japanese practices has resulted in another misunderstanding. According to American cultural models, conformity implies losing uniqueness, accepting uniformity, and submission to the rule of the majority. Therefore, it is not a complement to call someone a conformist. Conformity, however, is translated into Japanese "as sharp perception of the situation, unique sense of adaptation with reality, quick orientation and reaction to cope with various situations, responding to the needs of the overall situation." "Conformity" to the Japanese, using their own standards of desirability in judging behaviors, implies something desirable because it involves understanding others and the ability to comprehend situations from their viewpoints. It seems that the Japanese sense of conformity more closely corresponds to the "flexibility" of the Americans. In contrast, the American sense of conformity implies rigidity and inability to change (Maruyama, 1984). Along the same line of reasoning, the most important function of job rotation, for the Japanese, is to make each worker think "in one

another's head" and become mentally connected with others (Maruyama, 1984), while the purpose of job rotation in America is to reduce monotony and boredom. As a side benefit, of course, job rotation is utilized to build different skills among the workers, so that they can be employed interchangeably.

Relationships among People

Managerial functions, including strategy formulation, are based on the premise involving patterns of interpersonal relationships. It is accepted that in a business enterprise people will relate to each other in a predictable fashion. This predictability of behavior involves cultural programming such that a superior's order, and a subordinate's response, follow an expected pattern, and agreed on modes of behavior. The same is true for other relationships in the organization. Organizational hierarchies are established to deal with these relationships. The American work relationship is based on contractual arrangements that are based on earnings and career opportunities (Hofstede, 1993). An American, for example, in fulfilling his or her job responsibilities expects to receive corresponding rewards. No one is expected to make an individual sacrifice, unless other employees do the same. On that basis, strategies are formulated, and environmental opportunities are considered worthwhile to pursue, if they fit this framework.

In contrast, Japanese firms have a larger assortment of alternatives for strategic choices. Employees understand that each individual may be called on to make personal sacrifices for the benefit of the company. Such sacrifices, however, are interpreted differently. Japanese employees' sacrifice for the sake of their company is ultimately for their own benefit rather than self-sacrifice. If their sacrifice makes the company prosper, it will be their gain (Maruyama, 1984).

At the heart of the American strategic planning process is the concept of a fully functional market. The governing force of this market is pure, albeit theoretical, competition. Fair contractual agreements provide continuity for transactions between the managers as employers, and workers as employees. In effect, in this market the employees sell their labor for a price (Hofstede, 1993). The strategy process and the associated scanning behaviors are bound by these rules. In contrast, the governing principle for the French organization is the honor of each class, in a society

Table 1: Differences between Easterners and Westerners

Issues	Easterners	Westerners
1. Assumption about composition of world	See substance	See objects
2. Pattern of attention and perception	Attention to environment and relationships among events	Attention to objects
3. Relation to environment	Symbiotic relationship with nature. Environmental controllability is limited	Engineering orientation toward nature. Many opportunities to control environment
4. Change vs. Stability	See stability	See changes
5. Preferred pattern of explanation of events	Focus on objects and their environment	Focus on objects
6. Habits of organizing	Relationship focused	Task focused, Categorizing
7. Resolving conflict and contradiction	Seek middle way	Insisting on the correctness of one belief vs. other's
8. Use of formal logical rules	Not rely on Aristotelian logical rules. Use environmental model and relationships: Concrete data received from primary senses, e.g. group consensus	Rely on logical rules: Aristotelian, action-reaction process

Based on: Nakamura. 1964. Ways of Thinking of Eastern People, Honolulu, HI: East-West Center Press; Tusunoda, T. 1975. The differences of recognition mechanism toward natural sounds between Japanese and Westerners. Medicine and Biology, 88, 309-314; Doktor, R. 1983. Some tentative comments on Japanese and American decision making." Decision Sciences, 14 (4), 607-615; Maruyama, M.1984. Alternative concepts of management: Insights from Asia and Africa." Asia Pacific Journal of Management, January, 102; Nisbett, R. E. 2003. The geography of thought, New York, NY: Force Press, 44-45.

that has always been, and still is, extremely stratified. In France, "superiors behave as superior beings and subordinates accept and expect this, conscious of their own lower level in the national hierarchy but also of the honor of their own class" (Hofstede, 1993). Unlike the Americans, French consider management a "state of mind." Successful French managers share a distinctive sense of belonging to the French managerial class called *cadre.*

Most French managers come from engineering schools and see themselves belong to an elite group (Barsoux, and Lawrence, 2013), and managerial work as requiring an analytical mind, independence, intellectual rigor, and the ability to synthesize information . French managers are excellent at quantitative thoughts and expression, and the numeric aspects of strategy formulation. They believe that their achievement and high position is due to their intellectual ability. Consequently, senior French managers think their intellectual superiority entitles them to make the most critical and important decisions. Large French organizations are characterized by a centralized decision-making, hierarchical, and compartmentalized structure. Senior managers make all the important decisions, and expect to know all that happens in the firm so they can check everyone's class. The French educational system is set up such that a high proportion of the best brains from each generation channeled into business, civil service, and government. Such a system brings close cooperation between the French government and business. The special relationship between the French education system and business and also French cultural attributes create a unique managerial mentality. A simple way of explaining this uniqueness is to use a modified version of the often-cited statement by a GM president. The French equivalent of "What is good for General Motors is good for the United States," is "what is good for France is good for Peugeot" (Barsoux and Lawrence, 1991).

CONCLUSION

Management literature has been recognizing that American management theories are not universal. The strategic management process is the product of management theories and practices that are rooted in the American culture. Although the general framework, namely the objective of winning in a competitive global marketplace is universal, the methods, approaches, and orientation to it are not universal. Besides the differences due to environmental situations, the cultural differences among countries represent challenges for international managers. Although strategy is a response to environmental changes and uncertainties, the strategy-making depends on cultural values and assumptions. Since the essence of strategy formulation is perceptual and intellectual, international managers with different cultural backgrounds approach their jobs from different mental frameworks. In this vein, there are differences between the Eastern and Western strategy formulation process. A simple way to explain this difference is the use of analogies. Cooking practices among Americans and Japanese reflect their differences in thinking and relating to environment. There is a tendency for Americans to adhere as precisely as possible to the recipe. People of other cultures, including the Japanese, cook more by playing with the ingredients and cooking techniques as the situations demand. The Japanese tendency for situational conformity is reflected in all aspects of life, including the work life. When a Japanese manager needs to get out of office for a while, all he or she has to say to the staff is "yoroshiku tanomu," meaning "do as you think fit." The staff would keep on working without needing any other instruction. An American counterpart usually provides specific instruction for the staff before leaving the office (Iwata, 1982).

Recognition of cultural differences in the strategy-making enables managers to understand not only the competition, but also the orientation and attitudes of local people and supporting organizations. Acknowledging these cultural influences and the impact of culture in the strategy process results in relevant and appropriate managerial practices.

CONFLICT OF INTEREST

The authors declare that there are no conflicts of interests regarding the publication of this manuscript.

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