Performance Appraisal Along Cultural Dimensions: Truth or Consequences

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The increasing number of international companies and the cooling global economy coincide to highlight the popular topic of cultural differences and their impact on the measurement of business unit performance. Just as a "rising tide lifts all boats," an expanding global economy helps almost every company. But as the growth fueled by economic expansion decreases, the need for reliable measures of performance becomes more apparent.

In the decade since the Balanced Scorecard was first written about, its use has become widespread. This performance measurement technique depends heavily on nonfinancial measures and leading indicators that drive performance (Kaplan and Norton, 1996). Along with a growing recognition that effective measures of business unit performance must include more widely applicable strategic measures than those offered by historical financial performance is the recognition that nonfinancial measures often include behavioral metrics that are affected by culture. A sizable body of research attempts to pinpoint differences in cultural attitudes and provide guidance on how managers may avoid a cultural bias in performance measurements.

EFFECTS OF CULTURAL DIFFERENCES ON BUSINESS

Geert Hofstede's ambitious examination of cultural differences and their impact on business (Hofstede, 2001) studied employees in more than 50 nations and has served as a basis for many additional studies. One of the appealing characteristics of Hofstede's research is the intuitive collaboration most readers can offer from experience.

Hofstede eventually identified five cultural dimensions:

1. *Power distance* is the degree to which less powerful members of a culture will accept the unequal distribution of power.

2. *Individualism and collectivism are opposites.* Hofstede explains that, in an individualist society, ties between individuals are loose and people are expected to look after themselves. In a collectivist society people integrate into strong, cohesive groups and tend to do what is best for the group.

3. *Uncertainty avoidance* is defined by Hofstede as the degree that members of a culture fear the unknown or feel stressed by change and ambiguity.

4. *Masculinity and femininity are opposites.* According to Hofstede, in masculine societies the norm is for men to be assertive and focused on material, while the norm is for women to be tender, modest, and concerned with the quality of life. In contrast, gender roles overlap in feminine societies.

5. *Long-term versus short-term orientation* is concerned with whether people focus on the future or the present. Cultures with a long-term orientation focus

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on future rewards, perseverance, and thrift. In contrast, cultures with a short-term orientation value respect for tradition and fulfilling social responsibilities.

FIRST DIMENSION: POWER DISTANCE

As stated, power distance is the degree to which less powerful members of a culture accept unequal distribution of power. In the work environment, decentralized authority with a relatively flat organizational structure and a small percentage of supervisory personnel characterizes *low* power distance cultures. Inequality of roles is viewed as the result of convenience.

The ideal boss is seen as resourceful, practical, orderly, and democratic; the ideal boss depends on personal experience and the counsel of subordinates. The boss-employee relationship is pragmatic. Information flows freely between levels. Institutionalized grievance channels are established to handle possible abuse of power. Subordinates respond to bargaining or reason, and management by objective is likely to be successful. The salary range between managers and workers is relatively narrow, and there are relatively few status symbols and privileges for managers. Managers tend to be satisfied with their careers, including the level of compensation. In low power distance cultures, job satisfaction, high performance, and increased productivity result from employee participation in management decisions.

On the other hand, in *high* power distance cultures, authority is concentrated at the top of a vertical organizational structure. There are relatively more supervisory personnel, and the resulting differences in power are an accepted inequality between higher-level and lower-level individuals. Managers rely on formalized roles in which authority is vested and workers expect to be told what to do without consultation. Close supervision and authoritative leadership are expected to lead to job satisfaction, higher performance, and increased productivity.

SECOND DIMENSION: UNCERTAINTY AVOIDANCE

Uncertainty avoidance is the degree to which members of a culture fear the unknown. Cultures with a low degree of uncertainty avoidance do not feel stressed and threatened when faced with change and ambiguity. Low uncertainty avoidance cultures have a relatively short average duration of employment with each employer and feel little loyalty to the employer. Although self-employment is uncommon, they prefer to work for smaller organizations.

The power of superiors depends on their position and relationships. Innovators feel independent of the rules, and renegades are championed. A relatively high number of trademarks are granted and, although innovation is encouraged, it is not necessarily taken seriously. Precision and punctuality must be learned and managed, but there is little demand for flexible working hours. There is a general skepticism toward technological solutions and rather than relying on expertise and specialists, confidence is placed on generalists and common sense. Activities are oriented toward relationships rather than tasks, and managers feel confident in the ambition and leadership ability of their employees. Top managers tend to concentrate on strategy.

In high uncertainty avoidance cultures, there is a strong loyalty to one's employer, and job tenure is relatively high. A relatively high number of individuals are self-employed, but those who are not tend to prefer larger organizations. The power of managers depends on their ability to control uncertainty. Innovators feel constrained by the rules, and radical ideas are avoided in favor of the rational solution. There is a strong reliance on technical solutions, special-

ists, and expertise. Few trademarks are granted, and innovation is resisted. An innovation, once accepted, becomes the norm and is applied consistently. Precision and punctuality come naturally, and flexible working hours are popular. Managers do not have confidence in the ambition and leadership abilities of subordinates, and top management is deeply involved in operations.

THIRD DIMENSION: INDIVIDUALISM VERSUS COLLECTIVISM

Individualism and collectivism are opposites, as described earlier. In a high individualist society, ties between individuals are loose, and people are expected to watch out for themselves. Employees are expected to act in their own economic best interest, and employee-employer relationships are seen as transactions in a labor market. However, employee commitment to the organization is high, and poor performance is reason for dismissal. Family relationships have a negative impact on hiring decisions, and special treatment for family or friends is unethical.

Training is most effective when focused at the individual level. More people report working individually, and there is a great deal of reliance on individual decisions. Employees work longer hours, but maintain more control over job and working conditions. The composition of work groups is based on the individual criteria of the member without regard for any personal associations or characteristics the members share, and relationships with coworkers are not based on their group identity. In business relationships, task and company prevail over personal relationships. The preferred reward allocation is based on what is equitable for the individual, and incentives are preferred for individuals. Direct appraisal of performance leads to higher productivity. The prevailing attitude is that open communication about how one feels about others aids productivity.

In high collectivism cultures, employees are expected to act in the best interest of their own "in-group." Employee-employer relationships are seen as a personal commitment akin to family relationships. However, employee commitment to the organization is low, and poor performance is addressed by assigning other tasks. Family relationships are given priority in hiring decisions, and special treatment for family and friends is expected. Training is most effective when focused on the group; more people report working and making decisions in teams. Employees work fewer hours, and maintain less control over job and working conditions. The composition of work groups is based on group criteria, such as ethnicity, and the relationship with coworkers is cordial within the group but hostile to those outside.

In business relationships, personal relationships prevail over company and task. The preferred reward allocation is based on what is equitable between groups but equal to individuals within the group. Group incentives are preferred over those for individuals. It is believed that direct appraisal of performance is a threat to harmony and that open communication about how one feels about others will spoil cooperation.

FOURTH DIMENSION: MASCULINITY VERSUS FEMININITY

This dimension is the degree to which emotional roles are divided among men and women. In masculine societies, the norm is for men to be assertive and focused on the material, while women are expected to be tender, modest, and concerned about the quality of life. In feminine societies, the gender roles tend to overlap, and both men and women are expected to be tender, modest, and concerned about quality of life.

In more masculine societies, work is the focus of life. The expectation is that work should not only offer security and compensation, but should also be interesting. Managers are expected to be decisive, firm, assertive, competitive, and just. Successful managers are seen as folk heroes with solely male characteristics. Men are expected to be more competitive than women in attaining career goals, and members of either gender who want success expect to inconvenience their families to attain success at work. The compensation gap is wider between the genders, and fewer women hold management positions. There is higher job stress and burnout in healthy employees, but lower absenteeism due to sickness. Conflicts are resolved through denial or fighting it out until the best "man" wins. Managers prefer larger companies and higher pay in lieu of leisure time, and they have ambitious career aspirations.

In feminine cultures, work is seen not as the focus of life but as a way to support the more important things in life. The focus of work life is on relationships and working conditions. Managers are expected to be intuitive and sensitive to the needs and counsel of others. Successful managers are seen as employees who are just doing their jobs and who possess both male and female characteristics. Neither men nor women are expected to be competitive in attaining career goals, and members of either gender are less likely to inconvenience their families for career success. The compensation gap between the genders narrows, and more women are in management. There is lower job stress and burnout in healthy employees, but there is higher absenteeism because of sickness. Conflicts are resolved through problem solving, compromise, and negotiations. Managers prefer smaller companies and fewer hours worked in lieu of high pay, and they have more modest career ambitions.

FIFTH DIMENSION: SHORT-TERM ORIENTATION VERSUS LONG-TERM ORIENTATION

The fifth dimension is that of short-term versus long-term orientation, and is concerned with whether people focus on the present or the future. Cultures with a short-term orientation value respect for tradition, saving face, and fulfilling social responsibilities. In the work environment, cultures that are low in long-term orientation tend to focus on short-term results, such as the immediate impact on the bottom line. They tend to keep family and business spheres separate and condone work for mothers of young children. Additionally, the level a person attains both socially and economically reflects ability.

On the other hand, cultures high in long-term orientation focus on building business relationships, market share, and future rewards, particularly perseverance and thrift. There is a vertical and horizontal coordination of work and family life, with many relationships sharing both realms. It is thought that young children of working mothers suffer from the fact that their mothers work. In general, it is believed that all people should live more or less equally.

EMPIRICAL RESULTS

Hofstede's original data was drawn from 50 countries and three regions of grouped countries. All participants were from international offices of IBM. He normalized the scores for each of the five dimensions so that most groups would fall between 0 and 100. Using his scoring criteria, however, it was possible for a group's score to fall outside this range. High power distance, uncertainty avoidance, individualism, masculinity, and long-term orientation are associated with high scores.

For example, by comparing 53 countries or regions, Hofstede found Malaysia to be highest (ranked first) in power distance, with a score of 104. Austria was lowest with a score of 11. The United States, Australia, and Japan were all moderate on this dimension with scores of 40, 54, and 36 and ranks of 38, 41, and 33, respectively.

Uncertainty avoidance was most pronounced in Greece, where the score was 112. Japan was high in uncertainty avoidance and ranked seventh with a score of 92. The United States and Australia ranked fairly low on this dimension, with scores of 46 and 51 and ranks of 43 and 37. The country that ranked lowest on uncertainty avoidance was Singapore, with a score of 8.

Hofstede found that people from the United States and Australia scored high in individualism, ranking first and second, respectively, with scores of 90 and 91. Japan tied with Argentina for the 22nd and 23rd spots, with a score of 46, and Guatemala ranked last with a score of 6.

Japan ranked first in masculinity, with a score of 95, while the United States and Australia ranked a relatively low 15th and 16th, respectively, with scores of 62 and 61. Sweden ranked lowest, with a score of 5.

Hong Kong, Taiwan, and Japan led in long-term orientation, with scores of 96, 87, and 80. Spain was the lowest in long-term orientation, with a score of 19. The United States and Australia received moderately low scores of 29 and 31, respectively.

INTERPRETATIONS

Just reading through this cursory comparison of the rankings of various countries on these dimensions, it is easy to see their intuitive appeal. However, even this elementary analysis reveals some surprises. Why would Greece rank highest of all countries in uncertainty avoidance? Greece was followed closely by Portugal in second place, so intuitively one might expect other Southern European countries bordering the Mediterranean to round out that group. But not so, because Spain and France were in the group tied for 10th through 15th place, and Italy (at number 23) was solidly in the middle group. Japan ranked high on this list at 7, but Taiwan scored a modest 26th place, and Singapore was last.

Hofstede recognized that factors other than culture might be highly influential on this analysis, and he reported the results for some countries with age as a controlling factor. When age was considered, Japan moved to the top spot, while Greece and Portugal fell to third and second respectively. France and Italy remained in roughly the same rank as before among the countries for which this factor was reported. Singapore remained in the last place, while Taiwan remained near the middle.

One might conclude that this is evidence of the robustness of Hofstede's measures. On the other hand, one might conclude that there are other, as yet unexplored factors affecting the outcome. Hofstede attempted to address some of the apparent contradictions by distinguishing between the way employees idealize how the work environment should be versus how they personally desire their work environment to be, and then declared that they were not the same.

Hofstede provided a seminal work in the area of cultural impact on business, and his work continues to be considered as a standard of excellence for researchers wishing to pursue a rigorous, scholarly analysis of the impact of culture on business. The revised 2001 edition of his work was designed to encourage research in this area. Regardless of Hofstede's desire to engage in further rigorous research, it is difficult to formulate a unified image of the research applying Hofstede's cultural dimensions. In addition to the questions the original

work left unanswered, subsequent researchers have not been consistent in their use of Hofstede's dimensions, which makes interpretation of the results difficult. Numerous studies apply Hofstede's cultural dimensions to various aspects of international management and human resource management, with varying results. Many of those studies have implications for the application of Hofstede's cultural dimensions to the evaluation of business unit performance.

Unfortunately, rather than endeavoring to expand and validate Hofstede's dimensions, subsequent researchers have tended to accept his model as a paradigm. Certainly this is no fault of Hofstede's, but it seems to have led some researchers who failed to support his original conclusions to the tendency to explain away their contrary findings rather than take them seriously. For an in-depth analysis of Hofstede's work and the body of related research from both supporters and detractors see, among others, Sondergaard (1994), Yeh and Lawrence (1995), Chapman (1997), and Baskerville (2003).

Detractors have pointed out that Hofstede's data was collected from the employees of only one company. It is quite possible that the corporate culture biased his results. Other limitations include the fact that the original questionnaire was not developed to study national culture at all, and that culture was equated with nationality. It is entirely possible that if the same instrument were administered to individuals of different ages and different religious, ethnic, and socio-economic backgrounds in the United States, a huge disparity would become evident. Perhaps the most serious limitation is that the questionnaire was originally developed in one language, and then the exact same questions were carefully translated into the other languages. This process alone could easily have introduced a tremendous bias into the data. Language is so culturally charged and experience is so culturally driven that, even if the "same" questions were asked, it is unlikely that all subjects interpreted the meaning of the questions identically.

Certainly, whether Hofstede's cultural dimensions represent a solid paradigm or should just be considered a useful model that has led others to conduct some interesting studies—some rigorous and some less defensible—would be immaterial to the problem of conducting fair, comparable performance evaluations across business units located in and led by managers from different countries if it were not for the fact that these cultural dimensions are becoming firmly rooted in management practice. Despite not having been widely supported, Hofstede's cultural dimensions have gained widespread acceptance as a way to frame management issues from a cultural perspective.

The mixed results and inherent limitations of research using Hofstede's cultural dimensions seems to suggest that at this point they may be nothing more than a set of stereotypes that are being perpetuated to the detriment of the "classes" or cultures being classified. Far from being a proven technique to improve the fairness and viability of performance evaluations, use of Hofstede's cultural dimensions may be a source of discrimination and injustice when misapplied. At the very least, Hofstede's work has made managers more sensitive to the existence of cultural differences that may exist between workers in different cultures. These differences are real, and the thoughtful manager should be open to accommodating this diversity.

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