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The Impact of Culture on Performance Evaluation Styles

A Comparison of CEE and German speaking Countries

Submitted by: Mag. Andreas Feichter

Research Assistant

Department of Strategic Management and Innovation

Vienna University of Economics and Business Adminstration

Contact details:

E-mail: andreas.feichter@wu-wien.ac.at

Telephone: 0043/1/313 36 5097

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Abstract

This paper analyzes the influence of cultural differences between CEE and German speaking countries along various cultural dimensions on the choice of performance evaluations. Data concerning the implementation of subjective and objective performance evaluation were gathered in seven CEE and three German speaking countries. Preliminary survey results will be available by the end of August 2007.

Key words: Culture, performance evaluation, subjective evaluation, objective evaluation

1) Introduction

The choice of performance measures to be used in incentive contracts is an essential as they translate a company's strategy into desired behavior and results (Van der Stede/Chow/Lin 2006, p. 185). Choosing the wrong performance measure or more specifically the wrong performance evaluation style may lead to no effects or in the worst case to dysfunctional effects, namely the destruction of company value (Bowens/van Lent 2006). Performance measures are one of three important components of a system for the provision of incentives (e.g. Ittner/Larcker/Meyer 2003, Ittner/Larcker 1998). The two others are the incentive itself and the function of rewards which indicates the proportion of an incentive an agent receives for his performance (Laux 1999).

Managers, acting as principals in employer – employee relations are obliged to make reasonable decisions concerning evaluation styles. Performance assessments are important for different managerial decisions, for instance promotions, bonuses, performance interventions, etc. (Gibbs et al. 2005, Prendergast 1999, Gibbons 1998, Baker/Jensen/Murphy 1988). Managers depend on information provided by management accounting systems or information obtained through other channels. Literature mainly distinguishes between two alternative approaches. Firstly, when using so called objective performance measures for evaluation purposes (explicit contracts) principals rely on performance measures which could be observed by any involved person. The second approach, subjective (discretionary) performance evaluation depends mainly on judgments of managers or other superiors and involves the use of qualitative information. In contrast, the previously mentioned depends on quantitative information (Gibbs et al. 2005, Moers 2005).

Managers who are in charge of companies which operate in more than one country or region, have to consider the issue of culture in their decisions concerning the choice of performance evaluation styles. In accordance with literature, managers of such companies have to decide whether to transfer their local management control systems, of which performance evaluation systems are part of, or whether they should adapt it to local needs in order the establish a fit between the system and local culture (Chenhall 2003, Van der Stede 2003, Harrison/McKinnon 1999, Chow/Kato/Merchant 1996). Some authors go even further and claim that the question of culture could lead to substantial advantages in times of globalization (e.g. Smith 1992, p. 39). Throughout this paper, the impact of cultural dimensions on the use of performance evaluation styles will be addressed. The dimension power distance which describes the extent to which a superior's authority is accepted, could be used to illustrate the impact of culture on performance assessments. For instance, in cultures that show only a low level of power distance subjective performance evaluation might not be accepted by subordinates, and therefore, it could be regarded as unsuitable as it might not lead to the expected subordinate behavior. In contrast, in cultures which are considered as high power distance cultures, a subjective performance evaluation style is more likely to motivate subordinates to act in the desired manner, and hence, could lead to the anticipated results (Van der Stede 2003, Merchant/Chow/Wu 1995). A further cultural dimension which might have an impact on the use of performance evaluation styles is future orientation. This dimension could influence the choice of performance measures, as for instance, in cultures which are considered to be high future oriented cultures the acceptance and use of subjective indicators like long-term orientation on the business or loyalty towards the firm might be quite high. In contrast, in cultures with low future orientation evaluation based on such criteria might be rather uncommon.

Many Austrian and German companies are currently operating in the booming Central and Eastern European (CEE) region. Today they are obtaining a huge part of their profit from this region. So far, no study considering the cultural differences between CEE and German speaking countries and their influence on performance evaluation styles has been conducted. This paper attempts to fill this gap by analyzing the differences in performance evaluation styles with regard to cultural circumstances in

CEE and German speaking countries. An additional feature of this study is that the assumptions concerning culture are based on findings of the Globe Study, published in 2004, which challenged some of the known drawbacks of the common approach based on Hofstede's taxonomy. According to the Globe Study (House et al. 2004) there are significant cultural differences between CEE and German speaking countries regarding certain cultural dimensions. Specifically, CEE countries and German speaking countries show quite different results on the two above mentioned dimensions (power distance and future orientation) (House et al. 2004) which are considered to have a fundamental impact on the implementation of performance evaluation styles.

The remainder of this paper is organized as follows. In section (2) two different performance evaluation styles, objective and subjective will be discussed. This analysis also includes a brief analysis of different performance measures (financial/non-financial/subjective performance measures). Afterwards (section 3) the main differences between the CEE and the German speaking culture will be analyzed, whereas those dimensions will be covered which are assumed to have the greatest impact on performance evaluation styles. This section also includes the development of hypotheses. In section 4 the research method will be described and in section 5 the results of a survey conducted in seven CEE countries (Bulgaria, Czech Republic, Hungary, Poland, Romania, Russia and Slovakia) and in three German speaking countries (Austria, Germany, Switzerland) will be presented. Finally, the implications of the survey results will be discussed.

2) Performance Evaluation Styles

In today's dynamic global environment it is essential for companies to have short communication ways and what is even more important, to be able to make quick decisions, as only those companies are successful which can rapidly respond to changes. Therefore, it is necessary that decisions are made by those people who are able to make the best decisions as they possess all necessary information. This approach involves the delegation of decision-making authority. In such a setting subordinates might have an incentive to behave opportunistically due to asymmetric information and incompatible objectives, as the person delegating decision-making authority and the person in charge of making the choice could pursue different goals. Thus, the principal-agent problem which provides the basis for all latter analysis will be briefly reviewed.

Principal-Agent Problem

In the classic agency model a principal delegates decision-making authority to an agent or he wants the agent to perform a certain task for him. The principal does this because an agent might possess private information or due to other reasons (e.g. marketability) might be in a better position to decide. As a result of asymmetric information the principal is unable to asses whether the output or result produced by the agent was easily achievable or not, or if a higher performance would have been possible. Therefore, the principal is unable to determine the effort taken by the agent. As both, principal and agent are considered to be self interested individuals who are trying to maximize their utilities, goal incongruence might be the result. Resulting from this, the agent might have an incentive for opportunistic behavior and thus, maximizing his utility by acting not in the principal's desired manner (Eisenhardt 1985, Jensen/Meckling 1976).

In general, a principal can follow two strategies to prevent opportunistic behavior by the agent. On the one hand, a principal can monitor the actions taken by an agent and on the other hand he can align the agent's objectives to his own objectives through the provision of incentives (Jensen/Meckling 1976).

However, the first solution to the agency problem might often seem not preferable, as for instance, it does not really make sense to delegate decision-making authority and afterwards monitor the actions taken. In addition, in today's fast changing environment it quite often seems impossible to predict the desired behavior or to determine the right decision to be taken. To sum up, as the task programmability seems to become more and more imperfect – the latter solution to the principal-agent problem, the provision of incentives seems to be favorable. Holmström (1979, p. 74) concludes the same by saying: "Generally, however, full observation of actions is either impossible or prohibitively costly." Due to the undesired possibility of monitoring a large theoretical literature discussed the matter of how companies should design compensation contracts in order to induce employees to operate in a company's best interest (Prendergast 1999, p. 7).

For these obvious reasons companies establish systems to provide their employees with incentives. Such a system mainly consists of three components. First, the incentive itself, second a performance criterion and third, the link between the contribution of the beneficiary to company value or performance and the incentive he/she obtains (Laux 1999). Within the second issue, performance evaluation, two general approaches can be distinguished, namely, subjective and objective performance evaluation. Whereas the primary represents the subjective or discretionary assessment of an employee's contribution by his superior, the latter is based on objectively obtainable information (e.g. Moers 2005, Prendergast 1999, Gibbons 1998). Objective performance evaluation is based on performance criteria anybody would assess in the same manner (e.g. ROI, market share). Usually it involves the comparison of a quantitative financial or non-financial performance measure to a preset performance standard (Gibbs et al. 2005, Moers 2005). Objective performance evaluation results in explicit contracts between agents and principals, and represents contracts that could be enforced by a court. In contrast, an implicit contract, which would be used in connection with subjective performance evaluation, is not enforceable by a court (Baker/Gibbons/Murphy 1994, p. 1127). It should be stressed that there is a difference between non-financial performance measures and subjective performance evaluation. Non-financial performance measures are quantitative and can be objectively obtained, for instance, market share or customer satisfaction, data which is quite often generated by independent companies. Contrary, subjective performance evaluation is based on qualitative information, for instance, the focus on long-term business, or cooperation between two department, etc. (Van der Stede/Chow/Lin 2006).

Through the provision of incentives a superior tries to align the objectives of an agent with his own. The higher the individual contribution of an agent is, the higher will be the bonus or the reward the subordinate obtains. Thus the decision how to assess individual performance is essential (Bowens/van Lent 2006, Moers 2005). The underlying assumption is, as already discussed, that both, superior and subordinate try to maximize their utilities. As through the alignment of objectives the employee might achieve his individual objectives by pursuing company goals, goal congruence can be established. To conclude, it could be assumed that subordinates are motivated to exert more effort in order to increase their income through improved performance if pay is related to performance (Moers 2005, Holmström 1979).

Positive impacts through performance evaluation

The question whether or not the provision of incentives might lead to positive company results has been intensively analyzed in the past. For instance, Deci (1976) argues that the provision of extrinsic incentives undermines the existing intrinsic motivation and therefore might not lead to the desired results. Economists like Kohn (1988) claim that employees – when being controlled through incentives – might put too much effort on only the rewarded tasks while neglecting other unrewarded activities. These unrewarded activities could be rather important for the company. Furthermore, people controlled through incentives might also avoid risks. Due to the high importance of performance evaluation in this context the two approaches, objective and subjective performance evaluation are discussed below.

Objective Performance Evaluation

Objective performance evaluation is based on quantitative performance measures. The results of these measures are usually compared to a preset standard (Gibbs et al. 2005, Moers 2005). This procedure makes the performance assessment comprehensible and transparent. The information used to evaluate is derived from financial performance measures, for instance, ROI, EVA. It should be stressed that also non-financial performance measures (market share, defect rates, etc.) can be used for objective performance assessments.

An objective performance evaluation system is rather inflexible as it is usually formula-based and does not allow usage of additional information obtained from other sources but the agreed performance measure(s) (Prendergast 1999). Prendergast (1999, p. 8) illustrates the problem of including objective performance measures in incentive contracts and their low flexibility by providing the following example:

"(…), consider a baseball player who receives a contract with a reward for hitting home runs. The danger here is that the player will attempt to hit home runs even in situations where it is not warranted." Similarly, applied to Europe, in soccer it might be dangerous to include a goal bonus for a striker. For instance, if the contract states that for each goal the striker scores he receives a bonus, he will start trying to score from every position, even if it would be better to pass on the ball to another team member who is in a better position to shoot a goal. The final result would be that the team does not score as much goals as it could, thus implying dysfunctional behavior through the provision of an incentive.

It becomes apparent from the two examples mentioned above that using objective (explicit) performance measures for evaluation purposes might lead to dysfunctional behavior. For obvious reasons the striker, or the baseball player will try to maximize his own utility (usually individual income). Subordinates will mainly focus on those aspects that will be rewarded as they will try anything in order to maximize their reward (Prendergast 1999, Baker/Jensen/Murphy 1988, Kohn 1988). This already represents the main disadvantage of objective performance evaluation and could be summarized under the statement: "What gets measured gets attention, particularly when rewards are tied to the measures." (Eccles 1991, p. 131). Another problem associated with the reliance on explicit performance criteria is that any possible setting, any possible situation has to be known ex-ante. Thus, any contingency has to be included in the performance contract. As it is impossible to take all possible developments into account the use of objective performance evaluation might always involve the risk of evoking and rewarding dysfunctional behavior by agents.

In addition, evaluating based on objective financial measures may lead to rewarding short-term results. This is nowadays even more dangerous for companies, as long-term orientation, for instance investments into intangible assets, become more and more important (quite often they are the basis for competitive advantages) (Gibbs et al. 2005, Gibbs et al 2004, Ittner/Larcker/Meyer 2003). Therefore, Ittner/Larcker (1998) suggest the observance of "forward-looking" non-financial measures. These non-financial measures should be implemented in order to overcome the main problems of so-called traditional performance measures, which are often heavily criticized, for instance, for being historical and backward looking, for not indicating future performance, for rewarding short-term behavior and for providing aggregated information only (Ittner/Larcker 1998, p. 217).

Furthermore, objective performance measures may also be manipulated by subordinates as they usually possess private information the supervisor does not have and therefore can not consider in the performance evaluation process (Gibbs et al. 2005, Ittner/Larcker/Meyer 2003, Baker/Gibbons/Murphy

1994). As every involved party tries to maximize its utility, employees may be tempted to use their information advantage in order to manipulate the performance measure.

Finally, individual performance can not be measured objectively in most jobs due to joint production and due to the fact, that in most cases individual input is not observable (Baker/Jensen/Murphy 1988). An apparent problem in this context is that most jobs do not only involve one single task but a lot of different ones. Therefore, it is impossible to define one objective performance criterion that really represents individual performance (Moers 2005). The use of multiple performance measures is an approach which attempts to overcome these difficulties. However, the selection of multiple quantitative measures creates further challenges.

If multiple measures are used, the weight attached to each one has to be defined (Ittner/Larcker 1998). A company which communicates the weights attached to each measure could face the risk that employees will focus on the measures having the most importance. Additionally, the use of greater measure diversity can lead to goal incongruence as the measures might be conflicting and put the person to be evaluated into an undesirable position, as whatever actions the person takes, it will always be at the expense of a good result in other measures (Van der Stede/Chow/Lin 2006).

To sum up, objective performance evaluation typically cannot be used to create ideal incentives. It is obvious that objective performance evaluation does not meet evaluators' expectations as it is impossible to obtain a clear picture concerning an employee's individual contribution to overall company performance (Baker/Gibbons/Murphy 1994). Even the inclusion of non-financial performance measures is insufficient to overcome the disadvantages of an objective evaluation style. Apparently, objective performance evaluation involves a lot of problems and it is unclear whether the application of this style is suited to evoke the desired behavior by agents and to align the interests of principals and agents. Therefore, literature recommends a subjective performance evaluation style, which should provide the principal with a clearer picture of the individual contribution towards company performance by the agent. "Since it is difficult to specify all aspects of workers' jobs in an explicit contract, a common way of providing incentives is to use subjective performance evaluation, perhaps in addition to some objective assessments" (Prendergast 1999, p. 9). Gibbons (1998), like a number of other authors recommends assessing total contribution of subordinates at least through a combination of an objective and a subjective style. The use of subjective performance evaluation allows superiors to take additional, non-contractible information into account while assessing performance (Gibbs et al. 2005, Moers 2005, Gibbs et al. 2004, Ittner/Larcker 1998, Baker/Gibbons/Murphy 1994). Accordingly, objective assessment can be supplemented with qualitative information. Thus, subjective performance evaluation can help to mitigate distortions in the evaluation which could arise due to the usage of quantitative performance measures (Gibbs et al. 2004, Ittner/Larcker/Meyer 2003, Baker/Gibbons/Murphy 1994). The combination of these two approaches gives companies the chance of improved goal alignment.

Subjective Performance Evaluation

Subjective performance evaluation mainly depends on judgments of managers or other superiors and allows evaluators to take information into account which is only qualitatively obtainable (Gibbs et al. 2005, Moers 2005). Under such a setting, subordinates are evaluated on basis of personal impressions of their superior(s) (Prendergast 1999). Therefore, in literature, this evaluation style is also known as discretionary performance evaluation (e.g. Gibbs et al. 2004).

Subjective assessments have the benefit to provide the evaluator with a more fully rounded picture of individual performance. For instance, for the example above mentioned a subjective performance evaluation style would allow the superior to reward the baseball player for hitting a home run only if attempting to do so was warranted at that time (Prendergast 1999, p. 9). This already indicates one of the main advantages of a subjective performance evaluation approach: flexibility.

A system based only on objective measures might be quite inflexible, and therefore, unsuitable for an unpredictable environment. Subjectivity could be used to take value-enhancing efforts by subordinates into account which are not easily quantified and would not be considered under an objective performance evaluation style (Gibbs et al. 2004, Ittner/Larcker/Meyer 2003). Superiors evaluating based on subjective criteria are able to take, for instance, the surprising entry of a new competitor or a sudden crisis into account. Subjective evaluation allows evaluators to filter uncontrollable effects (Gibbs et al. 2004) and thus, to really assess the contribution of an individual subordinate to a company's value. Additionally, in such situations the motivational effect of incentives depending on objective measures might diminish, as employees consider the reward as being lost. In a subjective evaluation scheme the motivational effects may remain constant as the subordinates may still be able to obtain the rewards as the goals can be adapted (Gibbs et al. 2004, Merchant/Manzoni 1989).

In addition, subjective performance evaluation might also help to avoid short-term orientation by employees (Gibbs et al. 2004). An evaluation system based only on accounting information is unable to promote future oriented decision-making. In contrast, a subjective system might enable superiors to take qualitative information which includes data concerning future results of actions taken by subordinates into account. For instance, investments into intangibles might be enhanced if evaluations are done subjectively and are not (only) based on accounting measures (Gibbs et al. 2004). Particularly in a dynamic environment the assessment of subordinates based on information generated through subjective performance evaluations seems favorable, as objective measures are rather inflexible, and therefore are unable to reflect an individual's contribution to overall performance in a dynamic environment.

Surprisingly, subjective performance evaluations seem to be unpopular, not only with subordinates but also with supervisors (Merchant/Mazoni 1989, Baker/Jensen/Murphy 1988). Employees and managers prefer clear criteria for performance evaluation. A subjective performance evaluation style seems to be arbitrary and not comprehensible. Principals might prefer objective performance criteria as they do not lead to conflicts with agents resulting from unclear evaluation criteria (Ittner/Larcker/Meyer 2003, Baker/Jensen/Murphy, 1988). Subjective performance assessments are also considered to be less accurate and reliable (Van der Stede/Chow/Lin 2006). Additionally, subjective performance evaluation might give supervisors too much power, as they assess the total contribution on their individual criteria and that rewards are distributed according to individual preferences of evaluators (Moers 2005, Prendergast/Topel 1993). Contrary, Gibbs et al. (2004, p. 410) report that subjectivity increases satisfaction with the pay schemes if the superior – subordinate relationship is based on a high level of trust. In addition, Gibbs et al. (2004) state that in this context trust can only be established if the superior makes fair and unbiased judgments.

As the CEE region could be regarded as a rather dynamic one, the implementation of subjective performance evaluation systems could be appropriate. Before deciding on the system a contingency factor

– culture – has to be considered. Culture might have great influence on the choice but even more on the acceptance of management controls and particularly the performance evaluation style (Chenhall 2003, Van der Stede 2003). Management control systems, and thus performance evaluation styles that are effective in one country or cultural setting might or might not have dysfunctional impact on overall effectiveness in a different cultural setting (Chow/Lindquist/Wu 2001, Chow/Shields/Wu 1999, Chow/Kato/Merchant 1996). For example, in many countries, subjective performance evaluation – as describe above – is not commonly used and managers and employees are evaluated on basis of objective performance measures. This could be, at least to a certain extent be traced back to a lack trust.

3) Culture & Hypotheses development

Organizations have to decide whether to adapt their management control systems which include their performance evaluation style to the respective culture or whether to assume that due to convergence of cultures this is not necessary. Before managers can make these decisions they have to be aware of cultural differences and their influence on respective components of performance evaluation systems (Harrison/McKinnon 1999, Merchant/Chow/Wu 1995). As already stated in the introduction, the adaptation of management control systems to culturally based circumstances could be the source of substantial advantages compared to competitors in a globalized world (Smith 1992).

According to the Globe Study (House et al. 2004, p. 15) culture can be defined: "(…) as shared motives, values, beliefs, identities, and interpretations or meanings of significant events that result from common experiences of members of collectives that are transmitted across generations." Cultures can be distinguished across nine different dimensions, which are performance orientation, future orientation, gender egalitarianism, assertiveness, society-collectivism, in-group-collectivism, power distance, humane orientation and uncertainty avoidance. With respect to cultural differences and their influence on performance evaluation styles three dimensions, namely power distance, uncertainty avoidance and future orientation are of particular interest.

In this study, a new approach to relate culture to performance evaluation has been taken. So far, research related with cultural issues and performance evaluation relied on Hofstede's taxonomy (e.g. Van der Stede 2003, Chow/Shields/Wu 1999, Merchant/Chow/Wu 1995). These cultural constructs, individualism vs. collectivism, power distance, uncertainty avoidance, masculinity vs. femininity and later confucian dynamism represent the most widely used taxonomy in business and accounting research. Hofestede's work has been heavily criticized in connection with management control research but also in general (e.g. Harrison/McKinnon 1999, Smith 1992). Hofstede's results were criticized as they were derived only from data from IBM-employees. Thus, the constructs were built only on basis of answers from employees of an IT-company. In addition, it is possible that there are additional dimensions which were not identified as they were not represented in Hofstede's questionnaire. Finally the data could be considered to be rather antiquated as they were collected in the 70ies of the last century (Smith 1992). The Globe Study was published in 2004 and tries to overcome the drawbacks of Hofstede's work. In addition, data were gathered from 17,300 managers in 951 organizations (House et al. 2004). Furthermore, points for which Hofstede's work was criticized were the number of cultural dimensions and the lack of a more detailed consideration of some dimensions, for instance, different forms of collectivism (smaller groups – society). The Globe Study challenges these drawbacks as it identifies nine cultural dimensions compared to five in Hofstede's taxonomy. Therefore it could be assumed that the Globe Study considers relevant cultural dimensions which are not taken into account in Hofstede's taxonomy.

So far, in the area of performance evaluation the influence of power distance and uncertainty avoidance were the commonly considered cultural dimensions (Van der Stede 2003, Merchant/Chow/Wu 1995). Power distance can be defined as: "The degree to which members of a collective expect power to be distributed equally." (House et al. 2004, p. 30). Therefore, it could be derived that power distance describes the extent to which decisions of leaders or the persons in charge are accepted. Authority is respected. For instance, for performance evaluation, a high power distance could mean that subordinates accept any evaluation by their superiors (Van der Stede 2003, Chow/Lindquist/Wu 2001). They have no right to participate and the superior has the power to decide along which criteria to assess his employees. Furthermore, the assessment criteria do not have to be transparent. According to the Globe Study, the mean values for power distance are significantly higher for the Eastern Europe cluster (consists of Greece, Hungary, Albania, Slovenia, Poland, Russia, Georgia and Kazakhstan) than those for Germanic Europe (Austria, The Netherlands, Switzerland, Germany-East, Germany-West) (House et al. 2004, p. 549). Thus, the relations between evaluators and the persons to be evaluated in CEE are considered to be more formal than in German speaking countries.

According to literature and the results on power distance of the Globe Study it could be assumed that in CEE performance is predominately evaluated subjectively. In contrast, as power distance is much lower in Germanic Europe subjective performance assessment will not be totally accepted by subordinates. Therefore, there is a need for objective observable information and it is supposed that there is a higher use of objective performance evaluations in these countries.

Secondly, uncertainty avoidance has to be taken into account when discussing the impact of culture on the design of performance evaluation systems. Uncertainty avoidance describes the extent to which people of one society are able to cope with unpredictability of future events and try to avoid situations of insecurity (House et al. 2004). For instance, cultures which have high uncertainty avoidance show a tendency towards formalizing policies and procedures. Additionally, a strong emphasis on verifying communication in writing and a strong resistance to change can be observed. Thus, it could be assumed that the process of performance evaluation is due to a high necessity of formalizing procedures more standardized. Objective performance evaluation could be regarded as more standardized and formalized than a subjective approach. In contrast, in cultures with low uncertainty avoidance trust between people plays an important role, policies and procedures are therefore not standardized and communication is rather informal. Due to a high level of trust (see also subjective performance evaluation section where the importance of trust for subjective performance evaluations is covered) and a low need to standardize and formalize procedures performance evaluations in low uncertainty avoidance cultures are supposed to be subjective.

The uncertainty avoidance results from the Globe Study show a relatively low level of uncertainty avoidance for Eastern Europe and a relatively high level for Germanic Europe (House et al. 2004, pp. 635-636). Based on these two cultural dimensions and the respective scores for Eastern Europe and Germanic Europe the following hypothesis is stated:

H1: Higher power distance and lower uncertainty avoidance in CEE translates into a higher use of subjective performance evaluation in CEE than in Germanic Europe.

The third cultural dimension which might be of interest in the field of performance evaluation is future orientation, a dimension not included in Hofstede's primary taxonomy (Hofstede 2001) and which was so far not considered in most cross-cultural management control research (e.g. Van der Stede 2003, Chow/Shields/Wu 1999, Chow/Kato/Merchant 1996, Merchant/Chow/Wu 1995). Future orientation can be defined as "The extent to which individuals engage in future-oriented behaviors such as delaying gratification, planning, and investing in the future." (House et al. 2004, p. 30). Societies which are considered to have a low level of future orientation show a tendency towards spending now rather than to save for the future – which means for organizations that short-term profit is more important than success in five to ten years. For instance, R & D investments and other investments into intangibles are not considered to be reasonable in such cultures. In addition, in cultures which are regarded as low future oriented, subjective performance indicators like long-term orientation on business or knowledge sharing with peers are not emphasized. Therefore, it could be assumed that managers in cultures with low future orientation pay more attention to accounting based performance measures. Furthermore, due to a lack of future orientation, non-financial (forward-looking) measures are not commonly used for evaluation purposes. Contrary, superiors in cultures that score high on this dimension pay special attention to subjective indicators that give a more fully rounded picture of an individual's contributions to a company's (future) success. It should be noted that evaluators in such cultures quite often take subjective and objective performance measures into account while assessing an individual's performance.

The results of the Globe Study indicate a significantly low future orientation for CEE countries and a relatively high level for Germanic Europe (House et al. 2004, p. 322). Based on the discussion concerning culture and performance evaluation and the results of the Globe Study for Eastern Europe and Germanic Europe the following hypothesis is derived:

H2: In cultures with high future orientation like Germanic Europe there is a higher use of (sophisticated) subjective performance measures like long-term perspective on business, knowledge sharing, etc. than in cultures with low future orientation (CEE).

4) Data and Questionnaire

Data were gathered during spring 2007 as a part of a major study concerning management control systems in ten different countries. Out of these ten countries seven were located in Central and Eastern Europe (CEE). CEE companies were contacted for the survey if they were listed at one of the following stock exchanges: Warszawa, Prague, Bratislava, Budapest, Sofia, Bucharest or Moscow. Altogether in the CEE region 703 publicly listed companies received an invitation to participate in the survey.

Data for the three remaining countries, Austria, Germany and Switzerland (Germanic Europe) were also gathered during spring 2007. In this region companies listed at one of the following stock exchanges: Vienna, Zurich or Frankfurt were considered for the survey.

Throughout the survey, people either employed in Investors Relations or Human Resources were contacted as it was assumed that they possess all relevant information in order to complete the questionnaire. Contact data were obtained either directly from the official homepages from the stock exchanges, the company's homepage or via direct company contact (e-mail or telephone). Every identified contact person received a personal e-mail invitation that contained a link to an online-questionnaire in the respective country's language. Furthermore, the online-questionnaire was also available in the respective country's language. In order to increase the response rate the contact person was called after ten days. After four weeks a reminder e-mail was sent to all companies that had not yet completed the questionnaire. Finally, after six weeks the companies were contacted once again.

For the CEE region finally 134 questionnaires were received which represents a response rate of 19.06 %. Of the 134 received questionnaires 10 were unusable due to a range of reasons. Therefore, a CEE sample of 124 will be considered for further analysis.

For the German speaking countries the final response rate is XXX. Altogether XXX responses were received, whereas XXX of them will be considered for the final analysis.

As the data presented here were obtained in course of a major study it should be noted that the section that covered performance evaluations consisted of three constructs. Firstly, the implementation of subjective performance indicators for evaluation purposes was questioned. The aim of the second construct was to identify to what extent middle managers and employees are evaluated on basis of quantitative performance measures. The final construct focused on the application of subjective and objective performance evaluations for bonus determination and promotion nominations. Each of the three constructs included eight items. The respondents were asked to indicate to which extent these items applied to their respective companies, whereas 1 indicated that the statement did not apply at all to the respondents company and 5 indicated that it did apply to a very great extent.

5) Results

As the data collection was just finished by the end of June 2007 no results can be presented here. I hope that by the end of August 2007 the preliminary results will be available.

6) Discussion and Conclusion

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