# The Impact of National Culture on Balanced Scorecard

**Score:** 81 of 100

## Issues Found in This Text

- **Contextual Spelling:** 6
  - Misspelled Words: 6

- **Grammar:** 42
  - Determiner Use (a/an/the/this, etc.): 19
  - Faulty Subject-Verb Agreement: 10
  - Wrong or Missing Prepositions: 8
  - Incorrect Noun Number: 4
  - Misuse of Modifiers: 1

- **Punctuation:** 18
  - Comma Misuse within Clauses: 11
  - Punctuation in Compound/Complex Sentences: 5
  - Misuse of Semicolons, Quotation Marks, etc.: 2

- **Sentence Structure:** 5
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**Plagiarism:** 5%
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The Impact of National Culture on Balanced Scorecard

ABSTRACT

Background: As multinational businesses increase, it is important to harmonize between implementing balanced scorecard as a tool to properly evaluate performance and set the target and the understanding of local culture. Materials and Methods: This study investigates the effect of national culture on the financial and the learning and growth perspective of the balanced scorecard using Philippine multinational company case. To conduct a case study, the authors did a survey based on Hofstede Six Dimensions of culture model with 500 employees and received 232 responses. Results: The results are that Filipino cultural tendency affects the evaluation process of performances and setting a company's goal in the financial perspectives, and training course and career changes in the learning and growth perspectives on balanced scorecard. Conclusion: This proves that national culture became a key element of accomplishing BSC in multinational companies. Also, survey results from a developing country like the Philippines give a new perspective to the accounting research which mostly focus on a North American or European perspective. In the current world's economic condition where globalization is a necessity for business, the main conclusion is that combination of culture and balanced scorecard can lead to the success in multinational business.

Key words: Balanced scorecard, Case study, Hofstede Six Dimensions, Multinational company, National culture

1. Introduction

With the competitive nature of business and its environment, it is crucial for the survival of firms to improve the quality of planning, strategizing, and decision making. Therefore, having a tool to properly evaluate and measure the performance of firms is important to obtain the appropriate information in order to make informed decisions and formulate the right strategies (Ukko et al.[20]).
In the early 1990s, Kaplan and Norton introduced the concept of theBalanced Scorecard (hereafter, BSC) as a performance measurement system with four perspectives: the customer perspective; the internal process perspective; the learning and growth perspective; and the financial perspective.

Since the introduction of the BSC by Kaplan and Norton in the early 1990s, a lot of studies have been conducted on its usage, applicability, and general usefulness in performance measurement and strategy formation (Chan and Ho[4], Lipe and Salterio[16], Speckbacher et al.[19]). According to Hoque and James[9], many organizations in both the private and the public sectors have adopted the concept and implemented it. Most of the studies show that the BSC is effective in translating a strategy into operational terms (De Geuser et al.[5]), thereby making it easier for all levels to identify the actions they must take, and the measures that they will be evaluated against.

Kaplan and Norton[12, 13] and Mooraj et al.[18] also show that a BSC company can enhance the top-down communication of strategy, changing the idea of a vague, overarching strategy and breaking it down into everyday actions and duties for all levels of the firm.

Although Mantere and Vaara[17] were not fully convinced of the effectiveness of the BSC in enhancing strategy participation, the vast literature on the BSC and its impact shows that the BSC concept is very popular with both academics and practitioners.

However, while much research has been conducted on the BSC, majority of those studies focus on organizations in the United States and Europe or firms operating in a single country (Ittner and Larcker[10], Speckbacher et al.[19]). With the increase in globalization efforts and international business, the perspectives of the BSC may face challenges unique to businesses that have foreign operations. Globalization becomes major subject in the U.S. academic world due to many factors, from the social science aspect of market and deregulation, to the political science aspect, to cultural theory and local business practices (Appadurai[1]).

With these aspects of global business in mind, the BSC’s power to align all operations into a single measure of performance and strategy becomes even more important. But the BSC was initially conceived as
a remedy for a North American "culture" problem, namely a fixation on short-term financial outcomes (Kaplan and Norton, [11,12,13], Carmona et al.[3]). The assumptions and expected outcomes of the BSC are primarily geared towards a North American state of mind and business "culture".

Since Laughlin[15] insisted that the BSC is geared to reflect a more North American culture, if the implementing organization has not adopted the cultural dimensions that the BSC conforms to, then the beliefs and the attitudes of the management and employees may not be congruent with the company's view on appropriate individual and corporate measures of performance. Therefore, the alignment of the measures of performance with the goals and strategies of the company is highly important (Carmona and Gronlund[2], Kaplan and Norton[14], Lipe and Salterio[16]).

That is, globalization and multinational business bring changes of utilizing the best practices prescribed by the BSC. Generally, a universal culture for firms that operate over several countries is important for increased efficiency and effectiveness, but each country will bring with it a differing culture that may impact the operations of the company. Carmona et al.[3] shows the different reactions of North American and Spaniard regarding the incentive regimes emphasizing short-term financial outcomes and non-financial lead indicators, and explains that the differences reactions comes from different cultural preference. In particular, the BSC relies on a uniform strategy where all units of operation must align with the corporate strategy and performance measurement. Therefore, the differences in culture may affect the perspectives of the BSC in terms of priority and focus.

In terms of national culture, the Hofstede Centre based in Helsinki, Finland conducts the culture compass survey, jointly developed the culture consultancy with Itim International. This survey is an instrument that assesses individual preferences at the level of national cultures. Culture is a group phenomenon and, as such, is an indicator of national cultural preferences. The culture is explored through the lens of the six-dimension model based on extensive research done by Professor Geert Hofstede and his research team (The Hofstede Centre[21]).
This model of national culture consists of six dimensions representing independent state of affairs over another that distinguish countries from each other. Since the respondents answer for their own preferences, the country scores on the model are all relative. It is therefore important to note that culture can only be used meaningfully by comparison.

The six dimensions as discussed by Hofstede[7,8] are comprised of Power Distance Index (hereafter, PDI), Individualism versus Collectivism (hereafter, IDV), Masculinity versus Femininity (hereafter, MAS), Uncertainty Avoidance Index (hereafter, UAI), Long-term Orientation versus Short-term Normative Orientation (hereafter, LTO), and Indulgence versus Restraint (hereafter, IND).

The PDI expresses the degree to which the less powerful members of a society accept and expect that power is distributed unequally. A higher degree of PDI shows a hierarchical order in which everybody has a place and where there is no need to justify inequalities of power. A lower degree of PDI shows a desire to equalize the power distribution and where inequalities of power must be justified.

For IDV, it contrasts individualism (preference for a loosely-knit social framework in which individuals are expected to take care of themselves and their immediate families) with collectivism (preference for a tightly-knit social framework in society in which individuals display loyalty to their group). The main question for this dimension is whether a culture defines its self-image as ‘I’ or ‘we’.

The third dimension MAS contrasts masculinity (preference for achievement, heroism, assertiveness and material rewards for success, with a more competitive society as a result) with femininity (displaying a preference for cooperation, modesty, caring for the weaker members of society, and a more consensus-oriented society). This dimension focuses on whether a culture can be seen as ‘tough’ or ‘tender’.

UAI is the fourth dimension and it expresses the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity. A culture with a strong UAI follows more stringent codes of actions and beliefs, and is generally not open to unorthodox behaviors and ideas, while cultures with weak UAI is generally.
more open and possess a relaxed attitude where the practice is worth more than the principles. The fifth dimension LTO compares cultures with long-term orientation (displaying pragmatism and a willingness to encourage thrift and efforts in modern education as a way to prepare for the future) and short-term orientation (those with normative cultures who prefer to maintain time-honored traditions and norms, and may not be too keen on societal change).

Finally, the sixth dimension IND shows cultures who favor indulgence (prefer relatively free gratification of basic and natural human drives related to enjoying life and having fun) versus cultures who favor restraint (prefer to suppress gratification of needs and regulates it by means of strict social norms).

For multinational companies, these cultural dimensions have an impact on the way business is done, the way operations are carried out, and the expectations of the manpower. Especially, these cultural dimensions could make or break the global business if the company has already introduced BSC to their performance measures and incentive regimes. That is, there could be an interaction between the national culture of a country and the performance and operating goals of a foreign company conducting business in that country. The dimensions dovetail into perspectives of the BSC and may therefore affect whether the firm achieves or fails to achieve its strategy and goals.

Since the BSC as a whole emphasizes long-term success with a collectivist vision, it is possible that national culture may play a role as to whether firm members from different countries would respond differently to the implementation of the BSC and its initiatives (Carmona et al [3]). For instance, the financial perspective is measured by financial ratios and data, and a local firm in a country which displays weak UAI scores may want to increase their financial performance through innovative and unorthodox enterprises in order to meet or exceed the goals set by the head operations in a different country. But if the company is headquartered in a country with a high UAI score, they may not appreciate the deviation from the tried-and-tested approach even though the uncertainty can result to a net gain for the company.
2. Research Design and Expectations

2.1. Research Design

The focus of this study is on the interaction between the balanced scorecard and the six dimensions of culture for multinational company located in the Philippines. The details of research design are as follows.

First of all, this study focuses on two perspectives of BSC, the financial perspective and the learning and growth perspective because these perspectives are directly impacted by the contrast in cultures. The customer perspective is often localized to cater to the local public consumer, and therefore the cultural aspects may not have as much sway on them. For the internal process perspective, there is a standard specification and an expected level of quality for a particular product that does not change whether the product is manufactured in the Philippines or in another country. But the financial perspective is often set by managers abroad and may therefore have conflicts with the local culture. And the learning and growth perspective is often standardized across all the operations of a company.

Next, the subject firm for this case study is the Philippine representative office of a multinational firm. This company specializes in electricity distribution, automation management, and the production of installation components for energy management. The global firm’s headquarters is located in France, but the Philippine office also conducts business with other regions of the world. For the purposes of this paper, the company will be referred to as S Electronic Philippines (hereafter, SEP). SEP started in April 1995 as a Representative Office. The firm has a main office in Manila, branch offices, Cebu and Davao, and warehouse in the Cavite Economic Zone (CEZ). The firm is present in five key markets - energy and infrastructure, buildings, residential, data centers and industry.

The company was selected for this study for several reasons: First, SEP is a multinational firm. The head office is located in France, and the Philippine offices conduct business with different countries. Thus, the impact of cultural differences may be readily seen. Second, the management of SEP is a mix of local
management policies (tailored for the Philippine offices) and global management policies (applied to all representative offices of the head company). This allows the paper to highlight differences in management and strategy styles and expectation between the local workforce and the head office. Third, SEP has recently introduced and implemented a version of the BSC to the local firm. The company implemented a new company program that focuses on priorities for significant improvement, which aligns with the four perspectives of the BSC. This allows us to see the impact of national culture on the BSC perspectives, and how its introduction and implementation will be impacted by national culture. Lastly, SEP is a multi-industry firm, making the results of this paper applicable to several industry sectors.

2.2. Expectations

Harrison and McKinnon[6] characterized the study of the implications that national culture have on strategy and performance measurement as exploratory. Also, Carmona et al.[3] shows that the judgments of cultures that favor short-term financial performance and prefer an individualistic approach to performance measurement (e.g. North America) will contrast with those of cultures that are generally considered to be reflective of a long-term preference and that practice collectivism.

The authors collect information on the SEP company before full-scale survey. Table 1 shows the Hofstede model scores for each country in which head office and local offices are located. The Philippines scored as a hierarchical society that practices collectivism, has a preference for masculinity and a low preference for avoiding uncertainty, holds to traditions and focuses on achieving quick results as a normative society, and as a culture practices restraint. On the contrary, French people have different preference, such as higher power from individualism, lower preference from gender role characteristics, confronting uncertainty, and making a long-term plan from Filipino culture. From these scores, the authors can develop the following expectations regarding the financial perspective and the learning and growth perspective as they relate to Filipino culture.

Table 1. The Scores of Hofstede's Six-Dimension Model7) Hofstede's Index
Divisions PDI1) IDV2) MAS3) UAI4) LTO5) IND6)
Head office France 68 71 43 86 63 48
Local offices Philippines 94 32 64 44 27 42
Note 1) PDI means power distance; 2) IDV means individualism
versus collectivism; 3) MAS means masculinity versus femininity;
4) UAI means uncertainty avoidance; 5) LTO means long-term versus
short-term orientation; 6) IND means indulgence versus restraint, 7)
source from The Hofstede Centre [21]

Expectation 1: Filipinos do not feel the need to participate in the
process of setting financial budgets, targets and goals unless it is
their job to do so. The high PDI score of 94 suggests that the Filipino
worker is entrenched in a highly hierarchical society, meaning they
expect to be told what to do rather than expect to be consulted
(Hofstede [8]). On the contrary, the lower PDI score of France (the
head office of the case company) signifies that the upper management
does not feel the need to consult with lower levels in the setting of
financial measures. But since the employees in the case company
routinely work with operations from other areas of the world, there
could be conflicts in expectations when it comes to setting financial
goals.

Expectation 2: Filipinos are open to being evaluated as part of a unit
or a group instead of as individual employees or workers. The low IDV
score indicates a more collective mindset that stresses collective
goals and belonging rather than individual success (Hofstede [8]).
However, the high IDV score of France indicates that the overall
management prefers assessing employees on an individual basis.

Also,

Expectation 3: Filipinos are comfortable with ambiguity in the process
of setting, meeting, and evaluating the financial measures. They do
not feel the need to be in possession of all the information before
meetings and negotiations. The low UAI score shows that they do not
have a pressing need for clarity and structure, and may even have a
resistance for rules both written and unwritten (Hofstede [8]). In
comparison, the French scores high on UAI, implying the dislike for
surprises and showing the need for structure and planning.

Expectation 4: Filipinos prefer long-run projects and long-term

[ targets, ]

Passive voice

Repetitive word: collective

Repetitive word: individual

Unoriginal text: 8 words

[ resistance for resistance to ]
financial goals for the company rather than short-term goals. This is also related to the IDV score of the Philippines. As France has an opposite score, it is expected that they have a preference for short-term, financially superior projects and goals.

Expectation 5: Filipinos prefer meeting unit goals rather than individual goals. This is also related to the low IDV score of the Philippines. Which may lead into a conflict with the head operations, as the country as a whole may be seen as performing up to expectations, but there will be variations between individual performances.

Expectation 6: In terms of learning, training and growth, Filipinos exhibit a preference for a classroom-type, teacher-driven training rather than an interactive, self-driven learning mechanism. This is related to their high PDI (expected to be told what to do), weak UAI (looking to the teacher to have all the answers), and low LTO (preference for traditional and normative approaches over pragmatic ones even at the cost of efficiency). Since France exhibits directly opposite score, I expect that there will be conflicts and inefficiencies in the implementation of the trainings and growth initiatives.

Expectation 7: Filipinos prefer to be awarded promotions and salary adjustments based on individual performance rather than group performance. Despite the low IDV score of the Philippines which indicates collectivism, the Philippines also scores high on MAS. This indicates that intra-group competitiveness and ambition is also strong in the national culture. Evaluation of performance as a group is deemed preferable because the credit for a good performance can be shared by the group and does not directly lead to individual gain. But promotions and salary increases are seen as ‘awards’ for individuals (i.e. Promotions cannot be split and divided amongst the members of the group), and so the MAS score overrides the collectivism in this case.

Expectation 8: Filipinos will prefer to leave a company rather than stay in jobs that they dislike. This is borne out by the weak UAI score, and is in direct opposition to the strong UAI of France, who may not understand why the employee turnover in the local operations is higher than expected.
3. FINDINGS

3.1 The Perspective of BSC and National Culture

This section presents the results of the survey and discusses the findings of this study. A paper-based survey was disseminated to respondents in the CEZ and Cavite operations of SEP. 500 survey questionnaires were distributed to the employees who met the selection criteria established for this paper. 232 usable responses were received, for an effective response rate of 46.4%. Table 2 describes respondent’s basic information.

The survey respondents were comprised mostly of people in the staff level (82%) and employees in the Finance department of SEP (70%). The position level results may simply be indicative of the breakdown of personnel in the company. The department result may indicate that knowledge and interest in the BSC perspectives are larger for those involved in the financial side of the company, as BSC efforts are often considered as a function of the management accounting division. Of all the respondents, only one was a foreigner (Australian) and the rest were Filipinos. 92% of the respondents were involved with operations outside of the Philippines, majority of which are involved in the East Asia region comprised of Japan, Korea, and China. This international exposure gives us an insight into the impact of culture not simply based on a comparison between the local country (The Philippines) and with the headquarters(France) but also with the various regions of the world that the respondents conduct business with.

Next, Table 3 shows the results of response on the BSC. 211 of the respondents (91%) were aware of the new BSC initiatives that the firm was implementing. This signifies the effort of the firm to clearly communicate their strategy and performance measures to the local workforce. Majority of the respondents also agree that these measures used by the firm in evaluating performance were good, equitable measures and that the firm communicates expectations in a clear and achievable manner. In line with the positive response that the respondents had with the BSC initiatives of the firm, 165 respondents (71%) rated the success of
the BSC initiative in SEP to be "very successful". The most noted weakness of the BSC, however, was that there were too many measures, indicating a detailed list of performance indicators that were used to evaluate the local workforce and the local performance.

The results of response on national culture is presented in Table 4. It is interesting that 123 of the respondents (53%) disagreed when asked whether the expectations of the firm on a multinational level align with those of the Filipino employees, while 147 of the respondents (63%) agree that. This indicates that even though the multinational directives and strategies as seen through the BSC may agree with the stated values and goals on a firm level, the same values and goals may not necessarily agree with the firm on the employee level. Moreover, half of the respondent experience conflicts between BSC and national culture, which means that national culture has a perceived impact on the BSC initiatives on a multinational company. The beliefs are confirmed by answers to question 17.

3.2. The effect of national culture on the Financial Perspective in BSC

Table 5 shows the interaction between the national culture and the financial perspective, the results of expectations from 1 to 5. For the Expectation 1, the survey questionnaire results seem to agree with this expectation. 95% of the respondents indicate that the financial budgets and targets for the local operation are set by upper management and do not require the input of those in the lower levels. It is important to note that this preference to hierarchy does not denote a negative for high PDI cultures. According to Hofstede[8], it simply means that the inequality level of authority is endorsed by the followers as much as by the leaders. They trust in their leaders' ability to make the right decisions. And this leads to the confirmation of the first expectation this paper has developed.

For the expectation 2, it is clear that the company prefers to evaluate individual performance rather than group performances, however, still 40% of respondents prefer to be evaluated on group performances. This result supports the impact that national culture (IDV in this circumstance) has on a financial perspective of the BSC.
Next, 94% of the respondents feel that the firm's financial budgets and targets are very strict and unyielding. However, the response to the next survey question again confirms the expectation 3. Out of all the respondents, only 41% preferred a strict budget and target, while the remaining 137 respondents accounting for 59% prefer a more flexible budget that gives allowances for changes depending on certain circumstances. This means that there is a high need for clarity and structure with the head office, while the Filipino culture is comfortable with ambiguity. The results suggest that there should be some flexibility built into the financial measures to successfully implement the BSC in such a cultural setting.

The fourth expectation discusses the preference that Filipinos have for long-run projects and long-term financial goals for the company rather than short-term goals. 144 respondents replied that they feel that the company prefers to go to short-term projects. However, on the contrary, 71% of the respondents answered that they believe long-term goals are better for the company in the long run. Even all of the respondents in the managerial and supervisory level favored long-term projects over short-term ones. This coincides with the interview response where there might be conflicts between the prerogatives of the firms and the preferences of local management. The results suggest that company needs to enlighten the importance of short-term project as cornerstone for long-term project.

Lastly, the result shows that Filipinos prefer meeting overall goals over individual goals in common with the expectation 5 and also judge that company has same value for both goals. The results suggest that company should explain the overall goals and individual goals, clearly in such a cultural setting.

3.3 The effect of national culture on the Learning and Growth Perspective in BSC

Table 6 describes the interaction between the national culture and the learning and growth perspective, the results of expectations from 6 to 8. For the expectation 6, Filipinos exhibit a preference for a classroom-type, teacher-driven training over an interactive, self-driven learning mechanism or program. These tendencies are consistent with the Philippines' scores on Hofstede's six-dimension model. This
Grammarly

is an interesting result. Most companies only prioritize the quality of the trainings, as that is a very important aspect to improve the quality of service that the personnel can deliver. But as the BSC does not prescribe any particular format of training, only that personnel quality should improve with training, one way to avoid conflicts for a multinational company is to adapt the format that would be more widely accepted by the local workforce. A combination of both traditional classroom-based and web-based trainings would also be a good way to avoid conflicts, and make the implementation of the BSC initiatives easier.

As expectation 7, the Filipino workforce prefers to be awarded promotions and salary adjustments based on solely individual performance rather than group performance. It means that they would like to choose group performance for overall evaluation, while they expected company to give only weight to individual performance when it comes to individual negotiations. The results suggest that difference weight is one of the ways to alleviate centralization degree of certain performance.

For the expectation 8, more than half of the respondents put their personal life and emotions before work life when changing jobs, and this tendency is consistent with weak UAI score. As employee retention is an important performance measure in the learning and growth perspective, this aspect of the national culture should be considered when implementing BSC initiatives in a country or region with a weak UAI score.

4. Discussion

While prior studies focus on organizations in the United States and Europe (Ittner and Larcker[10], Speckbacher et al. [19]), and with firms operating in a single country, this study conducts survey in a multinational company, which has headquarters in France, and mostly operates in the Philippines. Therefore, it provides an implication that studying on the BSC in the developing country like the Philippines gives further studies foundation of survey research in the developing countries.

According to the survey that how national culture affect the point of view on BSC, especially financial perspective, the results are
consistent with Carmona et al.[3]. As mentioned by Carmona et al.[3], the respondents appear to understand the importance of meeting firm's goal and trust in their leaders' ability to set the target and evaluate their performance. This results confirm the different national culture makes different reactions regarding the financial perspective. As presented in Table 1, the answers of learning and growth perspective are consistent with the Filipino culture that are expected to be told what to do (high PDI), and look to teacher to have all answers (weak UAI). In detail, Filipinos have a preference for classroom-type, teacher-driven training rather that self-driven training mechanisms. As expected in in Hofstede[8], the results supports that national culture has also impact on learning and growth perspective. These results have an implication that figures out the interaction between national culture and implementing and planning BSC in a multinational company setting.

5. Conclusion
This paper examined the impact of national culture on the financial and the learning and growth perspective among the four BSC perspectives. The survey results show that national culture can impact on the implementation of BSC when there is a difference with the culture of the country where the company headquarters are located. Based on the country scores of Hofstede model, several expectations were developed, and a survey was created to assess the impact that those cultural models have on performance measures and strategy.

In terms of the financial perspective, Filipinos do not feel the need to participate in the process of setting the financial measures unless it is part of their job description. Filipinos are also open to being evaluated as a part of a unit as a show of collectivism. It is important to note that this does not necessaril mean that only collective evaluation should be implemented, but rather be considered to implement BSC initiatives in a country that shows a low IDV score. The survey respondents also showed that rigidity and extreme clarity in the evaluation process is not preferred in the culture, as flexibility in the targets and goals are expected. Also, long-term projects are preferred over short-term ones, even if the short-term
projects can provide high upfront benefits immediately. And priority is given to group goals over individual goals. In terms of the learning and growth perspective, the responses confirmed the following expectations. The local culture in the Philippines show a preference for classroom-type, instructor-driven trainings over self-driven training mechanisms. They also expect to be awarded promotions and salary adjustments based on individual performance rather than group performance. Employee turnover may be high if the job does not fit the preference, skills, or personality of the personnel.

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CONFLICT OF INTEREST
The authors declare that they have no conflict of interest.

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