THE PERCEPTIONS AND PRACTICES OF CHINESE MANAGERS TOWARDS PERFORMANCE APPRAISAL

ABSTRACT

This paper reports the findings of an investigation, through a series of interviews into the mental models of the acceptance of formal performance appraisal systems by Chinese managers. Analysis of the managers’ comments lead to the identification for four key characteristics that influence the acceptance of performance appraisals: viewing performance as a trait; reliance upon intuitive modes of decision making; the importance of managerial prerogatives and flexibility; and the importance of harmony in relationships. This paper concludes by considering the implications that this model would have for future research into performance appraisal practices in the Chinese context.

Keywords: performance management; international human resource management; China
Companies operating in China have had the benefit of low costs, but rising costs in China have made productivity improvements increasingly important. This makes assessing and managing employee performance more critical, and it remains unclear whether Western methods are appropriate. Research to date examining performance appraisals in China has tended to focus upon the actual evaluation and feedback process, or upon measuring the effect of practices upon company performance. Receiving less attention has been the factors influencing the acceptance and adoption of formal performance appraisal and management systems.

This research project focuses upon the question: Do Chinese managers accept the use of formal performance appraisals as a management tool. This is a distinctly different question than has been studied previously. Previous research has focused upon questions like “how do Chinese managers define performance” (e.g., Hempel, 2001), “what do employees consider to be acceptable” (e.g., Chow, 1994; Taormina & Gao, 2009), “how do Chinese employees respond to performance feedback” (e.g., Hempel, 2008; Lee & Akhtar, 1996), or “do formal appraisal practices make a difference in organizational outcomes” (e.g., Akhtar, Ding, & Ge, 2008). Companies implementing formal performance appraisal systems must consider managerial acceptance of the importance of these systems, because developing managerial acceptance is required for successful implementation.

THEORETICAL BACKGROUND

Formal appraisal systems provide a structure within which managers evaluate the performance of their subordinates. As part of these formal systems, the managers' evaluations are typically compared against a set of formal performance standards. In conducting formal appraisals, managers can rely upon objective measures, records, and their own memory and perceptions. Finally, an evaluation is made which can be communicated to the subordinate or used as the basis for action by the manager and organization. Thus, at a most basic level, an examination of how Chinese managers view formal appraisal systems need to focus upon procedures used to set standards, observe performance, make of evaluations, and then act upon those evaluations.

It has long been accepted by Western scholars and practitioners that performance standards should not be based upon personal traits (Brumback, 1972), but rather upon observable outcomes or job behaviors (Kavanagh, 1973) so that evaluation can be impersonal and directed at behaviors (Lee,
1985) which can be trained and improved (Kane & Lawler, 1979). In addition, in Western practice performance standards are established in advance, communicated clearly, and explained to the individuals affected (Folger, Konovsky, & Cropanzano, 1992). However, it appears that Chinese managers tend to focus their evaluation more on internal standards than do Western managers (Easterby-Smith, Malina, & Lu, 1995), such as upon personal attributions rather than skills or behaviors (Hempel, 2001). It has also been argued that Chinese employees are more tolerant of this form of subjectivity in assessment (Huo & Von Glinow, 1995), with Chinese cultural characteristics influencing the way in which Chinese employees seek (Lee & Akhtar, 1996) and respond to feedback (Hempel, 2008).

Once performance standards are set, these standards form the basis for evaluation, which in turn requires the manager to acquire relevant information on subordinate performance. When performance standards are based upon behaviors and outcomes, enhanced opportunities to observe and record behavior lead to more accurate evaluations of performance (Ilgen, 1983). This implies a systematic approach to observations and measurements, but this is at variance with the Chinese preference to search information through impressions instead of records (Yates & Lee, 1996). Unfortunately, it appears that Chinese managers prefer subjective measures (Easterby-Smith et. al., 1995; Hempel, 2001; Snape, Thompson, Yan, & Redman, 1998). Combined with the findings regarding performance criteria, it can be seen that Chinese managers prefer intuitive means of setting criteria and measuring outcomes.

The final stage in formal appraisals is for the manager to integrate different pieces of information to form an overall evaluation. Western researchers (Stewart & Stewart, 1979) have suggested a variety of methods by which performance standards can be evaluated, such as rating each subordinate against some absolute standard, or to rate subordinates relative to one another. The Western focus upon accurately differentiating employees appears to be at odds with Chinese conventions. A belief in the Doctrine of the Mean, which according to Confucius was “without inclination to either side” (Trans., Legge, 1960), leads to a tendency by Chinese managers to avoid giving extreme or harsh ratings. In addition, Chinese managers are often reluctant to give their subordinates poor ratings for fear of damaging relationships, which expatriate managers find unfair as they focus instead upon productivity as the major criterion (Bjorkman & Lu, 1999).
Given these responses by performance appraisal and feedback by Chinese employees, there are reasons to expect that Chinese managers would also have views of performance evaluation that differ from other cultures. Specifically, it would appear that the formalization of appraisal practices is inconsistent with the preferences of Chinese managers. Existing research in China has tended to focus upon structural outcomes related to performance appraisals (e.g., Ahktar et al, 2008; Easterby-Smith, Malina, & Lu, 1995), or upon implicit models of performance (e.g., Hempel, 2001). What is missing is an understanding of the ways in which formal systems are designed, and then used, by senior Chinese managers. This research project is aimed at filling in this missing ground between appraisal behaviors and system outcomes.

**METHOD**

The scant research explicitly examining how Chinese managers view and use formal appraisal systems influenced the choice of method. Exploratory in-depth personal interviews were conducted in order to gain access to opinions and ideas from current Chinese managers. The target respondents were Chinese managers in Hong Kong and Guangzhou who possessed the following characteristics: (a) local born Chinese, (b) fluent in Cantonese or Mandarin language, (c) had working experience with solely Chinese-owned firms, (d) had legitimate power to influence the PA system in the organizations, and (e) had experience in evaluating immediate subordinates.

In the end, interviews were conducted with 15 Chinese managers. These managers had a few critical characteristics in common. All were working within indigenous organizations, and all were educated locally. None of the managers had any working experience with foreign owned organizations, and none had studied or lived overseas. As such, this provides a sample which reflects traditional Chinese management attitudes which is as un-influenced by Western attitudes as possible in a globalized environment such as Hong Kong and Southern China.

A semi-structured interview approach was used. In order to avoid any leading questions, the critical incident method was used by asking the Chinese manager to develop two reference points, selecting one good and one bad performing worker as targets, and then to explain how they used the formal appraisal system in evaluating them. If necessary, additional questions were asked to check the consistency of beliefs or to challenge respondents for justification through out the interview. Sampling was terminated when new interviews ceased adding new information (Lincoln & Guba,
After 15 in-depth interviews, it was found that there were important shared patterns that cut across the samples to the point of redundancy.

The template approach was used for analysis, and code characters were set up accordingly. An iterative approach was taken to developing the template, with template items derived from themes arising from the manager’s discussions. As the template items were developed, the text was analyzed using these items, and possible template items which represented idiosyncratic views were not retained. These lead to the development of concept charting or diagrams for content analysis in the final write-up.

INTERVIEW RESULTS

Overall, Chinese managers showed negative perceptions towards the use of formal PA practices in their organizations. Instead, they all agreed that they preferred to evaluate subordinates’ performance informally. They also discussed in detail how they go about evaluating their subordinates. Narrative detail from the interviews is presented below, followed by a discussion of what is to be learned from these examples.

A Rejection of Formal Performance Appraisals

Perceptions of formal PA were consistently negative among the Chinese managers. At the most positive, the PA system as nothing but a “procedure manual” that served as a guideline for the workers to carry out their jobs:

I create tools to measure it… what I called ‘Performance Audit Evaluation’ and this will be given to the worker who is in charge. If he follows that, then I know he is a good worker. (Ooi)

Other Chinese managers believed that it was not necessary to evaluate the performance standards for the workers, because they believed that workers are born with the personal characteristics which managers believe are very difficult, if not impossible, to change:

Why do we need to evaluate the performance of the workers? If they are that bad, just fire them, otherwise what’s the point? They are what they are, born with it, can’t change…It is a package deal. We all have our strengths and weaknesses. None of us are perfect…Trying to force a person to his limit could be dangerous. Pick on small matters to criticize is a waste of my time or a waste of any supervisor’s time. (Kwok)

Some Chinese managers specifically said that they did not implement any evaluation system in the organization because of traditional or cultural reasons:
Chinese Managers and Performance Appraisal

I am affiliated with the China enterprise, they prefer verbal communication. The company which I worked for before – Jardine, which is a British company, it has annual performance appraisal for all levels. Those British system has too much theories and not very practical. (Lau)

Anyway, whether there is a formal performance evaluation system or not, in the mind of managers, they know who do well and who are not, just that they do not like to write it down in black and white. (Lam)

Others were skeptical about PA systems, viewing PA as manipulative or political process rather than performance exercise:

I think the whole (performance appraisal) practice is set up so that they can cheat on me. I never believe on it…All department managers worry that their subordinate’s moral is low, so they give all of them high points. It ends up that everyone has high performance evaluation points in order not to lose the bonus to other departments. (Kung)

A good business executive should rely on his personal judgment instead of rigorous (performance appraisal) system to make decisions. I think bad managers prefer to rely on (performance appraisal) system to help them to make decisions because it is easier. (Cheung)

The appraisal system seems very open and fair, but actually, the senior levels always manipulate the evaluation result. (Yeung)

It is clear that formal PA systems are not readily accepted by Chinese managers. In explaining why they did not like formal systems, Chinese managers tended to view PA system as a Western concept which was both uncomfortable and alien to them. Upon closer examination of the explanations that Chinese managers gave, it became clear that there were four basic elements to their argument:

1. It isn't possible to change subordinate behaviors. (Trait model)
2. They knew the subordinates well enough that formal evaluation was unnecessary. (Intuitive decision making)
3. Providing negative feedback may hurt relationships and morale. (Harmony)
4. Formal PA constrains a manager's actions. (Managerial prerogative)

Figure 1 provides a model that summarizes their explanations for why they rejected formal PS systems. Each of these four elements not only provided the basis for their rejection of formalism in PA, but also provided the basis for the informal practices recommended as alternatives to formal PA.

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Espoused Informal Performance Appraisal Practices

Chinese managers may reject the concept of having formal PA system in the organizations; this does not mean that they do not evaluate their subordinates’ performance at all. Instead, they develop their own informal ways to evaluate the subordinates. The above four key characteristics not only appeared to have led the Chinese managers to reject the use of formal performance evaluation in their companies, but they also influence practices that the Chinese managers used in place of formal PA systems in setting performance standards, acquiring information of performance and making evaluations of their subordinates.

The trait model and employee performance

Based on the interviews, Chinese managers are likely to develop the performance standards by extension of their values, attitudes and beliefs, instead of incorporating features based upon theories of the job as recommended in the literature. Overall, the Chinese managers preferred to use personal attributes as the standard for performance. The attributes mentioned most often were: Willing to improve/learn, Hard working, Obedience, Honesty (integrity), Responsive, Loyalty, and Reliable (trust).

Besides personal attributes, the Chinese managers also considered diligence input behaviors of their workers, with interpersonal relationship diligence (getting along with co-subordinates and subordinates) and willingness to report to the boss viewed as the two most important input behaviors. In the mind of the Chinese managers, good interpersonal relationship is just as important as, if not more than, job knowledge. It is a foundation of harmony within Chinese society, so knowing how to interact with others in order to avoid conflict and creating a harmonious working environment is a primary objective of the Chinese managers. Throughout the interviews, many respondents repeatedly mentioned that good subordinates should be able to get along with the others. Indeed, three Chinese managers had dismissed middle managers for the same reason - they lacked the interpersonal skills needed to get along well with their subordinates.

Good worker is very approachable and has good human relation skill… I fired one staff who was the factory manager because he had very strong will…He never listened to the suggestions from subordinates. (Kwong)

The other personal attribute which was emphasized by the Chinese managers was subordinates’ willingness to report to their boss. In recent years there has been pressure from for
Chinese managers to adopt a more liberal management style, and many of them have recognized that it is necessary to delegate authority to subordinates, giving subordinates more freedom to make decisions than in the past. However, this group of Chinese managers worried that they may lost control, so many of them still prefer to maintain an authoritative management style. Thus, Chinese managers face a dilemma on how to balance delegation and control. One way to do so is to give the subordinates the freedom they need but make sure that they are kept informed about results as well as progress of the work.

*Intuitive performance evaluations*

During the interviews, when asking the Chinese managers about how they collect information on the workers’ performance before making evaluations of the performance of their workers, three of the Chinese managers were surprised at the question itself. In their minds, one does not need a “system” to evaluate the workers’ performance, as they work together and thus know the workers by heart. Here are their comments:

No (do not need to collect information on workers’ performance), for those who work with me together, I know how they work. (Li)

You don’t need to set up a system to evaluate someone. The judgment should come to you naturally. I don’t judge people everyday and I do not judge people on every single event. As days go by, I know what is going on. (Cheung)

Among all the respondents, only two Chinese managers said they would record the subordinates’ performance in their diary if the events are important and critical. Others said they did not have such a practice or did not see that it was necessary. Those Chinese managers who did not record the workers’ behavior relied upon either memories or impressions to make judgments, and tended to emphasize “gut feeling” over cognitive decision making.

I base on memories, statistics and the staff’s past performance and my impression on him. Say if the staff always late for work, I will not believe his excuse, even if he said he got a car accident. If there’s really an accident, it is unfair to him but it is the number of times that he was late that affected my impression. The fault belongs to him! (Li)

When you listen to that person you have the gut feeling to know that how well he is doing. There is no magic rule to this gut feeling. (Ooi)

Chinese managers do not appear to have a particular preference on how they make evaluations. Several Chinese managers preferred to look at it on a case-by-case basis or to rely upon personal feelings. Others just could not tell how they made the judgment on the workers’ job
performance. All they said was that their judgment was based on their experience and self-confidence, or admitted that they could not tell how they did it. Here are examples for each type of judgment used by the Chinese managers.

Even they have achieved some improvement but have not met my standard, from my point of view; I still don’t think he is good enough. I will not compare workers’ performance with each other as no two persons are the same. (Leung)

You just can’t compare them as they have different strengths. Each staff has their own contribution. If they are the same, we do not need two workers of the same kind. (Kung)

I can not tell you the overall judgment as I have to look at it case-by-case. As a boss, you should not keep remembering how well the worker did in the past…..I can only say that he did well or not in this matter, but not he is good or poor worker… (So)

Except for critical events, the Chinese managers used their memories and gut feeling to recall information on how well the workers had performed, and could often provide no specific rationale behind the way in which the final evaluation was arrived at. Lacking a formal process with consistent methods, the Chinese managers had difficulty in explaining exactly how they came up with decisions on workers’ job performance. They simply said that their ways of making decisions depended on their experiences and gut feelings and they admitted that they had no intention to make perfect decisions.

Lacking a systematic way in collecting information and making judgments of the performance of the workers, it is possible that managers’ personal biases and characteristics affected their evaluations, independent of the workers’ actual performance. Indeed, Chinese managers were forthright in starting that they were not objective in their evaluations, believing that as human beings it is difficult to be fair and not be affected by emotion in making subjective evaluations. Actually, two Chinese managers admitted that it was impossible to making accurate judgment on the performance of the workers because there were limitations by their abilities to collect and process all the information. So they just made “good enough” judgments instead of rational decisions.

As a human being, I may make wrong judgment; there are factors which I may not aware of. (Leung)

Each one has his own judgment and you can’t complain about it. Making evaluation is very subjective. All depend on your own feeling. (So)

It is too time and effort consuming to find out the whole picture and make objective evaluation…I am not the one who searches for excellence. I think anyone who searches for excellence is destroying himself…Just like after getting married, if you keep thinking there are prettier girls out there, you will just create more headache or unhappiness for yourself. (Shih)
One of the Chinese managers thought that it was acceptable to make a wrong judgment, since it could be an excuse to get rid of some workers. It seems like making wrong judgment is more a political decision than a personal bias.

Yes, I make wrong judgment sometimes; need to have some “scape goat” anyway, especially when things are not going well. (Yu)

**Evaluations and preserving harmony**

If managers do not inform their subordinates on expected performance standards, it is possible that the subordinates will not be aware of what is expected and may make mistakes. In this case, managers may need to inform the subordinates on their mistakes and to let them know what needs to be improved. This is the same in the Chinese organizations. When Chinese subordinates were not informed on the performance standards, they might make mistakes. At this point, most of the Chinese managers had no choice but to inform the concerned subordinates, but for those Chinese managers who had high concern of harmony and work relationship would have reluctance to do so, or prefer to take an indirect approach, such as:

I have to play dumb and told him that competitors are doing differently and have achieved a good sale… I had to do it this way is because I can’t tell him directly what to do but to tell him what others are doing. (Tse)

(The worker who always went to the rest room during office hour and stayed there for a good long time.) I gave her hints by asking her where she had been all the times since the office is not that big and where could she have gone for more than 20 minutes during office hours. (Yeung)

The managers pointed out that the importance of personal relationships at work makes it difficult to separate work issues from personal issues, both by the manager and by the subordinate. In particular, negative performance feedback was typically perceived as a personal attack, rather than being based upon legitimate performance concerns:

I am not going to tell him that he is not good. He may think I don’t like him and performance even worst. You know the Chinese, if you say something bad about them, they will remember it forever. (Kwok)

**Flexibility and managerial prerogatives**

Throughout the interviews, the Chinese managers repeatedly said that they preferred informal evaluations over formal evaluations, and preferred using implicit performance standards than explicit performance standards. Any most cases, it appears that the Chinese managers held these views due to
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a desire to maintain managerial prerogatives, or due to a desire for flexibility. Here are some examples on their comments on implicit performance standards.

To my technical staffs, I don’t even know what are possible and what are not. How can I tell them what I want? (Cheung)

They (managers) believe that if they put it down in black and white, later on employees will use it to challenge their (managers) judgments. (Lam)

Chinese managers were often reluctant to tell subordinates what was expected of them. This appears due to a desire for flexibility in decision making, or because managers often did not have well-articulated plans or objectives, so that their objectives would change through time in ways that would be difficult to anticipate. For this reason, the Chinese managers would not be able to explain to their subordinates what they wanted, and that clearly articulated performance standards created sort of implicit contract that subordinates would hold managers to. Thus, performance standards would often remain implicit.

**DISCUSSION**

Formal performance evaluation may appeal to Western notions of fairness and objectivity in managing employees, but it appears that Chinese managers take a fundamentally different approach to PA which was recommended by the Western theories. It is useful to compare the difference between the results of these interviews and the formal Western models of PA practices. Table 1 summarizes the key differences between the Chinese model and the assumptions underlying the prevailing Western theories. Chinese businessmen rely heavily upon interpersonal relationships when running their business, so they rely little on formal structure and procedures, and instead rely upon instinct, intuition, and discretion.

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Traits have long been viewed as having no place in performance evaluation systems (e.g., Kane & Lawler, 1979), but the interviews show that Chinese managers like to organize their evaluations of their subordinates around traits. However, as traits are more innate than learned, and difficult if not impossible to change, Chinese managers often fail to see the purpose of formally evaluating the performance of the workers since the outcome of the job performances are bounded by
their traits. In evaluating traits believed related to performance, the managers tended to favor the use of common sense and intuition. Rejecting analytic methods and rational decision making as means to eliminating biases in making performance evaluation, they also did not seek out information systematically before making a performance decision, but rather chose to rely on their gut feeling and instincts. This finding is consistent with the prior literature on Chinese decision making (Bond 1991, Redding & Wong 1986).

Western theories suggest that feedback be used to both keep its workers’ behavior directed towards organizational goals and to stimulate and maintain high levels of effort (Larson, 1984). Chinese managers tend to be reluctant to pursue two-way communications in order to avoid face-to-face confrontation (Chen & Chung, 1994). In the Chinese culture, negative feedback from the boss is likely to cause serious problems, and is regarded as a mere ‘fault-finding’ session, and so Chinese managers simply do not like to criticize anybody, even constructively. The managers prefer to use implicit communication and to emphasize indirect modes of communication in order to maintain harmony. In addition, this implicit and indirect approach to performance standards, communications, and feedback also helps the manager maintain their discretionary prerogatives, because more explicit and formal systems are seen to restrict managerial autonomy.

The findings summarized in Table 1 and illustrated in Figure 1 contain a number of specific relationships that will need to be tested in future confirmatory research. Testing these relationships would be difficult using nation-level data, so research should view the values and beliefs presented in the model as individual-level concepts. There are a number of research directions which could be pursued in examining the effects if individual Chinese managers’ beliefs along these dimensions.

In this research project, the managers who were interviewed were all in senior positions, and thus had significant authority and influence over the way in which performance appraisals were conducted within their organization. The beliefs uncovered in these interviews are also likely to be held by lower level managers, and these lower level managers would not be in a position to influence system design. These lower level managers, however, are increasingly being called upon to conduct formal appraisals, both by large indigenous firms and by foreign enterprise operating in China (Akhtar, Ding, & Ge, 2008). The important question to be resolved is in how Chinese managers with the beliefs and values identified in this paper behave when faced with the requirement to administer
formal appraisals. The results of the interviews reported in this paper suggest that there are significant contradictions between the existing performance beliefs and values of Chinese managers and the underlying values and assumptions of formal appraisal systems. It is thus important to begin to focus upon managerial behaviors related to performance appraisals, and not just to structural issues.

The growing presence of Chinese firms with overseas subsidiaries also warrants research. Specifically, for cultural and legal reasons it is important to have highly formalized appraisal systems in many Western countries. Chinese expatriate managers might not appreciate the importance of formalization of standards and measurements, and thus run afoul of legal requirements or fail to meet worker expectations.

In summary, senior Chinese managers reject formal performance appraisal systems, and prefer instead to rely upon intuition and instinct. Perhaps more importantly, Chinese managers do not really believe it is possible to change employee performance, and thus see no need for formal performance appraisal and management systems. These beliefs are in contradiction to the performance appraisal and management practices common in the West. Future research should focus upon the intersection between structure and beliefs, and examine in detail the way in which Chinese managers appraise and manage employee performance if required under a formal performance appraisal system.
A REJECTION OF FORMAL PERFORMANCE APPRAISAL SYSTEMS

Trait model of performance

Intuitive mode of decision making

Cannot change performance, variations due to environment

Managerial prerogative / flexibility

Harmony is important

Reject Formal Appraisal Systems

No need for formal system if you cannot change people

Formal system is an undesirable constraint

Formal systems can cause confrontation

No need for formal structure

“gut instinct”
**TABLE 1**

**COMPARING WESTERN AND CHINESE VIEWS OF PERFORMANCE EVALUATION**

<table>
<thead>
<tr>
<th>Western Concepts</th>
<th>Chinese Concepts</th>
</tr>
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<tbody>
<tr>
<td>Most variations in performance are due to factors that can be managed (i.e., skills and behaviors)</td>
<td>Performance is mainly due to intrinsic characteristics (traits) that cannot be changed or managed</td>
</tr>
<tr>
<td>Explicitly stating performance expectations are needed to provide employees a direction to work towards</td>
<td>Environment always changes, so don’t want to be tied to targets. Also, once clear targets are set, the manager’s discretion becomes constrained</td>
</tr>
<tr>
<td>Bias exists, but can be avoided or minimized through a scientific or rational approach</td>
<td>Reject rationalism, believing that theories are irrelevant and that the “scientific approach” is just pretext to do what the manager already wants</td>
</tr>
<tr>
<td>Must talk about performance in order to improve performance. Clear communication can be used as tool to motivate improved performance</td>
<td>Not able to improve performance (see #1 above), and talking about performance (traits) is only going to cause conflicts, reduce harmony, and most likely result is to reduce performance</td>
</tr>
</tbody>
</table>
REFERENCES


