

**Country-Specific Profiles in Global Performance Management –
A Contribution to Balancing Global Standardization and Local Adaptation
in MNEs**

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ABSTRACT

In this paper 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. In an analogy to Schein's culture concept the complexities of global performance management are analyzed considering not only the above-mentioned artifacts but also norms, values and underlying assumptions. 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 that are able to consistently and comprehensively capture the particularities of the various national contexts an MNE is operating in. They are illustrated by using secondary empirical data mainly from Germany, the USA and China. The major contribution of this paper is to enhance the conceptualization of global performance management systems by systematically identifying country-specific characteristics of global performance management and providing empirical evidence from secondary data analysis.

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; 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 neglected (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 HRM functions and organizational competitiveness" (Nankervis & Compton, 2006, p. 85). 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, 2008; Festing & Barzantny, 2008; Varma, Budhwar, & DeNisi, 2008). In the course of this research, country-specific influences on performance management have been identified (Bailey & Fletcher, 2008; Cascio & Bailey, 1995; Festing & Barzantny, 2008; Paik, Vance, & Stage, 2000). The following examples give a first impression of country-specific customs within performance management and performance appraisal practices:

- "Indeed, Korean middle-level managers often do not really know exactly how their performance is viewed until roughly five years after joining their companies" (Cascio & Bailey, 1995, p. 28).
- "... U.S. employees are often encouraged to document and communicate their own achievements to their boss" (Milliman, Taylor, & Czaplewski, 2002b, p. 38).
- "However, the major purpose of performance appraisal in Chinese MNEs is to decide how much to pay rather than for the organizational development ..." (Shen, 2004, p. 559).
- "In Britain, appraisal has often been 'sold' to employees in terms of its ability to serve their individual needs for development and self-actualization, ..." (Snape, Thompson, Yan, & Redman, 1998, p. 857).

- “... what counts is results, not personality. This is even upheld in US law courts to protect employees from being evaluated based on who they are rather than what they do, ...” (Schneider & Barsoux, 2003, p. 163).
- “The French labour law gives considerable flexibility to assess and evaluate the performance of employees, ...” (Festing & Barzantny, 2008, p. 215).

Consistent with the above-cited examples it should be evident that nearly every element of the performance management process may be potentially influenced by the local context (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 providing a systematic conceptual basis and commensurate comparative empirical data is missing (Claus & Briscoe, 2008; Engle et al., 2008).

The authors of this paper address this research deficit. The first goal is to identify relevant features of global performance management systems. This is the basis 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. Focusing on the localization challenge we will develop a series of context-specific profiles in global performance management, which are designed to capture the country-specific differences. We illustrate them by using secondary empirical data mainly from Germany, the USA and China, i.e. three countries from very diverse cultural clusters (House, Hanges, Javidan, Dorfman & Gupta, 2004). Thus, the major contribution of this paper is enhancing the conceptualization of

global performance management systems by systematically identifying country-specific characteristics of global performance management and disseminating the first empirical evidence from secondary data analysis.

In the following three sections the authors will create a common understanding of global performance management by systemizing its elements. Then, the culture concept articulated by Schein is presented in order to outline the complexities of global performance management in the interplay of organizational and context-specific pressures. In the last section of the paper we will present a suggestion for charting the terrain through country-specific profiles of global performance management. From this conceptual and empirical analysis we will conclude by drawing implications for future research.

PERFORMANCE MANAGEMENT: DEFINITION, OBJECTIVES AND ELEMENTS

The core element of performance management, performance appraisal, was already applied during the Wei dynasty in China, when the official family's performance was rated by an 'imperial rater'. This utilization of performance appraisal is supposed to be the first known example and dates back to AD 221-265 (Armstrong, 2009, p. 10). During the two world wars the first sophisticated performance rating systems were designed for military use but were employed also for organizational purposes in the following years (Price, 2004, p. 498). Later, around last mid-century, the ideas contributed to the emergence of the concept of management by objectives (MBO), which emphasizes not only the principle of self-control but also the linkage between the company's needs and the manager's objectives (Armstrong, 2009, p. 14-15).

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., 2008; 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 four main features of (global) employee performance management will structure the conceptual and empirical discussion within this paper: performance evaluation criteria, actors' roles, appraisal methods and purposes of the system.

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, 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.

Finally, 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.

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 by referring to Schein’s cultural concept.

THE COMPLEXITY IN GLOBAL PERFORMANCE MANAGEMENT

To structure the complex environment of global performance management and to chart this terrain we use the analytical strength of the cultural concept by Edgar Schein. Schein (2004, pp. 26-38) 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.” In this paper we build on the above-described features of global performance management systems

(evaluation criteria, actor' roles, appraisal methods, and purposes of the system) as the visible result of underlying values and norms as well as internal (organizational) and external (cultural and institutional) drivers. In doing so, we recognize the differentiation between the underlying research paradigms suggested by Brewster (1993). According to Brewster (1993, p. 45) the universalist paradigm centers around detecting and describing general rules of management and HRM, which are applicable everywhere and provide 'best practice'. Alternately, the contextualist research paradigm focuses on the variations between management practices in diverse contexts. Research on global performance management reflects both paradigms. However, when national contexts are considered the dominating research paradigm is contextualism. Figure 1 reflects the various approaches to researching global performance management in suggesting a meta-framework based on Schein.

Figure 1: The complexity in global performance management – a proposed framework

	Internal Context		Criteria for Detecting Firm Specific Global Performance Management		External Context
LEVEL 3 <i>Artefacts</i>	Visible firm-internal variables (Examples): - Size - Organisational/ Product Life Cycle - Level of internationalisation - Organisational structure		Basis for a global performance management profile <ul style="list-style-type: none"> • Evaluation criteria • Actors' roles • Appraisal methods • Purposes of the system 		Visible firm-external variables (Examples): - Industry - Local product market conditions - Local labor market conditions - Legal environment - Unions
LEVEL 2 <i>Norms and values</i>	Firm-internal variables reflecting norms & values Examples: - Corporate/ business unit strategy - Corporate culture - HR Strategy - Knowledge Management - Organizational learning	→	Global performance management strategic decisions <ul style="list-style-type: none"> • Global vs. Local • Outcome vs. Job vs. Skill • Performance vs. Seniority • Individual vs. Group Performance • Corporate vs. Division Performance • Short vs. Long Term Orientation • Risk Aversion vs. Risk Taking • Hierarchical vs. Participative • Qualitative vs. Quantitative Performance concepts 	←	Firm-external variables reflecting norms & values (Examples): - Institutional forces (e.g., legal issues, industrial relations system, educational systems) - Cultural norms & values
LEVEL 1 <i>Basic explanations</i>	Mainly firm-internal perspectives (Examples): - Resource-based view - Resource Dependence Theory - Behavioral Theory - New Institutional Economics - Knowledge-based Perspective				Mainly firm-external perspectives (Examples) : - Cultural perspectives - Institutional perspective
Research paradigm	Universalist	↔			Contextualist

Strategic Decisions in Global Performance Management

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., 2008; 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. 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 and 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 Fund (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), as depicted in Figure 1. Table 1 provides a literature-based overview on explanations of cross-cultural variance in performance management. 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.

Table 1: Literature overview concerning cultural influences on performance management*

No.	Authors	Year	Countries	Org.type	Cultural Dimensions								PM Features				
					PD	I/C	UA	F/M	H/L	PO	Fatal	Face	Gxi	Crit	Purp	Rel	Meth
1	Audia & Tams	2002		n.a.	x	x								x	x	x	x
2	Aycan	2005		n.a.	x	x			x	x	x			x		x	x
3	Aycan, Al-Hamadi, Davis & Budhwar	2007	Oman	local		x				x	x					x	x
4	Bai & Bennington	2005	PRC	local	x	x					x	x	x	x		x	x
5	Bailey, Chen & Dou	1997	USA, Japan, PRC	n.a.		x				x		x		x		x	
6	Bailey & Fletcher	2008		n.a.	x	x	x	x						x	x	x	x
7	Björkman & Lu	1999	PRC, 'Westen'	intern. JV	x	x						x	x	x	x	x	x
8	Cooke	2008	PRC	n.a.								x		x	x	x	x
9	Easterby-Smith, Malina & Yuan	1995	UK, PRC	local		x						x		x		x	x
10	Entrekin & Chung	2001	HK, USA	local/MNE		x						x				x	
11	Eshji	1985	Japan, USA	MNE													
12	Feng, Foster & Heling	2005	PRC, USA	local/MNE	x	x											x
13	Festing & Barzantny	2008	Germany, France	n.a.	x	x	x	x	x					x	x		x
14	Fletcher & Perry	2001		n.a.	x	x								x	x	x	x
15	Groeschl	2003		n.a.	x	x	x	x			x	x		x	x	x	x
16	Leong & Kwong	2003	PRC	intern. JV								x		x		x	x
17	Lindholm	2000	China, Thailand, India, UK, Germany, USA	MNE													
18	Mendoca & Kanungo	1990	Developing countries	n.a.	x	x	x	x	x					x	x		x
19	Mendoca & Kanungo	1994	Developing countries	n.a.	x	x	x	x	x					x		x	x
20	Milliman, Nason, Gallagher, Huo, Von Glinow, Lowe	1998		n.a.	x	x				x	x			x	x		x
21	Milliman, Nason, Zhu & De Cieri	2002	Australia, Canada, Indonesia, Japan, South Korea, Mexico, Taiwan, USA, PRC	local	x	x									x		
22	Milliman, Taylor & Czaplewski	2002	USA, Malaysia	MNE	x	x			x		x			x		x	x
23	Paik, Vance & Stage	2000	Indonesia, Malaysia, Philippines, Thailand	local	x	x	x	x							x	x	x
24	Ployhart, Wiechmann, Schmitt, Sacco & Rogg	2003	Can, South Korea, Spain	MNE	x	x		x	x					x		x	
25	Schneider & Barsoux	2003	Asia, France, Germany, USA, PRC, Russia, Schweden	n.a.		x			x		x	x					
26	Shaw, Tang, Fisher & Krikbride	1993	HK	local	x	x						x			x	x	x
27	Shen	2004	PRC, UK	local								x		x	x	x	x
28	Shih, Chiang & Kim	2005	USA, Japan, Netherlands, Korea, Taiwan	MNE		x						x		x		x	
29	Snape, Thompson, Yan & Redman	1998	HK, UK	n.a.	x	x	x	x							x	x	x
30	Vallance & Fellow	1999	Singapore, Thailand, Philippines	public	x	x				x	x	x		x	x	x	x
31	Vance, McClaine, Boje & Stage	1992	USA, Thailand, Indonesia, Malaysia	local		x	x								x	x	x
32	Zhou & Martocchio	2001	PRC, USA	local		x						x		x	x	x	

* Abbreviations: PD = Power Distance; I/C = Individualism/ Collectivism; UA = Uncertainty Avoidance; F/M = Femininity/ Masculinity; H/L = High/ Low Context; PO = Performance Orientation; Fatal = Fatalism; Face = Chinese traditional value of Face; Gxi = Guanxi (Chinese traditional value of relations and networks); Crit = Criteria; Purp = Purpose; Rel = Agents' relation; Meth = Methods.

This analysis includes 15 articles describing or comparing performance management in China and the culturally close areas of Hong Kong and Taiwan. As other scholars have noted before (Claus & Briscoe, 2008, p. 191) performance management in China is the focus of much recent research in the area of GPM "... and cultural values, in China, such as Face, harmony and power distance were found to affect PA practices". The value of "face" is comparable to standing and esteem and thus situations and behaviors that might cause the loss of the other's and the own "face" are avoided. Another important value in China is "guanxi" a nebulous term that describes mutual favors and mutual influence in personal relationships (Björkman & Lu, 1999, pp. 307-308). For example, in contrasting China with the unfortunately not specified 'West', Björkman and Lu (1999, p. 322) conclude that while the appraisal in China, formed by values like face and guanxi, is done by colleagues and subordinates and in a more implicit way, Western appraisals often use explicit one-to-one-feedbacks carried out by the superior (see also Easterby-Smith et al., 1995; Engle et al., 2008, p. 161; Feng et al., 2005). In studying the performance management systems of the Chinese coal industry Bai and Bennignton (2005, p. 280) found personal relationships to be the most important factor in performance management, also referring to the guanxi principle.

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)

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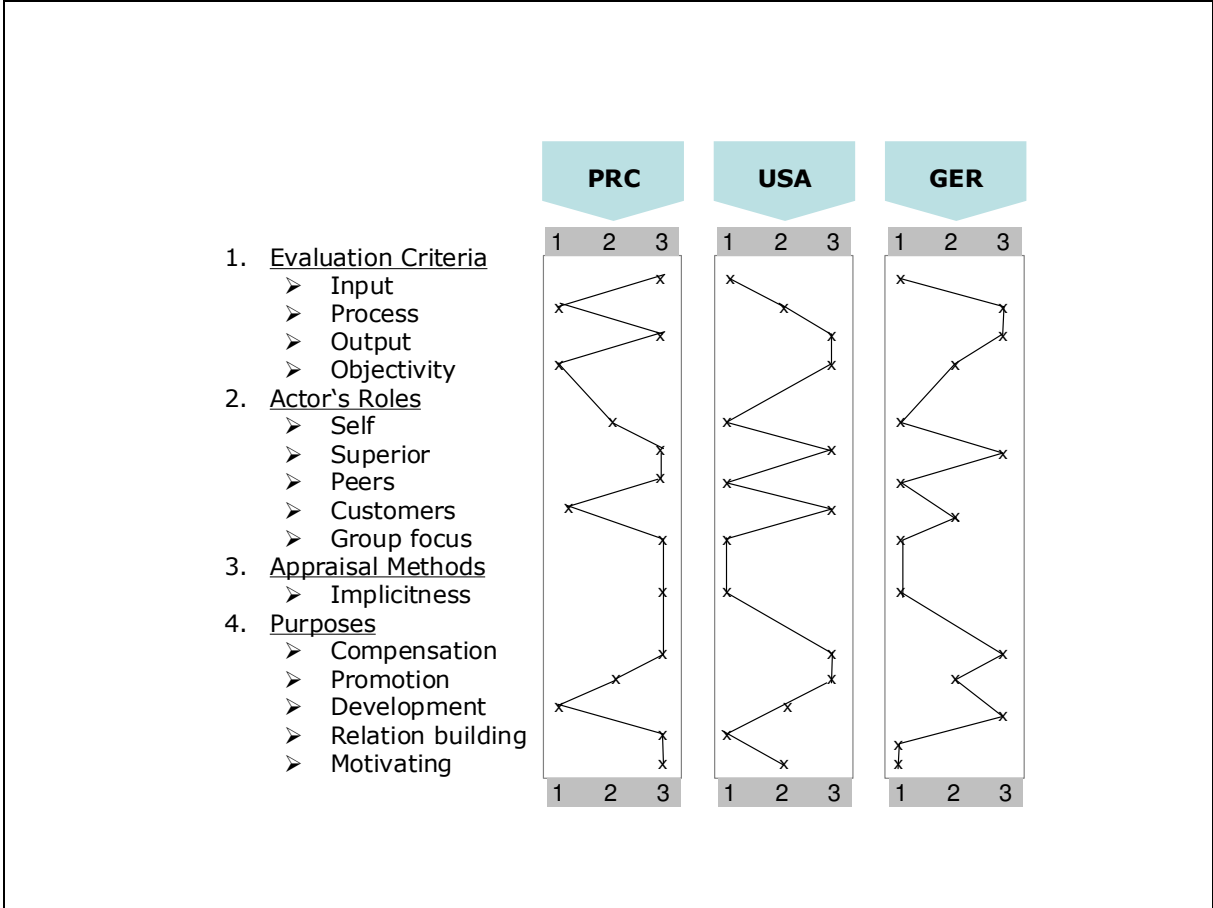
COUNTRY-SPECIFIC GLOBAL PERFORMANCE MANAGEMENT PROFILES

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 3: Examples of Country-specific GPM Profiles



1=No Relevance 2=Some Relevance 3=High Relevance

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 et al., 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 score¹ 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 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 Bennigton (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

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

lower power distance in Germany and consequently the negotiation-like character of the performance appraisal situation.

Extent of Implicitness 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).

CONCLUSION

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 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. Based on an extensive literature review we have found first evidence for the usefulness of this tool to differentiate between the local contexts of an MNE in various countries (Germany, the USA and China). However, further research is needed here.

The limitations of using secondary data include the lack of a conceptual consensus in the literature (Engle et al., 2008, p. 155). Therefore, it is important to use a clear

conceptualization of global performance management systems and their elements. A first step in this direction has been provided in this paper.

The results concerning the country-specific context of global performance management found in the literature were quite broad and eclectic, sometimes focusing on the institutional, sometimes on the cultural context and sometimes on both. We would argue both the institutional and cultural contexts are relevant for a complete understanding of GPM. Therefore, we have conceptualized a country-specific GPM profile. However, in future research, the country-specific profiles needs to be operationalized.

As a next step in advancing our knowledge on global performance management we suggest to conduct a study which uses questionnaires to capture manager's perceptions on the defined elements of global performance management system and the cultural values, possibly based on the GLOBE study as this is the most recent and most encompassing study on cultural values. We suggest that the organizational side of global performance management as well as the institutional environment can best be analyzed by conducting interviews with HR managers in Headquarters as well as in the local subsidiaries. The results of such a comparative study should help us to shed light on some of the complexities in global performance management as outlined in Figure 1.

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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