Measuring performance?
Culture matters

By Sir Andrew Likierman, Professor of Management Practice in Accounting

Many alumni have good memories of being taught by Andrew Likierman, who has been associated with London Business School since 1974. He was the first Director of the part-time MBA, forerunner of the EMBA, but also spent ten years away as a Treasury Managing Director and Head of the Government Accountability Service. He is currently a Non-executive Director of the Bank of England and Barclays Bank and has been Non-executive Chairman of MORI. He was recently appointed to the Committee of Experts tasked with providing a new United Nations' governance and oversight framework.
As alumni know well, London’s international status is mirrored in the huge range of nationalities at London Business School. I regularly have people from more than 30 countries in my elective. The advantage of this fantastic mix becomes greater as globalisation becomes an everyday commercial reality.

To illustrate how understanding performance across cultures can help with customers, partners, suppliers and competitors, let’s look at three examples.

Individual performance

It is tempting to assume that other people measure their own performance in the same way as we do. But the management of a Swedish customer or supplier may be motivated far less by financial reward than a similar US company. Studies of corporate culture over the years — including the work of Chris Early, Professor of Organisational Behaviour, here — have illustrated the great contrasts in motivation between countries.

Differences in attitudes cover many aspects of management. They include the way people think, such as how far they believe that what happens is within their own control (lower in China and Russia than the UK and US). They include the way people work; for example, the role of the group is much stronger in most South American countries than those with a strong emphasis on the individual, such as Australia. They also include assumptions about values, such as whether it is known what other people in the organisation are paid — Swiss reticence here is not a myth. It is crucial to understand these differences when dealing with, or responding to, managers in other countries.

Performance inside the organisation

Take the example of the balanced scorecard. This first appeared in the US in the early 1990s but has not been much taken up in competitors, it is essential to realise that they may have a quite different idea of what success means. There could be a quite different attitude to risk, in willingness to wait for a return on investment, or unwillingness to give primacy to the shareholders.

The implications

Why do differences in approach to performance measurement matter so much? It is because differences in techniques only show what is different. Understanding differences in assumptions about performance help to explain why.

The playwright George Bernard Shaw suggested: “Do not do unto others as you would they should do unto you. Their tastes may not be the same.” Not bad advice when doing business internationally. Understanding how others measure performance gives more opportunities to meet competition and to work better with business partners. It helps us to learn from the way others work and to understand our colleagues from other cultures. In short, it turns what could be a threat into a series of opportunities.

Performance of the organisation as a whole

A furious debate broke out in Germany in 2005 when a politician described a number of international financial institutions, led by Goldman Sachs, as “swarms of locusts that fall on companies, stripping them bare before moving on”. Underneath the emotive language, this was a debate about whether shareholder value was a suitable model for a country with a tradition which takes account of all stakeholders. Contentious European takeovers in recent months have involved similar public debates.

In understanding how to deal with companies as suppliers, customers or

Translating the words is not enough to understand the behaviour of a French partner

France. Is this because a very similar concept — the *tableau de bord* — has been in use in France since the 1930s? Superficially there are many similarities, but a recent article in *Management Accounting Research* explains some crucial differences.*

The article explains how the balanced scorecard is underpinned by US thinking about openness, clarity, hierarchy and the idea of fair contract. None of these is assumed in the *tableau de bord*. The French approach has greater ambiguity and doesn’t depend on hierarchy. A key role is played by a concept without parallel in the UK or US — *l’honneur*. This is not ‘honour’ or ‘honor’ since it defines key relationships, with obligations and privileges. It means being able to operate with fewer formal rules and greater claims to autonomy. These key differences illustrate how translating the words is not enough to understand the behaviour of a French partner or competitor.

Getting started

Look for messages about how suppliers (and, even more important, prospective suppliers) and competitors in other cultures measure success and their attitude to risk. Look at the messages in

- the last annual report
- investor presentations
- recent press releases
- and communications from personal contacts.