

# PROJECT TITLE

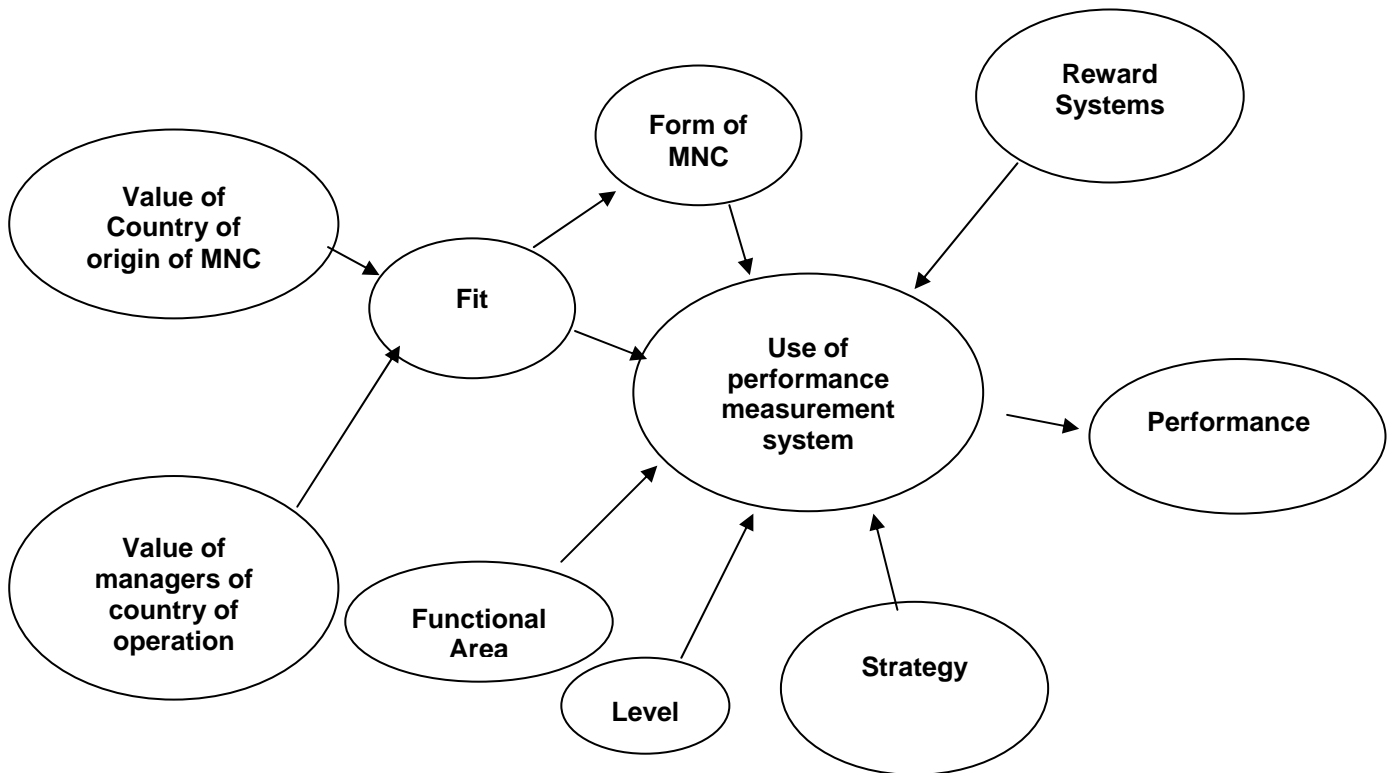
Country of Origin Effect in Understanding Performance Measurement Usage in MNCs

## AIMS AND SIGNIFICANCE OF THE PROJECT

The goal of the research is to understand the impact of country of origin of a multi-national company (MNC) on the performance management activities of managers in their Asian subsidiaries, In particular, we focus on the degree of alignment between the cultural values of the country of origin of the MNC and the values of the managers in the country of operation, and to what extent does non-alignment impact on the use of performance measurement systems in the host country. There is a strong flow of literature that shows that different control systems may be needed in different national cultural environments (Harrison and McKinnon, 1999). There is less literature at what happens when MNC's try to impose their systems on their global operations and the clashes that occur between systems that are suitable in the country of origin and the cultural values of the countries in which they operate (e.g. Lervik et al, 2005).

The research is a significant advance on previous research. First, the main feature of investigation of management control systems has been the budgeting system. Harrison and McKinnon (1999) have argued that a broader range of features should be addressed. The budgeting system has often been a critical tool for resource allocation and performance assessment. Today there is more focus on performance measurement systems, especially the balanced scorecard, as influential on managerial behaviours. A second notable characteristic of past research is that national culture has been almost universally operationalised by using Hofstede's cultural dimensions (Harrison and McKinnon, 1999). There has been a shift to other conceptualisations of national culture – one of the most powerful being Schwartz's value dimensions. Schaffer and Riordan (2003, p.180) suggest that Schwartz' "procedures for developing measures of values is an example of how one can avoid relying on more rigid categorizations, such as Hofstede's rankings". Third, Harrison and McKinnon (1999) note the deplorable lack of studies on the issues of MNCs putting in place their control systems in other national cultures.

The model we intend to investigate is as follows:



We intend to investigate the development of MNCs from many national cultures – Japan, North America, and various countries of Europe. Some spread of country of origin would be useful but not essential to the design. We anticipate that the managers may come from a variety of national cultural backgrounds, although we expect to find some agreement with Schwartz' previous studies of national cultural dimensions. Schaffer and Riordan (2003) note the diversity of cultural values within a single country and the necessity to measure individuals.

We anticipate that we can identify differences in fit on Schwartz values as follows:

- Harmony vv mastery – Employees in a society with harmony as a common value will look for agreement and acceptance. Performance measures will not be used in a short-term or penalising way. In a society where mastery is a dominant value it is likely that they will wish to impose measures on subordinates and subsidiaries. This is the primary cultural value in which fit may not occur.
- Autonomy vv embeddedness – Employees who place value on embeddedness will be willing to put emphasis on the status quo, and restrain actions that disrupt the social order. A performance measurement system which is viewed as illegitimate (Henri) may be ignored rather than fought, against as may happen when employees place stronger value on autonomy. USA, Japan and the European countries are stronger on autonomy and Asian countries on embeddedness.
- Egalitarianism vv hierarchy – Managers in a society with strong hierarchy would expect more acceptance of managerial systems and policies. This may reduce the level of conflict in some Asian countries as it may increase the level of acceptance of the MNC's performance measurement system. In addition, they may be willing to source guidance from managers above them.

In some of his studies Schwartz (e.g.1999) has hypothesised relationships with work values by a similar deductive process but has only national data to support his general contention. In this project specific data about both values and perceptions of use of performance measurement systems will be analysed.

## **METHODOLOGY, RESEARCH PLAN AND TIMETABLE (APPROACH)**

The project will use the resources of up to 10 DBA students; two in each of Bangkok, Kuala Lumpur, Singapore and possibly Hong Kong, Taiwan or PRC (if part of the Hong Kong cohort). The data collection will occur during 2006 and 2007 with final write-up in 2007.

Each DBA candidate will need to negotiate entry to a large branch office of a MNC. Each candidate will have three main tasks:

- research part of the literature concerning the national cultural environment of the country of operation, the country of origin of the MNC etc
- document the performance measurement system and associated factors that impact on it – reward systems, design , strategy, style of operation of the MNC
- administer a questionnaire to 100 employees at middle manager level and below (if possible). The results will need to be processed according to statistical templates developed in IGSB.

The questionnaire will need to include:

- Schwartz' 56 item cultural values measure.
- Schwartz' measurement of national cultural values of the countries of origin of the MNCs.
- Harzing's measure of MNC form.
- Henir's measures of performance measures covering monitoring, attention-focusing, strategic decision-making and legitimization. This measure has been used to investigate the link between organizational culture and performance measurement and it is appropriate to this project.
- Self-rated measure of managers performance

These will be used in conjunction with objective measures of the organisation's performance and qualitative analysis of the design of the system, and the reward systems. We acknowledge that there are many factors that impact on the use of performance measurement systems and this project only picks up some of them.

## REFERENCES

Harrison,G and McKinnon, J, 1999, Cross-cultural research in management control systems design: a review of the current state, *Accounting, Organizations and Society*, 24, 483-506.

Henri, J-F, 2004, Organizational culture and performance measurement systems, *Accounting, Organizations and Society*, online only through Science Direct

Lervick, J.E.B, Traavik, L.E.M., Nilsen, S.M., Amdam, R.P., and Hennestad, B.W., 2005, Global transfer of management practices across nations and MNC subcultures, *Academy of Management Executive*, 19 (2), 77-80.

Schaffer and Riordan, 2003, A Review of Cross-Cultural Methodologies for Organizational Research: a Best-Practices Approach" *Organizational Research Methods* 6 (2) 169-215

Schwartz, S, 1999, A theory of cultural values and some implications for work, *Applied Psychology – an International Review*, 48 1 23-47.