

# **Balancing Global Standardization and Local Adaptation – Initial Attempts to Measure Country-Specific Profiles in Global Performance Management in MNEs**

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# **Balancing Global Standardization and Local Adaptation – Initial Attempts to Measure Country-Specific Profiles in Global Performance Management in MNEs**

## **ABSTRACT**

Empirical research on global performance management is scarce. In this paper an approach to measuring global performance management in an intercultural context is presented. First it is suggested that relevant features of global performance management systems include performance evaluation criteria, the roles of the actors in the appraisal process, methods and purposes of the systems, as well as the way the feedback is provided. The challenge of balancing standardization and local adaptation becomes obvious when the interplay between the organizational context and the country specific context is discussed. To allow for a more systematic differentiation of the context-specific adaptations of global performance management (GPM) country-specific GPM profiles are introduced and illustrated by using secondary empirical data mainly from Germany, the USA and China. Based on a thorough literature analysis considering existing approaches to measuring global performance management operationalizations of the key constructs have been developed. The results of a pre-test of the survey are presented. In this paper, the focus clearly is on the measurement issues. Based on a sample of 113 German and 73 French alumni of a European business school the key variables including the scale-based results of the pretest are presented and discussed. So, the major contribution of this paper is to enhance the measurement techniques of global performance management systems considering systematically the country-specific characteristics. Based on these results, implications for future empirical research are derived.

## INTRODUCTION

Multinational enterprises (MNEs) play a vital role in the globalized world economy. To meet the requirements of the increasing need for cross-national coordination and interaction many MNEs standardize their management processes, including their human resource strategies and practices. However, country-specific differences - such as cultural and institutional factors - often impede the unobstructed transfer of management processes including human resources management (HRM).

The resulting balance between globally standardized and locally adapted HRM processes and practices is a widely discussed issue (Aycan, 2005, p. 38; Brewster, 1993; Evans, Pucik, & Björkman, 2011; Farndale & Paauwe, 2007; Festing & Eidems, 2009; Fey, Morgulis-Yakushev, Hyeon Jeong, & Björkman, 2009; Wöcke, Bendixen, & Rijamampianina, 2007; Wright & Van De Voorde, 2009). Standardization of HRM practices helps "... to smooth the transfer of MNE competencies across the organization" (Wöcke et al., 2007, p. 829), making processes consistent and results comparable, and building a strong corporate culture. The more advanced the MNE's evolution, the more established is the standardization (Wöcke et al., 2007). At the same time local conditions and their impact on the transfer of HRM practices within MNEs cannot be neglected (Aycan, 2005; Björkman & Lervik, 2007; Farndale, 2010; Kostova & Roth, 2002). Finding the balance between standardization and customization of HRM practices is therefore one of the most crucial challenges for MNEs. A well balanced, transnational HRM system should contain standardized values and goals as well as local-adapted processes (Bartlett & Ghoshal, 1991; Brewster, Wood, & Brookes, 2008; Festing & Eidems, 2009; Mohan, 2006). In a globalized world this concerted balance seems to be crucial for MNEs (Brewster, 1993, p. 48; Tsui, Nifadkar, & Ou, 2009).

Specific to global performance management many MNEs, to varying degrees, seek to standardize their systems (Björkman, Barner-Rasmussen, Ehrnrooth, & Mäkelä, 2009), while the literature reveals local customs and specifications concerning performance appraisal and performance management that cannot be ignored (Cascio, 2006; Festing & Barzantny, 2008). In line with these arguments, a global design and a well-balanced application of employee performance management are seen as one of the most crucial links between human resource management and organizational competitiveness (Nankervis & Compton, 2006, p. 85) because, as Evans, Pucik and Björkman emphasize, “Without global performance management in place, many other global people strategies will be difficult to implement” (2011, p. 362). Since Cascio (2006, p. 193) stated that the “terrain of global performance management systems is largely uncharted” several scholars have begun efforts to map the terrain (Bailey & Fletcher, 2008; Björkman et al., 2009; Claus & Briscoe, 2008; Claus & Hand, 2009; Engle, Dowling, & Festing, 2008b; Festing & Barzantny, 2008; Varma, Budhwar, & DeNisi, 2008). In the course of this research, country-specific influences on performance management have been identified (e.g. Bailey & Fletcher, 2008; Cascio & Bailey, 1995; Festing & Barzantny, 2008; Paik, Vance, & Stage, 2000).

It is evident that nearly every element of the performance management process may be potentially influenced by the local context – even in MNEs (Festing & Barzantny, 2008; Schneider & Barsoux, 2003). However, to date research concerning these country-specific differences concentrates either on particular effects of performance appraisal and performance management - for example its effect on employee’s abilities, motivation or job satisfaction in different countries (see Fey et al., 2009; Horwitz et al., 2006; Lindholm, 2000) - or on single country-specific aspects of the performance management process itself, such as relevant criteria or the main purposes of the system (Amba-Rao, Petrick, Gupta, & Embse, 2000; Milliman, Nason, Zhu, & De Cieri, 2002a; Shadur, Rodwell, & Bamber, 1995). However, encompassing research on the country-specific context of global performance management in

MNEs providing a systematic conceptual basis and commensurate primary comparative empirical data is missing (Claus & Briscoe, 2008; Engle et al., 2008b).

The authors of this paper address this research deficit. First relevant features of global performance management systems for systematically identifying the complexities of global performance management within the interplay between the requirements of the organizational context of an MNE and the national context are presented. Then, based on a thorough literature review on measurement issues in global performance management, a first attempt for measuring country-specific differences is developed and first empirical results are presented leading to implications for future empirical research. Thus, the major contribution of this paper is a proposition, which enhances the systematic measurement of global performance management systems.

In the following sections the authors will create a common understanding of global performance management by systemizing its elements. Then, the complexities of global performance management and the interplay of organizational and context-specific pressures are discussed. Country-specific profiles of performance management are introduced to systematically capture international differences. In the last section of the paper we will present the development of the measures of global performance management as well as statistical results evaluating their quality. From this evaluation of the measurement we will conclude by drawing implications for future research.

## **PERFORMANCE MANAGEMENT: DEFINITION, OBJECTIVES AND ELEMENTS**

In the management literature, the concept of performance management was introduced in the 1970s (Eshghi, 1985; Lindholm, 2000, p. 45). Today, it is an important and widely recognized HRM practice, which is used in many companies but still lacking a unitary conceptual basis (Engle et al., 2008b; Festing & Barzantny, 2008). Claus and Hand (2009, p. 2) identify three different groups of definitions of performance management. While the first focuses on the

appraisal of individual performance, the second concerns the organization's performance and the possible impact of HRM. The last group of definitions is named 'employee performance management' and contains the "... individual employee performance linked to the overall strategic goals of the organization." In the tradition of the latter, Lindholm (2000, p. 45) has described the key elements of performance management, naming performance appraisal as the central element, accompanied by "... the communication of company strategy through individual objective setting, links to training and development planning, and possibly compensation." Completing the picture, other scholars list purposes and criteria, techniques (e.g. MBO) and measures as well as the type of appraisers and communication techniques as the characterizing features of performance management systems (Bailey & Fletcher, 2008; Nankervis & Compton, 2006; Woods, 2003). The present paper uses the term performance management in line with this broad approach to performance management. It is interpreted "... as an extension of ,performance appraisal' " (Lindholm, 2000, p. 45), which includes individual objectives linked to the corporate strategy and possible consequences resulting from the performance evaluation such as pay increase or career advancement.

From the discussion on performance management five main features of (global) employee performance management will structure the conceptual and empirical discussion within this paper: performance evaluation criteria, actors' roles, appraisal methods, purposes of the system, and the way the feedback is provided.

In this paper we conceptualize *performance evaluation criteria* according to the subdivision suggested by Engle et al. (2008, pp. 159-160) who identify input, process and output criteria. While the latter refer to observable productivity and results, the input criteria describe personal qualities such as diplomas, experiences and skills. The process criteria contain all aspects of "performance as a work-in-progress" (p. 160) and evaluate how the job is done and how the performance is obtained. Another differentiation concerning the evaluation criteria includes the level of objectivity of the criteria.

The *roles of actors* describe who is assessing whom during the performance management process. The assessment via a one-to-one appraisal by the supervisor or by peers seems to be quite common (Bailey & Fletcher, 2008, p. 131; Ferris & Treadway, 2007, pp. 138-140; Leung & Kwong, 2003; Ployhart, Wiechmann, Schmitt, Sacco, & Rogg, 2003). Besides, self-evaluation, an issue which was often raised by researchers looking at performance management in China (Bailey, Chen, & Sheng-Gong, 1997; Björkman & Lu, 1999) as well as 360-degree feedback, which includes the appraisal by customers as well, were found to be relevant combinations of agents. Global perspective performance management systems not only differ with respect to the rating person, but also concerning the ratees. For example, performance management in India and South Korea is more likely to focus on group performance than on individual performance. This is in line with a different actors' role during the evaluation process than in countries where one-to-one appraisal is common (Amba-Rao et al., 2000; Bailey & Fletcher, 2008; Cascio & Bailey, 1995; Ployhart et al., 2003). Consequently, we differentiate between various actors' roles in the performance appraisal process:

- The rater can be oneself, the superior, subordinates, peers or customers.
- The ratees may include individuals or groups.

By *appraisal methods* we mean the instruments supporting the planning, realization and evaluation of the performance management process. According to Engle et al. (2008, pp. 160 – 162) these methods can be analyzed by their extent of explicitness. Written and formalized guidelines that help implementing the assessment or rules for interpreting the results of the appraisal are explicit performance management methods while those performance management systems without such explicit methods assume that guidelines and rules are implicitly known by all participants.

The *purposes* of performance management are reflected in the consequences that are expected to result from the performance appraisal. These include, for example, compensation,

promotion, development, relationship building, and motivation (Milliman et al., 2002a; Paik et al., 2000, p.742; Vance, McClaine, Boje, & Stage, 1992, p. 318; Von Glinow, Drost, & Teagarden, 2002). By pursuing these purposes MNEs support the link between individual objectives and the global goals of the MNE.

Finally, the way the *feedback* is provided is a crucial feature of performance management., Differing degrees of directness (Aycan, 2005, p. 1096) and the general communication style, including the involvement of the assessed employee (Festing & Barzantny, 2008, p. 218; Lindholm, 2000, p. 58), and the level of constructiveness (Milliman, Taylor, & Czaplewski, 2002b, p. 36) shape the different variations of the feedback.

From a global perspective, developing a unified yet inclusive performance management is particularly challenging (Cascio, 2006, p. 176). Caligiuri (2006, pp. 231-235) states three key issues of performance measurement in the cross-national context: Selecting performance constructs that evolve meaningful criteria and comparable assessment dimensions, creating ‘conceptual equivalence’ of the selected performance constructs, and developing appraisal methods that are able to capture these constructs. In the following section we will build on this conceptualization and further differentiate the complexity of global performance management.

## **THE COMPLEXITY IN GLOBAL PERFORMANCE MANAGEMENT**

To structure the complex environment of global performance management and to chart this terrain we will outline the strategic challenges of Global Performance Management from a firm-internal as well as from an external perspective.



## **Strategic Decisions in Global Performance Management Reflecting the Firm-internal**

### **Context of MNEs**

Because the design and implementation of a global performance management system is driven by strategic decisions concerning internationalization processes and forms and the linkage between organizational and individual goals, many scholars focus on this dimension (Björkman et al., 2009; Claus & Hand, 2009; Engle et al., 2008b; Farndale & Paauwe, 2007; Mendonca & Kanungo, 1996; Vance, 2006).

In describing and examining the dynamic tension and the needed balance between standardization and localization Vance (2006, p. 44) distinguishes two main parts of the performance management process: The strategic upstream processes coordinated by the headquarters (HQ) and the downstream processes that are more adapted to local requirements. While upstream considerations are characterized by coordination, knowledge management, and organizational learning, downstream activities include sensitivity to cross-cultural differences such as the choice between individuals versus groups as ratees during the assessment. These assumptions have been empirically supported by Claus and Hand (2009, p. 18) who analyzed the customization of performance management systems in MNEs. They identified the internationalization strategy, the cultural distance between the Headquarters (HQ) and the subsidiary as well as firm-specific features (e.g., the company's size or the relevant industry) as the main variables influencing the degree of local customization. Moreover, they confirmed Vance's suggestion that upstream processes are more likely to be standardized while downstream processes are somewhat more localized.

Other scholars focus on the requirements of standardization and thus, on the transfer of performance management practices within MNEs. As Björkman et al. (2009, pp. 233-235) point out, subsidiaries asked by the headquarters to implement specific performance management systems may react with different levels of implementation or internalization of

the requested system. After analyzing the transferability of performance management systems in the cases of Nigerian subsidiaries of Swiss and Swedish MNEs Mamman, Baydoun and Adeoya (2009, p. 1) state that "... the MNE's performance management (PM) policies are partially ethnocentric, but the practice, as perceived by some HCNs (employees), is polycentric."

Following an understanding of standardization as the favored internationalization strategy, Björkman et al. (2009, p. 236-245) suggest three key propositions influencing the transfer of practices from the HQ to the subsidiaries, with respect to the implementation and internalization of performance management practices and policies. Besides the relevance of human capital (relating to the knowledge of performance management itself, knowledge of the subsidiary's context and transfer, as well as change management skills), the authors name social (structural, relational and cognitive dimensions) and organizational capital (formalization and organizational learning) as key issues in the standardization process.

However, most scholars question if a company-wide standardized global performance management system – one that ignores cultural and institutional factors – is practically enforceable or even strategically optimal (e.g. Aycan, 2005; Claus & Hand, 2009; Festing & Barzantny, 2008; Vance, 2006). The literature on HRM practices in MNEs found evidence for demands for global integration as well as for local responsiveness, as Evans, Pucik and Björkman sum up: "We would argue that although multinational firms need a global template for the appraisal process, local business units may need some leeway to adapt that template to their circumstances." (2011, p. 259). These complex requirements can be met by building a transnational HRM system (Bartlett & Ghoshal, 1991; Brewster et al., 2008; Festing & Eidems, 2009; Mohan, 2006). With respect to performance management, global forces like transferring worldwide corporate goals into individual assessment criteria and internationally comparable appraisal data on the one hand (Caligiuri, 2006, Vance, 2006), and local requirements like locally shaped processes, selected actors and communication styles on the

other hand (Bailey & Fletcher, 2008; Cascio & Bailey, 1995; Festing & Barzantny, 2008; Fey et al., 2009; Horwitz et al., 2006; Lindholm, 2000; Paik et al., 2000) demand a balanced transnational performance management system. By describing the external context and its possible impact on global performance management systems differentiating factors and local variations are investigated with respect to the dimension of localization.

### **The External Context of Global Performance Management**

From a contextual perspective explanations can be derived from two broad fields: institutions and culture. On the one hand, scholars (Kostova, 1999; Kostova & Roth, 2002; Sparrow, Brewster, & Harris, 2004; Whitley, 1992b; Wright & Van De Voorde, 2009) state that institutions are the most important contextual influence on HRM and “... the main explanation of differences. Drawing in particular on industrial relations, political economy traditions, differences in economics, governance, the legislative system, and trade unions, for example, shape what we see in HRM” (Sparrow et al., 2004, p. 31). On the other hand, other scholars emphasize the relevance of cultural differences when describing and explaining variations in HRM practices (Adler, 2008; Dowling, Festing, & Engle, 2008; Hofstede, 1980; House, Hanges, Javidan, Dorfman, & Gupta, 2004).

There is evidence that the consideration of both perspectives makes sense. Even Whitley (1992b, p. 269), a prominent representative of the institutional school recognizes that, for example, the Chinese family businesses, which exists in many countries outside of China as well, work according to the same rules everywhere. He takes this as one example of cultural influences. Kostova and Roth (2002, p. 231) admit: „... it might be beneficial not to limit research to any one particular approach but to incorporate both issue-specific institutional effects and cultural effects, ...“. In the following we will pursue this perspective and analyze the external context by considering both the institutional and the cultural impact.

*Institutional influences on global performance management.* The macro-institutional perspective (DiMaggio & Powell, 1991; Meyer & Rowan, 1991; Scott, 2001; Whitley, 1992b) assumes that institutionalized rules and expectations form organizations and their processes to a considerable extent. As Meyer and Rowan (1991, p. 41) emphasize: “Many of the positions, policies, programs, and procedures of modern organizations are enforced by public opinion, by the views of important constituents, by knowledge legitimated through the educational system, by social prestige, by the laws ... Such elements are manifestations of powerful institutional rules ...”.

Whitley (1992a, p. 6) has introduced the term *Business Systems* into the discussion. These are „... particular arrangements of hierarchy-market relations which become institutionalized and relatively successful in particular contexts“. Whitley assumes that the characteristics of firms and businesses vary due to the country-specific institutional framework, in which the business is located and working, namely proximate institutions, like „... political, financial and labour systems“ (Whitley, 1992b, p. 269) as well as background institutions as trust, loyalty or the educational system. These background institutions, as Whitley defines them, are necessarily influenced by culture, explaining why Whitley occasionally argues for the cultural dimensions formulated by Hofstede (Whitley, 1992a, pp. 19 – 36).

Before considering the institutional impact on global performance management systems, we briefly summarize findings regarding the institutional forces challenging the successful cross-national transfer of global performance management systems. These forces have been discussed especially with regard to the transfer of HRM practices to developing countries and emerging markets (Amba-Rao et al., 2000; Leat & El-Kot, 2007; Mamman, Akuratiyagamage, & Rees, 2006; Mamman et al., 2009; Mendonca & Kanungo, 1996). For example, Mamman et al. (2006, p. 2012; Mamman et al., 2009, p.5) and Ohemeng (2009, p. 110) have observed that factors related to colonial heritage as well as the important role played by international organizations such as the International Monetary Found (IMF), the

World Bank or the United Nations (UN) are influential in designing the nation's economies and producing preferences for strategies and processes. For example, in the case of Nigeria "... the industrial and HRM system of the country is largely influenced by its British colonial history" (Mamman et al., 2009, p. 5) while at the same time the fully-liberalized economy and the possibility of 100% foreign-owned direct investments correspond to a growing transfer of HRM practices and consequently the pursuit of ethnocentric performance management systems. Nevertheless, asked for their perception of performance management, the local managers report informal adaptations to suit the Nigerian context (Mamman et al., 2009, p. 25). In discussing possible constraints to the successful implementation of performance management systems in Ghana's public sector, Ohemeng (2009, p. 109) identifies "institutional fragmentation, public apathy, and leadership support" as the main institutional challenges to a realization of a performance management system. Establishing performance management in the public sector might result in some special difficulties as the public sector itself can be regarded as an institution and related roles, traditions and mindsets are supposed to be even stronger than in the private-owned sector (for PM in the public sector see also Ahmad & Ali, 2004; Helmig, Michalski, & Lauper, 2008; Rubienska & Bovaird, 1999).

Continuing the discussion of best-practice versus best-fit, Farndale and Paauwe (2007) have investigated similarities and variations concerning HRM practices in different firms on a global as well as on a national level. In their 'contextually based human resource theory' they distinguish 'global competitive', 'national institutional' and 'internal organizational' pressures as the relevant drivers of HRM practices. Specific to performance management, they found that on a global level similarities as well as differences can be found (pp. 364-366), while "... at the national level, similarities in HR practices are largely driven by social expectations and legislative requirements ..." (Farndale & Paauwe, 2007, p. 367).

When comparing French and German institutional environments and the respective impact on performance management systems Festing and Barzantny (2008, pp. 213-215) identify legal

and educational institutions as well as the social market economy (in Germany) as the main influences in the work setting. In particular, the authors state that the vocational training system in Germany involves a tradition of long-term employment relationships in which performance management plays a vital role in crafting in-depth, firm-relevant skills. Moreover, they conclude that in Germany the co-determination right of the works council “has a strong influence on the emergence of performance management systems, while in France legal aspects play only a minor role” (Festing & Barzantny, 2008, p. 220). Legal aspects are seen as one of the main institutional forces accounting for country-specific variance in performance management systems (Aycan & Yavuz, 2007; De Cieri & Sheehan, 2008; Milliman et al., 2002a; Pulakos, Mueller-Hanson, & O'Leary, 2007). Analyzing the institutional influences on the purposes of performance appraisal, Milliman et al. (2002a) identify the legal environment in the USA being accountable for the importance placed on explicit, formalized documentation. At the same time strong unions in Canada and Australia emphasize the need for determining payment based upon performance appraisal results. However, reviewing the literature on institutional (and cultural) contingencies influencing different areas of HRM Aycan (2005, pp. 1094-1097) identified the type of industry and the sector as the key external institutional influences on criteria and methods of performance appraisal. For example, concerning the criteria in different industries Aycan states that while the service and team-based industries employ broadly-defined and process-oriented criteria, manufacturing and high-tech industries might rather rely on narrowly defined and result-oriented criteria. As for criteria and the purpose of global performance management in Egypt and the determination through institutions Leat and El-Kot state that: “... the use of performance as the basis for pay increases and the use of outcome criteria in performance appraisal seem to be more adequately explained by the labour market, legal and economic context” (2007, p. 156).

***Cultural impact on global performance management.*** We echo a standard definition of culture as “software of the mind” (Hofstede, 1991, p. 4), which is shared by people belonging to the same societal group or nationality. Culture becomes manifest through individual behaviour shaped by precisely this software, respectively by values and attitudes (Adler, 2008, p. 19). With respect to these conceptualizations of culture, several scholars compared different cultures by contrasting the people’s values (Hofstede, 1980; House et al., 2004). Hofstede was the first to posit cultural-dependent value-differences in dimensions like power distance “that is the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally” (Hofstede, 2009) or individualism versus collectivism which can be described as the extent of integration in groups (families or organizations) in a society. The consequence of variance in cultural values is also well described by the cultural model developed by Schein (2004, pp. 26-38), who divides culture in *artifacts* as the visible features of a culture, *norms and values* as “... the sense of what ought to be” (p. 28), and *basic assumptions*, the taken-for-granted and hardly changeable foundation pillars of every culture. While Schein formulated this structure mainly to describe corporate cultures, the model has also been applied to explain HRM phenomena in entire societal cultures (see also Festing, Engle, & Dowling, 2009; Festing & Müller, 2005). Ferris and Treadway (2007, p. 145) have stated that “performance appraisal systems are artifacts built upon the underlying assumptions of national culture.” A literature-based analysis of cross-cultural variance in performance management, including more than 60 articles, was conducted. It is important to note that only eight of the reviewed articles investigate cultural influences on global performance management in MNEs (Entrekin & Chung, 2001; Eshghi, 1985; Feng, Foster, & Heling, 2005; Milliman et al., 2002b; Ployhart et al., 2003; Shih, Chiang, & Kim, 2005) or joint ventures (Björkman & Lu, 1999; Leung & Kwong, 2003). The other articles focus on the investigation and description of performance management in local environments. By providing detailed descriptions of the contexts and the

key characteristics of context-specific performance management systems these latter articles are also a relevant source for answering our research question. Both approaches are included here as authors analyzing performance management on a local level as well as those who investigate GPM in MNEs operating across multiple cultures find support for country-specific patterns of GPM practices.

In analyzing the existing literature concerning cultural influences on (global) performance management systems three dimensions seem to dominate the discussion on cultural-dependent variance in performance management systems. These include power distance, individualism versus collectivism and (often common in the Asian context) value of face. For example, Aycan (2005, p. 1094) hypothesizes that in collectivistic cultures with high power distance performance management is more likely to be a group-based process with broadly-defined criteria and a top-down assessment, while Bailey and Fletcher (2008, p. 129) assume that high individualism and a medium level of power distance (for example in North America and Western Europe) require individual achievement and recognition as well as participation of the employee during the performance management.

Beside the above-listed authors some scholars have identified country-specific performance management elements without explicitly linking them to cultural dimensions (e.g. Cascio & Bailey, 1995; Nankervis & Compton, 2006; Von Glinow et al., 2002). For example, Nankervis and Compton (2006) described performance management and its features in the Australian context on the basis of a quantitative study involving 992 HR-professionals. They found performance management in Australia serves the dual purposes of determining training and development requirements as well as the appraisal of past performance. Moreover, they identified firm objectives as the most important criteria to be used for assessing managers, while other criteria involved in the survey were competencies (linked to values), job activities, responsibilities and roles.



Supporting the contextual perspective on performance management as well as demonstrating the need for cultural sensitivity, Paik et al. (2000) tested the supposed cluster homogeneity for performance appraisals in Indonesia, Malaysia, the Philippines and Thailand and revealed significant differences in managerial practices related to performance appraisal. They found that Thai managers showed higher scores in individualism and lower scores in power distance compared to the other managers of the sample, leading to a greater value placed on employee involvement in the process (like self-appraisals and subordinate input) and extrinsic rewards as valued outcomes for the Thai group. The authors conclude that “MNE managers should carefully design the appropriate performance appraisal system for foreign operations even in a region where countries are generally considered to be culturally similar” (Paik et al., 2000, p. 747)

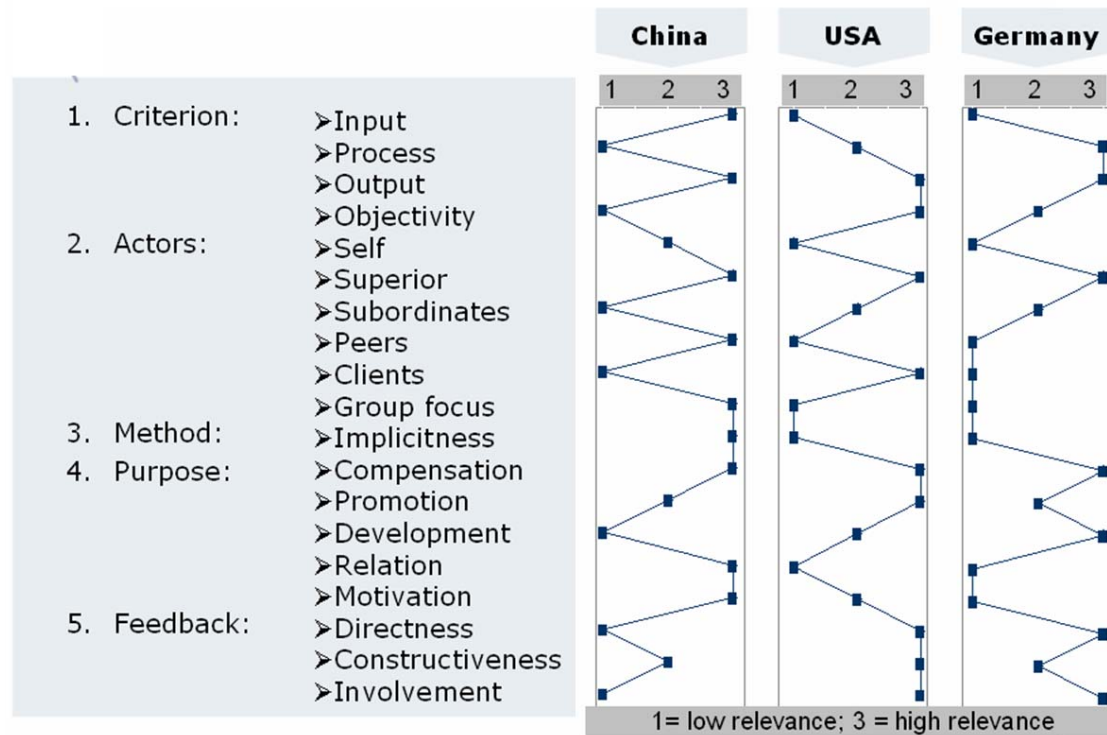
### **Country-specific Global Performance Management Profiles**

As the previous sections have shown global performance management can be conceptualized by specific elements which are formed by the interplay between the organizational and the country-specific background. To allow for a further differentiation of the country-specific adaptations of global performance management we introduce country-specific global performance management (GPM) profiles that are able to consistently and comprehensively capture the global performance management particularities of various national contexts an MNE is operating in.

In the following we will outline some examples of country-specific profiles. The country-specific results are based on a literature review and illustrate the relevance of the idea of country-specific GPM profiles. Using the examples of the Chinese, US-American and German country-specific performance management profiles we summarize the characteristics on a scale from 1 to 3 with “1” meaning “no relevance in the respective context” and “3”

meaning “high relevance in the respective context” (see Figure 3). Subsequently we discuss these profiles in detail.

Figure 1: Examples of Country-specific GPM Profiles



Comparing the general shape of the three profiles, the performance management systems in the USA and in Germany seem to have more similarities with each other than with the Chinese profile. In the following we explain these profiles by discussing each GPM feature for each of the three countries.

### Evaluation Criteria in Country-specific GPM Profiles

In China the guanxi-value proved to have a great impact on performance management criteria. Studying performance management in the Chinese coal industry, Bai and Bennington (2005, p.280) revealed personal relationships to be the most important criterion. This can be defined as an input criterion (Engle et al., 2008). Arguing similarly, Björkman and Lu found in their comparison of promotion criteria (which are not necessarily equivalent to the more general

performance management criteria, but are applied here as a first indication) “performance, personal relationships, political attitude, age” (Björkman & Lu, 1999, p. 322) as the criteria most often found in Chinese firms, while Western companies focus more on results. These findings support the hypothesis that Chinese performance management mainly relies on input criteria, but also encompasses the output criterion of performance. Moreover, several papers revealed a low extent of objectivity in Chinese performance management (Bai & Bennington, 2005; Cooke, 2008; Easterby-Smith, Malina, & Yuan, 1995), which is commented by Bai and Bennington (2005, p. 280) as follows: “... PA of my leaders is subjective, largely based on personal judgment by the higher authorities.”

Schneider and Barsoux (2003, p. 163) state that while in “Asian firms, people are more likely to be judged on their integrity, loyalty and cooperative spirit” firms based in the USA follow the rule “what counts is results, not personality”. Taking the legal situation of the USA into account, where equality and valuing diverse backgrounds is crucial, the use of this criterion is not surprising.

In describing the legal institutions in France and Germany, Festing and Barzantny (2008, p. 220) have identified the strong position of the unions and the rights of the works council in Germany as having a crucial impact on the goals and design of performance management systems. Furthermore, there is a dominance of output-oriented evaluation criteria in Germany, (Festing & Barzantny, 2008, p. 220; Lindholm, 2000; Schneider & Barsoux, 2003, p. 163). This can at least partly be explained by Germany’s high score<sup>1</sup> on performance orientation, a value of more than 6 on a 7-point-scale (Javidan, House, & Dorfman, 2004, p. 33, 251). The performance orientation is defined as “the extent to which a community encourages and rewards innovation, high standards, and performance improvement” (Javidan, 2004, p. 239). According to (Javidan, 2004, p. 245) societies that score higher on performance orientation

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<sup>1</sup> The authors of the GLOBE-study differentiate societal practices and societal values in their analysis. In the following we refer to the latter.

tend to “Emphasize results more than people [...], have performance appraisal systems that emphasize achieving results [...], value what you do more than who you are.”

### **Actors’ Roles in Country-specific GPM Profiles**

As noted above, some scholars (Björkman & Lu, 1999, p. 322; Easterby-Smith et al., 1995) found that appraisals in China were usually done by peers and subordinates but also on the basis of self-evaluation. However, beside the self- and peer-evaluation, Bai and Bennis (2005) found Chinese performance appraisals mainly relying on the supervisor’s appraisal. At the same time, because of the high extent of collectivism in China, the appraisal is supposed to focus more on the team than on the individual performance (concerning Hong Kong see Entekin & Chung, 2001; Zhou & Martocchio, 2001). According to other scholars (Leung & Kwong, 2003; Lindholm, 2000) individual-oriented performance management systems developed in the Headquarters do not meet the local requirements of collectivism.

For the USA and Germany the literature suggests that the relation of the agents during the performance management process is characterized by a one-to-one appraisal, in which the superior assesses the employee. Furthermore, in the USA there was evidence for a strong use of 360-degree feedback, which is not surprising since this kind of performance appraisal has been developed there (Hedge, Borman, & Birkeland, 2001, p. 27). According to Lindholm (2000, p. 58) and Festing & Barzantny (2008, p. 218) the participants in German appraisal situations prefer and expect a one-to-one relation, which can be explained by the relatively lower power distance in Germany and consequently the negotiation-like character of the performance appraisal situation.

### **Implicitness of methods in Country-specific GPM Profiles**

Festing and Barzantny (2008, p. 218) assume the “highly regulated work environment in Germany” to be one artifact of the cultural dimension of uncertainty avoidance. Concerning

the precise rules in performance management, they conclude that “the system is close to being over-regulated”, which indicates the strong explicitness of German performance management methods. Confirming this, Lindholm (2000, p. 58) states that due to high uncertainty avoidance, “... Germans prefer formalized performance evaluations such as clear goals, time frames, and measurements.” Similarly, according to Vance et al. (1992, p. 315, see also Cascio & Bailey, 1995), performance management methods used in the USA also hold clear rules, written and formalized documentation and standardized behavior. Apparently, the contrary seems to be the case for China, since the Chinese performance management methods are described as highly implicit and neither open nor transparent to employees (e.g. Cooke, 2008). Explaining this implicitness by the Chinese’s avoidance of poor ratings, Björkman and Lu (1999, p. 318) try to find coping-strategies considering these challenges to Western firms in China. They conclude that it “... may be better to avoid a quantitative rating system, and instead link the performance appraisal system with daily, informal feedback.”

### **Purposes in Country-specific GPM profiles**

Concerning the purposes of performance management in China, Shen (2004) found the consequences for compensation to be the most important. This was confirmed by Milliman et al. (2002a) but these researchers concurrently identified a social recognition of the employee as an even higher purpose of Chinese performance management. Bai and Bennington (2005) found that publishing the results motivates the employees by triggering the face value: “... I think the best motivation is still the publication of the results and not the salary, because for them it is very important not to lose face and when you have your objectives on the wall, everybody can see them and if everything is in red, you are losing face.” This example shows how MNEs not only adapt to but also make use of local conditions and customs.

When investigating the different purposes of performance management dependent on the national context, Milliman et al. (2002a) found that the strong unions in Canada and Australia

emphasized the purpose of compensation. Furthermore, the same study discusses that highly valued individualism such as in the USA favors the purpose of promotion. Due to the lower level of individualism in Germany (Hofstede, 2009) – this can be observed to a lower but still visible extent. Festing and Barzantny (2008, p. 219) add that the “... investment in training based on performance appraisal results especially seems to differentiate Germany from other countries, such as the US, where often up-or-out systems are favoured.” Therefore, we conclude that long-term organizational developmental purposes are more frequently applied in Germany than in the USA (Cascio & Bailey, 1995).

### **Feedback in Country-specific GPM profiles**

Reviewing the literature concerning the way the feedback is provided within the performance management, there are basically three cultural dimensions that are applied for explaining variances. These are power distance, performance orientation and high and low context orientation (Aycan, 2005; Festing & Barzantny, 2008; Fletcher & Perry, 2001; Lindholm, 2000; Mendonca & Kanungo, 1996; Milliman et al., 1998; Milliman et al., 2002b). Considering the first Milliman et al. state that “low power distance cultures tend to value employee empowerment and participation, while high power distance cultures normally use more top-down management styles” (2002b, p. 35). Linking this to feedback in the German context, Lindholm assumes high involvement of the assessed employee and the two-way dialogue between the manager and subordinate to be most applied. Moreover, Festing and Barzantny conclude that “differentiated, open, direct and fair feedback is very much appreciated by the individuals in the German context” (2008, p. 221). Several scholars, referring to the high value of harmony and the importance of maintaining everyone’s face, declare Western directness in the Chinese context as almost unapplicable (e.g. Björkman & Lu, 1999; Cooke, 2008; Leung & Kwong, 2003; Shen, 2004). In fact, “Performance appraisal in Chinese MNCs is less transparent than in Western MNCs and is short of feedback and

communication” (Shen, 2004, p. 559). Moreover, the high power distance in China was found to lead to less participation and involvement of the assessed employees (e.g. Entrekin & Chung, 2001, p. 983). Exactly the opposite was found to be the case for the USA, where highly interactive and constructive communication took place during the feedback interviews and “the participation from employees’ parts has been institutionalized” (Feng et al., 2005, p. 19).

## **MEASURING COUNTRY-SPECIFIC PROFILES IN GLOBAL PERFORMANCE MANAGEMENT**

As shown above, the literature reveals various conceptual and empirical approaches to describe national influences on performance management. Table 1 provides an overview of empirical contributions concerning performance management in the existing literature. In order to refer to the previously developed and applied scales, Table 1 shows the number of items concerning performance management, the respective Cronbach’s Alpha, and the applied methods of the statistical analysis for each of the reviewed studies.

Some of the studies describe encompassing pictures of performance management in certain countries but avoid international comparisons and hesitate to explain their results referring to any institutional or cultural factors (e.g. Nankervis & Compton, 2006). Only few articles empirically examine cultural *and* institutional influences on performance management practices (Milliman, Nason, Zhu & De Cieri (2002); Farndale, 2010; Horwitz, Heng, Quazi, Nonkwelo, Roditi, von Eck, 2006; Fey, Morgulis-Yakushev, Park & Björkman, 2009; Shaw, Tang, Fisher & Krikbride, 1993, Shen, 2004). While some chose a qualitative approach (Shen, 2004) others focus on single features of performance management, for example its different purposes in various countries (Milliman, Nason, Zhu & De Cieri, 2002). However, since most of the other scholars investigating the link of cultural as well as institutional influences and performance management, measure the latter as one amongst other human

Table 1: Analysis of literature considering empirical measurement of global performance management

	Authors	Year	Influence	Countries	GPM Std	GPM Features					Methods	Scales
						C	M	A	P	F		
1	Amba-Rao, Petrick, Gupta, Embse	2000	Org	India					x	x	116 questionnaires (sent to general managers und HR directors), ANOVA	own items, one of these concerns the evaluative purpose of PA (p. 73), Cronbach's Alpha: n.a.
2	Aycan, Al-Hamadi, Davis, Budhwar	2007	Cult	Oman			x	x			712 questionnaires, correlation, multiple regression	Cultural Perspectives Questionnaire (CPQ4) (Maznevski, 1994); Preferences of HRM policies measured by 5-point-scale (Schuler & Jackson, 1987), Cronbach's Alpha: $\geq .60$ , items not named
3	Bai & Bennington	2005	Cult	China		x	x	x		x	Quantitative und qualitative data from 6 state-owned mining groups: Interviews (managers, administrative staff, union leaders), 240 questionnaires (line managers and subordinates); analysis of rules for PA	n.a.
4	Bailey, Chen & Dou	1997	Cult	USA, Japan, China		x		x		x	216 questionnaires (77 US-MBA students, 57 Japan employees of various companies, 82 Chinese trainees in management programs), MANOVA, ANCOVA, regression	Desire for Self-Appraisal (DAS) (Strube, Smith, Shimabukaro & Bailey, 1988); own items, Cronbach's Alpha: n.a., items not named
5	Biron, Farndale & Paauwe	2010	Org				x		x		Case studies: Interviews conducted in 2004-2005 with 153 HR professionals and 95 non-HR staff in 16 MNCs based in 19 countries	7-point-scale, own items, 2 items concerning the level of standardization of methods and criteria of PA, Cronbach's Alpha: n.a.
6	Björkman & Lu	1999	Cult	China, 'West'		x		x	x		Interviews (expatriates and local staff in 65 Chinese-Western joint ventures), questionnaire, T-Test	
7	Brutus, Derayeh, Fletcher, Bailey, Velazquez, Shi, Simon & Labath	2006	Cult	Argentina, Australia, China, Slovakia, Spain, UK			x	x	x	x	47 semi-structured interviews with HR managers and consultants	
8	Claus & Hand	2009	Org, Cult	Bulgaria, Romania	x	x	x				Questionnaires (97 (53 Bulgarians, 44 Romanians) HR managers) regression, T-Test	n.a.
9	Diekmann, Müller-Camen & Kelliher	2009	Org	Germany, Spain, UK	x	x	x			x	Semi-structured interviews with senior managers, HR managers and labour representatives	
10	Easterby-Smith, Malina & Yuan	1995	Cult	UK, China		x	x	x			Case studies	
11	Engle, Doling & Festing	2008	Cult, Inst	Europe	x	x	x				75 MBA students, descriptive analysis	n.a.
12	Entrekin & Chung	2001	Cult	Hongkong, USA				x		x	309 questionnaires (managers in Hongkong (143 from Hongkong/in Hongkong, 66 from the USA/in Hongkong), 100 (US/US), MANOVA, post-hoc comparison, T-Test	3 scales, 27 items measuring the attitude concerning executives' PA (Longenecker & Gioia, 1992; McEvoy & Cascio, 1990); 24 items concerning appraisal done by peers (Cederblom & Lounsbury, 1980; Love, 1981), by subordinates (Bernardin et al., 1993) and by multiple sources (Albright-Funderberg, 1995; Bernardin, 1993), 5-point-Likert-scale, Cronbach's Alpha: n.a., own items, items not named.
15	Farndale & Paauwe	2007	Org, Inst		x						214 interviews (138 HR managers, 76 others) in 14 MNEs in 17 countries; analysis differentiates national and international level	
16	Feng, Foster & Heling	2005	Cult	China, USA			x			x	Case studies, 3 Chinese, 3 US-American Companies in China, same industry; Interviews (CEOs, HR managers, Expatriates, ...), analysis of company documents and archival records	
17	Fey, Morgulis-Yakushev, Park & Björkman	2009	Cult, Inst	Russia, USA, Fin			x		x		241 questionnaires (from subsidiaries), partial least squares	3 own items concerning the application of PA, Cronbach's Alpha: .81



	Authors	Year	Influence	Countries	GPM Std	GPM Features					Methods	Scales
						C	M	A	P	F		
18	Hempel	2001	Cult	Hongkong, UK		x	x			x	Explorative approach (Hongkong police force managers and UK officers) 20 statements concerning 'good job performance', Chi-square	
19	Horwitz, Heng, Quazi, Nonkwelo, Roditi, von Eck	2006	Inst, Cult	South Africa, Singapore						x	200 questionnaires (CEOs directors, seinor managers, group managers, HR managers), ANOVA	n.a.
20	Leat & El-Kot	2007	Inst	Egypt		x					58 quationnaires (HR staff on Egyptian companies), descriptive analysis	Own items (Huang, 2000) concerns PA, Cronbach's Alpha: n.a.
21	Lindholm	2000	Cult	China, Thailand, India, UK, Germany, USA						x	1849 questionnaires (expatriates & local staff), position and relationship as controll variable, correlations, Chi-square, factor analysis	5 items concerning performance evaluation, fairness, and feedback, Cronbach's Alpha: n.a.
22	Lunnan, Lervok, Traavik, Nilsen, Amdam & Hennestad	2005	Org, Cult	Norway (US-PM System)	x						Case study with one MNE	
23	Maley & Kramer	2007	Org	Australia						x	Grounded theory, analysis of documents, 18 interviews, NVIVO	
24	Mamman, Baydoun, Adeoye	2009	Org	Nigeria, Switzerland, Sweden	x						57 questionnaire, analysis of policies and appraisal documents, descriptive analysis, T-Test	25 items (Armstrong & Baron,1998), 5-point-Likert-scale, Cronbach's Alpha: n.a.
25	Milliman, Nason, Lowe, Kim & Huo	1995	Cult	Japan, Korea, Taiwan, USA						x	854 questionnaires (237 Korean, 241 Taiwanese, 223 Japanese, 144 US-American managers) from over 50 companies, factor analysis, LISREL path model analysis	5-point-Likert-scale, Cronbach's Alpha of a few measures below .70
26	Milliman, Nason, Zhu & De Cieri	2002	Cult, Inst	Australia, Canada, Indonesia, Japan, South Korea						x	Questionnaire concerning 'is now' and 'should be' of purposes of PAs, descriptive analysis	11 items concerning 'as is' + 11 items concerning 'should be' (Milliman, Naseon & Mohrman, 1991), 5-point-Likert-scale; Cronbach's Alpha: n.a.
27	Milliman, Taylor & Czaplewski	2002	Cult, Org	USA, Malaysia		x	x	x		x	Case study with one MNE	
28	Ohemeng	2009	Inst	Ghana		x	x				Interviews	
29	Paik, Vance & Stage	2000	Cult	Indonesia, Malaysia, Philippines, Thailand			x	x	x		651 questionnaires (94 Philippine, 182 Indonesian 191 Malaysian, 164 Thai), MANOVA	12 own items concerning purpose, actors and process, Cronbach's Alpha: .78
30	Ployhart, Wiechmann, Schmitt, Sacco & Rogg	2003	Cult	Canada, South Korea, Spain		x		x			559 questionnaires (spervisors of a fast-food-MNE, HQ in USA), factor analysis, Chi-square, structural equation modelling	13 own items, 10-point-scale, Cronbach's Alpha: n.a.
31	Rhodes, Walsh & Lok	2008	Org, Cult	Indonesia						x	Case study: Central Bank of Indonesia	
32	Shaw, Tang, Fisher & Krikbride	1993	Cult, Inst, Org	Hongkong			x	x	x	x	Questionnaires from 151 companies in Hongkong, ANOVA, regression	One scale concerns 'applied methods', one concerns 'purposes' of PA, Cronbach's Alpha: .85, items not named
33	Shen	2004	Cult, Inst, Org	China, UK		x	x	x	x	x	30 Interviews (HR managers and general managers in MNEs in China, executive managers in UK)	
34	Shih, Chiang & Kim	2005	Org		x	x		x			Case studies, interviews (expatriates and HR managers in 5 MNE subsidiaries)	
35	Snape, Thompson, Yan & Redman	1998	Cult	Hongkong, UK			x	x	x		276 questionnaires (MBA students), factor analysis, T-Test, effect sizes	Scales concerning purpose, perceptions, trust and actors in Pas (Chow, 1994; McEvoy & Cascio, 1990), Cronbach's Alpha: > .66
36	Tsang	2007		China			x	x	x		7 Interviews (CEOs and founders from Chinese software industry), analysis of documents	
37	Vallance & Fellow	1999	Cult	Singapore, Thailand, Philippines		x	x	x	x		Analysis of documents	
38	Vance, McClaine, Boje & Stage	1992	Cult	USA, Thailand, Indonesia, Malaysia			x	x	x		707 questionnaires (156 US-American, 177 Indonesian, 192 Malaysian, 182 Thai managers), ANOVA, T-Test	8 own items concern actors, process and purposes of PA, 7-point-scale, Cronbach's Alpha: n.a.
39	Woods	2003	Cult	Australia, Singapore		x	x	x	x		51 questionnaire (expatriates and HR professionals)	Own items concerning methods, criteria, and purpose of, and satisfaction with PA, Cronbach's Alpha: n.a.
40	Zhou & Martocchio	2001	Cult	China, USA		x		x	x		289 questionnaires (71 Chinese, 218 US-American), MANCOVA	Questionnaire asks for decisions based on szenarios presented

resource practices, the data concerning performance management itself is collected by not more than five items in each of these studies (Farndale, 2010; Horwitz, Heng, Quazi, Nonkwelo, Roditi, von Eck, 2006; Fey, Morgulis-Yakushev, Park & Björkman, 2009; Shaw, Tang, Fisher & Krikbride, 1993). The authors of this paper aim to further differentiate the measurement to empirically investigate global performance management. Thus, an encompassing questionnaire has been developed, taking cultural as well as institutional forces into account to describe the country-specific shape of all core features of performance management.

### **Specification of latent Constructs and manifest Variables**

It is expected that the cultural and institutional context influences the core elements of global performance management. Thus items describing global performance management are the dependent variables while the current location is the independent factor, linked to cultural and institutional dimensions. Data on dependent and independent variables have been collected through different empirical investigations to avoid common method bias (Podsakoff, 2003, p. 881), i.e. the effects of interfering factors such social desirability or the consistency motif of respondents are minimized.

For assessing the underlying influences of the cultural values, the GLOBE study (House et al., 2004) provides the most recent and encompassing comparative evidence of cultural dimensions and therewith the data required to explain the cultural variance in global performance management profiles. However, as the cultural dimension of high and low context as defined by Hall (Hall, 1976) is assumed to be a crucial influence factor for performance management (Aycan, 2005; Festing & Barzantny, 2008; Schneider & Barsoux, 2003) and as no encompassing data is available this dimension had to be included in the questionnaire. In order to measure the needed high and low context-data the authors refer to the reliable scale (Cronbach's Alpha of 0.73 and more in the various samples) applied by

Richardson and Smith (Richardson & Smith, 2007, p. 487). Here, tests for excluding common method bias have been conducted.

Concerning the institutional variance in global performance management profiles the literature often refers to national differences, for example in market economies (Farndale, Brewster, & Poutsma, 2008; Mamman et al., 2009) or educational systems (Festing & Barzantny, 2008; Fey et al., 2009). This seems to be appropriate, since the validity of measuring institutional effects via quantitative surveys addressing individuals seems dangerous. Other scholars investigating the link between institutions and performance management use qualitative case studies based on interviews (Farndale & Paauwe, 2007; Ohemeng, 2009). Further interviews could therefore help to explain institutional variances in the global performance management profiles. In the context of Germany and France these interviews have already been conducted. However, these results are not considered in this paper.

The questionnaire described within this paper mainly refers to the dependent variable, i.e. to the core elements, which include criteria, actors, method, purpose and feedback (see also Figure 1). Various individual characteristics (e.g. the cultural identity, managerial experience and the time spent at the respective location) as well as several organizational factors (e.g. size, industry, role of subsidiary) are included as control variables. Furthermore, standardization is included as a variable opposing local adaptations based on cultural and institutional factors. The aim is to control its effects on the global performance management profiles. Table 2 summarizes the variables of the present questionnaire.

In order to measure the variables listed in Table 1, adopting and adapting existing questionnaires would have had several advantages, for example pretested reliabilities and validities, which would be of high value especially in cross-cultural surveys (Harkness, Van de Vijver, & Mohler, 2003, p. 25). Unfortunately, as shown in the literature analysis (Table 1)

previous studies did not reveal the required scales concerning the dependent variables. Therefore, new items and scales had to be developed, which is described next.

Table 2: Summary of Variables included in the questionnaire

Classification	Construct	Variable
Independent variables	Cultural context	Current location High/ low context orientation
	Institutional context	Current location
Control variables	Organizational characteristics	Headquarters location/ country of origin
		Industry
		Company size
		Department
	Standardization	Internationality
		Headquarters vs. subsidiary
		Standardization of performance management
	Role of subsidiary	Age of subsidiary
		Size of subsidiary
	Individual characteristics	Age
		Gender
		Managerial experience
		International experience
		Experience in performance management
		Cultural identity
		Time spent at current location
Dependent variables		GPM criteria
	Process criteria	
	Output criteria	
	GPM actors	Self appraisal
		Subordinates
		Peers
		Customers
		Superior
	GPM Methods	Implicitness
		Compensation
	GPM Purposes	Relation
		Development
		Promotion
		Commitment
		Motivation
		Directness
Constructiveness		
Involvement		

## Development of Items and Scales

The questionnaire consists of three parts. In the first part demographic data as well as individual and organizational characteristics that might be relevant for global performance management are addressed, based on, for example, the questionnaire presented by Armstrong and Baron (2005, pp. 161-170). The second part contains the seven-point-Likert-scale to

measure the cultural values regarding high versus low context, as applied by Richardson and Smith (Richardson & Smith, 2007), with fourteen items like “Misunderstandings are more often caused by the listener’s failure to draw reasonable inferences, rather than the speaker’s failure to speak clearly”. For the development of the third part concerning the core features of global performance management several articles provided crucial input. For example, Milliman et al. (2002a) presented their categories of purposes of performance management, which were used as the basis of the six items operationalizing the purpose in our questionnaire, illustrated by the item “The main purpose of the performance management system at my current workplace is motivating employees”. The development of the seven items investigating the actors of performance management, including items such as “In the performance management system at my current workplace the most important assessment comes from the subordinates” relies on some ideas formulated by Easterby-Smith et al. (1995) and Leung and Kwong (2003). Six items operationalizing the type of criteria, like “The evaluation criteria most applied in the performance management system at my current workplace are the work process and the way of working (i.e. ability to work with others)”, and the criteria-related objectivity, like “All employees know exactly what the evaluation criteria applied in the performance management system measure”, as well as those asking for the explicitness of methods and processes are mainly based on the paper and the survey by Engle et al. (2008a; 2008b) as well as on Lindholm (2000). For further differentiations of the twelve method-related items, as for example “The performance management processes require a lot of informal communication”, we referred to the explanations by Stock-Homburg (2008). Items operationalizing the way the feedback is provided were mainly based on the work by Aycan (2005) and Shen (2004). Pairs of items should make sure to ask in positive as well as negative directions, like for example the two following items “Bad results and weaknesses are always communicated directly.” and “Good results and strengths are always communicated directly.”

All items capturing the global performance management features were presented on a seven-point-Likert-scale. The firstly formulated items were discussed with human resources managers of MNEs as well as with other experienced managers working in various functions and companies. To reduce cultural bias from the very beginning of the item generation we asked French and US-American scholars to review the developed scales. After the scholar's and the expert's feedback we conducted some final adjustments of our items and started the pre-test of the online-questionnaire.

### **Review and Discussion of Scales and Items**

In order to evaluate the quality of the newly designed items and scales we sent a link referring to the online-questionnaire via mail to the Alumni of a European Business School in April 2010. With a total sample size of 240 and a response rate of 6.9 %, the majority of the participants identified either with the German (N = 113) or with the French culture (N = 73). Most of the participants are living and working in Germany (N = 110), several in France (N = 49), and still some of them in the UK (N = 19).

The explorative factor analysis supported several of the new scales. For example, a joint variation was found for the three items measuring the objectivity of criteria. Moreover, the factor analysis confirmed the absence of the above mentioned method bias in our data. Due to the measurement of both the dependent variables concerning the features of global performance management and the high and low context values as the influencing factor, a joint variation could have been a dangerous bias. As the factor analysis indicates, the items of the high and low context scale load on one factor, with values between .24 and .59, while no other item has a higher value than .27 on this same factor. At the same time only single items of the discussed scale load on other factors with a higher value than .30.

On the other hand, some scales showed loadings on more than one factor, as for example the items measuring the purpose of global performance management, as shown in Table 3.

Table 3: Factor analysis results of purpose-scale

Item	Loading on factor A	Loading on factor B
Development	.734	.139
Relation	.783	-.123
Commitment	.834	.054
Promotion	.151	.810
Motivation	.741	.219
Salary	.049	.853

Referring to Evans et al. (2011, p. 258) one could have expected differing factor loadings for the various functions of performance management such as motivation and commitment, and interventions after the appraisal, as for example development and promotion. However, the factor analysis reveals a different picture, since development, motivation, commitment and relation load on one factor, and salary and promotion vary together on another factor. This indicates a differentiation in goal- (salary and promotion) and behavior-oriented (development, motivation, commitment and relation) purposes.

According to the factor analysis the importance of the superior's assessment does not vary in the same way as the importance of the other actor's (employee him-/herself, subordinates, peers and clients) assessments do. The latter all load on one factor, together with the scores of the group focus during the appraisal. The latent variable reflected here might be the variety of actors involved in the respective system. High values of this factor might be supported by low power distance and collectivistic approaches to performance management. On the other hand side, the importance of the superior's assessment loads on one factor together with the individual focus of the appraisal, which could indicate a quite individualistic approach as the underlying variable.

The analysis of Cronbach's Alpha values revealed adequate internal consistencies for most of the scales. However, as the item-total correlations and the Cronbach's Alpha values without

the respective items indicate, some adjustments in terms of item subtractions were required. As the following Table 4 points out, in the case of the scale measuring explicit methods and processes the reliability was notably higher after the subtraction of the second item.

Table 4: Statistical scale and item analysis – the example of *Explicit Methods*

Item	Mean Value	Stand. Deviation	Cronbach's Alpha	Item-Total-Correlation	Cronbach's Alpha without Item
	2.20	1.37		.41	.75
Explicitness - Information	4.23	1.91		.14	<b>.82</b>
Explicitness - Planning 1	2.36	1.46		.45	.74
Explicitness - Planning 2	2.20	1.32		.63	0.72
Explicitness - Application 1	3.09	1.41		.60	0.72
Explicitness - Application 2	3.81	1.70	<b>.76</b>	.42	0.74
Explicitness - Application 3	4.04	1.61		.38	0.75
Explicitness - Application 4	2.70	1.26		.60	0.73
Explicitness - Planning 3	3	1.34		.60	0.73
Explicitness - Application 5	2.78	1.57		.52	0.73
Explicitness - Documentation 1	3.65	1.82		.40	0.75
Explicitness - Documentation 2					

Since neither the factor- nor the reliability analysis revealed satisfying results with respect to the operationalization of the type of appraisal criteria (input, process and output), these items need to be revised and amended. Potentially the wording of the items was not clear to all participants (even though examples were given in brackets), since it was taken in parts from the academic literature. Newly formulated items should therefore avoid the words of input, output and process when asking for the different types of criteria.

Table 5 gives an overview of the reliabilities of the scales after the subtractions of less fitting items in some of them.



Table 5: Cronbach's Alpha values of global performance management scales

Scale	Number of Items after Adjustment	Cronbach's Alpha
Behavior-oriented Purpose	4	.85
Goal-oriented Purpose	2	.76
Objective Criteria	2	.86
Explicit Methods	11	.82
Variety of Actors	5	.70
Direct Feedback	2	.51
Interpersonal Communication	3	.74
Standardization of PM	7	.93

As shown above, some scales consist of only two items after the required item subtraction, so that for future applications of the questionnaire additional items might need to be developed. In order to evaluate the quality of these supplemented scales, and the scales that have been revised completely, as for example the items concerning the criteria of performance management, a second pre-test should be conducted before applying the measurement in a highly relevant sample.

### CONCLUSION: LIMITATIONS AND FUTURE RESEARCH AGENDA

This paper has revealed a conceptual as well as an empirical deficit in research on global performance management. To allow for a more systematic differentiation of the country-specific adaptations of global performance management in MNEs in future research, country-specific global performance management (GPM) profiles and a suggestion for their measurement have been introduced. The long term goal of such maps will be to systematically, consistently and comprehensively capture the global performance management characteristics of the various national contexts an MNE is operating in on a conceptual as well as on an empirical level.

Possible limitations of the sample can lie in the participants' highly international careers, which raise the question of the influence of cosmopolitan identities on the data. However, the

factor analysis revealed that the structure of factors is identical in the German and French sample, which leads to the conclusion that a culture-bias of the measurement itself can be screened out (Milliman, Nason, Lowe, Nam-Hyeon, & Huo, 1995).

Moreover, important differences in organizational characteristics might interfere with a valid analysis of the contextual effects alone. For example, the industry might be a significant influence factor, since we have found the consultancy business as compared to other industries to score certain performance management features significantly higher. An example would be the purpose of promotion ( $p = .018$ ) and output criteria ( $p = .033$ ). Nevertheless, the heterogeneity of our sample should not impede a solid evaluation of the questionnaire itself. Further investigations should try to control these organizational variances by choosing one MNE and its respective subsidiaries worldwide.

When it comes to operationalizing the balance of standardization and local adaptation the measurement of standardization might require further differentiations and the design of the study might involve standardization as independent variable. Besides, additional items asking how the performance management features 'should be' might be of high value. Referring to Hanges and Dickson (2004, p. 225) and Milliman et al. (2002a) the application of the same items supplemented by 'should be' allow for a comparison of current practices and culture-specific best practices. Depending on the degree of standardization of a firm's global performance management one could expect differing gaps between these practices and the culture-specific best practices. Moreover, the measurement of the latter would facilitate the identification of the country-specific profiles in global performance management, since the scores measured by the 'as is'-items are influenced by the standardized performance management features communicated by the headquarters. Finally, since the target of these scales is to measure societal and not individual level variations, conclusive analysis should be performed on the means of the country item responses for each scale (Hanges & Dickson, 2004, p. 127).

At this stage, this paper has only very limited implications for practice. However, an empirical study as outlined above has the potential to give most valuable information to HR managers about the balance between global standardization and local adaptation in the various countries of an MNE's activities.

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