



# Impact of behavioral performance management in a Korean application

Behavioral  
performance  
management

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## Abstract

**Purpose** – The purpose of this study is to examine whether the use of money, social recognition, and feedback have a similar impact on employee performance in the context of a modern Korean broadband internet service firm.

**Design/methodology/approach** – The study design was a quasi-field experiment (with control group). First, the leaders of this Korean firm were trained in behavioral performance management. Following the steps of organisational behaviour modification (O.B. Mod.) they identified, measured, and analyzed critical performance behaviors and then intervened with the following reward incentives: money ( $n = 38$ ), social recognition and caring attention ( $n = 41$ ), and objective feedback only ( $n = 31$ ). The main dependent variable was overall performance, and this was also broken down into quantity and quality dimensions.

**Findings** – As hypothesized, money and social recognition had a significant impact on performance outcomes, but feedback did not result in as strong a result. When compared to the control group ( $n = 23$ ), all three reward incentives showed significantly more improvement of overall performance. These findings also indicated, as hypothesized, that the impact of this behavioral management approach on Korean employees did not appear as robust as previous meta-analytic research based on samples of US employees. Finally, although in the predicted direction, the hypothesis that social recognition would have a relatively stronger impact than money and feedback in this context was not statistically supported.

**Research limitations/implications** – The major limitation concerns generalizability of the findings. However, the experimental design provides support for internal validity.

**Practical implications** – The study results have practical implications for the value of behavioral performance management, but also that cultural contingencies should also be considered for successful application.

**Originality/value** – This study contributes preliminary evidence for O.B. Mod to have applicability across cultures.

**Keywords** Employee behaviour, Performance management, Organizational behaviour, Remuneration, Human resource management, South Korea

**Paper type** Research paper



Traditionally, organizational development and performance management programs and approaches have been researched and largely applied in one culture. However, in the global economy, these programs when now commonly taken to other cultures can no longer be assumed to work the same way, or at all. This new reality would seem to apply to all organizational development programs, but especially behavioral performance management where cultural dimensions would seem to play an important role. For example, how employees value and respond to the various (e.g. money, social recognition, and objective feedback) used in widely recognized behavioral performance management programs such as Luthans and colleagues' organizational behavior modification (O.B. Mod.) approach (see Luthans and Kreitner, 1975, 1985; Luthans *et al.*, 1981; Luthans and Stajkovic, 1999; Peterson and Luthans, 2006; Stajkovic and Luthans, 1997, 2001, 2003). In particular, there is both conceptual (Luthans *et al.*, 1998) and empirical (Welsh *et al.*, 1993) preliminary evidence that the O.B. Model may be affected by cultural dimensions for its effective application.

Most theory and research over the years has generally concluded that to be effective, employee reward incentive systems in behavioral performance management need to be aligned with overall strategy (e.g. Arthur, 1994; Youndt *et al.*, 1996). Once aligned, the evidence suggests that these incentive systems will contribute to employee performance (e.g. see Delery, 1998; Huselid, 1995; MacDuffie, 1995). However, behavioral performance management in general and O.B. Mod. in particular have been shown to be successful in US firms (e.g. see meta-analyses by Stajkovic and Luthans, 2003 for overall behavioral performance management and Stajkovic and Luthans, 1997 for O.B. Mod.). However, with only the exception of a study a number of years ago in Russia (Welsh *et al.*, 1993), there have been no studies that have analyzed the relative impact of various reward incentives used in behavioral performance management in a very different culture such as Korea. Yet, as researchers and global managers seek to identify best practice approaches and apply them in organizations around the world, it seems important to explore whether generally accepted techniques in Western firms, such as behavioral performance management, will also be successful in other cultural contexts such as in Korean firms. To be effective in the new globalized environment, multi-national organizational leaders need to "pay attention to the variations across national borders and adjust to and manage these variations" (Punnett, 2004, p. 4; also see Adler, 2002).

The purpose of this study is to test whether the widely recognized and researched behavioral performance management approach of organizational behavior modification or simply O.B. Mod. developed by Luthans and colleagues, and widely tested in the USA (e.g. see Luthans and Kreitner, 1975, 1985; Luthans *et al.*, 1981; Luthans and Stajkovic, 1999; Peterson and Luthans, 2006; Stajkovic and Luthans, 1997, 2001, 2003) can be successfully applied for performance impact in a cutting-edge Korean internet services firm with all Korean employees. Before presenting the study methods and results, a brief overview of both O.B. Mod. and the contrasting cultural dimensions between the US and South Korea (hereafter referred to as Korea) is presented in order to frame the study and derive hypotheses.

### **The O.B. Mod. approach to performance management**

Developed over 30 years ago (Luthans and Kreitner, 1975) based on operant behaviorism and then expanded to include social learning and social cognitive theory (Luthans and Kreitner, 1985), organizational behavior modification, or simply referred

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to as O.B. Mod., follows five steps for behavioral performance management. Very briefly, these include:

- (1) identify the critical performance behavior;
- (2) measure its frequency of occurrence;
- (3) analyze its antecedent cues and contingent consequences;
- (4) intervene with incentive motivators or reinforcers; and
- (5) evaluate the impact on performance.

As with any problem solving model, the first step of this O.B. Mod. approach is to identify those critically important observable behaviors (e.g. making or selling a product or service) that have a significant impact on performance outcomes. The second step recognizes the importance of metrics – determine, either by directly counting or more often drawing from existing data, the frequency the identified behavior is occurring under existing or baseline conditions. Often, this measurement becomes the intervention, i.e. by merely measuring the critical behavior, performance improves. The third step is analytical. Both the antecedents that cue (not cause) the identified behavior, and the more important consequences (that the behavior depends upon), are identified in this functional or A (antecedent) – B (behavior) – C (consequence) analysis. If the “As” are not present (e.g. equipment, training, or expectations), then they must be taken care of to enhance the targeted behavior and resulting performance. Most often, however, these antecedent cues are not the problem. Rather, contingent reinforcing consequences are weak or missing from the critical performance-related behaviors. For example, with the exception of sales commissions and a few pay for performance plans, most organizational reward systems only reinforce retention (i.e. paying by the week or month keeps employees on the job), but does not pay employees for day-to-day behaviors that are crucial to the quantity or quality of productivity and service performance. Thus, the fourth step of O.B. Mod., the action step, is to train supervisors and managers to contingently administer reinforcers such as money, social recognition and feedback for the specific behaviors that have been identified, measured, and analyzed in the preceding steps of O.B. Mod. The final step is then to make sure that this O.B.Mod. process is indeed having the intended impact on performance improvement, and if it is not, then the steps need to be repeated.

Although this O.B. Mod. approach has been clearly demonstrated through the years to have a significant positive impact on performance outcomes with US employees (see the meta-analyses by Stajkovic and Luthans, 1997, 2003), with the exception of the study that successfully tested the positive impact of O.B. Mod. in a Russian factory 15 years ago (Welsh *et al.*, 1993), the question remains whether O.B. Mod. and its reward incentives of money, recognition and feedback holds in other cultural contexts, specifically in a modern Korean firm.

### **The possible impact of cultural values**

This study was conducted in Korea because of its growing importance in the global economy (Steers, 1999) and in this particular firm because it is part of the high interest, world leading Korean broadband internet industry (*Fortune*, 2004). Also, this study was conducted here because, along with other Asian countries, Korea has been

recognized to have very contrasting cultural values with Western countries, and the US in particular (Hofstede, 2001; Trompenaars and Hampden-Turner, 1998).

Cultural variations may help explain why some replications of organization development studies in other regions of the world are successful and others are not. The two most widely recognized classifications of cultural dimensions are drawn from separate large-scale studies by the well known Dutch researchers Geert Hofstede and Fons Trompenaars. In particular, Hofstede (1980, 2001) originally developed the now widely recognized four cultural dimensions of power distance, uncertainty avoidance, individualism, and masculinity. Although there are more recent classifications of cultural dimensions (e.g. see the GLOBE project, House *et al.*, 2004), they still largely depend on Hofstede's original dimensions as we do here in describing the general cultural context for Korean employees and how it compares to Western cultural dimensions.

*Power distance and incentives*

Power distance is regarded as an important dimension to determine the nature of a given culture. For example, if a cultural context is high on power distance, then there is a perceived unequal relationship between those with power and those without. It would follow that because employees from high power distance cultures would tend to recognize the power that their organizational leaders have on their work and even personal lives, they would be motivated by ways to get close to them. On the other hand, in cultures with low power distance, with relative equality for all, organizational leaders do not have automatic authority to influence their employees. It should follow that employees in high power distance cultures may respond better to non-financial (i.e. more socially determined by the leader) incentives such as social recognition. By the same token, those in low power distance cultures may respond better to more objective and economically determined financial incentives.

According to Hofstede (2001), Korea is classified as a high power distance culture, and by contrast the US is a very low power distance culture. Therefore, Korean employees may be inclined to find ways to get close to their leaders who have controlling influence. In other words, the incentive of social recognition may be motivating to Korean employees when administered by organizational leaders who have a close relationship with and respect of their employees. Objective financial incentives, on the other hand, may be more compatible with low power distance cultures such as found in the US. This would suggest that Korean employees that would tend to have high power distance cultural values may be more influenced by non-financial rewards such as social recognition. By contrast, American workers, that would tend to have low power distance cultural values, may be more likely to respond favorably to monetary incentives.

*Individualism vs. collectivism and incentives*

Another of Hofstede's best known cultural dimensions is individualism vs. collectivism. Since all the incentives in this study are designed by the O.B. Mod. behavioral performance management approach to be contingent on individual employee performance, it is likely that the impact would be greater in individualistic than in collectivistic cultures. This is because in collectivistic cultures, teamwork and group harmony are strongly emphasized over individual concerns. Employees with

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collectivist cultural values would likely better respond to incentives that would be most helpful to the work group as a whole (e.g. gain-sharing) or less harmful for teamwork. All the incentives tested in this study are contingent on individual performance and thus may not be as effective in collectivist cultures as in individualistic cultures.

In a strong collectivistic culture, such as Hofstede says is the case in Korea, there is a higher value placed on preserving group wellbeing. Incentives that are less detrimental to this value would have more of an impact. Social recognition and performance feedback are not as prominent as monetary rewards in emphasizing individual achievement over other members and are less detrimental to group harmony than monetary rewards. Therefore, the social recognition and performance feedback may be more compatible and have a bigger positive impact on collectivistically-oriented Korean employees than would monetary incentives, especially when compared to more individualistically-oriented US employees.

#### *Masculinity and incentives*

Another relevant cultural dimension identified by Hofstede for this study is masculinity. This dimension has much in common with the dimension of individualism and collectivism in terms of its role of affecting incentive preferences of employees. In particular, low-level masculine values are more related to collectivism than individualism. According to Hofstede, countries classified as collectivistic would tend to be low on masculinity, whereas those with individualistic characteristics would be more likely to have high masculine values.

According to Hofstede, Korean cultural values would tend to be low on masculinity, i.e. they would show a preference for relationships, modesty, caring for the disadvantaged, and the importance of quality of life. In contrast, those in the US would tend to have masculine values related to ego goals, careers and material things. Thus, this masculinity cultural context could suggest the same as for individualism vs. collectivism, i.e. Korean employees will respond more to the non-financial than the financial incentives in a performance management program such as O.B. Mod.

#### **Other relevant cultural dimensions**

In addition to Hofstede's traditionally recognized cultural dimensions, Trompenaars (1994; Trompenaars and Hampden-Turner, 1998) has identified three additional cultural dimensions that are relevant to this study. These are identified as universalism-particularism, specific-diffuse, and achievement-ascription cultural dimensions.

#### *Universalism vs. particularism*

A universalist, or rule-based, culture promotes equality in the sense that all persons falling under the rule should be treated the same. In a universalist culture, there is a tendency to resist exceptions that might weaken the rule. By contrast, in a particularist culture, the exceptional nature of present circumstances is emphasized. In a particularist culture, there is a tendency to protect the person and a relationship no matter what the rules say. On this dimension, Trompenaars classifies those in the USA tend to have universalistic cultural values, whereas Koreans would tend to have particularistic cultural values (Trompenaars and Hampden-Turner, 1998).

This cultural dimension may impact the effective use of various incentives. For example, those with particularist cultural values such as Koreans would tend to seek gratification through relationships, while those with universalist cultural values such as those from the USA would be more likely to follow the rules and policies and expect to receive tangible rewards for doing so. This suggests that incentives that can maximize the value of relationships (e.g. social recognition) may be more effective for employees in particularistic cultures such as Korea, whereas monetary rewards that can be clearly given for following the rules and meeting agreed upon expectations and goals will be more effective for employees in universalistic cultures such as the USA.

*Specific vs. diffuse*

Still another dimension that differentiates cultures is based on the degree to which people engage in specific areas of life or diffusely in multiple areas. In “specific cultures”, work and private life are sharply separated. However, in “diffuse cultures”, everything and everybody is connected to everything and everybody. Specific and diffuse cultures are sometimes called low and high context (Kim *et al.*, 1998), and is related to how much you have to know before effective communication can occur.

According to this dimension, Trompenaars (1994) classifies the US as tending to have a strong specific culture and Korea to have a strong diffuse culture. In other words, Korean employees may be more likely to be influenced by incentives that provide more social relationships and quality of life impact, while American employees will be more likely to be influenced by rewards that provide more specific and direct benefits. Of the three incentives used in this study’s O.B. Mod. application of behavioral performance management, social recognition would have the most powerful social relationship and personal impact. In other words, social recognition would seem to have a more significant impact on performance for the diffuse Korean employees, whereas money would have more impact on American employees tending to have strong specific cultural values.

*Achievement vs. ascription*

Finally, in ascriptive cultures such as Korea (Trompenaars, 1994), people are judged by status, authority, and position, and people with higher status or rank are supposed to have higher responsibilities and rights regardless of their individual achievements. It follows in such ascriptive cultures that pay-for-performance incentives for high producing employees may not be as effective. Conversely, in achievement-oriented cultures such as the USA (Trompenaars, 1994), incentives contingent on individual performance would be predicted to be more effective. This would suggest that contingent pay in particular, and the overall effect of incentives in general, for Korean employees tending to have ascriptive cultural values may not be as strong as that for American employees with strong achievement-oriented cultural values.

This difference between an ascriptive cultural context and an achievement-oriented one may influence the impact of each incentive used in this study. The fact that status and position are more valued by ascriptive cultures implies that instead of pragmatic rewards for their achievements, more indirect honorary rewards for seniority and respect may be more impactful. Getting social recognition from their organizational leader would not be as pragmatic as getting monetary rewards since recognition is based more on honorary respect for accomplishing something. The social meaning and

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importance of honor and respect in an ascriptive culture would tend to be more valued. Therefore, from this perspective of an ascriptive culture such as found in Korea, social recognition may be more impactful than other forms of incentives such as money or feedback.

### **Study hypotheses derived from the cultural context**

Importantly, the above discussion is not intended to be a comprehensive summary of research on cultural differences between the USA and Korea or to determine the precise cultural context for this study. Rather, the purpose of the above discussion of cultural dimensions is to simply highlight some of the traditionally recognized cultural values of Korean employees in general, especially in comparison with American employees, in assessing the possible impact of reward incentives used in this study of an O.B. Mod. application in Korea. In other words, this very brief overview simply serves as the framing and point of departure for hypotheses to be tested in this Korean field experiment. Specifically, with the contrasting cultural differences between the USA and Korea on power distance, collectivism, masculinity, particularism, diffuse characteristics and ascription influence, and using the considerable US-based research results on incentive motivators in behavioral performance management in general (Stajkovic and Luthans, 2003) and O.B. Mod. in particular (Stajkovic and Luthans, 1997), serving as a descriptive comparison (not a cross-cultural analysis study), we derive the following hypotheses:

- H1.* Using the five step O.B. Mod. behavioral performance management approach, each of the reward incentives of money, social recognition and objective feedback will have a positive impact on this sample of Korean employees' performance outcomes.
- H2.* The reward incentives of money, social recognition and objective feedback will have relatively less performance impact on this Korean sample than has generally been found in US samples.
- H3.* The reward incentive of social recognition will have a relatively greater impact on this sample of Korean employees' performance outcomes than will either the incentives of money or objective feedback.

### **Study methodology**

This study used a quasi-field experiment (with control group) design (Cook and Campbell, 1979). Random assignment of individual participants to the three experimental groups and the control group was not possible, but random assignment of the three types of experimental interventions (i.e. money, social recognition and feedback) and the control was done and measures were taken before and after the intervention in the experimental groups and the control group.

#### *Study site and procedures*

The main business of this modern Korean organization used in this study is to provide broadband internet access service to residential subscribers and also enterprise network and data communication services. The sample groups for the experiment were chosen from the divisions whose main functions are to maintain and serve current

customers and recruit new customers. The facilities for the divisions are located in four buildings in three large Korean cities.

Competition in this business is very intense and its success depends on the number of subscribers to the service provided. Hence, the study organization is proactively trying to find new ways to increase the capability of its service workers to provide quality service to the existing customers as well as recruiting new customers. This company's leadership was open to the objectives of this study to test different types of contingently administered reward incentives in order to improve service performance outcomes.

This organization uses very detailed and systematic criteria to evaluate employee performance in both quality and quantity of service. Productivity is measured at the division, team, and individual level. Important to this study is the fact that service performance data is obtained at the individual employee level on a weekly basis tracked by employee number. This is accomplished by the performance monitoring division located at a different site combined with direct supervisors working at the same facilities as the service employees. This combination of the outside monitoring function and the direct supervisor input yield the final individual level performance measure. Specifically, performance points for each employee are based on both service quality and the number of calls handled. Service quality had a 70 percent weight and number of calls made up 30 percent of the final performance points. This pre-intervention archivally-derived individual level performance data was averaged for each study participant over the previous two months.

The three experimental and control groups created for the study were at four different locations in three cities as follows:

- (1) monetary incentive experimental group ( $n = 38$ );
- (2) social recognition and attention experimental group ( $n = 41$ );
- (3) objective feedback only experimental group ( $n = 31$ ); and
- (4) the control group ( $n = 23$ ).

Demographically, the majority of the employees for all four groups were relatively young females – which is typical of this type of Korean organization, but they had considerable experience being on average on the job for several years. The type of work and skill level of these employees and the company policies and upper management were equivalent for all groups. The type of reward incentive is the independent variable and the overall, quality, and quantity individual level performance outcomes are the dependent variables. The direct supervisors and team leaders (hereafter referred to as leaders) in all three experimental groups received systematic O.B. Mod. behavioral performance management training (the details presented next) before the three types of reward incentive interventions were implemented. Those supervisors and team leaders of the control group received an information meeting about some company matters.

#### *O.B. Mod. behavioral performance management training*

The direct leaders of the employees in each intervention group were given comprehensive training on the five-step application of the O.B. Mod. model of behavioral performance management presented in the introductory section (see

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Luthans and Kreitner, 1975, 1985; Luthans and Stajkovic, 1999). Specifically, these leaders learned to:

- (1) identify;
- (2) measure;
- (3) functionally analyze antecedents and consequences;
- (4) contingently apply the designated incentive (i.e. either money, objective feedback, or social recognition); and
- (5) evaluate impact on performance outcomes.

Each group of leaders received in a workshop format an identical, except for the type of incentive intervention they were to use (i.e. money, social recognition or performance feedback), three hour O.B. Mod. training session conducted by the same Korean researcher.

After being given a brief background on the principles and overall approach of behavioral performance management, the leaders were specifically trained in the steps of O.B. Mod. as follows:

- (1) the leaders were first asked to identify critical, observable, and measurable behaviors that could have a high impact on improving their employees' performance;
- (2) the leaders were then asked how they were going to measure these identified behaviors;
- (3) the leaders were then trained in identifying the antecedents and consequences of the identified performance behaviors; and
- (4) after identifying, measuring, and analyzing the key performance behaviors, the leaders were trained on administering the intervention step which, as said earlier, is the action step in O.B. Mod. and was the treatment manipulation in this study.

Each group of leaders was separately trained in and asked to implement a different reward incentive intervention (i.e. money, social recognition, or objective feedback) to manage the identified critical performance behaviors. More specifically, the study interventions were operationalized as follows:

- (1) *Monetary reward incentive group.* For the purposes of the study, the Korean researcher, in conjunction with management, developed a monetary incentive system. Using the baseline two months' average performance for each employee, there was a payout of 10 percent of the weekly payment for each 10 percent increase in performance. Thus, if an employee historically produced at the level of 500 calls a week in the baseline period and after the intervention produces at a rate of 550, he or she received an extra 10 percent increase in pay. Thus, this intervention allowed each individual to be judged on his or her performance only, which reduced the amount of peer pressure experienced by other individuals in the work group.

The trained leaders in this group carefully communicated at the beginning of the month, and then continuously throughout the month, to their individual employees that the monetary contingency consequence would be forthcoming when they concentrated on exhibiting the critical performance behaviors

identified in step 1 of the O.B. Mod. training. Employees were also provided with ongoing assistance if they needed further clarification regarding the specifics of the program. The on-site Korean researcher randomly verified throughout the month long intervention period that the leaders did indeed clearly point out the types of behaviors that would increase employees' performance and that this would result in the monetary benefit to them. He also randomly checked with individual employees that they indeed did understand what the targeted behaviors were and the payout they would receive for exhibiting them.

- (2) *Social recognition and caring attention group.* In this intervention, the O.B. Mod. trained leaders proactively administered personal recognition and caring, positive attention contingent on observing their employees performing the specific behaviors identified in step 1 of the O.B. Mod. approach. Because of the problems with giving consistent, effective social recognition, the leaders had to learn through training the manner by which positive, genuine recognition should be given. For example, this group of leaders were explicitly trained to administer social recognition and attention in such a way that it was not false or sugary praise or a simple "pat on the back". Instead, these leaders were to notice and be genuinely appreciative when employees were doing the behaviors communicated to be important to their performance. For instance, the leaders were instructed to say things such as, "I was monitoring and I noticed that when you're helping customers, the way you talk, and even your tone of voice, was very kind and empathetic. You also provided considerable detailed and accurate information. That's exactly what we expect from our service team and I really appreciate your talent and hard work." Again, the on-site Korean researcher randomly verified from both the leaders and the employees throughout the intervention that these social recognition interactions were indeed taking place.
- (3) *Objective feedback only group.* In this final intervention the leaders were trained how to develop charts/graphs and other written and verbal objective information concerning the frequency of the identified critical performance behaviors. Unlike the social recognition intervention, this feedback intervention carefully focused on providing objective information displayed in charts/graphs and reports whenever possible on how the employee was doing. They were instructed not to give just caring, positive attention as in the case of the social recognition intervention, but they were told to use a positive approach in providing and explaining the objective data and to use the guideline represented by the acronym PIGS (positive, immediate, graphic, and specific) in administering this feedback intervention. During the training for this intervention, the leader was responsible for not only identifying behaviors specific to the employee performance, but also behaviors that could be objectively measured and its frequency graphed. The administration of the intervention thus allowed the leader to graphically present feedback to the employee on a private, individual basis. As with the other two interventions, the on-site Korean researcher randomly verified with both the leaders and the employees that this objective feedback was indeed being contingently provided in this prescribed manner.

These follow-ups for each intervention served as a type of manipulation check for the study. Specifically, after all three training sessions, the Korean researcher/trainer contacted randomly throughout the month of the intervention the target leaders and employees in person, by e-mail, or by phone. The researcher asked the leaders whether they were correctly implementing their specific intervention and how they were doing it. This manipulation check revealed that the leaders remembered and were on-track to correctly (and corrected if not) implement the training they had received. The same for the employees, they understood the behaviors that were being targeted and for the most part correctly identified the type of consequence that would be forthcoming (i.e. money, recognition, or feedback).

#### Data analysis

The primary tool for analysis consisted of ANOVA, *t*-tests, and *post-hoc* pair-wise comparison tests. Paired sample *t*-tests were used to compare the baseline two months performance with the post-intervention one-month performance within each group. Between-group *t*-tests and one-way ANOVA were used to test between-group differences in effect magnitudes among systematically administered incentives of money, recognition, and performance feedback. A *post-hoc* pair-wise comparison test was used as a follow-up after ANOVA. Since work performance contained two measures (service quality and number of calls), follow-up analysis was also done with each type of work performance outcome as a follow-up to the statistical analysis of the overall, combined performance outcome.

#### Results

To test the hypotheses, Table I shows that both money and social recognition incentives significantly improved total performance (overall performance improvement: 3.01 percent for money,  $p = 0.01$  and 6.31 percent for recognition,  $p = 0.008$ ), but although performance improvement from the feedback incentive was in the right direction, it was only marginally significant (overall performance

Performance outcomes	Incentives	Baseline performance	Performance after intervention	Performance improvement (%)	<i>t</i> -value	Level of significance
Overall performance	Money	24.5068	25.2447	3.01	2.731	0.010***
	Recognition	17.3741	18.4707	6.31	2.809	0.008***
	Feedback	25.7855	26.2506	1.8	1.760	0.089*
	Control	20.0848	19.5245	-2.79	-1.264	0.219
Service quality	Money	28.7053	29.6579	3.31	2.533	0.016**
	Recognition	17.0537	18.1707	6.55	1.999	0.050**
	Feedback	28.1129	28.2935	0.6	0.470	0.642
	Control	19.6739	19.0957	-2.93	-1.104	0.282
Service quantity	Money	14.7105	14.9474	1.6	0.988	0.33
	Recognition	18.1220	19.1707	5.79	2.202	0.033**
	Feedback	20.3548	21.4839	5.54	2.584	0.015**
	Control	21.0435	20.5217	-2.48	0.566	0.577

Note: \* $p < 0.10$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$

**Table I.**  
Impact of incentives on  
performance outcomes

improvement = 1.8 percent,  $p = 0.089$ ). Breaking down into the type of performance, Table I indicates that money and social recognition had a significant impact on the improvement of the service quality measure (3.31 percent for money,  $p = 0.016$ , and 6.55 percent for recognition,  $p = 0.05$ ). Feedback, however, was not a significant reward incentive for increasing service quality (0.6 percent performance improvement,  $p = 0.642$ ). When quantity or the number of calls was used as the performance outcome (see Table I), social recognition and feedback were significant contributors to the improvement of the quantity of performance (social recognition: 5.79 percent,  $p = 0.033$ , and feedback: 5.54 percent,  $p = 0.015$ ), but although the impact of money on the quantity of performance was in the right direction, it was not significant at 1.6 percent ( $p = 0.33$ ).

Overall, when the impact of the O.B. Mod. behavioral management approach on performance improvement was assessed, recognition was found to be a strong incentive for these Korean service workers in both quality and quantity. Money and feedback were partially significant in improving performance. When compared to the control group, as shown in Table II, all three experimental groups showed significant overall performance improvements over the control group (money:  $t = 2.655$ ,  $p = 0.01$ ; recognition:  $t = 2.680$ ,  $p = 0.009$ ; and feedback:  $t = 2.096$ ;  $p = 0.041$ ).

Table II also indicates the results of the effect of the reward incentives on service quality performance compared to the control group. The money and recognition groups showed significant quality performance improvement over the control group ( $t = 2.422$  and  $2.008$  respectively;  $p < 0.05$ ). The feedback group, however, did not show a significant improvement on the service quality measure over the control group ( $t = 1.197$ ;  $p = 0.237$ ).

As shown in Table II, when the number of calls was used as the quantity performance measure, no groups showed strong improvements over the control group (i.e. there was only marginal  $p < 0.10$  statistical significance between both recognition and feedback and the control group and no significant difference between money and the control group). Overall, however, *H1* that the incentives of money, social recognition and performance feedback when administered through leaders trained in the O.B. Mod. model of behavioral performance management would have a positive impact on the performance of Korean service workers in this firm was generally supported.

Performance standards	Comparison	<i>t</i>	df	<i>p</i>
Overall performance	Money vs. control	2.655	59	0.010 ***
	Recognition vs. control	2.680	62	0.009 ***
	Feedback vs. control	2.096	52	0.041 **
Service quality	Money vs. control	2.422	59	0.019 **
	Recognition vs. control	2.008	62	0.049 **
	Feedback vs. control	1.197	52	0.237
Service quantity	Money vs. control	0.976	59	0.333
	Recognition vs. control	1.677	62	0.099 *
	Feedback vs. control	1.755	52	0.085 *

Note: \* $p < 0.10$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$

**Table II.**  
Incentive interventions  
vs. control group  
performance outcomes

*H2* was derived in order to explore the possible relative difference in magnitude of the various incentives on the performance of this sample of Korean service workers versus previous research using US employees. To begin to test this hypothesis we simply compared this study's results with recent findings of same procedure studies using US employees (see Peterson and Luthans, 2006; Stajkovic and Luthans, 2001). In the most closely replicated Stajkovic and Luthans (2001) study, but importantly not intended to be a systematic cross-cultural analysis, the performance improvement using the same incentives and O.B. Mod. procedures with an American sample of employees was considerably higher than was found in this Korean study.

The same type of differential results were found for another study that followed the same reward incentives and O.B. Mod. procedures for a sample of American service employees (Peterson and Luthans, 2006). Meta-analyses of the impact of behavioral management on the performance of US employees also indicate on average stronger results (Stajkovic and Luthans, 1997, 2003). Again, although the present study was not specifically designed to be a cross-cultural study of behavioral performance management between US and Korea employees, the procedures were the same between the two earlier studies (and generally those in the meta-analyses) and this study, and the more robust impact on the average performance improvement of the American samples over this Korean sample does provide some beginning support for *H2*. However, no definitive conclusions can be drawn and this post hoc descriptive analysis for testing *H2* should be considered only exploratory.

To test *H3* on the relative effects of the three reward incentives, analysis of variance of change in performance between baseline and post intervention was conducted by comparing group average scores of the three incentive groups. When the overall performance score was used as the dependent variable, Table III shows there was no significant main effect. Thus, statistically there are no significant differences in performance improvement among the three treatment groups. To investigate this result further, follow-up tests were done with the quality and quantity performance measures that comprise the overall performance score. When service quality was used as the performance outcome, no significant effect differences among the four groups were found (Table III;  $F = 1.066$ ,  $p = 0.348$ ). When number of calls was used as the quantity performance outcome, again no significant effect differences among the four groups were found (Table III;  $F = 1.523$ ,  $p = 0.223$ ). Tables I, II, and III do show consistent results that regardless of the type of performance measure used, social

Performance standards	Source	Sum of squares	df	Mean squares	<i>F</i>	<i>p</i>
Overall performance	Between groups	7.226	2	3.613	0.926	0.399
	Within groups	417.573	107	3.903		
	Total	424.799	109			
Service quality	Between groups	16.897	2	8.449	1.066	0.348
	Within groups	848.141	107	7.927		
	Total	865.038	109			
Service quantity	Between groups	17.936	2	8.968	1.523	0.223
	Within groups	630.255	107	5.890		
	Total	648.291	109			

**Table III.**  
ANOVA for change in  
performance outcomes

recognition has the relatively largest impact, followed by money and then feedback. However, since there is no statistical significance on these relative differences, *H3* is not supported.

### Discussion

When widely recognized reward incentives were systematically administered through leaders trained in the O.B. Mod. behavioral performance management approach in a Korean internet service firm, money and social recognition had significant impacts on performance outcomes. Feedback, however, did not result in as significant an improvement in performance. This may be because money was perceived as having a high instrumental value that stimulated extra effort to improve performance. In terms of social recognition, it may be that the more the employees received it, the more they assumed it would lead to tangible outcomes and, based on the cultural overview of Korea, seems to fit the values of Koreans. The reason feedback did not have as much impact on performance as money or social recognition may be because the tasks for this particular service setting were fairly routine and simple, and thus the feedback intervention was not as meaningful and culturally compatible to these employees.

Although the study's major hypothesis that the reward incentives of money, social recognition and feedback administered through trained leaders in the O.B. Mod. approach to behavioral management would positively impact performance was supported, the most interesting implications revolve around the use of social recognition in this cultural context. Specifically, that social recognition was consistently higher than money in this Korean setting runs counter to conventional wisdom in the West and differs somewhat from what has been found with meta-analyses of behavioral performance management studies using US employees (Stajkovic and Luthans, 1997, 2003). As suggested in the introductory discussion of cultural dimensions in Korea and the USA, the differences between the two countries may help explain this finding. As was found in Hofstede's cultural dimensions, Korea is classified as one of the extreme countries in high power distance and collectivism. Therefore, these cultural values suggest Koreans may be more motivated by the incentives that provide a better chance to form a close relationship with their leaders and that preserve teamwork and group harmony. These Korean cultural characteristics may be why social recognition may be a relatively more effective incentive in Korea and other Asian countries with similar cultural values.

Trompenaars' cultural dimensions may also provide an explanation of the potential power of social recognition as an effective incentive in Korea. He identifies Korea as having a strong particularistic, diffuse, and ascriptive culture, which seeks gratification through relationships, values group efforts over individual performance, prefers more comprehensive benefits, and values honorary rewards of status and position over pragmatic rewards. These Korean cultural characteristics provide support for social recognition as an effective incentive. Even though *H3* was not statistically supported, as in the USA, social recognition may be an overlooked, but potentially powerful incentive to improve Korean human resource performance. However, it should be emphasized once again that this study provides only exploratory, preliminary findings, and definitive conclusions will have to be demonstrated by further research.

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### Study limitations and strengths

As with most field experiments, this study has limitations and strengths that need to be acknowledged when interpreting the results. These can be classified into external and internal validity issues. Since this study was conducted in a very specific service setting (a Korean broadband internet service provider) it is somewhat unique and limits the generalizability of the findings. Also, since the workforce in this firm was relatively young and had a majority of females, the generalizability is again limited. On a positive note, however, this firm does represent the new Korean firms that are competing in the booming high-tech, information economy that is sweeping Korea and may be a prototype for generalizing to the new generation of firms in the rest of the world.

As to internal validity, a strength of the study was that hard measures of performance at the individual level were used instead of the typical perceptual measures from either self or supervisors. Although randomization of groups rather than individuals was only possible, the recognized threats to internal validity were minimized in this quasi-experimental, with control group design. Specifically, mortality was not an issue because no one left the organization during this study. Maturation was not a problem because all participants in the study had relatively similar experiences within each group and were only engaged in a one-month intervention period. Diffusion of treatments, where group members will communicate to obtain important information, was also unlikely because of the different geographical locations of the four groups. The same was true of resentful demoralization. This threat was minimal since each intervention group and the control group was generally located in different cities and reportedly did not have any communication with each other during the duration of the study. Finally, the instrumentation threat was minimal since the same measures pre and post intervention were used for all groups. In total, although there are external validity issues with this study, and the cultural values of the participants were not directly measured and systematic cross-cultural analysis with US samples is still needed for future research, the criteria for internal validity were largely met.

### Conclusion

With the reality of the global economy, more attention must be devoted to leadership and organization development across cultures. Too often, both scholars and practitioners have assumed universalist development approaches and have simply applied them as “plug and play” across organizations, strategies, and even cultures. A case in point is widely recognized behavioral performance management programs. Research results, using US samples and a strong framework of reinforcement theory and convergence with a few international studies (e.g. Welsh *et al.*, 1993), suggest that the O.B. Mod behavioral performance management technique may be applicable in other cultures. However, this study found cultural nuances may influence the extent to which each type of reward incentive impacted these Korean employees’ performance. While this study contributes preliminary evidence for O.B. Mod to have applicability across cultures, the effectiveness of various reward incentives and the impact on outcomes may be somewhat different across cultures. Thus, those advocating O.B. Mod as a best practice for performance management must recognize the possible differential impact that may be driven by the cultural context of the application.

Similar to other organization development techniques and approaches, behavioral performance management in general, and O.B. Mod. in particular, and the reward incentives of money, social recognition, and feedback, have been largely researched and applied in US settings. This study found that the use of money, social recognition, and feedback incentives administered through the O.B. Mod. approach did have a generally positive impact on the performance outcomes of Korean service workers in an internet provider firm. However, the performance impact found in this study was not as robust as has been found in previous similar US studies or the average results of US-based meta-analytic studies. Although not directly tested, the generally recognized cultural differences between the USA and Korea may help explain this finding of the study. Even though in the hypothesized direction, this study did not statistically demonstrate that more culturally compatible social recognition had a greater relative impact on these Korean workers than money or feedback. However, as a practical implication for the research and practice of organization development, this study does demonstrate the value of approaches such as O.B. Mod., but also once again indicates that cultural contingencies must be considered in order to successfully apply largely Western-based techniques and approaches in different cultures.

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