RELATIONSHIP OF SOCIETAL CULTURE AND STRATEGIC PLANNING

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Abstract

A number of researchers have argued that societal culture does have an impact on organizational processes relating to planning and decision making and on perceptions of strategic strengths and weaknesses and this report summarizes various ideas that have been advanced on how societal culture might influence the strategic planning process.

A number of researchers have argued that societal culture does have an impact on organizational processes relating to planning and decision making and on perceptions of strategic strengths and weaknesses.[2] Hoffman believed that there were several different ways that societal culture might influence the strategic planning process.[3] First of all, since culture shapes the way that people within an organization think, behave and evaluate it is reasonable to assume that culture would influence the processes used to make plans and the decisions that form the foundation for those plans.[4] Second, variations among culture with respect to critical values and beliefs can be expected to have an impact on a variety of management processes including strategic planning.

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[2] P. Haiss, Cultural Influences on Strategic Planning (1990); D. Brock, D. Barry and D. Thomas, Your forward is our reverse, your right, our wrong: Rethinking multinational planning processes in light of national culture, 9(6) International Business Reviews 678 (2000); G. Hofstede, Culture's Consequences (2nd Ed.) (2001); R. Hoffman and W. Hegarty, Top Management Influence on Innovations: The Effects of Executive Characteristics and Social Culture, 19(3) Journal of Management 549 (1993); S. Schneider and A. De Meyer, Interpreting and Responding to Strategic Issues: The Impact of National Culture, 12(4) Strategic Management Journal 307 (1991); and R. Hoffman, The Strategic Planning Process and Performance Relationship: Does Culture Matter?, 24(1) Journal of Business Strategies 27 (2007).

[3] R. Hoffman, The Strategic Planning Process and Performance Relationship: Does Culture Matter?, 24(1) Journal of Business Strategies 27 (2007) (citing D. Brock, D. Barry and D. Thomas, Your forward is our reverse, your right, our wrong: Rethinking multinational planning processes in light of national culture, 9(6) International Business Reviews 687 (2000)).

[4] R. Hoffman, The Strategic Planning Process and Performance Relationship: Does Culture Matter?, 24(1) Journal of Business Strategies 27 (2007) (citing S. Schneider and J. Barsoux,

Research has been carried out on the relationship of strategic planning to all of the most widely recognized dimensions of societal culture. With respect to uncertainty avoidance Hoffman observed that the attitudes of individuals in different societies regarding their ability to "control" their environment are likely to influence their perceptions regarding value and effectiveness of strategic planning. For example, researchers who had examined managerial practices among managers from different cultural clusters had found that in those cultures that perceived a greater control over their environments and where there was a higher tolerance for ambiguity firms tended to "use a more rational/analytical, top down approach to strategy making".[5] In contrast, managers operating in societal cultures where it was believed that individuals had less control over their environment, and where high uncertainty avoidance prevailed, were predicted to take a "less methodical approach" to strategic planning and decision making. Other researchers have argued that high uncertainty avoidance leads to increased planning activity, a higher perceived importance of planning and a longer planning time horizon while firms operating in low uncertainty avoidance cultures prefer to use more flexible, short-term planning processes.[6]

Hofstede observed that the manner in which the strategic planning process is structured is likely to be influenced by the level of power distance in the societal culture.[7] In that regard, Brock et al. concluded that a top-down highly structured planning approach will be preferred in high power distance cultures.[8] Nauheimer hypothesized that in countries such as the US where power distance was low and democratic values in the workplace were celebrated, planning would be more dynamic with greater communication flow and active inputs from employees at the divisional level. In contrast, in countries where power distance was higher and people accepted orders from managers and were extremely uncomfortable challenging those orders, Nauheimer expected that strategic planning would be very transparent albeit smooth.[9] Another study concluded that managers were more likely to tap into the experience of subordinates and allow them to participate in decisions when the societal cultural values included egalitarianism and low power distance; however, supervisorial authority and formal rules played much bigger roles in the making of decisions—and subordinate participation was minimal or non-existent—in societies characterized by hierarchy and power distance.[10]

Managing Across Cultures (2nd Ed.) (2003); and G. Hofstede, Culture's Consequences (2nd Ed.) (2001)).

[5] R. Hoffman, The Strategic Planning Process and Performance Relationship: Does Culture Matter?, 24(1) Journal of Business Strategies 27 (2007) (citing S. Schneider and J. Barsoux, Managing Across Cultures (2nd Ed.) (2003)).

[6] G. Hofstede, Culture's Consequences (2nd Ed.) (2001); P. Haiss, Cultural Influences on Strategic Planning (1990); and D. Brock, D. Barry and D. Thomas, Your forward is our reverse, your right, our wrong: Rethinking multinational planning processes in light of national culture, 9(6) International Business Reviews 687 (2000).

[7] G. Hofstede, Culture's Consequences (2nd Ed.) (2001).

[8] D. Brock, D. Barry and D. Thomas, Your forward is our reverse, your right, our wrong: Rethinking multinational planning processes in light of national culture, 9(6) International Business Reviews 687 (2000).

[9] M. Nauheimer, On Studying the Strategic Planning Process in Large Companies: Theoretical Perspectives and Evidence (2009), http://www1.unisg.ch/www/edis.nsf/SysLkpByIdentifier/3429/$FILE/dis3429.pdf

[10] P. Smith, M. Peterson, S. Schwartz, A. Ahmad, D. Akande, J. Andersen et al., Cultural Values, Sources of Guidance and Their Relevance to Managerial Behavior—A 47-Nation Study, 33(2) Journal of Cross-Cultural Psychology 188 (2002). See also B. Sukle and S. Debarliev, Strategic Planning Effectiveness: Comparative Analysis of the Macedonian Context, 14(1) Economic and

Brock et al. observed that there is more variety and flexibility in the planning processes used in in individualistic cultures while cooperation and conformity to the same process is expected when planning is conducted in collectivist cultures.[11] According to Steensma et al., tight, structured planning processes are preferred in competitive, masculine culture because they are more likely to achieve desired results.[12] In turn, flexible and bottom-up planning processes are more popular in feminine cultures.[13] Nauheimer suggested that differences among societies with respect to masculinity and femininity might come into play when disagreements arose during the planning process.[14] Finally, variations between societies with regard to their long term orientation might be expected to influence the length of planning horizons.[15]

Business Review 63, 85 (2012) (results from studies of developing countries appeared to indicate that participation by larger numbers of managers at lower levels of the organizational hierarchy is likely to increase as the level of power distance in the societal culture declines).

[11] D. Brock, D. Barry and D. Thomas, Your forward is our reverse, your right, our wrong': Rethinking multinational planning processes in light of national culture, 9(6) International Business Reviews 687 (2000).

[12] H. Steensma, L. Marino and R. Weaver, Attitudes Toward Cooperative Strategies: A Cross-Cultural Analysis of Entrepreneurs, 31(4) Journal of International Business Studies 591 (2000).

[13] D. Brock, D. Barry and D. Thomas, Your forward is our reverse, your right, our wrong': Rethinking multinational planning processes in light of national culture, 9(6) International Business Reviews 687 (2000).

[14] M. Nauheimer, On Studying the Strategic Planning Process in Large Companies: Theoretical Perspectives   and   Evidence   (2009), http://www1.unisg.ch/www/edis.nsf/SysLkpByIdentifier/3429/$FILE/dis3429.pdf

[15] M. Nauheimer, On Studying the Strategic Planning Process in Large Companies: Theoretical Perspectives   and   Evidence   (2009), http://www1.unisg.ch/www/edis.nsf/SysLkpByIdentifier/3429/$FILE/dis3429.pdf