

Differential Responses to Managerial Incentives among Workers: Case Study

UDC 005.32
005.66

Khalid Alrawi

*Al-Ain University of Science and Technology
College of Business Administration
MBA Program Director*

There is considerable interest and debate over the effectiveness of managerial incentives MI. The paper examines the impact of sub-culture on preferences kinds 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 effectiveness. An experimental design is used to test a series of hypotheses based on a sample of Indians and Egyptians employees. The study was taken in Abu Dhabi, United Arab Emirates. It is found that despite the existence of cultural differences at an ethnic level, culture does not appear to have a significant impact on employee responses to MI. Finally the study also provides evidence that further validates a scale used for measurement of culture.

1. Introduction

The widespread use of managerial incentives MI has sparked considerable interest and debate over their effectiveness. The discrepancy between effectiveness or no effects of MI suggest that there are conditions and factors that can influence the effectiveness of MI.

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 member. In the business setting, this system is often referred to as the corporate culture. Just as no two individual personalities are the same, no two organizational cultures are identical. 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 member. (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. There is a need for research directed at understanding culturally-driven responses as incentives to MI, as cultures differ in their value systems, evaluations of management communication will differ. Therefore, there is a need for research to examine the effects of promotional activities on cultural groups within countries. (John and Malhorta, 1993). It also has 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 organizational culture represents a complex pattern of beliefs, expectations, ideas, values, attitudes, and behaviors shared by the members of an organization that evolve overtime. (Kanfer and Kantrowitz, 2001). Culture varies in their underlying patterns of values and atti-

tudes. 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 organizations. (Bluedom, 1992).

In every culture, certain factors act as motivators and others act as demotivators. Specific motivators and their relative importance are unique to each culture and, all too frequently, 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 things are good, normal, rational, and valuable. Cultural values can be quite different from organization to organization, in some, employees may care deeply about money, but in others they may care more about technological innovation or employee 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 taken in Abu Dhabi, United Arab Emirates. As, in many nations, increasing use is being made of MI by a diverse ethnic mix of employees.

This study makes several important contributions to both management theory and practices. Firstly, Although Chandon, Wansink, and Laurent (2000) attempted a cross-national replication; their analysis did

not specifically explore the impact of culture. Thus by incorporating culture, this study redresses one of the limitations of early 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 localize MI between targeted ethnic groups. (Uncle and Kwok, 2002).

2. 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, and there are important differences between them. Monetary incentives (e.g., increasing salary) tends to provide fairly immediate rewards to the employee and they are transactional in character, non-monetary incentives (e.g., shifting to 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 evidence to suggest 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 society- it is the total way of life in a society. Thus the definition allows for the possibility of culture to have an impact on employee behavior. Secondly, the definition is flexible in allowing for different levels of culture. This is evident by the notion of 'society' within the definition, which means culture is not necessarily restricted to a country basis. This is important given 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 types of MI and incentive benefits, Chandon, Wansink and Laurent (2000), showed that monetary incentives provide more benefits (tangible incentive) whilst non-monetary incentives provide more (intangible incentive) benefits. These relationships are a matter of degree rather than absolute.

In this study, culture is examined at the ethnic-group level within the domestic 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. Here use is made of the five cultural dimensions popularized by Hofstede in (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 despite such limitation; Hofstede's dimensions remain conceptually valid for explaining cultural differences. The appropriateness of these dimensions for 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 employees 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 at an ethnic-group level. Individual values and attitudes, both important aspects of motivation, 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 put 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. A financial incentive may create dissatisfaction if they feel that it inadequately reflects their contributions.

3. Hypotheses

For the purpose of this research the researcher divides the MI into two types (i.e., Tangible and intangible) incentives. The tangible represents any monetary benefits in the short or long term period of time, whereas the intangible incentives present any improvement in the employee's status with no necessity of any financial benefits within the hierarchy of the 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 established between tangible (monetary) /intangible (non-monetary) incentives and incentive types, 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 another due to cultural differences. (Locke, 2000). The following hypotheses are detailed based around the five cultural dimensions. It should be kept in mind that the theoretical strength of the hypotheses is not equal across the five dimensions. For example, hypothesis regarding collectivism have a stronger theoretical basis than hypothesis regarding 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 cul-

tures were thus likely to be more responsive to incentives that contain differential treatment. These mainly involve non-monetary incentives, in which differential treatment may occur by giving priority to value (e.g., shifting to 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 increasing salary, as they are generally available with 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 relative to high distance power cultures".

Uncertainty avoidance: is the cultural tendency to be uncomfortable with uncertainty and risk in everyday life (structured versus 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 see opportunities within future 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 relative to low uncertainty avoidance cultures".

Individualism/Collectivism: refers to the tendency of culture's members to emphasize individual self-interests or group relationships. It reflects the degree to which people are likely to prefer working as individuals or working together in groups. Relationships play an important role in the search and choice processes. Value is placed on self-interest and independence as well as pleasure. In addition 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 provide an opportunity for self-expression. Thus, the extent of individualism may affect employee's choices between different types of MI. (Nakata and Sivakumar, 2001). In contrast, less individualistic cultures are characterized by close relationships and interdependence. There is 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., increasing salary) 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 relative to individualistic cultures".

Self-esteemed (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 the caring for others and the quality of life, and relatively less emphasis on personal and materialistic gains. We have to put 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. A financial incentive may create dissatisfaction if they feel that it inadequately reflects their contributions.

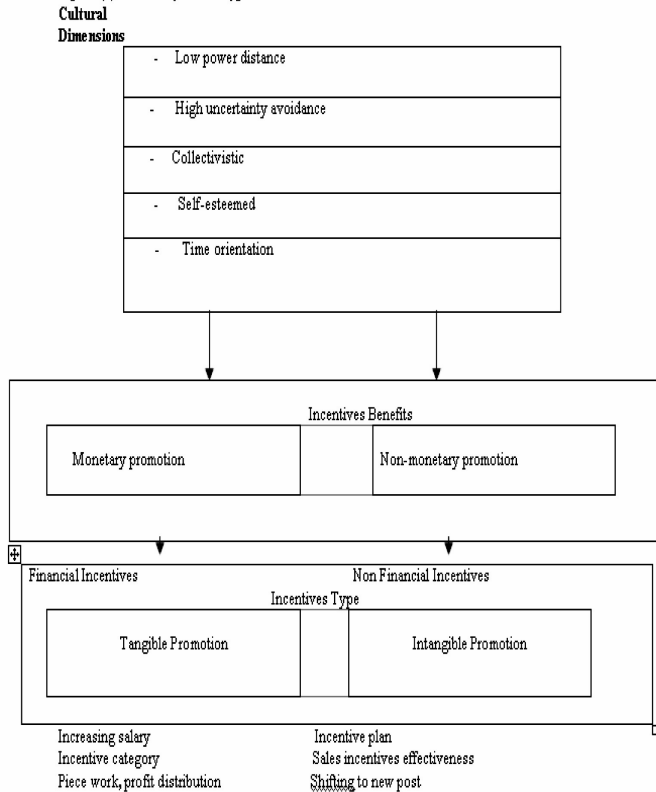
We would predict that group work will motivate employees more when the country's culture scores high on the quality of self-esteem criterion. (Rheem, 2000). Thus, employees with such cultures are expected to be more responsive to non-monetary incentives, since the benefits offered are more relationship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

incentives are more effective for self-esteemed (masculine) cultures relative to low self-esteemed (feminine) cultures.

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 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 delayed reward (Klineberg, 1968). In effect, employees in cultures high on time orientation are expected to be more responsive to non-monetary incentives such as transferring to another department or getting 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). Thus, employees of cultures low on time orientation (Confucian dynamism) are expected to react relatively poorly towards non-monetary incentives due to the delayed gratification involved. Instead, they are expected to favor monetary incentives given the benefits are more immediate and transactional. Therefore the hypothesis is: "Monetary incentives are more effective for cultures low on time orientation relative to cultures 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.

Figure (1): Summary of the Hypotheses



Research Methodology and Analysis

The two ethnic groups Indians and Egyptians are selected for investigation. The source countries of these groups differ markedly in terms of Hofstede's (1991) cultural dimensions. Relatively Egyptians are seen as high power distance, low on uncertainty avoidance, collectivistic, self-esteemed and time oriented, whereas, Indians are , low power distance, high on uncertainty avoidance, individualistic, low self-esteemed and low time oriented. It is expected that the main differences will still evident at an ethnic level and hence facilitate the testing of the hypotheses. The ethnic samples used are drawn from employees in Ajman University in United Arab Emirates. The main purpose of this study is theory testing and does not effects application. Thus, 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 of different cultures in their responses to MI. Macroeconomic factors, such as the level of national economic activity, are effectively controlled by examining only one country and thus, these factors can be treated as constants. In 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, to ensure a common level of education and reduce any bias from knowledge of a particular field. Secondly, the factors gender, age and income 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 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 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 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 for ordering effects. Respondents were randomly assigned to one of the two versions of questionnaire. For both versions respondents were asked to i) choose between options for three monetary and three non-monetary, ii) provide the relative preference for monetary and non-monetary rewards 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 appear to be no ordering effects. It should be that reliability levels varied slightly between the ethnic groups.

However, the variations are similar to those reported by Yoo, Donthu and Lenatowicz (2001) and in only 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, factor analysis was used to ascertain the validity of the items (Table 2). Under the specification of five factors, the results of 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 Item Number	Power Distance	Uncertainty Avoidance	Individualism	Self-Esteem	Time 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: $X^2 (d.f. = 296) = 540.30$, 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 strong conformity support for the CVSCALE and its use in studying the hypothesized constructs

Table (3): Confirmatory Factor Analysis Results

CVSCALE Item No.	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

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

With regards to composite reliability, all the estimates were ranging from 0.76 to 0.82 (Table3). 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 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 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): Average Cultural Scores

	Power Distance	Uncertainty Avoidance	Collectivism	Self-esteem	Time Orientation
Indian	3.90	1.99	2.65	2.90	1.90
	Low	Low	Individualistic	Feminine	Low
Egyptian	3.71	2.0	2.41	2.85	1.71
	High	High	Collectivistic	Self-esteem	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 uncertainty avoidance. Using the relative averages, Indians can be classified as relatively low power distance, low on uncertainty avoidance, individualistic, feminine, and low on time orientation, and vice-versa for 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) and 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 an individual level,

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

	Model Summary				Independent variables			
	-2 log Likelihood	log 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 (239)	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 Log Likelihood

^c Nagelkerke

^d Significant value

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). Results show that the regression models generally have a poor fit since the reduction in the -2 log likelihood values and the R² 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 negative relationship with incentive type: high power distance (B = -1.57, p=0.00), high uncertainty avoidance (B = -1.30, p = 0.00), individualism (B = -0.93, p = 0.00), self-esteem (B = -1.35, p = (0.00), and time orientation (B = -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 (B = 1.26, p = 0.02).

To test the hypotheses there are two pretests and one main experiment. However, it is first necessary to dis-

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	Tangle 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)

4. 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 of 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 and 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 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 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 researchers (Higgins and McAllaster, 2002) needs to be considered within the specific context in which it is applied.

There are mixed findings in 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 high-

light 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.

Employee's response may be differ if the focus on other human resource variables is considered; therefore, it would be worthwhile 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 between its members. These issues deserve further studies.

The current study only focused on employee motivation with a particular package of incentives, and other types of variables in other industries or economic sectors that may apply 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 (1990) or 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 incentive within the hierarchy of an organization, or even other statistical methods in addition to the techniques used in this paper.

REFERENCES

- [1] Adler, N., (1991), *Managing cross cultural Transitions, Group and Organization Studies*, Vol.6, No.3, pp341-356.
- [2] Au, Y., (1999), *Intra-Cultural Variation: Evidence and Implications for International business*, *Journal of International Business Studies*, 30(4), 798-813.
- [3] Adler, J., (2002), *International Dimensions of Organizational Behavior*, 4th Ed, South-Western, 174-177.
- [4] Allen, T. and Katz, R., (2002), *Managing Technical Professionals and Organizations*, *Sloan Management Review*, Summer 54-55.
- [5] Au, Y., (1999), *Intra-cultural variation, Evidence and Implications for international business*, *journal of International Business Studies*, 30(4),798-813.
- [6] Ambrose, L. and Kulik, T. (1999), *Old friends, new faces, Motivation in the 1990s*, *Journal of Management*, 25,231-237.
- [7] Bluedom, A. et al., (1992), *How many things you like to do at Once? Academy Of Management Executive*, Vol.6 (November), pp 17-26.
- [8] Bond, H.,(1988), *Finding universal dimensions of Individual Variation in multinational Studies of values*, *Journal of Personality and social Psychology*, 55(6), 1009-15.
- [9] Bochner, S., and Hesketh, B., (1994), *Power Distance, Individualism/Collectivism, and job-related Attitudes in a Culturally Diverse Work group*,

- Journal of Cross-Cultural Psychology, 23(June), 233-57.
- [10] Batra, R., and Ahtola, O., (1990), Measuring the Hedonic and Utilitarian Sources of consumer attitudes, *Marketing Letters*, 2 (2), 159-70
- [11] Chandon, P., Wansink, B., and Laurent, G., (2000), A benefit Congruency Framework of Sales Promotion Effectiveness, *Journal of Marketing*, 64(October), 65-81.
- [12] Commings, G. and Worley, C., (2001), *Organization Development and Change*, 7th Ed, South-Western.
- [13] Calder, J., Phillips, L., and Tybout, A., (1981), Designing Research for Application, *Journal of Consumer Research*, 8 (September), 197-207.
- [14] Clark, T., (1990), International Marketing and National Character, A Review and Proposal for an Integrative Theory, *Journal of Marketing*, 54(October), 66-79.
- [15] Gerstner, C. and Day, D. (1994), Cross Cultural Comparison of Leadership Prototype, *Leadership Quarterly*, Vol.5, pp 122-134.
- [16] Hofstede, G., (1991), *Culture and Organizations, Software of the Mind*. Berkshire England, McGraw-Hill Book Company.
- [17] Hofstede, G., (1993), Cultural Constraints in Management Theory, *Academy of Management Executive*, February, 7, 81-94.
- [18] Higgins, M, and McAllaster, C., (2002), Want innovation? Then use cultural artifacts that support it, *Organizational Dynamics*, 31, 74-84.
- [19] Jarvis, S., (2002), Ethnic sites draw new ad wave, *Marketing news* August, 5, 4.
- [20] John, M, and Malhorta, N. (1993), Culture and Consumer Behavior, toward an Understanding of cross-cultural consumer behavior in international marketing, *Journal of International Consumer Marketing*, 6(2), 91-127.
- [21] Kanfer, R. and Kantrowitz, M., (2001), Job search and Employment, *Journal of Applied Psychology*, 86, 837-855.
- [22] Klineberg, I., (1968), Future Time Perspective and the Preference for Delayed Reward, *Journal of Personality and Social Psychology*, 8(), 253-257.
- [23] Kale, H., and McIntyre, R., (1991), Distribution Channel Relationships in Diverse Cultures, *International Marketing review*, 5(3), 31-45.
- [24] Lenartowicz, T., and Roth, K., (1999), A framework for culture assessment, *Journal of International Business Studies*, 30(4), 781-98.
- [25] Latham, P., (2001), the importance of understanding and changing employee outcome experiences for gaining commitment to an organizational goal, *Personnel Psychology*, 54, 707-716.
- [26] Lee, Eun-Ju., Fairhurst, A., and Dillard, S., (2002), Usefulness of Ethnicity in International Consumer Marketing, *Journal of International Consumer Marketing*, 14, (4), 25-48.
- [27] Lewis, D., (1996), *When culture Collide: Managing successfully Across Cultures*, London, Nicholas Barclay Publishing.
- [28] Locke, E., (2000), *Principles of Organizational Behavior*, Blackwell, Oxford, England.
- [29] Lawler, E., (1981), *Pay and organizational Effectiveness*, Reading MA, Addison-Wesley.
- [30] Meyer, E., (2001), Radical change, the quiet way (changing corporate culture), *Harvard Business Review*, October, 92-104.
- [31] Nakata, C., and Sivakumar, K., (2001), Instituting the marketing concept in a Multinational Setting, *Journal of Academy of Marketing Science*, 29(Summer), 255-75.
- [32] Rheem, H., (2000), The effect of Incentive Contract, *Accounting Review*, July, pp299-326.
- [33] Simon, K., and Mark, U., (2002), Sales promotion Effectiveness, The Impact of Culture at an Ethnic-Group Level, Working Paper, University of New South Wales, Australia.
- [34] Schermerhorn, J. et al., (2003), *Organizational Behavior*, John Wiley & Sons, Inc, USA.
- [35] Steers, R. et al., (1992), Cross Cultural Management Research, *Journal of Management Inquiry*, (December), pp325-326.
- [36] Schein, E., (1990), *Organizational Culture*, *American Psychologist*, Vol.45, pp109-119.
- [37] Stewart, B. and Gregersen, H., (1999), The right way to Manage Expats, *Harvard Business Review* (March/April).
- [38] Sagie, A. et al., (1996), The Structure and Strength of achievement motivation, *Journal of Organizational Behavior*, 17, 431-445.
- [39] Spears, N., Lin, X., and Mowen, J., (2001), Time orientation in the United State, China and Mexico, Measurement and Insights for Promotional Strategy, *Journal of International Consumer Marketing*, 13, (1), 57-75.
- [40] Tomer, J., (2001), Understanding High-Performance Work Systems, the joint contribution of Economics and HRM, *Journal of Socio-Economics*, 30, 63-73.
- [41] Sondergaard, M., (1994), Research Note, Hofstede's Consequences: A study of Reviews, Citations and Replications, *Organization Studies*, 15 (3), 447-56.
- [42] Uncle, M. and Kwok, S., (2002), Sales Promotion Effectiveness (working paper), School of Marketing, University of New South Wales, Australia.
- [43] Usunier, J., (2000), *Marketing Across Cultures*, 3rd Ed, England, Prentice-Hall.
- [44] Yoo, B. et al., (2001), Measuring Cultural Values, Development and Validation of CVSCALE, working paper, Georgia State University.
- [45] Yoo, B., and Donthu, N., (2002), The effects of marketing education and individual cultural values on marketing ethics of students, *Journal of Marketing Education*, 24(2), 92-104.
- [46] Yoo, B., Donthu, N., and Lenartowicz, T., (2001), Measuring Cultural Values, Development and Validation of CVSCALE, working paper, Georgia State university.

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).

4. 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.

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.

The choice share results also provide a basis to evaluate the hypotheses. As is 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.

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>