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Impact of National Culture on the Bonus’ Use for Teamwork

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Abstract

Today, organizations use teams as primary work units adopting team rewards and incentives in which group members’ pay is at least partly contingent on measurable group performance. It is the process of compensating a group of employees based on their combined contribution to a particular project or goal. They could be monetary (for example: team bonuses, team commission, shopping vouchers for each team member, etc.) and nonmonetary (team celebration—getaway bonding activity, team dinner, tickets to a sports event etc., team trip/holiday—may include spouses, team merchandise—team jacket, pin, emblem to build team identity, recognition certificates, team recognition award—public mention and appreciation, team time off away from work). This chapter overviews the empirical research on team-based bonuses and aims to understand if cultural dimensions can interfere or facilitate the diffusion of bonus for teams and suggests directions for future research. The analysis demonstrates that culture may play a critical role in the success of team-based reward programs or in the employee resistance to teams.

Keywords: national culture, team work, bonus for team, Hofstede’s model, incentives

1. Introduction

In recent years organizations have increased the usage of teams that are becoming the primary work units. The growing interdependence between tasks [1], the flattening of organizations, the diffusion of the technology’s use has contributed to the increasing of teamwork. As consequence, the research, developed in last years, has focused on bonus based, that is, on the performance of the employed group and on the mechanisms, which influence the collective motivation of team members [2]. A bonus is a reward given after the individual has achieved
his or her target. For example, if a target is achieved or if a deadline is met, the team can be
rewarded with a bonus. A reward can be monetary or nonmonetary. It can be given as either a
bonus or an incentive. These terms are different. In fact, a monetary reward is a financial ben-
efit given to an individual or a team. A nonmonetary reward can be measured in nonfinancial
terms, and it can even be a simple appreciation or gift. The bonus is considered as an “inte-
gral integrating mechanism” through which it’s possible to achieve an organization’s strategic
objectives” and it derives by a “deliberate utilization of the pay system” [3]. It is a monetary
managerial tool that contributes to achieve high levels of performance [4] by group behavior
[5]. The research shows that frequently incentive systems each have different effects (posi-
tive or negative) on team members [6]. Several are advantageous, improving communication
skills, increasing the involvement of employees, promoting cooperation among employees,
intensifying stronger bonds among the workers, developing a friendlier climate at the work-
place, which improves efficiency personnel. In most cases in a group, it is possible to exchange
ideas creating a synergism that contributes to motivate the employees’ to strive toward the
common goal. This is the consequence of the fact that cooperation helps to achieve tasks for
workers who could not perform individually, even if sometimes the outcome is quite different.
It’s possible, in fact, that they lose the sense of how each and every one of them is contributing
to reaching the goal causing competition instead of cooperation.

For this reason, incentives are critical to the functioning of the team [7–9].

Thanks to team-based incentives, companies can motive personnel to be self-going [10] and
as well as ultimately lead to organizational effectiveness. They are able to develop a sharing
knowledge if the bonus is delivered when everybody has the same level of knowledge.

So, organizations are using group-based bonus plans to initiate changes in organizational
culture, and supporting such changes [11].

Our results make two important contributions to the literature. First, our paper contributes
to the discussion of the impact of cultural identity in organizations. The results show that
cultural dimensions can have different effects on incentive schemes. Secondly, our research
shows that ‘cultural’ factors critically affect how incentives are distributed and as a result,
when organizations are more likely to use them and when not.

The chapter proceeds as follows: a short literature review is presented in Section 2 and the
methodological design is described in Section 3. Section 4 discusses results of the research
questions based on a logit model that illustrates the different effects Hofstede’s [12] cultural
dimensions can have on incentives’ use. Section 5 presents conclusions.

2. Literature review

From this perspective, what has captured our interest research is the fact that a complex and
profoundly articulated relationship exists uniting cultural dimensions and the adoption of
bonus systems for the team.
Team-based bonuses are the best way to encourage cooperation [13] and “are likely to enhance members’ pro-social behaviors and as a result, boost members’ capabilities, flexibility, responsiveness, and productivity” [14].

The choice of planning a bonus for teamwork depends on differences reflected in cultural diversity [15]. In actual fact, the mental attitudes of management can be influenced by the context, which, in turn, may be planned with intention.

A short literature review has identified several arguments in postulating the nature of the relationships among cultural dimensions. Cultural differences, as Hofstede affirms in his study, reflect different values: rituals, heroes, symbols, and practices represent factors which involve different levels—national and individual—and, influencing bonus strategies, they can lead the generating competitive advantage for the firm [16]. In fact, several researchers have explored the relationship between national culture and its role while designing bonus, highlighting that a mismatch between compensation strategies and cultural characteristics can have important consequences. For example, in 1998 Hampel [17] showed how national cultural values of Hofstede’s model influence the choice of different social benefits. In addition, Schuler and Rogovsky [18] have explored the relationship between the cultural dimensions suggested by Hofstede and compensation practices based on status performance. Researchers have noted that “Whether employees like team incentives … depends on whether the reward system is congruent with the other management systems and the philosophy and culture of the organization” [19], National culture is important because it provides employees a shared understanding of the behaviors that will be valued by the organization.

In fact, different styles and contents allow us to understand because in some organizations team incentive systems are present and if they are good tools to motivate employees. For example, members with highly collectivistic values contributed to their group’s performance [20], on the contrary individualists are more motivated by personal gain and their contribution to a team is driven only by personal interest. In a highly individualistic organizational culture, the introduction of bonus for teams is likely to be faced with considerable resistance whereas team-based rewards are more likely to be embraced in organizations with collectivist cultures [21].

Cultural values may be important to the success of team-based rewards because team goals and expectations must be communicated to employees, achievements must be recognized, and feedback must be shared [22]. Research on individualistic/collectivistic is more observed in small than large group and when they can be identified [23].

There are numerous studies about culture [24–38], but most of the literature, especially that one that focuses on a collective approach, is based on studies carried out by Hofstede [29, 39].

Hofstede’s survey was conducted twice around 1968 and 1972 producing more than 116,000 questionnaires. The people interviewed were employees of IBM in more than 50 countries and 3 regions. In the first analysis, he analyzed four cultural dimensions (Hofstede’s classic model): power distance, individualism, masculinity, and uncertainty avoidance. Later, he added a fifth dimension related to Confucian countries: long-term orientation.
Hofstede assessed the different societies on the basis of the results and gave them a score between 0 and 100 defining more closely the shape of the dimension in that country.

Power Distance (PDI) measures “the degree to which the less powerful members of a society accept and expect that power is distributed unequally”.

Individualism (IDV) expresses the degree of how much people are integrated into groups. That is if the feeling of “we” or “I” is present.

Masculinity (MAS) suggests the society’s preference “for achievement, heroism, success on the masculine side – or the preference for cooperation”, taking care for others and quality of life on the feminine side.

Uncertainty Avoidance (UAI) reveals how people, in different countries, deal with uncertainty and ambiguity. Pragmatic (PRA) examines the society’s thinking on the present and the future.

Long-term oriented people prefer to live in a sustainable way and they try to create change in the situations to get maybe even better future prospects. In short-term oriented societies, on the contrary, people are linked to the past and present values such as national pride, respect for tradition, preservation of “face”, and fulfilling social obligations. In 2010, Minkov added a new dimension: the Pragmatism [40]. It deals with similar questions of long-term orientation. Hofstede’s study uses the Pragmatic vs. Normative approach for its surveys. The Pragmatic vs. Normative dimension represents the desire of individuals to explain the things, which are going on all around us. In normative societies, people want to explicate all things and want to investigate the secret how something is happening. But in pragmatic societies individuals just try to manage the situations and live without thinking what it’ll happen. In this case, it’s probable that they accept and adapt to different situations. The sixth dimension is Indulgence (IND). A high level of indulgence means that a society gratifies the natural human impulse and essential needs and desires as well as to have fun. In other countries, the society establishes rules and norms to control human life and restricts the gratification of the cited needs. Today these values have been analyzed for 74 countries.

Table 1 [41–46] below offers an overview of the critique of Hofstede’s studies by key researchers in the field:

Based on the theories from the literature, a set of propositions is developed that reflects relationships between national culture and employees’ bonus. In particular, the study tries to answer the following research questions:

RQ 1. Do Hofstede’s cultural dimensions influence the use of bonus systems for a team?

RQ 2. Is the relation between the use of bonus systems for team and Hofstede’s cultural dimensions positive/negative and relevant?

To investigate the above research question, data collected in the Cranet Survey are used (2014–2016). The units of observation are firms, public, and nonprofit organizations located in 7 European Countries: Austria, Denmark, Finland, Greece, Italy, Spain, and Sweden.
In this context, the tools offered by inferential statistics will allow to use the survey data to make predictions on the countries for which there is not any type of observations, neither according to Hofstede’s approach. This way, it is possible to predict and estimate, through a function, which elements of cultural dimensions can help or hinder the use of incentives for the group.

### 2.1. Dependent variable

The dependent variable is bonus’ use for managers, professionals, and clericals that operate in teamwork. The source of these data is the Cranet Survey, a research project carried out in 2014–2016 by a global network of HRM studies. This project, originally launched in 1989 by the Cranfield University, studies HRM within private, public and non-profit sectors, through a detailed questionnaire administered simultaneously in many countries (more than 40) by local research groups. The questionnaire investigates Human Resource strategies in organizations and its responses have been gathered in a unique database. The analyzed variable, used in this analysis, responds to the question: “Do you offer any Bonus based on team goals/ performance?”

The sample of this research consists of 1253 firms.
Observing **Figure 1**, it comes out that the sample is constituted for 64% by private sector, 28% by the public sector, 4% by not for Profit, 6% mix.

Our sample includes a company with different size. Our investigation is inherent in the SME geographically located in Europe, so it is defined as a small business enterprise which has fewer than 250 employees; medium size company that one which has a number of employees between 250 and 500, and large enterprise with more than 500 employees (**Figure 2**).

The choice to use the number of employees to differentiate businesses as the only criterion has been driven by the objectivity and simplicity of application, even if it has important limitations: primarily because the number of people employed is dependent on the sector of the business [47] and this is why social recruitment has been related also to the sector of the business; then because full-time employment is decreasing, while there are new innovative forms of work such as part-time work, casual work or temporary work [48]. For this element, it has chosen to include the number of employees even those with more flexible forms of contract.

2.2. Independent variables: cultural dimensions

Our model aims to analyze Hofstede’s culture model.

Hofstede’s values of a sample of the research are shown in **Figure 3**.
3. Results

For Hofstede’s dimensions (Figure 4), there is a significant correlation among all variables except for Masculinity. Individualism (−0.372), Power Distance (−0.069), Uncertainty Avoidance (−0.248), and Indulgence (−0.367) have a negative correlation while Pragmatism (0.1588) has a positive correlation with the presence of group’s bonus for managers.

For Hofstede’s dimensions (Figure 5) there is a negative correlation for, Individualism (−0.339), Power Distance (−0.1149), Masculinity (−0.064), Uncertainty Avoidance (−0.192), Indulgence (−0.378), while there is a positive correlation for Pragmatism (0.163) and the presence of group’s bonus for professionals.
Figure 4. Logit model for managers of the sample.

Figure 5. Logit model for professionals of the sample.

Figure 6. Logit model for clericals of the sample.
For Hofstede’s dimensions (Figure 6) and the presence of group’s bonus for clericals, there is not a significant correlation with bonus use for the group.

4. Discussions

The analysis of Hofstede’s cultural dimensions and bonus’ use has shown that for:

• All variables of clericals show a clear impact among these variables and the use of bonus for groups does not emerge;

• Individualism—there is a significant negative correlation ($r = 0.000 ***$, in both cases) between this variable and the use of bonus for managers and professionals. In high institutional collectivist environments, individuals learn to put the institution over individual goals, so it suggests that societies with high values in institutional collectivism are more likely to provide incentives. High levels of this form of collectivism foster the development of trust, which is important for the uncontrolled and spontaneous interactions in groups, because it is not possible to have an exchange without trust, that is, failing the tacit assumption that the other person is able to exchange knowledge, skills and ideas. Although reference is made to other authors for a comprehensive review of studies carried out on trust, one cannot fail to mention the best-known literature [49] according to which “trust is a psychological state that contains the intention to accept the vulnerability based on positive expectations of behavioral intentions of another person”. According to Fukuyama [50], it is “the expectation that a normal, honest and cooperative behavior, based on common rules, creates in a community by other members of that community.” Another widespread notion in the organizational literature is that one according to which trust is an important independent variable and is the cause “of an increase in cooperation processes” [51–53]. Moreover, self-confidence can be considered a dependent variable, which is the result of the formation of a common identity and experience, a dynamic variable [54] and an evolutionary variable as it evolves in relation to the situational context [55]. Then, if we consider that with the passing of time the interactions among members take into lower consideration the conventional measures of compliance and coordination [56], it is easy to guess that it will be created an ’atmosphere of trust that will help to keep unaltered interpersonal relationships even in difficult periods, enabling the development of a long-term cooperation [57]. From this brief summary of the literature, it comes out that trust is produced through repeated exchanges among players, and therefore it can be considered one of the variables, which is positively correlated with use of incentives.

• Power Distance—there is a significant positive correlation ($r = 0.005 ***$, for managers; $r = 0.000 *$, for professionals,) between this variable and the use of bonus. The establishment of a social bond in groups gets free from territorial, institutional or linked-to-power membership and is based, instead, on sharing interests and knowledge, on collaborative processes and collaborative learning. In this context the structure of knowledge understood in the traditional way is changing and, with it, the structure by which reality is interpreted. Groups allow, as a matter of fact, completely modifying the relationship between
the content to be developed and user, redistributing the control and the power of information among all the participants. It is therefore detectable a relationship in which the higher the value of the Power Distance, higher will be the necessity to use incentives to achieve the goals in groups.

• Masculinity values—there is a significant negative correlation ($r = 0.000^{**}$, for professionals) between this variable and incentives’ use, while for managers a clear impact between this variable and the use of bonus does not come out. In organizations, the communities set a dynamic process of generating a new knowledge based on the interaction of negotiations aimed at ensuring the mutual integration between men and women. Groups are thus composed of people (regardless of gender) who share interests, aspirations, ideals, and who live in a space characterized by an intimacy of relationships that is opposed to the society based on gender ties. As a result, it is possible to state that the degree to which the gender inequality is minimized is positively correlated with the use of incentives.

• Uncertainty Avoidance—there is a significant negative correlation ($r = 0.000^{**}$, for managers; $r = 0.000^{**}$, for professionals,) between this variable and the use of bonus. Individuals from cultures that favor a high level of uncertainty avoid order and stability whereas those from cultures that favor low uncertainty avoidance are relatively more comfortable dealing with uncertainty and less formal structure [58], that is teamwork and the use of bonus. These differences may have consequences for how individuals perceive the need for task and role structure. For instance, people from low uncertainty avoidance cultures may be less inclined to seek early closure on the clarification of roles, accountabilities, and task structure.

• Indulgence (as it should be HOP)—there is a significant positive correlation ($r = 0.001^{***}$ for professionals) between this variable and incentives’ use for professionals, while for managers and clericals a clear impact between this variable and the use of bonus does not come out. There is not a significant correlation between managers and clericals. Cooperating means establishing functional relationships, considering other people as necessary and indispensable resources for the achievement of a common goal. In high humane oriented environments, individuals treat each other with fairness, altruism, and care. There are various theories to explain the specificity of human cooperation, each influenced by the partiality of the privileged cooperation schemes: the theory of consanguineous selection that focuses cooperation between genetically related individuals; the theory of direct reciprocity that insists on egoistic incentives in bilateral interaction of cooperation (I give and you will receive); the theory of indirect reciprocity, which shows how cooperation emerges when a reputation of the cooperators can be built; a more recent theory is the “theory of altruistic punishment” which favors, in the genesis of cooperation, the willingness to punish those who do not cooperate or those who violate the rules, even if the punishment itself does not bring any gain for those who cooperate. Human behavior is complex and certainly, these theories do not complete the observations, which can be obtained from phenomena of altruism and cooperation that each individual can do. The importance of social habits in the animal kingdom is documented by the resource of aggregation, which is useful to protect against environmental adversities and to easily search for food. Mankind’s progress and
emancipation are acquired through the practice of co-operation between people, even from very different cultures, and each human activity, from art to the exchange of goods, benefits from the spirit of solidarity more than from conflict. This perspective allows stating that collaboration enhances an atmosphere of non-judgment that results in acceptance of diversity in all its manifestations and, therefore, in the acquisition of a cooperative mentality which can find significant application in making the individual capable of cooperating. In a wider perspective, it can be said that external environment is continually perceived and represented in internal mental states of the individual so that individuals can develop themselves in all the activities that they carry out. Therefore, it can be said that individual can learn to cooperate and that the degree of transposition of this ability developed in groups is positively correlated with the use of incentives.

- Pragmatism—there is a significant positive correlation ($r=0.000^{***}$, for managers; $r=0.000^{***}$, for professionals) between this variable and incentives’ use. This result needs a reflection. Societies with pragmatic (long-term) orientation demonstrate perseverance for achieving long-term goals, the easy adaptability of traditions to the conditions. This means that they tend to allow gratification for their desires, enjoying life. They focus on individual happiness and well being, free time is very important. Positive emotions are freely expressed. These values are all expressed in groups.

5. Conclusions

This study extends a growing line of research demonstrating that culture may play a critical role in the success of team-based reward programs or in the employee resistance to teams. Kirkman and Shapiro [59] argue that cultural values such as power distance [60], determinism [61], and individualism [60] can influence the extent to which employees resist teams. Based on this literature it has used a regression model (Logit) to analyze which, among cultural dimensions of three types of employees (managers, professionals, clericals), have the strongest relationship to the propensity to the use of bonus for the group. The research has considered that Hofstede’s model of cultural dimensions demonstrate a significant relationship between cultural dimensions and the use of incentives.

In particular, there is a negative correlation between Individualism, Power Distance, Masculinity, Uncertainty Avoidance, and Indulgence and bonus; so when each of them increases incentives’ use decreases. For Pragmatism, instead, there is a positive relation; so when it increases the use of bonus increases too.

These results are validated for managers and professionals and no for clericals. It is important to note that culture moderates but do not override individual personality. Moreover, prior experience in interacting with different cultures can change the effect of the original cultural influence [62].

Future works should extend this line of research to investigate the impact of bonus for the team on other national dimensions such as for Globe’s model. Additionally, while bonus can
be understood as a special form of an incentive scheme, future research should test the effect of national culture on many different incentive systems.

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