Section 2. Management

Identification of the impact of organizational culture on the decision-making method

Canco Irina,
PhD Candidate,
University of Pecs,
Faculty of Business and Economics.
Ministry of Finance, Albania.
E-mail: cancoirina@yahoo.com

Abstract: The dynamic development in the business organizations dictates the permanent necessity of decision-making. Because of its impact and the expected consequences, continuous decision-making is a critical moment for the business and an important duty for managers, in order to achieve the set goals. Decision-making is important as it leads to growth and development of the business. Thus the decision-making acknowledgement and its factors is an important duty for business perspective.

The paper presents a real situation and the impact of one factor such as the organization culture on the method of decision-making of businesses in Albania, Montenegro and Macedonia.

Keywords: decision-making, centralized business culture, collective organization culture, intuitive methods, analytic methods.

Introduction
Business organizations differ. This differentiation should be viewed as a conditioned interaction by factors such as the business organization's values and culture. The organization culture perceived as an approach method of its members leads to reciprocity and the need to engage and cooperate in determining the method to be used in decision-making. The components of the culture of the organization grouped into several groups. So, the majority of the cultural factors can be grouped under four categories: the locus of control; decision style and mode; orientation group; and hierarchy [1]. The organizational culture of business affect on the organization's decision. In a more collective management culture, decisions will be reached at through a process of consultation and discussions, although the authority to make final decisions may still be vested at the top of the organization [2]. The influence of the culture of the organization, about the importance of the necessity that it presents to the decision-making process, has also been assessed by the researchers because culture, thus, not only fulfills the function of providing stability, meaning, and predictability in the present but is also the result of functionally effective decisions in the group's past [3]. Culture of the organization, in its composition, is influenced by national culture. This makes us face different organizational cultures in different countries. In considering the impact of national cultures can evidence two types of cultures and their reflection in the way of decision-making. So, in an individualist management culture, such as in North America, Anglophone countries and Northern Europe, managers tend to take their own decisions in relation to their job responsibilities and their budget [3]. In Japan, it is seen another method of decision-making. In this context, the prime example of a collectivistic management culture is Japan, where decision-making is carried out through a consultative process, with everyone involved in the discussion and decision-making [3]. Whereas in China the link is between the culture organization and decision-making method is moderated one. In a turbulent environment, Chinese cultural factors will most lead to faster decision-making because of the decision style, and the attention received by the boss or the chief executive [1].

The aim of the paper is to measure the influence of organization culture on the decision-making methods.

Methodology
The methodology of this paper includes the desk work and the field work.

Desk work: considers the study of literature in foreign language, mainly English and that in Albanian lan-
guage, the data analysis linked with the completion of the set objectives, prepared questionnaire and drafting conclusion.

Field work: The part of field work is the interviewing. We interviewed 167 managers in Albania, Montenegro and Macedonia.

**Analysis results**

Thus, the centralized business culture generally represents a denied opportunity for collaboration in the decision–making process. Therefore, the centralized culture increases the potential for the use of experience based methods on decision–making, being the intuitive methods. The collaborative culture within the business organizations increases the availability of the human capacity in the decision-making process; accordingly it is hypothesized that the collaborative culture can enhance the opportunities for decision–making according to the analytical methods.

The business success is considerably dependent upon the organizational culture in decision–making. The organizational culture not only does reflect the prevailing ideology of the managers, among other perspectives, in the decision-making process, but it has also a significant impact on the business performance because in many case studies of the culture–performance relationship exist ... [4] To this purpose, the culture definitely conveys a sense of identity orienting the managers on how to operate towards decision–making. The organizational culture is a feature that differentiates the business, thus constituting a mere advantage. Herewith is explained the fact that businesses have different cultures also in the decision–making process. On analyzing the decision–making culture in doing businesses in the regional countries we refer to the following tables.

**Factor Analysis**

According to the table no. 1 indicators result that the index KMO reaches the value of 0.532, which is within the set limits, enabling us to further analyze the data through the factor analysis. Even the Bartlett’s Test values, which are smaller than 0,05 highlight the fact that the factor analysis could be potentially useful to our data. So, considering the KMO index value of 0.532 and the Bartlett test having p < 0.001, assessed by the respective scholars as ‘very highly significant’, to this reason the factor analysis is appropriate [9].

| Component | Initial Eigen values | Extraction Sums of Squared Loadings | Rotation Sums of Squared Loadings |
|-----------|----------------------|-------------------------------------|----------------------------------|
| Total     | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1– Centralized Culture | 1.476 36.902 36.902 | | 1.476 36.902 36.902 | 1.283 32.080 32.080 |
| 2– Collective Culture | 1.057 26.429 63.331 | | 1.057 26.429 63.331 | 1.250 31.251 63.331 |
| 3          | .828 20.702 84.033 | | | |
| 4          | .639 15.967 100.000 | | | |

Extraction Method: Principal Component Analysis.

As indicated by the table no. 2 is evidenced that the total explained variation amounts to 63.331%, a value meeting the Kaiser criterion [10].

| Component | Initial Eigen values | Extraction Sums of Squared Loadings | Rotation Sums of Squared Loadings |
|-----------|----------------------|-------------------------------------|----------------------------------|
| Total     | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1– Centralized Culture | 1.476 36.902 36.902 | | 1.476 36.902 36.902 | 1.283 32.080 32.080 |
| 2– Collective Culture | 1.057 26.429 63.331 | | 1.057 26.429 63.331 | 1.250 31.251 63.331 |
| 3          | .828 20.702 84.033 | | | |
| 4          | .639 15.967 100.000 | | | |

Extraction Method: Principal Component Analysis.

On the above stated, we can execute the questionnaire’s grouping of assertions, on considering the business organization culture in the decision–making approach, according to the correlative relationship among them. The assertion grouping on the culture aspect is represented as following:
Identification of the impact of organizational culture on the decision-making method

Table 3. – Rotated Component Matrix*

| Component                        | 1-Centralized Culture | 2-Collective Culture |
|----------------------------------|-----------------------|----------------------|
| 1. Management hierarchy does not allow enough space in selecting the decision-making method. | .790                  |                      |
| 2. When the organization culture envisions the decision-making made by the owner, is noticed a tendency for rapid decision-making. | .757                  |                      |
| 3. The collective management organization culture orientates a consultation based decision-making. |                      | .806                 |
| 4. The organization culture in our business refers to decision-making by voting. |                      | .733                 |

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
* Rotation converged in 3 iterations.

To the study of relationships we have referred to the reliability analysis that considers the “Cronbach Alpha” coefficient, which indicates the compliance rate among the variables as a group. Correlation between two forms given virtually at the same time, is a coefficient of equivalence, showing how nearly two measures of the same general trait agree [5]. The data of the following table no. 4 evidence an acceptable reliability. It proves that the surveyed manager’s evaluation on the organization culture questionnaire statements has an acceptable compactness. The value of the “Cronbach Alpha” coefficient evidences once more the phenomenon that was observed during the field survey. Specifically, concerning an interpretative difficulty on the organization culture notion in general and the organizational culture in decision making in particular, on the managers part.

The interpretative difficulty in question for the interviewed managers is explicable if considering that the regional countries have not inherited any culture concerning the decision making manners. These countries have a dictatorial past, wherein the state dictated upon the businesses, which were also entirely state-owned. Thus, the business managers lacked any minor degree of independence on choosing the decision-making method, the approach of doing business and on the overall decision-making culture. Therefore these claims were difficult to duly comprehend by the business managers although the time at their disposal, to this part of the survey, was relatively long. “Cronbach Alpha” coefficient presented as follow:

Table 4. – Reliability Statistics

| Cronbach’s Alpha | No of Items | Cronbach’s Alpha | No of Items |
|------------------|-------------|------------------|-------------|
| .401             | 2           | .360             | 2           |

However, researchers also hold different positions on the issue. So, the researchers regarding on the data validity via the “Crombach Alpha” clarifies that Cronbach Alpha has indicated 0.7 to be an acceptable reliability coefficient but lower thresholds are sometimes used in the literature [6]. At the same time, after a certain point, higher values of alpha do not necessarily mean higher reliability and better quality scales or tests [7].

Under the conditions, the factor’s designation is done as following:

Factor 1: The centralized business culture orientates the manager (owner’s) concentration in the decision-making process — This label may be best suited if we refer to the fact that all assumptions that may be included in this factor have as their main focus the hierarchical leadership role in determining the decision making method. To measure the “centralized cultures” impact in decision-making, two main statements are included in the questionnaire. The principal components analysis thereof resulted in a single factor. The allegations concerning this factor and their factorial weight are presented in table 3.

Factor 2: The collective organization culture enables decision-making based on (cooperation) consultation — The assumptions included in this group consider cooperation as an important element in decision-making. To this factor two main statements are included in the questionnaire. The principal components analysis thereof resulted in a single factor. The included allegations concerning this factor and their factorial weights are presented in the table.
Multicollinearity Measurement

The correlation coefficient between the two components of the organization's culture regarding the decision-making procedure is evaluated as statistically important as to \( p < 0.05 \). This coefficient turns out to be negative, namely the value \( r = (-0.188) \), which means that the strengthening of one component leads to the weakening, at the same proportions, of the other component. Namely, the strengthening of the organization’s collective culture reduces the centralized organizational culture (the owner’s influence).

Since the multicollinearity coefficient results included within the defined limits it constitutes a precondition to the use of multiple regressions.

| Centralized Culture | Collective Culture |
|---------------------|--------------------|
| Pearson Correlation | 1                  |
| Sig. (2-tailed)     | –.188*             |
| N                   | 165                |

As demonstrated above, the decision-making method is influenced by the organization's culture components. Cultural congruence is present in an organization when the dominant characteristics, leadership style, organizational glue, and strategic emphasis all are consistent with one another; for example, they may all be indicative of a clan culture type [4].

Notwithstanding the foregoing, the connection existing between the components of the organization's culture and business decision-making methods will be statistically verified. To this we refer to the hypotheses raised for this purpose.

Regression Analysis

Working in businesses the employees strive to meet their economic and social needs through the emotional support and the cooperation into achieving their objectives. To this purpose, the business organization must cultivate a specific organization culture as to achieve an equilibrium between the labor productivity and meeting the employees individual needs. This approach makes possible the clarification of the future vision of the business organization, granting simultaneously to the organization's members security to their future. It is enabled, among other things, through the decision-making and the methods used therein. To this aim the below hypotheses is formulated:

\( H_1: \) The centralized organization culture is expected to positively affect the use of intuitive methods in decision making.

The business organization culture, with its two composing constituents, represents a crucial factor which affects in the choice of the method to be used in decision-making. To this we refer the regression analysis results. The findings of the analysis are shown in tables no. 6; 6.1; 6.2, which indicate the relationship between the independent variable “the business organization culture” and the dependent variable “the use of intuitive methods in decision making”.

In Table 6 we notice that \( R^2 = 0.147 \), which indicates that 14.7% in the alternation of the intuitive methods use in decision–making is accomplished by the business organization culture. The rating on both components results statistically significant in explaining the phenomenon. The relationship between the independent variables and the dependent variable can be express via the equation as follows:

\[
y = 3.134 + 0.281 * x_1 - 0.251 * x_2 + e
\]

\( y \) — decision making methods — intuitive methods

\( x_1 \) — centralized business culture

\( x_2 \) — collective business culture

\( e \) — random term

| Model | R     | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------|----------|-------------------|---------------------------|
| 1     | .384a | .147     | .137              | .78892                    |

a. Predictors: (Constant), collective culture, centralized culture.
Identification of the impact of organizational culture on the decision-making method

Table 6.1. – ANOVAa

| Model    | Sum of Squares | df  | Mean Square | F     | Sig.  |
|----------|----------------|-----|-------------|-------|-------|
| Regression | 17.394         | 2   | 8.697       | 13.974| .000b |
| Residual  | 100.827        | 162 | .622        |       |       |
| Total     | 118.221        | 164 |             |       |       |

a. Dependent Variable: intuitive
b. Predictors: (Constant), collective culture, centralized culture.

Table 6.2. – Coefficientsa

| Model    | Unstandardized Coefficients | Standardized Coefficients | T     | Sig.  |
|----------|-----------------------------|---------------------------|-------|-------|
|          | B                           | Std. Error                | Beta  |       |
| 1        | (Constant)                  | 3.134                     | .388  | 8.084 | .000  |
|          | Centralized Culture         | .281                      | .081  | .255  | 3.454 | .001  |
|          | Collective Culture          | -.251                     | .076  | -.243 | -3.283| .001  |

a. Dependent Variable: intuitive

The processing of questionnaire data collected for the culture rubric emphasizes the fact that the relationship between the dependent variable and the independent variables does not hold a similar direction. Therefore, the connection between the intuitive methods use to the centralized decision-making business culture is positive and the contrary is proven concerning the collective culture. Thus the H1 hypothesis set up to this purpose is confirmed.

H2: The collective action culture enables the use of analytical methods in decision making. Whereas, to analyze the impact of the collective action organization culture on the analytical methods we refer to the regression analysis results presented in the tables 7; 7.1; 7.2, wherein is observable that $R^2 = 5.3\%$. It proves that the dependent variable variation is conditioned up to 5.3\% by the independent variables.

The data evidences that the assessment on both components results statistically of almost the same importance level in explaining the phenomenon. It means that the organizational cultures dimensions have nearly the same trend in the use of analytical methods in decision making.

The relationship between the independent variables and the dependent variable can be expressed according to the below equation:

\[ y = 3.430 + 0.090x_1 + 0.083x_2 + e \]

where $y$ — decision making methods — intuitive methods
$x_1$ — centralized business culture
$x_2$ — collective business culture
e — random term

Table 7. – Model Summary

| Model | R       | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|---------|----------|-------------------|---------------------------|
| 1     | .231a   | .053     | .042              | .37065                    |

a. Predictors: (Constant), collective culture, centralized culture.

Table 7.1. – ANOVAa

| Model    | Sum of Squares | df  | Mean Square | F     | Sig.  |
|----------|----------------|-----|-------------|-------|-------|
| Regression | 1.255          | 2   | .627        | 4.566 | .012b |
| Residual  | 22.255         | 162 | .137        |       |       |
| Total     | 23.510         | 164 |             |       |       |

a. Dependent Variable: analytical
b. Predictors: (Constant), collective culture, centralized culture.

Table 7.2. – Coefficientsa

| Model       | Unstandardized Coefficients | Standardized Coefficients | t     | Sig.  |
|-------------|-----------------------------|---------------------------|-------|-------|
|             | B                           | Std. Error                | Beta  |       |
| 1 (Constant)| 3.430                       | .182                      |       |       |
| Centralized culture | .090                      | .038                      | .182  | 2.342 | .020  |
| Collective culture | .083                      | .036                      | .180  | 2.316 | .022  |

a. Dependent Variable: analytical
With respect to the above stated, the impact of the two components of the organization culture on the use of the analytical methods in decision-making is highly similar to one-another, because the collective culture involves the voting, but voting is rated low because it involves judgment, but not analysis [8]. However, both the intuitive methods and the analytical methods occupy an important position. In this way the hypothesis H2 is confirmed.

But the organization’s culture is influenced by national culture. So for some researchers emphasize that the Chinese have specific characteristics in this area which explain the adaptability of and perceived risk in making strategic decisions. They explaining that Chinese managers exhibit patience in making decisions, lack a sense of urgency, and can be informal and insensitive to time in the decision process [1].

It should be noted that the position managers retain towards the organization’s culture aspects as evidenced above, stems from a strong connection to tradition. Recognizing the fact that the three regional countries come from a centrally planned economy, but with varying degrees of centralization, the concept that “organization culture” meaning is mainly based on the orientation of what is judged important to the organization, is not yet entirely assimilated.

**Conclusion**

Based on the study and data gathered on the impact of organizational culture on decision making method we can come to some conclusions such as:

- Choosing decision-making methods that managers used in business is a complex situation. The very amelioration of the decision-making quality starts from the selection of decision-making method, aiming at the most efficient methods. This characterized by the specifics of the organizational culture of the business. The business organization culture, with its two composing constituents, represents a crucial factor which affects in the choice of the method to be used in decision-making.
  - From the interview with the managers it resulted that the centralized organization culture is expected to positively affect the use of intuitive methods in decision-making.
  - Based on the study we can stress that is important to oriented to chosen of decision-making methods based besides the intention, perspective should be considered as well. So, from the study resulted that the collective action culture enables the use of analytical methods in decision making. The analytical methods posed the improving the decision-making methods, as a reflection to the contemporary changes. This is an ongoing subject of the manager’s activity.
  - The impact of the two components of the organization culture on the use of the analytical methods in decision-making is highly similar to one-another, because the collective culture involves the voting.
  - It should be noted that the aspects of organizational culture stem from a strong connection to national culture.

**References:**

1. Cheng, V.; Rhodes, J. and Lok, P. (2010): “A framework for strategic decision making and performance among Chinese managers”, The International Journal of Human Resource Management, Vol.21, No.9, P. 1360–1395.
2. Hurn, B. and Tomalin, B. (2013): “Cross-Cultural Communication Theory and Practice”, Publisher: Palgrave Macmillan UK, P. 32–69.
3. Schein, E. H. (2004): “Organizational culture and leadership”, 3rd edition, Cambridge, Massachusetts, P. 82–130.
4. Cameron K. S. and Freeman S. J. (1991) “Cultural congruence, strength, and type: Relationships to effectiveness”, Research in Organizational Development, 5, P. 23–58.
5. Cronbach, L. J. (1951): “Coefficient alpha end the internal structure of test”, Psychiatry Vol 16, No.3, P. 297–332.
6. Santos, J. Reynaldo A: “Cronbach’s Alpha: A Tool for Assessing the Reliability of Scales”, Journal of Extension www.joe.org, April 1999//Volume 37//Number 2//Tools of the Trade//2TOT3.
7. Panayides, P. (2013): “Research Reports Coefficient Alpha Interpret With Caution”, Europe’s Journal of Psychology, Vol. 9 (4), P. 682–698.
8. Peniwati, K. (2007): “Mathematical And Computer Modelling”, 46, ELSEVIER, P. 931–952.
9. Kaiser, H. F. (1974): “An index of factorial simplicity”, Psychometria, 39. P. 31–36.
10. Kaiser H. F. (1958): “The varimax criterion for analytic rotation in factor analysis” Psychometrika — Vol 23, No 3 September, P. 187–202.
11. Osmani, M (2004): “Statistics”, Published by GEER, P. 259–290.