

## THE INFLUENCE OF PERFORMANCE ORIENTATION ON ECONOMIC AND SOCIAL INDICATORS

### UTICAJ ORIJENTACIJE KA PERFORMANSAMA NA EKONOMSKE I SOCIJALNE INDIKATORE

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**Abstract:** *GLOBE is the only study that defines Performance Orientation as a distinctive cultural dimension. The cultures with high Performance Orientation practices score higher on various economic indicators promoting higher economic development of the country. The Republic of Macedonia has a medium to low score for Performance Orientation, which is consistent to the country's level of economic prosperity. Increasing the level of cultural practices for Performance Orientation can significantly influence the nation's attitude towards work performance and drive the success of the economy.*

**Key words:** *Performance Orientation, GLOBE, economic development, Macedonia.*

**Sadržaj:** *GLOBE je jedina studija koja definiše orijentaciju ka performansama kao prepoznatljivu kulturnu dimenziju. Kulture sa visokim stupnjem praktilne orijentacije ka performansama postižu bolje rezultate na različitim ekonomskim pokazateljima koji promoviraju veći ekonomski razvoj zemlje. R. Makedonija ima srednju do nisku ocenu za orijentaciju ka performansama, što je u skladu sa nivoom ekonomskog prosperiteta zemlje. Povećanje nivoa kulturnih praksi za orijentaciju ka performansama može značajno uticati na odnos nacije prema performansama rada i stimulisati uspeh privrede.*

**Ključne reči:** *Orijentacija ka performansama, GLOBE, ekonomski razvoj, Makedonija.*

#### 1. INTRODUCTION TO THE CONCEPT OF PERFORMANCE ORIENTATION

The concept of performance orientation is relatively new and has not been sufficiently examined in past theoretical and empirical research. Probably the earliest study of performance orientation was done by the German sociologist Max Weber [1]. He observed the connection between the protestant ethics and the “spirit of capitalism” claiming that the rise of the capitalism in Western Europe is a direct result of the Protestants’ ethics, with emphasis on individual hard work, austerity, and achievement, as means to celebrating God.

The Protestants work hard and systematically in order to gain wealth, and yet their ascetic beliefs suggest that, instead of consuming these riches to satisfy earthly pleasures, they are to be invested in expansion of capitalistic enterprises. Thus, the combination of hard work and capital accumulation, have paved the way towards the growth of capitalism in Western Europe and the USA.

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Kahn came to the conclusion that the Protestant ethic is not the only religion to foster hard work and worldly performance [2]. In a study of cultural values in many countries, Hofstede and Bond confirm that one of the main reasons for the impressive economic growth and prosperity of Southeast Asian countries during the period 1965-1985 was the Confucian or neo-Confucian cultural roots of the region. Hard work, acquisition of new skills, patience and perseverance, and thrift are considered to be the key principles of the Confucian teachings. The scholars argue that these Confucian principles have been essential in driving the economic progress in the Southeast Asian region [3].

The orientation towards work led to the rise of David C. McClelland's concept of "need for achievement" (*nAch*). The need for achievement is defined as the need to do better all the time. He argued that individuals with high need for achievement tend to achieve pleasure from progressive improvement, like to work on tasks with moderate probabilities of success because they represent a challenge, take personal responsibility for their actions, seek frequent feedback, search for information on how to do things better, and are generally innovative [4].

According to Maehr's theoretical definition, achievement consists of personal responsibility, standards of excellence, and challenge [5]. The authors Fyans, Salili, Maehr, and Desai identified a universal factor of achievement consisting of concepts such as knowledge, progress, masculinity, success, work, freedom, and courage. They concluded that there is a universally accepted definition of the concept of achievement. They also pointed out that despite such universality in definition, cultures are quite different in terms of the way they actually manifest the concept. They found that high-scoring cultures tend to focus on the future, achievement, taking initiative, and independent competence. The low-scoring cultures tend to focus on tradition, family, affiliation, and social ties [6].

It is obvious that different scholars, in a different period of time, in different part of the world, and a different religious environment, have reached to the same conclusion that, the cultural values of



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performance orientation are a key element in shaping and influencing their social and economic behavior. The largest cross-cultural study, conducted by Hofstede did not conceptualize or measure performance orientation as an independent cultural dimension although there is overlapping with the broader cultural dimension masculinity/femininity (which also included two other attributes: assertiveness and gender egalitarianism) [7].

The GLOBE project has focused on Performance Orientation as a distinct cultural dimension. GLOBE is the acronym for “Global Leadership and Organizational Behavior Effectiveness,” a cross-cultural research effort that exceeds its predecessors in scope, depth, duration, and sophistication. The study collected data from 17.300 middle managers in 951 organizations in three industries (telecommunications, food-processing industry, and banking including insurance companies). GLOBE is a research program that focuses on culture and leadership in 62 nations across the world [8].

The researchers have analyzed the relationship between the societal, organizational cultures, and organizational leadership. Their main goal was to develop an empirically based study that can describe, understand, and anticipate the influence of different cultural variables on leadership and organizational processes. One of the most important tasks for the researchers was to identify the dimensions for measurement of national and organizational cultures. They have identified nine cultural dimensions: Power Distance, Uncertainty Avoidance, Institutional Collectivism, In-Group Collectivism, Assertiveness, Gender Egalitarianism, Performance Orientation, Future Orientation, and Humane Orientation. Each dimension is conceptualized in two ways: “as is” (cultural practices), and “should be” (cultural values) [8].

The 17,300 respondents were asked to state their nations’ values as well as practices, which led to the conclusion that there is a significant deviation between a country’s values and practices scores for the same cultural dimension. In fact, a high value score is frequently associated with a low practice score and vice versa. This is contrary to conventional wisdom that people behave in a certain way because they hold certain values in high esteem. The logical explanation is that the absence of a certain value in practice leads to value it more [8].



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The cultural dimension named Performance Orientation, which is subject to this paper, emerged from the GLOBE project as exceptionally important. It is defined by GLOBE researchers as “*the extent to which a human community encourages and rewards setting challenging goals, innovation, and performance improvement*” [8].

| Societies that score higher on performance orientation, tend to:   | Societies that score lower on performance orientation, tend to:   |
|--|---|
| <ul style="list-style-type: none"> <li>• Value training and development</li> <li>• Emphasize results more than people</li> <li>• Reward performance</li> <li>• Value assertiveness, competitiveness, and materialism</li> <li>• Expect demanding targets</li> <li>• Believe that individuals are in control</li> <li>• Have a “can-do” attitude</li> <li>• Value and reward individual achievement</li> <li>• Have performance appraisal systems that emphasize achieving results</li> <li>• View feedback as necessary for improvement</li> <li>• Value taking initiative</li> <li>• Value bonuses and financial rewards</li> <li>• Believe that anyone can succeed if he or she tries hard enough</li> <li>• Believe that schooling and education are critical for success</li> <li>• Value what you do more than who you are</li> <li>• Attach little importance to age in promotional decisions</li> <li>• Value being direct, explicit, and to the point in communications</li> <li>• Have a monochromic approach to time</li> <li>• Have a sense of urgency</li> </ul> | <ul style="list-style-type: none"> <li>• Value social and family relationships</li> <li>• Emphasize loyalty and belongingness</li> <li>• Have high respect for quality of life</li> <li>• Emphasize seniority and experience</li> <li>• Value harmony with the environment rather than control</li> <li>• Have performance appraisal systems that emphasize integrity, loyalty, and cooperative spirit</li> <li>• View feedback and appraisal as judgmental and discomfoting</li> <li>• View assertiveness as socially unacceptable</li> <li>• Regard being motivated by money as inappropriate</li> <li>• View merit pay as potentially destructive to harmony</li> <li>• Value “attending the right school” as an important success criterion</li> <li>• Emphasize tradition</li> <li>• Have high value for sympathy</li> <li>• Associate competition with defeat and punishment</li> <li>• Value who you are more than what you do</li> <li>• Pay particular attention to age in promotional decisions</li> <li>• Value ambiguity and subtlety in language and communications</li> <li>• Have a polychromic approach to time</li> <li>• Have a low sense of urgency</li> </ul> |

**Table 1:** Comparison of societies with high and low performance orientation [8]

Societies whose respondents report strong Performance Orientation tend to have specific distinguishing characteristics. They value education and learning, emphasize results, setting high performance targets, value taking initiative, and prefer explicit and direct communications. In contrast, societies whose respondents report low Performance Orientation are reported to value social and family relations, loyalty, tradition, and seniority, and use subtle and indirect language. Table 1 provides a summary comparison of a typical society that has a strong culture of performance orientation and a society with a weak performance orientation. However, it is necessary to point out that the societal culture is far too complex to be presented by only few characteristics. The table represents extreme cases, but it should be understood that most cultures do not fit into the extremes; rather the culture is a mix of those extreme cases [8].

The international GLOBE study used four questionnaire items to measure the existing *practices* in societies (culture “*As Is*”) and the desired *values* (culture as it “*Should Be*”) for Performance Orientation. The questions relate to the extent to which organizations facilitate and reward improved performance, and the extent to which individuals set challenging goals for themselves.

Compared to the other cultural dimensions measured, the society practices score for Performance Orientation has a midlevel average rating of 4.10 with a range of 3.20 to 4.94. The society values average score for Performance Orientation, at 5.94 with a range of 4.92 to 6.58 is the highest of all GLOBE scales. It suggests that in comparison with the other GLOBE cultural dimensions, Performance Orientation is the most valued one. The results have also shown that there is a substantial and significant difference between the average scores for the current perceived level of societal Performance Orientation (cultural practices) and the desired level (cultural values) [8].

## 2. PERFORMANCE ORIENTATION IN THE REPUBLIC OF MACEDONIA

In order to provide measurements for international comparison of the Macedonian culture with the culture of other countries, in the period May - July 2014, we have conducted a research in the Republic of Macedonia that follows the GLOBE methodology [9]. The basic technique used within the research was survey, conducted via the standardized GLOBE questionnaire for national dimensions. The questionnaire was distributed to a group of 165 respondents, with 118 total collected responses. From them, 109 (92%) are completely answered, while only 9 respondents (8%) haven’t completely finished the survey. Only the completely answered questionnaires have been included within the statistical analysis. The structure of the responses is represented in table 2.

|   | <i>Completely answered questionnaires</i> | <i>Uncompletely answered questionnaires</i> | <i>Total number of responded questionnaires</i> |
|---|---|---|---|
| Questionnaire for cultural dimensions in R. Macedonia | 109 (92%)                                 | 9 (8%)                                      | 118 (100%)                                      |

**Table 2:** Graphical summary of the responses from the questionnaire for cultural dimensions in R. Macedonia [9]

The statistical elaboration of the collected data from the questionnaire, included testing the dimensions of national culture with student T-test for dependent samples with the use of Varimax method of factor rotation. The mean values for Performance Orientation “*As Is*” (cultural practices) and “*Should Be*” (cultural values) collected from the conducted research are presented in table 3. The table also shows the ranking of Macedonia in international comparison to the 61 other societies included within GLOBE research.

|                                      | <i>Mean</i> | <i>Rank</i> | <i>Min.</i> | <i>Max.</i> |
|--------------------------------------|-------------|-------------|-------------|-------------|
| Cultural practices “ <i>As Is</i> ”  | 3.90        | 43          | 3.20        | 4.94        |
| Cultural values „ <i>Should Be</i> ” | 6.30        | 9           | 4.92        | 6.58        |

**Table 3:** Results from the research in R. Macedonia for GLOBE’s Performance Orientation [9]

As presented in the above table, the respondents' data from the questionnaire have a mean score for the cultural practices of the cultural dimension Performance orientation of 3.90 which is relatively close the international average of 4.07. The value for this dimension represents a mean from the respondents' answers to the following questionnaire items:

- In this society, teen-aged students are encouraged to strive for continuously improved performance.
- In this society, major rewards are based on: only performance effectiveness, performance effectiveness and other factors (for example, seniority or political connections), or only factors other than performance effectiveness (for example, seniority or political connections).
- In this society, being innovative to improve performance is generally: substantially rewarded, somewhat rewarded, or not rewarded.
- In this society, people place more emphasis on: solving current problems, or planning for the future.

The mean value suggests a culture with a moderate to low focus towards performance and improvement of results. What is impressing about this dimension is the fact that there is a significant deviation of the mean for cultural practices ("As Is") in comparison to the attitudes towards cultural values ("Should Be"). Namely, the mean score of 6.30 for the cultural value of this dimension is quite high reflecting continuous striving towards continuous improvement of results, rewarding high-performing individual or groups, as well as implementation of innovations in order to improve the level of performance. The results also show a high degree of focus towards solving current problems and innovating different ways to achieve the goal.

|                                | <i>Mean<br/>(M)</i> | <i>Standard<br/>deviation<br/><math>\sigma</math></i> | <i>Mean<br/>(M)</i> | <i>Standard<br/>deviation<br/><math>\sigma</math></i> | <i>p</i> |
|--------------------------------|---------------------|---|---------------------|---|----------|
| Cultural practices<br>"As is"  | 3.96                | 0.95  | -2.38               | 1.26  | 0.00*    |
| Cultural values<br>"Should Be" | 6.34                | 0.86  |                     |   |          |

N=109

\*statistically significant on level  $< 0.05$

**Table 4:** Statistical results from the T-test for Performance orientation [9]

The results from the conducted student T-test for comparison of both conditions of cultural Performance orientation, shown in table 4, confirm that there is a statistically significant deviation between the results for cultural practices (M=3.96) and cultural values (M=6.34) where  $p=0.00$ . The deviation is statistically significant on level  $p<0.05$ , meaning that there is a high will for increasing of performance orientation within the macedonian society.

The results show the respondents' perception that, the macedonian society is characterized by "reversed values", in terms that the economic system is designed in a way that does not reward only the achieved results, but also other factors, such as age, soicial status, political connection etc. From 109 respondents only 4 (3.67%) have responded that the rewards are received based on the efectiveness of performance, which is a striking number. Therefore, the respondents' need for increased value of achieved results and development of reward system (on both institutuional and organizational level), that would value the quality and efectiveness of individuals and groups, is clearly understandable. The values of this dimension are closely linked with the values of the charizmatic/leadership based on values. Namely, the members of a society that highly value excellence, superior performances, results improvement and

innovation, appreciate leaders that display charismatic values, that are visionary, inspiring, motive busters etc.

### **3. PERFORMANCE ORIENTATION AND ECONOMIC HEALTH**

The economic prosperity and competitiveness of a society is a complex and multidimensional concept. It evolves over time as a result of many forces and drivers. It is strongly dependent on the nation's economic productivity because a paramount goal in any society is to produce rising standards of living for its citizenry [10].

Many scholars, such as Weber [1], Rostow [11], and Parsons [12] have argued that those societal practices that encourage achievement orientation are key to economy and business. McClelland [4] also suggests that men with high achievement motives will find a way to economic achievement given fairly wide variations in opportunity and social structure.

The GLOBE researchers in [8] have compared their findings on Performance Orientation with the findings of other major cross-cultural and comparative studies focusing on different countries' social and economic performance. They compared the relevant data from the following major reports: the IMD's Global Competitiveness Ranking, the United Nations' Human Development Report, and the World Values Survey in order to determine whether there is a relationship between the cultural dimension Performance Orientation and economic health. The findings of these studies are grouped into **four categories**: economic health, success in science and technology, human condition, and societal values. In this paper we refer only to the first category - the economic health. Three hypotheses have been developed:

- a. Societies that score high on performance orientation practices tend to be more economically prosperous and competitively successful.
- b. Societies that score high on performance orientation practices tend to have stronger societal support for competitiveness.
- c. Societies that score high on performance orientation practices tend to enjoy higher levels of human development.

The researchers have correlated the coefficients between the two GLOBE dimensions of Performance Orientation (practices and values), and the various **elements of economic health**:

- economic prosperity, which refers to consumption and growth;
- economic productivity, which refers to a supportive labor environment and growth in productivity;
- government support for prosperity, reflecting the extent to which the government and the political body are supportive of economic progress; and finally,
- societal support for competitiveness, which is a measure of the general social attitude toward and support for business competitiveness.

In addition to these measures, they also examined the relationship between GLOBE findings and the World Competitiveness Index produced by IMD.

| <i>Performance Orientation</i> | <i>Economic Prosperity</i> | <i>Economic Productivity</i> | <i>Government Support for Prosperity</i> | <i>Societal Support for Competitiveness</i> | <i>World Competitiveness Index</i> |
|--------------------------------|----------------------------|------------------------------|--|---|------------------------------------|
| Society values                 | -.28*<br>N=57              | .16<br>N=40                  | -.22<br>N=40                             | .08<br>N=40                                 | -.44<br>N=42                       |
| Society practices              | .29*<br>N=57               | -.26<br>N=40                 | .50**<br>N=40                            | .58**<br>N=40                               | .61**<br>N=41                      |

\*Correlation is significant at the .50 level (2-tailed).

\*\*Correlation is significant at the .01 level (2-tailed).

**Table 5:** Relationship between Performance Orientation and Economic Health [8]

The results, presented in table 5, show that the **values** for Performance Orientation are not positively related to the society's economic performance. Societies in which Performance Orientation is reported to be highly valued do not necessarily enjoy a greater economic prosperity, or a public attitude or government sector that encourages more competitiveness. However, they did discover that the **practices** of Performance Orientation are significantly related to their countries' level of economic prosperity and national competitiveness, thus confirming that performance-oriented societies are more economically prosperous. The GLOBE findings point to the conclusion that cultural practices are an important correlate of economic productivity and prosperity [8].

Performance orientation is an important characteristic of national culture. Various studies show that there is a correlation between societal Performance Orientation practices with important measures of economic health. That suggests that societies with high level of Performance Orientation tend to enjoy higher levels of economic prosperity. They are supported by a public attitude that encourages competitiveness, and a public sector that facilitates prosperity. They are also more competitive in global markets.

The medium to low score for cultural practices for Performance Orientation in R. Macedonia are consistent to the country's low to medium level of economic prosperity. Unfortunately, the Republic of Macedonia is not included in most reports used by GLOBE, thus limiting us to conduct deeper analyzes of the correlation between the Macedonian cultural practices for Performance Orientation and significant economic indicators. However, we can indirectly draw conclusions from the results of other countries from the region. For example, the Global Competitiveness Scoreboard for 2014 ranks the Balkan countries included in the research, as follows: Slovenia (55/60), Bulgaria (56/60), Greece (57/60), and Croatia (59/60) [13]. This ranking suggests that the Macedonian score would be lower which is consistent to the medium to low Performance Orientation practices scores.

As for the Human development index for 2014, Macedonia has a score of 0.732 ranking on 84<sup>th</sup> place and ranking between the countries with a high human development index [14]. However, GLOBE also showed that Performance Orientation practices are not associated with better human or psychological health, higher life expectancy, or higher ratings on the United Nations Human Development Index [8].

#### 4. CONCLUSION

The findings presented in this paper indisputably show that the level of cultural practices for Performance Orientation in a country can significantly influence the nation's attitude towards work performance. Cultures with high Performance Orientation practices score higher on various economic indicators promoting higher economic development by improving different economic activities. Countries with high score on Performance Orientation practices also foster leaders who value and reward hard work, ambition, high standards, and performance improvement. They lead to the formation of corporations that are ambitious, hardworking, competitive, and successful. The success of the private sector, in turn, drives the overall prosperity of the economy and the population. Increasing the level of cultural practices for Performance Orientation can significantly influence the nation's attitude towards work performance and drive the success of the economy.

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