National Remuneration (Pay) Preferences: Cultural Analysis within the Hofstede Model

*Using Cultural Values to Untangle the Web of Global Pay*

by

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...dedicated to the "Renaissance Manager" ... open minded, with a thirst for knowledge, creative in a multi-dimensional sense, possessing an attitude of constant self-renewal, striving to understand and value cultural diversity, having a finely honed political sense, but most of all cherishing the spirit of mankind.
Abstract

Remuneration may be viewed as more than merely a cost in doing business. It may be used as a motivational tool to help achieve a multitude of strategic goals. Within the global context, effective use of this tool requires addressing not only motivational factors but also cultural factors. In this thesis, factors are considered within a multinational corporate framework and within a Cultural Remuneration Model. The model defines corporate culture, professional culture, national culture and individual characteristics as factors influencing employee values associated with remuneration preferences.

The theoretical development of the model required a statistically significant multinational sample. To achieve this, data was collected in 17 countries from one multinational corporation within the chemical/oil industry. All 861 respondents were non–management, and performed technical functions. This sample selection reduced any variance associated with corporate or professional cultures. Empirical results were determined from the respondents through use of surveys.

Two surveys were conducted, three months apart. National culture was operationalised within the framework of the five Hofstede cultural indices: power distance, long–term orientation, uncertainty avoidance, individualism and masculinity. Remuneration was operationalised using several theoretically substantiated constructs developed for this study.

The survey results were analysed at both the country (ecological) and the individual employee levels. Analysis was completed using multilevel modelling of both country and employee level effects. At the ecological level, data means were calculated to establish a relationship between the national culture mean and remuneration preference mean on a country–by–country basis. These results were analysed
using Spearman Rank Order Correlation statistics. At the individual level, analysis was completed using structural equation modelling. Random coefficient multilevel modelling techniques were used to complete the analysis.

The ecological analyses on both surveys produced statistically significant correlations with the Hofstede results. The ecological level review of the relationship between national culture values and remuneration values indicated several direct relationships between the five cultural indices and their associated remuneration elements. The individual level analyses produced similar results indicative of the direct relationships between remuneration preferences and cultural values. Although several individual characteristics achieved significance in the structural equation models, their influence is only weak to moderate. The multilevel results indicated that more than 70% of the variance could be attributed to country level effects, rather than to individual level effects.

Ecological level, individual level and multilevel models all identified a significant influence of national culture on employees’ preference of remuneration elements within the oil/chemical multinational corporation environment.

A strategically aligned, motivated workforce may result when this type of remuneration analysis leads to the design of remuneration programs that take into account national culture influence.
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