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**PERFORMANCE APPRAISAL IN
AUSTRALIA AND CHINA: AN ANALYSIS OF
BEST PRACTICES**

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INTRODUCTION

Cross-national comparative studies of Human Resource Management (HRM) practices have become increasingly prevalent because of factors such as the globalization of business, the increasing awareness of the impact of economic and cultural changes upon HRM, and the transferability of HRM practices from multinational corporations (MNCs) to their subsidiaries. In order to compete within the global economy, many organisations have begun to search for best international HRM practices by exploring the relationships between specific practices and various measures of organisational effectiveness in different countries (Von Glinow, 1993). Similarly, much of the literature in this field argues that it is critical for MNCs to understand how host countries utilise their human resources and to match their HR systems accordingly (Adler, 1991; Schuler, Dowling, & De Cieri, 1993; Moore & Jennings, 1995). Recognising this need, a Best Practice Study has been established utilising researchers from different countries to participate in a research project aimed at determining 'best international HRM practices' in domestic and globally oriented firms" (Von Glinow, 1993). The wording "best", as Milliman et.al. (1994) explain, is adopted in a cultural and organisational specific sense rather than implying universalism. The authors of this paper have joined this international research program, undertaking research related to a wide range of HRM practices in both Australia and China. This paper discusses the HRM practice of performance appraisal (PA), a contentious and much-debated function in HRM in both Australia and China.

The paper first examines the PA literature in Advanced Western Market Economies (AWMEs) specifically Australia, identifying the issues surrounding PA with a focus on its purposes and effectiveness. The research then highlights PA in the People's Republic of China under changing economic systems (moving from a centrally-planned economy to a market-driven economy). The focus of this paper is to diagnose to what extent PA is currently utilised to serve certain purposes and to identify the discrepancy between the current position and the ideal at both domestic and cross-national levels.

BRIEF REVIEW OF PERFORMANCE APPRAISAL IN AWMEs

Performance appraisal is the process of identifying, observing, measuring, and developing human performance in organisations (Carroll & Schnair, in Cardy & Dobbins, 1994:1). Along with other HRM functions such as reward systems, PA is an integral part of modern Western HRM systems (Von Glinow & Teagarden, 1988). In a broad sense, PA tends to serve three major purposes within an organisation: administration, development, and communication (e.g. Butler, Ferris & Napier, 1991; Cleveland, Murphy & Williams, 1989; Williams, 1972). The administrative purpose encompasses staffing, compensation, promotion, reward and punishment systems (Silverman, 1989). The developmental aspect seeks to "identify and develop potential for future performance, linked to succession and personal development planning" (Goss, 1994:51). Thirdly, communication is aimed at providing feedback to employees about behaviours and results they should continue or achieve (Butler, et al, 1991). In addition, PA is also used to serve the management of human resources in an increasingly complex employment legal environment. For instance, PA can provide a paper trail for a company to combat wrongful-dismissal suits (Eckes, 1994).

PA has been a controversial and much-argued function in HRM for decades. The controversy mainly relates to validity, reliability and credibility (e.g., Hegarty, 1995; Lawler, 1994; Thomas & Bretz, 1994). Supporters of PA claim that it has worthwhile objectives, such as facilitating the implementation of organisational strategy, linking performance to the reward, enhancing communication between managers and their subordinates, as well as identifying training and development needs (e.g. Butler, et al, 1991; Greer, 1995; Nankervis, Compton & McCarthy, 1993). Schuler and MacMillan (1984:248) also use companies as real examples to illustrate how a PA system can "assist executives in clarifying and articulating objectives and expectations for themselves and their employees", and help companies to gain competitive advantages in cost reduction and improved efficiency.

On the other hand, opponents argue that PA may create more problems than it solves. Research (e.g., Lawler, 1994; Mohrman & Mohrman, 1995) indicates many reasons that account for the failures or deficiencies of PA, including inappropriate focus, inadequate training, lack of communication and immeasurable or subjective criteria. PA has been criticised for focusing too heavily on an individual's past performance, on compensation and other administrative practices rather than on future goals and developmental aspects (McNerney, 1995; Mohrman & Mohrman, 1995). Inadequate training of appraisers may create superficial and prejudiced judgements, leading to conflict between appraisers and appraisees (Silverman, 1989). Lack of communication, resulting from either the reluctance of appraisers to pass negative evaluation on to their appraisees or merely negligence, may leave appraisees unaware of problem areas. This potentially leads to demotivation, distress or continuing poor performance (Armstrong, 1988; Thomas & Bretz, 1994). Eckes (1994) points out that PA contains subjectivity and immeasurables. This is one of the major reasons why W. Edward Deming (1986, in Eckes, 1994) vigorously argued against individual PA.

Despite this controversy, PA remains a major HRM tool in AWMEs (Goss, 1994). Research indicates that in the USA, the overwhelming majority of both private and public sector organisations use some form of PA (Fisher, Schoenfeldt & Shaw, 1993). Meanwhile Shelton (1995: 51) reveals that PA is "the most universally practised human resource management program in Australian organisations." An Australian study conducted by Nankervis and Penrose (1990) revealed that 85% of 200 companies investigated had a formal PA program. A 1990 study of performance appraisal and management practice in Australia identified 83% of organisations surveyed had a performance appraisal system (Collins and Wood, in Shelton, 1995). However, in Australia formal appraisals are still more likely to be used with white-collar rather than blue-collar workers (Robbins, Low & Mourell, 1986; Shelton, 1995).

The major purposes of PA claimed by Australian organisations were the identification of training needs, employee counselling and performance-based rewards (Shelton, 1995). However, Shelton (1995: 51) notes that "with the freeing up of the labour market under new enterprise-based bargaining systems it can be assumed that the allocation of performance-based rewards will increase in importance". Shelton's assumption has been supported by a recent research finding. According to O'Neill (1995), the Hay Group in 1994 surveyed alternative reward practices of 79 major Australian public companies. Over half the participants had some form of performance-based reward system in operation, with a further 25 per cent considering the introduction of incentive plans.

Robbins et al (1986) question the gap between the Australian managers' recognition of the significance of PA and the implementation of PA in practice. The research conducted by Collins and Wood in 1990 showed that "only 13% of organisations reported a direct link between their performance management system and their corporate objectives, strategies and business plans, and

departmental objectives" (Shelton, 1995:55). Von Glinow (1993:102) also states that "there is no correlation between having a form, and subsequent employee performance, or organisational effectiveness in the United States." The gap between management thinking and management practices, as well as the low correlation between PA and organisational effectiveness indicates that "performance appraisal continues to present a vexing human resource challenge" (Thomas & Bretz, 1994:33). This challenge has become a driving force behind the search for best practices of appraisal.

PERFORMANCE APPRAISAL IN THE PEOPLE'S REPUBLIC OF CHINA

From 1949, when the People's Republic of China (PRC) was founded, to the late 1970s, the government established a centrally planned economic system modelled on the Soviet system (Hare, 1983). Under this highly centralised planning system, the operations of enterprises were strictly controlled and management practices were greatly limited. However, since the economic reform in 1978, with the official acceptance of a market economy and the subsequent implementation of the Enterprise Law in 1988 and the "Regulations for Changing the Methods of Operation of Industrial Enterprises Owned by the Whole People" in 1992, both management practices, especially in terms of HRM, and employee behaviour are experiencing rapid revision (Zhu & Dowling, 1994). PA, like other HRM practices, is also under transition from a planned economy to a market-driven economy.

PA under the Centrally-planned Economy (1949 - 1978)

Under the highly centralised planned economy, employees were generally classified into two groups: workers and cadres. The former included all blue-collar employees while the latter referred to white-collar staff. Workers were administered by the Ministry of Labour and its branches at lower levels. Cadres were managed by the Ministry of Personnel. Those cadres who were Party members and held leader positions were also under the control of the Organisation Department of the Central Committee (ODCC) of the Communist Party of China (CPC). Many policies and regulations regarding the management of cadres were issued by ODCC, which demonstrated CPC's direct control of its cadres.

During this period, PA was more commonly used for cadres than for workers. In November 1949 (one month after the PRC was founded), the ODCC issued "The Regulation on the Performance Appraisal of Cadres". In 1964 the ODCC circulated "The Report on the Draft of Administration Work of Technical and Scientific Cadres", specifying the regulations for appraising the performance of those cadres who were generally engaged in technical, scientific or other professional work. These technical cadres could be Party members and leaders as well (Zhao, 1986). PA, or "personnel performance appraisal" became a key component in personnel (i.e. cadres), administration or management (Han, 1992; Liu, 1987; Su & Zhu, 1992).

The purpose of appraising cadres at this time was mainly for promotion or transfer, and the criteria for appraisal were heavily reliant on political loyalty and seniority (Su & Zhu, 1992; Young, in Cheng, 1989). The appraisal was usually conducted annually by the personnel department of the cadre's organisation. Each cadre was given an appraisal form which was divided into three parts: self-evaluation, peer group opinions and the assessment written by the head of department for which the cadre worked. A narrative essay form of appraisal was adopted. Burns (in Cheng, 1989) argued that as this kind of appraisal was mainly a "superior-rating-subordinate" type of system, which lacked specified criteria and other appraisal techniques used in AWMEs the result was necessarily to increase the subjectivity of the appraisal.

PA for blue-collar workers was conducted in a much less formal and more subjective way, and this could be reflected from the emphasis placed on one's *biao-xian*, which "describes the broad and vaguely defined realm of behaviour and attitudes subject to leadership evaluation - behaviour that indicates underlying attitudes, orientations, and loyalties worthy of reward"(Walder, 1986:132). Walder (1986) revealed that a worker's performance level depended on his/her *biao-xian*, which was usually discussed by one's group members first and then decided by both the production leader and Party representative or secretary of the group. As peers and leaders would make a judgement on the basis of their subjective impressions of one's day to day job performance and cooperation demonstrated, personal relationships with colleagues, especially with the leaders became the key to getting a good *biao-xian* (Brown & Branine, 1995; Walder, 1986). Such appraisals were characterised by vagueness, being open for individual interpretations and highly dominated by political ideology. Schuler and Harris (1991) state that once the reviews are highly qualitative, the potential for favouritism exists, or at least the perception of it. Thus the effectiveness of such PA is put in question.

The purpose of workers' PA could be for job promotions, desirable transfers, the distribution of welfare benefits such as housing, and the selection of "model workers" (Henley & Nyaw, in Warner, 1987; Walder, 1986). However, performance appraisals for both cadres and workers were totally negated and abandoned during the 10 years of "Cultural Revolution" (1966 - 1976), when everything was in chaos in China (Su & Zhu, 1992).

PA under the Market-driven Economy (1978 to date)

Shortly after the commencement of the economic reform, the ODCC issued the "Suggestion for Implementing the Cadre Performance Appraisal System" in November 1979. This document declared the significance of establishing a formal PA system for cadres for five major reasons. Firstly, PA could identify cadres' training needs, especially on the professional side, to increase their competency for building socialism. Secondly, it could distinguish good and bad performers and help to make correct promotion decisions. Thirdly, it could help implement the socialist principle of distribution, i.e. from each according to his/her ability, and to each according to his/her work. The identification of high and low performers through PA would encourage the former and motivate the latter. Fourthly, it could help to break the "iron rice bowl" - lifetime employment regardless of one's performance and tenured positions for cadres. Cadres should be rewarded or punished, and promoted or demoted on the basis of the result of PA. Finally, subordinates could evaluate their leaders in the PA process, and this would reduce the superior's domination and put cadres under workers' supervision as well (Su & Zhu, 1992:157).

The appraisal criteria for cadres currently used in China is composed of four broad areas known as: "good moral practice"(*de*), "adequate competence"(*neng*), "positive working attitude"(*qing*), and "strong performance record"(*jie*) (Child, 1994; also see Brown & Branine, 1995; Burns, in Cheng, 1989; Han, 1992; Zhao, 1986). The four criteria were adopted with an overall grading from excellent, good, pass or poor. "Good moral practice"(*de*) means virtue or moral integrity, which evaluates whether the cadre is in step politically with the Party, and whether the cadre carries out government orders and regulations. *De* has always been listed on the top of a cadre's appraisal sheet in Mao's regime and after (Child, 1994). For instance, Mao Tsedong advocated "Be both *red* (politically reliable) and *expert* (professionally competent)" whereas Deng Xiaoping later on stated that "*Red* does not mean *expert*, however, to be *expert* must be *red*" (in Chen, 1990: 352).

"Adequate competence"(*neng*) covers three major aspects: one's education background; ability in leadership, management, organisation, negotiation, planning, forecasting, and decision-making; and

physical situation, which also includes one's age. Since the twelfth National Congress of the CPC in 1982, the decisive criteria for selecting and promoting cadres has been shifted from pure political ideology and seniority to youth, knowledge, education and demonstrated managerial capability. Thus *neng* has been more greatly emphasised than before (Zhao, 1986).

"Positive working attitude" (*qing*, pronounced as "chin") refers to diligence and usually assesses one's attendance at work, discipline, initiative, and sense of responsibility. The final area "strong performance record" (*jie*, pronounced "jai") is to evaluate the cadre's work effectiveness, including the quality and quantity as well as other contributions made to the organisation. The last two criteria have been given particular attention since the economic reform. In the old system of the "iron rice bowl" (secured lifetime employment) and "iron positions" (tenure positions for cadres regardless of their performance), cadres could keep their positions or be promoted with little concern to their working attitude and achievement (Zhu & Dowling, 1994:7). However, under the market-driven economy, production and reward systems are changing, with less emphasis on egalitarianism and a stronger emphasis on efficiency and performance (Shenkar & Chow, 1989). As a result, PA has become a necessity to link performance to rewards and one's achievement has been given priority in appraisals.

Similarly, PA has been gradually developed and more and more widely used in enterprises for workers since 1978. "The Regulation on Workers' Performance Appraisal" (hereafter called the Regulation) was approved by the State Council in June 1990 and issued by the Ministry of Labour in July 1990. This Regulation is set for public sector and state-owned enterprises, and specifies the type, content, method and management of appraisals (Lu & An, 1991; Xia, 1992). The first article of the Regulation states that the major reason for conducting PA is "to assess workers' ideological and political *biao-xian* (attitudes and behaviours) as well as work achievements, and to determine the technical level reached by the worker, and to raise workers' initiative to build a socialist country" (see Zhao, 1995:436).

According to Zhao (1995), currently three major methods are being used for PA by China's enterprises. The first is through "position specification". Each job position has detailed specifications, which include aspects such as quality control, technical requirements, quantified work loads, tools and machine maintenance, labour discipline, caring for working environment, team work cooperation, and safety production. Zhao (1995) chose one well-performing company as an example of how this system works. For instance, quality control at this company requires each worker to self-check his/her own products, classify them according to the quality grades and stamp one's working number on them. Meanwhile, the quality inspector checks the quality of products on a regular basis before they get to the store room. If there is any quality issue, the person who assumes the responsibility should be identified, the reason for the problem investigated and a prevention method recommended. All of these processes will be documented as part of the PA process. In addition, labour discipline has been specified and incorporated into a "position specification" for PA. This company has a set of rules which includes "two-must and five-forbidden", i.e. the work of each shift must be started and must be completed according to a planned schedule, and five things are banned from work, that is, reading, eating, chatting, being idle and leaving one's work position without permission (Qu, 1991:35). The adoption of a "position specification" based on the principles of scientific management for PA does indicate a radical change in China's enterprise management. Before the economic reform, scientific management was criticised for helping capitalists to exploit workers, but now it is regarded as an effective technique to help managers increase productivity (Zhao, 1994).

The second method, "management by objectives", is quite common in AWMEs but relatively new in China's enterprises. PA is conducted within each work group, where each individual has specific objectives to complete. The last method is "internal subcontracting", that is, the enterprise obtains a contract from the state, and then the project or production work is subcontracted to its internal departments or business units. Each unit is accountable for its profits or losses and the employees are appraised within such units mainly for compensation purposes.

The three methods mentioned above all aim to break the old practice of "eating from a big rice pot" which did not distinguish high and low performers and did not link performance to reward. However, they still have problems such as the emphasis given to political considerations, inconsistent measurements, subjectivity, static rather than forward-looking attitudes and lack of communication (see Brown & Branine, 1995; Huang, 1994; Nyaw, 1995). They generally serve an evaluation purpose rather than developmental or communication purposes. This has been supported by our research findings and will be discussed later. Recently, a new method for PA was suggested by Peng, Bao and Wu (in Zhao, 1994), which requires the development of a human resource information system (HRIS) within the enterprise, a behaviour control and motivation system and a strong link between performance and rewards. A HRIS could offer detailed information such as a job description and job specification for each position, and a job holder will know clearly about work requirements and appraisal criteria. Employees are evaluated in terms of their achievement, working attitude and potential ability for promotion. The result of PA is then directly linked to individual rewards and compensation. This new method endeavours to achieve both evaluation and developmental purposes, and it is linked closely to one's job position rather than a general classification such as workers and cadres.

In international joint ventures (IJVs) in China (up to the end of 1995, the official total number of such IJVs was 258,903), the distinction between cadres and workers has become blurred, and employees can belong to either managerial or non-managerial groups. Western style PA has been introduced to IJVs. For instance, the first author visited several IJVs set up by companies from AWMEs between 1994 and 1995, and noticed that they conducted PA, two to four times a year. The criteria used are composed of factors such as knowledge of the job, quantity and quality of work, supervisory or technical potential, dependability, consciousness of cost saving, occupational safety, flexibility, cooperation, attendance and punctuality. However, the results of PA are used more for administration purposes, such as the distribution of bonus rather than for communication and development.

RESEARCH METHOD

This research is part of the "best international HRM practices" study. The questionnaire developed by Von Glinow (1993) has been used as a major research instrument. However, Shenkar (1994) argues that the validity of questionnaires designed in the West for non-Western societies such as China is open to question, especially when translation is required. In order to avoid such problems, the first author, with bilingual skills and over three decades of personal experience in China, checked the translated questionnaire word for word and made some alterations to reflect local idioms and differences in written Chinese (a simplified set of characters was adopted). This helped the Chinese respondents to better understand the questions and made the survey more suitable to the Chinese context.

The questionnaire included a wide range of topics regarding HRM practices, such as performance appraisal. The survey questions relevant to this paper covered three aspects, (1) the existence of PA in the organisation; (2) to what extent PA is being and ought to be used (classified into "Is Now"

and "Should Be" questions); and (3) to determine how PA is related to employee job satisfaction and organisational effectiveness.

The data used in this study was collected by means of a questionnaire survey of companies in Australia and China. A similar instrument was used in both countries. In Australia, a total of 1633 copies of the survey were posted to human resource managers in the private and public sectors, and 438 valid replies were received (a 26.8 per cent response rate). In China, in 1994 and 1995 when the first author was conducting field studies there, altogether 850 questionnaires were personally handed out to both managerial and non-managerial employees with detailed explanations of each question. A total of 440 copies were returned from respondents working in companies with different ownerships and sizes. The response rate of Chinese questionnaires is 51.8 per cent. Among these respondents, 71 per cent (313 respondents) were at management level and the rest (127 respondents) were non-managerial. However, there are many missing values in the Chinese data due to two major factors. Firstly, none of the respondents had ever filled in survey questions like this before, and the majority of them were very concerned about the confidentiality of their answers in spite of the first author's explanations and promises. Considering frequent political purges that people have suffered since the PRC was founded, it was not surprising that respondents were very concerned that their results might be identified. Secondly, many HR practices were not in existence, and people were not aware of such management practices, so they simply left many questions unanswered.

All the data was processed using SPSS. The comparison of results from "Is Now" and "Should Be" questions was subjected to chi-square tests and correlation analysis was undertaken to identify the relationship between several variables. The research findings were used to compare the current and future PA practices within one country, and to assess if such practices differ across the two countries. In the questionnaire, response options ranged from one to five. However, for the sake of comparison we have grouped results of one ("not at all") and two ("to a small extent") into a "low" category, the results of three ("to a moderate extent") are "medium", and results of four ("to a large extent") and five ("to a very great extent") have been grouped into a "high" category. The next section reports on the findings related to PA in both Australia and China.

ANALYSIS AND DISCUSSION OF FINDINGS

Survey results related to PA are analysed and discussed in terms of the three aspects as listed below.

- The existence of PA in the companies and its correlation to the size and ownership of the company;
- The purposes of PA, which are classified into three groups - communication, administration, and development;
- The effectiveness of PA in terms of, (a) increasing employees' performance, (b) increasing job satisfaction, and (c) the overall effectiveness of the organisation.

Background Information

Australian respondents (N = 438) were all managers. Two thirds of the respondents were males and 75 per cent of the respondents were aged 30 - 49. Education background indicated that 77 per cent

had attained tertiary level qualifications¹(see Table 1). Among the Chinese respondents, 313 (71 per cent) were classified at managerial level. 70 per cent of these managerial staff were males and 30 per cent were females, 71 per cent were aged 30 - 49. 35.8 per cent of Chinese managers completed formal tertiary education (see Table 1). These results indicate that there is no significant variation between the two groups in terms of their gender and age. However, there is a notable difference with respect to education levels. Australian managers had higher qualifications than their Chinese counterparts. This could be due in part to the traditional emphasis placed on seniority and political loyalty as the most important criteria for promotion to management in China. Nevertheless, it is worth noting that a significant number of Chinese managers have received an associate degree level of education² (in our survey 45.5 per cent). This is mainly due to the government's recent promotion of further education in China since the economic reform.

Table 1: Highest education level completed

Education Level	Australia (N = 396)	Chinese (N = 302)
High School Certificate or Less	10.4 %	18.9 %
Some University Education	12.6 %	45.4 %
Bachelor's Degree	31.6 %	31.8 %
Some Post Graduate Education	20.7 %	1 %
Post-Graduate Degree	24.7 %	3 %

The Existence of PA in Australia and China

In Australia, 87 per cent of managers surveyed confirmed that their organisations undertook PA, whereas in China 62 per cent of respondents said that PA was conducted in their enterprises. In the Australian survey, organisations are categorised into four types of sectors, i.e. (1) public; (2) private for profit; (3) private not for profit; and (4) others. The data reveals that about 80 per cent of respondents from each type of organisation confirm that PA is in existence (see Table 2). In the Chinese survey, organisations are classified according to ownership, namely, (1) state-owned enterprises; (2) collectively-owned enterprises; (3) individually-owned enterprises; and (4) foreign joint ventures. As Table 3 indicates, PA is used more in state-owned enterprises (67.6 per cent) and foreign joint ventures (65.2 per cent) in China. For state-owned enterprises, this reflects the emphasis placed on PA by the state and the level of control over state enterprises. This is especially the situation for large and medium-sized enterprises which have a consistent set of personnel practices such as PA (Zhao, 1993). For foreign joint ventures (which are mainly formed with state-owned enterprises), the use of PA could reflect the influence of the state and foreign companies. As can be seen from Table 2 PA is used more widely in Australian organisations, especially private for profit organisations, which characterise the typical organisations setting up joint ventures in China.

¹ In the Australia survey there were 42 missing values recorded for education background and 11 in the Chinese data.

² This is the education level immediately below a bachelor degree.

Table 2: The existence of PA in Australian companies with different types of sector

Sector of Company	Public	Private for Profit	Private not for profit	Others
Number of Responce	66	331	13	26
Existence of PA (%)	80.3	88.5	76.9	88.5

Table 3: The existence of PA in Chinese companies with different types of ownership

Sector of Company	State-owned	Collective-owned	Private-owned	Foreign joint venture
Number of Responce	179	71	9	92
Existence of PA (%)	67.6	49.3	33.3	65.2

An examination of the relationship between organisational size and PA indicates a slight positive correlation in both countries (the Australian data: $r = .17$, $p < .001$, and Chinese data: $r = .13$, $p < .05$). In other words, the larger a company, the more likely it is to conduct PA.

The Purpose of PA

As noted, PA is often used to serve three major purposes within an organisation: communication, administration and development. The survey focused to what extent PA is being used currently ("Is Now") and should be used in the future ("Should Be"). The analysis was initially conducted on each country and then a cross-national examination of the data was undertaken. Using Chi-square tests, the results ($p < .001$) demonstrated that the variables in "Is Now" and "Should Be" questions were significantly dependent, and the patterns of frequency distribution presented in Tables 4 to 9 did not occur by chance alone.

Communication. In the context of PA, communication is seen as a function allowing for the development of a dialogue between appraiser and appraisee to improve the understanding of perceived goals and objectives (Schuler et.al., 1992), specifically, issues at work and the appraisee's role in the organisation. The expectation would be to draw them into voicing ideas and suggestions for problem-solving and decision-making (Goss, 1994).

Table 4 indicates in China PA is only used at a low to medium level for communication. However, there is a clear expectation that PA should give more opportunities to communicate in the future. Table 5 shows that in Australia the role of communication in PA is in the medium to high range. Despite this current high level usage, the expectation is to substantially increase the role of communication in PA in the future.

The trends for both countries indicates an increase in the use of communication in PA. However, the results indicate that Australian organisations places more emphasis on the communication process at present and in the future than their Chinese counterparts. This discrepancy could be attributed to the influence of organisational culture. In AWMEs, the communication process in PA facilitates the opportunity in a formal framework for an open and honest discussion between

appraiser and appraisee, which could include criticism. It is expected that such an approach will lead to a more open and participative workplace (Long, 1986). In China, such mutual communication is encouraged by management, however, the cultural significance of keeping harmonious relationships and traditional concept of "face-saving" discourage an open dialogue for fear of losing "face" and upsetting superiors, subsequently jeopardising promotion opportunities (Child, 1994; Easterby-Smith, Malina & Yuan, 1995). This was supported by three case studies conducted in China by the first author in 1994. During the study it was discovered that PA was solely undertaken by line managers and there was little feedback from appraisers to appraisees. In one case the results of PA were kept confidential because management felt reluctant to pass on any negative information to appraisees.

Table 4: Results of the extent to which PA is served for communication purposes in China (p < .001)

Response Scale	Discuss Subordinate's View (N = 196)		Allow Subordinate to Express Feelings (N = 198)	
	Is Now (%)	Should Be (%)	Is Now (%)	Should Be (%)
L(ow)	27.4	5.1	27.4	5.6
M(edium)	52.0	29.6	48.7	28.4
H(igh)	20.4	63.3	23.8	66.0

Table 5: Results of the extent to which PA is served for communication purposes in Australia (p < .001)

Response Scale	Discuss Subordinate's View (N = 379)		Allow Subordinate to Express Feelings (N = 379)	
	Is Now (%)	Should Be (%)	Is Now (%)	Should Be (%)
L(ow)	17.1	1.0	20.8	1.9
M(edium)	30.3	9.0	31.7	13.7
H(igh)	52.5	90.0	44.5	84.4

Administration. The administrative aspect of PA may be seen in a variety of contexts, however, the predominant feature of such a process is to document an audit of the workforce strengths and weaknesses to facilitate the establishment of appropriate reward systems and relative values of past performance and future promotability (Schuler, et.al. 1992; Silverman 1989). In the survey questionnaire, four questions related to administration purposes, namely, determine appropriate pay, for salary administration, document subordinate's performance and determine subordinate's promotability. The Chinese data (Table 6) indicates a clear trend to increase the use of PA for administration purposes from a current moderate-large extent. The issue of determining appropriate pay is considered highly important and it appears to be the key feature within the four aspects of administration of PA in China.

The emphasis placed by Chinese organisations on the administration of performance related pay and salary is mainly the result of Chinese industrial reform. In 1984, the state issued a document on the "enterprise responsibility system", which advocated the linkage of employees' income with their job performance. Since then, enterprises (including state owned organisations) have started to move slowly away from the traditional "iron wage system" (the centralised wage fixing system). Whilst the government maintains control over the size of the total payroll, enterprises have been given the autonomy to set up their own remuneration systems within the state guidelines (Child, 1995; Chow, 1992). Most enterprises have begun to put more emphasis on the use of PA as a way of determining the most appropriate payment system (Easterby-Smith et.al. 1995; Nyaw, 1994; Zhao, 1995).

Traditionally, PA was used to document an individual's (particularly a cadre's) performance. This was considered an important element of personnel administration in China, because a personnel file (like a tax file number in the west) moved with the person from organisation to organisation. However, with the opening of labour markets, this practice is becoming less prominent in the case of organisations with more autonomy, such as foreign joint ventures. This is because a variety of selection procedures including interviews and reference checking have been adopted instead of merely depending on personnel files. Therefore, PA is currently used at a moderate level for documenting performance in China. The increase of this function in the future is modest as compared with other functions.

Table 7 indicates that Australian managers put much less emphasis on using PA for determining pay and administering salary. It shows a moderate usage of PA for pay and salary at present and a relatively small increase in the future. The less emphasis placed on this aspect of PA by Australian managers may be a result of the highly-regulated (and until recently) centralised system of industrial awards. This system determines salary levels industry wide thus allowing only marginal scope for adjustments based upon individual performance (Sheldon, 1994).

However, Australian data indicates a very high usage of PA for documenting employee's performance and it appears to be the key aspect of administration both now and in the future. It remains the main process for gathering information for the purposes of promotion, training, development and monitoring employee performance.

Both sets of data (Tables 6 and 7) indicate that PA is currently used for determining promotability in both countries to a moderate-large extent. With regard to future use, both countries indicate an increased emphasis on this aspect of PA. However, in Chinese organisations, an increased expectation of using PA for promotability is closely related to a significant increase in the use of PA for performance based pay, as they are all directed at the effort to link performance to reward so as to break the traditional practice of egalitarianism (Chow, 1994; Han, 1992).

Table 6: Results of the extent to which PA is served for administration purposes in China (p < .001)

Scale	Determine Pay (N = 201)		Salary Administration (N = 199)		Document Performance (N = 201)		Determine Promotability (N = 198)	
	Is Now (%)	Should Be (%)	Is Now (%)	Should Be (%)	Is Now (%)	Should Be (%)	Is Now (%)	Should Be (%)
L	11	0.5	17.1	5.0	15.9	9.5	18.1	1.0
M	36.3	7.0	44.7	21.6	47.8	26.4	38.4	15.7
H	52.8	92.6	38.2	73.4	36.3	64.2	43.5	83.3

Table 7: Results of the extent to which PA is served for administration purposes in Australia (p < .001)

Scale	Determine Pay (N = 377)		Salary Administration (N = 376)		Document Performance (N = 377)		Determine Promotability (N = 378)	
	Is Now (%)	Should Be (%)	Is Now (%)	Should Be (%)	Is Now (%)	Should Be (%)	Is Now (%)	Should Be (%)
L	42.7	19.4	47.4	33.7	9.0	4.0	28.1	9.2
M	23.3	26.5	26.1	29.0	26.5	11.7	32.3	20.1
H	33.9	54.1	26.6	37.3	64.4	84.3	39.7	70.6

Development The development aspect of PA provides a framework to assess, evaluate past performance as well as providing a benchmark for future performance and development of the individual employee (Butler et.al. 1991; Cardy, et.al. 1994). The survey indicates that managers in both countries considered this to be the most important aspect of PA. .

There are five questions related to this aspect, i.e. recognise subordinate for things done well ("recognition" in the table), evaluate subordinate's goal achievement ("evaluation"), identify subordinate's strengths and weaknesses ("identification"), plan development activities for subordinate ("planning"), and lay out specific ways in which subordinate can improve performance ("improvement"). The first three questions focus more on the assessment of past performance, whereas the last two focus more on planning for future development purposes.

Table 8 indicates a low-medium level of PA used for development purpose and a trend to increase in the future in China. By examining the questions it can be seen that the Chinese data shows more emphasis on the assessment of past performance rather than on planning future development. Traditionally, as noted above, PA is mainly used for promotion and transfer, and these decisions are made on one's past performance. In addition, under the centralised labour allocation system before the economic reform, employees were supposed to stay in the same positions during their life-time employment (Zhu & Dowling, 1994). Since the introduction of the "enterprise responsibility system", senior managers are now under performance-based contracts to the state. This often causes

these managers to focus on short-term goals rather than developing employees for a long term strategy (Chen, 1995; Zhao, 1995).

The survey data identified that in Australia, PA is used at a moderate-high level for development purposes with an expectation that this will increase in the future (see Table 9). The purpose for development, including assessment and future planning, appears to be an important aspect in future trends of Australian PA. This is not surprising, as the focus on this aspect of PA is to establish work standards and goals for future performance as well as putting in place an appropriate system to monitor this process.

Table 8: Results of the extent to which PA is served for development purpose in China (p < .001)

Scale	Recognition (N = 198)		Evaluation (N = 197)		Identification (N = 198)		Planning (N = 196)		Improvement (N = 198)	
	Is Now (%)	Should Be (%)	Is Now (%)	Should Be (%)	Is Now (%)	Should Be (%)	Is Now (%)	Should Be (%)	Is Now (%)	Should Be (%)
L	12.1	5.0	22.9	5.1	17.1	4.5	29.6	6.1	22.2	4.5
M	39.9	15.2	43.7	24.9	49.0	19.2	50.0	25.0	47.0	19.7
H	48.0	79.8	33.5	70.1	33.8	76.2	20.4	68.9	30.8	75.8

Table 9: Results of the extent to which PA is served for development purpose in Australia (p < .001)

Scale	Recognition (N = 379)		Evaluation (N = 377)		Identification (N = 378)		Planning (N = 378)		Improvement (N = 380)	
	Is Now (%)	Should Be (%)	Is Now (%)	Should Be (%)	Is Now (%)	Should Be (%)	Is Now (%)	Should Be (%)	Is Now (%)	Should Be (%)
L	15.5	3.1	14.1	0.8	13.7	1.6	20.9	1.1	19.2	1.4
M	35.6	12.1	26.5	6.4	30.2	8.7	30.7	5.3	28.2	6.6
H	48.8	84.7	59.4	92.9	56.1	89.7	48.4	93.6	52.6	92.1

The Effectiveness of PA

This part of the survey consists of three questions exploring the effectiveness of PA as conducted at present by the company. Table 10 presents response results (percentage of respondents) from managers in both countries. While Australian data is somewhat equally distributed, the Chinese data is biased more towards the medium to high level.

Obviously there is a tendency for respondents to give a subjective assessment of their own organisation. This is especially true in China where criticism and conflict is actively avoided (Weldon & Jehn, 1993). This may account for the perception that PA is more effectively used in China than in Australia despite the fact that the communication and development aspects of PA have been used to much greater degree in Australia.

Table 10: Effectiveness of PA in Australia and China

Scale	Increasing Employees' Performance		Increasing Job Satisfaction		Overall Effectiveness of The Organisation.	
	Australia (N=389)	China (N=264)	Australia (N=388)	China (N=257)	Australia (N=388)	China (N=264)
Low	24.4 %	7.2 %	32.5 %	10.1 %	26.3 %	7.6 %
Medium	43.7 %	43.6 %	44.8 %	38.5 %	39.2 %	37.9 %
High	31.8 %	49.2 %	22.6 %	51.3 %	34.5 %	54.6 %

CONCLUSION

The results presented in this paper represent our assessment of how PA is currently utilised to serve different purposes and the future direction it may develop in Australia and China. The research reveals discernible differences in PA practices between the two countries in several key areas. Firstly, communication is more strongly emphasised by Australian managers than their Chinese counterparts. Secondly, administration, especially performance-linked compensation, appears to be a key purpose for conducting PA in China, whereas in Australia, this is a subsidiary purpose. Finally, the emphasis on PA as a developmental tool is given more significance in Australia than in China.

However, our study identified similarities in the positive relationship between company size and the use of PA. The larger the organisation the increased likelihood there would be a formal PA process in place. In both countries management agreed that PA is currently, and will remain, an effective tool of HRM. In both countries, PA continues to be used for documenting and assessing past performance.

These differences and similarities indicate that external factors like the economic system and national culture all have an influence upon HRM practices such as performance appraisal. However, despite the changing economic conditions experienced in both countries, PA remains a central function in the operation of HRM.

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