

Differential Responses to Managerial Incentives among Workers: Case Study

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Abstract

There is a considerable interest and debate over the effectiveness of Managerial Incentives (MI). This paper examines the impact of sub-culture on preferences of managerial incentives. The purpose is to investigate the popular assumption that cultural differences exist at this level, and to see whether these differences have an impact on MI's effectiveness. An experimental design is used to test a series of hypotheses based on a sample of Indian and Egyptian employees. It has found that despite the existence of cultural differences at an ethnic level, culture does not appear to have a significant impact on the employee responses to MI. Finally, the study also provides further evidence that validates a scale used for the measurement of culture.

Introduction

The widespread use of MI has sparked considerable interest and debate over their effectiveness. The discrepancy between effectiveness or no effect of MI suggests that there are conditions and factors that can influence that effectiveness.

Culture can influence both the development of a theory or concept and its application (Stewart and Gregersen, 1999). Organizational culture is the system of shared actions, values, and beliefs that develops within an organization and guides the behavior of its members. In the business setting, this system is often referred to as the corporate culture. Most significantly, management scholars and consultants increasingly believe that cultural differences can have a major impact on the performance of organizations and the quality of work life experienced by their members. (Schein, 1990).

The word "culture" is frequently used in organizational behavior in connection with the concept of "corporate culture", the growing interest in workforce diversity, and the broad differences among people around the world. Further research is required on understanding culturally-driven responses to MI, as cultures differ in their value systems, evaluations of management communication shall differ accordingly. Therefore, there is a need for research to examine the effects of promotional activities on cultural groups within countries, (John and Malhorta, 1993). It has also been suggested that an understanding of culture can assist in making managerial decisions, such as whether to pursue standardized or localized strategies, (Schermerhorn, et al., 2003). In this respect, the organizational culture represents a complex pattern of beliefs, expectations, ideas, values, attitudes, and behaviors that are shared by the members of an organization which includes the overtime policy, (Kanfer and Kantrowitz, 2001). Cultures vary in its underlying patterns of values and attitudes. The way people think about such matters as achievement, wealth and material gain, risk and change, may influence how they approach work and their relationships with the organizations, (Bluedom, 1992).

In every culture, certain factors act as motivators while others as demotivators. Specific motivators and their relative importance are unique to each culture and to each situation. Managers must be aware of the cultural backgrounds that they bring with them to the task of performance appraisal. They should be careful to avoid criticizing employees for cultural differences, (Adler, 1991). However, many cross-cultural studies in management have mainly examined the impact of culture across nations. It has been argued that cultural differences may also exist at an ethnic level, (Jarvis, 2002).

Cultural values, which represent collective beliefs, assumptions, and feelings about what is right, normal, rational, and valuable, can be quite different from one organization to another. In some, employees may care much about money, while in others; they may care more about technological innovation or the employee's well-being. These values tend to persist over time, even when organizational membership changes.

Understanding and predicting employee's motivation continues to be one of the most popular areas in management research. The purpose of this study is to investigate cultural differences at this level. The study was undertaken in Abu Dhabi, the United Arab Emirates. As in many nations, there has been an excessive use of MI is being made by a diverse ethnic mix of employees.

This study makes several important contributions to both management theory and practices. First of all, although Chandon, Wansink, and Laurent (2000) attempted a cross-national replication, their analysis did not specifically explore the impact of culture. Thus, and by incorporating culture, this study readdresses one of the limitations of the earlier study. This study is one of many pieces of research in management that empirically measures culture at an ethnic group level. It provides evidence to examine the popular assumption that cultural differences exist at this level. Secondly, the study also contributes to theory development by providing further validation of a new scale for measuring culture in an employee context, namely the CVSCALE, (Yoo, Donthu and Lenartowicz, 2001). Finally, the study provides insights to management practitioners in the design of MI strategies. It addresses the issue of whether to standardize or to localize MI between targeted ethnic groups, (Uncle and Kwok, 2002).

Managerial Incentives and the Potential Impact on Culture

The majority of past studies on the effectiveness of MI have focused on monetary issues, (Steers et al, 1992). However, in practice, a range of both monetary and non-monetary incentives is used. There are important differences between them; monetary incentives (e.g., salary increase) tend to provide fairly immediate rewards to the employee and they are transactional in character; while non-monetary incentives (e.g., shifting to a new post) tend to involve delayed rewards and are more relationship-based, (Tomer, 2001).

Motivation refers to the individual forces that account for the direction, level, and persistence of a person's effort expended at work; therefore, managerial promotions can offer many benefits. Improving the quality of life may be regarded as the primary benefit. However, there is enough evidence to suggest that employees are motivated by several other benefits including the desire for incentive pay, employment security, flexible job assignment, and labor relations. These benefits are further classified as tangible incentives (monetary incentives) or intangible incentives (non-monetary incentives). Consistent with such understanding, the benefits of value expression, exploration and entertainment can be classified as intangible incentives.

Culture is difficult to define, but typically it is seen as (the learned and shared ways of thinking and acting among a group of people or society), (Lewis, 1996). This definition is appropriate for several reasons. Firstly, it implies that culture encompasses all the norms and beliefs of a society-it is the total way of life in a society. Thus, the definition allows the possibility of a culture to have an impact on employee behavior. Secondly, the definition is flexible in allowing different levels of culture. This is evident by the notion of 'society' within the definition, which means that culture is not necessarily restricted to a country basis. This is important, given that the focus of this study is not on national culture, (Allen and Katz, 2002). In this study, culture is examined at the ethnic-group level within the domestic Arabian context. Ethnic groups can be considered as sub-cultural within a country. Thus, the study of culture by ethnicity within a domestic context is feasible and appropriate since each ethnic group will have its own unique set of cultural values.(Gerstner and Day, 1994).

Based on the distinction between the different types of MI and benefits, Chandon, Wansink and Laurent (2000), showed that monetary incentives provide more benefits (tangible incentives)

whilst non-monetary incentives provide less benefits (intangible incentives). These relationships are a matter of degree rather than being absolute.

In this study, culture is examined at the ethnic-group level within the domestic Arab Emirates context. Ethnic groups can be considered as subcultures within a country. They preserve the main characteristics of the national culture from which they originate but also develop their own unique norms and beliefs, (Usunier, 2000). Each ethnic group constitutes a unique community because of common culture, (Lee, Fairhurst, and Dillard, 2002).

Given the potential relevance of culture, a basis is required for assessing its impact. The researcher below makes use of the five cultural dimensions popularized by Hofstede (1991): power distance, uncertainty avoidance, individualism-collectivism, self-esteem, and time orientation. Alternative dimensions have been suggested by other researchers (Clarks, 1990), but Hofstede's dimensions are by far the most widely accepted and have been applied in many cross-cultural studies, (Sondergaard, 1994). Admittedly, there are several poignant criticisms of Hofstede's dimensions. His original study is relatively old and may be outdated, however, and despite such limitation, Hofstede's dimensions remain conceptually valid for explaining cultural differences. The appropriateness of using these dimensions in this study is supported by the suggestion that there are specific relationships between (Hofstede's) cultural dimensions and the "appropriate promotional policy", (Kale and McIntyre, 1991). Indeed, one of the aims of this study is to verify whether there are any relationships between the cultural dimensions and employee responses to MI. Furthermore, although developed for cross-country comparisons, Hofstede's dimensions are believed to be capable of explaining intra-country variations (Au, 1999), including an ethnic-group level. Individual values and attitudes are both important aspects of motivation and have strong cultural foundations. What proves motivational as a reward in one culture, for example, might not work in another. We should be sensitive to these issues and avoid being parochial or ethnocentric by assuming that people in all cultures are motivated by the same things in the same ways, (Hofstede, 1993).

We have to keep in our mind that money has a complex effect on high achievers. They are aware of their abilities and limitations, and thus are confident when they choose to do a particular job. They value money as a strong symbol of their achievement and adequacy. However, a financial incentive may create dissatisfaction if they feel that it inadequately reflects their contributions.

Hypotheses

In this paper, the researcher divides the MI into two groups: tangible and intangible incentives. The tangible incentives represent any monetary benefits in the short or long term period of time, whereas the intangible incentives represent any improvement in the employee's status with no necessity of any financial benefits within the hierarchy of an organization.

Individuals who are not able to recognize and respect the impact of culture on behavior may contribute to the emergence of dysfunctional situations. On the other hand, by approaching a cross-cultural work situation with sensitivity and respect, one can find ways to work together without great difficulty and even with the advantages that constructive conflict may offer, (Latham, 2001). In general, it is hypothesized that differences based on Hofstede's (1991) five cultural dimensions can lead to relative differences between ethnic groups in their performance for incentive types. With relationships being established between (monetary), and (non-monetary) incentives types, and incentive benefits (Figure 1), ethnic groups may differ in their relative choices of monetary and non-monetary incentives: for example, whilst monetary incentives might be more effective for employees, the choice share of monetary incentives may be higher for one ethnic group than for another due to certain cultural differences, (Locke, 2000). The following hypotheses are detailed based on the five cultural dimensions, but the theoretical strength of the hypotheses is not equal across them all. For example, collectivism may have a stronger theoretical basis than power distance, (Cummings, 2001). Also, reward power is the extent to which a manager can use extrinsic and intrinsic rewards to control other people. However, all five

dimensions have been included to ensure that the study is comprehensive. Although all managers have some access to reward, success in accessing and utilizing rewards to achieve influence varies according to the skills of the manager.

Power Distance: is the willingness of a culture to accept status and power differences among its members. It reflects the degree to which people are likely to respect hierarchy and rank in organizations. In high power distance cultures, inequality is prevalent and accepted. Indeed, privileges and status symbol are both expected and desired, (Hofstede, 1991). Employees in such cultures are more likely to be responsive to incentives that contain differential treatment. These mainly involves non-monetary incentives, in which differential treatment may occur by giving priority to value (e.g., shifting to a new position) or by chance (e.g., temporarily rewards). In contrast, cultures with lower power distance are less tolerant of inequalities and special privileges, (Hofstede, 1991). Employees in such a culture would have a relatively higher preference for managerial incentives that offer equal rewards for everyone. These mainly involve monetary incentives, such as salary raise, as they are generally available within the same level of benefit offered to every one. In this respect the developed hypothesis is: "Monetary incentives (tangible benefits) are more likely effective for low power distance cultures rather than the high ones".

Uncertainty Avoidance: is the cultural tendency to be uncomfortable with uncertainty and risk in everyday life (structured vs. unstructured organizational situations). In high uncertainty avoidance cultures, there is a tendency to prefer stable situations and avoid risk, (Usunier, 2000). Thus, to the extent that uncertainty avoidance is related to risk aversion. Such cultures would prefer incentives that offer more tangible and immediate rewards, (e.g., immediate payment). This is expected since such rewards are more certain and involve minimal amounts of risk. On the other hand, cultures with low uncertainty avoidance are more risk-tolerant and would view the opportunities within the future as uncertainties. Thus, employees of such a culture will be more accepting of MI that offer relatively less tangible and long-term rewards (e.g., new managerial post), (Adler, 2002). The hypothesis developed in this respect is: "Monetary incentives (tangible benefits) are more effective for high uncertainty avoidance culture rather than the low ones".

Individualism/Collectivism: refers to the tendency of the members in a certain culture to emphasize individual self-interest or group relationships. It reflects the degree to which people are more likely to prefer working as individuals or working within a team. Relationships play an important role in the search and choice processes. Value is placed on self-interest and interdependence as well as on pleasure. In addition, the individualistic culture emphasizes differentiation and the ability to express one's uniqueness. With such characteristics, cultures might be more receptive to non-monetary incentives since the associated intangible benefits are entertaining and more experiential. Furthermore, such benefits can provide intrinsic value to individuals and an opportunity for self-expression. Thus, the extent of individualism may affect the employee's choices between the different types of MI, (Nakata and Sivakumar, 2001). In contrast, less individualistic cultures are characterized by close relationships and interdependence. There is a strong emphasis on conforming to in-groups, which are typically close social groups such as family and friends, (Sagie, Elizor, and Yamauchi, 1996). Thus, collectivistic cultures can be expected to be less responsive to relationship building incentives (e.g. incentive plan) since they will be reluctant to forge a relationship with an out-group. Instead, collectivistic cultures may be more likely to respond to monetary incentives since the benefits provided are more common (e.g. salary raise), and are more readily shared amongst the in-group (e.g., tangible benefits). The hypothesis under such attitudes is: "Monetary incentives are more effective for collectivistic cultures rather than to individualistic ones".

Self-esteem (Masculinity)/Femininity: refers to the tendency of a culture to value stereotypical masculine or feminine traits. It reflects the degree to which organizations emphasize competition and assertiveness versus interpersonal sensitivity and concerns for relationships. In self-esteemed cultures, strong values are placed on materialistic success and assertiveness (Meyer, 2001). Employees in such culture are more likely to respond to monetary incentives,

since the more tangible and transactional-based benefits can satisfy their need for personal and materialistic success. At the other end of the spectrum, less masculine cultures emphasize caring for others and on the other hand, there is relatively less emphasis on personal and materialistic gains. We have to keep in our minds that money has a complex effect on high achievers. They are aware of their abilities and limitations, and thus, are confident when they decide to do a particular job. They value money as a strong symbol of their achievement and adequacy. A financial incentive may create dissatisfaction to them if they feel that it inadequately reflects their contributions.

We would predict that group work will motivate employees more when the country's culture scores high on the quality of the self-esteem criterion, (Rheem, 2000). Thus, employees with such cultures are expected to be more responsive to non-monetary incentives, since the benefits offered are more focused on relationships. The hypothesis developed therefore is that: "Monetary incentives are more effective for self-esteemed (masculine) cultures rather than to low self-esteemed (feminine) ones".

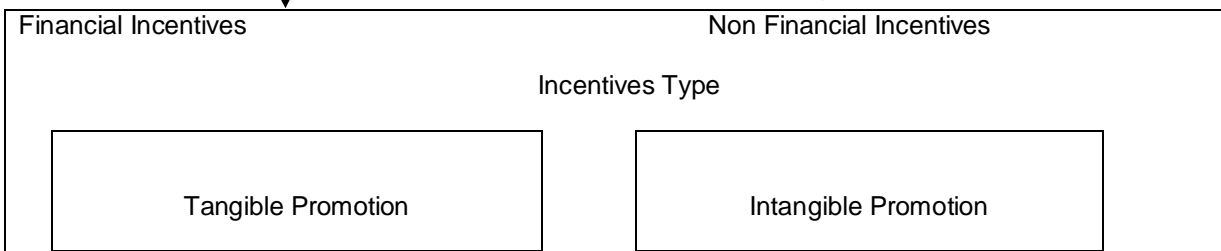
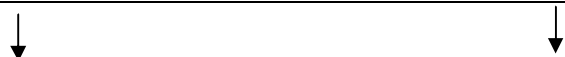
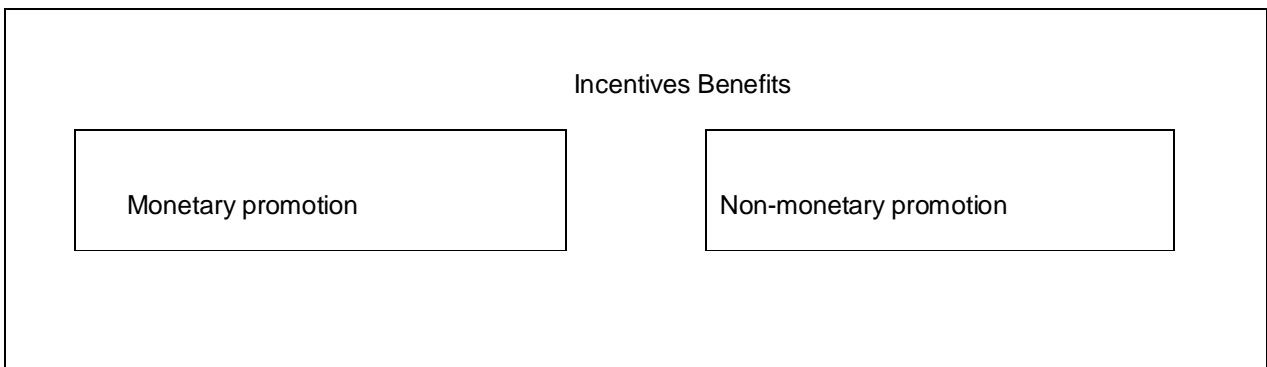
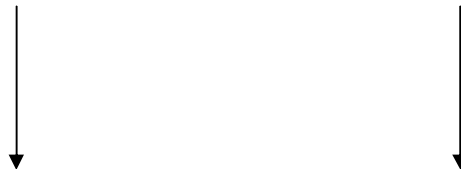
The final dimension concerns "**time orientation**": The degree to which a culture emphasizes long-term or short-term thinking. It is the tendency of a culture to emphasize values associated with the future, such as thrift and persistence, or values that focus largely on the present. The higher or the positive end is related to a future oriented perspective with values placed on persistence and loyalty. Employees in such cultures are more willing to make short-term sacrifices or investments for long term gains. This is supported by research studies which have shown that people with a future orientation have a preference for a delayed reward, (Klineberg, 1968). In effect, employees in cultures with high-on-time orientation are expected to be more responsive to non-monetary incentives such as transference to another department or a new job title, since many of the rewards are long-term and loyalty-based. In contrast, the lower or negative end is characterized by a past oriented perspective, with an emphasis on traditions. Employees in such cultures favor short-term planning and more immediate financial gains, (Spears, Lin and Mowen, 2001). Therefore, employees of cultures low-on-time orientation (Confucian dynamism) are expected to react relatively poor towards non-monetary incentives due to the delayed gratification involvement. Instead, they are expected to favor monetary incentives given that the benefits are more immediate and transactional. Therefore the hypothesis is that: "Monetary incentives are more effective for cultures low-on-time orientation rather than to cultures with high on time orientation".

Finally, an organization may use rewards and status symbols ineffectively and inconsistently. If it does, it misses a great opportunity to influence its culture because an organization's reward practices and its culture appear to be strongly linked in the minds of its members. In fact, some authorities believe that the most effective method of influencing organizational culture may be through the reward system. The five hypotheses associated with the five cultural dimensions are summarized in Figure (1). Each cultural dimension is considered one - by- one.

Figure (1): Summary of the Hypotheses

Cultural Dimensions

- Low power distance
- High uncertainty avoidance
- Collectivistic
- Self-esteemed
- Time orientation



Increasing salary
 Incentive category
 Piece work, profit distribution

Incentive plan
 Sales incentives effectiveness
 Shifting to new post

Research Methodology and Analysis

The two ethnic groups the Indians and the Egyptians are selected for investigation. The source countries of these groups differ markedly in terms of Hofstede's (1991) cultural dimensions. Relatively, the Egyptians are seen as high-power-distance, low on uncertainty avoidance, collectivistic, self-esteemed and time oriented, whereas, the Indians are, low-power-distance, high on uncertainty avoidance, individualistic, low self-esteemed and low time oriented. The

ethnic samples used are drawn from employees at Ajman University in the United Arab Emirates. The main purpose of this study is theory-testing and does not effect application. Therefore, the use of a homogeneous sample such as employees is acceptable and appropriate, as it reduces variability and the impact of irrelevant factors, (Calder, Phillips and Tybout, 1981). The samples are controlled for non-cultural confounding factors. Both macroeconomic and sociodemographic factors can affect employees from different cultures in their responses to MI. Macroeconomic factors, such as the level of the national economic activity, are effectively controlled by examining only one country and thus, these factors can be treated as constants. With regard to sociodemographic factors, common characteristics considered in cross-cultural studies on MI include age, gender, income, and level of education. These have either been treated as covariate or controlled via matched sampling. However, it has also been argued that individual demographics do not explain any differential effectiveness of an incentive, (Bond, 1988). Given these varied findings in this study, a mixed approach to the treatment of confounding sociodemographic factors is adopted. Firstly, the level of education is matched. The samples are restricted to graduate employees so as to ensure a common level of education and to reduce any biasness from knowledge of a particular field. Secondly, gender, age and income factors are treated as covariates and they remain important to examine as gender and age differences in employee behavior are possible particularly across different cultures. However, despite the validity of self-identification, it may be confounded with the effect of acculturation (i.e., the extent of assimilation of a new culture by an ethnic minority). In this study, acculturation is analyzed using a person's country of birth and the time spent living in the United Arab Emirates. In terms of recruitment, a self-identification process is used to determine the ethnicity of respondents, (Simon and Mark, 2002). Self-identification is believed to be more relevant for selecting subcultures within a country than any other popular measures, such as the country of citizenship. Self-identification represents a person's internal beliefs and hence is said to reflect a person's cultural reality, (Bochner and Hesketh, 1994).

The main experiment of the research consists of a self-administered questionnaire, which is designed to test the validity of the CVSCALE and to test the five hypotheses listed in the previous section (See Appendix A). The questionnaire was pilot tested. In the main experiment, two versions were used to test ordering effects. Respondents were randomly assigned to one of the two versions of the questionnaire. For both versions respondents were asked to: i) choose amongst the most effective options for three monetary and three non- monetary incentives, ii) provide the relative preference for monetary and non-monetary reward preferences, iii) complete the CVSCALE items and, iv) complete demographic questions including gender, age, income, ethnicity and acculturation. Responses to the CVSCALE are used to determine the relative cultural values of both ethnic groups on the five cultural dimensions. For the whole sample, the reliability alpha of the cultural dimensions ranged from 0.58 to 0.67 (Table 1). Although these results are modest, they are comparable to those reported by Yoo, Donthu and Lenatowicz (2001), and they all satisfy the reliability threshold of (0.6) that is commonly accepted for new scales. Furthermore, no significant differences were found in the responses between the two versions of the questionnaire. Thus, there appears to be no ordering effects. It should be noted that reliability levels varied slightly between the ethnic groups. However, the variations are similar to those reported by Yoo, Donthu and Lenatowicz (2001), and only in one case did the reliability alpha fall below (0.6) (0.52 for self-esteem among Indians).

Table (1): Reliability Analysis Results

Variables	Whole Sample	Indians	Egyptians
Power Distance	0.63	0.67	0.60
Uncertainty Avoidance	0.62	0.65	0.59
Individualism	0.65	0.60	0.68
Self-Esteem	0.58	0.52	0.65
Time Orientation	0.67	0.66	0.67

After reliability testing, a factor analysis was used to ascertain the validity of the items (Table 2). Under the specification of five factors, the results of the exploratory factor analysis provide preliminary support for the CVSCALE's validity. Overall, the results support the independence of the constructs.

Table (2): Exploratory Factor analysis Results

CVSCALE	Power	Uncertainty	Individualism	Self-Esteem	Time
Item Number	Distance	Avoidance			Orientation
Power2	0.67	0.10	0.13	-0.06	-0.06
Power1	0.64	0.07	-0.02	0.09	-0.14
Power4	0.58	-0.08	0.11	0.11	0.05
Power5	0.56	0.16	0.04	0.01	-0.01
Power3	0.47	-0.24	-0.01	0.03	0.09
Uncertainty3	0.02	0.76	0.03	0.07	0.01
Uncertainty5	-0.03	0.62	0.04	0.15	0.15
Uncertainty2	0.10	0.51	0.09	-0.17	0.24
Time3	-0.06	0.43	-0.02	-0.07	0.42
Uncertainty4	-0.00	0.43	0.10	0.21	0.07
Uncertainty1	0.10	0.42	-0.00	0.15	0.26
Individualism3	0.00	0.01	0.65	0.14	0.17
Individualism4	0.19	0.01	0.65	-0.03	0.19
Individualism6	0.09	0.00	0.65	0.25	-0.05
Individualism2	-0.18	0.17	0.52	-0.07	-0.12
Individualism5	0.16	0.18	0.49	0.23	-0.15
Individualism1	0.05	-0.01	0.48	0.01	0.14
Self2	-0.04	0.07	0.00	0.74	0.13
Self1	0.35	-0.12	0.15	0.64	0.13
Self3	0.08	0.08	0.09	0.62	-0.00
Time4	-0.03	-0.03	0.05	0.05	0.68
Time5	0.07	0.07	0.06	0.01	0.66
Time6	-0.06	-0.06	0.13	-0.08	0.65
Time1	0.01	0.01	-0.03	0.07	0.56
Time2	-0.18	-0.18	0.22	-0.01	0.33

Using AMOS 4.0, the key results of the standardized solution are shown in table (3). The overall fit of the measurement model was excellent: χ^2 ($d.f.$ = 296) = 540.30, root mean square error of approximation (RMSEA) =0.03, normed fit index (NFI) =0.94, comparative fit index (CFI) = 0.96, and incremental fit index (IFI) = 0.96. These results provide a strong conformity support for the CVSCALE and its use in studying the hypothesized constructs. With regards to composite reliability, all the estimates were ranging from 0.76 to 0.82.

Table (3): Confirmatory Factor Analysis Results

CVSCALE Item No.	Standardized Factor Loading				
	Power Distance	Uncertainty Avoidance	Individualism	Self-Esteem	Time Orientation
Power	0.58				
Power	0.50				
Power	0.38				
Power	0.49				
Power	0.44				
Uncertainty		0.43			
Uncertainty		0.43			
Uncertainty		0.72			
Uncertainty		0.34			
Uncertainty		0.59			
Individualism			0.36		
Individualism			.26		
Individualism			0.63		
Individualism			0.58		
Individualism			0.45		
Individualism			0.56		
Self-Esteem				0.58	
Self-Esteem				0.54	
Self-Esteem				0.57	
Self-Esteem				0.33	
Time-Orien.					0.53
Time-Orien.					0.20
Time-Orien.					0.46
Time-Orien.					0.70
Time-Orien.					0.45
Time-Orien.					0.63
Composite Reliability	0.80	0.79	0.82	0.76	0.82
Variance Extracted	0.50	0.50	0.50	0.50	0.50

	χ^2	$d.f.$	RMSEA	NFI	CFI	IFI
Model	540.30	296	0.03	0.94	0.96	0.96

These results are evidence of the scale's convergent validity. In addition, whilst the average variance extracted for each dimension was only moderate at 0.50, they do satisfy the minimum acceptable level, thus the results provide support for the independence of the dimensions. Having confirmed the reliability and the validity of the CVSCALE, responses to the scale are then aggregated for analysis. For the whole sample, an average score for each cultural dimension is computed for both ethnic groups. The score is calculated as the average of the individual items of each cultural dimension answered by the respondents of each ethnic group. This approach reflects the flexibility of the CVSCALE in that it allows the culture to be measured at the individual level but analyzed at an appropriate aggregate level. Thus, individual respondents may differ from

the average of their group but will remain appropriate for analysis. The average scores are then compared to classify the relative cultural values of the two ethnic groups on each dimension, (Table 4).

Table (4): Average Cultural Scores

	Power Distance	Uncertainty Avoidance	Collectivism	Self-esteem	Time Orientation
Indian	3.90 Low	1.99 Low	2.65 Individualistic	2.90 Feminine	1.90 Low
Egyptian	3.71 High	2.0 High	2.41 Collectivistic	2.85 Self-esteem	1.71 High
T-value	2.10	1.5	2.60	3.00	3.01
Sig. P-value	0.01	0.11	0.00	0.0	0.00

Although the absolute difference appears small, based on conventional statistical standards, there are significant differences between the two ethnic groups on all of the cultural dimensions ($P < 0.05$), except for the uncertainty avoidance. Using the relative averages, the Indians can be classified as relatively low-power-distance, low on uncertainty avoidance, individualistic, feminine, and low-on-time orientation, and vice-versa for the Egyptians. The classifications largely conform to Hofstede's (1991) results. Indeed, as explained before, the purpose of using the CVSCALE is to provide a direct measure of culture and to avoid the limitations of inferring this from past studies such as Hofstede's.

In order to examine each hypothesis, the results of the experiment are analyzed using two main procedures. Firstly, logistic regression is used to test the relationships between preference and MI types. The dependent variable is the choice between incentive type (monetary or non-monetary), the independent variables are incentive type (tangible or intangible) and the covariates of gender, age, and income. Secondly, choice shares of incentive types are analyzed to identify any differences in the choices between ethnic groups. Analysis is undertaken at an ethnic-group level and at an individual level, and across different acculturation groupings.

Edward Lawler, a management expert, has contributed greatly to our understanding of pay as an extrinsic reward. His research generally concludes that, for pay to serve as a source of work motivation, high levels of job performance must be viewed as the path through which high pay can be achieved, (Lawler, 1981). Logistic regression analysis is performed on each ethnic group for each dimension. Thus, a total of 10 regressions were conducted, (Table 5). The results show that the regression models generally have a poor fit since the reduction in the (-2) log likelihood values and the R^2 values are relatively low. However, the omnibus test of model coefficients indicates that coefficients were significant for 5 of the model ($p < 0.05$). Within the significant models, promotion type was consistently shown to have a significant and a negative relationship with the incentive type: high power distance ($\beta = -1.57, p = 0.00$), high uncertainty avoidance ($\beta = -1.30, p = 0.00$), individualism ($\beta = -0.93, p = 0.00$), self-esteem ($\beta = -1.35, p = 0.00$), and time-orientation ($\beta = -1.03, p = 0.00$). These results indicate that for each significant dimension, intangible incentives are associated with the choice of non-monetary incentives and tangible incentives are associated with the choice of monetary incentives. The covariates of gender, age and income were generally found to be insignificant. The only exception is that higher income was found to be associated with the choice of non-managerial incentives under the individualism dimension ($\beta = 1.26, p = 0.02$).

Table (5): Logistic Regression Results at an Ethnic Level

	Model Summary			Independent variables			
	-2 log Likelihood	R ² Value	Omnibus Test of Model coefficients	Promotion Type	Gender	Age	Income
Power Distance Indian	221 ^a (224) ^b	0.02 ^c	0.42	-0.21 (0.48) ^d	0.62 (0.06)	0.13 (-0.67)	-0.29 (0.44)
High Power Distance Egyptian	216 (242)	0.14	0.00	-1.57 (0.00)	0.37 (0.25)	-0.15 (0.64)	0.56 (0.16)
Low Uncertainty Avoidance Indian	236 (240)	0.02	0.41	-0.46 (0.13)	0.53 (0.86)	0.07 (0.77)	0.45 (0.16)
High Uncertainty Avoidance Egyptian	239 (259)	0.11	0.00	-1.30 (0.00)	-0.13 (0.63)	-0.14 (0.64)	0.64 (0.08)
Individualist-Indian	259 (264)	0.02	0.27	-0.26 (0.34)	0.28 (0.34)	-0.02 (0.48)	0.59 (0.05)
Individualist-Egyptian	242 (256)	0.08	0.00	-0.93 (0.00)	0.28 (0.33)	-0.05 (0.83)	1.26 (0.02)
Self-esteem Indian	239 (240)	0.00	0.94	-0.14 (0.61)	0.14 (0.65)	-0.03 (0.86)	0.12 (0.69)
Self-esteem Egyptian	214 (234)	0.11	0.00	-1.35 (0.00)	0.39 (0.23)	-0.13 (0.68)	0.76 (0.07)
Low time Orientation Indian	253 (259)	0.02	0.24	-0.37 (0.20)	0.57 (0.05)	-0.05 (0.83)	0.21 (0.48)
High Time Orientation Egyptian	234 (248)	0.08	0.00	-1.03 (0.00)	0.33 (0.28)	-0.24 (0.44)	0.59 (0.08)

a Model -2 Log Likelihood

b Initial -2 Likelihood

c Nagelkerke

d Significant value

To test the hypotheses there are two pretests and one main experiment. However, it is first necessary to discuss the stimuli and the measurement scale. This is summarized in (Table 6) and (Appendix B).

In testing the hypotheses, the data were analyzed at an ethnic level. For the purpose of analysis, the upper median splits within each group on each cultural dimension are used. The choice share results for each ethnic group on each dimension are shown in (Table 7). The results are reflective of the regression findings, in that financial incentives have a relatively higher choice share of monetary incentives than non-financial incentives. Another key result is that for each ethnic split, monetary incentives are preferred over non-monetary incentives across all preferences and for each preference type.

Table (6): Summary of Measures

Item	Measures/Source	Area of Application
Increasing salary benefit	- 18-item benefit scale - 3-item overall evaluation scale - (Chadon,Wansink and Laurent,2000)	- Pretest one
Incentive category stimuli	- 4-item monetary index score (Batra and Ahtola,1990)	- Pretest two - Main experiment
Incentive plan stimuli	- Secondary research	- Pretest one - Main experiment
Profit distribution + Piece work	- Secondary research	- Pretest one - Main experiment
Culture	-20-item CVSCALE (Yoo,Donthu and Lenartowicz,2000)	- Main experiment
Shifting to new post	Employee post	- Main experiment

Table (7): Choice Shares for Monetary Promotions at an Ethnic Level

	All Incentives	Tangible Incentives	Intangible Incentives
Power Distance			
Low-Indian	81%	79%	83%
High- Egyptian	79%	68%	91%
(sig. p-value)	(0.51)	(0.01)	(0.05)
Uncertainty Avoidance			
Low-Indian	77%	74%	80%
High- Egyptian	78%	64%	87%
(sig. p-value)	(0.39)	(0.08)	(0.31)
Individualism			
Individualist-Indian	76%	73%	78%
Collectivist-Egyptian	77.5%	69%	84%
(sig. p-value)	(0.70)	(0.47)	(0.14)
Self-Esteem			
Feminine-Indian	79%	71%	80%
Masculine-Egyptian	80%	(0.14)	89%
(sig. p-value)	(0.77)		(0.02)
Time Orientation			
Low-Indian	76%	73%	80%
High- Egyptian	78%	70%	86%
(sig. p-value)	(0.62)	(0.47)	(0.13)

The choice share results also provide a basis to evaluate the hypotheses. As evident in (Table 7), there were no significant differences in the choice share between ethnic groups across all incentives. Within incentive types, differences were found in only 2 out of the possible 10 cases. Firstly, in the case of tangible incentives, low-power-distance Indians were found to have a higher preference for monetary incentives than higher power-distance Egyptians (79% vs. 68%; $p < 0.05$). This is in line with the prediction of hypothesis (1). Secondly, in the case of intangible incentives, Feminine Indians were found to have a lower preference for monetary incentives than masculine Egyptians (80% vs. 89%; $p < 0.05$). This is consistent with hypothesis (4). However, these were the only instances where differences were found. It is evident that, in general, there was no difference in the choice shares between ethnic groups across all incentives and incentive types, despite differences in cultural values. Thus, there is insufficient evidence to support the hypotheses of this study. The results were confirmed with a quartile-split sample. Although there

was greater variance in the cultural values between ethnic groups, no significant differences in choice shares were observed for any of the cases.

Summary and Conclusions

Motivating employees has never been a simple task. Employees come into organizations with very different needs, personalities, skills, abilities, interests, and aptitudes. They have different expectations of their employers and different views of what they think their employer has a right to expect from them. The key findings and contributions of the study can be summarized in two main areas: culture and MI, and culture and ethnicity.

Some employees derive a great deal of satisfaction in their jobs and are motivated to exert high levels of efforts. Others get more satisfaction out of their personal interests and pursuits and nothing more. To work well, a merit pay plan should be based on realistic and accurate measures of individual work-performance to create a belief among employees that the way to achieve high pay is to perform at high levels. In addition, merit-pay should clearly discriminate between high and low performance in the amount of pay reward received. This study provides empirical evidence and further validates the CVSCALE established by Yoo, Donthu and Lenartowicz (2001). The flexibility of the CVSCALE is demonstrated, in that culture can be analyzed at both the ethnic and the individual levels. Thus, the study provides further evidence for the validity and usefulness of this scale.

Another key contribution of the study is that despite cultural differences between ethnic groups, there are no significant differences in their preferences for MI types. With only 2 exceptions, this result is found to be consistent at an ethnic-group level across all incentives and for each incentive type. The absence of cultural effects is also evident at an individual level. The implication of this finding is twofold. Firstly, although cultural differences may exist, these do not appear to affect the employee responses to MI at an ethnic level. This suggests that managers can use standardized MI when targeting different ethnic groups and avoid the use of more costly differential strategies. Secondly, the finding highlights the fact that cultural distinctions may be more relevant in some areas of management than in others. Thus, it would be a mistake to assume that cultural differences will affect all areas of management. Hence, the relevance of ethnic management as suggested by (Higgins and McAllaster, 2002) needs to be considered within the specific context in which it is applied.

There are mixed findings with regard to the framework of managerial incentive effectiveness. With only a few exceptions, the covariates of gender, age, and income were all significant in accounting for the choice of incentives. They were also evident across all cultural groups at all levels of analysis and thus, the impact of culture on these results appears to be minimal.

Limitations and Further Research

There are several limitations, relating to the focus of the study and the methodology used. Some of these highlight useful directions for future research. Ethnic groups are not expected to conform to any single cultural dimensions as they involve a whole set of cultural values. In this paper the cultural dimensions are examined separately. There is no examination of any correlation effects between the dimensions, and no assessment of the relative importance of each dimension.

The employee's response may differ if the focus on other human resource variables is considered; therefore, it would be worthy for further research to explore other effects along with the impact of culture on employees' incentives. This study ignores the fact that employees may perceive themselves to belong to more than one ethnic culture, and that the strength of identification with a particular ethnic group may differ among its members. These issues deserve further investigation.

The current study only focused on the employee's motivation with a particular package of incentives, and other types of variables in other industries or economic sectors that may be

applied differently. Therefore, the study could be further extended by considering the use of alternative measures and stimuli, for example: culture may also be measured by using Hofstede's (1991) original scale, or one of the alternatives that have been proposed (e.g., Furr, Liu and Sudharshan, 2000). Finally, the generalizability of the results could be extended by other monetary and non-monetary incentives within the hierarchy of an organization, or even other statistical methods in addition to the techniques used in this paper.

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Appendix A: The CVSCALE

Cultural Dimension	Measurement Items	5-Point Scale
Power Distance Value	<p>P1. People in higher positions should make most decisions without consulting people in lower positions.</p> <p>P2. People in higher positions should not ask the opinions of people in lower positions too frequently.</p> <p>P3. People in higher positions should avoid social interaction with people in lower positions.</p> <p>P4. People in lower positions should not disagree with decisions by people in higher positions.</p> <p>P5. People in higher positions should not delegate important tasks to people in lower positions.</p>	<p>1= Strongly agree</p> <p>2= Agree</p> <p>3= Neither Agree/disagree</p> <p>4= Disagree</p> <p>5= Strongly disagree</p>
Uncertainty Avoidance Values	<p>U1. It is important to have instructions spelled out in detail so that I always know what I'm expected to do.</p> <p>U2. It important to closely follow instructions and procedures.</p> <p>U3. Rules and regulations are important because they inform me of what is expected of me.</p> <p>U4. Standardized work procedures are helpful.</p> <p>U5. Instructions for operations are important.</p>	<p>1= Strongly agree</p> <p>2= Agree</p> <p>3= Neither Agree/disagree</p> <p>4= Disagree</p> <p>5= Strongly disagree</p>
Individualism Values	<p>I1. Individuals should sacrifice self-interest for the group (either at school or the work place).</p> <p>I2. Individuals should stick with the group even through difficulties.</p> <p>I3. Group welfare is more important than individual rewards.</p> <p>I4. Group success is more important than individual success.</p> <p>I5. Individuals should only pursue their goals after considering the welfare of the group.</p> <p>I6. Group loyalty should be encouraged even if individual goals suffer.</p>	<p>1= Strongly agree</p> <p>2= Agree</p> <p>3= Neither Agree/disagree</p> <p>4= Disagree</p> <p>5= Strongly disagree</p>
Self-esteem	<p>S1. It is more important for men to have a professional career than it is for women.</p> <p>S2. Men usually solve problems with logical analysis, women usually solve problems with intuition.</p> <p>S3. Solving difficult problems usually requires an active, forceful approach, which is typical of men.</p> <p>S4. There are some jobs that a man can always do better than a woman.</p>	<p>1= Strongly agree</p> <p>2= Agree</p> <p>3= Neither Agree/disagree</p> <p>4= Disagree</p> <p>5= Strongly disagree</p>
Time-orientation	<p>T1. Careful Management of money (thrift)</p> <p>T2. Going on resolutely in spite of opposition</p> <p>T3. Personal steadiness and stability</p> <p>T4. Long term planning</p> <p>T5. Giving up today's fun for success in the future</p> <p>T6. Working hard for success in the future</p>	<p>1= Strongly agree</p> <p>2= Agree</p> <p>3= Neither Agree/disagree</p> <p>4= Disagree</p> <p>5= Strongly disagree</p>

Appendix (B): Summary of Measures

1. Increasing salary:

Increasing salary benefits are defined and classified in this study according to the scale developed by Chandon, Wansink and Laurent (2000). The scale indicates six main benefits which can be classified as either monetary or non-monetary. Specifically, increasing salary, incentive category, and piece work & profit distribution as monetary, whilst the incentive plan, sales incentives effectiveness, and shifting to new post are non-monetary. A direct replication of these classifications is appropriate as the scale has been shown to be valid and maintaining scale consistency can enhance the comparability of final results with the original research. The measures for the pretest are the same 18-item agree/disagree scales used in the original study.

2. Incentive Category stimuli:

In measuring the degree of monetary and non-monetary of incentive category, an adaptation of the scale by Batra and Ahtola (1990) is used. Specifically, incentive category is classified as either monetary or non-monetary based on a monetary index score. The index consists of 9-point semantic differential scales on two non-monetary items of " fun/not fun " and " Pleasant/unpleasant", and two monetary items of "useful/useless" and "wise/foolish".

3. Incentive Plan stimuli:

Examples of monetary and non-monetary incentives are used as stimuli for both the pretests and the main experiment. Specific examples of incentive techniques are used in the main experiment. They are drawn from currently offered incentives in the workplace in the UAE to ensure realism. This involved the use of a combination of secondary data and judgment. Consideration is also given to the fact that monetary incentives will be preferred over non-monetary incentives of the same nominal value. This is due to the time value of money and the psychological effect for both incentives.

4. Culture:

Culture is measured using a personality approach based on direct value inference (Lenartowicz and Roth, 1999). In particular, use is made of the CVSCALE proposed by Yoo, Donthu and

lenartowicz (2001). It consists of 26-items, measured by 5-point Likert scales, relating to Hofstede's five cultural dimensions. It allows culture to be measured at the individual level and then aggregated to form groups at a chosen level for comparison. This is appropriate as it recognizes that members of a society may not share the same cultural values (Au, 1999) and it allows different ethnic groups within one country to be analyzed. The CVSCALE is useful for analyzing cultural values in a heterogeneous country like the UAE and thus, the scale is particularly relevant for this study. Furthermore, the items of the scale have been adapted to suit the employee context. The CVSCALE has also been applied in cross-cultural research (Yoo and Donthu, 2002). Thus there is strong evidence to support the use of this scale. There are various ways to define and measure the effectiveness of (MI). For the purpose of this study this includes measuring the effectiveness of (MI) by management usage of the incentive. Therefore (MI) are measured by management's decisions, which is a proxy for incentives volume. The effectiveness of (MI) is then determined by a comparison between the choice shares of incentive types across different decisions. This is consistent with Chandon, Wansink and Laurent (2000).

5. Piece work and Profit Distribution:

There are various ways to define and measure the effectiveness of piece work and profit distribution incentives. The measures typically used are short-term measures, as both incentives are mostly used to produce short-term effects. For the purposes of this study, the effectiveness of this incentive is measured by profit percentage, which is a proxy for revenues volume. The effectiveness of piece work and profit distribution is then determined by a comparison between the choice shares of incentive across the industry.