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**A STUDY ON COMPENSATION STRATEGIES AND THEIR EFFECTS
ON CORPORATIONS IN A GLOBAL CONTEXT**

A Thesis in

Human Resources and Employment Relations

by

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Abstract

These days, as corporations are seeking global opportunities in this global society, how to motivate employees from different cultures, who have different values, needs, and norms, is becoming increasingly important. This study first dealt with the relationship between national culture and the prevalence of three kinds of reward practices—individual-based bonuses, group-based bonuses, and workplace childcare schemes. In addition, this study also examined the link between reward practices and organizational performance in different national cultures. In analyzing, this study picked up seven countries, the Netherlands, UK, US, Philippines, Germany, Taiwan, and Japan, and, using Hofstede's four cultural dimension scores, compared the mean scores of use of each compensation practices in different cultures. In other words, this study divided the national culture dimension scores into three groups (high, medium, low) and examined the mean scores to see the connection between reward practices and national culture. Also, to examine the moderating effects of national culture on the link between the three reward practices and organizational performance, multiple regression analysis was conducted.

This study's results showed that significant relationships between national culture and the prevalence of the three kinds of reward practices as well as the moderating effects of national culture on the relationship between reward practices and organizational performance were not supported or had a mixed result. The findings of this study suggest that although national culture can play an important role in some reward practices, it is not the only factor to be considered in establishing compensation strategies abroad. That is, not only national culture but also other contextual factors, such as institutional factors, should also be considered as moderating variables when HRM managers in corporations doing business abroad build compensation strategies.

TABLE OF CONTENTS

Introduction.....	1
Examining reward practices: the universalistic and contingency approaches	4
Previous studies on compensation	6
Previous studies on compensation in a global context.....	12
Research question and hypotheses in relation to reward strategies and national culture.....	17
Methodological design	22
Results.....	30
Discussions and conclusions.....	47
Limitations.....	51
Appendix.....	54
References.....	56

List of Tables

Table 1A: <i>Selected Countries and Hofstede’s Cultural Dimension Scores</i>	24
Table 1B: <i>Number of Organizations Examined by Country</i>	26
Table 2: <i>Means, Standard Deviations, and Correlations for All Variables</i>	30
Table 3A: <i>Results of One-way ANOVA Analysis and Descriptives for the Extent to Which Individual-based Bonus Schemes are Used in Low, Medium, and High IDV Cultures</i>	33
Table 3A-2: <i>Results of Post Hoc Tests (Tukey HSD) for the Extent to Which Individual-based Bonus Schemes are Used by Low, Medium, and High IDV Cultures</i>	33
Table 3B: <i>Results of Regression Analysis for Perceived Revenue Growth and Use of Individual-based Bonuses in Relation to IDV</i>	34
Table 4A: <i>Results of One-way ANOVA Analysis and Descriptives for the Extent to Which Group-based Bonus Schemes are Used in Low, Medium, and High IDV Cultures</i>	36
Table 4A-2: <i>Results of Post Hoc Tests (Tukey HSD) for the Extent to Which Group-based Bonus Schemes are Used by Low, Medium, and High IDV Cultures</i>	36
Table 5A: <i>Results of One-way ANOVA Analysis and Descriptives for the Extent to Which Individual-based Bonus Schemes are Used in Low, Medium, and High PDI Cultures</i>	39
Table 5A-2: <i>Results of Post Hoc Tests (Tukey HSD) for the Extent to Which Individual-based Bonus Schemes are Used by Low, Medium, and High PDI Cultures</i>	39
Table 5B: <i>Results of Regression Analysis for Perceived Revenue Growth and Use of Individual-based Bonuses in Relation to PDI</i>	40
Table 6A: <i>Results of One-way ANOVA Analysis and Descriptives for the Extent to Which</i>	

<i>Workplace Childcare Schemes are Used in Low, Medium, and High MAS Cultures</i>	42
Table 6A-2: <i>Results of Post Hoc Tests (Tukey HSD) for the Extent to Which</i> <i>Workplace Childcare Schemes are Used by Low, Medium, and High MAS Cultures</i>	42
Table 6B: <i>Results of Regression Analysis for Perceived Revenue Growth and</i> <i>Use of Workplace Childcare in Relation to MAS</i>	43
Table 7: <i>Collection of Regression Coefficients of the Three Reward Practices in Relation to</i> <i>Perceived Revenue Growth in Each Country When Analyzed Separately</i> <i>from Other Practices and from Other Countries</i>	45

List of Figures

Figure 1: Summary of Some Studies Addressing the Relationship between Reward Practices and Organizational Performance.....	7
Figure 2: <i>Model Showing the Relationship between Independent and Dependent Variables and the Moderation</i>	29
Figure 3: <i>Graph for Workplace childcare \times MAS (Interaction Term)</i>	44

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Introduction

Due to global competition and the development of information technologies, corporations are increasingly seeking ways to survive in the new global environment (Shin, 2002). As capital and physical assets gradually lose their importance in business, so human capital is becoming correspondingly more important (Barney, 1992; Pfeffer, 1994). As a result, researchers are becoming very interested in strategic human resource management (SHRM) (Delery & Doty, 1996; Dyer & Reeves, 1995).

Effective SHRM strategies, including reward strategies, yield HRM outcomes such as commitment, flexibility, quality (Guest, 1997), productivity, creativity, discretionary effort (Becker et al., 1997), employee satisfaction, employee motivation, employee retention, low absenteeism, positive employee relations, and employee involvement/trust/loyalty/commitment (Paauwe & Richardson, 1997). Guest (1997), Becker et al. (1997), and Paauwe and Richardson (1997) stated that these HRM outcomes ultimately enhance organizational performance in terms of profits and ROI (Guest, 1997), market value (Becker et al., 1997), market share, sales, productivity, product/service quality, customer satisfaction, development of products/services, and future investments (Paauwe & Richardson, 1997).

In its consideration of SHRM practices, this study is most concerned with those that focus on compensation for the simple that business managers view compensation as one of the most effective ways to foster high-level organizational performance (Delery & Doty, 1996; Huselid, 1995). Numerous research studies have shown that various compensation strategies, such as performance-based pay systems, flexible rewards, employee stock option plans, and other incentives can enhance organizational performance (e.g., Arthur, 1994; Delaney & Huselid, 1996; Dowling & Richardson, 1997; Kalleberg & Moody, 1994; Lazear, 1996).

However, we can wonder if these compensation strategies can also bring desirable effects to *your* organization, which might have an organizational environment, culture, and/or employees that differ significantly from those of other organizations. Employees from different cultural backgrounds have different values and ideas (Hofstede, 1980, 1984, 1993), and their preferences for various reward types can vary depending on their national culture (Schuler & Rogovsky, 1998). Then, what exactly is the importance of national culture in determining reward strategies and how should we approach questions related to it?

In comparison with domestic businesses, corporations seeking business opportunities abroad should pursue more complex business strategies and be more structured in terms of organization. That is, an international business must be in tune with a given country's economic conditions, institutions, laws, customs, and cultural make-up, as each of these can significantly affect the competitiveness of any firm doing business in that country (Bond, 1999).

As a result, a firm's ability to understand and adapt to other cultural contexts has come to be understood as a determinant of international business success. At the same time, in the IHRM (International Human Resource Management) field, the question of how corporations deal with employees from various cultural backgrounds has received relatively small attention. According to Paauwe and Farndale (2006), concerns regarding which HRM practices can be most effective in different countries have not kept pace with the global expansion of businesses. This is because most studies to date have examined connections between HRM practices and organizational performance based entirely on U.S. data. Some research pertinent to the questions posed in the present study has been conducted outside the US. Yet, comparing HRM practices on the basis of these studies is difficult because each focuses on a single country, and taken together they point to considerable variations in business practice. In addition, they use quite different

methodologies, making comparing results difficult (Fey et al., 2009).

In regard to compensation, employees' reward preferences vary depending on their social and economic circumstance (Chiang & Birtch, 2007). One important factor determining this circumstance could be the national culture to which the employee belongs. Recent studies have explained that national culture creates differences in people's needs, motivations, leadership styles, and so on (e.g., Den Hartog et al., 1999). Therefore, to effectively do business abroad for corporations, we must ask how important a role national culture plays in the success of compensation strategies and whether national culture alone should be considered when developing compensation strategies. However, there are only few studies that researched compensation practices in different countries (e.g. Chiang & Birtch, 2006; Gomez-Mejia & Welbourne, 1991; Lowe et al., 2002; Schuler & Rogovsky, 1998). In addition, the few studies only examined prevalence of reward practices or employee reward preferences, and their results were inconsistent with each other. Furthermore, studies examining the link between reward practices and organizational performance in relation to different cultures are lacking.

Therefore, this study examines not only the prevalence of reward practices but also the link between various compensation types and organizational performance, and in doing so I use a number of disparate national cultures as moderating variables. Therefore, this study's primary questions are "Does national culture matter to the prevalence of different reward practices?" and "How do various compensation strategies affect organizational performance in various national cultures/contexts?"

In this study, I will review the existing literature on compensation and organizational performance, and then consider some of the most relevant literature that considers compensation in a global context. Subsequently, from a cultural perspective, I will empirically examine the

relationship between reward practices and their prevalence and the relationship between reward practices and organizational performance in different countries.

Examining reward practices: the universalistic and contingency approaches

In order to determine the direction of this study, it was necessary to review the universalistic and contingency approaches that have been taken in SHRM research. First, according to the universalistic approach to SHRM there are “best practices” that can be applied to every business situation (Delery & Doty, 1996). Proponents of this approach hold that there are specific HRM practices in terms of education/training, rewards, selection/recruitment, performance appraisal, and employment relations that can maximize an organization’s performance. According to Paauwe (2004), this approach is associated with best practices and “high performance work systems (HPWS).” The assumptions or arguments behind this approach are (1) a linear relationship between HRM practices and organizational performance exists; (2) there are some universally effective and applicable best practices; and (3) the success of the organization is best evaluated by financial performance such as sales, market share, and profit. Therefore, researchers representing the universalistic approach suggest that organizations make greater use of best practices. For example, Pfeffer (1994) argued that all kinds of firms should be encouraged to use 16 specific HRM practices, including incentive pay, job security, promotion from within, training/skill development, and employee participation/empowerment, because all these HRM practices can be effectively used by and applied to every organization.

In contrast, the contingency approach does not endorse the view that a set of best practices can be applied to every business. Proponents of this approach hold that the relation

between HRM practices and business performance varies depending on business strategies and/or the internal/external business environment (Schuler et al., 1993). An internal business environment includes the organizational structure, culture, firm size, development stage, and business strategy. An external business environment consists of the legal, social, and political environment including degree of unionization labor market conditions, and national culture/customs (Choi, 2003).

Among the aspects that make up an external business environment, national culture as the primary contingent factor is the focus of this study. In other words, this study is mainly based on the contingency approach and will examine whether the relative effectiveness of various reward strategies differs depending on the national culture.

Previous studies on compensation

Before we move to a review of the literature that considers compensation in a global context, it is a good idea to look first at studies on compensation and the extent to which and ways in which they prove the effectiveness of various compensation practices from the universalistic perspective. Figure 1 shows the studies that address the relationship between compensation strategies and organizational performance (Paauwe, 2004). These studies examine various compensation strategies such as gain-sharing, profit sharing, performance-based pay (Dowling & Richardson, 1997; Kalleberg & Moody, 1994), high-level pay (Arthur, 1994; Boselie & van der Wiele, 2002), piece-rate pay (Lazear, 1996), and good secondary working conditions (working part-time, parental leave, child care, and tele-working) (Boselie and van der Wiele, 2002).

As there are many studies that differ in terms of the reward strategies considered and the methodologies applied, it is instructive to compare them on the basis of respective study titles and countries considered, hypotheses, measures used, sample sizes, and findings in regard to compensation, as Figure 1 shows.

Figure 1

Summary of Some Studies Addressing the Relationship between Reward Practices and Organizational Performance

Study Title	Country Considered	Hypothesis	Measures	Variables	Sample Size	Findings
“Human Resource Management and Organizational Performance” (Kalleberg & Moody, 1994)	US	Hypothesis: High-performance work system (HPO) will be positively related to organizational performance.	Correlations of HPO measures with performance scales	Independent variables: firm labor, internal market, training, compensation, decentralization Dependent variables: product quality, employee attraction and retention, customer satisfaction, employee relations, market performance	1,427 organizations in the National Organizations Survey (NOS)	Organizations that offer gain-sharing, profit sharing, and performance-based pay system showed improved organizational performance in product development and innovation, employee relationships, recruitment and retention of employees, financial performance, and customer satisfaction
“Effect of Human Resource Systems on Manufacturing Performance and Turnover” (Arthur, 1994)	US	Hypothesis 1: Plants with commitment human resource systems will have better manufacturing performance than plants with control human resource systems will. Hypothesis 2: Turnover will be higher in control human resource systems than in commitment human resource systems. Hypothesis 3: There will be a stronger negative relationship between turnover level and manufacturing performance in commitment human resource systems than in control human resource systems.	Regression analysis of commitment HR systems and control HR systems for organizational performance and turnover	Independent Variables: Human Resource system, employee turnover Dependent variables: labor efficiency, scrap rate, and turnover	30 U.S. steel minimills	Firms with commitment HRM systems have higher average scores on decentralized decision making, generalized training, skill, and wage rates, and showed half the turnover rate of those with lower average scores. This study partly proved that high wages decrease turnover rate.

<p>“The Impact of Human Resource Management Practices on Perceptions of Organizational Performance” (Delaney & Huselid, 1996)</p>	<p>US</p>	<p>Hypothesis 1: Progressive HRM practices (those affecting employee skills, employee motivation, and the structure of work) will be positively related to organizational performance.</p> <p>Hypothesis 2: Complementarities or synergies among progressive HRM practices will be positively related to organizational performance.</p>	<p>Regression analysis of HRM practices for organizational performance</p>	<p>Independent variables: staffing selectivity, training, incentive compensation, grievance procedures, decentralized decision making, internal labor market, vertical hierarchy</p> <p>Dependent variables: perceived organizational performance and perceived market performance</p>	<p>1,427 organizations in the National Organizations Survey (NOS)</p>	<p>The results of this study show a positive correlation between perceived organizational performance and the use of progressive HRM practices, including selective staffing, training, and incentive compensation. The results can also be interpreted to suggest that an incentive reward system can increase organizational performance.</p>
<p>“Performance Pay and Productivity” (Lazear, 1996)</p>	<p>US</p>	<p>Hypothesis 1: Effort does not decrease when the firm switches from hourly wages to piece-rates, and as long as there is some ability type for which output rises, average effort increases.</p> <p>Hypothesis 2: A sufficient condition for the average ability of the workforce to be non-decreasing, and more generally, to rise after the switch to piece rates is that some workers accept the guaranteed wage and some workers choose to work enough to be in the piece-rate</p>	<p>Regression analysis for production output-per-worker-per-day</p>	<p>Independent Variables: hourly wages and piece rates</p> <p>Dependent variables: production output-per-worker-per-day</p>	<p>3,000 different kinds of workers in the Safelite Glass Corporation</p>	<p>The results indicated that there was a 44% increase in the productivity of the company as a whole, an increase that resulted from the switch from hourly wages to piece rates.</p>

		range. Hypothesis 3: A sufficient condition for the range of worker ability and output to rise after the switch to piece rates is that some workers choose to work enough to be in the piece-rate range.				
“Evaluating Performance-related Pay for Managers in the National Health Service” (Dowling & Richardson, 1997)	UK	Hypothesis: Performance-related pay will be positively related to managers’ motivation and work behavior improvement.	Regression analysis of the impact of performance-related pay on senior managers’ overall motivation, diligence, and cooperation.	Independent variables: performance-related pay, non-performance-related pay Dependent variables: overall motivation, hard-working, and cooperation of managers.	103 senior managers in the National Health Service in the UK	The results showed that performance-related pay schemes modestly improved the overall motivation and efforts of the managers. However, the results also indicated that for those who perceived the objective-setting process, assessment, or subsequent compensation in negative terms, the effectiveness of performance-related pay was not significant, implying that other factors should be considered when setting performance-related pay schemes.
“Employee Perceptions of HRM and TQM and the Effects on Satisfaction and Intention to Leave” (Boselie & van der Wiele, 2002)	Netherlands	Hypothesis: HRM/TQM practices will be positively associated with firm performance.	Regression analysis of HRM/TQM constructs and employee satisfaction and intention to leave the organization	Independent variables: HRM/TQM practices Dependent variables: Employee satisfaction and intention to leave the organization	Approximately 2,300 (response rate being 50%) employees in Ernst & Young corporation in the Netherlands	The results revealed that the presence of perceived good secondary working conditions (working part-time, parental leave, child care, and tele-working) have a positive effect on employee satisfaction and decrease employees’ intention to leave, and the effect becomes more

						important when considering the proportion of dual-income employees (79% of the respondents) and employees with children (32% of the respondents).
“Employee Perceptions of HRM and TQM and the Effects on Satisfaction and Intention to Leave” (Boselie & van der Wiele, 2002)	Netherlands	Hypothesis: HRM/TQM practices will be positively associated with firm performance.	Regression analysis of HRM/TQM constructs and employee satisfaction and intention to leave the organization	Independent variables: HRM/TQM practices Dependent variables: employee satisfaction, intention to leave the organization	Approximately 2,300 (response rate being 50%) employees in Ernst & Young corporation in the Netherlands	This study proved that perceived high wages are one of the most significant factors in increasing employee satisfaction and decreasing their intention to leave.

Using various samples and variables, these studies proved that various compensation practices can increase organizational performance. Kalleberg and Moody (1994) showed that the use of gain-sharing, profit-sharing, and performance-based pay schemes improved organizational performance in terms of product development and innovation, employee relationships, recruitment and retention of employees, financial performance, and customer satisfaction. Similarly, Arthur (1994) showed that high-level wages decrease turnover rate, and Delaney and Huselid, (1996) proved that an incentive reward system reinforces perceived organizational performance. In his examination of piece-rate structures and performance, Lazear (1996) showed that adopting such a structure increases an organization’s overall productivity, and Dowling and Richardson (1997) reported similar results, noting that performance-related pay schemes improved the overall motivation and efforts of managers. Boselie and van der Wiele (2002) showed that good

secondary working conditions (working part-time, parental leave, child care, and tele-working) have a positive effect on employee satisfaction and decrease the intention to leave of employees and that high wages are one of the most significant factors that increase employee satisfaction and decrease the turnover.

Regarding measuring organizational performance, these studies used various HRM outcomes as dependent variables such as employee relationships, the rate at which employees are attracted and retained (Kalleberg & Moody, 1994), turnover rate (Arthur, 1994; Boselie & van der Wiele, 2002), employee productivity (Lazear, 1996), managers' motivation and efforts (Dowling & Richardson, 1997), and employee satisfaction (Boselie & van der Wiele, 2002). Although all these HRM outcomes are important indicators of organizational performance, this study's focus is financial performance. The assumption underlying this focus is that financial performance, i.e., organizational performance, is related to and the ultimate goal of HRM strategies, as suggested by Guest (1997), Becker et al. (1997), and Paauwe and Richardson (1997) (referenced in the present study's introduction).

Further, each of the studies referenced is based on analyzing a single-country analysis, and none considers national culture. As these studies already show that various compensation strategies can affect organizational performance positively from the universalistic perspective, I will not focus on the effectiveness of various compensation strategies. Instead, our principal concern will be the effectiveness and applicability of reward practices and the prevalence of different reward strategies in different contexts. As this research deals with compensation in a global context, we need to explore not only studies on compensation and organizational performance, but also studies that consider compensation in global contexts in the context of national culture.

Previous studies on compensation in a global context

Geert Hofstede (1980, 1984, 1993) classified national cultures into four dimensions—power distance, uncertainty avoidance, individualism-collectivism, and masculinity-femininity. Power distance means the degree to which a society tolerates power between a superior and a subordinate is tolerated. In a low power distance society, people generally believe that all should have equal rights, that powerful people should look after those who lack power, that senior people are less respected or feared, and that wealth and power differences should be minimized. In a high power distance society, people generally believe that those with power should enjoy privileges, that status symbols and hierarchies are common, that senior people should be respected and feared, and that there should be significant inequalities in power and wealth (Hofstede, 1980, 1984, 1993).

Uncertainty avoidance refers to how well members in a culture allow uncertainty when doing things. In a low uncertainty avoidance society, ambiguity is highly tolerated; people are willing to take risks; and members prefer unstructured situations to highly structured situations. In a high uncertainty avoidance society, ambiguity is less tolerated, people avoid risk, and highly structured situations are preferred (Hofstede, 1980, 1984, 1993).

In terms of individualism, individuals are valued highly over groups, whereas a collectivist society is more group-oriented. In an individualistic society, every self is considered independent, personal goals take precedence over group goals, people tend to be calculative and analyze cost–benefit ratios, and rational analysis is emphasized. In collectivistic society, people believe that everyone is interdependent; that group goals take precedence over individual goals; that social behaviors are determined by norms, obligations, and duties; and that relationships should be emphasized even if they are disadvantageous to the individual (Hofstede, 1980, 1984,

1993).

In regard to masculinity and femininity, masculine societies tend to be aggressive and achievement-driven, whereas feminine societies tend to be focused on well-being and equality. In masculine societies, systems are performance-driven; high achievement and money are emphasized; gender roles are strictly divided and males are dominant. In feminine societies, welfare is emphasized; quality of life is considered to be highly important; and the division of gender is less strong than in masculine societies (Hofstede, 1980, 1984, 1993).

In spite of its popularity and influential power, Hofstede's work has also faced criticism. According to Chiang (2005), a number of scholars have expressed "methodological" doubts in regard to a number of points including the generalizability of the findings, the researcher's subjectivity and cultural boundedness, and the data collection methods; and they have expressed theoretical doubts in regard to the construction and labeling of the dimensions, the conceptualization of the cultures, and possible recent changes in cultures.

Despite the methodological and theoretical concerns, the weaknesses of his work are rebutted by strong empirical evidence (Laurent, 1983; Smith, 1996). It has also been argued that Hofstede's constructs are empirically and theoretically convincing (Bhagat & McQuaid, 1982; Sorge, 1983). According to Redding (1994) and Sondergaard (1994), Hofstede's framework offers a reasonable theory for explaining differences in national culture that is generally accepted (Chiang, 2005).

Hofstede's work is meaningful in the IHRM arena because its basic frames can be used to study and develop IHRM strategies that connect to national cultures. His work has had a great influence on the area of international human resource management such that a lot of research studies have been based on his four dimensions. According to Sondergaard (1994), for the period

of 1980 to 1993 the Social Science Citation Index (SSCI) records some 1,036 references to his work. He is, therefore, one of the most influential authors in the field of national culture research (Chandy & Williams, 1994).

As the present study takes compensation as its focus, it is necessary to look at studies that deal specifically with this HRM practice. However, it is difficult to find studies on reward strategies in relation with national culture (Chiang & Birtch, 2006; Gomez-Mejia & Welbourne, 1991; Lowe et al., 2002). In addition, the few existing studies on rewards in a global context present conclusions that are inconsistent with each other.

Gomez-Mejia and Welbourne (1991) argued that corporations doing business globally should consider national cultures when they build reward strategies. He explained how to develop reward strategies that are adequate to the national culture by using Hofstede's (1980) four cultural dimensions. Although the argument made in this study is quite plausible and persuasive, and although some minor objections have been made to it, its foundational assumption that national culture pretty much "always" affects the effectiveness of reward strategies is borne out by the present study.

However, Schuler and Rogovsky (1998) empirically examined the relationship between reward prevalence and national culture. By studying the reward preferences of employees and employers in 24 nations, the results were quite consistent with expectations based on Hofstede's cultural dimensions. They argued that it is advisable for corporations to use appropriate compensation practices for the specific national cultures in which they are doing business.

According to Schuler and Rogovsky (1998), based on Hofstede's four cultural dimensions, corporations operating in nations with a high level of uncertainty avoidance make more use of compensation practices that offer a high degree of certainty to employees such as

seniority-based and skill-based pay. Secondly, employees in nations with a high level of individualism would prefer individual incentive compensation practices. Thirdly, in countries characterized by systems that are masculine in nature, flexible benefits, workplace child-care programs, career-break schemes, and maternity leave programs are less effective. Finally, stock options and stock-ownership plans are more appropriate in countries with high levels of individualism, and low levels of uncertainty avoidance and power distance. The results offered by Schuler and Rogovsky's (1998) study are consistent with Hofstede's cultural dimension scores for the most part. However, there also are some studies that do not find the connection between adequate reward strategies and national culture dimensions to be quite so consistent.

In comparing ten countries' current compensation practices and the employees' preferred compensation practices, Lowe et al. (2002) offered some support for the consistency between reward preferences and national culture. However, according to this study, cultural dimensions are not necessarily consistent with the reward preferences of employees with different cultural backgrounds. More specifically, Lowe et al. (2002) reported a considerable number of mismatches between what the researchers expected based on national culture and the actual employee reward preferences in different nations. For example, collectivistic cultures are supposed to value seniority-based pay more than individual-performance-based pay practices. However, the results of this study showed that U.S. firms use seniority-based pay practices to a greater extent than other nations do. This is surprising because the US has one of the highest individualism scores. Chiang (2005) and Chiang and Birtch (2006, 2007) presented several studies on the relationship between national culture and employee reward preferences, and their results showed that employee reward preferences were consistent with Hofstede's cultural dimensions for some reward practices, but were inconsistent or mixed for some other reward

practices.

Therefore, overall the existing studies offer inconsistent results. Additionally, these studies generally talk about the relationship between cultural differences and the reward preferences of employees/employers. However, they barely consider the actual *outcomes* of the compensation strategies in accordance with different cultures. In other words, what is known is that good compensation strategies can enhance organizational performance and that employees in different contexts have different reward preferences. However, what is still unclear is whether compensation strategies congruent with employees/employers' reward preferences in different cultures can eventually maximize organizational performance, one of the main concerns of this study.

Wilson (1997, p. 63) stated that “what is important is not whether a program looks good on paper or is considered ‘state-of-the-art’, but only whether employees want the reward and are willing to work toward desired results to receive it.” Also, based on social exchange theory (SET), which refers to the fact that individuals offer benefits to others when they are provided with something in return (Cropanzano & Mitchel, 2005), it is reasonable to expect that employee performance will increase when employees receive the compensation packages they prefer.

This research, then, seeks to establish the extent to which a more direct relationship obtains between compensation practices and actual organizational performance and outcomes, and the practices' differ in terms of effectiveness depending on national culture. In addition to re-examine the inconsistent results of the existing studies, this study will deal with the link between national culture and employee preference with a different country set from that of the existing studies. The reward practices examined herein are individual-based bonus, group-based bonus, and workplace childcare.

Research question and hypotheses in relation to reward strategies and national culture

Individual-based bonus: Individual-based bonuses can enhance organizational performance. According to equity theory, there are “exchange relationships,” in which employees make comparisons between the ratios of their inputs (e.g. efforts) and outputs (e.g. pay) with the ratios of the inputs and outputs of others (Adams, 1963). When a perceived inequality occurs, for example, the employees who perceive that they work harder but are paid less than other employees may reduce their efforts in order to restore equity (Brown et al., 2003). Conversely, it can also be expected that employees make more effort to improve organizational performance when they perceive themselves to be fairly rewarded for their increased efforts, feeling a sense of fairness or equity. Individual-based bonus schemes, such as individual-based pay for performance, merit pay, incentives, and piece-rates, can create this perception. Numerous studies have shown that individual-based bonuses can have a positive effect on organizational performance (e.g., Banker et al., 1996; Lazear, 1996; Riphahn & Engellandt 2011).

Group-based bonus: Organizations use teams because of the advantages they offer such as reduced cycle times for producing products or delivering services, decreased costs and increased quality, the ability to facilitate innovation and to create wider organizational boundaries by getting closer to customers, suppliers, and other stakeholders (Ancona & Caldwell, 1992; Eisenhardt & Tabrizi, 1995; Goodman & Leyden, 1991). Team-based pay can be effective for firms in which many employees perform similar tasks, because employees in this context do not have individual goals: they generally all work to meet the same goals (Pingolia, 2009). People want to feel a sense of being accepted by their team members, and they are motivated to perform well in order to create their own identity within the group (Reilly, 2005). Because team-based reward systems can facilitate cooperative group-level behavior, it is

believed to be important in effecting the smooth functioning of the group and thus enhances the organizational effectiveness (Deutsch, 1949; Geber, 1995; Tjosvold, 1986)

On the other hand, according to Hofstede (1980, 1984, 1993), individualistic societies are those in which individuals take care of only themselves and their immediate families, whereas collectivistic societies value behaviors focused on taking care of other individuals in a larger group. Calculative or contractual relationships between individuals and the organizations in which they belong are prevalent in individualistic societies where individual initiative and achievement are highly valued.

In individualistic societies, a contractual relationship is dominant between employers and employees, whereas moral commitment and loyalty are emphasized in collectivistic society (Bochner and Hesketh, 1994). A high degree of differentiation in terms of reward between individuals is generally accepted in individualistic societies, because individuals tend to differentiate themselves from others (Beer and Katz, 1998; Gomez-Mejia & Welbourne, 1991). However, collectivistic society tends to value harmony, belonging, and social relationships in groups (Hofstede, 1980, 1984, 1993). Compensation practices that emphasize individual achievement and differentiation between individuals are inconsistent with such a culture and would have a negative effect on employee morale (Baker et al., 1988). Therefore, reward practices that are based on group performance are likely to be appropriate in collectivistic society, because group achievement is socially valued (Cable & Judge, 1994).

Given the differences between individualistic and collectivistic societies, it can be expected that individual-based bonuses, pay given to individuals based on the individual's merit or performance, should work well in highly individualistic society. According to Hofstede (1980, 1984, 1993) and Jackson and Schuler (1995), rewards based on individual performance and

rewards that acknowledge individual contributions are likely to be more prevalent in societies with high individualism scores than those with low individualism scores. In contrast, as Cable and Judge (1994) stated, group bonus schemes in which a bonus is given to a group that has performed well would be more consistent with a collectivistic society, because group bonus schemes would emphasize harmony and collaboration among group members. In a highly collectivistic society, employees perceive group-based bonuses as a reward for their performance, because individuals tend to believe the group's collective outcomes result from the contributions of the individual effort of each group member (Fong & Shaffer, 2003).

It can, therefore, be expected that individual-based bonuses will be more prevalent in individualistic societies than in collectivistic societies and that group-based bonuses will be more prevalent in collectivistic societies than in individualistic societies. Also, based on social exchange theory (SET), referenced previously, employees who perceive that they are given the rewards they prefer will increase their efforts to improve organizational performance in return. Thus, I hypothesize that:

Hypothesis 1a (H1a): Greater use of individual-based bonus schemes will be made in countries with high individualism scores than in countries with low individualism scores.

Hypothesis 1b (H1b): As individualism scores increase, the more likely it is that individual-based bonus schemes will be associated with high firm performance.

Hypothesis 2a (H2a): Greater use of employee group-based bonus schemes will be made in countries with low individualism scores than in countries with high individualism scores.

Hypothesis 2b (H2b): As individualism scores increase, the less likely it is that group-based bonus schemes will be associated with high firm performance.

Thirdly, power distance means the extent to which a society tolerates the gap between superiors and subordinates in terms of the power held by each group. In a high power distance society, the superior has high prestige, status, wealth, and power compared to subordinates, and people tend to accept this distinction (Hofstede, 1980). In high power distance societies, “pre-determined” non-performance criteria such as status, seniority, or position take precedence over performance criteria (Lincoln and Kalleberg, 1990).

A large gap in pay reflecting status differentials is expected in high power distance societies (Gomez-Mejia & Welbourne, 1991). However, individual-based bonuses emphasize the individual’s performance or merit and deemphasize the differential that results from high status or position. It can be expected that a performance-based pay system that could reduce the gap in pay between a superior and subordinate would not be highly tolerated in cultures with high power distance scores (Chiang, 2005). In helping organizations to improve their performance, we can expect that individual-based bonus system are more in accord with low power distance cultures than with high power distance cultures. Thus, individual-based bonus schemes would be more prevalent in countries with low power distance scores than in countries with high power distance scores. Further, based on social exchange theory (SET), I hypothesize that:

Hypothesis 3a (H3a): Greater use of individual-based bonus schemes will be made in countries with low power distance scores than in countries with high power distance scores.

Hypothesis 3b (H3b): As power distance scores increase, the less likely it is that individual-based bonus schemes will be associated with high firm performance.

Workplace childcare: Fourthly, workplace childcare can enhance organizational performance. According to Karen Shellenback (2004), quality childcare enhances productivity and decreases absenteeism and turnover, and thus increases company value. In the United States, 54% of employers have reported that childcare services are helpful in reducing employee absenteeism, decreasing missed workdays by from 20 to 30% (Friedman, 1986). Ransom and Burud (1988) shows that a child care program decreased turnover rate by from 37 to 60%. Employee retention is important for customer retention, because it in turn becomes a key driver of company growth and profits (Shellenback, 2004)

Meanwhile, masculinity refers to how much a society emphasizes “masculinity.” In a highly masculine society, individuals are assertive, value money and things, do not care for others, and do not put much value on quality of life. In contrast, in a highly feminine society, people tend not to be assertive, and people and environments are considered to be important. Additionally, central to such a society is caring for others, and quality of life, too, is regarded as important (Hofstede, 1980).

In feminine societies, reward practices that emphasize quality of life and caring for other people would help to improve employee morale and loyalty, and therefore organizational performance. In societies with a high femininity score, reward practices in line with employees’ personal and social needs and their lives outside are prevalent (Kluckhohn and Strodtbeck, 1961; Jackson and Schuler, 1995). According to Schuler & Rogovsky (1998), feminine societies consider social needs and personal relationships important. Thus, non-financial rewards, such as

social benefits, and work–life balance reward strategies, such as workplace child-care or career break schemes, should generate higher employee satisfaction in feminine societies than in masculine societies. Therefore, we can expect childcare schemes to be more prevalent in countries with low masculinity scores than in countries with high masculinity scores. Based on social exchange theory (SET), I hypothesize that:

Hypothesis 4a (H4a): Greater use of workplace childcare schemes will be made in countries with low masculinity scores than in countries with high masculinity scores.

Hypothesis 4b (H4b): As masculinity scores increase, the less likely it is that childcare schemes will be associated with high firm performance.

Methodological Design

To look at the link between each compensation practice and each cultural dimension score, this study used an existing data set, the Cranet Survey, and Hofstede’s cultural dimension scores. In regard to the Cranet Survey, the homepage of www.cranet.org introduces the Cranet as follows:

The Cranfield Network on International Human Resource Management (Cranet), launched in 1989, was established to meet the need for ready access to information on best practices and comparative performance within Europe and now globally. Cranet is now an established research collaboration with a proven track record of collecting powerful, representative data, on a continuing basis; undertaking rigorous analysis and disseminating high quality results. (*Cranfield Network Homepage, 2009*)

Coordinated by the Cranfield School of Management, UK, the network conducts international comparative surveys of organizational policies and practices in comparative Human Resource Management. In order to manage this complex comparative survey, rigorous methodology was tried. Developed in 1989 in the network and based on the literature available at that time and on discussions among academics with expertise in HRM, the survey has been repeated several times and revised on each occasion based on updated literature reviews and discussions among the research team and senior practitioners (*Cranfield Network Homepage*, 2009).

The questionnaires were initially developed in English, but translated into various languages that the respondents from different countries use. The translated questions vary slightly on the respective national questionnaires to take into account nuances in meaning among languages. The questions were subjected to blind-translation into each national language by a translator familiar with HR, and then the translated questions were again translated back into English by a different translator. Any differences in the translations were discussed so that the questions would capture the terms' internationally ubiquitous comparative meanings as closely as possible (*Cranfield Network Homepage*, 2009).

For the data collection, the network uses postal questionnaires, web-based surveys, and computer-aided interviewing. The response rates in most cases range from 12 to 25%, and the respondents were the people responsible for human resource management in each business organization. In order to produce a clean data file available for partners in the network, the data is checked and cleaned by Cranfield (2009).

The sampling frames were designed to obtain stratified representative samples (by sector and size) in each country. However, possible biases in the (descriptive) analyses of the Cranet data may exist because slightly different sampling procedures were used in each country. In coordination with the Cranfield School of Management and the network as a whole, each country partner was responsible for collecting its own data (*Cranfield Network Homepage*, 2009).

Among Hofstede's four dimension scores, this study decided to use power distance, individualism, and masculinity scores. Hofstede's cultural dimension scores related to power distance, individualism, and masculinity, are shown in Table 1A where PDI is power distance, IDV individualism, and MAS masculinity.

Table 1A

Selected Countries and Hofstede's Cultural Dimension Scores

Country	PDI	IDV	MAS
Germany	35	67	66
Japan	54	46	95
Netherlands	38	80	14
Philippines	94	32	64
Taiwan	58	17	45
United Kingdom	35	89	66
United States	40	91	62

Note. (Source: http://www.geert-hofstede.com/hofstede_dimensions.php)

Among the countries in Hofstede's country dimension scores, the UK, US, Netherlands, Philippines, Germany, Taiwan, and Japan are selected for the comparison, because these countries are quite different in terms of their respective cultural dimension scores, as shown in Table 1A. For example, Japan scores very high on masculinity, whereas the Netherlands scores relatively low on it. The Philippines scores very high on power distance and very low on individualism, whereas the United States scores low on power distance and very high on individualism.

As shown in Table 1B, in the dataset for this study, a total of 1,290 organizations (one HRM manager from each company, who is the respondent) were surveyed, of which Germany accounted for 343, the Netherlands for 66, UK for 93, Japan for 369, the Philippines for 31, the US for 163, and Taiwan for 225. In terms of the size of firms investigated, the smallest firm consisted of just one member, while the largest firm had 300,000 employees. The mean of number of employees in all organizations is 3016.10, and the median is 695. Because this study is measuring financial performance, I included only private-sector organizations. By using data from hundreds of companies, this study can significantly reduce or eliminate unique characteristics of the corporations, because a large number of samples moderate the effects of the unique characteristics each sample could have.

Table 1B*Number of Organizations Examined by Country*

	Frequency	Percent	Valid Percent	Cumulative Percent
Germany	343	14.0	26.6	26.6
Netherlands	66	2.7	5.1	31.7
United Kingdom	93	3.8	7.2	38.9
Japan	369	15.0	28.6	67.5
Philippines	31	1.3	2.4	69.9
USA	163	6.6	12.6	82.6
Taiwan	225	9.2	17.4	100.0
Total	1290	52.5	100.0	

Independent Variable: To examine the hypotheses presented above, this study set these independent variables: bonuses based on individual goals/performance, bonuses based on team goals/performance, and workplace childcare schemes. Finally, I used Hofstede's cultural dimension scores as independent variables to see their moderating effects.

To capture the extent to which a company uses these practices, divisions were made among employees (management, professional/technical, clerical/administrative, and manual workers) to explore how widely bonus-based pay on individual goals/performance and bonus-based pay on team goals/performance schemes are used (see the Appendix). Some companies might apply individual-based schemes to the management and professional/technical employees only, whereas some other companies might apply such schemes throughout the entire organization. I counted the number of boxes checked and then created three new variables that constitute the totals from the number of boxes checked for each reward practice. For example, if a respondent's company applied an individual-based bonus scheme to professional/technical

employees only, the value of the variable is 1. In the same way, if the company applied an individual-based bonus scheme to all four types of employee groups, the value is 4. However, unlike the reward practices above, for measuring the use of workplace childcare schemes, the questionnaire just asks whether or not the organization uses a workplace childcare scheme, with 0 representing “no” and 1 representing “yes.”

Dependent Variable: this study uses the variation (perceived) in gross revenues of the firms as a dependent variable to measure organizational performance, which it does for several reasons. First of all, although measuring “perceived” organizational performance increases the risk of error or distortion, researches have proved a positive correlation between perceived measures and objective measures of organizational performance (Dollinger & Golden, 1992; Powell, 1992). Secondly, perceived variations in gross revenues can better reflect how people in an organization actually feel about their organization’s performance, as, for example, there may be cases in which employees feel the organization is performing badly even if the revenue has slightly increased. More importantly, no consensus has been reached in regard to what constitutes the best measure of financial performance, and in any case all objective measures also have drawbacks (Machin et al., 1993).

Thirdly, gross revenue is commonly used as an important evaluation criterion for business performance in newspapers, general meetings of stockholders, and so on. Fourthly, although it is possible for net profit to decrease even as revenue increases, such cases are not considered to be general and, therefore, I did not concern myself with them for this measure. Fifthly, unlike in the case of gross revenue, the overuse of reward strategies can reduce the net profit of an organization. For example, the overuse of bonuses could result in increased labor

costs, thereby decreasing the organization's financial performance. Finally, in cases in which net profits increase even though gross revenue does not increase, it can reasonably be argued that it is more common for a business to be affected by factors such as a decrease in the price of raw materials, a drastic fall in the foreign exchange rate, or a restructuring of the organization, rather than it is for a business to be affected by improved employee performance. Therefore, as shown in questionnaire #3 in the appendix, the dependent variable ranges from 1, "So low as to produce large losses," to 5, "Well in excess of costs."

Control Variable: As stated previously, the relationship between compensation practice and effect on business performance can vary depending on business strategy or internal/external business environments such as organizational structure, firm size, or degree of unionization. The Cranet dataset includes many different kinds of organizations, but I only examine private-sector organizations, as stated in questionnaire #3 in the appendix.

I included the natural logarithm of number of employees working in the organization, a variable that can depict the size of the organization and the effects of economies of scale (e.g., Delaney & Huselid, 1996). According to Freeman and Medoff (1984), in cases where there is a positive union-management relationship, unionized firms show a higher productivity than that of non-unionized firms that are otherwise similar. Therefore, as trade unions can influence organizational performance, I included the extent to which the union influences the organization with a measure ranging from 1 "not at all" to 5 "to a very great extent." I also included market situation, which is "growth in the main market," as a control variable, ranging from 1, declining, to 3, growing, as the market situation can also affect the organizational performance (Mcnabb & Whitfield, 1997).

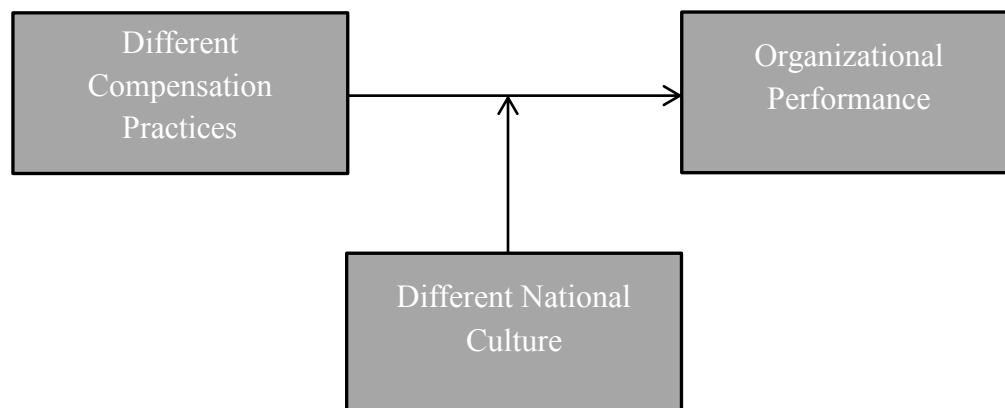
To determine the prevalence of different reward practices in different cultures, this study uses one-way ANOVA and the post-hoc Tukey test. To examine connections between different reward practices and organizational performance, multiple regression analysis will be conducted.

In my multiple regression process, I first examine the effects of control variables on organizational performance only. And then, I will see the effects of both independent and control variables excluding the cultural dimension scores variable. Finally, I will add the cultural dimension scores as moderation terms.

In this process, by checking the coefficients and the significance level of the variables, I will see the effect of each independent and control variable on organizational performance and then check whether there are any synergetic or moderating effects on the independent variables when the cultural dimension scores are combined. Figure 2 shows the relationship between independent and dependent variables and the moderation in this study's multiple regression analysis.

Figure 2

***Model Showing the Relationship between Independent and Dependent Variables
and the Moderation***



Results

Table 2 shows the means, standard deviations, and correlations for all variables. The correlations between the three reward practices, which are independent variables, and the gross revenue are all positive, for which two of the correlations are statistically significant (individual-based bonus and group-based bonus practices). The correlations between gross revenue and all three control variables are statistically significant; two of the three control variables (growth in main market and number of employees) have positive correlations whereas the other control variable (trade union influence) has a negative correlation.

Most of the correlations among the four reward practices are positive. Only workplace childcare has a statistically insignificant positive correlation. Among the positive correlations between the independent variables, only that between workplace childcare and group-based bonus is statistically insignificant. These results suggest that not only the reward practices but also the control variables, growth in main market, trade union influence, and number of employees, play an important role in affecting gross revenue growth and that a combination of numerous reward practice may be optimal for increasing the gross revenue.

Table 2
Means, Standard Deviations, and Correlations for All Variables

Variables	Mean	s.d.	N	1	2	3	4	5	6
1. Growth in main market	2.15	.787	1265						
2. Trade union influence	.80	1.027	1201	-.068**					
3. (log) Number of employees	6.50	1.631	1278	-.002	.239**				
4. Individual-based bonus	2.43	1.488	1123	.037	-.133**	.145**			
5. Group-based bonus	1.55	1.631	1089	.022	-.024	.069*	.257**		
6. Workplace childcare	.21	.406	1261	.020	.057*	.284**	.137**	.022	
7. Gross revenue growth	3.92	1.112	1240	.070**	-.061*	.141**	.060*	.083**	.018

* Correlations that are statistically significant at the .05 level (one-tailed tests).

** Correlations that are statistically significant at the .01 level (one-tailed tests).

In relation with the prevalence of reward practices, Table 3A shows the results of one-way ANOVA analysis and descriptives for the extent to which individual-based bonus schemes are used in low, medium, and high IDV cultures when cultural dimension scores (IDV, PDI, MAS) are divided by high (58~100), medium (41~57), and low levels(0~40). The cut-off points are determined so that all of the three cultural dimension scores can fall into the three different level groups. Table 3A-2 shows the results of post hoc tests (Tukey HSD) for the extent to which individual-based bonus schemes are used by low, medium, and high IDV cultures (this separation applies also the groups of Tables 4A and 4A-2, those of 5A and 5A-2, and those of 6A and 6A-2).

In relation with the link between reward practices and organizational performance depending on national culture, Table 3B shows the results of the regression analysis for perceived revenue growth and use of individual-based bonus schemes in relation to IDV. In Table 3B, Model 1 shows the regression coefficients when only the control variables are included in the analysis. Model 2 represents the regression coefficients when the independent variable is included and the control variables are contained. Finally, Model 3 shows the regression coefficients when interaction terms combined with Hofstede's cultural dimension scores are added to Model 2 (this separation applies also Tables 4B, 5B, and 6B).

Based on Hofstede's scores, we can expect individual-based bonuses to be more prevalent in relatively high individualistic cultures than relatively low individualistic cultures. In Table 3A, the mean is highest for the medium level individualistic cultures and lowest for the high individualistic cultures. The F value tells us that the differences in the mean scores are statistically significant; therefore, I performed the post-hoc Tukey test.

In Table 3A-2, it is difficult to find that individual-based bonus schemes are more prevalent in cultures with high IDV (e.g. the result of high IDV – low IDV or that of high IDV – medium IDV is negative). Thus, I could not find evidence to support Hypothesis 1a (greater use of individual-based bonus schemes will be made in countries with high individualism scores than in countries with low individualism scores).

As shown in Model 2 in Table 3B, the IDV score has a positive and statistically significant regression coefficient for growth revenue. The individual-based bonus variable has a positive regression coefficient, but it is not statistically significant. When combined with the interaction term, the sum of the individual-based bonus multiplied by IDV in Model 3 in Table 4B, the coefficient of the interaction term is not statistically significant, and there is no change in the R square. Moreover, the coefficient is negative, which means Hypothesis 1b (as individualism scores increase, the more likely it is that individual-based bonus schemes will be associated with high firm performance) was not supported.

Table 3A

Results of One-way ANOVA Analysis and Descriptives for the Extent to Which Individual-based Bonus Schemes are Used in Low, Medium, and High IDV Cultures

Descriptives				
	N	Mean	Std. Deviation	Std. Error
low	242	2.60	1.519	.098
medium	308	3.00	1.524	.087
high	573	2.06	1.343	.056
Total	1123	2.43	1.488	.044
ANOVA				
	Sum of Squares	df	Mean Square	F
Between Groups	184.911	2	92.456	45.004**
Within Groups	2300.897	1120	2.054	
Total	2485.808	1122		

Note. The range of the mean scores is from 0 to 4.

†p < .10, one-tailed test, *p < .05, one-tailed test, **p < 0.01, one-tailed test.

Table 3A-2

Results of Post Hoc Tests (Tukey HSD) for the Extent to Which Individual-based Bonus Schemes are Used by Low, Medium, and High IDV Cultures

Variables	1. Low IDV (J)	2. Medium IDV (J)	3. High IDV (J)
1. Low IDV (I)		-.393*	.544*
2. Medium IDV (I)	.393*		.937*
3. High IDV (I)	-.544*	-.937*	

Note. a. The mean differences (I-J) are reported

b. High: 58~100, Medium: 41~57, Low: 0~40

* The mean difference is significant at the 0.05 level.

Table 3B
Results of Regression Analysis for Perceived Revenue Growth and Use of
Individual-based Bonuses in Relation to IDV

Variable	Model 1	Model 2	Model 3
Growth of main market	.040 (.045)	.036 (.045)	.036 (.045)
Trade union influence	-.101** (.035)	-.110** (.036)	-.110** (.036)
(log) Number of employees	.192** (.022)	.200** (.023)	.201** (.023)
Sum of individual-based bonus		.012 (.025)	.039 (.060)
IDV score		.061† (.002)	.080 (.003)
Sum of individual-based bonus × IDV			-.032 (.001)
R^2	.041	.044	.044
Adjusted R^2	.038	.039	.039
F	14.147**	9.212**	7.694**
ΔR^2	.041	.003	.000
N	1003	1003	1003

Note. a. Standardized regression coefficients are reported, and standard errors are in parentheses.

b. In this regression analysis, Model 1 shows coefficients with only the control variables included; Model 2 with the control variables and independent variables included; and Model 3 with the control variables, independent variables, and interaction term included.

†p < .10, one-tailed test, *p < .05, one-tailed test, **p < 0.01, one-tailed test.

Table 4A shows the results of one-way ANOVA analysis and descriptives for the extent to which group-based bonus schemes are used in low, medium, and high IDV cultures. Based on Hofstede's cultural dimension scores, we can expect that group-based bonuses will be more prevalent in relatively low individualistic cultures than high individualistic cultures. As shown in Table 4A, the mean is highest for low level IDV cultures and lowest for medium level IDV cultures. Also, Table 4A-2 does not show any statistically significant relationships among the cultural divisions. Thus, Hypothesis 2a (greater use of employee group-based bonus schemes will be made in countries with low individualism scores than in countries with high individualism scores) was not supported.

On the other hand, as shown in Model 2 in Table 4B, the use of group-based bonuses is positively related to the gross revenue of the organization (the coefficient, 0.056, is positive and statistically significant). In Model 3 in Table 4B, the sum of the group-based bonuses combined by IDV scores, which is the interaction term, has a negative coefficient of -0.068, suggesting that Hypothesis 2b (as individualism scores increase, the less likely it is that group-based bonus schemes will be associated with high firm performance) may be correct. However, according to Table 4B, because the coefficient is statistically insignificant, I could not find support for Hypothesis 2b from a statistical point of view.

Table 4A

***Results of One-way ANOVA Analysis and Descriptives for the Extent to Which
Group-based Bonus Schemes are Used in Low, Medium, and High IDV Cultures***

Descriptives				
	N	Mean	Std. Deviation	Std. Error
low	242	1.76	1.651	.106
medium	306	1.46	1.754	.100
high	541	1.52	1.544	.066
Total	1089	1.55	1.631	.049
ANOVA				
	Sum of Squares	df	Mean Square	F
Between Groups	13.346	2	6.673	2.515†
Within Groups	2881.762	1086	2.654	
Total	2895.107	1088		

Note. The range of the mean scores is from 0 to 4.

†p < .10, one-tailed test, *p < .05, one-tailed test, **p < 0.01, one-tailed test.

Table 4A-2

***Results of Post Hoc Tests (Tukey HSD) for the Extent to Which
Group-based Bonus Schemes are Used by Low, Medium, and High IDV Cultures***

Variables	1. Low IDV (J)	2. Medium IDV (J)	3. High IDV (J)
1. Low IDV (I)		.295	.240
2. Medium IDV (I)	-.295		-.055
3. High IDV (I)	-.240	.055	

Note. a. The mean differences (I-J) are reported

b. High: 58~100, Medium: 41~57, Low: 0~40

* The mean difference is significant at the 0.05 level.

Table 4B
Results of Regression Analysis for Perceived Revenue Growth and
Use of Group-based Bonuses in relation to IDV

Variable	Model 1	Model 2	Model 3
Growth of main market	.036 (.046)	.032 (.046)	.032 (.046)
Trade union influence	-.109** (.035)	-.116** (.036)	-.118** (.036)
(log) Number of employees	.201** (.023)	.204** (.023)	.206** (.023)
Sum of group-based bonus		.056† (.022)	.113 (.055)
IDV score		.054† (.002)	.080† (.002)
Sum of group-based bonus × IDV			-.068 (.001)
R^2	.045	.050	.051
Adjusted R^2	.042	.046	.045
F	15.076**	10.284**	8.675**
ΔR^2	.045	.006	.001
N	973	973	973

Note. a. Standardized regression coefficients are reported, and standard errors are in parentheses.

b. In this regression analysis, Model 1 shows coefficients with only the control variables included; Model 2 with the control variables and independent variables included; and Model 3 with the control variables, independent variables, and interaction term included.

†p < .10, one-tailed test, *p < .05, one-tailed test, **p < 0.01, one-tailed test.

Table 5A shows the results of one-way ANOVA analysis and descriptives for the extent to which individual-based bonus schemes are used in low, medium, and high PDI cultures. Based on Hofstede's cultural dimension scores and the hypotheses, individual-based bonus schemes would be more prevalent in relatively low PDI cultures than in high PDI cultures. The mean is highest for the medium level power distance cultures and is lowest for low level power distance cultures. Also, in Table 5A-2, a mixed-result was found. For example, higher use of individual-based bonus schemes is found in medium PDI cultures than in higher PDI cultures, but higher use is also found in high PDI cultures than in low PDI cultures. Thus, Hypothesis 3a (greater use of individual-based bonus schemes will be made in countries with low power distance scores than in countries with high power distance scores) cannot be supported.

As shown in Model 2 in Table 5B, the PDI score has a negative and statistically significant regression coefficient of -0.126, suggesting that high power distance culture can affect organizational performance in a negative way. However, the correlation between the use of individual-based bonuses and organizational performance is still not statistically significant (the coefficient of 0.022 being statistically insignificant). In Model 3 in Table 5B, the coefficient of the individual-based bonus combined by PDI is 0.103 and, therefore, statistically insignificant. Moreover, the coefficient of the interaction term is positive. Therefore, I could not find evidence to support Hypothesis 3b (As power distance scores increase, the less likely it is that individual-based bonus schemes will be associated with high firm performance).

Table 5A

Results of One-way ANOVA Analysis and Descriptives for the Extent to Which Individual-based Bonus Schemes are Used in Low, Medium, and High PDI Cultures

Descriptives				
	N	Mean	Std. Deviation	Std. Error
low	573	2.06	1.343	.056
medium	308	3.00	1.524	.087
high	242	2.60	1.519	.098
Total	1123	2.43	1.488	.044
ANOVA				
	Sum of Squares	df	Mean Square	F
Between Groups	184.911	2	92.456	45.004**
Within Groups	2300.897	1120	2.054	
Total	2485.808	1122		

Note. The range of the mean scores is from 0 to 4.

†p < .10, one-tailed test, *p < .05, one-tailed test, **p < 0.01, one-tailed test.

Table 5A-2

Results of Post Hoc Tests (Tukey HSD) for the Extent to Which Individual-based Bonus Schemes are Used by Low, Medium, and High PDI Cultures

Variables	1. Low PDI (J)	2. Medium PDI (J)	3. High PDI (J)
1. Low PDI (I)		-.937*	-.544*
2. Medium PDI (I)	.937*		.393*
3. High PDI (I)	.544*	-.393*	

Note. a. The mean differences (I-J) are reported

b. High: 58~100, Medium: 41~57, Low: 0~40

* The mean difference is significant at the 0.05 level.

Table 5B
Results of Regression Analysis for Perceived Revenue Growth and
Use of Individual-based Bonuses in Relation to PDI

Variable	Model 1	Model 2	Model 3
Growth of main market	.040 (.045)	.040 (.045)	.039 (.039)
Trade union influence	-.101** (.035)	-.129** (.036)	-.129** (.036)
(log) Number of employees	.192** (.022)	.208** (.023)	.208** (.023)
Sum of individual-based bonus		.022 (.025)	-.067 (.101)
PDI score		-.126** (.003)	-.159** (.006)
Sum of individual-based bonus × PDI			.103 (.002)
R^2	.041	.055	.056
Adjusted R^2	.038	.050	.050
F	14.147**	11.616**	9.758**
ΔR^2	.041	.014	.000
N	1003	1003	1003

Note. a. Standardized regression coefficients are reported, and standard errors are in parentheses.

b. In this regression analysis, Model 1 shows coefficients with only the control variables included; Model 2 with the control variables and independent variables included; and Model 3 with the control variables, independent variables, and interaction term included.

†p < .10, one-tailed test, *p < .05, one-tailed test, **p < 0.01, one-tailed test.

Table 6A shows the results of the one-way ANOVA and descriptives for the extent to which workplace childcare schemes are used in low, medium, and high masculine cultures. Based on Hofstede's cultural dimension scores and the hypotheses, we can expect workplace childcare schemes to be more prevalent in relatively low masculine cultures than in high masculine cultures. In Table 6A, the mean is highest for high masculine cultures and is lowest for low masculine cultures. Also, in Table 6A-2, higher use of workplace childcare schemes is found in high MAS cultures than in low or medium MAS cultures. Therefore, Hypothesis 4a (greater use of workplace childcare schemes will be made in countries with low masculinity scores than in countries with high masculinity scores) is not supported.

As shown in Model 2 in Table 6B, the MAS score has a positive and statistically significant regression coefficient of 0.156, implying that a highly masculine culture could be helpful in improving organizational performance. The regression coefficient of workplace childcare is negative (-0.084) and statistically significant, leading us to conclude that workplace childcare is related to organizational performance in a negative way from the universalistic approach's point of view. When multiplied by the masculinity score as in Model 3 in Table 6B, workplace childcare multiplied by MAS has a coefficient of -0.807, which is statistically significant. The R-square change is 3%, which is quite high compared to the R-square of 5.8% in Model 2 in Table 6B. Figure 3 shows a positive correlation between workplace childcare and firm performance in feminine societies and a negative correlation in masculine societies. Hence, I was able to find evidence to support Hypothesis 4b (As masculinity scores increase, the less likely it is that childcare schemes will be associated with high firm performance).

Table 6A

***Results of One-way ANOVA Analysis and Descriptives for the Extent to Which
Workplace Childcare Schemes are Used in Low, Medium, and High MAS Cultures***

Descriptives				
	N	Mean	Std. Deviation	Std. Error
low	66	.03	.173	.021
medium	223	.09	.280	.019
high	972	.25	.433	.014
Total	1261	.21	.406	.011
ANOVA				
	Sum of Squares	df	Mean Square	F
Between Groups	184.911	2	92.456	45.004**
Within Groups	2300.897	1120	2.054	
Total	2485.808	1122		

Note. The range of the mean scores is from 0 to 1.

†p < .10, one-tailed test, *p < .05, one-tailed test, **p < 0.01, one-tailed test.

Table 6A-2

***Results of Post Hoc Tests (Tukey HSD) for the Extent to Which
Workplace Childcare Schemes are Used by Low, Medium, and High MAS Cultures***

Variables	1. Low MAS (J)	2. Medium MAS (J)	3. High MAS (J)
1. Low MAS (I)		-.055	-.219*
2. Medium MAS (I)	.055		-.164*
3. High MAS (I)	.219*	.164*	

Note. a. The mean differences (I-J) are reported

b. High: 58~100, Medium: 41~57, Low: 0~40

* The mean difference is significant at the 0.05 level.

Table 6B
Results of Regression Analysis for Perceived Revenue Growth and
Use of Workplace Childcare in Relation to MAS

Variable	Model 1	Model 2	Model 3
Growth of main market	.050† (.042)	.036 (.042)	.025 (.041)
Trade union influence	-.104** (.033)	-.063* (.034)	-.068* (.034)
(log) Number of employees	.181** (.021)	.147** (.023)	.130** (.023)
Workplace childcare		-.084** (.089)	.674** (.360)
MAS score		.156** (.002)	.243** (.002)
Workplace childcare × MAS			-.807** (.004)
R^2	.038	.058	.087
Adjusted R^2	.036	.053	.082
F	14.818**	13.580**	17.713**
ΔR^2	.038	.019	.030
N	1118	1118	1118

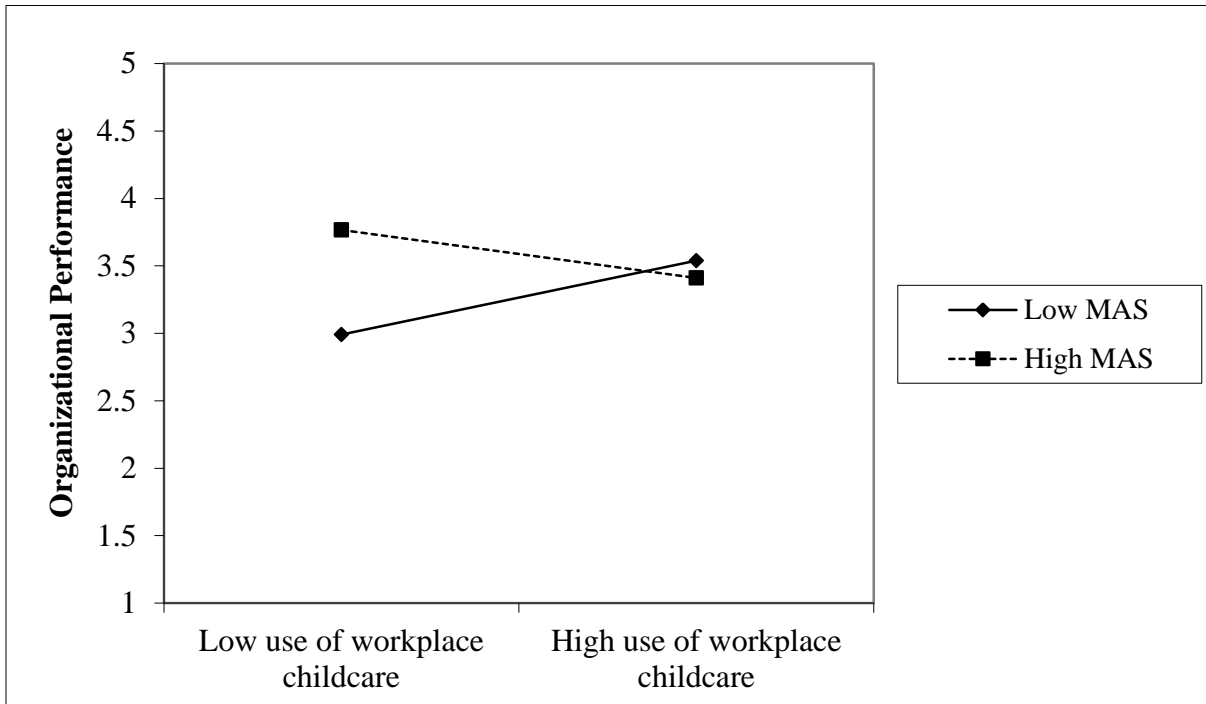
Note. a. Standardized regression coefficients are reported, and standard errors are in parentheses.

b. In this regression analysis, Model 1 shows coefficients with only the control variables included; Model 2 with the control variables and independent variables included; and Model 3 with the control variables, independent variables, and interaction term included.

†p < .10, one-tailed test, *p < .05, one-tailed test, **p < 0.01, one-tailed test.

Figure 3

Graph for Workplace childcare \times MAS (Interaction Term)



So far, from the universalistic approach's perspective, which argues that there are best practices that can be applied to every business situation regardless of contingency factors (Delery & Doty, 1996), this study's results tell us that among the three reward practices, only group-based bonuses and workplace childcare schemes are related to organizational performance, because only these two reward practices' regression coefficients were statistically significant. Considering that the workplace childcare increases organizational performance only in low masculine cultures, I can conclude that group-based bonuses are the only reward practice that can be used regardless of national culture in the universalistic approach.

These results make us wonder what the results would be if the links are examined at the

country-level. Therefore, I took the contingency approach's point of view to see whether the effectiveness of these three reward practices varies depending on the country in which the practice is implemented. Table 7 shows the collection of regression coefficients of the three reward practices in relation to the perceived revenue growth in each country when analyzed separately from other practices and from other countries, with the three control variables contained.

Table 7
Collection of Regression Coefficients of the Three Reward Practices in Relation to Perceived Revenue Growth in Each Country When Analyzed Separately from Other Practices and from Other Countries

	Indi. bonus	Group bonus	Workplace childcare
Germany	.053	.068	.041
Netherlands	-.136	-.220	.145
UK	.005	-.029	.047
Japan	.098 [†]	.051	-.026
Philippines	.387	.288	-.076
US	.140	-.082	.006
Taiwan	.040	.126 [†]	.110

Note. a. Standardized regression coefficients are reported.

b. In this regression analysis, the coefficient of each reward practice is analyzed separately from other reward practices and for each country, with the control variables contained.

[†]p < .10, one-tailed test, *p < .05, one-tailed test, **p < 0.01, one-tailed test.

In Table 7, I can tell that the effectiveness of each reward practice varies at the country-level rather than at the culture-level and that the universalistic approach is denied in my results and the contingency approach is supported. The individual-based bonus schemes are not related to organizational performance in Table 3B. However, Table 8 tells us that the relation could depend on the country. For example, although I did not find support for a positive relationship between individual-based bonuses and organizational performance in Table 3B, when I performed the regression analysis again with only Japan included, the regression coefficient of individual-based bonus was positive and statistically significant, as shown in Table 7. This means that the relationship varies depending on the country. For example, the coefficients of the Netherlands and the US, which are more individualistic countries than Japan is, are not statistically significant, implying that the relationship has something to do with the country-level rather than the culture-level.

However, when I look at another example, Taiwan, I can draw another conclusion. Although group-based bonus has been shown relative to organizational performance when all countries were simultaneously included as in Table 4B, the coefficient of the group-based bonus was statistically significant only in Taiwan when each country is separately examined. Taiwan is the most collectivistic country in the samples in this study, so the result also implies that there is a *possibility* that national culture plays an important role in the effectiveness of reward practices. This conclusion could in part support Hypothesis 2b (as individualism scores increase, the less likely it is that group-based bonus schemes will be associated with high firm performance), although Table 4B shows that the interaction term (group-based bonus multiplied by individualism scores) is not statistically significant when all the countries are simultaneously examined.

Discussions and conclusions

This study examined whether national culture plays an important role in the prevalence and the effectiveness of three reward practices, individual-based bonuses, group-based bonuses, and workplace childcare schemes. My results show that I could not find full support for the argument that the extent to which each reward practice is used is related to national culture. According to my results, individual-based bonus was not most prevalent in the high individualistic cultures, which is inconsistent with my assumptions based on Hofstede's cultural dimension scores. In addition, my results did not support the notion that individual-based bonuses would be prevalent in low power distance countries, because a mixed result was found. Moreover, my results tell us that no statistically significant relationship between the prevalence of group-based bonus schemes and national culture was found. Lastly, the prevalence of workplace childcare schemes was highest in high masculine cultures and lowest in low masculine cultures, confirming that factors other than national culture are related to the prevalence of reward strategies. Therefore, my results did not fully support the hypothesis 1a, 2a, 3a, and 4a. Hence, my first conclusion is that *the prevalence of reward strategies is not necessarily congruent with the assumptions based on national culture, but can also be related to other contextual factors.*

This conclusion is somewhat consistent with the conclusions of Chiang (2005), Chiang and Birtch (2006, 2007), and Lowe et al. (2002), all of whom showed that although some reward practices are consistent with the idea that they are based on national culture, considerable mismatches between employee reward preference or prevalence exist in terms of national culture. Therefore, this study again confirms that national culture together with other moderating factors (e.g., institutional factors) should be considered in order to determine the possible

connections between the prevalence of reward practices and national culture. Although the types of reward practices examined in these three studies are not exactly the same as those examined in my study, we may be able to compare my results with the results in these three studies' that are relevant to my research questions.

Chiang (2005) and Chiang and Birtch (2007) compared the differences in the reward preferences of all levels of bank employees in Canada, Hong Kong, Finland, and the UK (378, 252, 189, and 186 valid responses, respectively) and used multivariate analysis of variance (MANOVA), univariate ANOVA methods, and the Scheffe post-hoc test. In particular, there were some other reward practices (practices that are not dealt with in this study, e.g., higher preferences for financial rewards to intrinsic rewards, and those for job-factor-based reward criteria to social-factor-based reward criteria in highly masculine cultures) that showed some mixed or partial support for cultural relevance; however, the results showed no significant variance in the preference for the individual performance incentive between the four countries, irrespective of Hofstede's individualism scores. Also, the results suggest that group-oriented reward incentives are more valued in Canada than in Hong Kong, which is a more collectivistic society than Canada. Also, Chiang and Birtch's (2006) study that compared Hong Kong and Finland, countries that differ significantly from each other in terms of national culture, found that both countries valued individual-based performance criteria more than group- or organization-based performance criteria regardless of individualism-collectivism, such that they drew the conclusion, in accord with the present study, that contextual factors beyond culture should be considered for a fuller appreciation of reward preferences.

In the Lowe et al.'s (2002) study, which surveyed primarily managers and engineers in ten different locations (Australia, Canada, the People's Republic of China, Indonesia, Japan,

Republic of Korea, Mexico, Taiwan, the US, and the Latin American region), a mixed result was presented for the mean comparisons. Although some findings were consistent with national culture, a number of counterintuitive findings in terms of national culture were also shown. Among the compensation items examined, for rewards contingent on group/organizational performance, which is relevant to the group-based bonus in my study, a relatively high preference was found in the US, Taiwan, Mexico, and Latin America and the lowest preference was found in Australia and Japan—results that tell us preference does not depend entirely on national culture, considering the IDV scores of the US, Taiwan, and Japan. Thus, this study made a suggestion that there is a need for a more comprehensive approach in examining compensation because of the large number of counterintuitive findings, a suggestion that is consistent with this study's conclusion.

However, this study's results are somewhat contradictory to Schuler and Rogovsky's (1998) results. Schuler and Rogovsky's study argued that the prevalence of pay based on status, pay based on individual performance, social benefits and programs, and stock ownership plans, would be dependent on the appropriateness of Hofstede's national culture dimension, and most of the propositions were supported in the study. The contradiction between their study and this study, though, inheres in my results in regard to individual-based pay and workplace childcare schemes (only the group-based bonus was dealt with in my study). Schuler and Rogovsky's study showed that, although not fully, the prevalence of rewards based on individual performance was positively related to the IDV score and that the prevalence of workplace childcare schemes was negatively related to MAS score.

Why these contradictory results? They may be due to the difference in the data sets used, the way the data sets were analyzed, and the countries included. Schuler and Rogovsky (1998)

used a combined data set from IBM-Towers Perrin, the International Social Survey Programme (ISSP), and Price Waterhouse-Cranfield altogether, whereas this study dealt with only the Cranet data set (and a more recent data set, 2008–2010). Also, to examine the relationship between the prevalence of reward practices and national culture, Schuler and Rogovsky used the Kendall Tau coefficient, and this study used one-way ANOVA and the post hoc Tukey test. Each method has strengths and drawbacks.

However, this study made some additional contributions in terms of its data on and analysis of the relationship between reward strategies and organizational performance in different national cultures. The results of this study suggest that national culture can play an important role in the link between some reward practices and organizational performance and show that other contextual factors should also be considered for some other reward practices.

When I simultaneously included all the countries, my results showed that I could not find the moderating effects of IDV scores on individual-based bonus, of IDV on group-based bonus, of PDI on individual-based bonus, because those were not statistically significant. The only exception was the MAS score for the workplace childcare schemes, because the result shows that a high masculinity score negatively and statistically significantly moderates the relation between workplace childcare schemes and organizational performance. However, when I performed the regression again on each country separately, the possibility of the relevance of national culture appeared for Taiwan. This study's result showed the possibility for a positive relationship between group-based bonus schemes and organizational performance in Taiwan, which is the most collectivistic society.

However, for Japan, which is not a relatively high individualistic country, did not show that the positive link between individual-based bonus and organizational performance is

necessarily related to a high level of individualism. This result contradicts my intuition based on the theories of Hofstede (1980, 1984, 1993), Jackson and Schuler (1995), and Social Exchange Theory (SET) (Cropanzano & Mitchel, 2005). This study's result suggests that, although national culture may play an important role in the relationship between different reward strategies and organizational performance, the country-level context, rather than culture-level context, can also play an important role in that regard.

Thus, my second conclusion is that, overall, *for the relationship between reward schemes and organizational performance, not only national culture but also some other contingency factors should be considered as moderating variables*. It is evident that this is necessary to fully examine the link between different compensation strategies and organizational performance, as this study's results showed a mixed result. The broader implications of this study would be that *corporations seeking effective compensation strategies for their businesses abroad should take into account not only national culture but also other contextual factors*.

Limitations

This study has some limitations. First, it did not deal with institutional factors other than national culture. Though national culture may play an important role in the relationship between reward practices and organizational performance, there may be many other institutional factors that also moderate this relationship such as the law, work councils, and economic conditions. Also, the unemployment rates and labor market conditions of different countries should be taken into account when corporations design compensation strategies in specific contexts. For example, in China, Korea, and Japan, employees value benefits and bonus increases above basic pay increases because the tax is levied only on basic pay, whereas in many countries with

welfare systems in Europe employees do not place a high value on benefits provided by employers because benefit provisions offered by the state are already generous (Brewster et al., 2007).

Flora Chiang (2005) argued that although Hofstede's framework provides methodological, theoretical, and practical contributions to the international human resource management field, the reward preferences may be conditioned not only by cultural influences but also by contextual factors such as economic conditions. For example, the Cranet survey data set used in this study was created between 2008 and 2010, and in this period the gross revenues of many kinds of firms in many countries might have simultaneously been reduced by the Great Recession, which started with the collapse of Lehman Brothers in 2008. Researchers are encouraged to deal not only with national culture but also with other numerous moderating factors such as economic conditions, market competition, the price of raw material and oil, technological development, currency exchange rates, or education level of the employees, factors that can vary among companies and countries.

Secondly, it is plausible that different companies may be implementing compensation strategies in different ways. For instance, a firm could pay its employees a significant portion of their salaries in merit pay, whereas another firm pays its employees a relatively low portion of salaries in merit pay, even though the firms both use a merit pay system. Although this study dealt with the extent to which the stated reward practices are applied to the four different employee groups, this study did not cover the degree of intensity or the method by which the reward practices were administered in each company.

Thirdly, there is a relativity problem. This study dealt with the link between a HRM practice, compensation, and organizational performance. For its analysis, this study included

three Asian countries, the Philippines, Taiwan, and Japan. However, because HRM is essentially a Western concept (Brewster, 1995), there is a possibility that the cultural relativity of HRM becomes unsecured when it is dealt with in non-Western countries (Sparrow & Wu, 1998). For example, in their study, Sparrow and Wu (1998) found that many Taiwanese workers' preferences for work and job designs, such as the internal-external labor market, training, compensation, and individual or group performance criteria, could not be explained using the terms of Western-based HRM managers.

Fourthly, this study dealt with a limited number of reward practices among the numerous reward practices developed. However, it is possible that the effectiveness of reward practices is also related to other reward or HRM practices such as training or selection processes. For example, some countries are very rigorous in terms of selection and have an effective training culture, both of which may be positively related to the effectiveness of various reward strategies. Combs et al. (2006) found that, in their meta-analysis of 92 recent studies on the relationship between HRM and firm performance, an increase of one standard deviation in the use of high-performance work practices (HPWP) resulted in a 4.6% increase in ROA and a 4.4% decrease in turnover. This implies that some synergy effects can occur when reward practices are combined with other HRM practices.

Therefore, given the limitations, the results of this study should be read in terms of its strengths and weaknesses. Overall, this study offers a tentative assessment of the impact of national culture on compensation strategies. Although a cross-national comparative research encounters a lot of difficulties and is a challenging task (Lowe et al., 2002), it is suggested that future studies deal with these limitations in an effort to further explore the effectiveness of various compensation strategies in a global context.

Appendix

*The following are the Cranet survey questionnaires that were used for this study.

1. Do you offer any of the following:

	Management		Professional Technical		Clerical/ Administrative		Manual	
	Yes	No	Yes	No	Yes	No	Yes	No
A. Bonus based on individual goals/ performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B. Bonus based on team goals/ performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. Do you offer the following schemes in excess of statutory requirements?

	Yes	No
A. Workplace childcare (subsidized or not)	<input type="checkbox"/>	<input type="checkbox"/>

3. If you are a private sector organization, would you say the gross revenue over the past 3 years has been:

- A. Well in excess of costs 5
- B. Sufficient to make a small profit 4
- C. Enough to break even 3

D. Insufficient to cover costs 2

E. So low as to produce large losses 1

4. Approximately how many people are employed (on the payroll) by your organization?

In total _____ Male _____ Female _____

5. To what extent do trade unions influence your organization?

Not at all To a small extent To some extent To a great extent To a very
great extent

0

1

2

3

4

6. Is the market you sell into:

1 Growing

2 Same

3 Declining

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