

SALES INCENTIVES AND SALES PERFORMANCE: THE
MODERATING EFFECT OF CULTURAL DIMENSIONS

By

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DEDICATION

In dedication to my uncle Arne Kalland, PhD who tragically passed away during my second year of this program. Dr. Arne Kalland was our family's first scholar and Professor in Social Anthropology at the University of Oslo. Professor Kalland was considered a pioneer in modern Asian Research. He published numerous books and articles. It is a great regret that I never was able to share my academic experiences and research with him.

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ABSTRACT

SALES INCENTIVES AND SALES PERFORMANCE: THE MODERATED EFFECT OF CULTURAL DIMENSIONS

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An increasingly globalized world requires businesses to operate across countries and cultures. Managing a business in international markets adds complexity and challenges that can lead to strategic mistakes in dealing with customers, employees and suppliers. Culture impacts many aspects of business. Proper management of culture can lead to competitive advantages. Companies use sales incentives to motivate their sales force and customers in an effort to optimize sales performance. Despite a growing interest in international sales research, few studies address the impact of culture on sales performance. This research will contribute by exploring the moderating effect of culture on sales incentives and sales performance. The dissertation includes a theoretical model based on existing sales literature and Gert Hofstede's extensive cultural research. Hofstede's original framework contained four cultural dimensions, which have been extensively researched, though rarely applied to sales performance. Hofstede later added two new dimensions to his original paradigm; this study is the first to test all six dimensions. The dissertation uses sales data from a global company to test the model and attempt to predict the cultural impact on sales incentives and sales performance.

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CHAPTER 1 INTRODUCTION

Traditionally, businesses have operated primarily within the borders of the countries in which they were chartered. However, today's globalized world demands that businesses compete more frequently across international borders. For example, the US fast food giant McDonald's earned 66% of its 2009 revenues overseas. Corporate icons General Electric and IBM received their revenues internationally at 54% and 64% respectively (Newman, 2011). Operating in international markets adds complexity and challenges that can lead to strategic mistakes in dealing with customers, employees and suppliers. Business functions such as supply chain manufacturing, marketing, sales, and distribution are thus increasingly being handled at a global level (Pagell, Katz & Sheu, 2005).

Globalization frequently requires businesses to navigate cultural differences. Studies have shown that culture impacts human behavior and, therefore, impacts business performance (House, Hanges, Javidan, Dorfman & Gupta, 2004). Failing to account for the cultural differences between a firm's employees and its trading partners has caused many businesses to fail (Ricks, 2006). However, while mishandling cultural differences can lead to corporate disaster, proper management of cultural differences can lead to competitive advantages and success (Søderberg & Holden, 2002). In the field of marketing, researchers have studied cultural distinctions within the context of exchange

relationships, leading to a general consensus that culture impacts behavior (Bissell, 2008).

Marketing globally creates challenges with complexity and scale that are significantly higher than when only operating in a domestic market (Douglas & Craig, 1995). Kale and Barnes (1992) observed that “the ever increasing opportunities to market products and services globally cannot be optimally capitalized upon unless the cultural domain of the buyer-seller dyad is better understood” (p. 102). Demographic characteristics, such as age, and personal life experiences, such as sales experience, have been found to impact an individual’s sales performance (Verbeke, Dietz & Verwaal, 2011). Very little work has been done, however, in the area of how culture impacts sales performance (Bissell, 2008). While there is a growing academic interest in international sales research (Andersson, Johansson & Lööf, 2012), most studies of sales performance to date have only been performed in Western cultures (Runyan, Sternquist & Chung, 2010). Examining theories and models in other settings beyond Western cultures can advance marketing through expanding boundaries and discovering a degree of generalizability (Steenkamp, 2001).

To optimize sales performance, the proper incentives and motivations must be in place. How do sales incentives work across the different cultures? How does culture impact the sales performance in a global market? Are the incentives more effective in some countries versus others? The Dutch researcher Geert Hofstede created a new research paradigm for studying differences in cultures using four, then later six cultural dimensions (Minkov & Hofstede, 2011). How can these dimensions be used to predict

and optimize the performance of sales in a global company? This dissertation will attempt to answer these questions.

More specifically stated, the purpose of this dissertation is to examine the moderating influence of Hofstede's cultural dimensions on the relationship between sales incentives and sales performance. In this context, sales incentives are defined as sales incentive programs that are designed to increase sales revenue, as well as, reward and motivate both salespeople and customers (Janis, 2013). One of the study's contributions includes the ability to obtain data from many countries, which enables testing of hypotheses across diverse cultures. Most studies related to Hofstede's dimensions analyze no more than two or three countries (e.g., Nasierowski, & Mikula 1998; Murphy, 1999; Lee, 2001; Jansen, Merchant & Van der Stede, 2009). Not having an adequate sample range may cause spurious results and weak conclusions. This outcome can be avoided by using a larger number of cultures or countries (Sivakumar & Nakata, 2001). This study is unique, as it will examine data from more than 50 countries. The study also is one of the first to include all six of Hofstede's cultural dimensions, including the two latest additions – long-term orientation and indulgence versus restraint (Hofstede, Hofstede & Minkov, 2010). Indeed, the indulgence versus restraint dimension is so new that few studies have been reported (the one exception being Lanier & Kirchner, 2013). Another contribution is the potential validation of how well Hofstede's classic cultural dimensions hold up in a sales environment 40 years after they were originally developed. Some researchers have had mixed results when attempting to replicate and apply Hofstede's dimensions (e.g., Pressey, & Selassie, 2003; Kwok & Uncles, 2005). However, common shortcomings of these studies are they attempt to measure culture at an individual level, confuse culture

with demographic characteristics such as gender or generation, and disregard the necessary use of control variables such as economic growth (Hofstede, 2001). This study is designed to avoid these pitfalls.

While the study aims to contribute to cross-cultural research, a key contribution of this study is in sales management research, especially as it relates to compensation and incentives. International and cultural aspects are some of the least researched sales compensation topics (Werner & Ward, 2004). Also, there are relatively few multinational sales studies or studies conducted outside of the U.S. (Murphy & Li, 2012). Of the few studies that exist, most were performed in Europe (e.g., Rouziès, Segalla & Weitz, 2003; Rouziès, Coughlan, Anderson & Iacobucci, 2009; Segalla, Rouziès, Besson & Weitz, 2006) or limited to one or two countries (Blodgett, Lu, Rose & Vitell, 2001; Dawes & Massey, 2005), Fang, Palmatier & Evans, 2004; Liu, Comer & Dubinsky, 2001; McNeill, 2013; Murphy, 1999; Weeks, Loe, Chonko, Martinez & Wakefield, 2006). Murphy and Li (2012) stated that understanding the effects of culture could improve our understanding of what motivates the sales force (Murphy & Li, 2012). The findings of this study may enlighten companies on how to more efficiently motivate and incent their global sales force and their international customers when seeking to expand their sales internationally. Sales incentive programs consistent with employees' and customers' cultural values tend to be more successful than those not aligned (Merchant, Van der Stede, Lin & Yu, 2011). By customizing sales incentive programs in individual regions or countries based on a cultural dimension framework, multinational corporations may be able to grow their revenue by improving their sales performance.

CHAPTER 2 – LITERATURE REVIEW

2.1 Overview

This chapter presents a comprehensive review of the literature, the conceptual model and the rationale for the hypotheses. The literature review consists of two main components: a summary of sales incentives programs and an overview of culture. The section on sales incentives describes programs utilized to drive sales performance. The section on culture includes a definition of culture, an overview of Hofstede's cultural paradigm, and several alternative cultural frameworks. The rationale for the hypotheses is based on Hofstede's six cultural dimensions.

2.2 Sales Incentive Programs

Sales incentive programs are intended to drive sales revenue by motivating and rewarding salespeople and customers. The programs may be used to incentivize salespeople to meet or exceed their sales goals. The incentives may also be designed to entice customers to purchase a specific product or product lines (Janis, 2013; Ulanoff, 1985). Examples of sales incentives programs for customers to encourage purchasing include price discounts and special promotions (Blattberg, Briesch & Fox, 1995). Examples of sales incentive programs for salespeople include Sales Performance Incentive Funds (SPIFFs), team awards, and sales contests. These sales incentives are in addition to the core

compensation elements such as base salary, commissions and bonus plans. Incentives play a central role in the management of the overall company rewards plan (Coughlan & Joseph, 2012). The company's overall compensation plan is important for motivating employees (Boyd & Salamin, 2001), and compensation plans that include incentives are likely to have more impact (Menguc & Barker, 2003).

2.2.1 The Motivating Impact of Rewards

A key priority for sales managers is to motivate the sales force (Murphy, 1999). Salespeople are primarily incented by extrinsic rewards (Ferraro, Pfeffer, & Sutton, 2005). Rewards are very effective in motivating performance levels, especially when linked with high awareness that strong performance will be rewarded accordingly (Huselid, 1995). Providing a competitive rewards package is an essential criterion for retaining and motivating people (Colletti & Chonko, 1997). A higher incentive plan motivates salespeople to chase short-term sales opportunities (Piercy, Low, & Cravens, 2004).

The sales force's compensation package is one of the most influential human resources mechanisms for impacting sales and profit margins of B2B companies. A primary purpose of rewards packages is to motivate the sales force to align its priorities and activities with the firm's overall goals. The optimum sales force rewards package combines a base salary and commission. A commission is designed to motivate the sales force to work harder (Coughlan & Joseph, 2012). U.S. companies spent more than \$200 billion U.S. on sales force incentives in 2010 (Zoltners, Sinha & Lorimer, 2012).

Performance management and incentive plans can be critical to corporations' success. Most of the research on the subject has been done in the United States, and subsequently

most of the theory and assumptions are U.S. centric (Merchant et al., 2011). The same holds true for studies regarding sales efforts and effectiveness where there has been little research outside the U.S. or multinational in nature (Murphy & Li, 2012).

An essential question for sales managers regarding incentive plans is how to distribute incentives among team members. The sales manager must decide how much of a variable component should be awarded upon achievement and also whether awards should be individually or team based (Ramaswami & Singh, 2003). Research has shown that culture should be a major consideration when making these decisions. Regional culture has been observed to have a significant impact on the degree of variable components in overall compensation (Segalla et al., 2006).

2.2.2 Sales Performance Incentive Fund (SPIFF)

Sales Performance Incentive Funds (SPIFFs) involve a short-term sales commission or payment to sales people for specific sales activities. SPIFFs can be used to incent or focus sales people to drive newly launched products, clear out excessive inventory, sell higher margin items or to spike sales in a slow selling period. SPIFFs also can be used internally for a firm's own employee sales force, or externally to a distributor's sales force. SPIFFs are paid out directly from the manufacturer to the distributors' sales reps, not to the distributor company. This is a compelling reason for using SPIFFs in a sales environment. When suppliers use intermediaries in a distribution channel they lose control of the sales force that interacts with the end customer, because that sales force takes direction from the distributors. This can cause issues since the distributors, as previously noted, often carry two or more product lines, as well as

complimentary products. By using SPIFFs, however, the supplier can incent the distributor sales force to focus on the suppliers' priorities (Coughlan & Joseph, 2012).

When implementing incentives worldwide it is worth noting that the effects may differ. For example, Dubinsky, Kotabe, Lim and Michaels (1994) observed motivational distinctions between U.S. salespeople and Asian salespeople. U.S. salespeople had higher expectations and appreciation for individual awards. The U.S. salespeople also had a higher expectation than Asian salespeople that performance and merit would impact individual rewards. One possible reason given for this was the individualistic oriented culture in the U.S. in which salespeople operate more alone, as so-called "lone wolves" (Dubinsky et al., 1994).

2.2.3 Sales Contests

Sales contests are an incentive tool used by sales managers to yield short-term results (Churchill, Ford & Walker, 1997). Sales contests can involve a single monetary payment or in-kind payments such as travel or merchandise. They are called contests because they reward the winners relative to other salespeople or teams and are competitive in nature (Coughlan & Joseph, 2012).

Sales contests are extensively used in the United States (Murphy & Sohi, 1995). Research has shown that sales contests result in increases to sales and profit margins, improved motivation and morale, achievement of goals as well as increased efforts (Urbanski, 1986; Wildt, Parker & Harris 1987; Wotruba & Schoel, 1983). Most sales contests are short term from one to three months often mirroring the sales period (Coughlan & Joseph, 2012). In addition to the contest goal, the time frame and type of awards, managers must also consider the value and quantity of the contest awards and the

competitive format for selecting either team and/or individual prizes. While contests frequently allow the possibility of everyone winning, it is not unusual to limit the number of winners (Coughlan & Joseph, 2012). Research has shown that sales contests drive more sales effort when designed to appeal to the salespeople who participate. Contests with multiple sales winners are favored and considered more effective than a winner takes all format. Keeping the prize value the same for all winners is also preferred (Lim, Ahearne & Ham, 2009). Cash prizes are most popular, followed by travel and merchandise. Greater award values drive higher efforts (Murphy, Dacin & Ford, 2004). Multinational companies often use sales contests in countries outside their home base. When transferred internationally, these contests need to be tailored to appeal to local cultural preferences (Murphy, 1999).

2.2.4 Pricing and Price Promotions as Sales Incentives

As noted, sales incentives are not limited to the bonuses and performance incentives awarded to salespeople. Incentives to stimulate demand can also be directed toward buyers through incentives such as price promotions and price incentives (Demirag, 2011). Just as it is important for sales managers to optimize the sales people's compensation plan (Zoltners, et al., 2012), they must also optimize pricing (Marn & Rosiello, 1992). Suppliers often offer temporary price reductions or discounts to entice customers to order higher volumes or move up the timing of their purchases. But price related sales incentives offered to customers are not limited to discounts or price reductions. They can also include pending price increases (Ramasesh, 2010). Suppliers may attempt to stimulate purchasing by preannouncing price increases. Research has found that a pre-

announced price increase has the same effect as a price discount (Grubbström & Kingsman, 2004).

Pricing can be tailored to the market segment using different rules for different customers. In a B2B context, world prices often vary according to types of customer requirements, such as service level expectations and price tolerance. Prices are also used to encourage customer behaviors. As an example, free shipping and volume discounts are often deployed to entice customers to purchase in larger quantities. This in turn helps the manufacturer as fewer but larger shipments lower transaction costs (Siguaw, Kimes & Gassenheimer, 2003).

Price promotions are temporary reductions in price on selected goods, merchandise or services. In retail, the goal of promotions is to attract shoppers to the store to purchase the promotional reduced price products and at the same time entice them to buy other items at regular prices (Mulhern & Padgett, 1995). The manufacturers' promotion goal is to drive sales by either increasing overall category volumes or stealing share from competitors (Raju, 1992). Price promotions have been an important part of product marketing since the early 1970s and are considered a key tool to drive sales and generate market share (Blattberg et al., 1995). Blattberg et al.'s observation (1995) that "Promotions significantly increase sales" is fundamental to virtually all research on price promotions. The most common empirical finding regarding price promotions is that a temporary reduction in price on a product results in increased sales during the period the price is reduced (e.g., Moriarty, 1985, Blattberg et al., 1995, Ailawadi & Neslin, 1998, Van Heerde, Gupta & Wittink, 2003).

Price promotions take up a large portion of total marketing budgets, but they receive less strategic attention than the other aspects of the marketing promotion mix. This is especially the case when it comes to the area of international marketing (Fam, Yang & Tanakinjal, 2008). This is puzzling considering cultural factors have been found to impact the effectiveness of price promotions in foreign cultural environments (McNeill, 2013).

2.3 Culture

“Culture is such a fuzzy concept that we need to probe it with all the tools we have at our disposal, and we look forward to the bloom of multi-method approaches for moving the field of international business research forward by leaps and bounds” (Leung, Bhagat, Buchan, Erez & Gibson, 2005).

The importance of understanding the role of culture in marketing cannot be overstated, particularly within a B2B context. Researchers have observed that while many cross-cultural relationships are fundamentally sound, they are still working poorly (Williams, Han & Qualls, 1998). Culture is one of the most abstract constructs when it comes to human behavior (Gong, 2009) and has been defined in a variety of ways. For example, the anthropologists Kroeber and Kluckhohn identified 164 different definitions of culture in 1952 (Søderberg, & Holden, 2002). Baligh (1994) observed that culture could be considered in the context of its parts and components. Cultural components may include beliefs, education, language, economic, and social structures (Gong, 2009). Markus and Kitayama (1991) viewed culture as powers molding peoples' behaviors, opinions, and personalities (Bissell, 2007).

Dahl, (2004) summarized culture as consisting of “various factors that are shared by a given group, and that it acts as an interpretive frame of behavior”. A similar definition

was proposed by Kuper (1999), who noted that culture is “a matter of ideas and values, a collective cast of mind” (p. 227). These simple definitions may not reverberate with managers in global businesses who are collaborating and competing in a global world, and experiencing new cross-cultural differences and challenges. It has been claimed, however, that proper management of these cultural differences can result in organizational strengths and become a competitive weapon (Søderberg & Holden, 2002).

Characteristics of culture can be defined as objective or subjective criteria. Examples of objective criteria can be socio-demographic data such as birth rate, age distribution, ethnicity of population, languages spoken, or economic data, such as GNP, income per capita, etc. Subjective criteria are traits of a nation or culture, such as beliefs, values, behavior and mindsets. “Cultural values are considered to be the core of a culture” (Terlutter, Diehl & Mueller, 2006).

An essential part of cross-cultural research is frameworks with cultural values or dimensions, which are used to explain variances between cultures (Magnusson, Wilson, Zdravkovic, Zhou & Westjohn, 2008). The most prominent cross-cultural framework was developed by Geert Hofstede (1980). Geert Hofstede, a Dutch organizational anthropologist and social psychologist, defined culture as the “software of the mind” that is developed during childhood and attained by ‘mental programming’ (Søderberg & Holden, 2002). Culture according to Hofstede is the traits resulting from the grouping of people, not of individuals (Williams, Han & Qualls, 1998). Hofstede also referred to culture as “the unwritten rules of the social game, or more formally the collective programming of the mind that distinguishes the members of one group or category of people from another”, and noted that the “category of people” could be many things

including a nation, region, gender, age group, social class, occupation, or a work organization (Hofstede, 1994).

For the purposes of this study, the categories defined are countries or national cultures because they are deeper rooted than organizational cultures. National cultural differences are measured at the value level, while differences between organizational cultures are identified at the level of practices (Pothukuchi, Damanpour, Choi, Chen & Park, 2002).

2.4 Cross-Cultural Research in Sales Management

Advances in technology and logistics are enabling new and different markets for businesses, which impacts the execution of marketing and management strategies (Johnson & Tellis, 2008). Considerable cross-cultural research exists in sales management and marketing (e.g., Dubinsky, Kotabe, Lim & Wagner, 1997; Franke & Park, 2006; Roth, 1995; Zou & Cavusgil, 2002). However, there is a need for more cross-cultural testing of sales and marketing hypotheses, especially in marketing management (Deshpandé, Farley & Webster, 2000).

One cross-cultural area that has garnered interest in both marketing and management is the design of marketing strategies, especially related to the question of whether or not multi-national companies (MNCs') should standardize or localize their marketing strategies in international markets (Theodosiou & Leonidou, 2003). The challenge is to find the ideal balance, as the research to date is inconclusive regarding which approach is better – localization or standardization (Schmid & Kotulla, 2011). In global companies with uniform incentive plans for seemingly similar countries, the outcome is likely to be less than optimal (Murphy, 1999). Applying similar sales

management practices to several markets may lead to lower performances even if the cultural differences are minor (Javalgi, Granot, & Alejandro, 2011). However, according to Evans, Mavondo & Bridson (2008), adapting local marketing strategies to foreign markets has a negative impact on performance.

There are also conditions that impact the selected strategy's success. Zou & Cavusgil (2002) found that firms need extensive international experience in order to succeed with cross-national standardization. Souza and Bradley (2008) support the need for extensive international experience with their observation that firms should standardize their pricing when the cross-national markets are similar (Schmid & Kotulla, 2011). However, firms need to adapt locally to their international markets when there are large differences economically or culturally. Adapting is also needed if there are differences in the stage of the product life cycle or in the firm's marketing infrastructure (Schilke, Reimann & Thomas, 2009).

Related to standardization is cultural distance, often defined as the "difference in mean values in cultural distances between home and host countries' respective populations (Beugelsdijk, Slangen, Maseland, & Onrust, 2013). Cultural distance impacts MNC's because they may be forced to adapt their marketing approaches to local conditions. The greater the cultural distance, the greater the difficulty for the firm to implement its local business practices in international locations (Kostova, 1999). Additionally, the larger the cultural distance, the greater the benefits associated with a local cultural adaption of marketing strategies (Hansen, Singh, Weilbaker, & Guesalaga, 2011).

2.5 The Hofstede Cross-Cultural Research

Hofstede is widely recognized for his paradigm shifting work in cross-cultural research (Usunier, Furrer & Furrer-Perrinjaquet, 2011). The work began in 1960s with a standardized international employee survey within a multinational corporation that Hofstede code named Hermes. The company was later revealed to be IBM where Hofstede was the head of the personnel research department (Hofstede, 2001). The IBM employee survey was repeated until 1973, and in total yielded 116,000 responses from 88,000 different employees in 72 countries (Baskerville, 2003, Minkov & Hofstede, 2011). Hofstede used the data to develop four major dimensions of culture for each country surveyed. The four dimensions were: power distance, individualism/collectivism, masculinity/femininity and uncertainty avoidance. Hofstede claimed that these four dimensions could mostly explain the national differences of values, beliefs and behavior both in the work place and in general.

The results of Hofstede's research were published in the seminal book *Culture's Consequences: International Differences in Work-Related Values* (Hofstede, 1980). *Culture's Consequences* became a classic, and in 2001 Hofstede published a second edition that added a 5th dimension called long-term orientation. The long-term orientation dimension was developed together with Michael Harris Bond. It was based on study of student values from 23 countries using a Chinese Value Survey. The dimension contrasts the future oriented mindset to the past and present oriented mindset (Minkov & Hofstede, 2012). A sixth dimension was added in the third edition of *Cultures and Organizations: Software of the Mind* (Hofstede, Hofstede & Minkov, 2010). This dimension was developed in collaboration with Michael Minkov and was based on Inglehart's World

Value Survey. The dimension covers happiness and sense of control over one's own life (Minkov, 2009). Table 1 summarized Hofstede's dimensions.

Table 1: *Hofstede's 6 Dimensions*

Dimension	Name	Description	Measure
Power	Power Distance (PDI)	Level of inequality of power and authority	Low versus high
Predictability	Uncertainty Avoidance (UAI)	Tolerance towards uncertainty in life	Strong versus weak
Self	Individualism versus Collectivism (ID)	Emphasis of personal goals over group goals	Low versus high
Gender	Masculinity versus Femininity (MAS).	Level of equality between the sexes	Masculine versus Feminine
Time	Long-term versus Short-term Orientation (LTO).	Attitudes toward the future rather than present	Long-term versus short-term
Well Being	Indulgence versus Restraint	Perception of life control and importance of leisure	Indulgence versus Restraint

2.6 Hofstede impact

It is difficult to dispute the seminal impact of Hofstede's 1980 publication *Culture's Consequences*. His work has been referenced as a "new paradigm for the study of cultural differences" (Minkov, 2011), as well as credited as a catalyst to a surge in cross-cultural

research across disciplines (Taras, Steel & Kirkman, 2012). Hofstede's model has become a keystone in cross-cultural studies and his dimensions are extensively used to research cultural difference in a broad range of subjects (Minkov & Hofstede, 2011). According to the method of Durden and Ellis (1993) for identifying the most influential articles in an academic discipline, publications dated 1980 are classified as a "super classic" if it surpasses 748 cites in a 20 year period or 37.42 cites per year. According to an analysis from 1981 to 1998 Hofstede's *Culture's Consequences* in its first 18 years averaged 94 citations per year, for a total of 1706 citations. While most publications peak in citations after 3 to 5 years (Gamble, O'Doherty & Hyman, 1987), *Culture's Consequences* continued to increase the number of citations in its first 18 years (Baskerville, 2003).

Hofstede has continued to contribute to the field of organizational cultures. In addition to the second edition of *Culture's Consequences* (2001), he released a third edition of *Cultures and Organizations: Software of the Mind* (2010) and published numerous scholarly articles (e.g. Hofstede & Bond, 1988; Hofstede, 1999; Hofstede, 2004; Hofstede & Hofstede, 2005; Hofstede, 2007). Even one of his ardent critics, Baskerville (2003) has made the observation that Hofstede's "scholarship remains within the mainstream theory in international business research and management studies" (Baskerville, 2003). Kirkman, Lowe and Gibson (2006) explained Hofstede's popularity with this quote: "In Spite of criticism, researchers have favored this five-dimension* framework because of its clarity, parsimony, and resonance with managers".

**Quote written prior to publishing of Hofstede's sixth dimension*

2.7 Alternatives to Hofstede

While Hofstede has been recognized as setting the standard for cultural research, there are other alternative models available (Smith, 2006). The other most often cited cross-national value databases are Trompenaars (1993), Schwartz (1994), Inglehart (2002), and the House's GLOBE project (2004). The following section provides an overview of each alternative. A summary is provided at the end of the section in Table 2 Overview of Cultural Frameworks.

2.7.1 Fons Trompenaars

Fons Trompenaars (1993), in his book "Riding the Waves of Culture: Understanding Diversity in Global Business", explained culture by how people solved problems. Trompenaars proposed seven dimensions that were based on 15,000 survey responses:

1. Universalism versus Particularism – whether formal rules apply everywhere (universalism) or whether circumstances such as relationships should be applied, one size does not fit all (particularism).
2. Individualism versus Communitarianism – whether acting like an individual (individualism) is more important than loyalty to overall group's goals (communitarianism).
3. Specific versus Diffuse – whether or not to compartmentalize; are work and home life separate (specific) or do they overlap (diffuse).
4. Neutral versus Emotional – whether to show emotions (emotional) or keep them hidden (neutral).

5. Achievement versus Ascription – whether one attains success based on accomplishments (achievement) or from who one is as a person (ascribed).
6. Sequential time versus Synchronous time – whether time is closely managed one event at the time (sequential) or one can multi task (synchronous).
7. Internal direction versus outer direction – whether one controls the environment (internal) or is controlled by the environment (outer).

The seven dimensions originated in sociology. The first five were from Parsons and Shils (1951), and the others from Kluckhohn and Strodtbeck (1961). The criticism of Trompenaars includes that his dimensions and his statistical database have not been widely peer reviewed, with three exceptions: Smith, Trompenaars and Dugan (1995), Smith, Dugan and Trompenaars (1996), and Smith, Peterson and Schwartz (2002.) One reason for the limited peer reviews may be that not all of Trompenaars' data has been made publicly available (Magnusson et al., 2008).

The database itself has also been questioned. Trompenaars (1993) claimed 15,000 survey responses with 75% management, but the article from Smith et al. (1996) refers to 8,842 usable responses with only 54.2% managerial or professional workers (Smith et al., 1996). The Smith et al. analysis of Trompenaars database resulted in two major dimensions: conservatism versus egalitarian commitment and utilitarian involvement versus loyal involvement. Both dimensions were heavily associated with Hofstede's individualism dimension. The loyal involvement dimension was highly correlated with Hofstede's power distance dimension. But Hofstede believed this correlation was an anomaly due to the Hofstede data not containing any high PDI Eastern European

countries. Hofstede's conclusion was that the second Trompenaars dimension was more about teamwork than power distance (Hofstede, 2010).

2.7.2 Shalom H. Schwartz

Shalom Schwartz, an Israeli psychologist developed 56 value items from a literature survey. Using the value items, he surveyed 35,000 respondents from over 200 samples in more than 60 countries. While he initially examined his findings at the individual level, Schwartz later followed Hofstede's lead and converted his analysis to the country level, identifying seven dimensions. The dimensions were:

1. Conservatism – whether people are autonomous or entrenched in their groups (conservatisms). Values associated with conservatism stress maintenance of status quo such as obedience, respect for tradition and family. Conservatism avoids actions or feelings that may disrupt the solidarity of the group or its traditional order.
2. Hierarchy – whether hierarchy values such as social power, roles and influence are legitimately unevenly distributed.
3. Mastery – how society copes with and whether there is a cultural prominence of people seeking to actively master and change the world. Values associated with mastery include self-reliance and risk taking.
4. Affective Autonomy – whether there is an emphasis on stimulation and hedonism. Values include pleasure and quest for exciting life.
5. Intellectual Autonomy – whether there is an emphasis on self-direction. Values include broadmindedness and creativity.

6. Egalitarian Commitment – whether there is an emphasis on the concern for other people’s welfare. The values associated include freedom, equality and social justice.
7. Harmony – whether there is an emphasis on the value of being in harmony with nature. Values include protection of the environment and “world of beauty”.

Most of the samples were students and teachers. Schwartz justified the use of teachers based on the role they play in carrying cultural and socializing values to their students (Schwartz, 1992). Substantial correlations have been found between Schwartz country scores and the Hofstede scores (Hofstede et al., 2010). For example, in a study analyzing Dutch multinational enterprises’ global expansion strategies, Drogendijk and Slangen (2006) used the models of both Hofstede and Schwartz. Their conclusion was that the two models had comparable explanatory powers (Drogendijk & Slangen, 2006). The Schwartz framework has seen limited application in international marketing research, especially compared to the widespread use of Hofstede’s work. However, due to the model’s strong theoretical foundation, it could have potential in that area (Steenkamp, 2001).

2.7.3 Ronald Inglehart

American scholars Ronald Inglehart and Wayne E. Baker developed two cultural value dimensions based on data from the World Values Survey (WVS) (Inglehart & Baker, 2000). The WVS is a global network of social scientists devoted to the study of changing cultural values and the monitoring of their impact on political and social life. The network has performed surveys in more than 100 countries with coverage of almost

90% of the global population (www.worldvaluessurvey.org). The two dimensions identified by Inglehart and Baker (2000) were as follows:

1. Traditional versus secular-rational towards authority – whether people put an emphasis on family, nation and religion (traditional) or the opposite (secular-rational) where individuals have less reliance on bases of authority.
2. Survival versus self-expression – whether people rely on the group or society versus relying on self for quality of life. In survival cultures people prioritize economic and physical security. In self-expression cultures people prioritize quality of life and well-being and they take survival for granted.

The first dimension correlates with Hofstede’s power distance dimension (Magnusson et al., 2008). The second dimension inspired the creation of an additional Hofstede dimension. Michael Minkov, a Hofstede coauthor, analyzed the survival versus self-expression dimension and observed that it could be split into two components (Minkov, 2007). The first component was a replicate of Hofstede’s individualism-collectivism dimension; the second component was happiness correlated with “a perception of life control and importance of leisure in the respondent’s life” (Minkov & Hofstede, 2011). These variables became the sixth Hofstede dimension, which was called indulgence versus restraint (Hofstede, Hofstede & Minkov, 2010). Inglehart’s framework has been praised for his sound methodology and the sheer size and duration of his data collection (Hsu, Woodside & Marshall, 2013).

2.7.4 Robert J. House (GLOBE)

The most recent cross-cultural framework is the GLOBE project led by US management scholar Robert J. House (2004). The project explored the extent to which

business leadership is universal or country culturally specific. It was later expanded to other aspects of culture. The initiative led to the formation of a large international GLOBE community, which collected data from 17,300 managers in 62 countries during the period of 1994-1997 (House et al., 2004). The samples were taken from 951 companies in financial services, food processing and telecommunication services. The organizations were local, as opposed to multinational. Building on Hofstede's original 5 dimensions, the GLOBE expanded to a total of nine dimensions. The dimensions are as follows:

1. Performance orientation – the extent to which a community encourages and rewards innovation, high standards, excellence, and performance improvement (pp. 30, 239). Countries high on this dimension, such as the US and Singapore, value training, while lower countries such as Greece and Russia emphasize family and pedigree (Javidan, Dorfman, De Luque & House, 2006).
2. Uncertainty avoidance – the extent to which a society, organization or group relies on social norms, rules, and procedures to alleviate the unpredictability of future events (p. 30). Countries with high uncertainty avoidance include Singapore and Sweden, which prefer consistency, formal processes and detailed planning. Countries with low uncertainty avoidance include Russia and Greece who favor simple processes and ambiguous planning.
3. In-group Collectivism – the degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families (p. 30). The dimension is considered a strong predictor of Charismatic/Value-Based and Team Oriented

leadership. Both characteristics were extensively admired and linked to successful leaders according to House et al. (2004). Examples given of high in-group countries include Egypt and Russia, where people take pride in their families and employers (Javidan et al., 2006).

4. Power distance – the extent to which a community accepts and endorses authority, power differences, and status privileges (p. 513). Countries with high Power distance include Brazil, France and Thailand. The leaders in these countries are very hierarchal and expect obedience and respect (Javidan et al., 2006).
5. Gender egalitarianism – the extent to which a collective minimizes gender inequality (p. 30). The dimension is considered important because it is one of the predictors of Charismatic/Value-Based leadership, a highly admired characteristic of successful leaders. European countries score high on gender egalitarianism and encouraging tolerance for new ideas and diversity. Low scoring countries are Argentina and South Korea, both very male dominated cultures (Javidan et al., 2006).
6. Humane Orientation – the extent to which an organization or society encourages and rewards individuals for being fair, altruistic, friendly, generous, caring, and kind to others (p. 569). Countries scoring high on this dimension include Egypt and Malaysia, while low scoring cultures include France and Germany (Javidan et al., 2006).
7. Institutional Collectivism – the extent to which organizational and societal institutional practices encourage and reward collective distribution of

resources and collective action. Countries with a high degree of collectivism, such as Singapore and Sweden, tend to favor group targets and group performance rewards. Countries low on collectivism include Greece and Brazil, which favor individual targets and awards (Javidan et al., 2006).

8. Future orientation – the degree to which individuals engage in future-oriented behaviors, such as delaying gratification, investing in the future and planning (p. 282). Cultures with high future orientation include Singapore and Switzerland. They prefer longer term planning and are averse to risk taking as well as to less process-oriented decision-making. On the opposite pole, countries with low collectivism such as Russia and Argentina are less process oriented and more opportunistic in their behavior (Javidan et al., 2006).
9. Assertiveness – the extent to which people are assertive, confrontational, and aggressive in their relationships with others [p. 30]. Individuals in high assertive cultures like the US and Austria exert can-do attitudes and create competitive environments, while less assertive countries such as New Zealand and Sweden favor harmony, loyalty and solidarity (Javidan et al., 2006).

The conceptual model for the Globe study was based on extensive reviews of leadership theory, organizational theory, motivational theory, and cultural theory. House (2006) pointed out that the strength of the project was that it used both quantitative and qualitative methods (House, Javidan, Dorfman & De Luque, 2006). The Globe study also attempted to add another aspect of the dimensions. Specifically, in addition to their attempt to define the current cultural practice “as is”, the researchers also surveyed how people thought the culture “should be” (House et al., 2004). Their research initially yielded 18 dimensions, but since the answers for “as is” were very similar to “should be”,

the researchers combined the data into nine dimensions. Hofstede criticized the House approach to formulating questions stating they were in academic jargon. As an example, Hofstede cites the Globe item “In this society, few people lead highly structured life with few unexpected events”. Hofstede muses that the question is difficult enough to answer for expert social scientists, let alone for regular business managers (Hofstede, 2010).

Another potential flaw in the GLOBE questions may be its attempt to have respondents compare their own cultural practices to those of other countries. Assuming that the respondents have had that kind expertise is curious considering the sample was taken from companies that were not multinational (House, 2004; Hofstede, 2006).

Table 2: *Overview of Cultural Frameworks*

Research Framework	Concept	Dimensions	Data Sample
Hofstede	Study measuring the differences between national cultures Quantitative study of group level	<ol style="list-style-type: none"> 1. Power Distance 2. Uncertainty Avoidance 3. Individualism vs. Collectivism 4. Masculinity vs. Femininity 5. Long-term vs. Short-term Orientation 6. Indulgence vs. Restraint 	88,000 IBM employees from 72 countries
Trompenaars	Study of how people solve problems Qualitative and Quantitative study of group level	<ol style="list-style-type: none"> 1. Universalism vs. Particularism 2. Individualism vs. Communitarianism 3. Specific vs. Diffuse 4. Neutral vs. Emotional 5. Achievement vs. Ascription 6. Sequential time vs. Synchronous time 7. Internal direction vs. outer direction 	15,000 surveys
Schwartz	Study of values as opposed to behavior Qualitative and Quantitative study of group and individual	<ol style="list-style-type: none"> 1. Conservatism 2. Hierarchy 3. Mastery 4. Affective Autonomy 	35,000 teachers and students from more than 60 countries

	level	5. Intellectual Autonomy 6. Egalitarian Commitment 7. Harmony	
Inglehart	Study of changing cultural values and their impact Based on World Value Survey Qualitative and Quantitative study of group level	1. Traditional vs. secular-rational 2. Survival vs. self-expression	Surveys of general population from 100 countries
GLOBE	How culture impacts leadership and what constitutes effective leadership Quantitative study of group level	1. Performance orientation 2. Uncertainty avoidance 3. In-group Collectivism 4. Power distance 5. Gender egalitarianism 6. Humane Orientation 7. Institutional Collectivism 8. Future orientation 9. Assertiveness	17,300 managers in 62 countries

2.8 Criticism of Hofstede:

Hofstede is one the most often cited social science researchers (Minkov and Hofstede, 2008). While his model of culture and its dimensions has been widely used, it has also been subject to criticism and ongoing debate. Examples of critical publications include S oderberg (1999), McSweeney (2002) and Baskerville (2003). Two common points of criticism are that nations are not the best units to measure culture and that surveys are not the best tools to measure culture (Greckhamer, 2011). Hofstede has agreed with his critics on both points, but in response he has pointed out that surveys should not be the only way to measure culture. He also notes in the second edition of *Culture's Consequences* (2001) that countries tend to be the only type of units with data available to measure cultural differences (Hofstede, 2001). Other scholars have noted that it is almost impossible to delimit culture at the subnational level (Dawar & Parker, 1994; Steenkamp, 2001).

The single source, i.e., the notion that data from only one company in each country could provide insights to national cultures has been another point of attack (Greckhamer, 2011). This could be considered an advantage in the sense that Hofstede's dimensions are not likely to be skewed by different company cultures. However, it could also be a negative as the culture of one company could affect the overall results.

The response from Hofstede is that he never set out to measure national cultures; he was measuring the differences between national cultures. For that purpose, the well-matched large sample size was appropriate. In addition, the country scores have exhibited strong correlations with a multitude of other data (Hofstede, 2001). The notion that Hofstede's work has not been extensively cited and referenced in social sciences of sociology and anthropology has been another assault on its validity (Hofstede, 2003). However, even critics such as Baskerville (2003) acknowledged that 43 citations per year in the field of social science were quite good. As for anthropologists not citing Hofstede, Chapman (1996) explained this when he noted that social anthropology and the field of business operate with very different paradigms and really operate in separate worlds (Hofstede, 2003).

Some critics have questioned whether four and later five dimensions are enough. Hofstede has challenged his critics to add to the dimensions with the proper validations (Hofstede, 2001). The age of the IBM data has been another point of contention (e.g., Baskerville, 2003). Hofstede's rebuttal has been that the dimensions are "assumed to have centuries-old roots" and that the data has been validated in a multitude of replication studies (Hofstede, 2001, p.73). Hofstede is not alone in that notion. Other researchers such as Newman and Nollen (1996) stated, "National culture is embedded deeply in

everyday life and is relatively impervious to change”. Cultural values are relatively stable and slow to change (Schwartz & Bardi, 1997). While cultures evolve, the differences between them generally remain steady (Inglehart, 2008). Despite Hofstede’s critics, many independent replication studies have validated his model and supported his dimensions (Søndergaard, 1994), indicating the sound value of Hofstede’s model in cross-cultural studies (Greckhamer, 2011). It is also worth noting, that Hofstede’s detractors (e.g., McSweeney, 2002; Craig & Douglas, 2006) do not offer any empirical evidence to support their criticism of Hofstede’s research (Hsu et al., 2013).

2.9 Why using Hofstede’s Model in this study

As previously noted, there are several valuable frameworks that can be utilized to explain cultural differences and how these differences impact sales performance. For this study Hofstede’s model will be used as a theoretical foundation based on the following reasoning:

Hofstede’s model is considered the most cited cultural framework (Hsu et al., 2013). Trompenaars (1993), Schwartz (1994), Inglehart (2002), and the GLOBE project (2004) all started their work using Hofstede’s model as the foundation. The Hofstede framework has been much more widely applied empirically than the models of GLOBE (House), Inglehart, Schwartz, and Trompenaars (Steenkamp, 2001; Taras, Kirkman & Steel, 2010). In addition to the lack of empirical studies for Trompenaars’, the lack of access to his data for validation makes the model less attractive (Hofstede, 2010). Also, Trompenaars based his dimensions on value and behavior patterns within each country (Trompenaars, 1993) while Hofstede defined his dimensions for the purpose of measuring cultural differences between the countries (Hofstede, 2001). Compared to Inglehart and Schwartz,

who cover a limited number of cultural dimensions, Hofstede's framework is far more comprehensive (Hsu et al., 2013). Considering the study is related to sales, the sampling of employees for Hofstede (2001) would be more appropriate than the teachers and students sampled by Schwartz (1994) or the middle managers sampled by GLOBE (House, 2004). The GLOBE project's primary focus is studying how culture impacts leadership and what constitutes effective leadership (House et al., 2004). Hofstede goes beyond leadership and management. His intention with the latest framework is to cover differences in behaviors, institutions and organizations (Hofstede, 2001), which is why the framework has been increasingly utilized in marketing studies (Soares, Farhangmehr, & Shoham, 2007). Finally, Taras et al. (2010) performed a meta-analysis of almost 600 empirical studies on culture using Hofstede's dimensions. Based on their evaluations, they recommended scholars continue using Hofstede's model in research (Lanier & Kirchner, 2013).

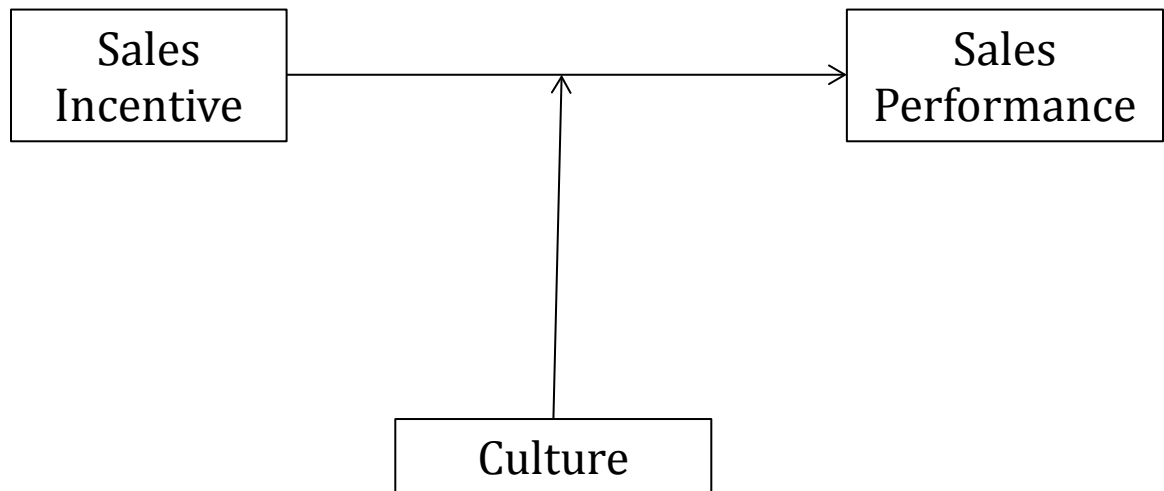
2.10 Conceptual Model

This dissertation will study the impact of culture on sales performance in multiple countries using Hofstede's cultural dimensions. The dependent variable for the hypotheses is the sales performance. The independent variables are sales incentives, such as SPIFFs (Sales Performance Incentive Funds), promotions and discounts. The moderator is the cultural dimension: power distance, uncertainty avoidance, individualism, masculinity, long-term orientation, and indulgence versus restraint.

A broadly stated conceptual model representing the relationships between sales incentives and sales performance is shown in Figure 1. Note that it is proposed that

Hofstede's dimensions moderate these relationships. Each of the dimensions and their associated hypotheses are discussed in the next sections.

Figure 1: *Conceptual Model*



2.11 Dimensions

2.11.1 Power Distance

The first dimension by Hofstede is Power Distance, which is described as how followers accept that power and authority are not distributed equally (Hofstede, 1994). Hofstede defined power distance as “the extent to which less powerful members of organizations and institutions accept and expect that power is distributed unequally” (Hofstede & Bond, 1988: p. 10). The dimension was “defined from below, not above”, meaning that “society’s level of inequality is endorsed by the followers as much as by the leaders” (Hofstede, 1994, p.2). In cultures with high power distance, it is expected that the followers are less powerful and dependent on their leaders. Special privileges, perks

and status symbols are expected and considered legitimate. The powerful demand respect and recognition. In cultures with low power distance the opposite holds true. Equality is encouraged as well as less separation of classes. Perks and privileges for the powerful are neither popular nor considered appropriate (Hodgetts & Luthans, 1993).

The Power Distance Index (PDI) scale ranges from a score of 0 that indicates low power distance to a score of 100, which indicates a high power distance. The lowest scoring nations based on the PDI were Austria and Israel, with scores of 11 and 13, respectively. The two countries with the highest perceived power distance were Malaysia and the Slovak Republic, both with a score of 104. In comparison, the United States scored 40, which ranks 20 out of 78 (Hofstede, 2001). The Power Index (PDI) scores for the countries in this study are shown in Table 3.

Table 3: *Power Distance Index for Countries*

Rank	Americas C/S	Europe S/SE	Europe N/NW Anglo	Europe C/E	Muslim World, M.E & Africa	Asia East/SE	Index
1						Malaysia	104
1				Slovak Rep			104
3	Guatemala						95
3	Panama						95
5						Philippines	94
6				Russia			93
7				Romania			90
8				Serbia			86
9	Suriname						85
10	Mexico						81
10	Venezuela						81
12					Arab countries		80
12						Bangladesh	80
12						China	80
15	Ecuador						78
15						Indonesia	78
17					Africa West		77
17						India	77

19					Singapore	74
20				Croatia		73
21				Slovenia		71
22				Bulgaria		70
22					Morocco	70
22			Switzerland Fr			70
22					Vietnam	70
26	Brazil					69
27		France				68
27					Hong Kong	68
27				Poland		68
30			Belgium Fr			67
30	Colombia					67
32	El Salvador					66
33		Turkey				66
34			Belgium			65
35					Africa East	64
35	Peru					64
35					Thailand	64
38	Chile					63
38		Portugal				63
40			Belgium NI			61
40	Uruguay					61
42		Greece				60
42					Korea South	60
44					Iran	58
44					Taiwan	58
46				Czech Rep		57
46		Spain				57
48		Malta				56
49					Pakistan	55
50			Canada Fr			54
50					Japan	54
52		Italy				50
53	Argentina					49
53					South Africa white	49
55	Trinidad and Tobago					47
56				Hungary		46
57	Jamaica					45
58				Latvia		44
59				Lithuania		42
60				Estonia		40
60			Luxembourg			40
60			U.S.A.			40

63			Canada				39
64			Netherlands				38
65			Australia				36
66	Costa Rica						35
66			Germany				35
66			Great Britain				35
69			Switzerland				34
70			Finland				33
71			Norway				31
71			Sweden				31
73			Ireland				28
74			Switzerland G				26
75			New Zealand				22
76			Denmark				18
77					Israel		13
78			Austria				11

It is important to note that the indices for all the dimensions are intended as a tool to measure cultural differences between nations. They are not meant as absolute scales measuring the value of each dimension (Hofstede, 1994). Questions used to measure the Power Distance Index (PDI) include:

- How frequently, in your experience, are employees afraid to express disagreement with their managers?
- Which type of manager would you prefer to work under? (Autocratic; “tells”, persuasive/paternalistic; “sells”, consultative; “consults” and participative; “consensus”)
- To which type of manager would you say your own manager most closely corresponds? (Autocratic; “tells”, persuasive/paternalistic; “sells”, consultative; “consults” and participative; “consensus”)

The key low and high power distance traits are shown in Table 4 below.

Table 4: *Key different traits between low and high power distance cultures*

Low Power Distance	High Power Distance
Decision structures – Decentralized and less concentration on authority	Decision structures – Centralized and more concentration on authority
Compensation – narrow gap between top and bottom, managers feel adequately paid	Compensation – Large gap between top and bottom, managers feel underpaid
Organizations – Flat, hierarchy means inequality of roles	Organizations – Tall hierarchy reflecting the existential inequality
Management - Fewer supervisors, management rely on experience and subordinates	Management - More supervisors, management rely on rules
Privileges – Perks and status symbols are frowned upon	Privileges – Perks and status symbols are normal and popular

Cultures with high power distance tend to have centralized power structures while cultures with low power distance are more decentralized (Bissell, 2008). Centralized organizations in high power cultures tend to have big differences between the leaders and followers when it comes to compensation and privileges (Usunier et al., 2011). Tosi and Greckhamer (2004) found that power distance was positively correlated with the proportion of the variable CEOs' compensation. In other words, the higher the country's score was on the power distance index, the higher the variable pay proportion of total salary. This was surprising to the researchers whose explanation for that outcome was that the compensation variable in high power distance countries served as a tool to enrich top management (Tosi & Greckhamer, 2004). One characteristic for countries with large power distance is that of many hierarchical levels. Groups in hierarchical organizations tend to reward members contributing to the team goals while individuals perceived as not optimizing their efforts in the interest of the overall group are assigned lower ranks (Anderson & Brown, 2010).

As noted earlier, sales incentives such as commissions, sales contests and SPIFFs are used to drive sales performance. Other studies have noted that culture and specifically

Hofstede's dimensions have a moderating impact in the area of marketing. For example, Hewett, Money, and Sharma (2006) found that national culture directly moderated the relationship between industrial buyers and sellers. Hewett and Bearden (2001) determined that national culture moderated the impact of trust in a firm's global marketing operations. Murphy and Li (2012) established that Hofstede's original four dimensions had a moderating effect on sales manager effectiveness. The cultural dimensions power distance, individualism, and long term orientation have been found to have moderating effect on e-commerce adoption (Pavlou & Chai, 2002). One can therefore hypothesize that the relationship between sales incentives and sales performance is moderated by culture.

Acceptance of the compensation plan is important as compensation is considered a fundamental motivational tool for a sales force (Weitz, Sujan & Sujan, 1986). As stated, employees in high power countries seem to accept inequality in pay between low-level employees and leaders. These countries also tend to have seniority based compensation systems (Milliman, Nason, Gallagher, Huo, P, Von Glinow & Lowe, K. 1998). In such countries, any compensation structure such as a highly leveraged sales commission plan that allows lower level employees to make more than their leadership would likely not be acceptable. Should such a plan be introduced in a country with high power distance, it could be less likely to succeed.

Sales incentives, such as discounts and price promotions, almost always result in increased sales or revenue (Blattberg & Wisniewski, 1987). Cultures with higher power distance would be expected to emphasize negotiations and outcomes (Graham, Mintu &

Rodgers, 1994), which could subsequently also impact the level of sales performance. It is therefore proposed:

H1: The relationship between sales incentives and sales performance is moderated by the degree of power distance, with low power distance cultures impacting performance more than high power distance cultures.

2.11.2 Uncertainty Avoidance

The uncertainty avoidance dimension was defined by Hofstede (1994) as “the extent to which the members of a culture feel threatened by uncertain or unknown situations” (p. 113). The dimension is important because it deals with how people living in a culture cope with ambiguity and adapt to change. People living in a culture with high uncertainty avoidance have more anxiety and stress than people living in a low uncertainty culture. The key traits for high and low uncertainty avoidance are listed in table 5. The traits of high uncertainty avoidance are conservatism, need for structure, rules and predictability (Hofstede 1991, p. 113). The questions used to measure the Uncertainty Avoidance Index (UAI) include:

- “The company rules should not be broken - even if the employee thinks it is in the company's best interest.” (Level of agreement, scale of 1 to 5)
- “How long do you think you will continue to work for this company? (scale from “2 years at most” on low end and “until I retire” on the high end.)
- “How often do you feel nervous or tense at work?” (Frequency of nervousness on a scale from 1 to 5)

Table 5: *Key different traits between weak and strong uncertainty avoidance cultures*

Weak Uncertainty Avoidance	Strong Uncertainty Avoidance
Motivation – By achievement	Motivation – By belonging
Competition – Play to win	Competition – Play to not lose
Relationships – Oriented towards connections	Relationships – Oriented towards tasks
Risk and change – Willingness to take risk and open to change	Risk and change – Only known risks are taken, what is different is dangerous
Ambitions – Stronger desires for promotions	Ambitions – Lesser desires for advancement, preference for specialist over managerial roles

The countries with the highest score of uncertainty avoidance (UAI) are Greece, Portugal and Guatemala with scores of 112, 104, and 101 respectively. The countries with the lowest score, and thus highest tolerance for uncertainty, are Singapore, Jamaica, and Denmark. Their scores are 8, 13, and 23, respectively. See Table 6 for the uncertainty index score.

Table 6: *Uncertainty Avoidance Index for Countries*

Rank	Americas C/S	Europe S/SE	Europe N/NW Anglo	Europe C/E	Muslim World, M.E & Africa	Asia East/SE	Index
1			Greece				112
2			Portugal				104
3	Guatemala						101
4	Uruguay						100
5			Belgium NI				97
6		Malta					96
7				Russia			95
8			Belgium				94
8	El Salvador						94
10			Belgium Fr				93
10				Poland			93
12						Japan	92
12				Serbia			92
12	Suriname						92
15				Romania			90
16				Slovenia			88
17	Peru						87
18	Argentina						86

18	Chile						86
18	Costa Rica						86
18		France					86
18	Panama						86
18		Spain					86
24				Bulgaria			85
24						Korea South	85
24	Brazil	Turkey					85
27				Hungary			82
27	Mexico						82
29					Israel		81
30	Colombia						80
30				Croatia			80
32	Brazil						76
32	Venezuela						76
34		Italy					75
35				Czech Rep			74
36			Austria				70
36			Luxembourg				70
36					Pakistan		70
36			Switzerland Fr				70
40						Taiwan	69
41					Arab countries		68
42					Morocco		68
43	Ecuador						67
44			Germany				65
44				Lithuania			65
46						Thailand	64
47				Latvia			63
48						Bangladesh	60
48			Canada Fr				60
48				Estonia			60
51			Finland				59
52					Iran		59
52			Switzerland				58
54			Switzerland G				56
55	Trinidad						55
56					Africa West		54
57			Netherlands				53
58					Africa East		52
59			Australia				51
59				Slovak Rep			51
61			Norway				50
62			New Zealand				49
62					S Africa white		49

64			Canada				48
64						Indonesia	48
66			U.S.A.				46
67						Philippines	44
68						India	40
69						Malaysia	36
70			Great Britain				35
70			Ireland				35
72						China	30
72						Vietnam	30
74						Hong Kong	29
74			Sweden				29
76			Denmark				23
77	Jamaica						13
78						Singapore	8

While the scores for Uncertainty Avoidance overall are different from the Power Distance Index, there is a correlation between the two scores for European and Western countries. The correlation for European countries can be attributed to historical factors. European countries can be categorized as Latin Mediterranean and Germanic Nordic. The Latin Mediterranean countries' score evolved from the Roman Empire and inherited its centralized structured culture with high power distance and strong uncertainty avoidance. The Germanic Nordic countries are low in both categories (Hofstede, 2001).

Uncertainty avoidance is sometimes confused with risk aversion, but the two emotions are not the same. While people in high uncertainty avoidance countries may be more risk averse, they can tolerate high risk if it is predictable and structured by clear rules. People in low uncertain avoidance countries are more comfortable with unfamiliar risks, such as changing jobs (Hofstede, 2001). Research has shown that the acceptance level of risk influences economic decisions associated with forms of rewards systems (Deckop, Mangel & Cirka, 1999). Having clarity and certainty is essential in a culture with high uncertainty avoidance (Hofstede, 2001). Sales people in these cultures will

have higher anxiety than sales people in low uncertainty cultures. One way of lowering their anxiety is by lowering the risk of uncertainty by having compensation packages with a high base pay component and less uncertainty (or risk) caused by variable commission. Gomez & Welbourne (1991) recommended that companies should minimize variable pay components in countries with high uncertainty index. Managers in cultures with high uncertainty scores tend to use seniority as a key criterion in their rewards and performance appraisals instead of achievement of objectives (Gomez-Mejia, Balkin & Cardy, 1995). A multinational study observed that British firms (low uncertainty score) used variable incentive rewards significantly more than German companies (higher uncertainty index). Customers in high uncertainty countries may also impact the effectiveness of short-term incentives as this may prolong the selling cycle. In an effort to reduce their risk the customers may request additional information and more assurances (Hansen et al., 2011). Customers in low uncertainty countries should be less likely to prolong the sales cycle by demanding more information as people living in these countries are comfortable making decisions despite ambiguity and less than perfect information (Klein, 2004).

CEO's in high uncertainty avoidance countries have been found to have lower proportions of their compensation being variable than their counterparts in low uncertainty avoidance countries (Tosi & Greckhamer, 2004). Individuals with weak uncertainty avoidance are motivated by achievement. Achievement oriented salespersons are more likely to appreciate pay, rewards, promotions and recognitions (Dubinsky et al., 1997). It is therefore proposed:

H2: The relationship between sales incentives and sales performance is moderated by the degree of uncertainty avoidance, with low uncertainty cultures impacting performance more than high uncertainty cultures.

2.11.3 Individualism/Collectivism Dimension

Individualism (ID) can be described as the priority of personal goals over collective goals (Hofstede, 2001). Hofstede (1991, page 51) defines the dimension as “individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after himself or herself and his or her immediate family. Collectivism as its opposite pertains to societies in which people from birth onwards are integrated into strong, cohesive in-groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty”. In other words, individualists are very independent and are more concerned about their own opinions and efforts than the thoughts and efforts of others (Markus & Kitayama, 1991). The key individualist and collectivist traits are shown in Table 7 below.

Table 7: *Key different traits between individualist and collectivist cultures*

High Collectivist	High Individualist
Dynamics – Importance of belonging	Dynamics – Importance of individual initiative and achievement
Employees – members of in-groups and who pursue in-groups goals	Employees – economic persons who will pursue employer’s interest if aligned with their self interest
Incentives – Given to in-groups	Incentives – given to individuals
Hiring and promotion decisions – take in-group status into account	Hiring and promotion decisions – based on skills/ rules
Reward – Preferred allocation based on equality for in-group	Reward – Preferred allocation based on equity for all

The individualism/collectivism dimension is the most popular of Hofstede's dimensions. It has been widely used in cross-cultural research and is a popular subject in psychology literature (Aaker & Maheswaran, 1997). The reasons for this popularity may be that the dimension is easy to understand and is very applicable with other cultural behaviors (Dahl, 2004).

The Individualism Collectivism Index (ICI) reflects the value members of a culture associate with independence as opposed to group membership. A culture with a score of 0 indicates strong collectivism, whereas a score of 100 indicates strong individualism. The highest collectivism countries in Hofstede's study were Guatemala and Ecuador, with scores of 6 and 8, respectively. The countries with the highest level of individualism were the USA and Australia, with scores of 91 and 90, respectively (Hofstede, 2001). The full list of country scores for the Individualism Collectivism Index is listed in Table 8.

Table 8: *Individualism Collectivism Index*

Rank	Americas C/S	Europe S/SE	Europe N/NW Anglo	Europe C/E	Muslim World, M.E & Africa	Asia East/SE	Index
1			U.S.A.				91
2			Australia				90
3			Great Britain				89
4			Canada				80
4				Hungary			80
4			Netherlands				80
7			New Zealand				79
8			Belgium Nl				78
9		Italy					76
10			Belgium				75
11			Denmark				74
12			Canada Fr				73
13			Belgium Fr				72
14		France					71
14			Sweden				71

16			Ireland				70
16				Latvia			70
18			Norway				69
18			Switzerland G				69
20			Switzerland				68
21			Germany				67
22					S Africa white		65
23			Switzerland Fr				64
24			Finland				63
25				Estonia			60
25				Lithuania			60
25			Luxembourg				60
25				Poland			60
29		Malta					59
30				Czech Rep			58
31			Austria				55
32					Israel		54
33				Slovak Rep			52
34		Spain					51
35						India	48
36	Suriname						47
37	Argentina						46
37						Japan	46
37					Morocco		46
40					Iran		41
41	Jamaica						39
41				Russia			39
43					Arab countries		38
43	Brazil						38
45		Turkey					37
46	Uruguay						36
47		Greece					35
48				Croatia			33
49						Philippines	32
50				Bulgaria			30
51	Mexico						30
51				Romania			30
53	Argentina				Africa East		27
53		Portugal					27
53					Slovenia		27
56						Malaysia	26
57						Hong Kong	25
57				Serbia			25
59	Chile						23
60					Africa West		20

60						Bangladesh	20
60						China	20
60						Singapore	20
60						Thailand	20
60						Vietnam	20
66	El Salvador						19
66						Korea South	18
66						Taiwan	17
69						Peru	16
70	Trinidad						16
71	Costa Rica						15
72						Indonesia	14
72					Pakistan		14
74	Colombia						13
75			Venezuela				12
76	Panama						11
77	Ecuador						8
78	Guatemala						6

There are specific differences between high individualism cultures and collectivism cultures that are relevant to the effectiveness of sales incentives. In cultures with high individualism, people tend to be driven internally and motivated by their own ambition. In cultures with low individualism, people are more motivated by the thoughts and concerns for others (Aaker & Maheswaran, 1997). One study found that Chinese sales people (low individualism) were motivated by the quality of relationships while their Canadian counterparts (high individualism) were driven by work and personal objectives (Fock, Yim, & Rodriguez, 2010).

In countries with high individualism, high compensation is a symbol of success. There is also an expectation that individual performance should dictate compensation. In cultures with high collectivism, the individual's needs as opposed to performance should decide the compensation (Greckhamer, 2011). High Collectivism cultures also tend to reward and promote employees based on seniority and the ability to fit in with the

organization as opposed to rewarding productivity and achievement of goals (Gomez-Mejia et al., 1995). Research suggests that high performance human resources policies work better in countries with high performance orientation, which is associated with high individualism (Bonache, Trullen & Sanchez, 2012). One could therefore assume that compensation and bonus plans based on individual achievements would perform better in countries with high individualism scores.

People in cultures with high individualism can be utilitarian and calculating (Bochner & Hesketh, 1994). Individualists have a short-term orientation and often assess opportunities using cost-benefit analysis (Hofstede, 2001). The cost-benefit analysis may lead sales people to take more aggressive advantage of price promotions and discounts as it could lead to short term sales spikes and consequently higher short term compensation. Negotiators from higher ID cultures attain higher individual profits when behaving individualistically (Graham et al., 1994). Salespeople dealing with customers in low individualism cultures may encounter a longer selling cycle as there may be more decision makers participating in the process (Hansen et al., 2011). Considering all these different impacts cultural impacts, it is therefore proposed:

H3: The relationship between sales incentives and sales performance is moderated by the degree of individualism, with high individualism cultures impacting performance more than low individualism cultures.

2.11.4 Masculinity/Femininity Dimension

Masculinity/Femininity was described by Hofstede (2001, p 297) as “Masculinity stands for a society in which social gender roles are clearly distinct: Men are supposed to

be assertive, tough, and focused on material success; women are supposed to be more modest, tender, and concerned with the quality of life.”

“Femininity stands for a society in which social gender roles overlap: Both men and women are supposed to be modest, tender, and concerned with the quality of life,” (Hofstede 2001, p 297). The traits of masculine culture include egocentric orientation, the importance of making money and the notion to “live in order to work” (Hofstede 2010, p.167). Qualities of the feminine culture are more centered on relationships, quality of life and the notion of “work in order to live” (Hofstede 2010, p.167). It is noteworthy that this dimension is the only dimension where men and women scored differently across all questions in the IBM survey with the exception of countries with the highest levels of femininity (Hofstede, 2005). The key masculine and feminine traits are shown in the table below.

Table 9: *Key Different Traits between Masculine and Feminine Cultures*

High Masculinity	High Femininity
Earnings – Importance of making money	Manager – Have good relationships with superior
Recognition – achieve and be recognized	Cooperation – desire to work well with people
Advancement – career and promotions	Living Area – family located in desirable area
Challenges – needed to gain accomplishment	Employment Security – need peace of mind

A culture with a score closer to 0 on the Masculinity/Femininity Index (MAS) has a high feminine culture. In contrast, a higher score, particularly of 100 or more on the MAS is indicative of a highly masculine culture. The highest masculine countries in Hofstede’s study were Japan and the Slovak Republic, with scores of 95 and 110, respectively. The

countries with the highest level of femininity (lowest MAS scores) were Sweden and Norway, with scores of 5 and 8, respectively. The United States ranked 59 out of 78, with a score of 62. Finally, level of national wealth is not correlated with the level of masculinity. The complete list of countries with masculinity scores is below in Table 10.

Table 10: *Masculinity Collectivism Index*

Rank	Americas C/S	Europe S/SE	Europe N/NW Anglo	Europe C/E	Muslim World, M.E & Africa	Asia East/SE	Index
1				Slovak Rep			110
2						Japan	95
3				Hungary			88
4					S Africa white		83
5			Austria				79
6	Venezuela						73
7			Switzerland G				72
8		Italy					70
8			Switzerland				70
10	Mexico						69
11			Ireland				68
11			Jamaica				68
13						China	66
13			Germany				66
13			Great Britain				66
16	Colombia						64
16						Philippines	64
16				Poland			64
19	Ecuador						63
20			U.S.A.				62
21			Australia				61
22			Belgium Fr				60
23			New Zealand				58
23			Switzerland Fr				58
23	Trinidad						58
26				Czech Rep			57
26		Greece					57
26						Hong Kong	57
29	Argentina						56
29						India	56
31						Bangladesh	55
32			Belgium				54

33					Arab countries		53
33					Morocco		53
35			Canada				52
36			Luxembourg				50
36						Malaysia	50
36					Pakistan		50
39	Brazil						49
40						Singapore	48
41					Israel		47
41		Malta					47
43						Indonesia	46
43					Africa West		46
45			Canada Fr				45
45						Taiwan	45
45		Turkey					45
48	Panama						44
49			Belgium NI				43
49		France					43
49					Iran		43
51				Serbia			43
53	Peru						42
53					Romania		42
53		Spain					42
56					Africa East		41
57				Bulgaria			40
57				Croatia			40
57	El Salvador						40
57						Vietnam	40
61						Korea South	39
62	Uruguay						38
63	Guatemala						37
63	Suriname						37
65				Russia			36
66						Thailand	34
67		Portugal					31
68				Estonia			30
69	Chile						28
70			Finland				26
71	Costa Rica						21
72				Lithuania			19
72				Slovenia			19
74			Denmark				16
75			Netherlands				14
76				Latvia			9

77			Norway				8
78			Sweden				5

In his research Hofstede has attempted to clarify the influence of the MAS. For example, a European Union survey on quality of life asked whether increased salaries or less working hours was more important. Regardless of wealth, the EU nations with higher femininity scores chose less working hours, while more masculine nations preferred higher earnings (Hofstede, 2010). Hofstede also noted that because masculinity is the only one of the original four dimensions not correlated with national wealth, it requires a more “sophisticated” method to validate the implications of this dimension (Hofstede, 2001). Masculine countries appreciate achievement and advancement (Hofstede, 2001), and men prioritize earnings and advancement more than women. Cultures with high masculinity prefer merit-based rewards while cultures with low masculinity (more feminine) prefer reward allocations according to need (Hofstede, 1991). Similarly, sales people in high masculinity countries are more driven towards success and accustomed to competition (Doney, Cannon & Mullen, 1998). Moreover, teams in masculine countries achieve more with performance based rewards while feminine countries respond better without merit based incentives (Newman & Nollen, 1996). It is therefore proposed that:

H4: The relationship between sales incentives and sales performance is moderated by the degree of masculinity, with high masculinity cultures impacting performance more than low masculinity cultures.

2.11.5 Long-Term Orientation

The 5th dimension, which was added for the second edition of *Culture's Consequences*, was named long-term orientation. Hofstede summarized the dimension as

“Long Term Orientation stands for the fostering of virtues oriented towards future rewards, in particular perseverance and thrift. It’s opposite pole, Short Term Orientation, stands for the fostering of virtues related to the past and present, in particular, respect for tradition, preservation of ‘face’ and fulfilling social obligations” (Hofstede, 2001 p. 359). The key long-term and short-term traits are shown in Table 11 below.

Table 11: *Key Different Traits between long-term and short-term cultures*

Short-Term	Long –Term
Society – meritocracy; differentiation according to abilities	Society – differences economically and socially undesirable
Business – focus on “bottom line”	Business – focus on market position
Targets – this year’s profits important	Targets – profits ten years out important
Loyalties – vary with business needs	Loyalty – invest in lifelong personal networks (<i>guanxi</i>)
Work values – freedom, rights achievements and thinking for oneself	Work values – learning, honesty, ability to adapt, accountability and self-discipline

The long-term orientation dimension was developed using the Chinese Value Survey, a survey designed by Chinese researchers (The Chinese Culture Connection, 1987). It may have been used in response to previous criticism that Hofstede’s original four dimensions had Western bias because Western researchers created the surveys. The dimension differentiates Asian and Western cultures. The reason that the dimension was not revealed in the original IBM research was simply that the relevant questions were not asked (Hofstede, Hofstede & Minkov, 2010).

Compared to the other dimensions, there are not as many studies in the field of marketing using the long-term orientation dimension as a variable (Soares et al., 2007; Venaik, Zhu & Brewer, 2013). A reason may be the lack of country scores available; i.e. originally only 23 that are listed in table 12. However, in 2005 Hofstede provided scores

for 16 additional countries. Hofstede was still not satisfied with the number of country scores available. He has subsequently released a new set of index values with 93 countries and regions. The new table derives from research by Hofstede's coauthor Misho Minkov. The index is based on factor scores from three items in the World Value Survey as opposed to the Chinese Value Survey. These scores are listed in Table 13.

Table 12: *Long-term orientation Index based on Chinese Value Survey*

Rank	Americas C/S	Europe S/SE	Europe N/NW Anglo	Europe C/E	Muslim World, M.E & Africa	Asia East/SE	Index
1						China	118
2						Hong Kong	96
3						Taiwan	87
4						Japan	80
5						Korea South	75
6	Brazil						65
7						India	61
8						Thailand	56
9						Singapore	48
10			Netherlands				44
11						Bangladesh	40
12			Sweden				33
13				Poland			32
14			Australia				31
14			Germany				31
16			New Zealand				30
17			U.S.A.				29
18			Great Britain				25
18					Zimbabwe		25
20			Canada				23
21						Philippines	19
22					Nigeria		0
23					Pakistan		66

Table 13: *Long-term orientation Index based on World Value Survey*

Rank	Americas C/S	Europe S/SE	Europe N/NW Anglo	Europe C/E	Muslim World, M.E & Africa	Asia East/SE	Index
1						Korea South	100
2						Taiwan	93
3						Japan	88
4						China	87
5				Ukraine			86
6			Germany				83
7				Estonia			82
7			Belgium				82
7				Lithuania			82
10				Russia			81
10				Belarus			81
12			Germany E				78
13				Slovakia			77
14				Montenegro			75
15			Switzerland				74
16						Singapore	72
17				Moldova			71
18				Czech Rep			70
18				Bosnia			70
20				Bulgaria			69
20				Latvia			69
22			Netherlands				67
23				Kyrgyzstan			66
24			Luxembourg				64
25		France					63
26						Indonesia	62
26				Macedonia			62
28				Albania			61
28		Italy					61
28				Armenia			61
28						Hong Kong	61
28				Azerbaijan			61
33			Austria				60
34				Croatia			58
34				Hungary			58
36						Vietnam	57
37			Sweden				53
38				Serbia			52
38				Romania			52
40			Belgium NI				61
40	Uruguay						61

42		Greece				60
42					Korea South	60
44				Iran		58
44					Taiwan	58
46				Czech Rep		57
46		Spain				57
48		Malta				56
49					Pakistan	55
50			Canada Fr			54
50					Japan	54
52		Italy				50
53	Argentina					49
53					South Africa white	49
55	Trinidad					47
56				Hungary		46
57	Jamaica					45
58				Latvia		44
59				Lithuania		42
60				Estonia		40
60			Luxembourg			40
60			U.S.A.			40
63			Canada			39
64			Netherlands			38
65			Australia			36
66	Costa Rica					35
66			Germany			35
66			Great Britain			35
69			Switzerland			34
70			Finland			33
71			Norway			31
71			Sweden			31
73			Ireland			28
74			Switzerland G			26
75			New Zealand			22
76			Denmark			18
77					Israel	13
78			Austria			11

When comparing the two tables, one can see that six countries have made notable shifts on the new scale. Australia, Brazil and Hong Kong have moved down in long-term

orientation. Pakistan, Germany and Great Britain have moved up in long-term orientation.

A culture with a score of 0 on the long-term orientation (LTO) Index has a highly short-term oriented culture. A score of 100 means the culture has high long-term orientation. The countries with the highest scores for long-term orientation were in Asia; China and Hong Kong, with scores of 116 and 96, respectively. The countries with the lowest scores and most short-term orientation were Nigeria and Pakistan, with respective scores of 16 and 0. The United States ranked 17 out of 23 with a short-term oriented score of 29. Traits of long-term oriented cultures include deferred gratification of needs, importance of persistence, saving, building strong market position, building long-term relationships, and structured problem solving. Qualities of short-term oriented cultures include focus on quick results, instant gratification of needs, personal adaptability and spending, importance of bottom line, and fuzzy problem solving (Hofstede, 2001). Just like masculinity, long-term orientation is not directly correlated with wealth. It is, however the only dimension correlated with growth; i.e., the change of wealth (Hofstede, 2006).

The long-term dimension was initially called Confucian Dynamism as its values had traits of the famous Chinese philosopher Confucius' teachings. However, the dimension also applies to countries without Confucian traditions. For example, European countries such as Belgium, Estonia, Lithuania and Ukraine score high on long term orientation (Hofstede, 1994). People and businesses in long-term oriented cultures tend to work towards long-term goals such as market share. There are lesser expectations for immediate results (Hofstede, 2001). One of the few studies that examined cultures with

higher long-term orientation found they had a higher degree of innovation (Van Everdingen & Waarts, 2003). Additionally, Bearden, Money and Nevins (2006) observed that marketers dealing with vendors or channel members should consider long-term orientation's impact on their counterpart.

Guanxi is a key concept associated with long-term orientation. Guanxi is an Asian term that has gained recognition in international business. It links the personal network connections of friends and family to one's business. Personal relationships supersede tasks. These relationships are considered the capital of Guanxi and should not be compromised for short-term gain or "bottom line" motivations (Hofstede, 2001, Yeung & Tung, 1996). People living in relationship-oriented cultures believe change must occur on its own and at its own pace. Thus, change should not be rushed (Klein, 2004). One could therefore assume that short-term sales incentives may be less effective in long-term oriented cultures, as it clashes with cultural values and beliefs.

National values and a people's perspective of what constitutes "length of time" have been found to correlate with the length of time given for success and accomplishments (Harris & Carr, 2008). Research in U.S. subsidiaries found that teams with less job security outperformed teams with high job security in countries with low long-term orientation (Newman & Nollen, 1996). People in short-term oriented cultures gravitate towards spending and immediate gratification. There is a strong focus on the "bottom line" and the most recent results (the past month, quarter or year). As a result, management systems, processes and evaluations are optimized on these measurements. Managers tend to be rewarded or punished according to their achievements of these results (Hofstede, 2001). It would be logical to assume that cultures that value short term

incentives would also be more receptive to sales incentives designed to boost short-term performance. It is therefore proposed:

H5: The relationship between sales incentives and sales performance is moderated by the degree of long-term orientation, with low long-term orientation cultures impacting performance more than high long-term orientation cultures.

2.11.6 Indulgence versus Restraint

The sixth dimension was added by Hofstede's coauthor Minkov based on an analysis of Inglehart's second dimensions and data from the World Value Survey. Hofstede viewed it as complementary to long term orientation, noting that the two dimensions had weakly negative correlations (Hofstede, 2011). The indulgence versus restraint dimension covers happiness or subjective well-being (SWB), a characteristic that is not found in in the previous five Hofstede dimensions (Hofstede, Hofstede & Minkov, 2010). While countries pursue the goal of happiness, there are surprisingly few fluctuations in the country rankings (Minkov, 2009). One study that compared SWB scores of twenty nations with SWB scores of Americans with ancestry from those twenty nations, found high similarities in scores between the original countries and their emigrants, even generations later (Rice & Steele, 2004). The stability of SWB scores serves as another indicator that national cultures are deeply rooted and resistant to change as previously noted in the overview of Hofstede criticism.

Indulgence is defined as cultures that "allow relatively free gratification of basic and natural human desires related to enjoying life and having fun." Restraint is defined as

a culture “that controls gratification of needs and regulates it by means of strict social norms” (Hofstede, 2011). The traits of indulgence versus restraints are listed in Table 14.

Table 14: *Key Different Traits between indulgence and restraint cultures*

Indulgent	Restrained
Happiness – higher percentage of very happy people	Happiness – lower percentages of very happy people
Destiny – perception of personal life control and taking charge of own destiny	Destiny – perception of helplessness and; what happens is outside of my control
Attitude – positive, “can do” and optimistic, smiling as a norm	Attitude – negative and pessimistic. Smiling is suspect.
Personalities – more extroverted, more likely to remember positive emotions	Personalities – introvert, cynical, less likely to remember positive emotions
Leisure – higher importance of leisure and having friends	Leisure – lower importance of leisure and having friends

A culture with a score of 100 on indulgence versus restraint (IVR) index has a high level of indulgence. A country with an IVR score of zero is low. The countries with the highest scores for indulgence are Venezuela, Mexico and Puerto Rico with scores of 100, 97 and 90, respectively. The countries with the lowest scores for indulgence and most restraint were Latvia, Egypt and Pakistan, with respective scores of 13, 4 and 0. As a reference, the United States tied at 15th together with Canada and the Netherlands, with a score of 68. The full list of country scores for the indulgence versus restraint index is listed in Table 15.

Table 15: *Indulgence versus Restraint Index*

Rank	Americas C/S	Europe S/SE	Europe N/NW Anglo	Europe C/E	Muslim World, M.E & Africa	Asia East/SE	Index
1	Venezuela						100
2	Mexico						97

3	Puerto Rico						90
4	El Salvador						89
5					Nigeria		84
6	Colombia						83
7	Trinidad						80
8					Africa West		78
8			Sweden				78
10			New Zealand				75
11					Ghana		72
12			Australia				71
13		Cyprus					70
13			Denmark				70
15			Great Britain				69
16			Canada				68
16			Netherlands				68
16			U.S.A.				68
16	Chile						68
20			Iceland				67
21			Switzerland				66
21		Malta					66
23			Andorra				65
23			Ireland				65
26					South Africa		63
26			Austria				63
26	Argentina						62
28	Brazil						59
29			Finland				57
29						Malaysia	57
29			Belgium				57
32			Luxembourg				56
33			Norway				55
34	Dominican Rep						54
35	Uruguay						53
36					Uganda		52
36					Saudi Arabia		52
38		Greece					50
39						Taiwan	49
39		Turkey					49
41		France					48
41				Slovenia			48
43	Peru						46
43					Ethiopia		46
43						Singapore	46
46						Thailand	45
47				Bosnia			44

47		Spain					44
49					Jordan		43
49					Mali		43
51					Zambia		42
51						Philippines	42
51						Japan	42
53			Germany				40
53					Iran		40
53					Africa East		40
56				Kyrgyz Rep			39
57					Tanzania		38
57						Indonesia	38
59					Rwanda		37
60						Vietnam	35
60				Macedonia Rep			35
62			Germany East				34
62					Arab countries		34
64				Croatia			33
64		Portugal					33
66					Algeria		32
66				Georgia			32
68				Hungary			31
69		Italy					30
70						Korea South	29
70				Czech Rep			29
70				Poland			29
73				Slovak Rep			28
73				Serbia			28
73					Zimbabwe		28
76						India	26
77					Morocco		25
78						China	24
79				Azerbaijan			22
80				Russia			20
80				Montenegro			20
80				Romania			20
80						Bangladesh	20
81				Moldova			19
82					Burkina Faso		18
83						Hong Kong	17
83					Iraq		17
85				Estonia			16
85				Bulgaria			16
85				Lithuania			16

87				Belarus			15
87				Albania			15
89				Ukraine			14
90				Latvia			13
91					Egypt		4
92					Pakistan		0

Traits of indulgent countries include higher percentages of very happy people, a perception of personal life control, positive attitudes, more extroverted personalities, and higher optimism. On the opposite side, restraint countries have lower percentages of very happy people, a perception of helplessness and lack of control of their own destiny, cynicism, more neurotic personalities and more pessimism. While subjective well-being is a well-researched area, the dimension indulgence versus restraint is relatively new with little published research to date. One exception is a recent study comparing the dimension to consumption of the soft drink Coca Cola. Researchers found that indulgence versus restraint by itself predicted as much as 63% of the variability of volume consumed (Lanier & Kirchner, 2013). It may not be surprising that a dimension derived from well-being can impact the volume of sales by a beverage company whose advertising slogan is “Open (*a bottle of*) Happiness” (<http://www.coca-colacompany.com>). However, the question is whether the IVR dimension can impact sales performance. With the exception of Lanier & Kirchner (2013) there is little research related directly to the indulgence versus restraint dimension. Researchers have avoided the dimension citing lack of literature (e.g. Kim & McLean, 2014). There is, however, a body of knowledge related to the traits of the dimension, which indicate that the dimension could have an impact on sales performance. For example, optimism has been described as the foundation for the ability to perform in sales (Dreyfack, 1991). Optimistic people have been found to sell

37% more than those categorized as pessimistic sales people (Seligman & Schulman, 1986). When it comes to extroversion there are mixed results when it comes to sales effectiveness. While salespeople are often extroverted (Barrick, Mount & Gupta, 2003) they are not always the best performers in sales (Furnham & Fudge, 2008). The explanation may lie in the recent study by Grant (2013). Grant observed that while level of extroversion impacted sales performance the relationship was curvilinear, not linear. He found the most effective sales people were in the middle of the bell curve between introverts and extroverts (Grant, 2013). Happiness has been found to correlate with successful sales performances (Miner, 1992). It is therefore proposed:

H6: The relationship between sales incentives and sales performance is moderated by the degree of indulgence versus restraint with indulgence cultures impacting performance more than low indulgence cultures.

CHAPTER 3 METHODOLOGY

3.1 Overview of Research Methodology

This chapter provides an overview of the research methodology for this study. It is divided into the following sections: Issues in Cross-cultural studies, Hofstede's Dimensions as moderators, Hypotheses and variables, Sample, Data Analysis and Measures.

3.2 Issues in Cross-Cultural Studies

A challenge with using surveys in cross-cultural studies is the extensive and systemic response bias that has been found across countries (Harzing, Baldueza, Barner-Rasmussen, Barzantny, Canabal, Davila, & Zander, 2009). The most frequent response styles are: acquiescence bias, extreme or middle response bias, social desirability, nature of topic, item nonresponse, specific respondent characteristics and response format (Craig, 2005). All of these are linked and create challenges in cross-cultural studies due to the variations in bias level across cultures (Craig, 2005). For example, acquiescence bias is the tendency to agree with the questions in order to please the questioner. Extreme response bias and middle response bias are the tendencies to select the extreme or middle answers on the scale. Social desirability bias is the tendency to provide answers that are

considered socially acceptable. One common way of dealing with these issues is to remove them using standardization (Leung & Bond, 1989; Smith, 2004; Fischer, 2004).

The issue with standardization is that it may also remove some of the cultural variations, especially if done without strong theoretical foundation. Also, standardizations only work with questionnaires measuring a large number of constructs (Harzing et al., 2009). A way to reduce extreme or middle response is to use a wider range of options, such as 7-point Likert scales as opposed to 3 or 5 points (Harzing et al., 2009). Response bias in cross-cultural settings can also be avoided by using secondary data measuring actual historical performance across countries. This study will do just that by using the sales database of a global company (secondary data) and compare it to Hofstede's cultural dimensions.

Another difficulty in cross-cultural studies is measurement invariance when the differences in the results are caused by cultural differences in or understanding of the questions. Respondent may interpret a construct differently across cultures or respond differently to scale items (He, Merz & Alden, 2008). A solution is to examine the constructs or scales before comparing the results across cultural boundaries (Steenkamp & Baumgartner, 1998). This is not an issue in this study since a survey will not be used.

3.3 Hofstede's Dimensions as moderators

Previous studies have utilized surveys to test the impact of Hofstede's dimensions on various subjects such as rewards preferences (Chiang & Birtch, 2007), persuasion (Aaker & Maheswaran, 1997), and organizational behavior (Tsui, Nifadkar & Ou, 2007). Many studies also replicate the dimensions by incorporating Hofstede's Value Survey Module (VSM). The VSM is a survey instrument designed for that purpose (Hofstede,

1994). As this study is using secondary data and not conducting surveys, it will use descriptions of the dimensions obtained from the second edition of *Culture's Consequences* (Hofstede, 2001) to classify the cultural context of the countries.

The Hofstede dimensions have been used as moderators in prior studies. One example observed the differences in sales performance effectiveness between U.S. and Japanese cultures where culture had a moderating effect (Money & Graham 1999). Cultural differences have also been found to have a moderating impact on the relationship between organizational commitment and a sales person's performance (Jaramillo, Mulki, & Marshall, 2005). Table 16 summarizes the Hypotheses, Variables and Measurements.

Table 16: *Hypotheses and Variables*

Hypotheses	Independent Variable (Measurement)	Dependent Variable (Measurement)	Moderator
H1: The relationship between sales incentives and sales performance is moderated by the degree of power distance, with low power distance cultures impacting performance more than high power distance cultures.	Sales Incentive (Special Incentives or degree of variable pay, discount)	Sales Performance (Percentage attainment of revenue)	Power Distance (Higher power enhances the effect)
H2: The relationship between sales incentives and sales performance is moderated by the degree of uncertainty avoidance, with low uncertainty cultures impacting performance more than	Sales Incentive (Special Incentives or degree of variable pay, discount)	Sales Performance (Percentage attainment of revenue)	Uncertainty Avoidance (UAI) (Higher uncertainty depresses the effect)

high uncertainty cultures.			
H3: The relationship between sales incentives and sales performance is moderated by the degree of individualism, with high individualism cultures impacting performance more than low individualism cultures.	Sales Incentive (Special Incentives or degree of variable pay, discount)	Sales Performance (Percentage attainment of revenue)	Individualism versus Collectivism (ID) (Higher individualism enhances the effect)
H4: The relationship between sales incentives and sales performance is moderated by the degree of masculinity, with high masculinity cultures impacting performance more than low masculinity cultures.	Sales Incentive (Special Incentives or degree of variable pay, discount))	Sales Performance (Percentage attainment of revenue)	Masculinity versus Femininity (MAS). <i>Control for Wealth</i> (Higher masculinity enhances the effect)
H5: The relationship between sales incentives and sales performance is moderated by the degree of long-term orientation, with low long-term orientation cultures impacting performance more than high long-term orientation cultures.	Sales Incentive (Special Incentives or degree of variable pay, discount)	Sales Performance (Percentage attainment of revenue)	Long Term Orientation (LTO). (Higher long-term orientation depresses the effect)
H6: The relationship between sales incentives and sales performance is moderated by the degree of indulgence versus restraint with indulgence cultures impacting performance more than low indulgence cultures.	Sales Incentive (Special Incentives or degree of variable pay, discount)	Sales Performance (Percentage attainment of revenue)	Indulgence versus restraint (Higher indulgence enhances the effect)

3.4 Sample

The data comes from a global technology manufacturing company in the education industry. The company has a total of almost 1,000 employees operating in more than 100 countries, and all incentive programs and campaigns originate centrally from the headquarters, and are designed in a manner consistent with Western incentive programs. Company account managers work indirectly through distributors and resellers to sell hardware, software and services to the end customers. The majority of the products (SKU's) the company produces and distributes are available and sold worldwide.

The data is extracted from the actual salesforce.com database for the fiscal years 2011 through 2013, and contains all sales transactions in that time period. Examples of the types of data include location, invoice prices, dates, customers, prices, name of partner, product description, model number, etc. There are a total of more than 40,000 transactions in the time period. These transactions are primarily sales of hardware with or without installations, but also cover anomalies such as returns, equipment for sales demonstrations, donations, and training related costs. Each transaction record contains the level of discount provided which can range from 0% for list price all the way to 100% for donations or special considerations. The discount was calculated by subtracting actual invoice price from the price listed in the price book. The price book is included at the transaction level in the database for all countries in the fiscal year 2013, but not for some of the countries in 2011 and 2012. Every transaction also contains whether a special campaign (sales incentive) was in effect. An example of a campaign could be special pricing for certain product lines in specific locations or complimentary accessories. The length of the campaigns varies, but the majority last for one or two quarters. In addition

to the transactional data, the database also contains sales operations data. This data includes quarterly revenue targets by salesperson, countries and regions. The database also includes forecasts and actual attainment toward the quarterly targets.

The salesforce.com database is supplemented by additional data from the Human Resources (HR) department and the marketing department. The HR data includes details of incentive bonus plans, including the design of the bonus plan, base salaries, individual targets, attainment and payouts by individual, country and sub region. The marketing department information contains specific information related special promotions and sales campaigns. The special incentive programs (SPIFF's) were not included in the salesforce.com database, but have been manually matched up with each appropriate transaction as part of the data collection phase. Each transaction has a range between 0 and 3 transactions associated depending on product, location and time period. For example, a specific product may have a salesperson specific SPIFF (1), a product specific campaign (1) and country specific campaign (1) for a total of 3 transactions while others may have zero or only 1 incentive associated.

3.5 Data Analysis

The data analysis will be based on the countries that have a minimum number of transactions (need to define), and are among the 73 countries with Hofstede cultural dimension scores. The analysis filters out returns, donations and other unique circumstances that could offset the normal trends. The data selected is for the fiscal year 2013. This year was chosen to maximize sample size because it includes the most countries with complete data. An annual time period was chosen over a quarterly time period to improve the quality of the data. For example, many of the company's senior

executives were compensated on annual revenue attainment and rewards were optimized accordingly. In addition, the company's finance managers indicated that the annual time period was a better measure of performance. Each country record in the final data set includes final annual revenue in GBP (British pounds), average discount percentage of annual country revenue, average sales incentives applied, average revenue attainment, cultural dimensions scores from Hofstede and Gross National Income (GNI) data from the World Bank.

3.6 Measurements

The sales incentives programs have different targets in the company's two regions: the Americas and International. In the Americas Region, the incentive target is set for specific SKU's, which were determined based on the region's priorities during that specific sales period. For example, if the region just launched a new product or has excessive inventory of a product, the sales team may be incented through a SPIFF to sell those specific SKU's. In the International Region, all SPIFF targets were set based on desired total revenue attainment by country. Regardless of region, all sales personnel are measured in percentage of attainment towards revenue targets. Since attainment is consistently measured across the two regions, it will be used to measure the dependent variable for SPIFF related hypotheses. The sales incentives and promotions have been dummy coded (0/1) for each transaction in the database. As described in the example of the data analysis, the range of this measure could be between 0 and 3 at the transaction level in the salesforce.com database. When pulled into the final data set, the sales incentives will be averaged at the country level.

For Hofstede's dimensions, in general each index is 0 to 100, though some country scores exceed the scale on the high end. For example, Slovakia's score is 110 on masculinity and Greece is 112 on uncertainty (Hofstede, 2001).

3.7 Analysis

To analyze the impact of culture on sales performance, hierarchical moderated regression will be used. Moderated regression is the appropriate method as the hypotheses involve measuring the impact, if any, of a moderating variable (culture) on the relationship between a single metric dependent variable (sales performance) and metric independent variables (sales incentives) (Hair, Black, Babin & Anderson, 2010).

The model theorizes that sales incentives drive sales performance and that the various cultural dimensions have a moderator effect on the relationship. This effect is also referred to as an interaction effect. The most common moderator effect in multiple regression is the quasi or bilinear moderator. This is where the slope of the relationship of one of the independent variables changes as the values of moderator variable change (Hair et al., 2010, p.180). As an example, without the moderating effect of culture in this study, the relationship between sales incentives and sales performance potentially could be linear or constant. For example, in testing the model in this research, we will examine whether the change in sales performance based on sales incentives may be higher for countries with higher masculinity than for countries with lower masculinity. In other words, the literature suggests that cultural dimensions complement the relationship between sales incentives and sales performance, and this research will explicitly examine this proposition.

According to Hair et al. (2010), the moderator is a nonlinear term acting like a compound variable formed by multiplying the independent variable by the moderator. There is a risk of multicollinearity among the variables meaning there may also be a correlation amongst the independent variable(s) and the moderator. To reduce the likelihood of multicollinearity, mean centering will be used in the regression analysis. To determine if the moderator effect is significant, Hair et al. (2010) recommend a three-step process:

1. Estimate the original un-moderated equation.
2. Estimate the moderated relationship (original un-moderated equation plus moderator variable).
3. Assess if the change in R^2 is statistically significant.

Specific considerations: It is important to note that the dimension masculinity, unlike the other Hofstede dimensions, does not correlate with wealth. In order to validate the implication of this dimension, Hofstede recommends controlling for wealth by separating the wealthy countries from the poor countries. This study will use GNI/per capita from World Bank data to classify countries as poor or wealthy.

3.8 Summary

The focus of the data analysis is to measure the impact of culture on the relationship between sales incentives and sales performance. This will be done with moderated regression using sales data from more than 50 countries. The intent of this dissertation is to better understand how cultural dimensions can impact sales performance. This could provide management insight on how to localize sales incentives in different cultures in order to optimize revenue.

CHAPTER 4 RESULTS

4.1 Overview of Research Methodology

This chapter provides an overview of the data and results. A general discussion of the results will be provided in Chapter 5.

4.2 Data

As described in detail in Chapter 3, the data for this study was provided by a global technology company headquartered in a Western country. The company was well suited for this study because most of its products were sold in all of its markets. In addition to the selection of products available to sell, the company had localized price books for its products enabling it to be competitive in the various countries. The price localization made comparisons of discounts between countries meaningful as it basically served as a price calibration between countries to make discounts relatively comparable. All sales promotions and sales incentives were uniform and originated from headquarters, which reduced the amount of variables and made it easier to compare between cultures. A possible limitation of the data was that the only measure of performance was attainment of sales targets, which were measured only at the country level. However, access to the database provided a unique opportunity to measure the cultural impact of sales incentives on thousands of transactions across more than 60 countries.

The data contained more than 30,000 transactions from 82 countries. The transaction data was used to calculate the average country levels of discounts, promotion and sales incentives. Fiscal year 2013 data was used for this research as this time period provided the most countries with complete data. The first four dimensions: Power Distance (PDI), Individuality (IDV) Masculinity (MAS) and Uncertainty Avoidance (UAI) were assessed across 61 national culture contexts that appeared in the database. These countries were selected because data availability matched between the transactions and cultural dimensions. A slightly different set of countries were used for the fifth and sixth dimensions. Specifically, Long-Term Orientation (LTO) and Indulgence versus Restraint (IVR) included 62 and 61 countries, respectively, since additional data was available for both transactions and cultural dimensions.

The remaining independent and dependent variables included in the analysis were measured in the following manner. Sales Performance was measured based on attainment of an annual revenue target by country, using a 0 to 100 scale in which 100% = sales attainment. The sales incentives variable was the average of the three sales incentives available for each country: discount, campaign index and SPIFFs. The discount was calculated as the percentage variance between the list price and actual amount invoiced. The campaign index measured levels of sales promotions, marketing campaigns and bundling. The campaign index was calculated as the portion (percentage) of annual sales achieved on promotion programs. The SPIFFs were calculated based on the average percentage of the sales force's variable pay tied to sales achievements in each country.

The definition of the unit of analysis in this study requires clarification. The unit of analysis specifies whether data is associated with, for example, an individual, a

household, an organization, a geographical area, or some combination (Hair et al., 2013). A single study can have more than one unit of analysis. Most of the data in this study consists of the average of sales incentives and achievement of the company sales team in each country. Thus, the unit of analysis is the country, as represented by the sales team averages for each country. The data analysis in this study involves examining whether the relationship between sales team incentives and achievement differs in countries classified as scoring high or low on six cultural index dimensions.

To test the hypotheses three types of analysis were executed. First, the cultural dimensions were separated into high and low groups for each dimension. To do so, data for the six cultural dimensions extracted from the Hofstede studies were classified into two groups utilizing Wards' method of hierarchical clustering. Ward's method was selected because it is considered very effective in evaluating the distances between the clusters (Foscht, T., & Maloles, Schloffer, Chia & Sinha, 2010) and more so than other clustering approaches does not identify groups with small sample sizes (Hair, et al., 2010). The clustering results were used to divide the 61 countries into high and low categories for each of the six Hofstede cultural dimensions, and to calculate the moderating variable in multiple regression analysis. Cluster analysis was used to divide the countries into groups because the approach identifies naturally occurring groups that are divided where the group differences are largest. Past researchers have used mean and median splits to identify high and low groups but that approach is arbitrary and does not necessarily divide observations where the differences are largest (Hair et al., 2011).

The second type of analysis involved running an analysis of variance (ANOVA) for each of the two cluster groups identified for each cultural dimension in order to

develop a preliminary understanding of the characteristics of the two groups. For the ANOVAs the sales performance (achievement) and sales incentives (average of three incentives) were computed to facilitate comparison of the high and low cultural dimension groups. The results revealed the mean values of the high and low groups on these two measures. The third type of analysis was a hierarchical multiple regression with sales performance (achievement) as the metric dependent variable, sales incentives (average of three incentives) as one metric independent variable, the cultural dimension index (cluster groups coded 0-1) as a second independent variable, and the moderator represented by the interaction term between sales incentives and the cultural dimension index. The following results were obtained for each hypothesis.

4.3 Hypothesis 1

4.3.1 Descriptive Statistics for High and Low PDI Groups

Hypothesis 1 proposed that the sales incentives would have more impact on sales performance in countries with a lower PDI score. Recall that to test the impact of the cultural dimension PDI on sales incentives and sales performance, the cultural dimension index was first classified into two PDI clusters. Then ANOVAs were run to obtain the descriptive statistics for each PDI group, as shown in Table 17. From the information in Table 17 one can note that the average sales incentive for the lower PDI group is 17.2% and the average achievement is 89.0%. Similarly, the average sales incentive for the higher PDI group is 17.34% and the average achievement is only 77.45%. Thus, sales teams in both the low and high PDI countries exhibited comparable incentive levels (about 17%), but sales teams in countries with a lower PDI index exhibit comparatively higher achievement (89.0%) than sales teams in high PDI index countries (77.45%). But

when the mean levels of incentives and achievement of the low and high PDI clusters were compared, neither of them was significantly different.

Table 17: *Descriptive Statistics for PDI Cultural Dimension Groups*

PDI Clusters	Mean	Std. Deviation	N
Low PDI Achievement (PDI mean = 33.7)	89.00	33.83	19
Low PDI Incentives	17.20	6.13	19
High PDI Achievement (PDI mean = 71.8)	77.45	49.70	42
High PDI Incentives	17.34	7.28	42
Comparison - Achievement Means	F = .85, Sig. = .36		
Comparison - Incentive Means	F = .01, Sig. = .94		

4.3.2 Moderated Regression – PDI

The third method of analysis was moderated regression executed using hierarchical multiple regression. The metric dependent variable was achievement and the metric independent variable was incentives. The categorical independent variable was the PDI group (low PDI group coded 0; high PDI group coded 1). The results are shown in Table 18. Note that the relationship between incentives and achievement was significant in model 1 – without the categorical cultural dimension variable and the interaction term. However, models 2 and 3 with the cultural dimension variable and interaction term do not significantly increase the R Square values from model 1. Thus, the sales incentives independent variable is a significant predictor of the dependent variable achievement, but the PDI cultural dimension variable and the interaction term are not significant predictors. In other words, we cannot detect a statistically significant moderating impact of PDI on the relationship between incentives and achievement.

Table 18: *Results of Moderated Regression*

Model	R	R Square	Adjusted R Square	F	Sig.	Change Statistics		
						R Square Change	F Change	Sig. F Change
1	.47 ^a	.22	.21	16.61	.000	.22	16.61	.00
2	.49 ^b	.24	.21	8.91	.000	.02	1.15	.29
3	.49 ^c	.24	.20	5.85	.000	.00	.04	.85

Dependent Variable: Achievement

Model 1 Predictor: Incentives

Model 2 Predictors: Incentives, Cultural Dimension Variable

Model 3 Predictors: Incentives, Cultural Dimension Variable, Interaction Term

Table 19 displays the coefficients and significance levels from the moderated regression. The only statistically significant relationship in any of the three regression models is Incentives. Models 2 and 3 indicated that the beta coefficients for the cultural dimension independent variable PDI and interaction term are not statistically significant. Overall, the regression results of the total group showed that sales incentives drive achievement. But the results also indicate a lack of moderation of the PDI cultural dimension groups on the relationship between incentives and achievement. Thus, Hypothesis 1 is not supported.

Table 19: *Coefficients for Moderated Regression*

PDI Models	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 Incentives	3.09	.76	.47	4.08	.00
2 Incentives	3.09	.76	.47	4.09	.00
Cultural Dimension Variable	-11.99	11.17	-.12	-1.07	.29
3 Incentives	3.36	1.57	.51	2.14	.04
Cultural Dimension Variable	-6.00	32.90	-.06	-.18	.86
Interaction Term	-.35	1.79	-.08	-.19	.85

a. Dependent Variable: Achievement

4.4 Hypothesis 2

4.4.1 Descriptive Statistics for High and Low UAI Groups

Hypothesis 2 proposed that the sales incentives would have more impact on sales performance in countries with a lower UAI score. Recall that to test the impact of the cultural dimension UAI on sales incentives and sales performance, the cultural dimension index was first classified into two UAI clusters. Then ANOVAs were run to obtain the descriptive statistics for each UAI group, as shown in Table 20. From the information in Table 20 one can note that the average sales incentive for the lower UAI group is 18.7% and the average achievement is 77.5%. Similarly, the average sales incentive for the higher UAI group is 16.7% and the average achievement is only 82.6%. Thus, sales teams with high UAI index exhibited higher achievement than low UAI index teams despite a lower incentive percentage. But when the mean levels of incentives and

achievement of the low and high UAI clusters were compared, neither of them was significantly different. In other words, the effect of the incentives is enhanced in countries with higher UAI. This result indicates a lack of support for H2, as countries with higher UAI have comparatively higher achievement (82.6 to 77.5) than countries with lower UAI scores.

Table 20: *Descriptive Statistics for UAI Cultural Dimension Groups*

UAI Clusters		Mean	Std. Deviation	N
Low UAI (UAI mean = 38.7)	Achievement	77.53	26.24	19
	Incentives	18.67	5.86	19
High UAI (UAI mean = 80.0)	Achievement	82.63	52.01	42
	Incentives	16.68	7.29	42
Comparison – Achievement Means		F= .16, Sig. = .69		
Comparison – Incentive Means		F= 1.10, Sig. = .30		

4.4.2 Moderated Regression – UAI

The third method of analysis was moderated regression executed using hierarchical multiple regression. The metric dependent variable was achievement and the metric independent variable was incentives. The categorical independent variable was the UAI group (low UAI group coded 0, high UAI group coded 1). The results are shown in Table 21. Note that the relationship between incentives and achievement was significant in model 1 without the categorical cultural dimension variable and the interaction term. However, models 2 and 3 with the cultural dimension variable and the interaction term do not significantly increase the R Square values from model 1. Thus, the sales incentives independent variable is a significant predictor of the dependent variable achievement, but the UAI cultural dimension variable and the interaction term are not significant

predictors. In other words, we cannot detect a statistically significant moderating impact of UAI on the relationship between incentives and achievement.

Table 21: *Results of Moderated Regression*

Model	R	R Square	Adjusted R Square	F	Sig.	Change Statistics		
						R Square Change	F Change	Sig. F Change
1	.47 ^a	.22	.21	16.61	.000	.22	16.61	.00
2	.48 ^b	.23	.21	8.82	.000	.01	1.03	.31
3	.50 ^c	.25	.21	6.27	.001	.02	1.12	.29

Dependent Variable: Achievement

Model 1 Predictor: Incentives

Model 2 Predictors: Incentives, Cultural Dimension Variable

Model 3 Predictors: Incentives, Cultural Dimension Variable, Interaction Term

Table 22 displays the coefficients and significance levels from the moderated regression. The only statistically significant relationship in any of the three regression models is Incentives. Models 2 and 3 indicated that the beta coefficients for the cultural dimension independent variable UAI and the interaction term were not statistically significant. As before, the regression results of the total group showed that sales incentives drive achievement, but the results also indicate a lack of moderation of the UAI culture dimension groups on the relationship between incentives and achievement. Thus, Hypothesis 2 is not supported.

Table 22: *Coefficients for Moderated Regression*

UAI Models	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 Incentives	3.09	.76	.47	4.08	.00
2 Incentives	3.19	.76	.49	4.18	.00
Cultural Dimension Variable	-11.46	11.73	-.12	-1.02	.31
3 Incentives	1.67	1.62	.25	1.03	.31
Cultural Dimension Variable	-24.06	35.38	-.25	-.68	.50
Interaction Term	1.95	1.84	-.42	-1.06	.29

a. Dependent Variable: Achievement

Overall, the regression results of the total group showed that sales incentives drive achievement. There was no statistically significant moderation, however, based on the lack of significance for the interaction term. The lack of significance for the UAI interaction term indicates a lack of support for Hypothesis 2. Considering the results from these three analyses, even if there was moderation the impact was not in the direction predicted. Hypothesis 2 is rejected.

4.5 Hypothesis 3

4.5.1 Descriptive Statistics for High and Low IDV Groups

Hypothesis 3 proposed that the sales incentives would have more impact on sales performance in countries with a higher IDV score. Recall that to test the impact of the cultural dimension IDV on sales incentives and sales performance, the cultural dimension index was first classified into two IDV clusters. Then ANOVAs were run to obtain the

descriptive statistics for each IDV group, as shown in Table 23. From the information in Table 23 one can note that the average sales incentive for the lower IDV group is 17.7% and the average achievement is 74.3%. Similarly, the average sales incentive for the higher IDV group is 16.9%, but the average achievement is a much higher 88.0%. Thus, sales teams with high IDV index exhibited higher achievement than low IDV index teams despite a lower incentive percentage. But when the mean levels of incentives and achievement of the low and high IDV clusters were compared, neither of them was significantly different.

Table 23: *Descriptive Statistics for IDV Cultural Dimension Groups*

IDV Clusters		Mean	Std. Deviation	N
Low IDV (IDV mean = 27.0)	Achievement	74.34	48.74	31
	Incentives	17.73	7.26	31
High IDV (IDV mean = 66.4)	Achievement	87.97	41.33	30
	Incentives	16.85	6.58	30
Comparison – Achievement Means		F= 1.38, Sig. = .24		
Comparison – Incentive Means		F= .25, Sig. = .62		

4.5.2 Moderated Regression – IDV

The third method of analysis was moderated regression executed using hierarchical multiple regression. The metric dependent variable was achievement and the metric independent variable was incentives. The categorical independent variable was the IDV group (low IDV coded 0; high IDV coded 1). The results are shown in Table 24. Note that the relationship between incentives and achievement was significant in model 1 without the categorical cultural dimension variable and the interaction term. However, models 2 and 3 with the cultural dimension variable and the interaction term do not

significantly increase the R Square values from model 1. Thus, the sales incentives independent variable is a significant predictor of the dependent variable achievement, but the IDV cultural dimension variable and the interaction term are not significant predictors. In other words, we cannot detect a statistically significant moderating impact of IDV on the relationship between incentives and achievement.

Table 24: *Results of Moderated Regression*

Model	R	R Square	Adjusted R Square	F	Sig.	Change Statistics		
						R Square Change	F Change	Sig. F Change
1	.47 ^a	.22	.21	16.62	.000	.22	16.61	.00
2	.51 ^b	.25	.23	9.81	.000	.03	1.15	.12
3	.53 ^c	.28	.24	7.32	.000	.03	.04	.16

Dependent Variable: Achievement

Model 1 Predictor: Incentives

Model 2 Predictors: Incentives, Cultural Dimension Variable

Model 3 Predictors: Incentives, Cultural Dimension Variable, Interaction Term

Table 25 displays the coefficients and significance levels from the moderated regression. The only statistically significant relationship in any of the three regression models is Incentives. Models 2 and 3 indicated that the beta coefficients for the cultural independent dimension variable IDV and the interaction term were not statistically significant. Overall, the regression results of the total group showed that sales incentives drive achievement. However, the results indicate a lack of moderation of the IDV cultural dimension groups on the relationship between incentives and achievement. Thus, Hypothesis 3 is not supported.

Table 25: *Coefficients for Moderated Regression*

IDV Models	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 Incentives	3.09	.76	.47	4.08	.00
2 Incentives	3.17	.75	.48	4.23	.00
Cultural Dimension Variable	-16.41	10.24	.182	1.60	.12
3 Incentives	2.23	1.0	.34	2.24	.04
Cultural Dimension Variable	-20.01	27.71	-.22	-.72	.47
Interaction Term	2.11	1.50	.45	1.41	.16

a. Dependent Variable: Achievement

4.6 Hypothesis 4

4.6.1 Separate Regressions for High and Low MAS Groups

Hypothesis 4 proposed that the sales incentives would have more impact on sales performance in countries with a higher MAS score. Recall that to test the impact of the cultural dimension MAS on sales incentives and sales performance, the cultural dimension index was first classified into two MAS clusters. Then ANOVAs were run to obtain the descriptive statistics for each MAS group, as shown in Table 26. From the information in Table 17 one can note that the average sales incentive for the higher MAS group is 17.3% and the average achievement is 83.20%. Similarly, the average sales incentive for the lower MAS group is 17.3% and the average achievement is only 77.9%. Thus, sales teams in both the low and high MAS countries exhibited comparable

incentive levels (about 17%), but sales teams in countries with a higher MAS index exhibit comparatively higher achievement (83.2%) than sales teams in low MAS index countries (77.8%). But when the mean levels of incentives and achievement of the low and high MAS clusters were compared, neither of them was significantly different.

Table 26: *Descriptive Statistics for MAS Cultural Dimension Groups*

MAS Clusters		Mean	Std. Deviation	N
Low MAS (MAS mean = 29.9)	Achievement	77.88	41.93	25
	Incentives	17.32	5.57	25
High MAS (MAS mean = 61.7)	Achievement	83.24	48.11	36
	Incentives	17.27	7.75	36
Comparison - Achievement Means		F= .20, Sig. = .65		
Comparison - Incentive Means		F = .00, Sig. = .98		

4.6.2 Moderated Regression – MAS

The third method of analysis was moderated regression executed using hierarchical multiple regression. The metric dependent variable was achievement and the metric independent variable was incentives. The categorical independent variable was the MAS group (low MAS group coded 0; High MAS group coded 1). The results are shown in Table 27. Note that the relationship between incentives and achievement was significant in model 1 without the categorical cultural dimension variable and the interaction term. However, models 2 and 3 with the cultural dimension variable and interaction term do not significantly increase the R Square values from model 1. Thus, the sales incentives independent variable is a significant predictor of the dependent variable achievement, but the MAS cultural dimension variable and the interaction term

are not significant predictors. In other words, we cannot detect a statistically significant moderating impact of MAS on the relationship between incentives and achievement.

Table 27: *Results of Moderated Regression*

Model	R	R Square	Adjusted R Square	F	Sig.	Change Statistics		
						R Square Change	F Change	Sig. F Change
1	.47 ^a	.22	.21	16.62	.00	.22	16.62	.00
2	.47 ^b	.22	.20	8.34	.00	.00	.27	.60
3	.49 ^c	.24	.20	5.97	.00	.02	1.18	.28

Dependent Variable: Achievement

Model 1 Predictor: Incentives

Model 2 Predictors: Incentives, Cultural Dimension Variable

Model 3 Predictors: Incentives, Cultural Dimension Variable, Interaction Term

Table 28 displays the coefficients and significance levels from the moderated regression. The only statistically significant relationship in any of the three regression models is Incentives. Models 2 and 3 indicated that the beta coefficients for the cultural dimension independent variable MAS and the interaction term were not statistically significant. This provides further support for the lack of moderation of the MAS cultural dimension groups on the relationship between incentives and achievement. Thus Hypothesis 4 is not supported.

Table 28: *Coefficients for Moderated Regression*

MAS Models	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 Incentives	3.09	.76	.47	4.08	.00
2 Incentives	3.09	.76	.47	4.05	.00
Cultural Dimension Variable	5.53	10.59	.06	.52	.60
3 Incentives	1.70	1.49	.26	1.14	.26
Cultural Dimension Variable	-27.11	31.80	-.30	-.85	.40
Interaction Term	1.89	1.73	.43	1.09	.28

a. Dependent Variable: Achievement

4.6.3 Note on Controlling for Wealth

The original intent for the MAS dimension analysis was to separate the poor from the rich countries. To verify whether or not separating the rich and poor countries would have an impact, a regression was run while controlling for GNI per capita (Wealth). Achievement was the dependent variable and the computed interaction term (incentives multiplied times the MAS group data) was the independent variable. The control variable did not have a significant impact.

4.7 Hypothesis 5

4.7.1 Separate Regressions for High and Low LTO Groups

Hypothesis 5 proposed that the sales incentives would have more impact on sales performance in countries with a lower LTO score. Recall that to test the impact of the cultural dimension LTO on sales incentives and sales performance, the cultural

dimension index was first classified into two LTO clusters. Then ANOVAs were run to obtain the descriptive statistics for each LTO group, as shown in Table 29. From the information in Table 29 one can note that the average sales incentive for the lower LTO group is 17.0% and the average achievement is 72.18%. In contrast, the average sales incentive for the higher LTO group is 19.08% and the average achievement is 101.02%. Thus, sales teams with high LTO index exhibited a much higher achievement than low LTO index teams although aided by a much higher incentive level. This was contrary to what was expected. When the mean levels of incentives and achievement of the low and high LTO clusters were compared, the incentives means were not significantly different, but the achievement means were significantly different, but in a direction different than hypothesized.

Table 29: *Descriptive Statistics for LTO Cultural Dimension Groups*

LTO Clusters		Mean	Std. Deviation	N
Low LTO (LTO mean = 31.3)	Achievement	72.18	45.24	41
	Incentives	17.01	6.84	41
High LTO (LTO mean = 77.5)	Achievement	101.02	39.78	21
	Incentives	19.08	7.33	21
Comparison - Achievement Means		F = 6.10, Sig. = .02		
Comparison - Incentive Means		F = 1.21, Sig. = .28		

4.7.2 Moderated Regression – LTO

The third method of analysis was moderated regression executed using hierarchical multiple regression. The metric dependent variable was achievement and the metric independent variable was incentives. The categorical independent variable was the LTO group (low LTO group coded 0; high LTO group coded 1). The results are shown in

Table 30. Note that the relationship between incentives and achievement was significant in model 1 without the categorical cultural dimension variable and the interaction term. However, 2 and 3 with the cultural dimension variable and the interaction term do not significantly increase the R Square values from model 1. Thus, the sales incentives independent variable is a significant predictor of the dependent variable achievement, but the LTO cultural dimension variable and the interaction term are not significant predictors. In other words, we cannot detect a statistically significant moderating impact of LTO on the relationship between incentives and achievement.

Table 30: *Results of Moderated Regression*

Model	R	R Square	Adjusted R Square	F	Sig.	Change Statistics		
						R Square Change	F Change	Sig. F Change
1	.45 ^a	.20	.19	15.42	.000	.20	15.42	.00
2	.51 ^b	.26	.24	10.55	.000	.06	4.72	.34
3	.51 ^c	.26	.23	6.96	.000	.00	.09	.77

Dependent Variable: Achievement

Model 1 Predictor: Incentives

Model 2 Predictors: Incentives, Cultural Dimension Variable

Model 3 Predictors: Incentives, Cultural Dimension Variable, Interaction Term

Table 31 displays the coefficients and significance levels from the moderated regression. The only statistically significant relationship in any of the three regression models is Incentives. Models 2 and 3 indicated that the beta coefficients for the cultural dimension independent variable LTO and interaction term were not statistically significant. This provides further support for the lack of moderation of the LTO cultural

dimension groups on the relationship between incentives and achievement. Thus, Hypothesis 5 is not supported.

Table 31: *Coefficients for Moderated Regression*

LTO Models	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 Incentives	2.92	.74	.45	3.93	.00
2 Incentives	2.69	.73	.42	3.70	.00
Cultural Dimension Variable	23.26	10.71	.25	2.17	.34
3 Incentives	2.53	.92	.39	2.75	.01
Cultural Dimension Variable	15.01	30.0	.16	.50	.62
Interaction Term	.45	1.52	.10	.30	.77

a. Dependent Variable: Achievement

4.9 Hypothesis 6

4.9.1 Separate Regressions for High and Low IVR Groups

Hypothesis 6 proposed that the sales incentives would have more impact on sales performance in countries with a higher IVR score. Recall that to test the impact of the cultural dimension IVR on sales incentives and sales performance, the cultural dimension index was first classified into two IVR clusters. Then ANOVAs were run to obtain the descriptive statistics for each IVR group, as shown in Table 32. From the information in Table 32 one can note that the average sales incentive for the lower IVR group is 18.0% and the average achievement is 95.2%. Similarly, the average sales incentive for the

higher IVR group is 17.8% and the average achievement is only 77.8%. Thus, sales teams in both the low and high IVR countries exhibited comparable incentive levels (about 18%), but sales teams in countries with a lower IVR index exhibit comparatively higher achievement (95.2%) than sales teams in high IVR index countries (77.45%). This is contrary to the prediction. When the mean levels of incentives and achievement of the low and high IVR clusters were compared, the incentives means were not significantly different, but the achievement means were significantly different, but in a direction different than hypothesized.

Table 32 Descriptive Statistics for Cultural Dimension Clusters

IVR Clusters		Mean	Std. Deviation	N
Low IVR (IVR mean = 24.1)	Achievement	95.24	47.44	27
	Incentives	17.97	6.74	27
High IVR (IVR mean = 59.8)	Achievement	70.80	41.61	34
	Incentives	17.22	7.22	34
Comparison - Achievement Means		F = 4.59, Sig. = .04		
Comparison - Incentive Means		F = .17, Sig. = .68		

4.9.2 Moderated Regression – IVR

The third method of analysis was moderated regression executed using hierarchical multiple regression. The metric dependent variable was achievement and the metric independent variable was incentives. The categorical independent variable was the IVR group (low IVR group coded 0; high IVR group coded 1). The results are shown in Table 33. Note that the relationship between incentives and achievement was significant in model 1 without the categorical cultural dimension variable and the interaction term. In Table 33 model 2 with the cultural dimension variable there is a noticeable increase in R

Square values from model 1. However, there is not a significant increase in model 3 with the categorical cultural dimension and the interaction term. Thus, the sales incentives independent variable is a significant predictor of the dependent variable achievement, as is the IVR cultural dimension variable, but the interaction term is not significant a predictor. In other words, we cannot detect a statistically significant moderating impact of IVR on the relationship between incentives and achievement.

Table 33: *Results of Moderated Regression*

Model	R	R Square	Adjusted R Square	F	Sig.	Change Statistics		
						R Square Change	F Change	Sig. F Change
1	.45 ^a	.20	.19	14.96	.000	.220	14.96	.00
2	.51 ^b	.26	.24	10.30	.000	.060	4.7	.03
3	.52 ^c	.27	.24	7.16	.000	.012	.92	.34

Dependent Variable: Achievement

Model 1 Predictor: Incentives

Model 2 Predictors: Incentives, Cultural Dimension Variable

Model 3 Predictors: Incentives, Cultural Dimension Variable, Interaction Term

Table 34 displays the coefficients and significance levels from the moderated regression. The only statistically significant relationship in any of the three regression models is Incentives. Models 2 and 3 indicated that the beta coefficients for the cultural dimension independent variable IVR and the interaction term were not statistically significant. Overall, the regression results of the total group showed that sales incentives drive achievement. But the results also indicate a support for the lack of moderation of the IVR cultural dimension groups on the relationship between incentives and achievement. Thus, Hypothesis 6 is not supported.

Table 34: *Coefficients for Moderated Regression*

IVR Models	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 Incentives	2.94	.76	.45	3.87	.00
2 Incentives	2.85	.74	.44	3.86	.00
Cultural Dimension Variable	-22.29	10.28	-.25	-2.17	.03
3 Incentives	3.64	1.10	.56	3.30	.00
Cultural Dimension Variable	-10.03	10.43	-.11	-.61	.54
Interaction Term	-.02	.22	-.21	-.96	.34

a. Dependent Variable: Achievement

4.10 Summary of Results for Hypotheses Tests

Six hypotheses were tested and the results are summarized in Table 35. The results showed that sales incentives impacted the level of achievement for every hypothesis tested, but the impact of culture was not found to have the predicted impact in any of the 6 hypotheses. Moreover, in none of these instances was the moderating impact statistically significant so all of the hypotheses are rejected.

Table 35: *Hypotheses and Variables*

Hypotheses		Findings
H1:	The relationship between sales incentives and sales performance is moderated by the degree of power distance (PDI), with low power distance cultures impacting performance more than high power distance cultures.	Rejected
H2:	The relationship between sales incentives and sales performance is moderated by the degree of uncertainty avoidance (UAI), with low uncertainty cultures impacting performance more than high uncertainty cultures.	Rejected
H3:	The relationship between sales incentives and sales performance is moderated by the degree of individualism (IDV), with high individualism cultures impacting performance more than low individualism cultures.	Rejected
H4:	The relationship between sales incentives and sales performance is moderated by the degree of masculinity (MAS), with high masculinity cultures impacting performance more than low masculinity cultures.	Rejected
H5:	The relationship between sales incentives and sales performance is moderated by the degree of long-term orientation (LTO), with low long-term orientation cultures impacting performance more than high long-term orientation cultures.	Rejected
H6:	The relationship between sales incentives and sales performance is moderated by the degree of indulgence versus restraint (IVR), with indulgence cultures impacting performance more than low indulgence cultures.	Rejected

CHAPTER 5 OBSERVATIONS AND CONCLUSIONS

5.1 Overview

This chapter discusses the results of the dissertation research and includes the following information. First, there is a summary and general discussion of the findings. That is followed by practical implications of the research, limitations of the study, suggestions for future research, observations and conclusions

5.2 Discussion

The objective of this dissertation was to examine the moderating influence of culture on the relationship between sales incentives and sales performance. The three sales incentives of discounts, campaign promotions and SPIFFs were used to calculate a summated proxy variable for the independent variable incentives. The sales incentives were deployed worldwide, but the levels differed by country. The dependent variable was achievement of sales performance as specified by the company. Overall, there was a strong positive correlation between the level of sales incentives and the level of sales performance (achievement). The hypotheses that the sales incentives would have an impact in driving sales revenue is consistent with previous research (e.g., Blattberg & Wisniewski, 1987; Demirag, 2011; Murphy et al., 2004). The cultural impact was measured using the six cultural dimensions from Hofstede (Hofstede, 2010) as the second independent variable to test six separate hypotheses: power distance, uncertainty

avoidance, individualism, masculinity, long-term orientation and indulgence versus restraint. The interaction term calculated by multiplying each cultural dimension by the sales incentives served as the moderator. The findings of this study are discussed in the sections below.

5.3 The Moderating Impact of Power Distance

Hypothesis 1 proposed that the sales incentives would have a stronger effect in countries with lower PDI (power distance index). The results of the comparison of actual performance achieved compared to the discount provided directional support for the prediction that the sales incentives would be more effective in countries with lower PDI. Specifically, while the level of sales incentives was similar in both the low and high PDI groups, the level of achievement was significantly higher in the low PDI group. This is consistent with the literature discussed in Chapter 3. Also consistent with the literature was the finding that the sales incentives served as a significant predictor of achievement. Indeed, this finding was consistent across all hypotheses. The results, however, did not yield any statistical significance for the proposed PDI cultural impact. Neither the mean levels of incentives and achievement of the low and high PDI group were found to be statistically significant, nor were moderated regression results. The reason for the lack of statistical significance may have been the sample size, which was limited to 61 countries.

5.4 The Moderating Impact of Uncertainty Avoidance

Hypothesis 2 proposed that the sales incentives would have a stronger effect in countries with lower UAI (uncertainty avoidance index). The results indicated the opposite relationship, which was unexpected. It was observed that a lower average incentive drove higher average achievement for the countries with the higher UAI. This

result is contrary to H2. The theory indicated that the highest effect would be in the countries with low UAI scores. One possible explanation for the result could have been the unusual lack of incentives in the Latin American region during the second half of 2013 (data year for this study), which was only 13.3% versus an overall mean for all countries of 17.3%. Moreover, the Latin American region was 16.4% of the sample so the influence of the low incentives in those countries for that year was considerable.

According to company management, the low levels of incentives were caused by a lack of budgets for that year. At the same time, the Latin American countries included in this the study averaged a higher than usual mean UAI score of 87. In comparison, the mean score of all Latin American countries with Hofstede UAI scores (Chapter 3, Table 6,) was only 78%. The reason for the higher mean UAI index in this study was a result of data being available only for extremely high UAI countries such as Guatemala (101) and Uruguay (100), while low UAI countries such as Ecuador (67) and Jamaica (13) were not included in the company database used in this study. Another factor was that the region also had an unusually low attainment (achievement) versus the target for the year, which was attributed to a high turnover in the sales staff. The anomalies for this year may have skewed the results.

5.5 The Moderating Impact of Individualism

Hypothesis 3 proposed that the sales incentive would have a stronger effect in countries with higher IDV (individualism). The lower average incentive was associated with a much higher average achievement for the group with the higher IDV countries. This indicates that the sales incentives were more effective in countries with higher individualism. This is consistent with the literature discussed in Chapter 3. But as with

Hypothesis 1, the mean levels of incentives and achievement of the low and high IDV groups were not significantly different, nor were the moderated regression results. As in Hypothesis 1, the sample size may be a reason for the lack of statistical significance.

5.6 The Moderating Impact of Masculinity

Hypothesis 4 proposed that the sales incentives would have a stronger effect in countries with higher MAS (masculinity). The findings indicated that a lower average incentive was associated with a higher average achievement for the group with the higher MAS average, but similar to previous hypotheses the comparison was not statistically significant. The direction of these findings was an expected outcome and consistent with the literature discussed in Chapter 3. But as with Hypotheses 1 and 3, the results for the moderated regression with the full sample did not reveal a statistically significant moderation. This may again be due to the smaller sample size.

5.7 The Moderating Impact of Long-Term Orientation

Hypothesis 5 proposed that the sales incentives would have a stronger effect in countries with lower LTO (long-term orientation). The study found that higher incentives were associated with higher average achievement for the group with the highest long-term orientation. This was a very surprising outcome. As with Hypothesis 2, the Latin American region, which had a very low LTO score, may have influenced the results. As noted previously, the region had low achievement combined with unusually low incentives in the second half of the year. It is also possible that the lack of literature associated with this cultural dimension (long-term orientation) and marketing may have resulted in proposing a hypothesis in the wrong direction. It seemed logical, however, to

assume that incentives designed to yield impact on short term results would work better in cultures that are short term oriented, but this was not supported by the findings.

5.8 The Moderating Impact of Indulgence versus Restraint

Hypothesis 6 proposed that the sales incentives would have a stronger effect in countries with higher IVR (indulgence versus restraint). The study found that the average incentive of 19.1% drove higher average achievement (101.0%) for the group with the lower average IVR. The comparison was statistically significant for achievement. In other words, countries with high restraint and lower subjective well-being were associated with higher achievement with comparable levels of sales incentives. This result was also not expected, and it is indeed surprising that short term incentives overall did better in countries that supposedly control gratification of needs and regulate it by means of strict social norms (Hofstede, 2011). While the literature on IVR is virtually non-existent, the sales literature in Chapter 3 indicated that happiness and optimism are traits that positively impact sales performance. The findings of this study do not align with that notion. The results could have been influenced somewhat by the unusually strong achievements of the sales teams in Eastern Europe in 2013, which had lower than average incentives and below average IVR scores.

5.9 Implications

All of the hypotheses were rejected due to lack of statistical significance of the proposed cultural moderating effect. Additionally, for three of the six hypotheses the cultural effects were in the opposite direction of the hypothesized relationships. IVR was the only cultural dimension that was statistically significant for the moderated regression,

but the IVR interaction term was not a significant predictor so there was not a moderating impact of IVR on the relationship between incentives and achievement.

A strong correlation between sales incentives and sales performance was identified, and the effectiveness of the sales incentives varied for the six cultural dimensions in different country groups, with some being in the hypothesized direction but not statistically significant. It was not possible, however, to establish whether or not the variation in effectiveness was linked to the cultural dimensions. Because of the correlation between incentives and achievement, as well as the variation in effectiveness between the country groups, management should still consider deploying different levels of sales incentives according to cultural values. At minimum, this should be done at the regional geographic level, but ideally it should be more granular at the country level. An example of how national differences can have an influence within a region is the Czech Republic and Slovakia. The two countries were a single sovereign state for more than 70 years until they broke apart in 1992 (Hofstede, 2001). One would think that so much common history would lead to common cultures. However, the regional sales leader explained when validating achievement numbers from that region that the Czech Republic and Slovakia required completely different incentives approaches. Slovakia's purchasing processes are centralized with top down decision making. In contrast, the Czech Republic is much more decentralized in its approach. The sales leaders' view aligns with the two countries' cultural dimension PDI scores. Top heavy Slovakia is tied for first out of 78 countries with the power distance score of 104, while the Czech Republic is far below, tied for 46th place with a score of 56 (Hofstede, 2001). While they

are both considered Eastern European countries, different types and levels of incentives would be more likely to optimize performance.

5.10 Limitations

This study, like all research, is subject to several limitations. One limitation of this study is the sample size. The number of countries included in the analysis was limited to the countries that had both sales performance data and cultural dimensions scores available. Lower sample sizes limit the ability to have statistically significant results. The lower sample size may also have skewed the cultural score for UAI in Latin America to be higher than usual in the analysis year, which could have influenced the results.

Another limitation is the data was obtained from a single company selling products in one category, and may not be applicable across other companies or industries. The data also included anomalies. There was turnover of the sales management team in one of the regions half way through the year, which may have impacted the sales performance and subsequent results of the study. The markets for the company are also cyclical, exhibiting uneven growth or even a decline in sales in the various countries. Senior management indicated they considered the market cycles when setting sales attainment targets, but the economic and organizational anomalies may still have had an impact.

The data used in this study was limited to transaction data and sales operation results. Other studies have included unique demographics such as seniority, sales experience and language skills in the model as control variables (e.g., Segalla et al., 2006), but demographic data was not available for this study.

5.11 Future Research

The first two limitations of the study are also the first two suggestions for future research. Executing the study with a larger sample of countries across multiple companies could yield results more consistent with theory, and perhaps further clarify the relationships that were not supported in this research. Furthermore, it would be interesting to measure the cultural impact at the salesperson or sales team level as opposed to the country unit level. It is also possible the cultural impact in this study was influenced by a western cultural mindset prevalent in the organization. Specifically, the company's global staff is located in the company's western hemisphere headquarters, which likely influenced the overall company culture. Moreover, the western mindset of the organizational culture may have attracted sales team members with more western mindsets than is typical of their home country. Specifically, sales team members of the organization studied may have self-selected to work for an organization with a western culture while individuals preferring a more local corporate culture may have chosen to work for a non-westernized company. In future research it would be interesting to study data from companies with non-western headquarters and ownership. While this study focused on national cultures, studying the intermingling of the corporate culture could provide another element. National citizenship is considered permanent and carries deeper values; employment in a corporation is more temporary and differs at the superficial practice level (Hofstede, 1994). It would be interesting to research to what extent organizational cultures nullify or adapt to national cultures.

While a large body of sales management research exists on the first four Hofstede dimensions (e.g., Bochner & Hesketh, 1994; Doney et al., 1998; Fock et al., 2010;

Milliman et al., 1998), very little exists on the two newest dimensions – long term orientation versus short term orientation and indulgence versus restraint. The results related to these two dimensions were the most surprising and completely contradicted the existing theories, especially related to LTO. The sales incentives were designed to achieve short-term results, yet they worked better in long-term oriented cultures. It would be interesting to study whether or not such sales incentive programs truly work as short-term incentives across various cultures. More research is needed to determine how the LTO and IVR dimensions apply to the sales and marketing field. It would also be interesting to compare data similar to that used in this study against the newer cultural frameworks such as Ronald Inglehart's World Values (2000) and the Globe (House et al., 2004).

Finally, the sales performance achievement was measured based on attainment of revenue, which was the key measure for the company's sales force in 2013. It would be interesting to see how these incentives impact other performance measures such as profit margin and customer satisfaction, but that data was not available. Also, in addition to measuring annual performance, it could be valuable to understand how quarterly fluctuations may have influenced the results.

Despite its limitations the study contributes because it is the first research to use actual company data. All previous research on this topic was based on survey data. Thus, an important contribution of this study is that it has identified several issues associated with the use of company data across multiple countries and potentially influenced by uncontrollable economic and company developments. The study also is the first to examine the potential influence of two recently proposed Hofstede cultural dimensions.

Finally, the study suggests a new direction for cultural research across countries – to consider how a company’s reputation and organizational culture may influence the selection of sales incentives and ultimately the performance of the sales organization.

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