

20

Going Global Versus Staying Local: The Performance Management Dilemma in the International Context

Fons Trompenaars and Riana van den Bergh

1 Possible answers

- 1.1 There are tensions and opposing interests at various levels in this case study. Analyse the various interests and guidelines for the proposed ASAS system, utilizing the theory of locus of human value and the seven dimensions of culture model. Map out the following aspects:**
- a) The locus of human value of Mr. Daniels, Ms. Jones, Mr. Mantovani, Mr. Yakomoto, Mr. Klaus and Mr. Khasmi.**
 - b) Compare the key guidelines suggested for the ASAS system with the guidelines that each of the HR country directors responds with or the reservations that they hold and try to identify the conflicting guidelines.**
 - c) Identify the cultural value dimension underlying each of the guidelines identified in b.**

Western cultures like Germany and the USA tend to score high on individualism, universalism, specificity and internal orientation, whilst countries like Japan, Italy and Dubai tend to score high on communitarianism, diffuseness and external orientation. These cultural orientations also strongly influence the way in which people are viewed and managed in organizations. The traditional “Western” approach to business tends to hold a more instrumental view of employees: people are resources that should be managed, whose performance should be measured and rewarded individually and whose results should be linked to bottom-line performance (Jackson 2002). On the other side of the spectrum, a more humanistic view of employees suggest that systems should be designed around participation, development of potential and teamwork (Jackson 2002).

Although various combinations of these approaches to human value and cultural orientations exist, we are deliberately polarizing the opposite extremes of the continuum in this case study to help students understand the value of a “best of both worlds” approach to performance management.

Locus of human value	Instrumentalism	Humanism
Who holds this locus?	Klaus (Germany) Jones (USA) Daniels (USA)	Yakomoto (Japan) Mantovani (Italy) Khasmi (Dubai)
Requirement for measuring performance	Link individual performance to rewards (pay-for-performance)	Focus on rewarding team performance
Cultural value dimension	Individualism	Communitarianism
Requirement for measuring performance	Standardized system worldwide	Tailored system that takes local circumstances into account
Cultural value dimension	Universalism	Particularism
Requirement for measuring performance	Focus on tasks and results	Focus on the person as a whole – creativity, teamwork etc.
Cultural value dimension	Specific	Diffuse
Requirement for measuring performance	Honest, open, frank and direct evaluation conversations	Diplomacy and tact (avoid losing face)
Cultural value dimension	Specific	Diffuse
Requirement for measuring performance	Fixed criteria for measuring performance	Account for uncontrollable conditions that may affect performance
Cultural value dimension	Internal	External
Requirement for measuring performance	Only evaluate last year’s performance – reward individual achievers	Evaluate performance over time and account for the team’s contribution to the individual’s success
Cultural value dimension	Sequential	Synchronous

Table 1. Comparison of locus of human value

1.2 Identify the main conflicts from your analysis above and translate them into potential strategic dilemmas that Qwenchy has to reconcile when implementing a global performance management system. Propose a best-of-both-worlds resolution for each of these dilemmas.

Dilemma 1: Rewarding individual performance vs. team rewards

The first critical dilemma that Mr. Daniels and his team will have to resolve relates to the dimension of individualism vs. communitarianism. Mr. Daniels, Ms. Jones and Mr. Klaus seem to focus on the importance of rewarding individual performance, linked to bottom-line results. The basic assumption is that individuals will become more motivated to work harder and perform better if rewards are connected to individual performance. In this approach, the performance of the group, unit or department is not taken into account. The downside of this approach is that team members are not recognized for their contributions to individuals' performance and a situation may occur where in-fighting and internal competition becomes so fierce that the larger interests of the company are ignored.

On the other end of the spectrum, Mr. Yakomoto, Mr. Mantovani and Mr. Khasmi are more focused on the performance of the group and rewarding the entire team for its performance. This approach assumes that different team members are committed to the overall performance and success of the team, unit or department. Rewards are distributed equally among different group members. When this approach is driven to the extreme, however, it may lead to a situation where the contributions of individuals are ignored and social loafing can occur because individuals can hide their non-performance in the group.

A reconciliation of the dilemma between an individualistic definition of performance and a collectivist definition can be facilitated by incorporating factors into individual performance appraisals that measure the degree to which the person contributed to the effectiveness of peers and to the success of the unit, in addition to how well he or she carried out his or her responsibilities and whether goals were met. For example, a rating factor such as "Contribution to the effectiveness of others" and/or "Contribution to the effectiveness of the unit" can be added to the productivity, quality of work and dependability/adherence to rules that are typically used to rate support employees. And when evaluating management and professional employees the contribution factors can be built into the responsibilities and the performance objectives that are typically used to rate performance for these employees.

A reconciliation of the dilemma between rewarding at the individual level or the aggregate level is to reward performance at all levels (individual and team and organizational, rather than individual or team or organizational). By utilizing a combination of individual rewards programmes and group-/unit-/organization-wide rewards programmes each employee is motivated to perform at high levels individually and to do so in a manner that contributes to performance of peers, the unit and the organization. A profit-sharing scheme may act as a "shared destiny" plan, rewarding all individuals for producing the desired results at an organizational level.

Group incentive plans may focus employees on the performance of their unit (team, department, function, business unit). Merit pay plans may motivate high levels of individual performance. By combining all three an organization can convey the message to employees that performance will be defined, measured and rewarded at all levels.

Thus, in designing a global rewards system, Qwenchy needs to reward individuals for their contribution to the success of the team, and teams need to be rewarded for contributing to the development and success of individuals.

Dilemma 2: Standardized global performance management system vs. adapting the performance management and reward system to the particular circumstances of each country.

The second dilemma Qwenchy needs to reconcile relates to the standardization of performance and rewards management. Mr. Daniels, Ms. Jones and Mr. Klaus seem to prefer a more universalistic approach where a standard set of rules, procedures and measures applies to everyone in the organization. On the other end of the spectrum, Mr. Yakomoto, Mr. Mantovani and Mr. Khasmi feel that the performance management system should be tailored to the specific culture and circumstance in each unit, subsidiary or country (particularistic).

Universalistic perspectives are most common in Western countries, such as the US and Germany. But those with a particularistic orientation believe that circumstances or who the individual is should result in a flexible application of rules and policies and resist bureaucratic processes. These flexible cultures focus on the obligations of relationships and requirements posed by unique circumstances. Friendship implies special obligations, which take priority over abstract codes. There is not one good way that must always be followed – it depends on the situation. Particularistic cultures are more common in countries in South America, Latin Europe, Asia and the Middle East.

The benefit of a standard, universal performance management system is that there is consistency and clarity which provides objective measures. However, this instrumental view of employees' management may not be appreciated in cultures that hold a more humanistic view of employees.

A reconciliation of the dilemma between a consistent application of rules (e.g. appraising everyone based on how well they did their jobs) and flexible application of rules based on relationships or circumstances (e.g. appraising the merits of the person) can be facilitated by establishing policies governing the factors used in performance appraisals. In addition to job-related results, other factors such as loyalty and contribution over time may be utilized in rating a person's performance. Extenuating circumstances should be considered as well, since employees should be held accountable only for those things they can control or influence. In cases where employees cannot control results they typically can control their behaviour and if they exhibit appropriate behaviour this should be considered in the appraisal rating.

A reconciliation is possible when the performance management philosophy incorporates the values of the organization, but freedom is given to the local operations as to how to apply them. Concurrently HQ evaluates what is developed locally and continuously tests it to see if it would work globally.

If an organization bases rewards solely on performance against job standards it can overlook valued contributions such as loyalty to the company, effort expended and possession of valuable tacit knowledge. A universalistic view of rewarding performance can result in everyone being treated the same, irrespective of their occupation and the nature of the work they perform. Activities such as mentoring and training less experienced peers may be overlooked, as may the value of knowledge possessed by the person that is valuable to the functioning of the organization but not related to the person's current job and performance standards. Merit pay and individual incentive programmes will generally be applied using established policies that typically preclude consideration of personal characteristics and relationships.

But if an organization bases rewards on factors other than performance standards and/or allows for personal characteristics and relationships to enter into the rewards allocation process it opens the door to inconsistent application across managers. In some cases this may result in charges of discrimination, particularly in countries such as the US, which has laws mandating that rewards be tied to individual job-related results and behaviours. In order for an organization to meet its objectives it is necessary to align the efforts of all employees, and a particularistic approach to rewards may result in a dissipated focus. If some employees are rewarded based on relationships other employees will view this as unfair, and the organization may not get the results it intended to pay for.

A reconciliation of the dilemma between universalistic and particularistic approaches to allocating rewards can be facilitated by ensuring that rewards reflect contributions to organizational success, however defined. Employees who make others more effective by sharing their knowledge and exhibiting supportive behavior should be rewarded for those contributions. If extenuating circumstances make it more difficult for some individuals to achieve their objectives this should be considered in reward allocation. Incentive plans that are based on aggregate performance can minimize a singular focus on individual performance measured in quantitative metrics and can encourage all employees to contribute everything they can.

In order to reconcile this dilemma at Qwenchy, the best aspects of existing processes in each country can be combined to become the global "next practice" rather than just the "best practice".

2 References

Jackson, T. (2002). "The management of people across cultures: valuing people differently". In: *Human Resource Management*, 41, 455–475.

3 Further reading for the lecturer

Trompenaars, F. & Hampden-Turner, C. (2004). *Managing People Across Cultures*. London: Wiley.