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The Puzzle of Performance Management in the Multinational Enterprise

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Pulakos and O'Leary (2011) offered sound science- and practice-based guidelines regarding the development and implementation of performance management that will serve to inform both science and practice. At the same time, however, many of their findings and recommendations do not take cross-cultural implications into account. Such considerations are paramount in international management practice generally and with respect to global performance management in particular.

Thus, a survey of performance management systems and practices in 278 organizations, two-thirds of which were multinational enterprises from 15 different countries, reported the following key findings (Bernthal, Rogers, & Smith, 2003):

- Fully 91% use a company-sanctioned performance management system and three-quarters of them use the same system for more than 70% of their employees.
- Only 20% use online or software-based performance management systems, but another third plan to introduce them.
- Training for managers (55%) and nonmanagers (28%) has doubled in the past 10 years, but fewer than 40% of firms hold managers accountable for the effectiveness of the performance management system.
- Managers rely on a balance of subjective (66%) and objective (71%) data in performance reviews.
- The most effective performance management systems are consistently used throughout the organization, are integrated with other systems (e.g., compensation, promotions, succession, and planning), involve senior managers and employees, and are linked to organizational strategy.
- Poor compliance or usage of the system (60% of responding organizations selected this overall) is the greatest barrier to system effectiveness. This includes lack of monitoring to see if the system is working as designed and lack of accountability for completing reviews.
- Organizations with strong performance management systems are 51% more likely to outperform their competitors on financial measures and 41% more likely to outperform their competitors on nonfinancial measures (e.g., customer satisfaction, employee retention, and quality of products or services).

More recently, a 20-year review of 64 articles published in the academic literature on international performance management

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(Claus & Briscoe, 2009) concluded that the design and substance of the research in this area is weak, with most of it atheoretical and exploratory in nature. The bottom line is that to the extent that performance management systems are ''broken'' domestically, evidence indicates that the situation is even worse when those systems are used in contexts and cultures outside their home countries.

Culture, Communications, and Goal Setting

Culture determines the uniqueness of a human group in the same way that personality determines the uniqueness of an individual (Hofstede, 2001). There are many implications and patterns of variation of these important differences with respect to performance management. Three of them are communications (gestures, eye contact, and body language in high-context cultures vs. precision with words in low-context cultures), goal setting, and reward systems (individual vs. team- or organization-wide). These same concepts might be interpreted and implemented very differently in individualistic versus collectivistic cultures.

As Triandis (1998) notes, individualistic cultures emerge in societies that are complex (many subgroups with different attitudes and beliefs) and loose (relatively few rules and norms about what is correct behavior in different types of situations). Collectivism emerges in societies that are simple (individuals agree on beliefs and attitudes) and tight (many rules and norms about what is correct behavior in different types of situations). These differences suggest, for example, that individual goals and individual rewards will be preferred in individualistic cultures. Team- or organization-wide goals and rewards will be preferred in collectivist cultures.

In fact, there are four broad constraints on the achievement of goals in the international context (Dowling, Festing, & Engle, 2009). First, differences in local accounting rules or labor laws may make it difficult to compare the relative performance of host-country managers of subsidiaries in different countries. Second, in turbulent international environments, objectives tend to be more fluid and flexible. Third, separation by time and distance may make it difficult for performance management systems to take account of country-specific factors. Fourth, market development in foreign subsidiaries is generally slower and more difficult than at home. Hence, host-country managers of multinational enterprises (MNEs) need more time to achieve results, again making direct comparisons of subsidiary operations difficult.

Pulakos and O'Leary noted that individual objectives do not work well when the work is dependent on factors outside the employee's control. In international environments, the effects of such exogenous factors may be magnified even further.

Culture and Reward Systems

We know that concepts such as individual rewards for individual performance and making explicit distinctions in performance among employees are not universally accepted. Indeed, where the prevailing view is that it takes contributions from everyone to achieve continuous improvement (i.e., the concept of ''kaizen'' in Japanese enterprises), the practice of singling out one employee's contribution may actually cause that employee to ''lose face'' among his or her fellow workgroup members. In other cultures, where nepotism is common and extended family members work together, the primary objective is to preserve working relationships. That objective may cause host-country managers to overlook results that more objective observers might judge to be inadequate.

Situations like these should provide clues about relevant hypotheses that might shed light on the generalizability of widely accepted Western theories of motivation and performance, particularly the effects of performance feedback. A recent survey of 750 HR professionals in the United States revealed that many are frustrated that managers do not have the courage to give

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constructive feedback to employees (Light, 2010). Implementation of performance feedback across cultures is fraught with even more difficulties.

Cross-Cultural Differences in Performance Feedback

Needless to say, it is important to respect the customs of the culture in question, particularly when providing performance feedback to host-country nationals. In individualistic cultures, such as the United States, Great Britain, and Australia, a popular topic in first-level supervisory training programs is how to conduct appraisal interviews. Indeed the ability to conduct performance appraisal interviews well and the ability to communicate ''bad news'' are considered key skills for a successful manager in such cultures.

In contrast, in collectivist societies, such as Korea, Guatemala, and Taiwan, discussing a person's performance openly with him or her is likely to clash head-on with the society's norm of harmony, and the subordinate may view it as an unacceptable loss of face. Such societies have more subtle, indirect ways of communicating feedback, as by withdrawing a normal favor or by communicating concerns verbally via a mutually trusted intermediary (Hofstede, 2001; Hofstede & Hofstede, 2005).

In addition, the target of the feedback matters. In one study, for example, individual versus group performance feedback induced more positive evaluations from individualists and collectivists, respectively (Van de Vliert, Shi, Sanders, Wang, & Huang, 2004). Little research, however, has been done on feedback in intercultural settings (Gelfand, Erez, & Aycan, 2007). Thus, Matsumoto (2004) found that Japanese managers provide implicit and informal feedback, which caused frustration among Americans. This is obviously an area for future research in global performance management.

As these studies demonstrate, it is crucial to be sensitive to local customs with respect to the process used to communicate feedback. Understanding those local customs, and mapping them across countries, is a continuing challenge for researchers interested in global performance management systems. As with domestic assignments, regular coaching and feedback are hallmarks of effective performance management systems (Aguinis, 2009; DeNisi & Sonesh, 2011; Pulakos & O'Leary, 2011), even though they may be expressed very differently in different parts of the world. The general conclusion from this brief review is that it is unwise to conclude that the approach that works well in one's own culture will work similarly elsewhere. The terrain of global performance management is largely uncharted, and it provides ongoing challenges for scientist-practitioners everywhere.

Finally, in a recent article (Cascio, in press), I argued that managers who are not held accountable for effective implementation of performance management (e.g., by being rated themselves on the extent to which they manage the performance of their subordinates effectively) have no incentive to execute that part of their jobs well. As we saw earlier, fewer than 40% of multinational firms hold managers accountable for the effectiveness of their performance management systems (Bernthal et al., 2003). Lack of accountability also invites political motives to dominate the process (Shore & Strauss, 2008). Conversely, we know that when managers' own appraisals (and subsequent rewards) are on the line they tend to take the process much more seriously (Lawler, 2003). It is certainly possible to improve the process of performance management; what is not realistic is the assumption that one size fits all.

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