

# International Differences in Strategic Decision Making: Contrasting American, Japanese & Chinese Business Leaders



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# RESEARCH MOTIVATION

**Internationalization is increasing**, ... so there is a **growing need to know**:

- How **businesses** around the world are **similar and different**?
- How **business managers** behave in different parts of the world?
- What **factors explain the differences**?
- How computer-based **information systems** can support **businesses & their managers**?

# DECISION MAKING

... is a fundamental activity for managers

Henry Mintzberg (1973) found that managers spend about **1/2 their time making decisions**

Mintzberg's Nature of Managerial Work identified **4 types of decisions** that managers make:

- **Entrepreneurial** (new ventures)
- **Disturbance Handling** (resolving conflicts)
- **Resource Allocating** (dividing the budget “pie”)
- **Negotiating** (prices, salaries, etc.)

# INFLUENCES ON DECISION MAKING

**All managers are decision makers ...**

**but**

their **socialization**, their **organizations**, and  
their **business environments are different**

These **factors** may affect decision making

**PROCESSES** and **CHOICES**.



# “in hot water over shark’s fin soup”

– New York Times 20 June 2005

Disney is being drawn into an unusual showdown between environmental sensitivities and Chinese tradition.

It began when Hong Kong Disneyland, a new theme park scheduled to open on September 12, announced that it will serve shark's fin soup, a chewy, sinewy, stringy dish that has been a Chinese favorite for two centuries.



Plans to serve the culinary delicacy at wedding banquets have drawn an outraged response from environmentalists. They say that so many sharks wind up in soup that there are not enough left swimming in the world's oceans.



Leery of looking like the Ugly American in China, the Walt Disney Co. has bent over backward to show its appreciation for Chinese traditions, and tried to conform to local standards.



Main ballroom is 888 m<sup>2</sup>.



## Lucky / Unlucky Numbers

**3 & 7 vs. 13**

Christian Western

Friday the 13<sup>th</sup>

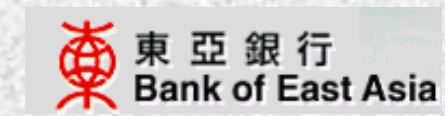
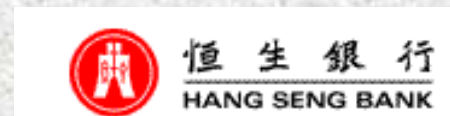
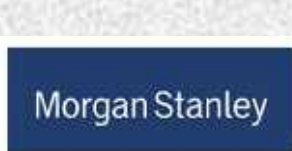
**8 vs. 4**

Cantonese Chinese

8 pm on 08 / 08 / 08

2,238 crystal lotuses decorate the Chinese restaurant because # sounds like “easily generate wealth”.

# Choices of Business Logos



# Explaining the Differences

What **concept** best explains **the differences** in **numbers** (lucky vs. unlucky) & **logos** (colours, shapes)?

Greek philosophy (Aristotle, Plato, Socrates) provides the foundation for **Western culture**

Philosophy of Confucius, Lao Zi, *Yi Jing*, etc. provides the foundation for **Chinese culture**

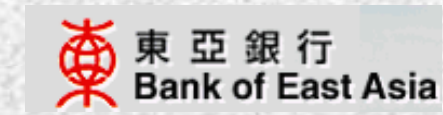
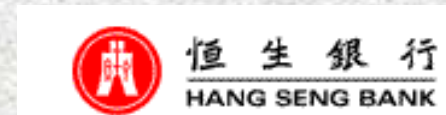




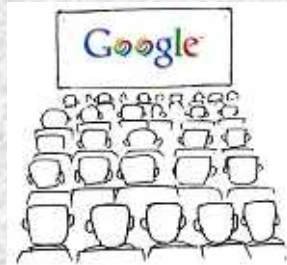
# Choices of Business Logos in Japan



# “Global” Business Logo ?



# Global Business Logos



# INFLUENCES ON DECISION MAKING

Managers are decision makers ...

but

Differences in their **socialization** and the **business environments** that they face

These factors may affect both decision making

**PROCESSES** and **CHOICES**.

We need to know:

**HOW** managers make decisions, and

**HOW** to support decision making (with IT).



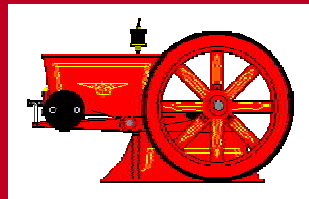
# Information "Systems"



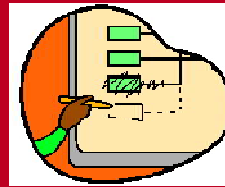
Martinsons & Westwood (1997) *I&M*  
Martinsons (2003) *I&M*



**COLLECT**



**PROCESS**



**ORGANIZE  
& STORE**



**ACCESS OR  
DISTRIBUTE**

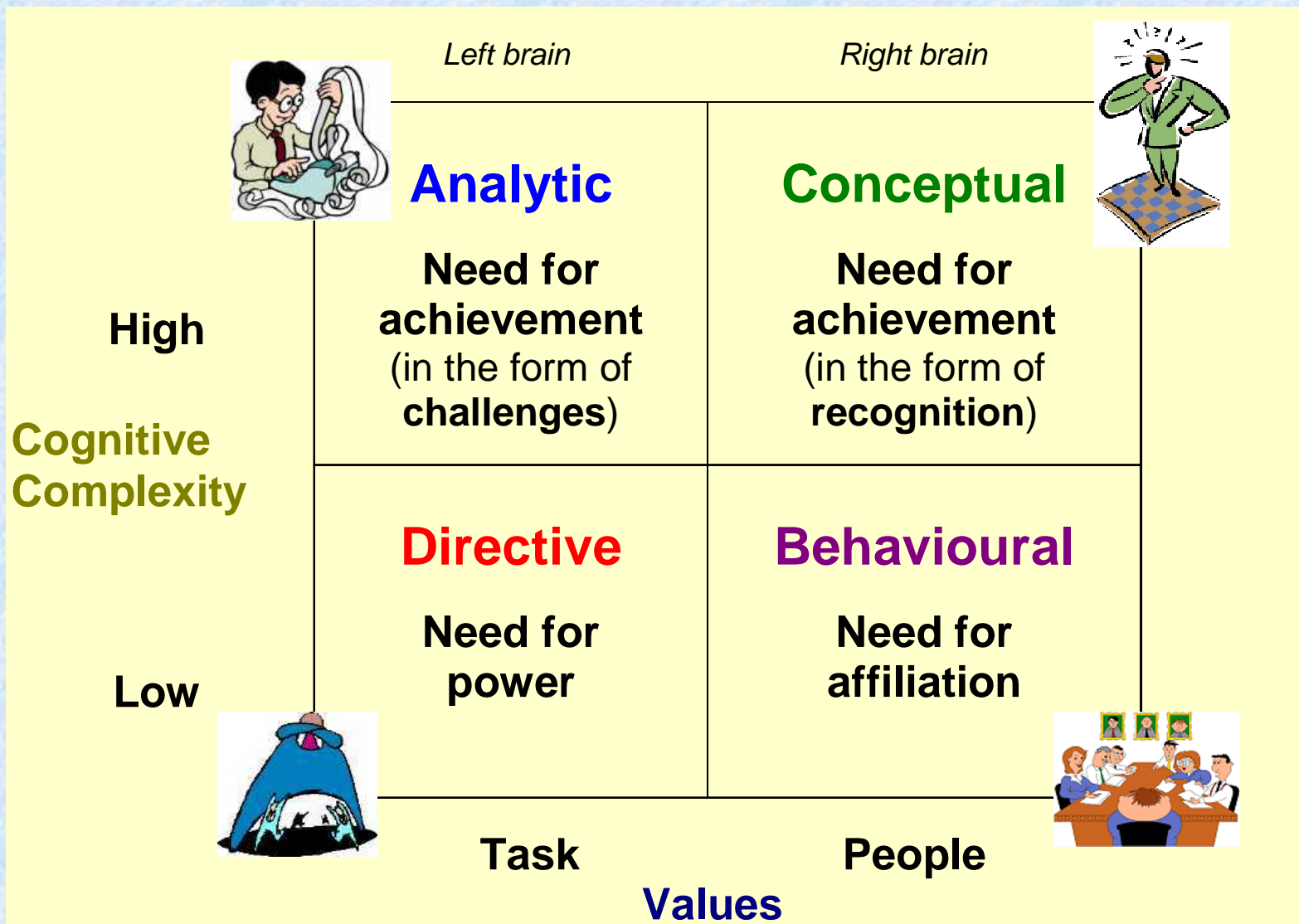


**USE TO  
DECIDE  
OR ACT**

- **Less formal data processing and storage**
- **More use of IT for vertical communications** to monitor and control business activities
- **Less use of IT for horizontal communications** to integrate and co-ordinate business activities
- **Less use of IT to support decision making**

# Decision Making Styles

Alan Rowe & James Boulgarides (1994)



# Compatibility Among Decision Styles

Alan Rowe & James Boulgarides (1994)

Boss→ ↓ Employee	Directive	Analytic	Conceptual	Behavioural
Directive	High	Low	Moderate	Low
Analytic	Low	High	Moderate	Low
Conceptual	Moderate	Moderate	High	Moderate
Behavioural	Low	Low	Moderate	High


# Studying the Decision Styles of Business Leaders: **Method**



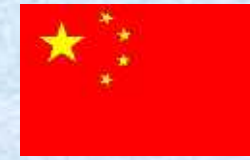
- Used the Decision Style Inventory (DSI) - 19 scenarios with forced ranking of alternatives
- Cooperated with a **leading business magazine** that hosts leadership “summits”
- DSI was completed by **309 American, Japanese and Chinese business leaders** @ “summits” in Hong Kong & Shanghai



# Which Business Leaders ?

-  Altria, General Electric, Hewlett Packard, Johnson & Johnson, Proctor & Gamble, Dell, Eastman Kodak, Kellogg, Union Carbide, ...
-  Canon, Japan Airlines, Honda, KAO, 3 companies in the Mitsubishi group, Nippon Steel, 2 companies in the Sumitomo group, ...
-  Brilliance China, China Everbright, China Overseas Shipping Company, China Unicom, CITIC Pacific, and Shanghai Industrial, ...

# Studying the Decision Styles of Business Leaders : **Key Findings**



- American, Japanese and Chinese business leaders each have a **Distinctive national style of decision making**
- Follow-up interviews conducted with some respondents enabled a **deeper understanding** of the differences and the reasons behind them

# DSI Scores of Business Leaders



	Americans (A)	Japanese (J)	Chinese (C)	Significant difference(s) at $p < .05$
Directive	65	69	84	$A < C ; J < C$
Analytic	82	72	73	$A > J ; A > C$
Conceptual	79	73	68	$A > C$
Behavioral	59	71	60	$A < J ; J > C$
Total	285	285	285	

Details @ [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=952292](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=952292)  
or search online (using **Google**, etc.) for “**Martinsons SSRN**”

# Decision Making Styles of Business Leaders: **By Nationality**

Low ◀ Cognitive Complexity ▶ High

**Analytic**

**Conceptual**



**Directive**

**Behavioural**  
(Participative)

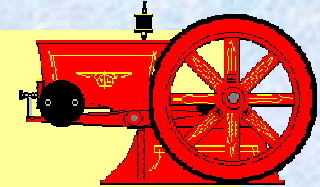


Task Completion

People & Processes

# Implications for Information Systems

- Decision Support Systems (DSS) fit the preference of American managers for quantitative and analytical decision making
- DSS rarely used by Chinese & Japanese businesses for strategic decisions
- DSS used by junior managers in China and Japan for operational control & coordination, e.g. electricity supply, coal mining, cement production, transportation networks.
- Asian leaders rely less on “data processing”
- So ... **How can IT applications help business leaders in East Asia?**



## China-specific Implications



- Chinese business leaders tend to have a lot of **discretionary power** within a **social hierarchy**
- Rely on **personal & informal** sources of information and communication channels
- **Key data is informal** (knowledge = power) rather than being in digital databases
- **Vertical communications** dominate over horizontal (P2P) communications
- **Exception** may be **younger Chinese leaders** with **international experience**

## Japan-specific Implications



- Japanese businesses have strong sense of **workplace collectivism** - tend to make **participative** and **consensual** decisions
- Opportunities for **collaboration software** usage that enables **informal information sharing** and **tacit knowledge management**
- IT opportunities are limited by a preference for verbal cues, as well as for *nemawashi*-style “behind the scenes” negotiation

+ + +



# KNOWLEDGE MANAGEMENT

Burrows, Drummond & Martinsons (2005)

	<b>UNITED STATES</b>	<b>JAPAN</b>	<b>CHINA</b>
<b>View of knowledge</b>	Measurable and manageable entity	Largely tacit and contextual	Large tacit and contextual
<b>Key assumption</b>	Knowledge is mostly objective and can be made explicit	Knowledge is mostly subjective and socially-dependent	Knowledge is both objective & subjective
<b>KM Roles</b>	Knowledge workers capture, codify and share knowledge from experiences	Everyone creates and shares knowledge as an integral part of socialization	Top management and trusted staff are repositories of knowledge
<b>KM Goals</b>	Profits are paramount – Productivity gains	People are paramount – Social consensus	Pragmatic – profits and/or people



## **Decision Styles of Business Leaders: Opportunities for Further Study**

- **Extensions – other countries /societies**
- **Updates - examine changes over time and generational differences**
- **More specific research to consider specific issues, such as whether different styles are used for different types of decisions, e.g. Mintzberg's 4 types**

# Decision Styles of European Business Leaders: International Differences

Low ◀ Cognitive Complexity ▶ High

**Analytic**

**Conceptual**

**Directive**

**Behavioural**  
(Participative)

Task Completion

People & Processes



# Decision Making Styles of CEOs

Martinsons (2008-2009) new survey

High  
Cognitive Complexity  
Low

**Analytic**



**Conceptual**

**Directive**



**Behavioral**  
(Participative)



Task Completion

People & Processes

# NEW CHINA BUSINESS LEADERS

## Charles Zhang

- MIT physics PhD
- **in the U.S.**, he learned about science commerce



PR/marketing  
communications  
management



Inspired by  
Prof. Ed  
Roberts

## Jack Ma

- Learned English  
tour guide for **U.S. firms** in Hangzhou
- First saw and learned to use PC (Apple)  
during **visit to U.S.** (Seattle, LA)
- Built Websites for Chinese firms  
with help of **U.S. friends**



# Conclusions 1

- **Big differences in decision making styles**  
= barrier to the global transfer of knowledge
- **Business leaders have deeply-embedded decision styles ... will not change easily ...**  
after all, their style made them successful
- **Information Systems must be customized**  
Adopt **international best practice**, but ...  
Also fit with the **prevailing local culture**.

## Conclusions 2

- Current **Decision Support Systems** & **Executive Information Systems** are better suited to American business leaders, due to their decision making style and preference for codification and analytical reasoning.
- **Group-oriented IT applications**, to support **interpersonal communication** and **tacit knowledge sharing**, will be better received in Japan, and in modern Chinese enterprises

A collection of military medals and a compass on a wooden surface. The medals include a red ribbon with a circular emblem, a blue ribbon with a circular emblem, and two silver Maltese crosses with central emblems. A pair of glasses and a compass are also visible.

**THE END**

**Thank You!**

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