National culture and incentives: Are incentive practices always good?

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Abstract
This study evaluates national culture’s influence on the incentive practice-firm performance relationship. Hofstede’s work (1993) and institutional theory (North, 1990) suggest national culture will moderate incentive effectiveness, while others suggest it has minimal impact (Gerhart & Fang, 2005). We find performance orientation (PO), in-group collectivism (I-GC) and uncertainty avoidance (UA) dimensions explain strength and direction of incentive-performance relationships. Profit-sharing—performance relationships are favorably supported by cultures with high PO, high I-GC, and low UA; however, the individual-bonus—performance relationship is enhanced by the near-opposite culture profile. There was no evidence that the team-bonus—outcome relationship is influenced by national culture.

Keywords
Comparative HRM, National culture, Incentives, Profit sharing, Team bonus, Individual bonus

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