

**DOCTORATE OF BUSINESS ADMINISTRATION**

**Document 5**

**The Application of Balanced Scorecards in the  
Performance Measurement of a large Communication  
Corporation in China**

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## **Abstract**

This thesis explores the application of the Balanced Scorecard (BSC) as a means of employee appraisal in Chinese state-owned enterprises (SOEs). In the earlier documents, it was found that BSCs were not successful. This thesis examines the reasons why the BSC has not worked as a method of appraising individual employees. Operational, capability and cultural systems are the three perspectives used to study the performance of the employee BSC. In addition, this thesis attempts to restructure a new appropriate employee appraisal method to fit employees that work in Chinese SOEs. A leading Chinese communication company (ALCC) was selected as a suitable case study for this programme. This thesis is based on semi-structured interviews, focus group interviews and observation methods that look at five branches of ALCC, which are situated in Xinjiang, Guangdong, Fujian, Sichuan and Zhejiang provinces.

The thesis shows that the BSC as a means of employee appraisal is not constructive for employees in Chinese SOEs. The thesis also looks at creating a new employee appraisal model that is more aligned with employee cultural values. This thesis provides a significant guide for managing Chinese SOEs in the future.

Further studies propose aligning employee aspirations and the management of employee engagement with the management of talent that can effectively support individual high performance. Future studies will look at how individual employee BSCs can be integrated with organisation and department BSCs. The relationships between individuals and organisations should be investigated with regards to how family life also influences performance.

## **Chapter 1 Introduction**

### **1.1 Context**

The Balanced Scorecard (BSC) method is a means of evaluating and measuring performance. It has been used globally for nearly 20 years. The tool is considered useful for evaluating strategy and departments, and it can also evaluate individual employee performance (Kaplan and Norton, 1992, 1996; Olve, Roy and Wetter, 1999). Practitioners and researchers in China should explore the theory's advantages and disadvantages in order to guide various organisations, and also to optimise or develop a tool or system suitable for use by state-owned enterprises (SOEs).

ALCC is the largest telecommunications enterprise globally (China Mobile, 2011). It has wholly owned subsidiaries in 31 provinces in China. In 2001, human resource management systems (HRMS) of ALCC were implemented in these subsidiaries throughout China. They identified performance measurements, payment management systems and position management systems. ALCC is an example of a typical SOE and initiated the application of the BSC tool to structure performance management systems (PMS) and to carry out strategic objectives. The 31 provincial companies have also been structured step by step as a measurement system since the year 2001 (China Mobile, 2007).

Kaplan and Norton (1992, 1996) devised the BSC method with the intention of forming a comprehensive view of a business. The BSC aims to drive organisational performance using internal process measurements and financial measurements with a focus on customer satisfaction and organisational innovation and development. These performance measurements provide top managers with a fast but comprehensive view of an organisation's performance. Research supports the view that performance management gives an organisation competitive advantage.

When reviewing literature on implementing the BSC, it was found that many researchers

determined that practical implementation of the BSC was challenging. Their case studies were almost all US or European organisations (Meekings, 1995; Kaplan and Norton, 1996 a); Meyer and Gupta, 1994; Bourne and Neely, 2002). McCunn (1998) claimed that 70% of attempts to implement performance measurement systems failed. In China, the performance measurements (PM) proposed by Qin (2005) were challenged on issues concerning their implementation and effects. Neely and Bourne (2002) stated that although the BSC was becoming a widely used performance measurement tool, there was evidence that not all performance management initiatives were successful. Similarly, it was found that since the BSC was applied as a measuring tool for employees at ALCC (Watson Wyatt, 2002) implementation was not successful as of 2001. SOEs in China are encountering significant hurdles in translating, implementing and improving strategy, and the unique culture of SOEs such as ALCC may further limit the application of the BSC method.

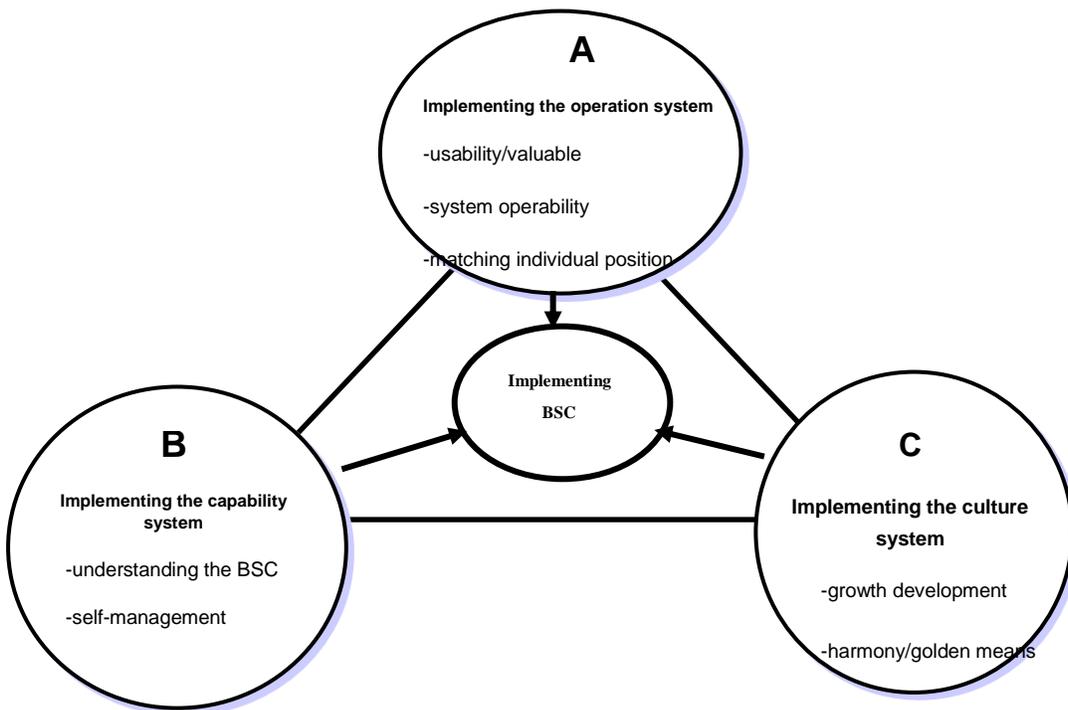
Neely and Bourne (2002) reported on quantitative literature which studied how to structure the BSC, but they did not manage to address how the BSC could be successfully implemented , they determine how to implement the BSC as a means of evaluating employee performance in Chinese SOEs.

Kaplan and Norton (1992) stated that the BSC was a useful performance measurement to drive employee and organisation performance. However, contrary to the claims of Kaplan and Norton, according to this author's earlier documents it does not operate well as a means of evaluating individual employee performance measurement or cascading information to employees in Chinese SOE. The author has provided consulting services and coaching for performance management at ALCC for 11 years. This thesis intends to explore the BSC specifically using ALCC as a case study as a means of evaluating the use of the employee appraisal tool in Chinese SOEs.

## 1.2 Research structure outline

This thesis looks at the case study of ALCC, where the BSC was applied as an employee performance appraisal tool. The project documented in Documents 2, 3 and 4 covered a period of approximately six years. Previous relevant achievements are shown in Document 5, which includes references, analysis, data and conclusions.

Document 2 primarily reviewed relevant literature and included the evolution of performance measurement, the concept of the performance measurement system, the Balanced Scorecard, and critical factors regarding the implementation of the BSC. Finally, a new conceptual framework was concluded and re-developed as a basis for Document 4. The Qiu ABC model, which consists of implementing an operation system, a capability system and a culture system, is shown in **Figure 1.1**.



**Figure 1.1** The Qiu ABC model

The operation system is implemented by performance evaluation associated with various systems, processes and tools, including formulating a map of employees, measuring method, position management, rewards and motivation, the operation process and identifying the key performance indicators. Implementing the capability system looks at employees having the knowledge, skills and competency to effectively implement employee performance evaluation system. This includes an understanding of BSC, coaching, self-management, decomposing objectives and targets, feedback and communication. Implementing the culture system includes identifying a series of key factors of characteristic organisation cultures on implementing employee evaluation systems, including encouragement, appreciation and sharing, growth, harmony, status and fairness.

The qualitative analysis in Document 3 explored key factors supported or inhibited by the implementation of the BSC model. Document 3 utilised the semi-structured and structured interview approach to collecting data during the entire interview process with nine employees from different companies, departments and position levels. Each interviewee was asked 12 consistent questions, which were designed according to the three dimensions of implementing the capability, operating and culture systems. Document 3 presented ten significant conclusions and findings, further evaluated in Document 4.

The quantitative research in Document 4 tested the conclusions of Document 3. Ten hypotheses were tested in a survey, and seven branches of the ALCC were chosen as samples. 1,928 responders were involved in the programme with 1,725 valid responders. The effective respondent ratio was 89.47%, providing valid and reliable data. Document 4 concluded with the key factors which impact the implementation of the BSC model in Chinese SOEs. These results were used to further explore the BSC model in Chinese SOEs as a means of evaluating the employee performance tool as shown in Document 5.

Document 5 focuses on why the BSC does not work and how an appropriate appraisal system fits with employees in Chinese SOEs. The ALCC case study is used to identify aspects related to the implementation of the capability, operational and culture systems. As a DBA, a professional doctorate, it aims at managerial and organisational change as well as increasing academic knowledge. This thesis attempts to design a new employee appraisal system more appropriate for employees in Chinese SOEs. For flexibility and reliability, semi-structured interviews and focus groups have been used to collect data. The results and data gathered in previous Documents 3 and 4 have also been employed and re-analysed by Document 5. In addition, Document 5 further selects 30 interviewees from the different stakeholder perspectives of senior managers, junior managers and employees to interview for valid data.

The conceptual framework was redeveloped after reviewing a range of literature and utilised data to test a new employee appraisal system. The whole study continued for eight months in the field of ALCC work.

Chapter 1 provides a summary of the research objectives and questions, and how they trace back to the overall research objective.

In Chapter 2, an overview of the relevant literature is provided and discusses further performance measurement, the Balanced Scorecard, cultural characteristics of Chinese SOEs, the employee balanced scorecard systems, key impact factors of employee BSC, overall literature conclusions, and the design of a new conceptual framework.

Chapter 3 relates to the methodology adopted and includes research philosophy, research strategy, research sites and background, research for interviews, an overview of conducting an interview programme, and research ethics and policy.

Chapter 4 provides further and overall findings and discussions on the main research questions from different stakeholders' perspectives, and it discusses and analyses the expectation of the employee appraisal system. It also analyses which core factors impact on the implementation of the BSC and offers feedback on the new employee appraisal model.

Chapter 5 provides a new employee performance measurement model and explains the new model.

Chapter 6 provides an overall summary of the main findings. Conclusions are drawn from completed research and conclude with the implications of enriching and developing the BSC theory. Some recommendations are made on how to lead the theory into practice in a Chinese SOE, but some limitations are also shown, indicating directions for further research.

### **1.3 Research objective**

Kaplan and Norton (1992, 1996) regarded the Balanced Scorecard as a useful performance measurement system, using four dimensions to gain both an organisational competitive advantage and high performance. However, ALCC has applied the BSC as an employee appraisal tool since 2001 and has found that the model does not work well after ten years of practice.

This thesis aims to explore the application of the BSC as a means of evaluating employee performance and to examine the reasons why the BSC does not work well in Chinese SOEs. ALCC is to be the case study identified in the programme. The author also attempts to develop a new employee appraisal system that is more appropriate for employees in Chinese SOEs.

This thesis is written for a professional Doctorate in Business Administration (DBA) degree, in

which the practical application of the BSC model is explored as a means of evaluating employee performance methods in Chinese SOEs. The author aims to solve existing practical issues at ALCC and other Chinese SOEs, as well as develop further theoretical knowledge for performance analysis.

#### **1.4 Research questions**

This thesis contains two fundamental research questions devised as the research objectives. Different stakeholders such as senior managers, junior managers and employees were interviewed and their various perspectives compared and analysed in response to the research questions. The research questions are outlined in turn:

1. Why has the BSC not been successful as a method of appraising individual employees in ALCC from the perspectives of implementing the operation, capability and culture systems?
2. What appropriate appraisal system will fit with employees in Chinese SOEs?

## **Chapter 2 Literature Review**

### **2.1 Performance measurement**

#### **2.1.1 The evolution of the performance measurement (system)**

Performance measurement has its roots in early accounting systems. Johnson (1981) referred to the Medici accounts as excellent examples of how a pre-industrial organisation could maintain good accounts of external transactions and stock without recourse to higher-level techniques, such as cost accounting. However, as industrial organisations developed, they required a more guided measurement system. Johnson (1972) provided a detailed account of how current management accounting developed in the USA between the 1850s and 1920s, as industrial organisations evolved from piecework to wages, single operations to multiple, and individual production plants to vertically integrated business, and individual business to multi-division firms (Johnson, 1975, 1978). Following the First World War, many companies started using more sophisticated budget and management accounting techniques (Chandler, 1977), such as standard costing, variance analysis, flexible budgets, return on investments and other key management ratios. The use of a budget initially spread widely to many organisations and countries. By 1941, 50% of well-established US companies were using budgetary control and 95% of US organisations applied complete control of company performance in the 424 participating companies within which study (Holden, Fish and Smith, 1940; Sord and Welsch, 1962).

From 1925 to 1980, many critics claimed that traditional accounting measures only focused on short-term decision making and that they were inappropriate for modern manufacturing techniques (Johnson and Kaplan, 1987; Turney and Anderson, 1989; Banks and Wheelwright, 1979).

Traditional performance measurements have been characterised as being financially based internally focused, backward-looking and more concerned with local departmental performance than with the overall health or performance of a business (Johnson and Kaplan, 1987; Keegan,

Eiler and Jones, 1989; Olve, Roy and Wetter, 1999). From the late 1980s to the 1990s, there was increased interest in developing a more balanced performance measurement system. New frameworks were created that included the performance measurement matrix (Keegan *et al.*, 1989) and the SMART pyramid (Cross and Lynch, 1988). The results were the Matrix (Neely, 2007), the Balanced Scorecard (Kaplan and Norton, 1992), and the Performance Prism framework (Neely, and Kennerly 2002). These methods looked to overcome the disadvantages of past performance measurements.

Almost all previous researchers emphasised accounting measurement systems that were to be applied in organisations with the intention of obtaining good financial value, standing for stakeholders and external customers, and balancing the short- and long-term objectives of an organisation (Otley, 1998; Kennerley, 2002; Neely and Kennerly 2002; Kaplan and Norton, 1992; Cross and Lynch, 1988). It was discovered that these measurement systems almost all tended to generate organisational competition with the aim of satisfying stakeholders and customers, without first considering at least the stances and intentions of the employees.

During the evolution of Chinese performance measurement perspectives, there have been three distinctive stages. The first stage, occurring in the 1970s, was due to the planned economic system that was then in place in China. Many companies prioritised output and paid little attention to value and cost. During the second stage, in the 1980s, the Chinese government provided SOEs with greater independence in their business operations. SOE performance measurements then started to focus more on profit and output value. For example, in 1982, the Chinese government established six indicators to evaluate SOEs, including profit margins, increased turnover and output value ratio. In the 1990s, the third stage saw the Chinese government pay more attention to returns on investments, for example, financial benefits, assets, and debt and development indicators (Zhao, 2006). From analysing these figures, Chinese SOEs progressed from evaluating number indicators to qualitative and financial indicators. These companies are developing the analysis of these issues further, but performance measurement

systems have still not produced a proven successful balanced scorecard in Chinese SOEs (Beiman and Sun, 2003).

### **2.1.2 Identifying performance measurement systems**

The topic of performance measurement systems (PMSs) has been studied in numerous publications, including the very definition of such performance measurement methods, their characteristics and how to apply them effectively in practice. Neely *et al.* (1995 a) stated that performance measurement is the process of quantifying action, where measurement is the process of quantification and action leads to performance. Slack (1991) claimed that performance measurement embraces two fundamental dimensions of performance effectiveness and efficiency of action, which highlight internal and external courses of action. Their definitions of the PMSs particularly emphasised efficiency, effectiveness of action and quantification of the whole process of action. However, this barely addresses qualitative measurement of action, and how to qualitatively measure attitude, as well as being fair and equitable.

From the 1990s to 2003, a number of researchers presented their understanding of performance measurement from diverse perceptions. In 1990, Rogers stated that a PMS can be characterised as an integrated set of planning and review procedures, which cascade down through the organisation to provide links between each individual employee and the overall company strategy (Rogers, 1990). In 1991, Lynch and Cross explained that performance measurement is based on concepts of total quality management, industrial engineering, and activity accounting, where a two-way communications system is required to ensure strategic vision in the organisation. A PMS includes performance measures such as key success factors, measures for the detection of deviations, measures to track past achievements, measures to describe the status potential, measures of output, and measures of input. Similarly, a PMS should also include a component that will continuously check the validity of the cause-and-effect relationships among the measures.

In 1996, Kaplan and Norton claimed that a balanced scorecard is a comprehensive set of performance measures defined according to four different measurement perspectives (financial, customer, internal, and learning and growth), which provides a framework for translating business strategy into operational terms (Kaplan and Norton, 1996). In 2004, Bititci viewed PMS as the information system at the heart of performance management processes, where it has critical importance to effective and efficient functioning (Bititci *et al.*, 2004). or Atkinson, Waterhouse and Wells (1997) indicated that current approaches to performance measurement focused on only one output of strategic planning. This looks at senior management's choice of the nature and scope of the contracts that it negotiates, both explicitly and implicitly, with its stakeholders. The PMS is a tool that companies use to monitor these contractual relationships. Neely (1998) further argued that the PMS enables informed decisions and actions to be taken because it quantifies the efficiency and effectiveness of past actions through the acquisition, collation, sorting, analysis, interpretation and dissemination of appropriate data.

Otley (1999) clarified that the PMS provides information that is intended to be useful to managers in performing their jobs, and to assist organisations in developing and maintaining viable patterns of behaviour. Any assessment of the role of such information requires consideration of how managers make use of the information being provided to them (Otley, 1999). Forza and Salvador (2000) also claimed that PMSs were information systems that could support managers in the performance management process in fulfilling communication between all organisation units and delivering the information to the management activities of business units. The main components of a PMS are:

- (1) Objectives
- (2) Strategy
- (3) Targets
- (4) Rewards

(5) Information flows (feedback and feed forward).

In 2003, Kerssens-Van Drongelen and Fisscher indicated that performance measurement and reporting takes place at two levels: (1) the company as a whole, reporting to external stakeholders, (2) within the company, between managers and their subordinates. At both levels there are three types of contributors: (a) evaluators (e.g. managers, external stakeholders), (b) the evaluated (e.g. middle managers, company), and (c) an assessor, who is a person or institution assessing the effectiveness and efficiency of performance measurement and reporting its process outputs (e.g. controllers, external accountant audits) (Kerssens-Van Drongelen and Fisscher, 2003).

There are various different understandings of performance measurement, and these vary by multipurpose use by an organisation, such as focusing on organisational strategy, on controlling management, on managing information, on improving performance, and developing personal capability. According to McCunn (1998), an organisation should know what it hopes to achieve when implementing any performance measurement. The different measuring efforts which an organisation needs due to choosing a particular measurement-oriented system should fit well with an organisational purpose.

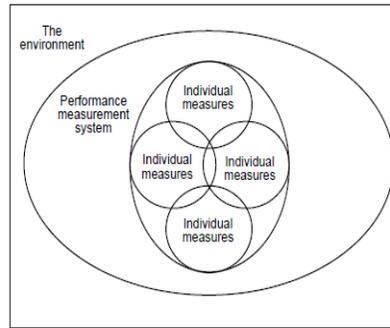
The author argues that although the purpose of the employee appraisal system should be to support an organisation's strategy, it should also provide a platform for addressing employee values. In this context some best practices exist; for example, Conley proposed the concept called the loop happy life heart in the Joie de Vivre boutique hotel company. This primarily considered the intentions and values of the employees, secondly those of customers, finally stakeholders. According to these principles, the company successfully restructured a new organisational performance measurement system called "The Loop Happy Life Heart" (Conley, 2008). Some researchers also claimed an organisation should first consider its organisational philosophy, employee satisfaction and customers' loyalty, while other measurements such as financial

indicators are lagging indicators (Conley, 2008; Mackey, 2012). This should be used to allow employees to reach their full potential. Disagreeing with these statements, Kaplan and Norton indicated that the BSC is a means of evaluating and measuring performance, a tool that transferred an organisational strategy into implementation of planning and thus gaining the high performance of an organisation, business unit and individual, ultimately contributing to the overall organizational strategy objective. There is also a significant lack of literature relating to the topic.

Neely *et al.* (1995) indicated that the design of a performance measurement system is a topic of increasing concern to both academics and practitioners. Similarly, other papers have looked at systems which are matched with an organisational context to support organisational change, innovation and learning (Atkinson, Waterhouse and Wells 1997; Simons, 2000; Henri, 2006). There are several papers which argue that performance measurement systems should be simple and have visual impact, focusing on improvement rather than variance when linking strategic objectives to various managing activities (Lea and Parker, 1989; Crawford and Cross, 1990; Lynch and Cross, 1991; Globerson, 1985; Kaplan and Norton, 1992).

Neely (1995) demonstrates that a good performance measurement system should include ten elements. These include a measurement title, purpose, relationships to any of the business objectives, target, formula, frequency, who measures, source of data, who acts on the data, and what do they do. Neely, Gregory and Platt (1995) provide a complete framework for a performance measurement system as shown in **Figure 2.1**.

**Figure 2.1** A framework of performance measurement system



(Sources: Neely *et al.* 1995, p. 81)

Neely and other researchers argued that the performance measurement system should include individual measures (Kaplan, 1992; Fitzgerald, Johnston *et al.* 1991). Meanwhile, the system should be related to quality, delivery speed, delivery reliability, price (cost) and flexibility (Garvin, 1987; Schonberger, 1990; Stalk, 1988; Gerwin, 1987; Slack, 1991).

Other authors have taken a different stance. Fitzgerald, Johnston *et al.* (1991) suggested that there are two basic types of performance measurement in any organisation, which relate to results (competitiveness, financial performance) and determinants of the results (quality, flexibility, resource utilisation and innovation). This suggests that it should be possible to build a performance measurement framework around the concepts of results and determinants. Similarly, Kaplan and Norton (1992) presented a Balanced Scorecard system which provides managers with sufficient information to study financial, non-financial, internal and external dimensions. Kaplan and Norton's view is consistent with Fitzgerald's. The author agrees with a part of Fitzgerald's opinions, which support the prior view in determining the results for measuring an organisational performance, but disagrees with the results (competitiveness, financial performance) as the starting purpose of employee appraisal. In addition, the employee appraisal system does not need to provide sufficient information to the employee, especially within Chinese SOEs, because almost all employees only focus on executing the targets and initiatives required by the line managers for their job responsibility.

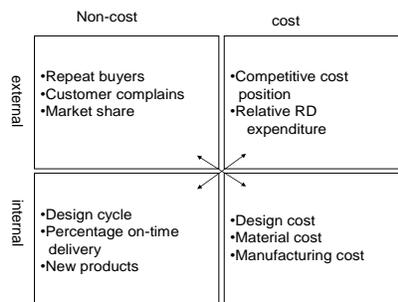
The relationship between a performance measurement system and its environment is discussed by many researchers. It has been stated that the internal and external environment should relate to the system (Neely *et al*, 1995). Neely (1995) considered the internal environment to be the organisation, where organisational culture should match the business strategies. Hrebiniak and Joyce (1984), Lorange (1982) and Shapiro (1977) have stated that the performance measurement system should relate to the performance bonus system used in many firms. The external environment is considered as the market within which the organisation competes, which is related to customer satisfaction. A benchmarking technique can be used to evaluate an organisational performance with regard to competitor performance (Neely *et al*, 1995). The above literature expresses the view that Chinese SOEs are a unique cultural environment in which the golden mean, harmony, interpersonal relationships, hierarchy and manager-orientation, non-employee and customer orientation must be considered (Chen, 2007). These researchers have stated that the principles of the golden mean and harmony in Chinese SOEs should impact external market resources and internal employees, which do not need to compete to achieve an organisational high performance. The government acts to determine how to allocate the market resources for the SOEs. For this reason the employees also do not worry about whether an organisation's strategic objectives can be achieved or not, because these do not seem to connect with them. On the contrary, they should pay more attention to their internal demands and the key performance indicators (KPI). This viewpoint differs from the BSC's four measuring dimensions to appraise employees' performance. The employee measurement system should be concerned with the individual's internal motivation and the efficiency of action (Neely, 1995). Thus internal and external environmental factors should be carefully considered when designing and implementing an employee appraisal system in a Chinese SOE.

In the twentieth century, DuPont used a pyramid of financial ratios, which links a wide range of financial ratios to return on investment. The pyramid of financial ratios has an explicit hierarchical structure, linking measures at different organisational levels (Chandler, 1977). Johnson (1992) highlighted many deficiencies in the way in which management accounting

information is used to manage business. With the failure of financial performance measures to reflect changes in the competitive circumstances and strategies of modern organisations, the DuPont pyramid focuses on the historical view, giving little indication of future performance and encouraging a short-term mindset (Bruns, 1998).

One of the earliest frameworks that gained widespread recognition was the Performance Measurement Matrix (PMM) of Keegan, Eiler and Jones (1989). It categorises measures as being cost or non-cost and external or internal, reflecting the need for a greater balance of measures across these dimensions (see Figure 2.2). The system cannot reflect all of the attributes of measures that are increasingly considered necessary (Neely *et al.*, 1995).

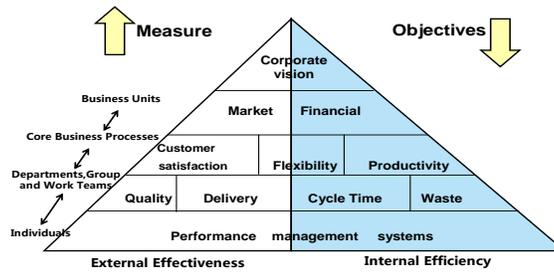
Figure 2.2 The Performance Measurement Matrix framework



(Source: Keegan *et al.*, 1989, pp. 45-50)

The SMART (strategic measurement and reporting technique) pyramid was developed by Wang Laboratories (Lynch and Cross, 1991). The system not only supports measures of performance to include both internal and external measures, it also includes cascading measures that move down the organisation, so that measures at departmental and work-centre levels reflect the corporate vision as well as internal and external business unit objectives. The SMART pyramid is shown in Figure 2.3.

Figure 2.3 Strategic measurement and reporting technique (SMART) framework



(Source: Lynch and Cross, 1991, p. 146)

The next study looks at performance measurement in the service industries. Fitzgerald, Johnston *et al.* (1991) allocated a framework classifying measures into two basic types. The first relates to results, namely competitiveness and financial performance, while the other focuses on the determinants of those results, namely, quality, flexibility, resource utilisation and innovation. These reflect the concept of causality while simultaneously indicating that the performance results are a function of past business performance in relation to specific determinants (see Figure 2.4). These demonstrate the need to identify drivers of performance in order to achieve the desired performance outcomes.

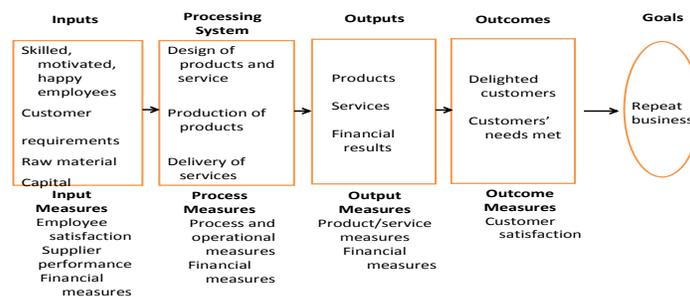
Figure 2.4 The results and determinants framework

Results	Competitiveness
	Financial performance
Determinants	Quality
	Flexibility
	Resource utilisation
	Innovation

(Source: Fitzgerald, Johnston *et al.*, 1991, p. 147)

Brown (1996) further developed the concept of linking measurement through cause and effect relationships. In his macro process model of organisation, he stated that there are five stages in a business process: inputs, processing system, outputs, outcomes, and goals (see **Figure 2.5**). His model states how inputs to the organisation affect the performance of the processing system and ultimately the top-level objectives of the organisational goals. While this is an oversimplification, the model is a useful way of distinguishing between different categories of measures. The distinction between output and outcome measures has proved particularly popular in the public sector. The model also shows that each stage is a driver in the performance of the next.

**Figure 2.5** The input-process-output outcome framework

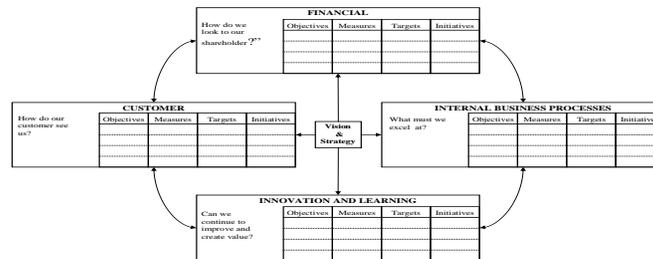


(Source: Brown, 1996, p. 147)

Kaplan and Norton (1992, 1996 b) proposed the now popular measurement framework called the Balanced Scorecard. This framework identifies and integrates four different ways of looking at performance. These involve financial, customer, internal business, and innovation and learning perspectives. They demonstrated the relationship of cause and effect, identifying the drivers of performance. It is important that the Balanced Scorecard reflect the attributes of other measurement frameworks but should not link measurement to the organisation's strategy more explicitly. Other critics comment that the Balanced Scorecard omits perspectives on human

resources and employee satisfaction, supplier performance, product/service, quality and environmental/community considerations (Maisel, 1992; Ewing and Lundahl, 1996; Lingle and Schieman, 1996; Brown, 1996). The Balanced Scorecard framework is depicted in **Figure 2.6**.

**Figure 2.6** The Balanced Scorecard frame work



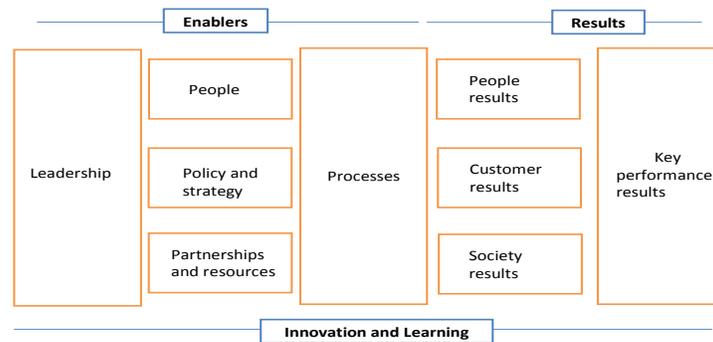
(Source: Kaplan and Norton, 1992, p. 9)

Despite widespread use, numerous authors have identified shortcomings in the Balanced Scorecard, as it does not consider a number of features from earlier models that could have been used to enhance the framework (Neely *et al*, 1995). It has been stated that the Balanced Scorecard could not include all of the measuring dimensions needed, because these dimensions are too comprehensive. A further criticism of the Balanced Scorecard is that it does not reflect the different dimensions of performance found in the SMART pyramid and the results and determinants model (Maisel, 1992; Brown, 1996; Neely *et al*, 1995; Lingle and Schieman, 1996).

The Business Excellence Model (BEM) of the European Foundation for Quality Management (EFQM) and its US equivalent, the Malcolm Baldrige Quality Award, take a broader view of performance, addressing many of the areas of performance not considered by the Balanced Scorecard. The BEM highlights enablers of performance improvement and indicates result areas that should be measured. However, this self-assessment is also a subjective measurement

framework with broad categories for measurement. While the result areas are readily measurable, some of the enablers are not (Neely and Adams, 2001). The EFQM framework is shown in Figure 2.7.

Figure 2.7 The European Foundation for Quality Management (EFQM) framework



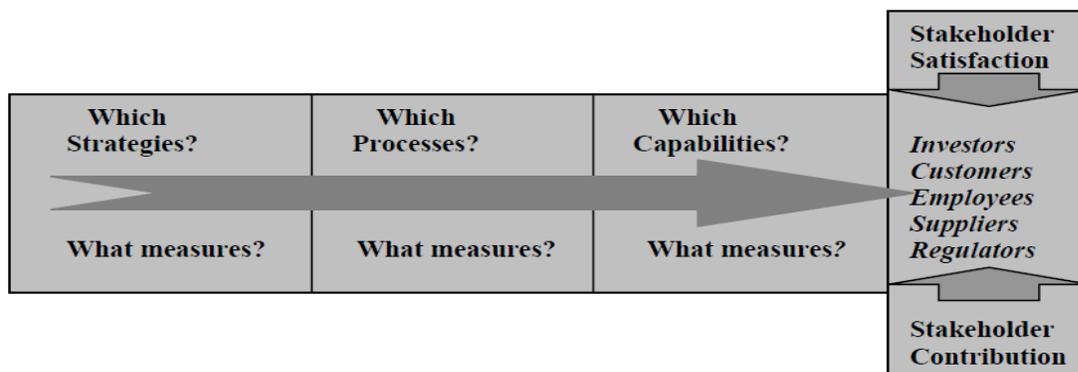
(Source: Adapted from European Foundation for Quality Management)

In order to focus on satisfying various stakeholders' requirements, the Performance Prism (PP) developed by Neely in 2002 adopts a stakeholder-centric view of performance measurement. Its main function is to provide an innovative and holistic framework, so that it can direct management attention, in terms of important factors for long-term success and viability, helping organisations to design, develop, operate and refresh their performance measurement systems in a way that is relevant to the specific conditions of their operating environment. The PP model clarifies that interactive five relationships between stakeholder satisfaction, stakeholder contribution, strategy process and capabilities can be identified (Neely and Kennerley, 2002).

Neely and Kennerley (2002) explains that business strategies should revolve around refocusing the company on its core activities, reducing critical customers and maintaining the organisation's reputation. The processes should be cross-functional to deliver satisfactory service to customers,

and the capabilities should include the skills, best practices, leading technologies and physical infrastructures that together contribute to completing the processes. Together these five perspectives provide a comprehensive and integrated framework for managing organisational performance and, by answering relevant questions related to these perspectives, organisations can build their own structured business performance model (Neely, Adams and Kennerley, 2002). Neely argues that the framework provides a balanced picture of the business by highlighting external and internal measures, as well as integrating financial and non-financial measures. The framework is shown in **Figure 2.8**.

**Figure 2.8** The Performance Prism framework



(Source: Neely, Adams and Kennerley 2002, p.155)

### 2.1.3 Analysis of the literature

The following section analyses the literature on performance measurement frameworks.

First, current publications indicate that performance measurement frameworks seem to focus on why to measure, what to measure and which to measure while studying performance measurement. They also pay more attention to organisational performance measures than to employee performance.

Second, it was noted that many well-known researchers stated that a performance measurement framework should have comprehensive and multifunctional perspectives. These included financial, non-financial and internal and external dimensions to evaluate organisational performance. In terms of performance-driven factors of cause and effect, external customers, strategy, finance and stakeholders were generally regarded as multidimensional-driven performance factors with which to design a performance measurement system to evaluate organisational results and values.

However, these principles seem to ignore employee measurement focuses on what they achieve within their job position and why they need to work hard to achieve a high performance for an organisation. Organisational strategy and finance do not appear to be recognised as an incentive for employees, possibly because these factors do not relate to growth and demand, which are truly needed in employees' minds. It was noted that some drivers of cause and effect distinguish between individual performance measures and organisational performance measures.

The evidence and arguments in the literature suggest that employee measurements should consider effective key factors that can drive employee satisfaction and create sustainable high performance in an organisation. It is crucial that SOEs such as ALCC are distinguished from Western or private corporations. Similarly, the evidence and arguments presented in the literature suggest that employees' ambitions and values should sustain their high performance as the original impetus. These values include their internal and external demands, such as growth, career development, promotability promotion and family concerns etc. These values seem of more importance than the other drive factors for a business unit in ALCC.

Third, many researchers stated that performance measures should integrate a short-term indicator with a long-term indicator. However, the literature suggests that subordinate business units should

focus their energies on achieving short-term objective projects and positional processes deployed and current targets so that the objectives are easily and effectively implemented in order to avoid problems. Meanwhile, short-term measurement results might be related to the salary system in order to motivate employees. However, employee long-term measurement systems should be designed by the employee measurement system to specifically relate to developing talent and training in Chinese SOEs.

Fourth, with regard to stakeholders in performance measurement, many researchers have stated that when the organisation formulates a performance measurement system, stakeholders should be integrated with customers, employees, shareholders, suppliers and the government. This is a possible and valid option for an organisation. However, it is difficult for a subordinate business unit to pay attention to multiple stakeholders, as they understand little of the organisational information or of the local situation. As an SOE and as a high technology company, ALCC considers talent as core capital. The evidence and discussion suggest that a performance measurement system should focus more on employee demands externally and internally in a subordinate business unit. The employees' values and satisfaction should be regarded as the original impetus and starting point to drive high employee performance (Rampersad, 2006; Conley, 2008).

Fifth, some researchers have identified four categories and functions of performance measurement and theoretical foundations. These include: Accounting performance measurement (Otly, 1999), Measuring marketing performance (Clark, 1999), Measuring performance from an operations management perspective (Neely, 2007), Supply chain management perspective (Lambert, 2006).

However, performance measurement should be classified according to purposes and stakeholders. These could not exist with complete performance measurement that evaluates performance for an

organisation, as there are different development cycles to be considered, with issues regarding different cultural environments and different stakeholder views for long-term Chinese SOEs. The literature suggests that performance measurements should be categorised into three types: strategic performance, process performance and employee performance, as shown in [Table 2.1](#).

**Table 2.1:** Categories of performance measurement

Category	Purpose	Key stakeholders	Measure orientation
Strategic performance measurement	Effectiveness Financial	Comprehensive, Shareholder, customer, employee, Supplier, government, environment	Complete-oriented
Process performance measurement	Efficiency	Internal and external Customer	Quality-oriented
Employee performance measurement	Growth Aspiration	Employee	Growth and development-oriented

## 2.2 Balanced scorecard

### 2.2.1 Identifying the balanced scorecard approach

Many researchers have defined the concept of the BSC and the different perspectives employed by the BSC. French scholars maintain that the BSC is not a new idea. This scorecard is similar to the *tableau de bord* designed by French engineers during the first half of the twentieth century (Epstein and Manzoni, 1997). Niven (2002) indicated that the BSC is a strategic measurement tool carefully selected by corporations, used by leaders to express investment achievements to employees and stakeholders and to give incentives for achieving objectives. He also points out

that the BSC incorporates measurement systems, strategy management tools and communication tools. Chow, Haddad and Williamson (1997) stated that the BSC is associated with traditional and strategic performance evaluation. It supports objectives such as long-term strategy, innovation and customer values. Nair (2003) further described the concept of the BSC in detail, where the BSC is a method to solve the challenges of balancing strategic theories with execution. This description covers seven characteristics (Nair, 2003, pp. 14-15):

- Its method is suited for managing business strategy.
- It uses a common language at all levels of the organisation.
- It uses a common set of principles to manage day-to-day operations as well as to frame the company's strategy.
- It is designed to identify and manage business purposes.
- It provides a balance between certain relatively opposing forces in strategy.
- It aligns strategic goals with objectives, targets and metrics.
- It cascades to all levels of the organisation.

Nair (2003) explained his viewpoint for balance with focus. His argument was that the concept of balance should consist of five aspects: balance between internal and external factors; balance in leading and lagging indicators; balance between financial and non-financial measures; balance between organisational silos and the overall corporation; and balance of financial with operational priorities (Nair, 2003).

Kaplan and Norton are two of the most famous authors in the BSC field (Bernard and Gianni, 2003). These two authors stated in the *Harvard Business Review* that the BSC was a strategic management tool for the association of company strategy and key performance indexes, seeking a balance between long-term and short-term objectives, financial and non-financial measurements,

external and internal performance perspectives, lagging and leading indicators, as well as subjective and objective perspectives. More importantly, the BSC method is not only a performance measurement system, but also a strategic management system (Kaplan and Norton, 1992). The BSC reflects many of the attributes of other measurement frameworks but links measurement to the organisation's strategy more explicitly, especially as shown in Kaplan and Norton's more recent writings (Kaplan and Norton, 2004, 2006). At present, study of the BSC inclines to the risk management application in the West (Costa Oliveira, 2014; Wang *et al.*, 2007; Kaplan and Mikes, 2012).

The BSC was derived from the realisation that no single performance indicator could fully capture the complexity of an organisation's performance (Epstein and Manzoni, 1998). However, Evans (2005) argued that the BSC approach, which can be applied at different levels (total organisation, strategic business unit, individual operational units, or even to individuals), involved identifying key components of operations, setting goals for them, and finding ways to measure progress towards their achievement (Evans, 2005). Similarly, the BSC will communicate strategic priorities to employees throughout the company. It will make clear to employees how their daily actions fit into the overall scheme (Souissi and Itoh, 2006).

However, in spite of the BSC approach being in widespread use, many researchers have noted several shortcomings. The method does not consider a number of features from earlier frameworks. The absence of a competitiveness dimension, as included in Fitzgerald, Johnston *et al.*'s (1991) results and determinants framework, was noted by Neely, Gregory and Platts (1995). In its traditional form, the question underpinning the customer perspective is 'how do our customers see us?' No mention was made of the organisation's performance relative to its competitors, other than implicitly, that the view any organisation's customers have of it will be influenced by experiences they might have had with that organisation's competitors. Other critics comment that the BSC omits perspectives of human resources and employee satisfaction, supplier performance, production/service quality, and environmental and community

considerations (Maisel, 1992; Ewing and Lundahl, 1996; Lingle and Schiemann, 1996; Brown, 1996).

The author agrees with the above researchers' opinions. Regarding the issues of human resources and employee satisfaction, there are two kinds of employees in ALCC: formal and informal. Formal employees cannot be permitted to terminate their labour contract until retirement, even if their skills do not fit their position, but still receive higher compensation than informal employees in the same position (Tenth National People's Congress on behalf of the eighth meeting of the second, 2008). Generally, over junior managers are formal employees who hold important positions. Employees in a subordinate business unit are typically of informal status, so more attention should be paid to how to motivate them to sustainable high performance, noting issues of growth, ambition, freedom, fairness and finances. However, because the BSC omits these perspectives of special employee status and the situation in ALCC and matching systems, it cannot be implemented in a subordinate business unit in a Chinese SOE.

The BSC is a useful tool for implementing strategy and translating strategic objectives into operative actions and into a comprehensive set of performance measurements and strategically aligned initiatives (Kaplan and Norton, 2000). However, this does not mean that business strategic implementations ought to apply the BSC. Evans (2005) mentioned four aspects to the employment of the BSC. The first is employment in an organisation; second, in a strategic business unit; third, in an individual operational unit; and fourth, application to individuals. According to this view, the BSC is applied not only to an organisation to translate organisational strategy into operation, measure and action, but also as an individual performance measurement tool. The organisational aspects have been thoroughly studied and have been applied in global organisations. However, the BSC as a tool evaluating individual employees is more theoretical and has been little applied in practice (Kennerly and Neely, 2002).

There are further criticisms of the BSC. For instance, Murray and Richardson (2000) remarked that the BSC has its admirers and detractors. However, there can be no argument that it has stimulated considerable interest in strategic performance measurement. Not only is it difficult to execute the strategy in an organisation, but it is also hard to measure employee performance. Kaplan and Norton (2001) agreed that breakdowns in communication and difficulties in translating the strategy into action were common reasons for failure. In 2005, Paul McCunn, a KPMG management consultant, used questionnaires to survey the BSC implementation reports and estimated the overall failure rate at 70%. However, the investigation of objects and samples did not consider the level of different organisations, including individual employees and departments, and had no Chinese examples. Therefore, the author proposes that the critical factors of implementing the BSC should be studied in a Chinese SOE, which should learn from the experiences of the failed companies in Western countries. Simultaneously, the author suggests how and why the BSC does not work well with employees as a means of evaluating how employee performance should be studied in Chinese SOEs.

### **2.2.2 Exploring key factors of implementing a balanced scorecard**

It is obvious that, in Kaplan and Norton's view, the starting point for measurement is strategy. As noted, the BSC neglects the root of the driving force behind the high performance of employees, which is what employees expect, aspire to and demand. These should be regarded as the real driving starting point. Moreover, they should be embedded in the performance measurement system in order to drive employees to continue to generate high performances (Rampersad, 2006).

Researchers refer to specific studies to show what factors are needed to successfully implement a BSC, such as for different industries, company size, company age, and company culture including top manager support and participation, the composition of the project group. Other factors must be considered, including coverage of the project, basing the scorecard on the company's strategy, clearly and consistently defined measures, balance and cause-and-effect

relationships between measures, setting goals, relationship to the existing control system, ensuring the feasibility of measures and measurements, IT-based presentation and support systems, training and information, development of a learning organisation, and follow-up of the concept (Olve, Roy and Wetter, 1999). The details of the relevant literature have been reviewed and can be found in Document 2.

Effective implementation of a BSC project in an organisation must also consider a number of valuable experiences. McCunn states that there are 11 commandments involving: use of the scorecard as an implementation pad for strategic goals; ensuring strategic goals are in place before the scorecard is implemented; ensuring that a top-level (non-financial) sponsor backs the scorecard and that relevant line management is committed to the project; implementing a pilot before introducing the new scorecard; carrying out an entry review for each business unit before implementing the scorecard; not using the scorecard to obtain extra top-down control; not attempting to standardise the project, the scorecard must be tailor made; not underestimating the need for training and communication in using the scorecard; not seeking complexity nor striving for perfection; not underestimating the extra administrative workload and costs of periodic scorecard reporting; and not starting to implement a Balanced Scorecard unless you know what you hope to achieve (Olve, 1999; McCunn, 1999).

Nair (2009) stated that an organisation should overcome “the nine deadly sins of Balanced Scorecards” when implementing the BSC. These involve ignoring essential priorities behind score-carding, working without a cause, being confused by naysayers, moving with urgency and rushing to initiate wide implementation, starting an office of strategy management too soon, using too many dials and too much measurement, forgetting objectives at the personal level, forgetting the board and cascading only top-down and not bottom-up (Nair, 2009).

Having reviewed the literature, the author has found that the above researchers usually focus on

key impact factors and implementing questions at an organisational level. There is little focus on research at the employee level. In addition, most researchers agree that value of people, behaviour, and the impact of personal implementation capabilities on implementing the BSC, and a motivational, employee attitude and behaviour and payment system would also have influence on fulfilling the BSC (Nair, 2003; Neely *et al.*, 2007 Islam and Tadro, 2012).

Further literature also looked at key factors for implementing a Balanced Scorecard. The author has previously reviewed the relevant literature in Document 2 according to three dimensions: implementing operation, capability, and the culture system.

### **2.2.3 The impact of Chinese SOE culture on the balanced scorecard as a performance measurement**

Many academics and practitioners consider that the performance of an organisation is dependent on the degree to which the values of the culture are shared (Denison, 2000; Kotter and Hesketh, 1992).

The essence of Chinese culture has a long history and a special nature. This culture significantly impacts various organisations when planning corporate vision, mission, system, and the series of management systems in a Chinese organisation, which can vary from the propositions of Western countries (Qin. 2005; Wang et al., 2007). Chinese researchers have concluded that Chinese culture has the following distinctive features (Chen, 2007):

- 1) Western culture is based on the individual, advocating “self”, and is radically open. Chinese culture is more population-based, with a focus on the pursuit of “harmony”, conservatism and security.
- 2) Advocating the golden mean, which means an emphasis on relationships, where harmony is precious, and everything should be done in moderation.
- 3) Advocating hierarchy. The concept of hierarchy in Chinese traditional culture advocates that the differences within the social order determine the position and responsibilities of

different people, who should act on their own initiative. In the assessment of higher levels by lower levels, this often occurs. Employees of a lower level fear those of higher levels. Therefore, people dare to objectively evaluate their superiors sufficiently to produce the “leniency error”. Additionally, superiors in a subordinate business unit do not question their own judgement, and do not attach importance to their subordinates’ views.

- 4) Modest humility is emphasised, which means that individuals must give up their own desires, and should not be pushy. Humility not only gives a good impression and approbation from others, but also avoids embarrassment after failing to achieve good results.
- 5) The concept of face in interpersonal relationships is crucial, where some people will cover up any errors made by their associates to protect their reputation. They may even falsify records of employees, resulting in sizeable error, and a distorted assessment.

Moreover, researchers pointed out the differences in the cultural characteristics of SOEs and private companies. First, SOEs are close to Chinese government in more ways than private companies, so they play an active role or make decisions on its execution only according to the government’s policy; SOEs are affiliated to Chinese government (Chen, 2007; Qin, 2005), but the private companies’ owners make decisions about how to satisfy customer demands according to the general norm of market allocation (Wang, 2015).

Second, SOEs’ organisational management model generally adopts the control management style, the subordinate business units and branches only put the planning into execution and have little need for creativity and free action, so employees exhibit only weak initiative behaviour for improving customer value, namely, with more control than service (Chen, 2007). Private companies, on the other hand, advocate excellent service management to satisfy customers’ demands, and encourage employees’ initiative to achieve targets; moreover, they would like to empower employees, and encourage a climate of internal competition more than is done in SOEs

(Qin, 2005).

Third, SOEs have formal and informal employees, with different positions and welfare, but private companies have only formal employees, who have equal status and consistent welfare according to the results of evaluating performance and competences (Qin, 2005; Chen, 2007).

Fourth, SOEs emphasise collectivism. Everyone's chance of success is more likely if all employees align their objectives with those of the SOE; they cannot express their internal thoughts or follow their heart, and have to comply with the collective rule (Qin, 2005). But private companies can respect employees' thoughts and freedom; brainstorming activities are often adopted to release individual initiative and potential; a creative culture is encouraged more than in SOEs, so employees can use their ambition, mission and vision to develop their career (Wang, 2007).

**Table 2.2** summarises the cultural comparison of SOEs and private companies in China.

**Table 2.2** Cultural comparison of SOEs and private companies in China

	Category	SOE	Private company
1	Ownership	Chinese government	Private owned
2	Management orientation	Group-oriented	Individual-oriented
3	Power style	Centralised power	Empower
4	Internal relationship	Harmony, hierarchy, Complied by managers	Competitive, equal, respect, two-way communication
5	Decision-making	Inclined to collectivism	Inclined to individual
6	Performance management	Low effectiveness; control-oriented	High effectiveness; creative, result-oriented
7	Employee category	Informal and formal employees	Formal employees
8	Resource allocation	Government led	Market and customer allocated

These are vitally important characteristics of Chinese SOE culture. Chinese researchers have indicated that mandatory implementation is the most common phenomenon in the socialisation process of Chinese social and cultural organisations. For ALCC, as an SOE, organisational culture decides that the objectives of the BSC must cascade top-down to lower-level employees, who are forced to execute the objectives (Qin, 2005). Informal employees who do not rely on a Chinese SOE to obtain their livelihood would be unlikely to accept this managerial style, unlike the formal employees. Chinese SOEs mostly employ informal employees in subordinate business units. China has greater social gaps than the West, and even full-time employees cannot change their thoughts of social transition (Qin, 2005). However, this does not fit the implicit basic assumptions of humane management of modern enterprise management theory (Qin, 2005), which is based on Western management theory and practice. Therefore, Kaplan and Norton's (1996a) view states that the BSC needs closed-loop feedback on top-down and bottom-up organisational objectives when implementing the whole process of the BSC, which is regarded as a measurement method to evaluate only four dimensions and aspects. This is not impossible for an organisation, and it is difficult in a mandatory culture to fit the operating situation of the BSC into a Chinese SOE. Thus, the literature notes that an employee's BSC should consider introducing a set of cultural essentials which encourage high performance of employee. The author suggests that this should be considered in the next chapters.

Traditional Chinese SOEs have many drawbacks in operation when implemented in China, which restrict the full advantages of various management theories. In 2008, the research on the previous 30 years of China's SOE reform was released by an economic management publishing house. This clearly revealed several flaws. Chen (2007) made the following observations. First, SOEs lack vitality and have low efficiency. The Chinese government is directly or indirectly involved in the operation of SOEs, hindering their development. For example, SOEs do not need to worry about bankruptcy, or whether the operating performance of the business is good or bad. Second, there is a poor allocation of resources for SOEs. During their tenure, government officials are primarily concerned about performance, and pay more attention to numbers while ignoring quality. High input, high consumption and high costs result in low efficiency and poor quality.

Third, SOEs do not have the autonomy of a free market, which includes dismissal rights, disposing property rights, appointment and removal of key decision-makers, the right of both long-term incentives and social security, welfare, and the stability of government functions, which causes an inability in enterprise functions to distinguish Chinese SOEs from the government (Chen, 2007).

It is obvious that there will be cultural barriers for SOEs, and where the organisation's approach to performance measurement is based on tradition, these traditions or embedded cultural norms are formidable barriers to change and can cause many negative feelings and climates (Beiman, and Sun, 2003). Some authors also indicate that the BSC has evolved in the context of Western cultural values, and cannot be expected to take root in a fundamentally different socio-cultural environment in developing countries (Mendonca and Kanungo, 1996).

Researchers claim that the role of an organisational culture should be to obtain a competitive advantage through facilitating individual employees' interaction, or limiting the scope of information processing to appropriate levels; to sufficiently empower employees making decisions; to appropriately allocate resources; and to release employees' full potential to create high performance (Schein, 1986). However, it seems that these organisational cultural features are unsuitable for organisational environments in Chinese SOEs. For this reason, the BSC can be quite difficult to carry out. The author suggests that these cultural changes would transform the negative culture into a positive and open office climate for creating a well-fitting employee evaluation system, which could release the potential of lower-level employees and enable them to reach their targets.

According to Beiman and Sun (2003) there are four performance cultures. First, the profit culture's advocacy priority, including continuous investment in equipment. However, there is a reluctance to invest in people. The role of the BSC is not to focus on how to improve employees'

abilities. Second, the customer culture's advocacy priority is how to meet customer needs and wants, which is the critical content in evaluation. Third, the business processes culture's advocacy priority, which is aimed at achieving a quality and efficiency standard. Hence this should be emphasised in evaluation. Finally, there is the underpinning of employee culture advocacy priority. This is focused on the ability of evaluating of people-adaptation, management style and learning. According to Beiman's points, against the traditional Chinese cultural background, the evaluating and measurement system in Chinese SOEs mainly focuses on the advocacy priority of the Chinese government, and does not pay more attention to employees' culture advocacy priority. For this reason the BSC as an employees' performance measurement system does not work well.

The BSC theory was devised by Kaplan and Norton for Western cultures and has widely penetrated China in the past ten years. When an organisation carries out a new theory or management system, cultural mismatch must be taken into account by managers (Schliemann and Lingle, 1999). In Chinese SOEs such as ALCC, there has been deep management inertia for a long period. As the Chinese government is the largest shareholder, staff members have unequal status even when they hold similar positions. According to the above researchers' opinions, when selecting relevant and valid approaches to a performance measurement method to evaluate an employee, one should carefully consider culture and politics (Waalde, 2002). It is natural to suggest that the BSC as an employee appraisal tool should be adjusted to fit with a subordinate business unit in the context of Chinese SOEs, considering issues such as appraisal dimensions, contents and driven cause-and-effect factors.

#### **2.2.4 The relationship of China Confucian theory and the BSC**

China has special cultural characteristics, such as Confucian culture, which mean Chinese firms pay more attention to harmony, interpersonal relationships and collectivism (Deng, Wu and Zheng, 2006). For example, leaders are not able to encourage creative activity, as it may disrupt stable relationships and working structures. Management must be able to control the

organisational culture. The government also encourages a stable work environment where the employees work collectively. The leadership may risk their own job security if they do not follow political instructions. It has been stated that harmonic sociability and solidarity are important factors impacting organisational and individual performance. Taking innovative action is considered dangerous as the consequences of failure are extremely severe. Some Chinese researchers have stated that harmonic interpersonal relationships and high performance are positively correlated, but some researchers consider that these are negatively correlative, as interpersonal relationships and desire for harmony are likely to lead to compromises when dealing with some solutions. These reduce efficiency and effectiveness (Goffee and Jones, 1996; Park and Luo, 2001). It was also proved that organisation and individual performance were negatively correlated through surveying 294 organisations in China (Deng, Du and Zheng, 2006).

Many researchers have commented that a strong Confucian culture influences Chinese ethics and organisational culture such as people's values, attitudes and behaviour. For instance, compassion, appropriateness, norms and familial life are important Chinese cultural characteristics (Li *et al.*, 2007). Cheung and Chan (2005) studied five CEOs in Hong Kong companies to determine company leadership models based on Confucian principles, which refer to benevolence, harmony, learning, loyalty, righteousness and humility. Chinese culture combines the characteristics of paternalism and collectivism. The author suggests that these views should be considered when designing and implementing the BSC in Chinese SOEs.

What do *guanxi* and *mianzi* mean as Chinese Confucian cultural characteristics? Chatterjee and Pearson (2003) defined *guanxi* as a "deep rooted socio-cultural phenomenon which enhances social harmony, maintains correct relationships, and addresses the sensitive issue of face, and is a reciprocal obligation to respond to requests for assistance" (p. 206). Similarly, Koehn (2001) argued that the practice of *guanxi* is rooted in Confucian concepts of fulfilment of role-based duties, filial piety, and cultivation of reciprocal support relationships between more and less powerful individuals. *Mianzi* (face) is the image that a person strives to maintain before others

(Hwang, Francesco and Kessler. 2003). It is known as the “prestige and honour that accrues to a person as a result of successes and/or ostentatious behaviour before others” (Li *et al.* 2007, p. 49). These are reasons why performance management systems are difficult to fulfil and hardly effective in Chinese SOEs at present.

What roles do *guanxi* and *mianzi* cultures play in overall Chinese culture? *Guangxi* and *mianzi* cultures are an important part of Chinese culture (Robertson, 2011). Many researchers state that the rules of *guanxi* are that the humble cannot assail the noble, those who are far away cannot approach those who are near, and the individual cannot override the group (Robertson, 2011; Su and Littlefield, 2001). Similarly, *mianzi* is indirect communication in SOEs (Xiong, 2007; Zeng, 2003). For example, if an employee receives a poor report from a supervisor, they will not support that supervisor in the future. As such, management often avoids negative criticism of employees regardless of their work performance. These false appraisals result in a work culture where the company may not perform well, but all internal reports state that everyone is working well together. Within an organisation, if you lose *mianzi*, you will be humiliated, but *guanxi* can create a good internal and external environment. Moreover, within the internal groups, *guanxi* also enables managers to acquire needed resources, personnel, information and other support in substitution of formal institutional structure (Xin and Pearce, 1996).

Thus, the relevant literature that reflects the Chinese cultural core points out that paternalism, collectivism and *guanxi* explicitly impact the design and implementation of the BSC as an employee appraisal system in Chinese SOEs. Document 3 and document 4 have indicated that *guanxi*, *mianzi* and distinct status in Chinese SOEs lead employees to avoid communication with their supervisors and senior management. Chinese managers and employees are more likely to address individual situations rather than universal criteria (Xin and Pearce, 1996). The literature also shows that the influence of *guanxi* and *mianzi* cultures in SOEs causes employees not to care for organisational financial indicators and external customers or market indicators. On the contrary, they pay more attention to interpersonal relationships than to performance, their growth,

creation and initiative. So using the four perspectives of the BSC to evaluating performance is not effective at all.

ALCC, as an SOE with a core organisational culture related to the Confucian moral principles, advocates bureaucratic and feudal hierarchy, harmony, *guanxi*, *mianzi*, interpersonal relationships and stability. These factors greatly impact the design and execution of the BSC as an employee appraisal system in Chinese SOEs. Yet Kaplan and Norton's BSC rarely relates to different cultures in their case study.

## **2.3 Employee balanced scorecard**

### **2.3.1 Defining the employee BSC as a performance appraisal system**

Performance is usually defined as a dependent variable when investigating employees' behaviour or output. In some cases, behaviour is directly defined as job performance (Katz and Kahn, 1978; Organ, 1998; Borman and Motowidlo, 1993). The broad performance includes three levels: organisational performance, team performance and individual (employee) performance. The author will mainly focus on individual performance levels of employees as outlined in the literature review section.

There are two different views on the meaning of individual performance. One view is that performance results are associated with individual performance within a specific time, specific job functions, activities or behaviour for the results recorded (Bemardin and Beatty, 1984). Another view is that performance is linked to behaviour, individual performance beyond the control of individual behaviour with organisational goals. The latter views are concerned mostly with a person's identity. Individuals should have great potential to achieve high performance if individual behaviour is positively motivated and led, and what the individual desires and demands in their mind is concerned with individual performance. The first view has been questioned by some in the field of psychology, which claim that employee performance is likely to be impacted by employment factors and uncertain employee behaviour (Murphy and

Cleveland, 1995). Murphy (1995) also claimed that employee performance included productive performance behaviour and counterproductive behaviour.

In addition to the above views, Somech and Drach-Zahavy (2004) indicated that study, creation, sharing, accepting and applying knowledge, as well as desire, are the most important aspects for performance management. Thus a concept of a creative performance for an employee was proposed for both practice and theory (Scott and Bruce, 1994).

Robin (2011) stated that individual performance is concerned with behaviour only. Robin also shows that the right thing should be done at the right time, which emphasises leading and improving individual behaviour and studying behaviour barrier by factors. These are more important than the performance results. Some researchers have stated that performance should be considered as the functional behaviour of individuals in performing an organisational requirement, rather than as results. Performance is also a multidimensional measurement, as a single measurement dimension cannot reflect an individual's performance, but appraisal behaviour should be controlled by an individual (Tan, 2007).

Most of the concepts identifying employee performance agree that employees' behaviours and creative competences should be more carefully considered than performance results (Scott and Bruce, 1994). Angel and Calderon (2014) also stated that implementing the BSC influenced the attitude and behaviour of employees' commitment, job satisfaction and job dedication. Katz and Kahn (1978) proposed that an employee's behaviour consists of three focuses. First, they aim to enter and remain within an organisation. However, they also wish to fulfil a job role and responsibility. Third, they wish to exceed a job role by innovation and spontaneous activity. Katz and Kahn stated that the initial behaviour considers the organisational roles, and that activity for exceeding a job role is spontaneous behaviour in an organisation. Those influence whether the employee is willing to release their full potential performance (Organ, 1988; George and Brief,

1992).

Borman and Motowidlo (1993) developed two modes of individual performance –contextual and task performance – from studying previous research results. Contextual performance develops job dedication and interpersonal facilitation. Since 1999, Chinese researchers have studied task performance and contextual performance (situation performance). They stated that task performance directly reflects the contributions of the organisation, and employees have to do the task. Contextual performance shows the contributions of the interpersonal climate of an organisation, and employees need to do that (Han and Liao, 2006).

In terms of individual BSC concept, Kaplan and Norton (1996 b) state that the conception of the BSC adapted organisation, department and individual levels aims to carry out organisational strategy and improve performance (Kaplan and Norton, 1992, 1996 a). They indicate that employees should participate in all organisational objectives, not just management. Communication and objectives should be directed both ways. The employee BSC is a tool which supports a strategic objective and is translated into employee action and behaviour. Thus Kaplan and Norton point out four dimensions to measure employees' performance (Kaplan and Norton, 1996 a; Davis, 1996).

From a review of the literature there emerge three levels for balancing work and personal life. The cases studied are almost all European or US organisations, with no Chinese cases (Gambles Lewis and Rapoport, 2006; Fine-Davis *et al.*, 2004). The author disagrees with the BSC as a tool for evaluating employee performance according to Kaplan and Norton's four dimensions. In the review literature, the author found that the employee BSC had very little relation to how to balance family life, the role of the community, individual ambition and individual work. The author agrees that these are key factors enabling employees to be happy at work more. Rampersad (2006) agreed with the above points in his studying, indicating that an ambitious

attitude is needed to create a sustainable comprehensive performance (Rampersad, 2006). Thus the personal BSC should pay attention to how an organisation and line manager help employees improve, develop and learn, while first considering important behaviours and their purpose (Rampersad, 2006; Albright and Burgess, 2013). In a recent best practice survey, Thomas indicates that satisfaction with employee appraisal systems is mainly related to the purpose of employees' developmental and internal demands (Krats and Brown, 2013). The current employee BSC tool hardly considers employees' real internal demands, and the BSC is used as a control management tool to design an employee BSC in an organisation.

Researchers have proposed that prior to designing a BSC, individuals and organisation should be considered. Kouzes and Posner (1999) stated that if management can balance individual benefits and organisational benefits, employees would responsibly fulfil and develop the BSC at the organisational level. Senge (1990) also claimed that an organisation should respect the employee's ambition as a first starting principle, and not regard the employee as a slave machine. He also stated that most employees hoped to align individual ambition with organisational ambition. Cover (1993) also supported the above viewpoints, and explained that the core of individual status should be self-focused, with discussion on any issues from employees' internal to external thoughts (Ulrich and Lake, 1990). Rampersad (2006) claimed that the employee BSC should be considered as the most important step while formulating organisational strategy. The above views conflict with Kaplan and Norton.

The author agrees with the above viewpoints. These issues are lacking in Kaplan and Norton's BSC. The evidence and arguments suggest that we should carefully consider a range of multidimensional perspectives whilst designing the BSC as an employee appraisal system. For an effective and fulfilling down-up strategy, it is suggested that the employees' BSC should take place prior to an organisational BSC, with the employees' internal demands, such as their ambitions, as a first starting principle which drives high performance among other driving factors. This will not only satisfy internal and external employee demands, such as their ambitions,

happiness, family, and growth and learning, but also balance the benefits of the individual with the organisation (Kouzes and Posner, 1999).

### **2.3.2 General characteristics of an employee BSC**

The BSC addresses the combination of financial and non-financial measures in an information system for employees across hierarchies (Kaplan and Norton, 1996 a). It has been stated that the BSC can apply at the multiple levels of organisation, department and employee, and translate the whole organisation's strategic objective into an action plan, which will effectively be cascaded into department and employee BSCs (Kaplan and Norton, 1996a). The use of the BSC is positively associated with performance (Hoque and James, 2000).

An employee-focused BSC is regarded as an organisational control tool and plays a part in the efficient and effective management of an organisation to achieve the objectives required to fulfil the company's mission strategy. In addition, the employee BSC generally reflects the principles of short- and long-term objectives, external and internal perspectives, financial and non-financial considerations, including customers, financial, internal operations, and learning and creation. They were the relationship of cause-effect drive. The purposes of the approach support organisational objectives, improve performance, and encourage creation and new competitive advantages (Kaplan and Norton, 1992, 1996 b, 2001; Waalde, 2002; Neely, 1998).

An employee BSC has the same crucial tenets as an organisational BSC. First, support for strategy objectives. Second, to create an appropriate balance. Third, to guard against sub-optimisation. Fourth, to limit the number of performance measures. Fifth, to be easily accessible. Sixth, to have performance measurement that has comprehensible specifications (Gregory and Platts, 1995). Otherwise, there will be a misalignment of an employee BSC with the delivery of organisational objectives, which is counterproductive when enhancing organisational performance (Kaplan and Norton, 2001). Research has shown that the employee

BSC is a real motivational tool that has an individual orientation, rather than an organisational orientation, and is more effective as a management control tool (Rampersad, 2006; Conley, 2008). This evidence explains why the BSC as an evaluating employee performance tool does not work well in SOEs.

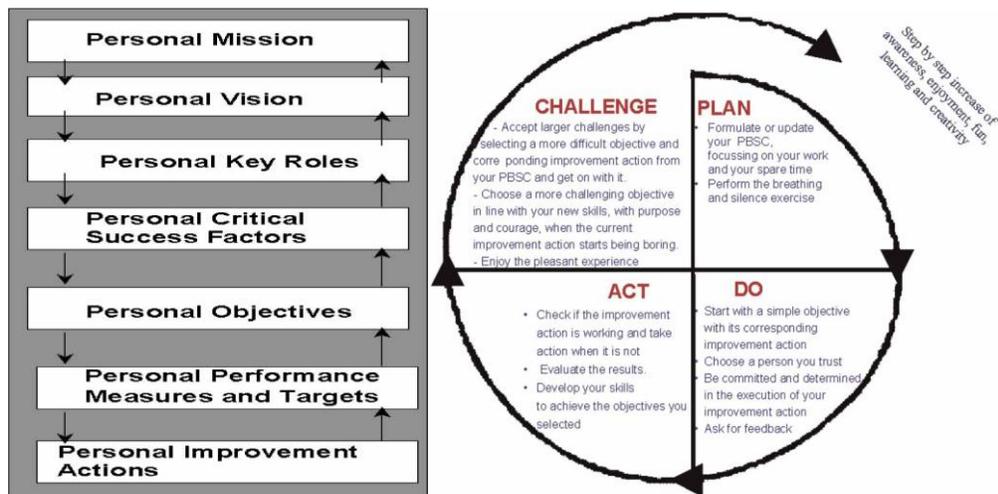
### **2.3.3 Psychological perspective of employee BSC**

Some researchers attempt to restructure the BSC from a psychological perspective, and propose some different ideas for the BSC. They state that an employee BSC takes a personal approach to work and external performance based on self-examination, thinking processes and mindset changes that prepare the employee for their actions. This encompasses personal missions, visions, key roles, critical success factors, objectives, performance measures, targets and improvement actions (Rampersad, 2006). These measures are divided into four perspectives: internal, external, knowledge and learning. Rampersad (2006) provides the formulation as:

PBSC (personal BSC) = personal mission + vision + key roles + critical success factors + objectives + performance measures + targets + improvement actions.

Rampersad illustrated a PBSC, and provided a model of it in his book in 2006 as illustrated in Figure 2.9. The model reflects an employee's mission, vision, key roles and engagement, and should be embedded into the employee's BSC to shape an integrative operating and implementing system. The model emphasises key factors of engagement, trust, happiness and ambition between the top manager and employee. Archana and Sasmita (2013) studied engagement management with BSC in Hindustan Petroleum Corporation Limited (HPCL) in India. The results also demonstrated that the engagement factor influenced the implementation of the BSC and organisational strategic objectives. Implementing behaviour and developing talent and skill should be looped and aligned with an organisation and a PBSC, namely, the Plan, do, act, challenge cycle shown in Figure 2.9 (Rampersad, 2006).

Figure 2.9 Personal BSC: the PDAC cycle



(Source: Adapted from Rampersad, 2006, pp. 31, 77)

Kaplan and Norton (2001) stated that a balanced scorecard at the individual level helped an organisation achieve high performance and provided numerous examples to prove this claim. However, some researchers have criticised Kaplan and Norton's viewpoint. There was a lack of engagement that caused large and small organisations all over the world to incur excessive costs, underperform on critical tasks and create widespread customer dissatisfaction. In the USA, due to the disengagement of managers and employees, the cost was about \$300 billion (Krueger and Killham, 2005). Krueger and Killham surveyed US employees to probe their perceptions of how happiness and well-being affected their job performance. Gallup researchers examined employee responses to see which factors differed most strongly between engaged employees and those who were not engaged or who were actively disengaged.

The evidence found that the BSC of Kaplan and Norton emphasised a strong system to support the organisational strategy based on the three disciplines of operation, strategy and accounting, and relatively ignored the impact of human psychological factors on the BSC. Particularly at the employee level of the BSC, not all employee BSCs were positive, contra to what Kaplan and

Norton had said (Rampersad and Angel, 2005).

## **2.4 Reviewing the key factors of implementing an employee BSC**

### **2.4.1 Overall general**

While many researchers have explored the key factors impacting a BSC, they generally investigated firm-level models of BSC adoption. These outline three dimensions; desirability as a socio-psychological force, urgency as an economic force, and feasibility as a resource-based force (Dutton and Duncan, 1987). The desirability of BSC adoption was based on customer norms, competitor norms, and the perceived compatibility/desirability of the approach. Urgency refers to the expected performance benefits for an organisation. Feasibility refers to the ability of an organisation to provide the necessary resources to support the implementation and maintenance of the BSC approach.

The author looked at the issue of which key factors influence the implementation of an employee BSC, it isn't explored very much by the relevant literature. Reviewing the literature shows that there are four key factors: the perceived usefulness, ease of use, intention to use the BSC, and awareness of BSC capability (Nambisan and Yu-Ming, 1999). These researchers described perceived usefulness as a means to improve company performance, to increase productivity, to enhance effectiveness in the company, and to be useful for the author's company. Ease of use means easy to learn, clear and understandable, easy to use, and flexible. Intention to use the BSC means exactly that. Awareness of BSC capability means knowing the features of the BSC approach, being aware of the cost of its deployment, and knowing the extent of its benefits. Overcoming the above potential issues for an employee could be a difficult task, considering that the understanding of the complex BSC by the employee could be limited (Ittner, Larcker and Randall, 2003). Utilising the theory, Islam and Kellermanns (2006) tested the four key factors impacting the implementation of BSC through 114 Master in Business Administration (MBA) and Executive MBA (EMBA) students in the USA. The four factors have internal connections with the implementation of the BSC. From the perspective of the employee BSC, there are three core issues that should be considered. Why are employees willing to implement the BSC? How

should employees do the key things for the BSC correctly? What capabilities should employees have to carry out the BSC? Thus, the author finds that the key factors of implementing the employee BSC should relate to three main dimensions: the implementing motivation, the implementing capability, the implementing operation process. Document 4 has already further discussed three dimensions involved the 30 key factors impacting the BSC in ALCC and the results have already been tested in Document 4.

#### **2.4.2 Impact of the implementing capability on the employee BSC**

Many researchers are interested in the implementation of the BSC. The varied capabilities which an organisation possesses are of the utmost importance for successful use of the BSC (Niven, 2002). Excellent organisational abilities ensure that managers identify the concept of the BSC and attract its benefits (Cohen and Levinthal, 1990). If the leadership is outstanding and possesses the necessary expertise to judge the benefits of the BSC and feels that potential issues can be resolved, the results of implementation will be displayed (Dutton and Duncan, 1987; Ginsberg and Venkatraman, 1995). Nair (2003) concludes that some organisations lack decision-making capacity and the ability to implement decisions does not link the BSC into strategy or performance measures; thus the result fails. Lingle and Schiemann confirm that if an organisation cannot understand its own capabilities or competencies, or has incapacitating habits, then the BSC will not work (Lingle and Schiemann, 1996).

With regards to the abilities component, Nair states three main contents: transformation-relevant leadership, task-relevant leadership and task-relevant readiness, as well as the need to assemble a capable team to manage the BSC project (Nair, 2003). According to this view, if managers and employees are to successfully carry out the complex BSC system, they must enhance a series of competencies. These include designing employee performance management skills, management by objective (MBO) skills, evaluating skills, communicating and feedback skills, motivating skills, controlling processes skills, learning skills, coaching skills and employee training skills (Beiman, 2003; Emmanuel and Lloyd, 2000). Specifically in ALCC, where the author has

engaged in human resource management consulting for more than ten years, there is little capability for operating the system, so the author has helped to build a competency model and evaluate both managers' and employees' capacities since 2008. With a significant lack of capability, subordinate business units in Chinese SOEs are not able to effectively implement the BSC.

Neely, Yaghi *et al.* (2008, pp. 9-10) remarks that “it is essential that Chinese firms invest in developing the skills of their people and the enabling infrastructure, thereby ensuring they have sufficient capability to make best use of their enterprise performance management systems”. Neely and Kennerley (2002) adopt the semi-structured interview method to investigate 25 managers from seven different organisations. They further identify a lack of necessary skills, which include identifying appropriate measures, designing measures, and cross-functional skills such as collecting accurate data and especially analysing data, as well as lack of time. Employee capability factors are important for implementing the BSC. ALCC's function as a case study in Document 4 broadly analysed the situation caused by lack of the various implementing capabilities and discussed the ten capabilities that should impact implementation of the employees BSC in SOEs. In Document 5, the author suggests that a Chinese SOE should further explore which key capability factors will influence carrying out the BSC as an employee appraisal tool.

## **2.5 Summary**

The author reviews the relevant literature from Documents 2, 3, 4, and 5. Document 2 showed that culture is the most important and significant impact factor on the employee BSC when implementing the BSC. In Document 5, the author further reviews the performance measurement system. Organisation and employee BSCs, organisational culture and the impact of Chinese SOE culture and China's Confucian ideology on employee BSC, and reviews the key impact factors of the employee BSC. The author now highlights five points for discussion in the chapter as following:

Firstly the performance measurement systems (PMSs) and the BSC ignore the possibility of preferring an organisational and business unit level to the individual level. The relevant literature shows that most PMSs focus on an organisational objective from financial, non-financial, external and internal, customer and shareholders, and structural perspectives. They structure the measurement system around, and quantify the effectiveness and efficiency of, an organisation (Neely, 1998, Kaplan and Norton, 1996 a; Otley, 1999; Fitzgerald, 1991; Lynch and Cross, 1991; Brown, 1996). However, the evidence in the literature shows that the researchers were more interested in studying an organisational PMS, in which the purpose was oriented to the theory of strategy, operation and financial disciplines (Kaplan and Norton, 1996 a; Neely, 1998). However from the individual perspective, PMS is associated with individual behaviour, attitude and results. Individual PMS should mostly relate to psychology, talent capital and organisational behaviour disciplines (Rampersad 2006; Ulrich and Lake, 1990). Therefore, the author considers that the multiple purposes of PMS are complex in order to align organisations with individuals, and it can be difficult to balance both; yet the general stance prefers organisations to individuals in the workplace. The evidences show the reasons why the BSC as an employee PM tool could not work well in Chinese SOEs. ALCC is an example.

Second, the BSC is not a suitable tool for individual performance measure. Kaplan and Norton (1996c) stated that the BSC as strategy management tool is useful for evaluating strategy department and individual performance, and translates strategy into activity and planning. The purpose of the BSC is to cascade the key indicators of organisational strategy top-down to employees, and links to strategy are more explicit than to individuals (Kaplan and Norton, 1992, 2004, 2006). Although the BSC tries to balance the objectives of shareholder, customer and employee along four dimensions, it is difficult to balance the multiple stakeholders (Neely, 1998 Nair, 2003). In particular, the general stance is more concerned with organisation and customer. Individual purpose and objectives, such as measuring objective, process, procedure and communicating regulations, are not a concern while designing the BSC. This is the key reason why the BSC is not suitable for evaluation of employee performance, and does not work well in Chinese SOEs.

Third, the culture of Chinese SOEs prevents the BSC from working well. Many researchers agree that Chinese cultural characteristics influence the ability of the BSC to be applied effectively in Chinese SOEs (Qin, 2005; Wang and Zhang, 2009). These include interpersonal relationships, *guangxi*, *mianzi*, the golden mean (meaning moderation, harmony) and hierarchy. The evidence shows that Chinese culture and performance are in a negative relationship. This reduces efficiency and effectiveness and is unable to encourage creative activity (Deng, Wu and Zheng, 2006). As the author argues, employees are not willing to communicate with their managers owing to *mianzi* and *guangxi* culture. More importantly, employees are not concerned with external customers, performance results and self-growth, development of skills or the encouragement of creative activities. The cultural norms of Chinese SOEs make it difficult to create any form of organisational change, and also make the application of the BSC as an employee measurement tool ineffective. Furthermore, there should be a possibility for a different method for establishing a measurement system between an organisation and individuals, but the ultimate objective is complete consistency between organisation and individuals, the same view as Kaplan and Norton's.

Fourth, the lack of implementation capabilities for the employee BSC is an important reason why the BSC could not work well. Many researchers agree that a series of appropriate capabilities are important for successful application and implementation of the BSC. They identify a lack of the necessary capabilities, including measurement skills, data collection and analysis skills, cross-function section skill, communication and feedback, coaching skills etc. (Neely, 1998, Kennerley and Neely, 2002). The lack of skills also makes it impossible to link the BSC to strategy or performance measures. Yet some organisations could be unaware that whether or not they have sufficient capability to carry out the BSC, resulting in failure. Moreover, the author suggests that excellent skills should integrate the internal operations and cultural system with the BSC. In Documents 2, 3 and 4, Chinese SOEs have been found to have little professional behaviour and skills that could effectively apply the BSC in order to create organisational change. Thus, the author suggests that the solution to the question is to keep on improving the capability system for many years in Chinese SOEs.

Fifth, the literature shows that individual motivations and demands in the internal mind should firstly be considered for driving employee high performance, and should link into the employee BSC. Many researchers agree that an employee BSC should take place prior to an organisational BSC, with the employees' internal demands, for example their ambitions, happiness, vision, learning, development and growth, should be a first starting principle which drives high performance among other factors (Kouzes and Posner, 1999, Rampersad and Angel, 2005). The discussion and analysis find that the above points disagree with Kaplan and Norton, since the purpose of the BSC puts an emphasis on organisational strategic objectives and not on employee demands. Hence the four evaluating dimensions of the BSC are untenable to fit with employee performance measurement (Rampersad, 2006). Therefore, application of the BSC is ineffective for evaluating employee performance measurement in Chinese SOEs.

## **Chapter 3 Research Methodology**

### **3.1 Introduction**

The thesis aims to explore the application of the BSC as a means of evaluating employee performance in ALCC enterprises, including redesigning employee measurement systems to fit with the internal cultural environment of Chinese SOEs.

The author has been a consultant helping ALCC structure its BSC to improve organisational performance and employee satisfaction for 11 years. The company was a convenient field in which to collect data and to investigate the wider issues of the BSC. Five branches of the ALCC were selected for survey.

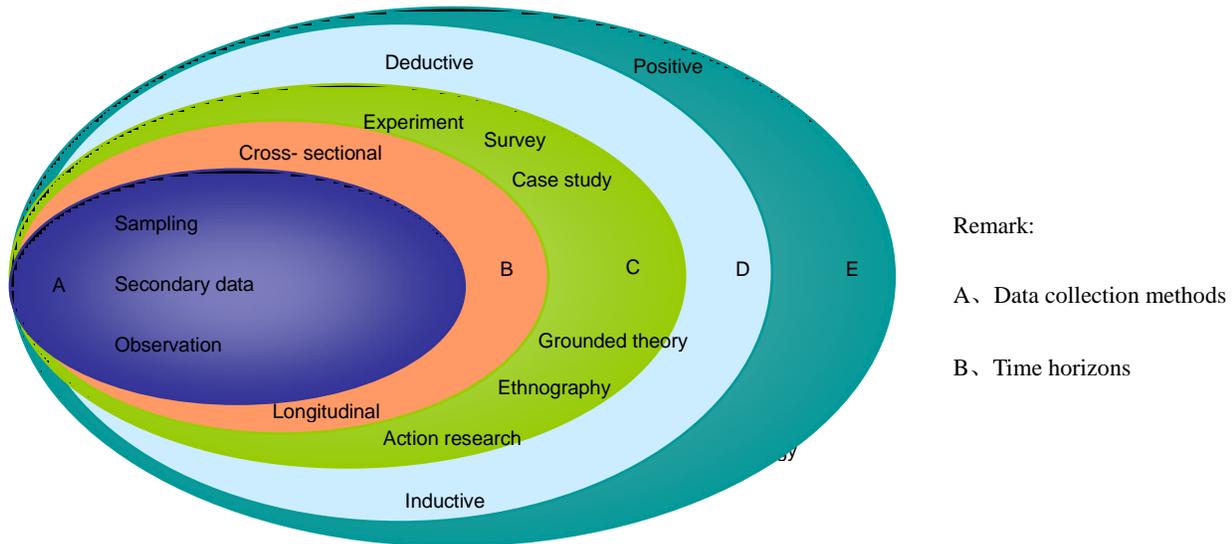
This study used an inductive management interview approach. The author understood the concept and definition of the BSC, organisational culture, Chinese SOEs, Chinese Confucian ideology, and key impact factors on BSC. Multiple perspectives were drawn upon in this study, with talk and text used as integral variables. Qualitative data was collected using a semi-structured interview. This chapter discusses research philosophy, positivist research, phenomenology research, and research strategy. The benefits and disadvantages of each method are taken into account.

### **3.2 Introduction to philosophy**

Saunders, Lewis and Thornhill (2000) define philosophy as a way in which one cognises the world, and as how researchers think that the development of knowledge affects, albeit unwittingly, the way research is conducted. The authors also indicate that the research process consists of a range of methodologies, research questions and data collection methods. Saunders *et al.* present a model called the research “onion”, depicting the issues underlying the choice of data collection methods (Figure 3.1). There are five important layers of the onion that need to be peeled away, comprising research philosophy, research approach, research strategy, research time horizons, and

data collection methods.

Figure 3.1 The research process “onion”



(Source: Saunders, s and Thornhill, 2000, p. 85)

Two views about the research process dominate the literature: positivism and phenomenology. The two views are different, but they both have an important part to play in business and management research (Saunders *et al.*, 2000). Neither approach is absolute, as a number of different research approaches have different functions. They are combined for utilisation by the authors, such as in realism, critical realism, nominalisation, interpretation etc. (Saunders *et al.*, 2000).

### 3.3 Phenomenology

Hasselgren and Beach (1996) indicate that the roots of phenomenology lie with the German philosopher Edmund Husserl in the early 1900s, and later with scholars such as Heidegger, Sartre, Gadamer and Schutz. Phenomenological analysis seeks to structure and find meaning in explicit human experiences in order to identify structures of human consciousness (MacDonald, 2001).

Fisher (2007) explains that phenomenology urges people to forget their acquired ways of understanding the world and to look at phenomenon afresh. Researchers also agree with the above arguments of phenomenology, stating that phenomenology originally meant identifying how much of a person's understanding of an object came from the object itself, and how much came from the person's subjectivity. Phenomenology regards consciousness as the only certain phenomenon, perception being an object of consciousness (Williams and May, 1997).

The phenomenological approach is very persuasive in the case of business and management research. Collis and Hussey (1997) argue that the phenomenological approach is coupled with an understanding of human behaviour from the participant's own frame of reference. They also indicate that the phenomenological paradigm usually expresses other meanings as qualitative, subjective, humanistic and interpretivist. Fisher (2007) regards interpretivism, sometimes rendered as interpretativism, as synonymous with phenomenology as well as constructionism. Jupp and Norris (1993) also argue that the interpretative position holds the basic assumption that social phenomena are of an essentially different order from natural ones. Interpretivism proposes that interpretation cognition should be integrated with understanding, and both are differently separated to perceive the objective world, the viewpoint of the statement inclines to how to understand objective and to disagree interpretation objective. The author determines the doctoral study subject as the test of why the BSC cannot work well in ALCC as a Chinese SOE. The BSC theory has been applied as an employee evaluation system for ten years at least. This is an objective result. ALCC is a real case. The author hopes to explore objective phenomena. The author has already had the experience of providing a series of PM programme services to ALCC since 2003, and the author has not perceived the phenomena explained subjectively, such as which factors of China's SOE culture, operation system, organisational capabilities objectively impact the BSC on not working well during ten years, so the author does not attempt to understand the phenomena for the research questions. Following the views of Collis and Hussey (1997), Hasselgren and Beach (1996) and Fisher (2007), the author suggests that the thesis should follow the positivist paradigm, not qualitative, subjective, and humanistic and interpretivist research.

### 3.4 Realism

Realism is a form of positivism and an epistemological position that advocates the application of the methods of the natural sciences to the study of social realism and beyond (Bryman and Bell, 2003). Bryman and Bell also stated that this approach utilises the philosophical stance of a natural scientist. The authors in this tradition assume the role of an objective analyst, making detached interpretations about those data that have been collected in an apparently value-free manner. Colin (2007) stated that realists are inclined to believe that the gained knowledge can provide a good indication of what should be done. The realist emphasis is on discovering the associations between variables, and cause and effect. Fisher also indicated that it is not the case that all realist research must use measurement and statistical methods. In practice, realist research is often also based on a comparison of qualitative case studies (Colin, 2007). This research aims to look for the relationship between the key impact factors and the implementation of an employee BSC through the five branches serving as the research case studies, and to explore the relationship of cause and effect in why the BSC does not work in a Chinese SOE. It does so by utilising the semi-structured interview method and qualitative case studies which can provide a broader and deeper understanding.

There is an emphasis on a highly structured methodology to facilitate replication and on quantifiable observations that lend themselves to analysis. The assumption is that the author is independent and neither affects nor is affected by the subject of the research (Remenyi *et al.*, 1998). The approach to empirical examination of the hypothesis instead of researchers' value judgements, reasoning purely on first put forward the theory hypothesis is not way, but the use of objective facts by observing and classifying data to gain results that are correct and reliable. The cognition based on completely objective points explains and analyses the research questions. This thesis aims to test why the BSC as a means of evaluating employee performance does not work. ALCC was used as a case study to explore the key factors and to discover which employee appraisal method fits with Chinese SOEs. Three perspectives of implementing operation, culture and capability systems have objectively operated in ALCC for ten years. Semi-structured interviewing and focus group methods were applied to collect the relevant data, and not

individual sensitivity, and explaining and value judging to induce one hypothesis, and to test the two research questions. The deductive method is applied to conclude findings. These accord with the realist research method (Collis and Hussey, 1997).

In Document 5 the author's position is to adopt the realist perspective, because the thesis aims to test why the BSC as an employee appraisal method does not work. There is a disadvantage to the use of ALCC in a case-based approach, since there is too small a sample to demonstrate the connection of cause and effect in the identified applicant (Fisher, 2007). However, the author argues that choosing realist or realistic research recognises the impossibility of absolute objectivity, and that realist researcher such as Miles is very happy to use qualitative methods. The BSC tool has been employed in ALCC for ten years: this is a reliable event, and the case of ALCC is of a real company as a special Chinese SOE. Assuming impact factors based on Documents 3 and 4, the author further proves the impact of key factors on the execution of the BSC. In the ALCC case study, semi-structured interviews were utilised to interview 11 participants from the five different branches and five provinces in China – Wulumuqi, Wenzhou, Meishan, Guangdong and Xiamen – and to explore why the BSC does not work well. The 11 interviewees comprised 7 employees, 2 managers and 2 general managers, the details are listed in Appendix 1. To further explore the research subject, a focus group method was employed and in order to widely and easily discuss the research questions, a group of participants were collected together in one branch. The author selected 19 participants from the Putian Company, for which a service performance management programme was implemented in 2006. The 19 participants names are listed in Appendix 1.

### **3.5 Research Strategy**

Saunders, Lewis and Thornhill (2000) indicate that there are six primary research strategies that consist of experiments, surveys, case studies, grounded theories, and ethnography and action research. Saunders *et al.* also argue that some strategies are more suited to either the inductive approach or deductive approach. Whichever research approach is adopted, the strategy is chosen because it is appropriate for the research questions and research objectives (Saunders *et al.*, 2000).

Yin (1994) argues that there are five possible strategies to employ, some of which are the same as Saunders *et al.*'s, except for archival analysis and history. Stake (1995) observes that case study research is concerned with the complexity and particular nature of the case in question. Some of the best-known studies in business and management research are based on this kind of design.

While the above researchers mentioned several different research strategies, the case study is one of the most appropriate methods for research (Saunders *et al.*, 2000; Yin, 1994). The case study is defined as an in-depth study of the cases under consideration, and it enables the author to employ various methods. Saunders *et al.* (2000) suggests that the case study provides a vehicle through which several qualitative methods can be combined, such as participant observation, structured interviewing and unstructured interviewing. Similarly, the case study is adopted most often when the question is “how” or “why” and when the field of data is low. The method not only enables the author to achieve a rich understanding of context and processes, but also addresses the “why” as well as “what” and “how” questions (Collis and Hussey, 2003). In the study of why the BSC does not work well in Chinese SOEs and how the BSC could fit Chinese SOE well, the author employed ALCC as a real case study to explore the subject. The author considers the case study an appropriate method for Document 5.

Many researchers summarise the advantages and applications of the case study approach. Yin (1993) deems that the case study approach is able to deal with a full variety of evidence such as documents, artefacts, interviews and observations. It is also generally applicable for the theoretical propositions and the benefit links in real-life interventions that are of great complexity for the investigation. Campbell (1982) points out that the exploratory case study fits with the research questions that are to be studied later, and identifies the parameters and conditions that might change the interpretation of the results. Most importantly, the data of the unit of analysis is available to link propositions and the criteria for interpreting the findings (Yin, 1993). Other strategies do not carefully consider the basics of time limit, inflexibility and lack of control over too many variables.

Yin (1993) argues that there are four issues to address in designing case study research:

- Identification of the major unit of analysis.
- Whether or not to subject one or several cases to scrutiny
- The criteria for selecting the cases
- The adoption of cross-section or longitudinal data collection methods.

The author selected the ALCC as the major research unit of the project, including some branches of the ALCC group: for example, at the first phase, Henan, Fujian, and Hebei. In the Document 5 phase, data on Zhejiang, Guangdong, Sichuan, Xinjiang, and Fujian were collected.

Though the case study approach might be argued by some to be unscientific, the author considers that it is still a suitable method of exploring the application of the BSC as a method for evaluating employee performance in Chinese SOEs. The research questions employ the case study as supported by Collis and Hussey (2003). The author uses the case study approach in order to challenge existing theories or results on the BSC. Similarly, the approach also provides a source of new assumptions or discussions.

### **3.6 Why choose ALCC as a case study?**

ALCC is a Chinese SOE that delivered improved results and profitability and continued to lead the industry. Operational revenue was up by 9.8%. The author chose ALCC as a case study to undertake the research questions, because:

Firstly, the net income of ALCC is the first one of telecommunication companies in the global, and also the largest mobiles in China (Pcoline, 2014)

Secondly, in 2001, the human resource management (HRM) system of ALCC was reformed in 30

provinces throughout China, which created performance measurements, payment management systems and position management systems. ALCC adopted the BSC system to structure the performance measurement system and carry out strategic plans (ALCC Limited, 2007). ALCC imported Western management theory for improving organisational competition and performance, such as BSC; the other SOEs did not apply the BSC.

Thirdly, as a consultant the author has provided performance management training and programme services to ALCC for 13 years, which is convenient for further study and for collecting the data?

Due to ALCC being an extremely large organisation, covering 31 provinces and 333 branch companies in mainland China, it was not feasible for the author to survey every branch during the research time. The author chose five provinces among the 31 provinces to further survey the research questions as following:

The Guangdong and Zhejiang companies were the first and second within the 31 companies. Their whole management level including performance measurement and management was more mature than that of others. Employees understood the concept of the BSC, which facilitated interview questions.

Fujian and Sichuan were placed in the medium level in the ALCC. The office building of the Fujian Company was based nearby, which facilitated frequent data collection through semi-structured interviews. All the department managers were familiar with the research subject as the author taught a performance management course for the managers.

Xinjiang Company is in the westernmost province in China, so business and management idea are overall relatively poor. There are 15 branches of the mobile company in Xinjiang. The author

taught human resource management for human resource managers in Xinjiang in 2007. It is placed in the weak management level within the ten western provinces of China.

A total of 30 interviewed participants come from different branches and departments in the five provinces of Guangdong, Xinjiang, Zhejiang, Sichuan and Fujian: 19 participants from Putian mobile branch, three participants from Wulumuqi mobile branch, two participants from Wenzhou mobile branch, two participants from Meishan mobile branch, three participants from Guangdong mobile branch, one participant from Xiamen mobile branch. The secondary data of Document 4 is also adopted in Document 5. It should be noted that the sample was not large enough to allow valid generalisation against the target population, and a further survey may be required. The function and structure of each business unit and employee chosen from within the ALCC are considered reasonably consistent. This study sets the scene for Document 5.

### **3.7 Data collection and processing**

There are many ways of collecting data. In general, researchers usually adopt quantitative and qualitative methods.

Qualitative methods are described generally as various research approaches, including ethnography, participant observation, qualitative interviews, focus groups, language-based approaches to the collection of qualitative data, and the collection and qualitative analysis of texts and documents (Bryman and Bell, 2007). In addition, the qualitative process consists of general research questions, selecting relevant sites and subjects, collection of relevant data, interpretation of data, conceptual and theoretical work, and tighter specification of the research questions (Prasad, 1993).

Bryman and Bell (2007) summarised the disadvantages of the qualitative methods of many researchers. The author considers qualitative methods as subjective, difficult to replicate, having

problems of generalisation and lacking transparency. However, a method is not necessarily phenomenological or realist by the label. As Chinese Confucian culture shows, *minazi* and interpersonal relationships in an SOE impact employees' unwillingness to express their true opinions to objectively appraise the performance of their line managers, so how the methods are used to gather valid and reliable data is most important and valuable. Quantitative methods such as questionnaires are often problematic in Chinese SOE culture; however, the face-to-face interview method could avoid the disadvantages of other methods to obtain valid and reliable data. It is a useful supplemental research method in Document 5.

Realism is normally associated with qualitative data, but many researchers suggest adopting mixed methods research. This may provide a better understanding of a phenomenon than if just one method had been used, and may enhance our confidence in our own or others' findings. In addition to that, mixed methods research offers great potential in many instances. It is subject to similar constraints and considerations as research relying on a single method or research strategy (Bryman and Bell, 2007).

The aim of this thesis is to explain the application of the BSC as a means of evaluating employee performance in Chinese SOEs. The author had to consider the following issues:

- 1) Lessons from Document 3 were incorporated in the interviewing process.
- 2) There had to be sufficient reviewing time.
- 3) Facilitation of several of the different ranking participants who were interviewed
- 4) Interviewees who came from different provinces in China were convenient for interview schedule.
- 5) The purposes of the research subject.

According to Collis and Hussey (2003), correctly selecting the data collection method depends on

the research project and the purpose of the research. The topic of the thesis mainly aims to test why the BSC does not work in Chinese SOEs, and relates to a series of issues of organisational culture and people's behaviour and values. Qualitative methods are adopted by the author in Document 5, including semi-structured interviews, and focus groups. However, the interview method is mainly used throughout the process in Document 5.

Prasad (1993) states that relevant sites should be selected as well as sufficient processes for collecting data, interpretation of data, conceptual and theoretical work, tighter specification of the research questions, and valid and reliable data collection. The author carefully arranged the complete process of the face-to-face interviews with 11 participants within Document 5. The participants come from five different provinces to undertake the research, and the author selected participants from different departments, which included technology, administration, human research, markets, services and group customers. Almost all of the participants had previously attended performance management classes in their company. The whole semi-structured interview schedule was carefully conducted by the author.

Many researchers use the focus group method to collect data. It has been defined as a carefully planned discussion designed to obtain perceptions on a defined area of interest in a permissive, non-threatening environment involving collective activity around some issue to produce ideas, thoughts, opinions and experiences (Litosseliti, 2003). The focus group method has some advantages, including taking less time than individual interviewing, obtaining a wider range of opinions, and exploring different sides of questions, and it can be combined with other research methods (Krueger and Casey, 2000). The author utilised the focus group method as a supplemental method to collect data in Putian branch.

Krueger and Casey (2000) stated that the focus group method can collect data widely to explore the research questions as a complement to the semi-interview method. There are three reasons

why the focus group approach was also selected for the research subject,

First, the scope of the population was too large to interview participants face to face in all of the 336 China branches. The Putian branch company was close to the author's research site and could be conveniently reached frequently. This also saved interview time.

Second, the Putian branch had undertaken a PM programme by the author in 2006. All employees and managers could understand the BSC and the purposes of the research subject, so they could collaborate with the author's work and could collect valid and reliable data.

Third, the research questions needed to be widely discussed with groups to discover more viewpoints. The discussion results could become clearer and clearer, and the method could align with the semi-structured face-to-face interview.

Therefore, the author collected 19 participants from Putian branch. These came from the subordinate market department, client service group, market department, supporting department, group customer department, position levels 5–10, and informal employees. The interview questionnaires were sent to them to be responded to within three days. The author effectively conducted interviews through the focus group method. Throughout the whole interview process, the participants were divided into two groups, one of ten people and the other of nine. The author as chair spent four hours interviewing the 19 participants using the 15 questions. One assistant provided support recording of the whole process and edited the original, and ultimately formed a comprehensive interview record. The detailed record is listed in Appendix 4, record form E-FG12-30.

The thesis also utilised the observation method to collect data. Case studies and archival research are special types of observational research. The observation method has some advantages; for example, it provides direct access to the social phenomena under consideration, flexibility and applicability, provision of a speaker whether is true or not, and it can test valid and reliable data through permanent record. These are useful for allowing further analysis or subsequent comparisons across time or location to be carried out, as the face-to-face interview could be susceptible to such a source of bias.

As the research site is a Chinese SOE, the thesis could further test the reliability of the data and collect more relevant data through observing employees in an office climate through fieldwork, then recording facts of normal employees' attitude and behaviour; meanwhile, the method gave the author easy access to the research site, as company would like to provide an occasion to look around the office environment.

According to Werner and Schoepfle (1987) there are three types of observation processes; the first is descriptive observation, the second is focused observation, and the third type of observation, the thesis applied the observation processes, the author remembered as many conversation to assist in seeing events with "new eyes", finally, to keep a running observation record.

### **3.8 Interview**

An interview is a purposeful discussion between two or more people. The use of interviews for management discussions can help to collect valid and reliable data that is relevant to one's research questions and objectives. There are three types of interviews, namely, structured, semi-structured and unstructured. Saunders, Lewis and Thornhill (2000) point out that structured interviews use questionnaires based on a pre-determined standardised or identical set of questions, while semi-structured interviews and unstructured interviews are non-standardised. In semi-structured interviews there is a list of themes and questions, although these may vary from

interview to interview. Jankowicz (2000) explains that the semi-structured interview is a good technique for dealing with feelings and attitudes, and any situation where one is uncertain about the range of possible answers. The unstructured interviews were informal, and the author used them to explore in depth a general area of interest. During the interview, interviewees were encouraged to talk freely about events, behaviours and beliefs in relation to the topic. The data collected from the interviews are summarised and differentiated as shown in [Table 3.1](#).

Table 3.1 Summary of data types according to interview style

	Exploratory	Descriptive	Explanatory
Structured		VV	V
Semi-structured	V		VV
In depth	VV		

VV= more frequent, V= less frequent

(Source: Saunders, Lewis and Thornhill 2000, p. 245)

As the research questions and objectives of the thesis are based on previous study results from Document 3 and Document 4, the research questions and interview perspectives from that document need to be adapted. The author mainly employed the semi-structured interview and the focus group approach to collect the further data and test the research questions in Document 5.

The author designed the first outline of interview questions and selected five interviewees to test the reliability of the questions. The interview questions were then modified before starting fieldwork interviews. The questions consisted of five sections: implementing the operation, capability, the cultural system, the relationship of three dimensions, and exploration of the new model. Each section had three or four questions. In general, the first and second questions involved “how and which” qualitative data. The author usually added one or two quantitative

questions that provided indications of the level of the item rationally selected by the participants, integrating qualitative with quantitative questions to collect reliable data. The design of the semi-structured interview questions is shown in detail in Appendix 3.

In order to effectively conduct the last section of the questions to explore the new appraisal model, and to validly and reliably collect data in the last key interviewing procedure, the author clearly explained the new employee appraisal model to every interviewee for 30 minutes before they answered the questions, which involved selecting one item according to a 5 = best to 1 = worst score. The author then asked why they selected the score to understand their comments on the new model. The new designed interview questions are shown in Figure 3 in Document 5.

### **3.9 Research Ethics and Policies**

Diener and Crandall (1978) indicate that four areas form a useful classification of ethical principles in and for business research. These cover whether or not there is harm to participants, whether or not there is a lack of informed consent, whether or not there is an invasion of privacy, and whether or not deception is involved. Bryman and Bell (2007), however, state that there are other elements that need to be considered. These include data protection, reciprocity and trust, affiliation and conflicts of interest. All of these points clearly imply that researchers should carefully consider the ethics and policies during the negotiating access phase, the data collection phase, and the discussion analysis and reporting phase of the study (Fisher, 2007).

#### **3.9.1 Negotiating access phase**

Fisher (2007) states that the ethics and policy questions of the negotiating access phase should include negotiating terms of reference with confidentiality agreements and informed consent.

Individuals have a right to privacy. Therefore, in some instances they may refuse to participate in research, and this could affect the nature and timing of the research. In order to obtain their

informed consent, the intended participants were told of the reasons for the study, the possible implications of the research, and how the results were to be disseminated. Before the author interviewed the 30 participants, the interviewing schedule, interviewee list and the purpose of the interview were carefully formulated and delivered to the HR department. The supervisor informed the employees and ensured that they were willing to accept an interview and offer feedback to the author.

The author had been a consultant of ALCC for almost ten years, and had already provided performance management consultations for many branches of ALCC. In addition, the two sides had already signed a confidentiality agreement, which involved no organisationally or commercially confidential information being made public, and any available internal information being accessible to any member of the public who might ask to see it after a certain number of years. Every interviewee knew the purpose of the author's research topic, and what benefits they could gain from understanding the performance management project, so most were willing to accept to be interviewed. However, the timing of the interview could conflict with their other priorities, and whilst a few interviewees were likely to be worried about their privacy, the interviewee would always remain anonymous. This assurance encouraged the interviewees to take part.

### **3.9.2 Data collection phase**

Fisher (2007) states that the ethics and policy question of the data collection phase involves possible deception, confidentiality and anonymity, permission to use videos or voice recorders, and the storage of data.

Many researchers question the ethical implication of qualitative-based research methods because of the personal contact involved, observations, and the development of incremental knowledge. The author has control over what information is collected, recorded, observed and interpreted.

However, with quantitative methods, the information is provided directly through questionnaires (Easterby-Smith, Thorpe and Lowe, 1991).

The author was aware of covert and overt means of collecting data when undertaking the study and utilised the overt approach. As the interviewees were informed about the recording of the overall process when being interviewed face to face, a Dictaphone was also used to tape discussions of the author's interviews. Every face-to-face interviewee spent about 90 minutes being interviewed. In the interview period, the participant had the right to withdraw from the study, and they were not asked to participate in anything that would intrude on their rights of privacy. An assistant helped the author to record as much as possible of the reply when the interviewee was questioned by the author. After completing the interview, every interviewee provided their contact telephone number so that the author was able to follow up interviews with supplementary telephone calls if necessary to clarify any discussion which the author was unsure of, or to solicit more in-depth information on the results of the interview.

At the outset of each interview the author attempted to put participants at ease and reassure them that they might choose to be anonymous in the author's report and that what they said would remain confidential. If interviewees could not answer a question for whatever reasons, they were permitted to refuse to reply to any questions. If the interviewees liked to provide further managerial internal information, the author protected these data as well.

### **3.9.3 Analysis and reporting phase**

The ethical issues of confidentiality and anonymity usually come to the fore during the reporting and analysis stage of research. This includes not being selective about which data to report or, where appropriate, misrepresenting its statistical accuracy (Zikmund, 1997). Wells (1994) states that it may be difficult to maintain the assurances that have been given earlier to participants.

The author is aware of these implications and integrity should be a concern when reporting findings. In order not to misrepresent the data collected, the author should represent the data honestly. This is extended to the analysis and reporting stage of research. While the author should comply with confidentiality and anonymity in his research, he should have the option of requesting permission from the organisation or individual to use their name if necessary.

With regards to analysing data, Saunders, Lewis and Thornhill (2009) state there are three types of qualitative analysis processes: the first is summarising of meanings, the second is categorisation of meanings, and the third is structuring of meanings using narrative. This thesis applied the categorisation type to analyse data. Christina (2010) states the analytical framework includes description analysis, interpretation, conclusion stage and theorisation stage. The analysis processes may be less or more structured, reliant on interpretation or more formalised, or inductive or deductive. Generally, the processes of analysis takes four considerable reflections using the key themes that emerged in data analysis, including: first, grouping concepts together around key or core concepts; second, grouping the key or core concepts together in themes; third, grouping the themes together around key themes; fourth, identifying the key themes in the data.

This thesis utilised more structural, formalised and inductive analysis processes to find and discuss the data produced in a transcript of interview. The steps of this thesis analyses data are as follows:

First, to categorise the data from the thesis's conceptual framework, implementing capability, implementing culture, and implementing operation system to analyse data.

Second, to categorise the date from the different stakeholders, such as employees, junior managers and senior managers to analyse data; the participants come from various departments

such as network, service, administration, HR, customers, technology and marketing.

Third, the author transcribed the records from the interview and observation data.

In order to collect valid and reliable data, the author was prepared to interview a range of top managers (levels 13–15), junior managers (levels 9–12) and employees (levels 1-8). All of these participants came from six branches and five provinces in ALCC. The 11 interviewees were divided into three different levels. Seven interviewees were subordinate employees (E1-E7). Two interviewees were middle managers (M8, M9) who were department managers of a provincial company. The other two interviewees (GM10, GM11) were general managers from a provincial branch company. The 19 participants (E-FG12-30) were divided into two groups to be interviewed in focus groups for three hours (see Appendix 3). The top managers (levels 13–15) were in charge of a branch company. Junior managers (levels 9–12) were in charge of a department and a centre. Employees (levels 1–8) were almost all informal employees who engaged in customer services and sale jobs in the basic business unit. Similarly, the author was to select various departmental interviewees, including those from Technical, Human Resource Management, Marketing, Group Customer, Technology, and Administration. This was to ensure that the samples were objective, fair and valid. The list of interviews is included in Figure 4 in the appendix 1.

### **3.9.4 Translating processes phases**

Throughout the whole data collection processes, the author used fairness and objectivity to translate the relevant Chinese transcriptions into English according to three stages:

- 1) Semi-structured interviewing questions in Chinese were developed according to the research framework.
- 2) The semi-structured interviewing questions were translated into English; the author's

supervisors gave some advice and checked them.

3) The author interviewed the participants using the formal interviewing questions and wrote all the records in Chinese. The author then transcribed these records. As a consultant for ALCC, the author knew the research subject and so it was easy to understand the interviewing context and situation, making it effective to transcribe interviewing records into English correctly. This meant that the translation processes were consistent with the original interviewing understanding of the Chinese records. Thus the author supported the whole translation processes.

4) All of records were proofread to form the final records.

## **Chapter 4 Findings and Discussion**

### **4.1 Introduction**

Chapter 4 details the discussion and findings of the three aspects of the implementing operation, capability and culture systems. These are structured to determine the three perspectives of employee, middle manager and general manager levels in response to the research questions, namely, why the BSC has not been successful as a method of appraising individual employees, and what appropriate appraisal system fits with employees in Chinese SOEs?

The detailed questions are also presented in this chapter.

### **4.2 Implementing the operation system and effectively executing the BSC**

#### **4.2.1 Employee perspectives**

This section discusses four aspects for exploration of the major central issues. The five semi-structured interview questions (Q1 - Q5) are:

Q1. Do you think the BSC is too complex a structure and too inflexible to be effective in a subordinate business unit?

Q2. What do you expect the main purposes of the employee appraisal system (BSC) to be?

Q3. How effective would you rate the current employee appraisal system, where 1 is strongly unsatisfactory and 5 is strongly satisfactory?

Q4. Which of the following methods for measuring employee performance do you think are acceptable for your organisation? (Please tick all that apply.)

Q5. Which key characteristics do you expect to exist in an effective employee appraisal system?

In the first section, in order to determine the complexity and flexibility of the system, the author

applied Q1 to interviewees E1-E7 and E-FG12-30. Key phrases from these interviews are transcribed below.

E1: *“In reality, the system is too complicated to implement.”*

E2: *“A little bit complicated, but the system is feasible.”*

E4: *“Quantification is good for fairness and justice but it will be very difficult.”*

E5: *“In my view, it’s not the flexibility but the job position and its critical factors are the key points, which can be the criteria to the performance measurement system. But right now, the deficiency in the managers’ ability makes it difficult to apply the above two points to our system and ultimately leads to hasty assessment results.”*

E6: *“Although the performance measurement system can work out the employees’ points penalty, the system is more complex for the employee, and they do not really understand.”*

E7: *“The system is okay, but as for the organisational environment challenge, the system should be improved in a corrective direction.”*

E-FG12-30: *“The system should be simple in a subordinate business unit...our targets can’t be changed and reduced, our roles are executing not managing...although the BSC fully considers anything, the feasibility is not good, and increases the cost, and it also reduces the work effectiveness, and does not improve efficiency”*

From the E1, 2, 3, 4, 5, 6, 7 and E-FG12-30 statements, seven employees consistently believed that the system should be *feasible, quantitative, flexible, and fair*. In addition, E5 stated that manager inability was brought on by the complexity and flexibility of the system. The current BSC system is too complex and inflexible for the employee. Murray and Richardson (2000) remarked that the BSC had its admirers and detractors, but there could be no argument that it had stimulated considerable interest in strategic performance measurement. It is not only difficult to execute strategy for an organisation, but it is also hard to measure the performance of employees (Murray and Richardson, 2000).

In the second section, the author asked which key purposes were expected from an employee appraisal system. Q2 and Q5 were put to interviewees E1, E2, E3, E4, E5, E6, E7 and E-FG12-30.

E3: *“I think the BSC has two roles, (1) for managers: the system should promote motivation and initiative of employees by performance measurement, and provide a clear standard for measuring employee’s developments, (2) for the employees: the system can be the criteriatio measure their developments and promotions, it can also prove their ability, and can help them define the success in their work and gain recognition from others.”*

E3 suggested: *“First, the quantifiable criteria only focuses on the short-term benefits and the appraisal system needs to pay more attention to long-term benefits, and second, it’s hard to have an agreement between employees and their managers on whether the criteria are reasonable. Sometimes, the employee passively accepts the work, because they are being forced by their superiors.”*

The viewpoints of E1, E2, E4 and E5 were almost the same as E3’s.

In addition, E6 explained the expectations for an employee appraisal system.

E6: *“I have five thoughts for the question as follows:*

*Expectation 1: The new employee appraisal system should be more powerful than the original one.*

*Expectation 2: It can distinguish outstanding staff from general staff.*

*Expectation 3: It is clear and easy to understand.*

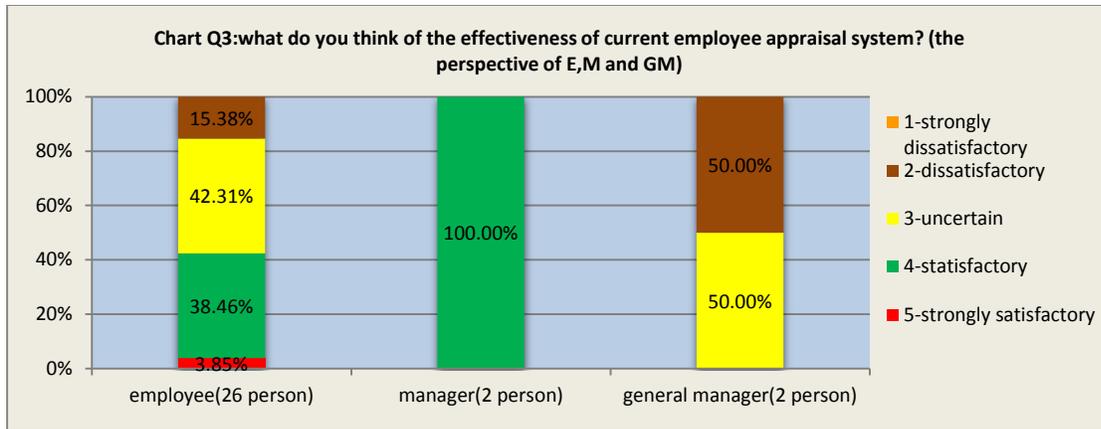
*Expectation 4: It is easy for employees to understand and implement.*

*Expectation 5: It is closely related to the employee’s duties.”*

From the results of the interview, there were good expectations and suggestions. The first role of manager should be to motivate and release employees’ initiatives. E-FG12-30’s view was the same as E3’s. In addition, they suggested that the system should act for employee growth, with clear evaluation standards that could align internal short-term with long-term benefits. This is not the same as what was discussed by Kaplan and Norton, who stressed internal and external organisational benefits (Kaplan and Norton, 2001). E-FG12-30 stated that the system should be simple, effective, useful and feasible, and should be concerned with individual internal and external demands, while also balancing explicit and implicit motivation (Rampersad, 2006).

In the third section, the author discussed the effectiveness of the current employee appraisal system. Q3 and Q4 were given to employees with a five-point scale, and the statistical results are as shown in Figures 4.1 and 4.2)

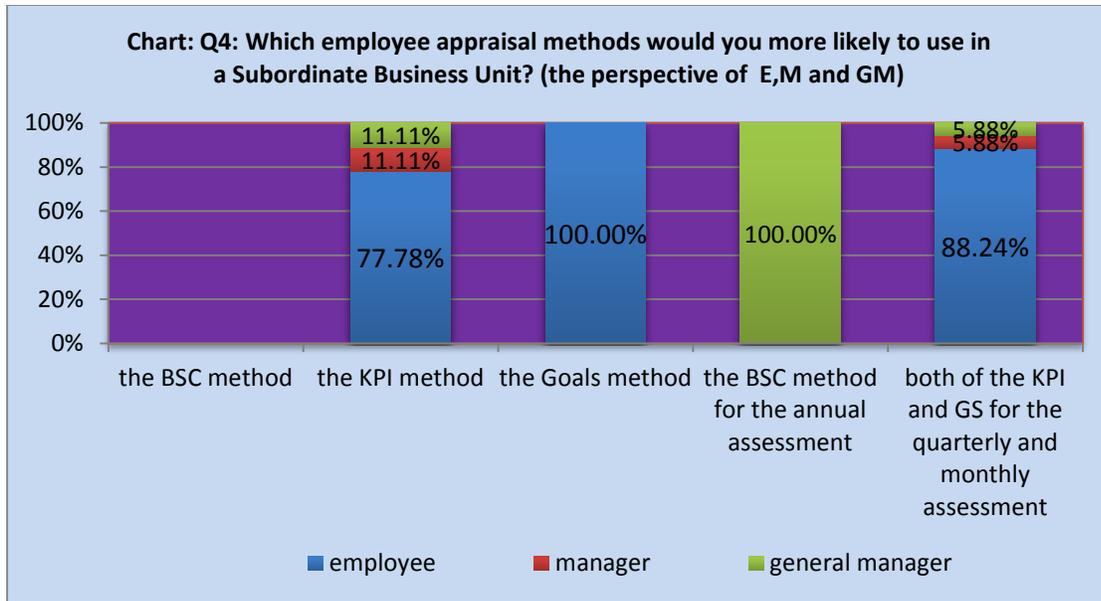
Figure 4.1 Semi-structured interview question Q3



The Q3 chart in Figure 4.1 shows that 42.31% of participants were uncertain about the statements, and 15.38% of participants were dissatisfied. This indicates that most participants appeared to disagree with the current BSC; 57.69% of employees did not support the statements, and only 38.46% agreed with the system. This shows that the employees did not fully agree that the BSC was a useful tool that could improve their performance and efficiency. The results seem to be inconsistent with Kaplan and Norton, who state that the purpose of the BSC is to improve organisational performance (Kaplan and Norton, 1996 a).

The fourth section took into account the use of the appraisal methods. The Q4 chart in Figure 4.2 found that there were no respondents willing to choose the BSC as an employee appraisal system; 100%, 77.78% and 88.24% of the employees selected the GS (goals), KPI and KPI+GS methods respectively, which showed that the BSC was too complex and inflexible for employees. Employees would prefer the KPI method and GS over the BSC in a subordinate unit. On this point, Kaplan and Norton (2001) agreed that breakdowns in communication and difficulties in translating the strategy into action were common reasons for failure, particularly for individual employees and departments. These results also support the views on Q1 and Q5, which indicated that the BSC was too complex and inflexible to implement.

Figure 4.2 Semi-structured interview question Q4



Over 57.69% of the employees disagreed with the effectiveness of the current system. Ittner and Larcher (2003) agreed that most of the employees agreed that the employee appraisal system was too complex and inflexible. In addition, the survey found that employees preferred the KPI (over 77.78%) and KPI +GS (88.24%) methods to the BSC (0%) as an employee appraisal system. They expected the system to be simple, flexible, effective, easily understood and humane, as Islam and Kellermanns (2006) also stated.

#### 4.2.2 Managers' (M) perspectives

Complete discussion and findings were arranged in five sections, similar to the employees' perspectives. In order to explore the issue, the author used five similar semi-structured questions (Q1, Q2, Q3, Q4 and Q5) to interview two managers (M8, M9).

In the first section, with regards to the complex and flexible structure of the BSC, M8 and M9 expressed the following thoughts:

M8: *“Exactly, it is real; I think the system is the management tool. BSC is okay, strategically, it is okay. If the performance system is hard to use, it is annoying. If the system is not flexible, ordinary employees will resist it, because their jobs are simple with great pressure, especially at the end of the month.”*

M9: *“Our company has adopted the Key Performance Indicator (KPI) system and partly adopted the BSC system; therefore, I’d like to talk about the operability of the PMS (BSC) from two perspectives. Firstly, while the execution of employees from levels 1–5 is good, that of the employees from levels 6–9 is not enough. The main reason is that employees from levels 1–5 are paid in line with the pieces of work, which can be measured.”*

According to M8, the BSC was a management control tool and strategy-oriented. M8 disagreed that the BSC suited employees. However, M8 agreed that the system should be useful, flexible and clear so that it could be better operated. M9 endorsed the view held by M8.

In the second section, regarding the purpose and expectations of the BSC, M8 and M9 also stated what they expected:

M8: *“Firstly, the system should be convenient. Secondly, it should be target-oriented... in other words, it can help the employees’ growth, we hope they can see their growth from performance... thirdly, the system should emphasise communication between managers and employees.”*

Similarly M9: *“Firstly, intuitiveness; secondly, timeliness: employees from the basic level are always the execution units who value the principle of gaining according to labour. For example, the performance of the customer manager is now being displayed on a board on a monthly-basis.*

*In order to provide an incentive for the manager and to improve the timeliness of the measurement system, a weekly or a daily performance presentation has been proposed. Thirdly, the system should be instructional to work: employees should know what to do and how to do it at any time in the month.”*

They stated that the BSC should be convenient, simple, humane, humanistic, demanding and target-oriented. However, there was some evidence that the subordinate business unit only focused on implementing tasks and not creating them. According to researchers, the employee appraisal system should as a priority be concerned with employee internal demands based not only on monetary incentives, but on employees’ vision, mission and values, and organisational performance objectives (Rampersad, 2006). Yet these purposes are usually ignored in Chinese SOEs. Employees would then carry out the tasks to release their full potential and to create high performance through initiative.

In the third section, looking at the effectiveness of the current employee appraisal system, the results were surprising. The Q3 chart in [Figure 4.1](#) shows that 100% of the managers fully agreed and were satisfied with the current employee appraisal system. The results demonstrate the difference in the perspectives of the general managers and employees. The reason is Confucian culture advocating harmony of interpersonal relationships in an organisation. The managers feel it is unfair to break their KPI down to the employees every month, and they are also a direct assessor. If the KPI results are not good, they can be ignored as a responsibility of the managers, so they are not likely to accept that the current system should be adjusted to fit employees’ stances as well. These findings are significant for exploring why the employee BSC is difficult to carry out in a subordinate unit.

In the fourth section, M8 and M9 were willing to use any method from the five kinds of employee appraisal methods. They only selected two methods, and only two are shown in the

chart (Figure 4.2). This viewpoint possibly disagrees with the employees' view, but managers agreed that the current employee BSC was complex and inflexible for employees. These results are same as employees' viewpoints, but they are inclined towards the KPI and KPI+GS.

In the above evidence, the managers disagreed with the strategy-oriented system. More were inclined towards growth-orientation for low-level employees. This point differs from Kaplan and Norton (1996 a). They also suggested that the purpose and expectation of a system should be simple, useful, effective, and should lead to employee development and growth. These are the same as the employees' views. However, they indicated that they were fully (100%) satisfied with the effectiveness of the implementation of the current system, which is not the same as the employees' result. This is possibly caused by the hierarchical culture in Chinese SOEs that forces employees to carry out managers' tasks (Qin 2005; Wang et al., 2007).

#### **4.2.3 General managers' (GM) perspectives**

The same approaches were taken as in sections 4.2.1 and 4.2.2. The discussion and findings were arranged in four sections. The author similarly designed five semi-structured interviews (Q1, Q2, Q3, Q4 and Q5) to interview two general managers (GM10, GM11). In the first section, aspects of the complexity and flexibility of the BSC structure were described by GM10.

*GM10: "ALCC does not have such a unified BSC performance system, even in the province, there's no consistent standard, including principles, procedure and frameworks. Every indicator of design and use shows differences. Because the system is not complex, there's too much flexibility to implement the system, and too much subjective operating, so this is one of the reasons that leads to employee dissatisfaction."*

GM10 seemed to agree that the BSC suited the organisation. GM10's evidence indicates that there is no system to unify the department and employee levels, such as principles, procedures or

frameworks. This means that the system cannot be well executed and causes the employees to be dissatisfied. He disagreed with the viewpoint that the system was too complex and inflexible for the employees. It appears that there are different opinions between employees, managers and general managers on the complexity and flexibility of the BSC. This may be because GM10 is a top manager, who is likely to be inclined towards the whole organisational objectives and stances (Kaplan and Norton, 1996 b).

In the second section, regarding the purpose and expectations of the BSC, GM10 said the following.

GM10: *“From the qualitative point of view, it should be a positive incentive system. No matter how much range, it must be progressive optimisation, a virtual circle. But in most cases it remains unchanged, or even regresses. From the quantitative point of view, I desire employee’s behaviour like GDP to be improved, and become more and more.”*

While discussing the expectations from the system, GM10 made three key points:

*“The new system should be easily implemented, but it is likely to be complicated a little.”*

*“Short-term indices should be simple, and long-term indices could be systemic and may be a little complex. I think the system is more effective. Similarly, the allocation of resources should take into consideration the short-term and long-term factors. In a Chinese SOE, an employee has said that development largely relies on interpersonal relationships.”*

*“Indicators are more objective in a subordinate business unit.”*

From GM10’s evidence, two key purposes are identified. The first regards motivating the employees, and the second aims to improve employee behaviour. Regarding the expectations

from the system, it should be simple so that it can be easily implemented within the short term, but if it is just a little systemic and complex it can be accepted by GM10 in the long term. Meanwhile, GM10 proposed that limited resources should be rationally distributed according to short- and long-term plans. The overall viewpoints were almost the same as the views held by employees and managers.

In the third section regarding the effectiveness of the current employee appraisal system, the author applied Q3 to the GM10 and GM11 interviews, but the results showed that 50% of general managers (GM) were dissatisfied with the implementation of the current system, and 50% of general managers were uncertain. GMs' statements proved that they were dissatisfied with the situation, and needed to improve the BSC. The GMs' viewpoint tended to focus more on the employees than on the managers, according to Q3 Chart (see [Figure 4.1 above](#)).

The fourth section raised issues where GM10 and GM11 wanted to use one of five kinds of employee appraisal methods. The author used Q4 to interview GMs, but was surprised by their answers. The details are shown in [Figure 4.2 above](#).

Q4 in [Figure 4.2](#) showed that 100% of GMs selected the BSC method to evaluate employees. The KPI and KPI+GS methods had respectively 11.11% and 5.88% selection rates. This evidence demonstrates that GMs and employees' opinions greatly differed in evaluating methods. GMs agreed with the BSC more than the KPI or the GS as GMs were likely to believe that the BSC could break down strategic objectives and translate organisational strategy into employee actions (Kaplan and Norton, 1996 c).

From the discussion on general manager perspectives, the four findings are described as follows:

First, regarding the complicated and inflexible BSC, there are different opinions between the

managers and the employees. Evidence showed that the reason for the difference was that GMs' purposes tended toward an organisational objective and not the stance of the employees.

Second, GMs thought that the system should motivate and improve positive employee behaviour. This point is similar to the views held by employees and managers. A complex system might be acceptable in the long term with rational distribution of internal and external resources.

Third, GMs agreed that they were fairly dissatisfied with the situation, and it should be improved. These findings were relatively the same as those concerning employees, but greatly differed from the managers.

Fourth, 100% of GMs supported the BSC method as more suitable than the KPI, which was a great distinction from the employee position.

In summary, this section argues from three perspectives: employees, managers and general managers. The key findings within the wider area are summarised in Table 4.1.

Table 4.1 Summary of the impact in implementing the operation system on executing the BSC

<b>Dimension</b>	<b>Complex</b>	<b>Purpose/ Expectation</b>	<b>Effectiveness</b>	<b>Selecting appraisal method</b>	<b>Comprehensi ve assessment</b>
<b>Employee</b>	Great complexity  Great	Simple  Flexibly  Effective	Satisfactory (57.14%)  Generally satisfactory	KPI  KPI+GS	Implementing operation system <b>greatly impacts</b> on the

	inflexibility	Easily understood Humanity	(42.86%)		BSC
<b>Manager</b>	Great complexity Great inflexibility Annoying	Disagree with strategy-orientation Support growth-oriented Useful/effective	100% <i>satisfactory</i>	Inclination towards KPI+ GS No to the BSC	Implementing operation system <b>generally impacts</b> on the BSC
<b>General manager</b>	No complexity No inflexibility	Motivational Improving positive employee behaviour	Nearly unsatisfactory	Support the BSC	Implementing operation system <b>does not impact</b> on the BSC

Nambisan, Yu-Ming and Wang (1999) stated that the main factors impacting BSC implementation were the perceived usefulness, ease of use, intentions, and awareness of BSC capability. They also argued that the BSC should be simple and flexible when evaluating employees' performance, and that the usefulness and effectiveness of the BSC should meet employee expectations. Socio-psychological forces, economic forces and resource feasibility also impact the implementation of the BSC. However, because of the influences of Chinese SOE culture, there is a defined hierarchy between general managers and employees, with all of the resources controlled by the managers. It is expected that employees should give up their desires, as humility not only gives a good impression and evaluation from others, but also avoids embarrassment if one fails to obtain sufficient results (Chen *et al.*, 2007). General Managers agree that the BSC was not complicated and inflexible and was easy to carry out, and had a good effectiveness. They supported the BSC more than the employees. The employees agreed that the BSC was too complicated and inflexible, and should be simple, effective and humane. The KPI+GS should be suitable for employees, which were of the same opinion as the managers. Rampersad (2006) also supported the above opinions. Managers also agreed that the BSC should

be growth-oriented for employees and the organisational strategy should motivate them to achieve ultimate organisational aims.

General Managers supported the view that the operational system does not impact the BSC, and agreed with the BSC. In comparison, employees disagreed, and would prefer the simple and easy KPI +GS approach (Ittner, Larcker and Randall, 2003).

### **4.3 Implementing the capability system and effectively executing the BSC**

#### **4.3.1 Employee perspective**

Kaplan and Norton stated that the learning and growth perspective is “the foundation for the BSC” (Kaplan and Norton, 2001, p. 93). The implementation of the capability system is based on Kaplan and Norton’s theory. The author used the following Q6, Q7 and Q8 to collect data:

Q6: Did the employees have the ability to apply the BSC well?

Q7: Where are the capabilities that are limiting the BSC?

Q8: What are the key capabilities that influence the BSC as a means of employee performance measurement in a subordinate business unit?

The author employed these three questions to interview E1, E2, E3, E4, E5, E6, E7 and E-FG12-30. These questions were asked to provide valid and reliable data for the whole interviewing process period. The details of the discussion are as follows:

In answer to Q6, E1: *“I think that under-junior managers do not have enough capability to do that at this stage, in my view, this system is for the top manager or leader...the group cares for macroscopic, the low employee is microscopic.”*

To Q7, E1: *“I think that the employee capability is sure to inhibit the implementation of the BSC. Executing the BSC in a Subordinate Business Unit should demand that employees have comprehensive capabilities...the system should be simple and have a specific target.”*

To Q8, E1: *“I think that the employee should have self-management skills, management by objective, communication skill, and understanding of the concept of the BSC.”*

This indicates that E1 supports employees and junior managers do not have enough skills to execute the BSC. E1 stated that the purpose of the BSC could only be understood by the top managers. According to E1's thoughts, a subordinate business unit merely focuses on microscopic tasks, without performance considerations. E1 also considered that employees' capabilities were the limiting factor in the implementation of the BSC, and he commented that the BSC needed employees who had comprehensive capabilities to effectively execute the system. Finally, E1 suggested that self-management skills, management by objective, communication skills, and understanding of the BSC concept were all important for employees to apply the system.

In answer to Q6, E2 *“Thoughts of employees are not so mature and rational. It is not easy to let them focus on and understand the BSC.”*

To Q7, E2: *“It cannot happen if they are competent but without willingness. Ability is one of the dragging reasons.”* When asked why, E2 replied: *“In our level, index-oriented jobs are the majority. We do not have to clearly understand it...Therefore, ability is just one of the reasons.”*

To Q8, E2: *“Index breaking down, coaching, and target management ability are the most*

*important to influence the BSC being implemented in a subordinate business unit.”*

E2 implied that the employees did not pay attention to the BSC. The evidence indicates that a subordinate business unit should care for grass-roots work rather than for the strategy. E2 disagreed that the organisational strategy should align departments and individuals by applying the BSC (Kaplan and Norton, 1996). Researchers also support the E2 viewpoints that implementing capabilities, such as the decomposing objective, coaching, and management by objective should be improved (Nair, 2003; Beiman and Sun, Yong-Ling, 2003; Emmanuel and Lloyd, 2000).

*E3: “I think there are not enough skills. BSC is of benefit for the long-term development of the enterprise. But, as for the front-line staff of prefectural branch company, I think the appraisal system should stress implementing, and closely relate with the work of employees, and it should be simple, easy to understand and operate, so that the strategy would be realised.”*

When asked whether there was enough capability to impact on the BSC, E3 replied: *“I think it’s one of the reasons. The managers lack the ability to use the tool and the result is unsatisfactory.”*

Finally, asked whether employee internal motivations impact the BSC, E3 replied: *“I think it would have an influence on somebody or some time... But it hasn’t because it was not designed for individual difference.”*

E3 appears to be in agreement with E1. There are not enough skills to support the employee appraisal system. To realise the strategy, the capabilities of managers are a key factor. Other key factors include management by objective, communicating between line-manager and employee,

and resource distribution (Beiman and Sun, 2003; Emmanuel and Lloyd, 2000). Different internal ways of motivating employees are found to impact the employee appraisal system of the new model using a monetary reward system (Milliman, Nason, Zhu and De Cieri, 2002; Risher, 2002; Aguinis, 2007).

E4 was asked whether there was enough skill to execute the system. E4 replied: *“I do not think so. The organisation of ALCC is too large and too complex, affiliates in different cities cannot think about the whole strategy of ALCC, everything is important for the front-line employee... the front-line employee only cares about ‘how much money I will get this month’”*

While asking whether the capability of employees inhibit the system, E4 said: *“I think the skill of managers is one of the reasons, but I am not sure of the proportion... there is a lack of motivating employee skill, management by objective, coaching, position management, and resource distribution”*

From the transcript, it appears that the same view was held by E1, E2 and E3. Not only is there insufficient capability, but this also impacts the implementation of the BSC. In addition, the capabilities element agrees with the opinions of E3.

E5 was asked the same three questions as E4. To the first question about skills, E5 replied:

*“So far, the employees are not competent enough to apply the BSC, so it is not right to be implemented, but our general manager, he is very capable. It may be a little bit difficult for middle managers to apply the BSC for better performance because they are unfamiliar with and unconscious of practising the BSC.”*

When asked the second question about employee capability inhibiting the system, E5 replied: *“I do not think so. The employee is not the main factor since they can create value after training... I think the matter is the manager, not the employee.”*

When asked about designing a new style of employee appraisal system, E5 replied: *“I think so. But it will hard to change, it cannot be changed for some people, maybe we can use some immaterial reward like honours.”*

From the evidence received, E5 stated that there is insufficient capability for the BSC to be operated well by subordinates. However, E5 did not agree that employee capability already inhibited the BSC. This is similar to all of the interviewees’ opinions. E5 claimed the matter of the BSC was for managers not employees, because they had greater ability to practise piecework, which is done voluntarily, but not regularly and systematically, and the evidence seems to emphasise managerial capabilities in implementing the BSC. Researchers did not clarify the relevant capabilities factors, but they did indicate that an organisational lack or whole competence deficiency would impact the implementation of the BSC (Nair, 2003; Lingle and Schiemann, 1996). In terms of the details capability, E5 only suggested that the organisational strategy should be clear and sustainable; otherwise this connects with restructuring the organisation and evaluating the procedure.

E1, E2, E3, E4 and E6 held similar views.

E-FG12-30 was asked Q6, Q7 and Q8.

In answer to Q6: *“They think that some employees are unsure of their skills to undertake and fulfil the complete the BSC, it is understandable...there are some series of employees including old employees, and just recruited postgraduate students, so in the professional skills there exists*

*some knowledge gap, and their skills are not whole enough to accept so.”*

To Q7: *“They think that employee skills are surely most likely to impact on the BSC implementation.”*

To Q8: *“Changing skills, innovating skills, self-motivated skills, communicating, and information analysing.”*

E-FG12-30 had the same view as held by most of E1-E6. E7 and E5 have nearly the same view within the interviewing process. E7 indicated that 90% of employees had the ability to implement the new system. E7 was optimistic about implementing the BSC. There are few capabilities to prepare for in laying out the system.

The discussion regarding employee perspectives showed that almost none the employees believed that there was enough capability to carry out the BSC (Howard and Bray, 1988; Bentz, 1986; Neely, 2007). They also support the notion that current employee capabilities are inhibiting the implementation of the system in Chinese SOEs, where a heavily hierarchical thought culture exists that bars even employees who are willing to develop their skills (Chen, 2007). Hence, employees do not apply the BSC well. They support a style of BSC that should take note of employee internal demands and motivations, which would impact their capabilities (Senge, 1990; Kouzes and Posner, 1999; Rampersad, 2006). Only E5 and E7 believed that employee capability was not a core factor that influenced the BSC. They thought that the manager was the key and their discussion agrees with researchers’ viewpoint (Nair, 2003, Lingle and Schiemann, 1996). However, they also noted that there was a lack of some capabilities in a subordinate business unit.

The author found that employee capabilities need to be improved, including management by objective, coaching, communication skill, understanding the concept of the BSC, position management, and self-management, which can fulfil the employee appraisal system. Many researchers also support these results (Neely and Kennerley, 2002; Nair, 2003; Beiman, 2003; Emmanuel and Lloyd, 2000).

#### **4.3.2 Discussion and findings on the managers' perspective**

The section looked at the perspective of two managers (M8 and M9). The author asked three similar questions.

Q6: Do the employees have enough ability to apply the BSC well?

Q7: Do any capabilities inhibit the BSC?

Q8: Which key capabilities influence the BSC as a means of evaluating employee performance measurement in a Subordinate Business Unit of ALCC?

The findings from their discussion are as follows:

Firstly, in terms of whether the employees had sufficient abilities to apply the BSC (Q6), M8 and M9 replied:

M8: *"I think that it is useless to tell clerks all the influencing factors. The business unit has a lot of influencing factors. Employees just need to make rational demands from their managers, and execute self-target."*

M9: *"BSC applies to the employees from level 6-9 who are project managers or team leaders. Now the capability is OK, but the problem is that employees usually set lower standards for difficult projects and higher standards for easy ones...Chinese people are smart enough to transform the BSC to the leverage BSC which can improve our own performance, but the BSC*

*does not work well in our company. Chinese people are always emotional although we have the capability.”*

Discussing the managerial perspective, M8 stated that employees did not seem to have enough capability. M8 explained that there were too many influencing factors on the employees. It appeared useless to implement the BSC for employees, who only focus on self-objectives.

M9 indicated that the BSC was more suitable for level 6-9 employees who were project managers or team leaders rather than level 1-5 employees. Similarly, M9 also said that employee capability was okay, but explained that employees usually set lower standards for difficult projects and higher standards for easy ones, so that the BSC did not work well in his company.

The managers supported the opinion that employees did not have enough capabilities to execute the current system. However, M8 strongly suggested that employees should focus on self-objectives, not on other factors. M9 explained that the BSC was more suitable for level 6-9 junior managers than for low-level employees (level 1-5). E9 did not comment on which skills he considered necessary.

With regard to whether or not there are capabilities that inhibit the BSC (Q7), M8 and M9 replied:

*M8: “I have thought about this question...as for me, the capability will have some influence on factors that are unfamiliar with the system, and it will block your use the system...because the first-line managers have not the basic communication ability to have the system misworded. It will affect the communication between the top and the bottom through you, and block the*

*implementation of the system.”*

M9: *“We do not have such problems in the Xiamen branch company, as the overall quality of the employees is high. Now employees attach significant importance to performance and they will give immediate feedback if the score is low.”*

M8 stated that the capabilities had some influence on implementing the BSC, even when using the system. This is consistent with other research (Howard and Bray, 1988; Bentz, 1986; Neely, 2008). M8 commented that it was of great importance for upper management to improve their communication. Otherwise, communication between the top and bottom levels of employees will be inhibited and subsequently limit the implementation of the system. These findings are consistent with previous researchers (Beiman and Sun, 2003; Emmanuel and LIoyd, 2000).

However, M9 seemed to be uncertain of the question. M9 stated that his company did not have the problem, that almost all employees had good capabilities, and that they could easily communicate with their manager if there were any questions about the performance appraisal results. This view differs from M8’s. It is possible that M8 comes from a relatively poor provincial company, while the other company has professional employees using the system.

The perspectives of two managers who delegate their middle managers appear to have certain stances on employee capability. M8 believed that capability inhibited the BSC, but M9 indicated that the capability should not inhibit the BSC. The two middle managers (M8 and M9) were undecided as to whether the current capability factor inhibited the implementation of the BSC in a subordinate business unit.

When asked if there were key capabilities that influence the BSC as a means of evaluating employee performance measurement in a subordinate business unit of ALCC (Q8), M8 and M9 replied:

M8: *“As for implementation, planning skills affect the effective implementation of the system...understanding ability, communication ability, and basic working skills.”*

M9: *“A lack of designing skills of the performance management system for different positions; employees do not have good communication with their superiors, namely, up-communicated skill...now, the employees’ performance is positively correlated with the intention of their superiors, their performance is determined by whether they can catch the intentions of their superiors when carrying out the work. However, employees of the same level should cooperate...the current issue is to improve the capability of communicating with their superiors.”*

The author finds that M8 clearly indicated planning skills, understanding ability, communication skills and basic working skills to impact the execution of the BSC (Beiman and Sun, 2003; Emmanuel and Lloyd, 2000). The results seem to be the same as views discussed in Documents 3 and 4. Similarly, M9 indicated the importance of the designing system skill, communication skills, and understanding the intentions of the superior. These results are also commonly stated in Documents 3 and 4.

From discussions with the managers, the author can summarise the following points.

First, the two managers (M8, M9) agreed that employees did not have enough capabilities to execute the current system. However, M8 strongly suggested that employees should focus only on self-objective management, not on other factors. M9 explained that the BSC was more suitable for level 6-9 junior managers than for low-level employees (level 1-5).

Second, there appears to be no consensus on whether the current capability factor inhibits the implementation of the BSC in a subordinate business unit. The results are not fully consistent with previous research (Nair, 2003; Cohen and Levinthal, 1990).

Third, the author found that the managers indicated planning skills, understanding ability, communication ability, basic working skills, designing system skills, communication skills and an understanding of their supervisors' intentions to impact the execution of the BSC. These results are supported by previous studies (Beiman and Sun, 2003; Emmanuel and Lloyd, 2000).

#### **4.3.3 General Manager (GM) perspectives**

This segment discusses the perspectives of two general managers (GM10 and GM11). The author asked three questions:

Q6: Do employees have enough ready ability to apply the BSC well?

Q7: Do any capabilities inhibit the BSC?

Q8: Which key capabilities influence the BSC as a means of evaluating employee performance measurement in a Subordinate Business Unit of ALCC?

The details of their replies are discussed as follows:

First, in terms of whether the employees had enough ready ability to apply the BSC well (Q6), GM10 and GM11 replied:

GM10: *"I deem that junior managers and employees do not have enough ability, they all need to improve their ability. At the starting stage, the managers are specially trained, at the end stage,*

*employees need to improve how to learn and develop their self-management within the closed-loop process of performance management.”*

GM11: *“I think almost all managers and employees need to improve their comprehensive capabilities, the company is reformed to implement the BSC, unless we stop the programme. Despite the company being a foreign-funded enterprise, and the largest telecommunications [company] in the world, ALCC is only a Chinese SOE, which is transformed from the previous old China telecom. They come from the old China telecom and the employees recruited lack professional capability, including myself.”*

GM10 stated that not only managers but also employees did not have enough capabilities to execute the system. GM10 strongly expressed his view and implied that employee capabilities were in more urgent need of improvement than those of managers.

GM11 had the same view as held by GM10, but GM11 explained that because ALCC was a Chinese SOE, it lacked professional skills. GM11 thought that it was difficult for a Chinese SOE to solve the issue. When asked why, he seemed unable to reply.

The author found that employees and managers do not have enough capabilities to currently fulfil the BSC in a subordinate business unit of ALCC. Current employees’ skills are of prior importance to managers’ skills. The results are supported by previous research (Nair, 2003; Cohen and Levinthal, 1990).

With regard to whether or not there are capabilities that inhibit the BSC (Q7), GM10 and GM11 replied:

GM10: *“It needs introduction and training from their supervisors. The main point is to standardise the understanding of the system...All of these are because we do not have the same recognition...It is crucial to get complete recognition.”*

GM11: *“In terms of the issue, I have already mentioned above in the previous answer. Of course, their capabilities inhibit the implementation of the BSC. I think not only the factor, but also the organisational culture and systematic issue....As an example, the strategic objective cannot cascade to the department and the individual. Some issues in the systems need to be optimised in the future, and the key factor is the lack of manager leadership and the fostering of some successors.”*

GM10 and GM11 thought a lack of employee and manager skills inhibited the implementation of the BSC (Nair, 2003). GM10 indicated that there was no common recognition of the concept and usefulness of the BSC (Neely, 2007). GM11 explained that organisational culture inhibited the implementation of the BSC, and he described these points in detail (Schiemann and Lingle, 1999; Mendonca and Kanungo, 1996; Waalde, 2002).

To Q8 on the key capabilities that influence the BSC as a means of evaluating employee performance measurement in a subordinate business unit of ALCC, GM10 and GM11 replied:

GM10: *“Coaching skills, self-management, management managers, self-reflection, closed-loop learning and development, time management, and setting objectives.”*

GM11: *“For a manager, including interpersonal management skill, emotional management skills,*

*balancing between life and work, coaching, motivation skills, humane management skills, fostering employee skills, two-way communication skills, and management by objective...*

*For employees and junior managers, it is more important for the managers to improve basic managerial skills, such as time-management skills, self-management, management by objective, up-managed skills, up-communicated skills, understanding conception skills, and closed-loop improving programme skills.”*

A series of skills for employees and junior managers should be executed in the BSC at the next stage. GM10 emphasised employee skills. The author finds these skills are almost all mentioned in Documents 3 and 4. However, only self-management skills and superior managing are found to impact the implementation of the BSC.

GM11 related to junior managers and employees from the perspective of a manager. GM11 indicated a series of the above-mentioned relevant managerial skills were likely to influence the BSC. For middle managers, these relate to interpersonal relationship skills, a connecting link between middle managers and employees (Nair, 2003; Beiman and Sun, 2003). For the employees, GM11 suggested improving basic managerial skills. GM11 said that employee skills were more important than manager skills.

The author finds that there is agreement between the GMs. Employee skills consisting of coaching skills, self-management, self-reflection, closed-loop learning and developing, time management, management by objective, up-management skills, upward-communication skills, and understanding concept skills almost all relate to basic managerial skills (Beiman and Sun, 2003; Emmanuel and Lloyd, 2000). However, GM11 suggested that managers also needed to improve the previously mentioned relevant managerial skills. Relevant interpersonal relationship skills should influence the implementation of the BSC in a Chinese SOE (Deng, Wu and Zheng, 2006; Goffee and Jones, 1996; Park and Luo, 2001).

From discussion with the general managers, the author finds the following points.

First, GMs support the notion that not only employees but also managers do not have enough capabilities to effectively fulfil the BSC in a subordinate business unit of ALCC. It is obvious that they think that improving employee skills should be priorities over management skills.

Second, GMs support the idea that a lack of both employee and managerial skills inhibits the implementation of the BSC in a subordinate business unit of a Chinese SOE. These results are further supported by other researchers (Nair, 2003; Cohen and Levinthal, 1990).

Third, for both GM10 and GM11 there appear to be many common skills items that inhibit the BSC. These including coaching skills, self-management, self-reflection, emotional management skills, closed-loop learning and development, time management, management by objective, up-management supervisors' skills, communication skills, and understanding concept skills. These skills tend to be basic managerial skills, which impacts the implementation of the BSC (Beiman and Sun, 2003; Emmanuel and Lloyd, 2000).

Fourth, the above-mentioned managerial skills and interpersonal relationship skills impact the BSC in a Chinese SOE, such as management supervisors, and communication (Deng, Wu and Zheng, 2006; Goffee and Jones, 1996; Park and Luo, 2001). The GMs mentioned balancing employee life and work, and humane management skills (Rampersad, 2006).

## **4.4 Implementing the culture system and effectively executing the BSC**

### **4.4.1 Structure of the discussion**

Kaplan and Norton (1996 c) state that organisational culture impacts BSC implementation. Other researchers from different countries also support this opinion (Nair, 2003; Neely, 2007). Conclusions from Documents 3 and 4 found that organisational culture was likely to be the most important factor for SOEs such as ALCC. The author suggests that more attention should be paid to cultural factors.

The author applied the semi-structured interview to collect data. Interview questions Q9, Q10 and Q11 were designed and conducted to discuss:

Q9: How does the current employee appraisal system (BSC) fit with the culture and values of a Chinese SOE?

Q10: Do you think that the employee appraisal system could be adjusted to fit better with ALCC? If yes, in which ways does it need to be adjusted?

Q11: To what extent does performance culture impact employee performance measurements (BSC) when implemented in a Subordinate Business Unit? Below are ten factors, please list them in order of importance.

The section is divided into three parts to discuss the impact of organisational culture on the implementation of the BSC in a subordinate business unit. The first section discusses whether the BSC fits with Chinese SOE culture according to the employees, managers and general managers. The second section discusses whether the current employee appraisal system should be adjusted. The third section discusses the extent to which Chinese cultural factors impact the BSC. Employees, managers and general managers were merged in this discussion. The details discussed were as follows.

#### 4.4.2 Employee perspective

Whether or not the BSC fits with Chinese SOE culture:

E1: *“Concerns at different levels are different. For me, the awareness of personal growth...Employee concerns are only the most practical...80% employees of the company are external staff. It is not realistic to use BSC for grass-roots workers...Employees know that the enterprise staff salary should be higher, but in fact, wages are not rising...Our business is not related to doing more with much, no one asks to be paid more, it’s not valuable.”*

This implies that employees do not care to understand the BSC, and there appear to be unfair regulations in the company. E1 explained that 80% of employees were external staff. It was not realistic to use the BSC for grass-roots workers. There is a different status issue in his organisation, which seems to impact on how he would like to implement the BSC. From the comments regarding “doing more with much”, but not being paid more, E1 indicated that competitive culture was not encouraged. Overall discussions show that E1 acknowledged the impact of fairness, status, and competitiveness on the implementation of the BSC.

E2: *“In a state-owned enterprise, the more you do, the more mistakes you will make. So employees would not like to shoulder more responsibilities. Leaders have the final say. As for others...”*

This implies that E2 is conservative about the question. To explain why employees would not like to shoulder more responsibility, he explained that the leader usually had the final say. It is obvious that participation and empowering are likely to be discouraged as there is a deeply hierarchical culture within E2’s organisation. This leads to the BSC not being accepted by employees.

E3: *“Chinese moderate meaning is the golden mean. The values of East and West are different. In China, the inner learning and growth cannot vary and be sustained so much as the change of Chinese State enterprises’ leaders.”*

E3 indicated that as policy and regulations were unstable, and ideas of moderation in Chinese SOEs made it too difficult for the BSC to relate to employees in ALCC (Wang, 2010).

E4: *“I do not think the BSC fits perfectly with the culture and values in Chinese SOE. It will be hard to execute it in a Chinese SOE...The environment of ALCC is not scientific enough, and the measurement depends mainly on persons. The individuation is underlined in management, doing jobs is for the leaders, so it is not meaningful for a person. The measurement for an SOE is turbid, not scientific, so I think that the BSC is better for teams or an organisation rather than single people, and it is not reasonable enough for the SOE. The BSC can’t anymore balance in a low business unit of a branch company, so it is hard to check all of the four dimensions.*

E4 insisted that the BSC did not fit with the cultures and values of a Chinese SOE, and that it was difficult to execute in a Chinese SOE. E4 also commented that, first, measurements were dependent on a person, not a current system. Second, creative behaviour was not encouraged. The focus was on obeying orders, doing the job only for the leader as the culture was leader-orientated. Third, the system was not feasible for individual employees.

The BSC could encourage more creative behaviour and development skills that support leaders in decision making (Kaplan and Norton, 1996 b). However, E4 does not agree. Some researchers have also stated that a lack of cultural recognition leads to the purpose and value of the BSC not being realised in a Chinese SOE (Qin, 2005). However, E4 suggested the BSC was likely to

better succeed in teams or organisations than with individuals.

*E5: “BSC method looks good. But the performance management in my company has something in common: the method of performance appraisal varies with the change of leaders. Whenever in business or private, different managers are likely to result in different appraisal methods...I had better watch my words with reservation.”*

After the discussions, E5 worried about what they had said. E5 stated that the BSC method did not appear to fit well with employees. E5’s comments noted common issues that others had mentioned, such as the point that leaders varied the measurement system and the system was not always consistent with different managers.

Generally, E5 and E-FG12-30 supported the views held by the above E1-E4.

*E6: “Western corporations having a culture of ‘rule of law’ may meet less resistance when implementing the BSC than Chinese corporations that have the character of the ‘rule of man’. Although ALCC has introduced some Western administrative concepts, it still goes against Chinese reality and corporate culture.”*

E6 indicated that the BSC method could not fit with Chinese SOE employees. He explained that the “rule of law” and “rule of person” differed between Western and Eastern cultures. These differences impact organisations in different countries. There is a need to adjust the theory (Hofstede, 1981). Kaplan and Norton do not indicate which key cultural factors impact the execution of the BSC in Chinese SOEs.

E7: *“Chinese culture has different specific behaviour than Western culture... the BSC is useful in US or a Western country’s company, but there are different situations in China. I do not like the method, but the boss insists, so I have to do...the subordinate business unit must be ordered by the superior when line management has no conditions.”*

According to E7’s statement, the BSC could not fit with employees in a Chinese SOE. E7 explained that culture of a China SOE was different from Western culture and did not like the method. However, their boss did like it and although E7 was unwilling to obey his supervisor, he had to.

E-FG12-30: *“A Chinese SOE is a special organisation, and organisational culture can be distinguished from western organisations...Chinese culture inclines towards the tradition, collective culture, and does not advocate creativity, uniqueness, or competition. Western companies are the opposite of a Chinese SOE. In a subordinate business unit, employees of high performance get rewarded the same as employees of low performance; we feel less respected in Chinese SOE....*

*We do not have much sense that we belong to ALCC, as our purpose is only to achieve the KPI for the company. Many employees lose enthusiasm because they can’t look forward to individual development...organisational objectives are cascaded from top-down; we are only ordered to accept the targets, we have to obey the management style...So we can’t obey the rule of implementing the BSC like Western organisations and we are not so concerned with external customer demands; we pay more attention to achieving our set objectives and targets.”*

It appears that E-FG12-30 also supported the notion that the BSC does not fit with employees in a Chinese SOE. The evidence and arguments also do not suggest the BSC can be regarded as an employee appraisal method (Kaplan and Norton, 1996).

The above perspectives from the Es and E-FGs show that they hold similar views, which consistently identifies that the unique culture of Chinese SOEs does not fit with the BSC as a means of evaluating employee performance. It should consider employee values and behaviour, such as fair, status, competitive, responsibility, harmony hierarchic, obeying, and leader-oriented, conservative, and rule of man.

In regard to whether the current performance appraisal system should be adjusted:

E1: *“We have been causing stress to employees in the enterprise; if the enterprise system does not change, informal employees will never be able to integrate into the organisation. Pay integration will not be achieved, and employee performance measurements cannot be solved.”*

When asking whether organisational benefits should be shared with shareholders or not:

E1: *“Strategy and team building can be introduced into ALCC, though I believe that employees will find it hard to accept, and informal employees can only obtain minimal benefits from the reformation.”*

When asking whether they pay attention to what they want:

E1: *“The main environments are this way, employees do not feel part of the organisation, and are only concerned about earning money and checking how much money he can make, or he will consider resigning.”*

It seems that employees are not always integrated into ALCC because of unfair status.

This indicates that the employee appraisal system that guides employees should focus on what they can do and how much money they can earn. They are also unable to gain more fair rights for informed employees, so most of employee thoughts are to work only for money. They would not like to undertake more extra job responsibilities if they are not paying the work, except that the system could be adjusted to take note of employee desires to motivate them to create high performance (Rampersad, 2006, Ulrich and Lake, 1990; Senge, 1990). The author's Document 3 also supports these views.

E2: *"I think it should be adjusted to suit company development and employee needs. As for how much to be concerned, I do not know how to express."*

E2 indicated the employee measurement system needed to be adjusted to fit with employee demands, but did not say exactly how.

E4: *"If leaders can consider both benefits, and provide a fair business platform to employees, as well as release the employees full potential, I think employees will be self-motivated to work."*

It appears that E4 supports the employee measurement system where internal demands should be considered to apply more self-motivation to work. If genuine, employees would probably improve their performance.

E5: *"The performance will be reduced if the piecework management method (where payment is directly related to output) is applied. On the one hand, the piecework measurement system has already become the main appraisal standard. But, their personal indicators are relatively weak and adjustable."*

The piecework system cannot change the questions posed by employees.

E7: *“I think the system is too inflexible for employees and managers to operate. Sometimes it is useful for us to carry it out, and to consider employee internal demands...I do not know whether the system can be adjusted, if we can decide how to distribute goals and release our full potential, I think we could obtain higher performance than before.”*

The same view was held by E6.

E-FG12-30 noted that *“the system needs to be adjusted”*.

When asked why, they explained: *“Firstly, the employee appraisal is distinguished from an organisational BSC...If a company considers balancing organisational and employee internal objectives, balancing explicit job KPI and implicit internal process goals, balancing implicit demands and explicit demands, balancing individual, family life and organisational work, our potential will be fully released.”*

*“We disagree with all appraisal results linked to the compensation system. For example, assessing our competence and individual aspirations shouldn't affect our performance payment system.”* This was explained in response to questions asking how well the situation is understood.

They also explained: *“Different positions should have different appraisal systems. Currently, one system evaluates all the organisational employees, and it is misappropriated for low-level*

*employees...the best employees can't be encouraged enough, while on the contrary, some leaders can't deal with the worst employees."*

It appears that the E-FGs agreed that the BSC should be adjusted. They stated that the balancing dimensions should distinguish between an organisation and employees. These include explicit job KPI and implicit internal process goals that balanced individual ambitions and organisational ambitions, balancing their implicit demands and explicit demands. These views are also supported by other researchers (Rampersad, 2003, 2006, Fletcher, 2002; Kouzes and Posner, 1999; Senge, 1990; Ulrich and Lake, 1990). They suggest that some performance content should not be linked to the payment system. High-performing employees are usually marginalised by low-performing employees, but leaders cannot deal with the low-performance employees. These views do not completely agree with that presented by the BSC (Kaplan and Norton, 1992, 1996 a).

Employees (E1-7) and E-FG12-30 agree that the employee appraisal system needs to be adjusted. Unequal rights, bureaucratic hierarchy and feudal hierarchy impact the design and implementation of the BSC in ALCC. Key factors regarding employee internal demands should be regarded as a starting point to measure employee performance, instead of only using financial indicators (Rampersad, 2003, 2006, Fletcher, 2002; Kouzes and Posner, 1999; Senge, 1990; Ulrich and Lake, 1990). Previous studies suggest that employee evaluations should be adjusted to consider the four dimensions discussed above. The evidence suggests that ambitions, aspirations and competencies should not be connected with the payment system, but should be regarded as a motivation system to support job KPI. This view has been presented by previous authors (Rampersad, 2006, Senge, 1990).

#### **4.4.3 Management perspectives**

With regard to whether the BSC fits with Chinese SOE culture:

M8 and M9 related to factors that impact the effective execution of the BSC as a means of evaluating employee performance within the cultural system.

M8: *“In an SOE, for the high and middle-level managers, we all brag that we are different from other SOEs. In fact, our management is the same.”*

M8’s statement indicated that cultural characteristics in ALCC could be identified as the same as in other SOEs.

M8 comments on the fit of the BSC: *“I think that the BSC is difficult to evaluate in our SOE from financial views and from the customers point of view. Western management supposes that all are equal, but this is impossible in Chinese enterprises because of incomplete market-orientation. The premise of fairness implies equality in obtaining resources in an organisation....”*

M8 indicated that evaluating financial aspects and customers was not much use for Chinese SOEs, as the application of the BSC in international companies differed from China’s SOEs. He explained that Western management supported equal rights, but that this was impossible in a Chinese SOE because of incomplete market-orientation. As there is a hierarchy in a Chinese SOE it is not possible to objectively evaluate between a manager and an employee in the interests of face and a harmonious office climate (Chen, 2007). It appears that it is impossible to advocate a climate of fairness and equality in ALCC. The government can monopolise almost all of the market’s allocations of resources in the major industries in China (Chen, 2007). Competitive and organisational strategic objectives can only benefit the Chinese government. This distinguishes it from Kaplan and Norton’s view (1992, 1996 a). In ALCC, the internal allocation of resources might not be fair to every employee and customer according to the BSC. This is one of the

reasons why the BSC does not fit well with Chinese SOEs.

On national culture, M8: *“The reform of Chinese SOEs has been going for many years, but it still remains the same. The nation puts a lot of responsibilities on the shoulders of the SOEs. It is hard to lay off employees. But in the West, they respect the individual.”*

M8 suggested that although reforms to Chinese SOEs had been carried out for many years, there had not been much change because Confucian culture makes it difficult to lay off bad employees (Deng and Zheng, 2006). This explains why firing employees are hard in ALCC, while it may be easier in the West (Li, 1999).

Regarding respect and recognition, M8 noted: *“In the SOE, personal feelings are not respected...similarly, the company is not recognised with respect by the employees...I know many overseas companies, like Siemens, where it is not like that.”*

M8’s statement indicates that respect and recognition have not been established between Chinese SOEs and employees.

On people’s valid rights, M8: *“If the labour contract is due, the company does not renew it, because we should shoulder social responsibilities for the Chinese government. Very few employees are laid off every year.”*

M8 reflected that when a labour contract became due, the company did not terminate it. ALCC should undertake social responsibility.

M9's statements and discussion were divided into four segments to discuss the questions. These covered promotions within the BSC, implementation culture, the relationship between employees and the company, and lastly, the motivational system of the BSC. The details of the discussion are as follows:

For promotions using the BSC, M9: *“In Western systems, performance serves as an important tool in deciding personal promotions. But in SOEs personal promotions may be decided by the relationship an employee has with the leaders of the company or personal family background instead of solely checking the performance.”*

A good interpersonal relationship with managers can directly impact personal promotion, which does not take into account the employees' performance by the BSC.

For the BSC and the culture system, M9: *“The BSC in our SOEs has a monopoly feature. Execution of all tasks comes from the leaders of the company; however, in Western companies, the situation is opposite. This monopoly in ALCC tends to suppress the creativity of employees, resulting in an imbalance in their capability to finish a task and to do a task well.”*

The dominant culture of obeying orders from leaders should enforce tasks to impact the creativity and initiative of employees when implementing the BSC.

On the relationship between the employee and company, M9: *“Here comes the confusion: if the company is doing well, is it necessary to measure the performance of every individual employee? If the market indicators of the company are not good, does it necessarily mean that the employees*

*are not doing well?”*

During the discussion of forced ranking of employees, the following comments were made according to the appraisal scores.

M9: *“The BSC should be compatible with Chinese personalities. It cannot force the ranking of employee levels in every branch of the company according to some policy from headquarters.”*

This seems to imply that a Chinese SOE advocates harmony and the golden mean, but not a competitive environment.

Regarding the BSC and motivational system, M9: *“Managers in SOEs have very limited power in terms of reward and punishment. Moreover, performance measurements are closely connected with interpersonal relationship.”*

M9 noted that no matter how scientific the BSC, it came down to people to decide the score. Chinese people put great stress on interpersonal relationships. The culture of interpersonal relationships greatly impacts effective communication between managers and employees and can be used to motivate employees and provide initiative for undertaking more responsibilities (Goffee and Jones, 1996; Park and Luo, 2001). The evidence indicates that managers in SOEs only have limited powers as performance assessors to hand out rewards or punishments.

When scrutinising the discussions from M8 and M9, the author finds that they support the view that the BSC method does not fit with employees in Chinese SOEs. From interviewing the managers, this misfit can be attributed to the unique culture in Chinese SOEs. This focuses on

interpersonal relationships, limited empowerment, trust, the obey-order style, win-win, harmony, golden mean, unfairness and inequality when obtaining resources (Qin, 2005; Wang and Zhang, 2009). The government also monopolises market allocations of resources in China, so the competitive and organisational strategic objectives of ALCC only serve the Chinese government, and the incomplete servicing of employees and customers (Chen, 2007). The author finds that Kaplan and Norton focused on relatively completely market-orientated countries and companies (Kaplan and Norton, 1992, 1996 a). However, the BSC does not fit well with employees in Chinese SOEs.

With regard to whether the current employee appraisal system should be adjusted, M8: *“I think ALCC performance system is set by the group. Now, it can work, apart from performance communication. The employees cannot see their targets. The system is good. The group has made it in 2006.”*

It appears that performance communication is not good, but the system is good. M9: *“I have five suggestions: (1) Individual performances should be correlated to work not just for the KPI and our internal demands. (2) Managers should be given more power to reward and punish. (3) Creative skills of employees should be encouraged. (4) It should be impartial and impersonal. (5) Individual performance is good when the overall performance of the department or company is good.”*

The arguments from the managers imply that the employee appraisal system should be adjusted. Fisher (1995) found that formal decision-making models focus on acceptability as a form of subjective optimality while designing an employee appraisal system. These views are supported by other researchers (Rampersad, 1996). The evidence suggests that the system should align individuals with the organisation, and that there should be a balance between work and individual internal demands.

#### 4.4.4 General Manager perspectives

With regard to the BSC fitting with the Chinese SOE culture:

GM10 and GM11 enthusiastically discussed the impact of cultural systems on the effective execution of the BSC.

GM10: *“The perspective of Chinese culture does not match with the BSC. Its main differences lie in the cultural differences between the West and China. Western countries consider that people are always fair, and control people’s behaviour through fair regulations. In a Chinese SOE, that viewpoint is inappropriate.”*

This clearly indicates that the BSC as a method for evaluating employee performance is difficult to fit into the culture of a Chinese SOE. GM10 explained that Chinese cultural and moral standards were not based on rules of fairness and equality as in Western countries. This is similar to employee perspectives.

GM10: *“In Chinese SOEs, while evaluating one performance, the assessor likes to link one manner of behaviour and character with the performance, if something is not satisfactory, the assessor says it is not good.”*

Evaluators in a Chinese SOE use their own values and emotions to measure employees, which takes interpersonal relationships into account.

GM11: *“In the SOE, firing workers is very rare, unless the employee makes a great mistake...the*

*weight of the employee rating is too small, or even zero, and now the assessment system is based on the leader, not the employee. I think that we should increase the ratio of employees evaluating leaders.”*

This allows for unfair and one-way assessment between leader and employee. The current evaluating system is for leader-oriented services, so employees may not like to participate.

While asking about his appraisal rules, GM11 replied: *“A superior is selected by his top superior, so he is responsible to his top superior. Therefore, a superior rarely considers other benefits for employees.”*

This implies that the appraisal of a superior is leader-oriented, and indicates that employees are not taken into account by their superiors.

In addition, GM11 was asked about the morality of an appraisal between leaders and employees. GM11: *“When assessing superiors, we always emphasise the importance of morale. But in fact, a superior’s morality is aligned with his superior’s orders, so he seldom considers employees’ benefit...In the first ten years of development for the ALCC, development was capital market driven, but ALCC rarely considered the benefits, growth and internal demands of employees.”*

This indicates that the BSC is regarded as a method for providing private benefits to superiors and organisational objectives. However, it ignores the benefits, growth and internal demands that are expected by ALCC employees.

In summary, general managers appear to have similar views to the managers about the unique

cultural characteristics of Chinese SOEs that impact the execution of the BSC. They mention several key cultural factors of ALCC. There are some common factors held by general managers and managers that should be considered, such as fairness and equality, non-two-way appraisal approach, leader-oriented not down-up responsibility, organisation-oriented not internal employee-oriented, interpersonal relationship, and balanced benefits between an organisation and employees. These factors should be considered when designing and implementing a BSC for an organisation (Cheung and Chan, 2005). However, the internal culture of the BSC is contrary to basic principles that the individual is the foundation of an organisational BSC. The internal climate in a Chinese SOE is to generally ignore the BSC. Arguments are widely presented and are consistent with previous researchers cited in Chapter 2 (Senge, 1990; Rampersad, 2006).

With regard to how should the current employee appraisal system be adjusted:

GM10: *“Although there is a system, our current system might not be advanced, but it cannot be perfect, and half the employees and managers lack the series of skills which carry out the system for implementation.”*

GM10 noted that the system should be revised because there was a lack of skills that needed to be addressed.

GM10: *“Forcing rank appraisal results generates many contradictions. The problem is that we give performance measurement many functions and expectations. All things are related to performance, so the effect of performance will be amplified, this causes imbalance of the system, and the results are biased. When you excessively apply the results to all, the problem is magnified.”*

This indicates that the BSC excessively amplifies financial functions. Ranking employee levels and linking financial results with rewards leads to imbalances of the system. Too much focus is given on the BSC system. The employees have multiple demands, so an employee appraisal system should satisfy multiple functions (Rampersad, 2006). These arguments are widely discussed in Chapter 2.

With regard to whether the system needs to be adjusted or not:

GM11: *“I already talk about questions a lot. We should increase the weight of assessments from subordinates to superiors, and take account of employee satisfaction; otherwise the system is valueless.”*

This appears to be the same as the views held by GM10. However, GM11 demanded increasing manager appraisal power of employees, which emphasised employee satisfaction to instigate a fair system.

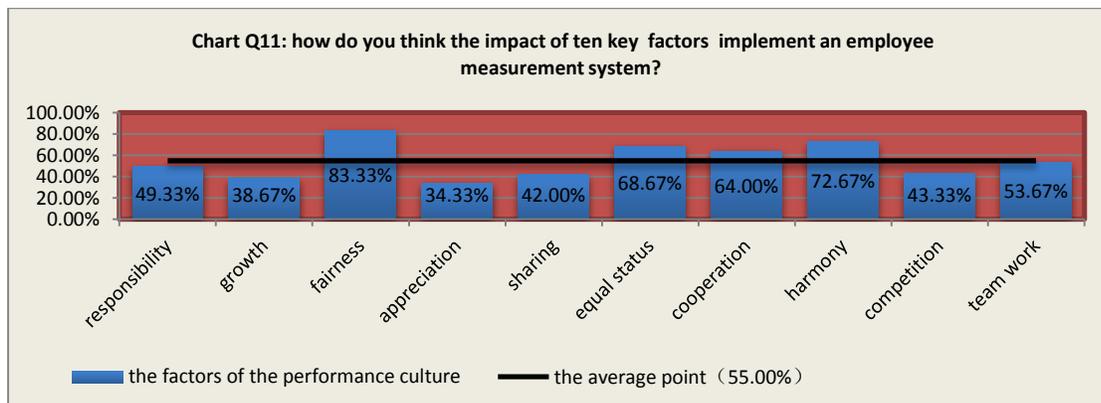
The GMs indicate that the employee appraisal system needs to be adjusted. Kouzes and Posner (1999) insist that employees should be respected and be given enough power to perform highly. They strongly advocate that employees should be in a dominant position to operate processes of the organisational management system to motivate their full potential. A controlled management system reduces employee creativity, passion and effectiveness. So they suggest that the employee appraisal system should weaken the effects of financial functions and enforce rank distribution. These views agree with previous discussions.

Third, employees, managers and general managers discussed the importance of cultural factors in

Chinese SOEs.

The author discussed several questions with the employees, managers and general managers. Q11 is a selection question, and ten items of performance culture were collected. These were ranked according to the order of importance on a scale from 1 to 10, where 1 is strongly unimportant and 10 is strongly important. The statistical results are shown in Figure 4.3 (Q11-1). The statistical chart is listed below (see Chart Q11-2)

Figure 4.3 Impact of different factors on employee measurement systems



The Q11 chart in Figure 4.3 shows that fairness (83.33%), equal status (68.67%), cooperation (64%), harmony (72.67%) and teamwork (53.67%) are the top five factors to consider. Responsibility (49.33%) and competition (43.33%) were also important for many respondents. It appears that fairness is the most significant, followed by equal status. Between the formal and temporary employees, status is unequal and there are different benefits, despite roles in the same position (Chen, 2007). Saffold (1988) stated that more cultural factors should be considered while designing a new employee appraisal system. It also reflects previous quantitative results (in Document 4) that are consistent with other studies (Barney, 1986; Denison and Mishra, 1995).

The above arguments indicate that an employee appraisal system has been carried out for nearly ten years in ALCC, and employees have tried to implement the system but have failed because

the culture of a Chinese SOE is difficult to change. Chinese researchers argue that Confucian theory, such as harmony, interpersonal relationship, bureaucratic hierarchy, feudal hierarchy, *guanxi* and *mianzi*, all impact on the design and execution of the BSC (Li, 1999; Chatterjee and Pearson, 2003), the arguments and reviewed literature suggest that a subordinate business unit should re-establish a suitable system that accounts for such a culture.

In Document 4, 1,725 respondents indicated that employees of low rank were distinguished from higher rank levels. Findings in Document 4 show that employees of lower ranks support the notion that the culture of Chinese SOEs should be considered more than do managers of high-rank level when designing and implementing the BSC. The culture in ALCC makes it difficult to allow for innovation by employees. Top managers have formal status, which means they are never fired, and their internal motivations are not considered (Chen, 2007). However, a subordinate business unit is almost entirely composed of contracted employees, which are comparing employees with managers that need to be motivated by internal demands such as fairness, equality, ambitions and aspirations. These are considered to align better with the cultural environment of a Chinese SOE (Organ, 1988; George and Brief, 1992). The cultural system is regarded as an important factor when designing and implementing the employee appraisal system in a Chinese SOE (Deng, Wu and Zheng, 2006).

#### **4.5 Operations, capability and cultural systems**

This section explores the impact of operations, capability and cultural systems on the BSC in ALCC. It gives a comprehensive impact evaluation of the three systems on the effectiveness and importance of the BSC.

The author used Q12 and Q13 to interview the respondents:

Q12: What is the importance of implementing capability, operation, and cultural systems on the execution of the EAS (BSC)? Low = 1; high = 3. Please place the three factors in order of importance.

Q13: How effectively are the above three dimensions implemented? Poorly = 1, well = 3. Please place the three dimensions in order.

An analysis for both questions is shown in **Figure 4.4**:

Figure 4.4 **The importance and effectiveness** of operations, capability and cultural systems on the BSC

A. Importance of three systems				B. Effectiveness			
Degree of importance	Employee	Manager	General manager	Degree of effectiveness	Employee	Manager	General manager
Low	Implementing capability system (1.54 point)	Implementing capability system (1.50 point)	Implementing capability system (1.00 point)	poor	Implementing culture system (1.23 point)	Implementing operation system (1.50 point)	Implementing culture system (1.50 point)
Medium	Implementing operation system (2.04 point)	Implementing culture system (2.00 point)	Implementing operation system (2.00 point)	Medium	Implementing capability system (2.15 point)	Implementing culture system (2.00 point)	Implementing capability system (2.00 point)

	point)	point)	point)		point)		point)
High	Implementing culture system (2.42 point)	Implementing operation system (2.50 point)	Implementing culture system (3.00 point)	Better	Implementing operation system (2.62 point)	Implementing capability system (2.50 point)	Implementing operation system (2.50 point)

In terms of importance, the blue, purple and red colours in Figure 4.4 (A) indicate how the participants identify capability, operations and cultural impacts affecting the BSC. The blue colour shows that three participants have consistent views, which agree that the implementing capability system is the least important. From the perspective of an implemented operation system, both employees and management are the same as medium points, as the purple colour can be seen in box A. The implementing culture system results are the same, with the red colour showing that the implementing culture system is the most important.

Figure 4.4 (A) finds that employees and general managers have similar opinions; they consistently indicate that the cultural system is the most important impact factor for executing an employee BSC, and that capability is the weakest. This indicates that cultural factors should be considered when designing and implementing an employee appraisal system, especially in a Chinese SOE; these points are also supported by many Chinese researchers (Beiman and Sun, 2003). The capability system could also be improved by training programmes and further practice within the organisation.

The three colours in Figure 4.4 (B) represent the same meanings as Figure 4.4 (A). However, the managers disagree that the operation system is the most important. The author notes that this is

because they are mostly direct managers and may have some conflicts with their benefits. This is usual in Chinese SOEs (Goffee and Jones, 1996; Park and Luo, 2001).

The survey results find that employees, managers and general managers consistently agree that the capability system is the most unimportant. This shows that they are confident in being able to improve their capability. However, cultural factors are too difficult to be impacted by them.

When scrutinising the perspectives of how to effectively implement the three systems for an employee BSC (Figure 4.4 B), the survey results were a surprise. There were similar analysis ideas to Figure 4.4 (A), with Figure 4.4 (B) showing that employees and general managers have similar views, but that they consider cultural factors to be the least effective, and the operation system to currently be the most effective. In contrast, managers consider the operational system to be the least effective, and the capability system to be the most important.

In summary, it seems that employees and general managers have similar views regarding the importance and effectiveness of the three systems in implementing the BSC. The cultural system is most important and is ineffective in the current BSC. The managers consider that the capability system is the most important and is currently ineffective for the BSC, which differs from the views of employees and general managers. The relationships between the three systems are also connected to the employee BSC in a Chinese SOE.

## **Chapter 5 The New Employee Appraisal Model**

### **5.1 Why does a new employee measurement model need to be developed for Chinese SOEs?**

The evidence in Chapter 2 found that there are many reasons to build a new employee measurement system for Chinese SOEs. There is currently a lack of performance measurement that considers the culture of China's SOEs, the demands of employees and a lack of implementing capability in China.

The evidence and literature found that the performance measurement systems (PMSs) and the BSC often prioritise organisational and business unit levels over individuals. The traditional PMS focuses on organisational strategic objectives, with four perspectives of financial, non-financial, external and internal, customer and shareholders. However, the system should also be concerned with employee stance and should consider how to effectively motivate employees to create sustainably high performance. Evidence and literature suggest that internal demands should be a priority concern and are linked to the BSC (Rampersad, 2006; Neely, 1997; Otley, 1999; Fitzgerald *et al.*, 1991; Albright and Burgess, 2013).

The BSC should also be adjusted to suit individual performance measures. As employees have little whole-picture information, which discourages their concern about the perspectives of the strategy and stakeholders, China SOE culture, weak capabilities and complicated operational procedures mean that employees do not care about the four dimensions of BSC. Although the BSC could balance the objectives of the four dimensions, in fact, it is difficult to balance multiple stakeholders (Neely and Gregory, 1995; Nair, 2003). In particular, the general stance is to prioritise the organisation and customers, while individual purposes and objectives are not concerned while designing the BSC.

The evidence shows that Chinese cultural characteristics influence the BSC when applied to

Chinese SOEs (Qin, 2005; Wang, 2007). Interpersonal relationships, *guangxi*, *mianzi*, the golden mean (meaning moderation, harmony) and hierarchy should be considered to encourage employees to take initiatives. The cultural norm for Chinese SOEs makes it difficult to drive organisational change, and also makes it difficult to apply the BSC as a tool for effective employee measurement (Deng, Wu and Zheng, 2006).

The evidence and literature shows there are several reasons that cause the lack of implementing capabilities for the employee BSC. These should be adjusted to suit employees when the performance measurement system is applied so they will accept it (Neely and Gregory, 1995; Kennerley and Neely, 2002; Fisher, 1995).

The author proposes that an employee measurement system should be re-designed so that a new model will fit Chinese SOEs better according to the discussions and findings from Chapter 4 and the relevant literature in Chapter 2. Although the new model is not perfect for an employee appraisal system, it should improve employee effectiveness and happiness, which is the purpose of the new model and should be successful for Chinese SOEs in the future.

## **5.2 Introducing the framework for the new employee measurement model**

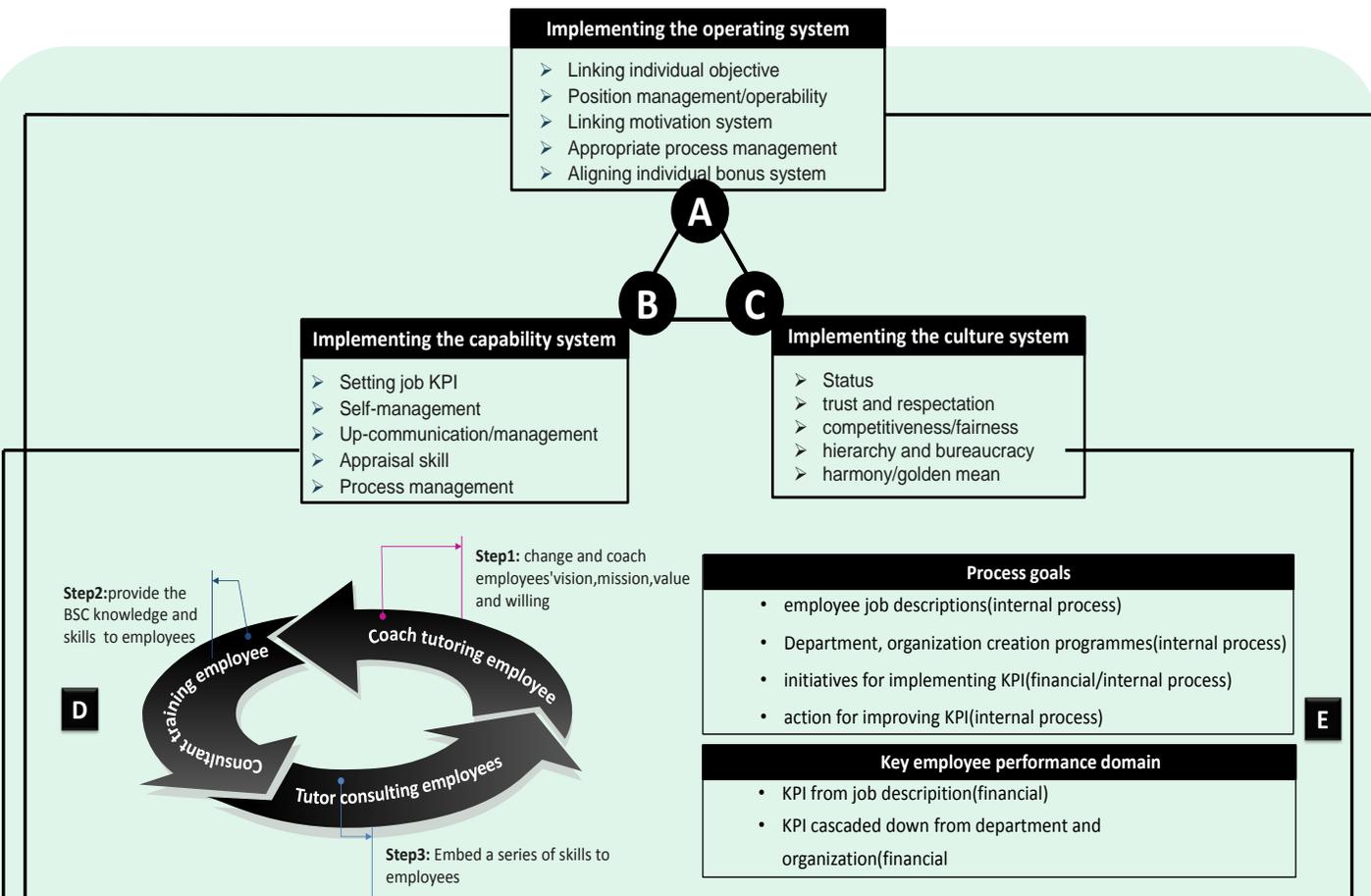
The concepts and structure of the conceptual framework should be clearly defined to simplify the research task (Fisher, 2004). The researcher should not allow theory to emerge from the data but should approach the research with a developed conceptual framework or model.

The author aims to apply his consulting experiences and practices in the performance management field at ALCC and in Chinese SOEs. Since 1996, the author has attempted to design a conceptual framework that integrates the 3I. The conceptual framework is called the “Integrative model of key factors for employee appraisal”. The 3I model is represented by “implementing operation systems”, “implementing capability systems”, and “implementing

culture systems” (explained in Document 2, 3 and 4). The 4E model is represented by “employee aspirations”, “employee/internal process”, “employee/talent development”, and “employee job KPI”. Neely and Kennerley (2002) also presented a similar conceptual framework that illustrates the process, people, infrastructure and cultural capabilities. The new employee measurement model is shown in Figure 5.1.

Figure 5.1 Integrative model of impact of the key factors with employee appraisal mode

# Implementing employee 3I Model



**Which KPI should you appear to your manager or components**

components	key goals	expectation	measurement standard	weight
individual KPI				
KPI cascading down from department	D			

components	key goals	expectation	measurement standard	weight
job skill				
job core competence	C			

**Which aspiration and desire can you lead to excellent**

components	key goals	expectation	measurement standard	weight
individual aspiration/mission vision		A		
individual value				
expecting evaluation oriented				

components	key goals	expectation	measurement standard	weight
job responsibility				
key procedures		B		
program improvement				

**What capabilities can you obtain high performance with?**

COMMENTS

- ✓ unlink bonus:A+C measuring results
- ✓ link bonus:B+D measuring results
- ✓ A+C measuring as drive B+D excellent results
- ✓ B+D is the shot-term objectives

**What key processes must you excel at efficiently?**

COMMENTS

- ✓ A+C is drive factors, no effecting factors
- ✓ A+C measurement links employee development, long-term promotions
- ✓ A+C measurement distinguishes from B+D

## Total Employee Appraisal 4E Model

### 5.3 Comparing the new model with the previous model

This section aims to test the new employee appraisal model to determine if it is better than the previous system. This is done through the semi-interview method with respondents.

Two questions (Q14 and Q15) were applied to test and compare the new model in terms of satisfaction with the current system. Thirty respondents were surveyed in order to collect data through face-to-face interviews and focus-group approaches. Q14 asked how do you comprehensively evaluate the satisfaction for current employee appraisal system?

Figure 5.2 Q14 according to level of satisfaction

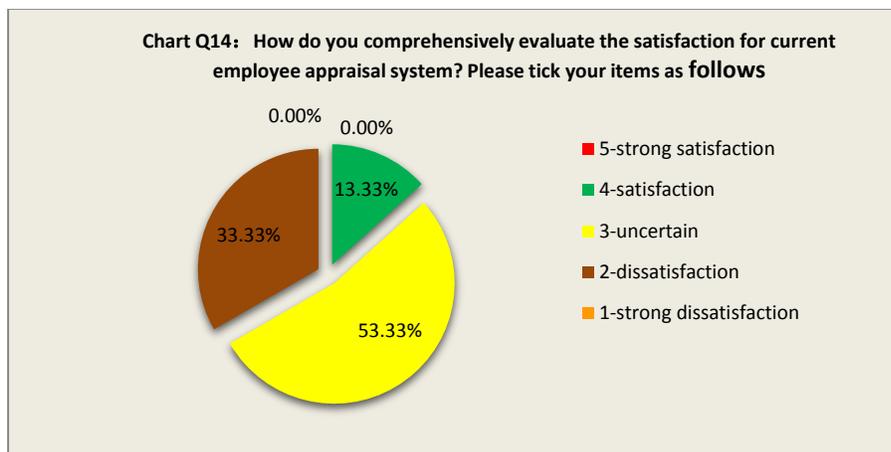
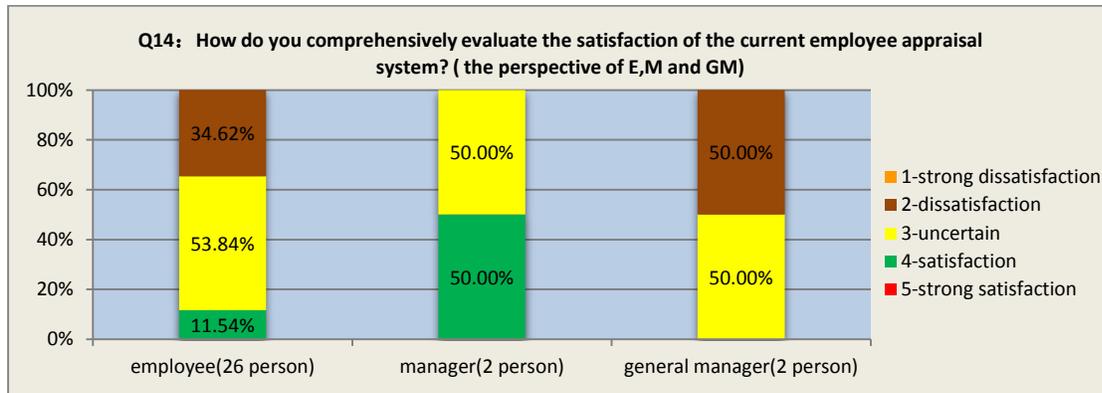


Figure 5.2 shows that 53.33% of respondents were uncertain and 33.33% of respondents were dissatisfied with the current model. Nobody was satisfied or strongly satisfied. This indicates that the respondents did not approve of the current employee appraisal system.

The author then divided the perspectives of employees, managers and general managers for further discussion. The results are shown in Figure 5.3.

**Figure 5.3** Q14 according to the perspectives of different participants



**Figure 5.3** shows that from employees’ perspective, 34.62% were dissatisfied and 53.84% of uncertain of the current system, with only 11.54% of respondents indicating satisfaction. Nobody was strongly satisfied. It appears that employees do not agree with the current employee appraisal system, which is consistent with the above comprehensive result.

From the managerial perspectives, 50% were satisfied and 50% were uncertain, with nobody strongly satisfied. This shows that managers are also uncertain about the current employee appraisal system.

Regarding the perspective from the general managers, 50% were dissatisfied and 50% were uncertain, with nobody strongly satisfied. This implies that general managers also do not support the current employee appraisal system.

In summary, the survey shows that the respondents overall do not agree with the current employee appraisal system. General Managers support the current system even less than

employees, and half the managers are uncertain of their opinions of the current system.

The same respondents were surveyed in Q15 and asked do you think the new employee appraisal model is better than the original? If better, can you say why? 5 = best valuation 1 = worst valuation. The data analysis results are shown in figures 5.4 and 5.5.

Figure 5.4 Q15 Comparison of the new and original employee appraisal models according to all participants

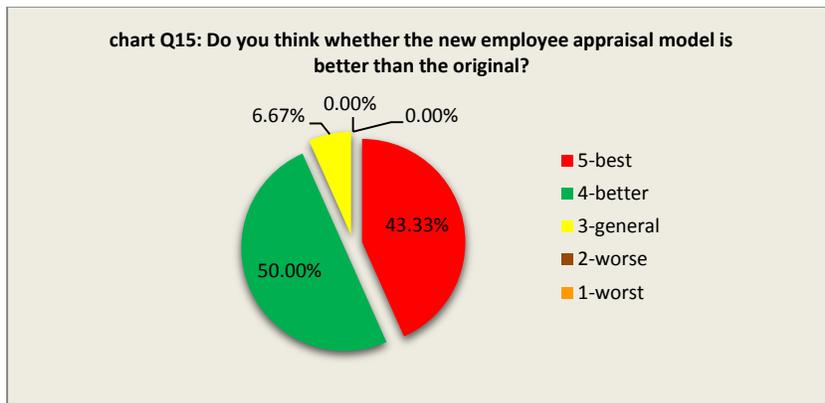


Figure 5.4 shows that 43.3% of respondents gave the new model the best valuation (strongly satisfied) and 50% a better valuation (satisfied), with only 6.67% having only general satisfaction. Nobody indicated that the new model was worse or the worst (unsatisfied). This shows that respondents support the new employee appraisal system.

Regarding the perspectives of employees, managers and general managers, detailed data is shown in Figure 5.5.

Figure 5.5 Q15 Comparison of the new and original employee appraisal models according to different perspectives



Figure 5.5 shows that 46.15% of employees thought that the new model was the best and 46.15% better than the previous model, with only 7.70% considering there was no change. Nobody indicated that the new model was worse than the current system. It appears that employees agree that the new employee appraisal system is much better than the old system.

From the perspective of the managers, half indicated that the new model was better than the previous model, with the other half stating it was much better. Nobody indicated that the new model was worse or the same. It appears that the managers find the new employee appraisal system to be better than the current system.

All the general managers thought the new employee appraisal system was better than the previous model.

Of the 30 participants in a semi-structured interview, only 6.67% indicated there was no improvement to the previous model. Most of the respondents believed that the new model was better than the previous model, and could also be understood well. Further details were discussed as follows:

E2: *“I think the new system is more comprehensive than before, but from the aspect of operations, I do not know the result.”*

E2 agreed that the new model was better than previous one as it is more comprehensive. However, he is uncertain how it would operate in the next stage.

E3: *“The new one pays more attention to the inner motivations of power and innovation for employees: starting from the employee motivation, we should discount the effectiveness as it is difficult to adjust management means according to individual characteristics. As we all know, it’s feasible for mature staff but not for the immature ones.”*

E3 agreed that the new model starts from employee motivation, and his view is supported by Rampersad (2006). But he doubted the effectiveness as it was difficult to adjust management means according to individual characteristics; Chinese researchers found there were informal and formal employees, and unfairness and unequal rights in allocating organisational resources (Qin *et al.*, 2005); a traditionally Chinese SOE culture is also difficult to change for the implementation of the BSC.

E4: *“I think it is better in theory. The new employee appraisal model is innovative, and goes a good way to solving the real problems, and it is different from the present model. The new one is*

*made from the bottom up, and sets different indexes for different people to achieve the same goal.”*

E4 supported the new model, which is based on theory and allows for more creativity regarding appraisals focused on results and employee aspirations. The new system is employee-oriented and not only an organisational objective. Few complicated capabilities are needed to implement the new system, such as breaking down the strategic objective skill. In addition, the employees only need to be concerned about their position responsible for procedures and plans before they carefully consider planning their ambition and internal demands. These changes are easy to carry out in the new system for employees. However, E4 worried whether superiors would consider individual demands from front-line employees.

*E5: “I will give 5 points. Because the new employee appraisal mode is more logical than the original one...the new model is logical and clear to be used as our appraisal system.”*

E5 thought that the new system was more logical and gave a clearer idea than before.

*E6: “I will give 5 points. In my view, so far we have just focused on B+D, ignoring the A+C model which is also helpful in improving the appraisal system.”*

E6 thought that the new model was much better than before. He emphasised that boxes A and C would be helpful in improving the appraisal system, and noted that the current system just focuses on box B and box D. This implied that boxes A and C are creative methods for employee, and this is needed.

E7: *“The new model is just what I want, and it will supplement the limitations of the old system. Employee demands and aspirations are considered in the new system; maybe the employees welcome it, but the boss will not like it.”*

It is clear that E7 liked the new model and stated that the advantages of the new model would supplement the disadvantages of the old system. However, E7 worried that the boss would not like it.

M8: *“I think I can try some of the new performance evaluation model. You should communicate with the group about your created performance evaluation model.”*

When asked how to evaluate this new model in the future. M8 replied: *“I do not know whether it is good or bad.”*

M8 seemed to be uncertain about the new model. However, M8 explained that this new model emphasised a starting point for employees to set the target, and focused on their internal demands to improve their actions and performance.

M9: *“Intuitively speaking, the new model is better as it considers employees as social beings through a wider dimension, which reflects their social attributes in their work and assesses them by performance.”*

M9 supported the new model over the previous one. M9 indicated that the new model combined employees' emotions, working attitudes and personal expectations, and also facilitated employees' understanding of the logic behind the performance assessment.

However, there are some shortcomings of the new system. For example, M9 stated that it might be so complicated that managers would be confused when making assessments. M9 also suggested that each box should not always be assessed on a yearly basis. If the KPI improved in consecutive quarters, indicators or weightings from box A or C could be adjusted. M9 commented that the employees needed to be re-trained, and that indicators of a vertical time dimension should be added to the new system.

GM10: *“The new model is very good from the development guide for ALCC, particularly for employee ambitions, aspirations and for developing dimensions.”*

GM10 supported the new model as a good development guide for ALCC. GM10 emphasised that aspirations should be embedded in the employee appraisal. However, GM10 anticipated practical trouble in the future, such as being applied across the western and eastern provinces of China.

GM11 had similar views to GM10. GM11 agreed that the new system paid more attention to individual employees rather than to the organisation, and was a more comprehensive measurement system than the current one.

The results from the semi-structured interviews show that respondents agreed that the new employee appraisal system was better than the current system.

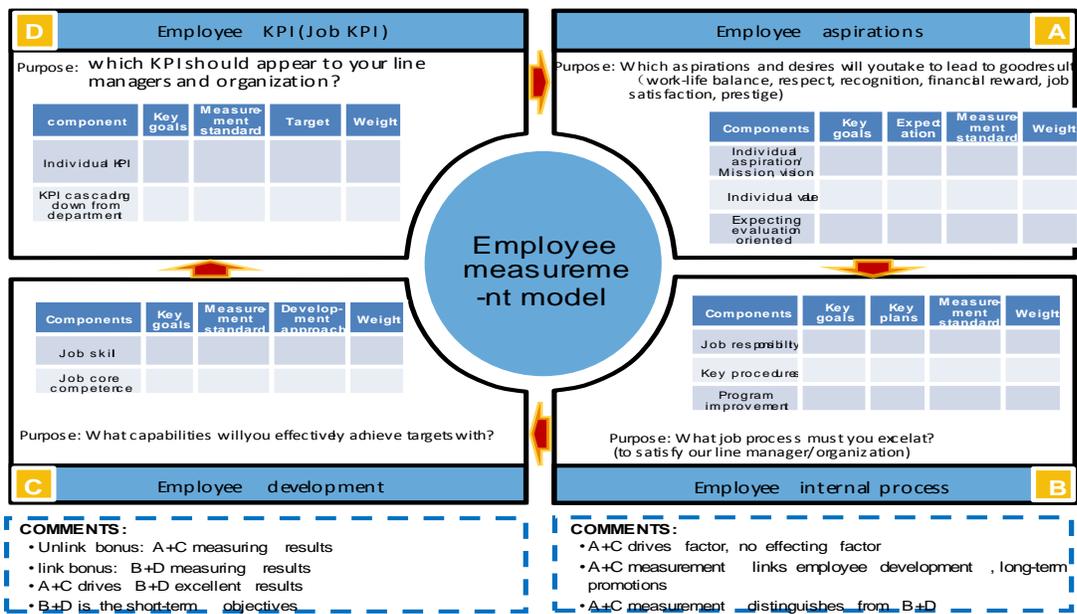
Despite concerns shared by respondents regarding the details of how the new model operates, the author is of the opinion that these concerns can be taken on board and used positively in structuring the new model.

## 5.4 Summarising and applying the new model for Chinese SOEs

Although the new model has not been perfected, the author attempts to explain the basic concepts of the new model, and to suggest how to most effectively apply the new model in Chinese SOEs.

The respondent statements show that the new model should be adopted as an employee appraisal system at ALCC. The model structure is called the total employee measurement model and is shown in Figure 5.6.

Figure 5.6 Total employee measurement 4E model



The key factor for implementing the employee BSC (3I model, Figure 5.1) is to link it to the 4E model. The model was further improved after reviewing the literature in Document 5 (figure 5.6). The operation system is expected to impact employee internal process goals (Box B) and employee KPI (Box D). Implementing a cultural system will impact on designing employee

aspirations (Box A), and implementing the capability system will impact employee development (Box C).

The 4E model consists of four boxes that include employee aspirations (Box A), employee internal process (Box B), employee development (Box C) and employee job KPI (Box D).

Box A is the most important box for employees. Box A decides whether employees can sustainably work hard for an organisation. The purpose of Box A is to show which aspirations and ambitions employees use to work hard and that lead to good results. Key appraisal goals include individual missions, visions, values, respect, recognition, family financial reward and health. These should be discussed between line managers and employees before implementing yearly performance appraisals, and should support employees in fulfilling the other boxes. This is distinguished from the strategy-driven employee work ethic from Kaplan and Norton's BSC (Kaplan and Norton, 1996 a). The author does not suggest that Box A should be linked to appraisal results in the reward system. This stance is agreed with by some researchers (Albright and Burgess, 2013).

Box B notes employee internal processes, which consist of employee job responsibilities, key job procedures, programme improvements, and plans for achieving job KPI. These needs to be specifically described while making a performance plan that will be able to standardise the contents of Box B. Key goals, core plans, measurement standard and weight made should be defined. Employees and line managers should set a series of goals between them, with the goals evaluated and performance reviewed monthly or quarterly. The purpose of Box B is to define which job processes management you must excel in to satisfy the line manager and the organisation and to efficiently improve internal job processes. The author suggests that Box B should be linked to a reward system. It is also explicit drives performance to Box D.

Box C notes employees' development, which consists of basic job knowledge, job skills, and core job competencies. These skills and competences should be specifically described, detailing key skills and competencies, key goals, how to measure standards, development approach and weight. The author suggests that Box C should not link appraisal results in the reward system, but should be linked to the training and development programme. The purpose of Box C determines which capabilities will effectively achieve the financial targets for employees (KPI) as well as considering their aspirations. It is implicit drives performance to Box D. The author does not suggest that Box C should be linked to appraisal results in the reward system (Albright and Burgess, 2013).

Box D is called the employee job KPI and consists of individual KPIs that cascade down through the department. Job KPI will be determined from the employee's job responsibilities and the department's KPI. The KPI are quantified and evaluated from four dimensions: cost, time, effectiveness and quantitation. The purpose of Box D is to indicate which job KPI will appear to the line manager and organisation. It is obvious what shareholders want from a Chinese SOE. The author suggests that Box D should be evaluated and linked to appraisal results in the reward system. Box D drives Box A to obtain better planning, which generates closed-loop development. This cycle is called the PDCA system (Plan, Do, Check, and Act).

The author suggests that boxes A and C should not be linked to the bonus system as internal employee-driven motivation systems help employees achieve aspirations and have a happy work-life balance. Linking employee development is a long-term objective; ultimately driving high performance for Box B and Box D. Box B and Box D should be assessed frequently and linked to weekly, monthly or quarterly bonus systems, as compensation for employees to reflect short-term objectives.

In order to show the differences between the 4E Model and the BSC Model, the functions are summarised in Table 5.1

**Table 5.1 Comparison of main functions of the new model and Kaplan and Norton's BSC**

	<b>New 4E model</b>	Kaplan and Norton's BSC
Purpose	Emphasise employee performance  Employee satisfaction	Emphasise organisation performance  Customer satisfaction
Appraisal oriented	Support employee success  Emphasise objective down-up	Strategy-driven  Emphasise objective up-down  Customer-oriented
Appraisal dimension	Internal job KPI and process goals  Balance employee internal and external demands  Balance individual, family and organisation  Balance results and process goals	Organisation  Customers  Internal process  Organisation financial  Learning and development
Objective starting point	Employee aspirations drive the boxes	Organisation strategy drive the boxes
Content format	Job KPI+(GS) gold  Aspiration KPI  Competence KPI	Customer KPI  Financial KPI  Internal KPI  Learning and development KPI

Since the author has studied the DBA since 2009, several good ideas and thoughts regarding the new model have been disseminated through the author's training and continuing work with Chinese SOEs. It has been partially applied to some branches. For example, at the Wenzhou branch, the old system has been adjusted so that part of the new employee honour appraisal has been integrated with the old system. This included considering encouragement, engagement, recognition and ambition to be regarded as motivators for employees to get high performance and to make decisions of their future promotions and bonuses. **Table 5.2** shows a good example of this regulation in **Wenzhou**.

**Table 5.2** Part of a successful example using the new model in Wenzhou in 2013

Item S	Group (copper)	Centre (silver)	Country company (golden)		City company (diamond)		Province and headquarter (crown)	
	Singl e rewar d	Singl e rewar d	Single reward (profession )	General reward (busine ss unit)	Single reward (professi on)	General reward (city company-p arty Dep.)	Singer reward (profession)	General (city company-par ty group)
1	Each week	mont h	month		No year		Province year	
2	mont h						Professional reward in headquarter firm	Province reward
3		year	year		year			General reward in headquarter
4	year			year		year		
5								
<p>Comments:</p> <p>Star levels mean the key measurement factors of evaluating employee aspiration: individual engagement level, individual dream, individual respected, fairness, and individual recognised.</p> <p>The star level appraisal system will precede the other performance system and is integrated with employee performance appraisal system and process appraisal system.</p> <p>The results of the star level appraisal could directly link the bonus, promotion and recognition every quarter</p>								

## **Chapter 6 Conclusion**

### **6.1 Overall conclusions**

This section provides the overall conclusions found from the previous surveys:

Evidence shows that the BSC does not fit as a means of employee appraisal with employees in a Chinese SOE.

Evidence shows that the BSC does not fit with Chinese SOE cultural values. There are various cultural factors influencing the implementation of the BSC in Chinese SOEs, including fairness and equality, formal and informal employees, status, hierarchy, bureaucracy, incomplete market-orientation, manager-orientation, non-employee-orientation, non-customer-orientation, advocating harmony, non-competitive and the golden mean.

Evidence shows that implementing a cultural system is a more significant factor impacting the effectiveness of the BSC than the capability and operational systems, which are currently considered as most ineffective.

Evidence shows that the new employee appraisal system proposed in this document fits better with employees than the current system. It suggests balancing employee life with regard to the following dimensions: internal employee demands, professional growth and family considerations, external financials, job objectives, and process goals.

Detailed summaries highlight the three aspects of the two research questions as follows:

#### **6.1.1 Why the BSC has not worked as a means of evaluating individual employee performance in ALCC**

From the three perspectives of employees (Es), managers (Ms) and general managers (GMs), there are many disagreements about the operational system. From the evidence, both employees and managers agree that the current employee appraisal system is too complex and inflexible to implement the BSC in a business unit. They expect to employ the KPI+GS method, as they think

that the system is more flexible, useful, easier to understand, and fosters employee growth-orientation (Ittner and Larcker, 1998). This proposition is inconsistent with findings from Kaplan and Norton (Kaplan and Norton, 1996 b).

However, the GMs support the BSC method for employees. The GMs maintain that the BSC can balance long-term and short-term objectives, and rationalise the distribution of internal and external resources, as well as supporting organisational strategy. Although the GMs indicate that the BSC should be improved, they generally agree with Kaplan and Norton (Kaplan and Norton, 1996 a,b,c).

Table 6.1 highlights how the operational system impacts the BSC.

Dimension	Complexity	Purpose/ Expectation	Effectiveness	Selecting appraisal method	Comprehensive assessments
Employee	Great complexity  Great inflexibility	Simplification  Flexibility  Effectiveness  Easily understood  Humanity	Only Satisfaction (38.46%)  Over dissatisfaction (57.69%)	KPI  kPI+GS	Implementing the operation system <b>greatly impacts</b> on the BSC
Manager	Great complexity  Great inflexibility	Disagree with strategy-oriented  Support growth-oriented	100% <i>satisfaction</i>	KPI and GS  No the BSC	Implementing the operation system <b>generally impacts</b> on the BSC

	annoying	Useful/effective			
General manager	No complexity inflexibility	Motivation Improving positive employees' behaviour	50% dissatisfaction 50% uncertain	Support the BSC	Implementing the operation system <i>does not impact</i> on the BSC

From the perspective of **capability system**, the evidence and arguments from the Es, Ms and GMs show that almost all employees do not believe that there is enough capability to carry out the BSC. They also agree that current employee capabilities already inhibit the implementation of the BSC in ALCC.

They consistently agree that there are a series of capabilities that can be improved, such as management by objective, coaching, upward-communicated skills, understanding the concept of the BSC, position management, and self-management (Nair, 2003; Beiman, 2003; Emmanuel and Lloyd, 2000). The Ms and GMs, in particular, pay more attention to self-objective management skills, up-management and upward-communication skills. In addition, the Ms are not sure whether the capability factors cause the barrier to implementing the BSC in a subordinate business unit. GMs also emphasise that employees' skills should be improved prior to those of the managers.

Turning to the perspective of implementing the culture system, this section discusses whether the BSC fits with Chinese SOE culture. From the evidence and arguments, the Es, Ms and GMs consistently support the notion that the unique culture in Chinese SOEs does not allow the BSC to completely fit as a means of evaluating employee performance. Key factors for Chinese SOEs are fairness, formal and informal employees, status, equality, competition, responsibility, harmony, hierarchy, obedience, golden mean, and leader-orientation, conservatism and human

rights (Qin. 2005; Wang et al, 2007).

The following section discusses whether the current appraisal system can be adjusted for a more beneficial situation.

Employees, managers, and general managers agree that the employee appraisal system should be adjusted to be simpler, enforceable and feasible. This can be done by using the KPI method, changing the situation of unfair status and pay system, and further considering employee internal demands, which are regarded as a prior starting point for measuring employees' performance, instead of using only financial indicators and customers.

The following section discusses the significance of Chinese cultural factors on the BSC. It has been shown that fairness is the most important factor when executing the BSC in a Subordinate Business Unit in ALCC, followed by harmony and maintaining equal status. There are unequal statuses and different benefits between formal and informal employees, although they work in similar positions.

### **6.1.2 Implementing the operational, capability and cultural systems**

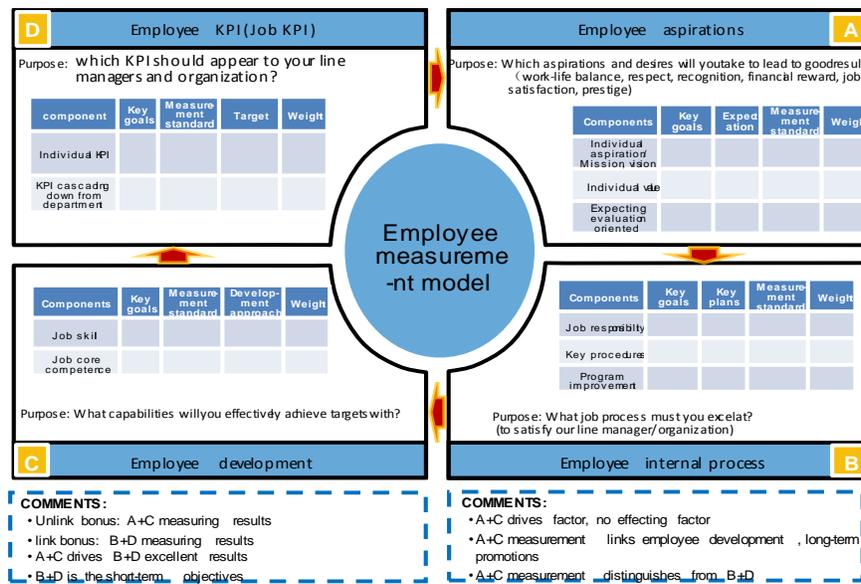
Employees and general managers have similar views on the importance and effectiveness of the operational, capability and cultural systems that impact the implementation of the BSC. The cultural system is considered as the most important factor, as well as the most ineffective. However, managers note that the operation system is the most important, as well as the most ineffective. The new employee appraisal system should be implemented with consideration to the culture, capability and operational systems and their relationships. The research also found that the cultural system should impact on Box A, the operational system should impact on boxes B and D, and the capability system should impact on Box C (see Figure 5.1 the new employee

appraisal model).

### 6.1.3 How the new appraisal system fits with employees in a Chinese SOE

The literature in Document 2 and Document 5 and the arguments in Chapter 2 above suggest that the new model should be adopted as a method for employee appraisal in Chinese SOEs. The model, called the Total Employee Appraisal Model, and discussed more fully in Section 5.6, is structured as shown in Figure 6.1.

Figure 6.1 Total Employee Appraisal Model



From the evidence, 93.33% of the overall respondents, with 92.3% of employees, 100% of general managers, and 100% of managers, strongly prefer the new employee appraisal model. This model is considered better than the current system, and proposes a balance of the four dimensions that affect employees: internal employee demands and professional growth; external financials; job objectives and process goals.

The new model enriches and develops the BSC theory from Kaplan and Norton.

## **6.2 Implications of this thesis for the BSC**

Throughout the six years of the DBA programme, the author has found that the BSC theory derived from studies in Western countries and companies is a strategy-oriented method that translates organisational objectives into actions and plans (Kaplan and Norton, 1996 a). However, the BSC lacks certain aspects necessary for improvement in employee performances in ACLL. The implications of the whole thesis on the BSC are as follows.

It contributes to the applicative environment and condition of the BSC theory. The evidence suggests the BSC should consider different countries' corporative culture, corporative situation and context to apply an employee performance measurement system.

This thesis contributes to evaluating a new employee performance method that improves the BSC. The evidence finds that employees rarely pay attention to multiple objectives. In designing an employee BSC, employee orientation is usually ignored. There is no regard for the internal demands of employees as a starting point to drive other dimensions such as aspirations, respect for employees, balancing life and work, integrating the individual and family considerations within an organisation, trust and engagement. The BSC is more focused on the needs of the organisation rather than of the employee. Employee-oriented ideas, ambitions and engagement should be considered by the new BSC.

This contributes to Kaplan and Norton's theory of the BSC. The thesis explains the factors which impact the implementation of the employee BSC from three perspectives: the operations, capability and cultural systems as described in Documents 3, 4 and 5. The evidence suggests that Chinese culture involving Confucian theory, status, non-complete-market environment, formal and informal employees, hierarchical and bureaucratic system, manager-orientation,

non-employee-orientation and non-customer-orientation style, advocating of harmony, and the golden mean, should be considered when designing and implementing an employee BSC for Chinese SOEs.

The new employee performance measurement tool contributes to solving the current difficult practical questions for human resource departments in Chinese SOEs. The thesis designs a new employee appraisal model that fits with employees in a Chinese SOE. The new model (4E model) consists of Boxes A, B, C, and D. The starting point is Box A, which is the most important box for employees. The new model also enriches the theory of the BSC as an employee performance appraisal tool. In addition, the new model will guide Chinese SOEs and other companies in China to redesign or improve the current employee appraisal system.

### **6.3 Limitations**

The scope of this case study covers ALCC in the five provinces of Guangdong, Xinjiang, Zhejiang, Sichuan and Fujian. These are only five of the many branches of ALCC. The database of information collected is based on semi-structured interviews and focus groups with 30 respondents from the different branches. The interview sampled only a small percentage of employees and cannot be deemed as strongly representative of the company. It would be valuable to conduct the research using quantitative method, such as questionnaire to be sent to all branches of ALCC in China.

The new employee model must be further tested in practice to determine its feasibility and operation, and it should be considered with respect to other Chinese SOEs as necessary. When the author finishes the DBA programme and returns to China, he will continue to work on the new model and detailed papers will contribute to future research.

The ALCC is only one single case study on the research topic, and this thesis should utilise the

comparison method to test the research questions on companies with different cultural environments. Because the data have been collected from ALCC only, the research findings and discussion have some limitations in testing the research questions, and it also creates limitations in the new performance model application.

#### **6.4 Further research**

The author suggests that the new model links employee aspirations and engagements to talent management, and effectively supports boxes C and D.

The author also suggests that further study be done on how the individual employee BSC integrates with an organisation to maintain performance and balance the relationships between the individual, their family and the organisation in order to improve the total performance balance scorecard.

The new appraisal (employee) model has been implemented in Wenzhou. The results have been promising, and the author has trained the senior managers and used the new model in Hebei and Shanxi branches. They completely accept the new model. However, a wide database and successful cases using the new model should be collected from different branches and provinces of ALCC. The new model may need to be adapted further, and the author advises ALCC headquarters to accept the new model to improve the employee measurement system across the whole of ALCC over several years when the research repeats in more ALCC branches.

In the further study, the author proposes that a Chinese private company, SOE and multinational company should be compared to explore the BSC as an employee performance appraisal method and which evaluating performance method fits employees well in an SOE in China.

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***Appendix 1 List table of Interviewees Information***

NO.	Level	Name	Company	Position	Rank	Department
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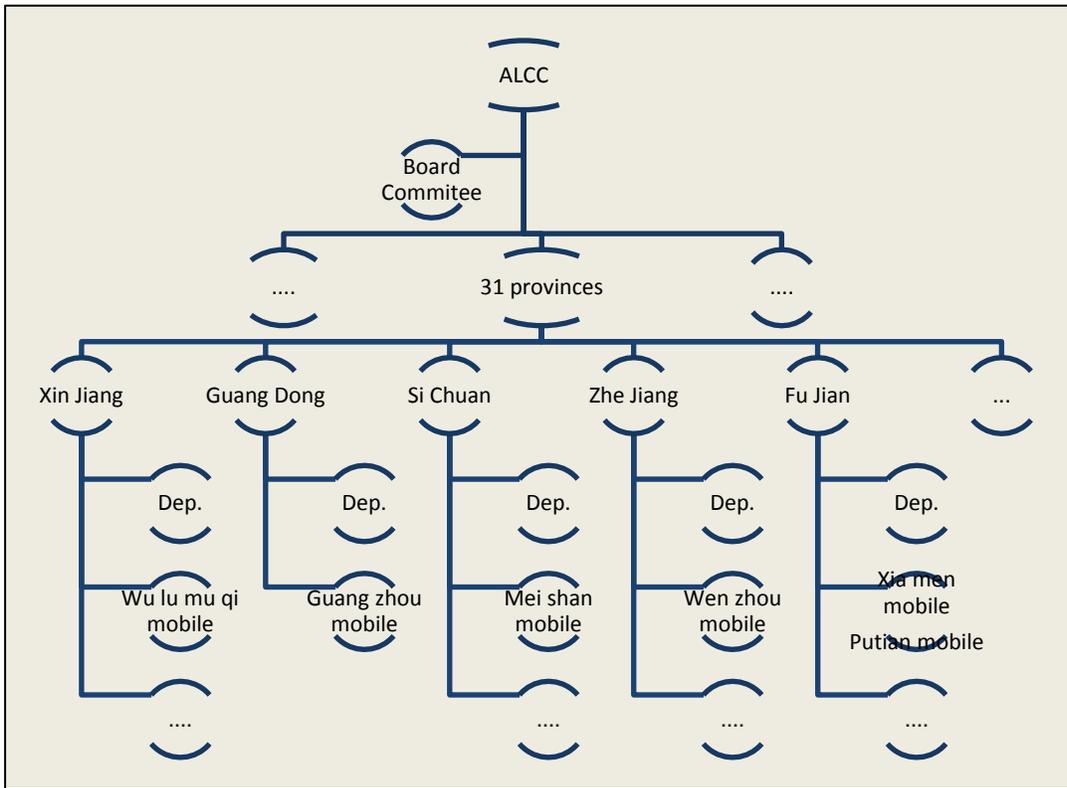
E1	Low	Zhangzhaoting	Wulumuqi	HRD Manager	11	HRD
E2	Low	Hanlijie	Wulumuqi	Junior Manager	8	HRD
E3	Low	Jiangbi	Wenzhou	Junior Manager	8	HRD
E4	Low	Zhangmaoqun	Wenzhou	Junior Manager	7	Market And Service Dep.
E5	Low	Wangyi	Meishan	Junior Manager	11	HRD
E6	Low	Zhangquan	Meishan	Data Manager	10	Technology Dep.
E7	Low	Lianglongdeng	Guangdong Province	Junior Manager	9	Financial Dep.
M8	Medium	Chengzhi	Wulumuqi	Manager	11+	HRD
M9	Medium	Zhangxiaohong	Xiamen	Manager	12	Administration Dep.

GM10	High	Xinhua	Guangdong Province	Vice GM	14	CMGD Training College
GM11	High	Zhangshijie	Guangdong Province	GM	15	CMGD Training College
E-FG12	Low	Zhengyushui	Pu Tian	Support Centre J M	8	Support
E-FG13	Low	Linming	Pu Tian	Group Jm	7	Group Customer
E-FG14	Low	Linguowei	Pu Tian	Group Jm	10	Group Customer
E-FG15	Low	Yefang	Pu Tian	Client Suport J M	7	Customer Support
E-FG16	Low	Jiangyilin	Pu Tian	Client Suport J M	7	Customer Support
E-FG17	Low	Meijiao	Pu Tian	Market Jm	6	Market
E-FG18	Low	Chendeming	Pu Tian	Market Jm	6	Market
E-FG19	Low	Yaozhiming	Pu Tian	Market Jm	8	Market

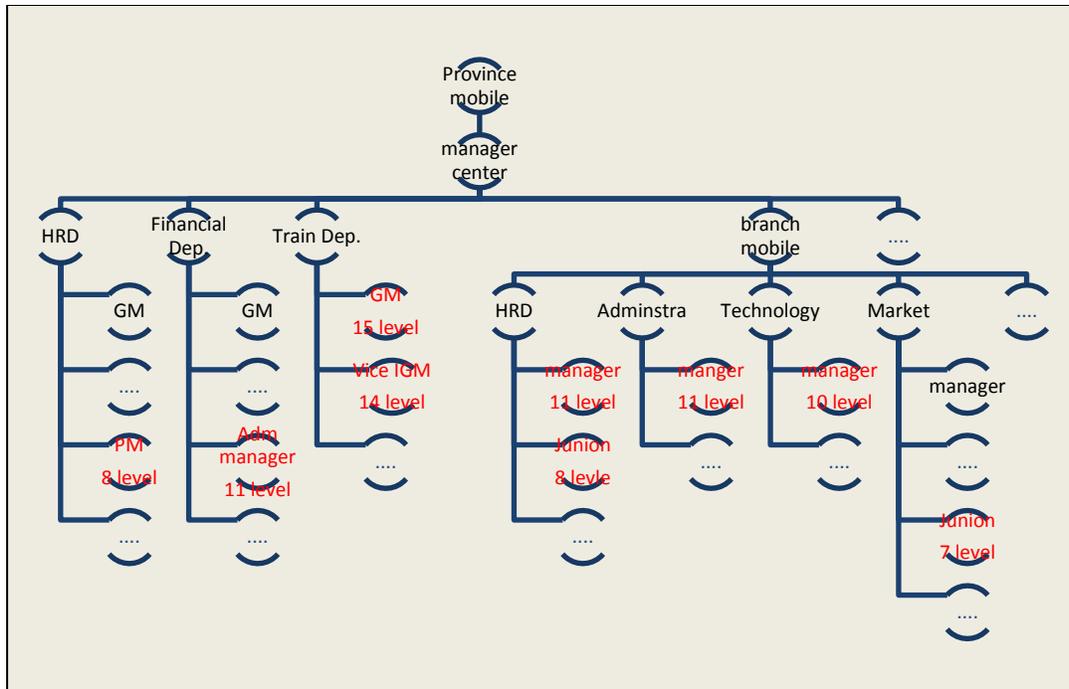
E-FG20	Low	Wuqing	Pu Tian	County J M	10	County Market
E-FG21	Low	Huangyingxin	Pu Tian	County J M	10	County Market
E-FG22	Low	Chenjinshan	Pu Tian	County J M	10	County Market
E-FG23	Low	Chencanghai	Pu Tian	County J M	8	County Market
E-FG24	Low	Suwenzhong	Pu Tian	Market J M	6	County Market
E-FG25	Low	Subei	Pu Tian	Client Service Manager	5	Group Customer
E-FG26	Low	Zhengjin	Pu Tian	Client Service Manager	5	Group Customer
E-FG27	Low	Hemingfan	Pu Tian	Client Server Manager	5	Group Customer
E-FG28	Low	Laichunlai	Pu Tian	Administer	5	Call Center
E-FG29	Low	Zuhan	Pu Tian	Group Manager	5	Call Center

E-FG30	Low	Tangliqiang	Pu Tian	Business Hall Manager	5	Market
Comments: E-Employee    M-Manager    G- General manager    F G-focus group						

**Appendix 2 Brief Organizational structure of ALCC**



**The Positions Framework of ALCC**



### Appendix 3 Research Questions versus Interview Questions

Research Question	Perspective	Interview Questions
Why has the BSC not worked as a method of appraising individual employees in ALCC?	Implementing operational system	<ol style="list-style-type: none"> <li>1. Do you think the BSC performance measurement system (BSC) is too complex a structure and too inflexible to be effective in a Subordinate Business Unit?</li> <li>2. What do you expect the main purposes of employee appraisal system (BSC)?</li> <li>3. How do think of the effectiveness of the current employee appraisal system? <ul style="list-style-type: none"> <li>A. 5-strong satisfaction</li> <li>B. 4- satisfaction</li> </ul> </li> </ol>

		<p>C. 3-uncertain</p> <p>D. 2-dissatisfaction</p> <p>E. 1-strong dissatisfaction</p> <p><b>4.</b> Which of the follows methods of measuring employee performance do you think are acceptable within your organisation? (Please tick all that apply)</p> <p>a. the BSC method as a means of an employee performance measurement tool</p> <p>b. the KPI method as a means of an employee performance measurement tool</p> <p>c. the Goals method as a means of an employee performance measurement tool</p> <p>d. the annual assessment, the BSC method should be suitable for the employee performance measurement</p> <p>the quarterly and monthly assessment, both of the KPI and GS should be suitable for the employee performance measurement</p> <p><b>5.</b> Which key characters do you expect an affective employee appraisal system?</p>
	<p>Implementing capability system</p>	<p><b>6.</b> Do you think you have enough ability ready to well apply the BSC as a means of the employee performance measurement in a Subordinate Business Unit?</p> <p><b>7.</b> How do you think series relevant skills inhibit the successful implementing the employee appraisal system (EAS), including setting objectives, communicating, analysing information, feedback, coaching, conducting and</p>

		<p>developing ability etc.?</p> <p>8. Which key factors impact on effectively executing the employee appraisal system from the perspective of implementing capability system?</p>
	<p>Implementing culture system</p>	<p>9. How do you think the EAS (BSC) fits with culture and values in Chinese SOE?</p> <p>10. Do you think EAS needs to be adjusted to suit ALCC? If yes, in what ways does it need to be adjusted?</p> <p>11. How do you consider which ten factors of the performance culture will impact on the performance measurement on being implemented in a Subordinate Business Unit? (please place order importance)</p> <p>A responsibility B. growth C. fairness</p> <p>D. appreciation E. sharing F. equal status</p> <p>G. cooperation H. harmony I. competition</p> <p>J. team work</p>
	<p>Explore relationship of three dimensions</p>	<p>12. How do you think the importance of the implementing the capability, operation, and culture system impact on the execution of the EAS (BSC), please you place three dimensions as follows:</p> <p>A. implementing the capability system,</p> <p>B. implement the operation system,</p> <p>C. implementing the culture system</p> <p>please fill in:</p> <p>13. How do you think the effectiveness of the above three dimensions implement on the EAS (BSC) in ALCC?</p>

		<p>please you place the three dimensions as follows:</p> <ul style="list-style-type: none"> <li>A. implementing the capability system,</li> <li>B. implement the operation system,</li> <li>C. implementing the culture system</li> </ul> <p>please fill in:</p>
<p>How appropriate a new employee appraisal system (NEAS) fits with employee in a Chinese SOE?</p>	<p>Test the new model NEAS</p>	<p>14. How do you comprehensively evaluate the satisfaction of the current employee appraisal system? Please you tick items as follows:</p> <ul style="list-style-type: none"> <li>A. 5-strong satisfaction</li> <li>B. 4- satisfaction</li> <li>C. 3-uncertain</li> <li>D. 2-dissatisfaction</li> <li>E. 1-strong dissatisfaction</li> </ul> <p>15. Do you think whether the new employee appraisal mode is better than original that? If better, Can you tell why?</p> <p>1 – New model is much worse than the current, 2 – new model is worse than the current, 3 – new model is the same as the current, 4 – new model is better than the current, 5 – new model is more better than the current</p>

**Appendix 4 Interview Records (listed E1, M8, GM 10 and FG interview examples)**

*E1-Interview Record Form*

<i>Interviewed name</i>	<i>Zhangzhaoting</i>	<i>Sex</i>	<i>male</i>	<i>position</i>	<i>HRD manager</i>
<i>Status</i>	<i>Rank</i>	<i>Birth age</i>		<i>Work years</i>	<i>department</i>
<i>Formal employee</i>	<i>eleven</i>	<i>Eleven years</i>		<i>11</i>	<i>HRD</i>
<i>Interviewing time</i>	<i>1.5 hours</i>	<i>place</i>		<i>Office HRD</i>	
<i>Contact</i>		<i>others</i>			
<i>Individual performance state in recent</i>	<i>Overall appraisal result is good in a or half year Best</i>				
<i>Interview</i>					
<i>Implementing operation system</i>					
<p>1. <i>How do you think performance measurement system (BSC) is too complex structure and inflexible to be effective in a Subordinate Business Unit?</i></p> <p><i>E1 said: "This issue involves the structure of Performance Evaluation System (PES), the present PES includes three different organisational levels: Working Team, Districted Sales Centre and finally Marketing Centre. The implementation process is very important, taking HR department for example, we need to check the performance of each staff, person by person, sometimes we need to talk with them when their performance is unsatisfactory, and give them feedbacks. This Implementation process should be complete, even in the working team level. The principal is simple, when the tasks are allocated in each group, they should be fully accomplished, or the KPI of this group will be affected.</i></p> <p><i>In reality, to design a PES is not an easy task. If the PES is too complicated, it can be very difficult to be carried out. In reverse, if the PES is too simple, the staff will only focus on the indicators, other factors can be ignorant."</i></p>					

2. *What do you expect the main purposes of employee appraisal system (BSC)?*

*E1 said: "I hope I can manage employees, tell employees how to work, I mean in correct way and then give them a just appraisal.*

*The first part of last year, the company modified its PES, in this new PES the result of performance evaluation is linked, to their hierarchies. All executing departments, staff are divided into three different hierarchies: A, B and C, and their bonus is well connected with their hierarchy. Evidently, the salary system should be linked with their performance. In fact, this new measure is not well implemented in the company level, because it is compatible with company culture. I can't agree with this A, B and C system, because they cause discrimination in the organization.*

*In the application level, the KPI should comply with internal objectives and specialised features of each organization. These indicators should be 100% quantitative, and the executing organizations can make some adjustments if they see fit. The present PES is not well applied in executing organizations, I hope this can be better off in the future."*

3. *How do you think the effectiveness of current employee appraisal system? If 5- strong satisfactory, 1-strong dissatisfactory, how many can you score?*

*E1 said: " 4 points overall.*

*Reason: current operations and the Executive are fair.*

*Demerit point causes: we distinguish and market sector is considered to be appropriate. Three-level manager with 12 positions in the market, function is the 11 positions, salary difference 0.5. Blowing up pay and check, the lack of fairness. Because of the different Division of the resulting difference. "*

4. *Which of the following methods of measuring employee performance do you think are acceptable within your organization? (Please tick all that apply)*

*e. the BSC method as a means of the employee performance measurement tool*

*f. the KPI method as a means of the employee performance measurement tool*

*g. the Goals method as a means of the employee performance measurement tool*

- h. the annual assessment, the BSC method should be suitable for the employee performance measurement*
- i. the quarterly and monthly assessment, both of the KPI and GS should be suitable for the employee performance measurement*

*E1 said: " Division Department.*

*For production department, any quantified by using key performance indicators.*

*For functions, key performance and target management at present. It is very difficult to assess key indicators. "*

*5. Which key characters do you expect an effective employee appraisal system?*

*E1 said: " Considered less usually, as so far,*

*①I hope this system will facilitate action understanding. Training before a lot of concept equivalent performance bonuses, don't care why concern the development of performance. Enter leadership wanted to pass along, index scores of different development direction, through the system know that this year's work.*

*②Goals are clear. "*

#### *Implementing capability system*

*6. How do you think employee has be enough ability ready to well apply the BSC as a means of employee performance measurement in a Subordinate Business Unit.?*

*E1 said: " I think under junior managers don't have enough capability to do that at this stage,*

*In my view, this system is to stand for top the stance of manager or leader. The Group on several assessment indicators, but from province to subordinate business unit need a lot of decomposed indicators, since only to refine the indicators, subordinate business unit can perform. So the group cares for macroscopic, another is microscopic. "*

*7. How do you think series relevant skills of employee inhibit well implementing the employee appraisal system (EAS), including setting objective, communicating, analysing information, feed backing, coaching, conducting and developing ability etc.?*

*E1 said: "I think that employee capability is sure to inhibit implementation of the BSC. Executing the BSC in a subordinate business unit should demand employees have comprehensive capability. The system should be simply and specific target. "*

8. *Which key factors impact on effectively executing employee appraisal system from the perspective of implementing capability system?*

*E1 said: "I think that employee should have self-management skill, management by objective, up-communication skill, and understanding conception of the BSC. "*

#### *Implementing culture system*

9. *How do you think the EAS (BSC) fits with culture and value in China SOE?*

*E1 said: "The problem is too high, really hard to say, knew no details about BSC.*

*Concerns at different levels are different. For me, the awareness of personal growth. District company leader interest difference sth. Employee concerns only the most practical.*

*80% employees of company are external staff. It isn't realistic to use BSC for the grass-roots workers. Employees know that enterprise staff salary should be high, but in fact wages not rising down. Did not necessarily take more while working more. In the apartment division as the same, did a lot, chances of error more.*

*Our business is not related to doing more with much, no one ask for being paid more, it's no valuable. For example, no people work, this is a real problem. It is believable that there are parts of the idlers, free all right with regular wages, and also enjoyed the leadership. "*

10. *Do you think EAS needs to be adjusted to suit ALCC? If yes, what ways does it need to be adjusted?*

*E1 said: "We have been stressing employees into the enterprise; if enterprise system does not change, sending employees will never be able to integrate into organization, pay integration had not been achieved, and this problem can't be solved, other problems out.*

*Introducing key harmony indicator of team building, corporate culture, and strategy can be introduced into ALCC, and I believe that employees accept that too little, little employees can obtain little benefits.*

*Large environments is in this way, employees are not as an organization's own people, only concerned about getting the money, and check how much money he could take, or employees will resign. "*

*11. How do you consider how extent performance culture will impact employee performance measurement (BSC) on being implemented in a Subordinate Business Unit, below ten factors, please order according to importance.*

*A responsibility B. growth C. fairness D. appreciation E. sharing F. equal status  
G. cooperation H. harmony I. competition J. team work*

*EI said: " From the lowes influence factor to the highest influence factor of 1-10points:*

*B→G→E→F→D→I→A→H→C→J "*

*Explore relationship of three dimensions*

*12. how do you think the importance of implementing capability system, implement operation system, and implementing culture system impact the execution of the EAS (BSC), please you order three dimensions according to the importance as following:*

- a) implementing capability system,*
- b) implement operation system,*
- c) implementing culture system*

*please fill in:*

*EI said: " Min: C. implementing culture system*

*Mid: A. implementing capability system*

*Max: B. implement operation system "*

*13. How do you think effectiveness of above three dimensions implement the EAS (BSC) in*

*ALCC? please you order three dimensions as following:*

- a) implementing capability system,*
- b) implement operation system,*
- c) implementing culture system*

*please fill in:*

*E1 said: " Best: B.        implement operation system*

*Middle: A.    implementing capability system*

*Worst: C.        implementing culture system*

*General concepts, but has no concept of culture. "*

*Explore the new EAS*

*14. How do you comprehensively evaluate the satisfaction of current employee appraisal system? Please you tick items as following:*

*A. 5-strongly satisfaction*

*B. 4- satisfaction*

*C. 3-uncertain*

*D. 2-dissatisfaction*

*E. 1-strongly dissatisfaction*

*E1 said: " 3 points. Almost no interview with the boss. Each interview is work direction, basically no. "*

*15. Do you think whether the new employee appraisal mode is better than original that? If better, Can you tell why? (see the table 1 )*

*E1 said: " It is quite a perfect thing, found the driving force.*

*Employees are divided into three categories: those who targeted first find a working solution issues, another kind of think I'm quite excellent and realize their careers rise, the third category is against China Mobile but no good sources.*

*At this stage, talk about employees' vision, enhances staff's sense of belonging is a bit unrealistic.*

*Salespersons are Foundation posts, from the source; do not say ex-employees are good or bad. This matter is to be too perfect, company pushing can easily agree that regional companies to recruit college students have no problems, but 80% at the basic level labor dispatch, varies greatly. Demand is different. To eliminate employees only dispatch staff, contract workers are not eliminated.*

*Is a career planning of college students, had left work in practice. College students, who leaved, must be excellent individual in my view.(Full-time employees)*

*To break the existing employment system as a whole, this is the problem left over by history; most of all are old post and telecommunications staffs, contract workers of different views.*

*Marketing Centre and call centre with the same labour dispatch staff ratio, branch corporation with higher percentage.*

*Retired staff are also appealing, dawdle problem haven't solved so far. Contribution of older workers over 35 years, subject to changes in employment system. Poverty is ok as long as it's average.*

*To XinJiang, maintaining stability first, development secondly. "*

*M8-Interview Record Form*

<i>Interviewed name</i>	<i>Chenzhi</i>	<i>Sex</i>	<i>fale</i>	<i>position</i>	<i>Project manager</i>
<i>Status</i>	<i>rank</i>	<i>Birth age</i>		<i>Work years</i>	<i>department</i>
<i>Formal employee</i>	<i>eleven</i>	<i>34</i>		<i>Eleven</i>	<i>HRD</i>
<i>Interviewing time</i>	<i>2 hours</i>	<i>place</i>		<i>Office in HRD</i>	
<i>Contact</i>	<i>13609969000</i>	<i>others</i>			
<i>Individual performance state in recent</i>		<i>Overall appraisal result is good in a or half year : Best</i>			
<i>interview</i>					
<p><i>Qiu said: "I'd like to introduce the performance research result..."</i></p> <p><i>M8 said: "I think it is the pre-research on performance system. I will answer your questions based on the current situation of performance in Xinjiang company."</i></p> <p><i>Qiu said: "From the aspect of present and future, we analyse the system. We have used it for a decade. We need creation, according to the point raised up by Li Yue that KPI should not be that important. However, the point is not complete and systematic, just mentioning macro-perspective. All the suborning companies do not know how to do, and just wait, so we are one of explorers. Based on that, we interview you. Because you know performance well, and have the advanced thought, it is valuable to talk with you. "</i></p>					

### *Implementing operation system*

*How do you think performance measurement system (BSC) is too complex structure and inflexible to be effective in a Subordinate Business Unit?*

*M8 said: "Exactly, it is real; I think the system is the management tool. BSC is OK strategically, it is ok, If the performance system is hard to use, and it is annoying. If the system is not flexible, ordinary employees will resist it, because their jobs are simple with great pressure, especially in the end of the month. So I think that the performance system should be concrete and feasible, or it will affect its operation....."*

*What do you expect the main purposes of employee appraisal system (BSC)?*

*M8 said: "From the former execution, the present system is OK*

*My expectations on performance evaluation system are:*

*It should be convenient.*

*It should be target-oriented. That is to say, from the aspect of supervisors, it can help the employees' growth. We hope them to see their growth from performance. I am an employee, and I can see my history, and set my own target. Now, I land on the system just to see the monthly performance plan and evaluation, without the review on former jobs. The computer system can replace human to work, show the distance, and remind me that I didn't perform well for three months. Is the system can tell me which position I am in my team? I hope the system can be equipped with early- warning function. For example, it can warn all the employees in Xinjiang who didn't perform well for three months. Besides the feasibility, I can review the personal situation. In team, we cannot see others' performance, but the ranking.*

*It should emphasize the domination of communication between managers and employees. We hope it is performance management rather than performance evaluation. It should focus on performance and straight-line managers' interaction, performance communication. Now the system cannot do it. For example, adding "agree" to agree your performance plan. The present system is too mechanical, with only "agree", and "return". You cannot see the process of communication. "*

*How do you think the effectiveness of current employee appraisal system? If 5- strong satisfactory, 1-strong dissatisfactory, how many can you score?*

*M8 said: "I can score it 4, but the humanization is not so good. "*

*Which of the following methods of measuring employee performance do you think are acceptable*

*within your organization? (Please tick all that apply)*

*the BSC method as a means of the employee performance measurement tool*

*the KPI method as a means of the employee performance measurement tool*

*the Goals method as a means of the employee performance measurement tool*

*the annual assessment, the BSC method should be suitable for the employee performance measurement*

*the quarterly and monthly assessment, both of the KPI and GS should be suitable for the employee performance measurement*

*M8 said: "Because we talked about first-line employees, I think it refers to the production unit. You don't let the production unit to think about strategically plan, so I chose E. We make index for them, without letting them doubt strategy, or it cannot be operated. First-line unit emphasize implementation capacity. "*

*Which key characters do you expect an effective employee appraisal system?*

*M8 said: "I hope the features of the system are convenient, simple, humanized, which is the same with the three expectations on performance evaluation system. "*

#### *Implementing capability system*

*How do you think employee has be enough ability ready to well apply the BSC as a means of employee performance measurement in a Subordinate Business Unit.?*

*M8 said: "I think that employees are not good a little. It is useless to tell clerks about all the influence factors. Business unit has a lot of influence factors. Employees just need to make rational demands for their manager, and execute self-target. "*

*How do you think series relevant skills of employee inhibit well implementing the employee appraisal system (EAS), including setting objective, communicating, analysing information, feed backing, coaching, conducting and developing ability etc?*

*M8 said: "I have thought about this question, and manage the position and performance management, as only for me, the capability will have some influence factors and unfamiliar with the system, it will block your use. The system should be convenient. Now the one can use computer will handle it.*

*The personal ability is shown in the process of accomplishing performance, mainly first-line managers, without the basically communication ability, it cannot work. It will affect the communication between the top and the bottom through you, and block implementation of the system"*

*Which key factors impact on effectively executing employee appraisal system from the perspective of implementing capability system?*

*M8 said: "As for implementation, plan affects the effective implementation of the system.*

*As for the second question, I do not know it is related to personal ability. If it is, like understanding ability, communication ability, and basic working skills. "*

#### *Implementing culture system*

*How do you think the EAS (BSC) fits with culture and value in China SOE?*

*M8 said: "In the state-owned company, for the high and middle-level managers, we all brag that we are different from other state-owned companies. In fact, our management is the same. I think BSC is difficult to evaluate our state-owned company from finance and customers. The western management suppose that all are equal, but it is impossible in Chinese enterprises. Actually, it is key to get the approval from the high-level managers. You need basic resources to do things well.*

*The premise of fairness is equality of obtaining resources. It is about personal factor. In China, we value relations. When distributing resources, those babies who cry will get feed. If you have a good relationship with the manager, you will get more resources. The reform of state-owned companies has been going for many years, but it still keeps the same. The nation put a lot of responsibilities on the shoulder of the state-owned company. It is hard to lay off employees, but the west respect the individual.*

*In the state-owned company, personal feeling is not respected. The minor obeys the major. I know many overseas companies, like Siemens. Their travelling allowance is very high. Foreigners do like business trip because they will leave home. But for us, business trip is a must. Nobody consider the personal factors. BSC's application in overseas companies is different from that in the state-owned companies. If the labour contract becomes due, the company don't renew it,*

because we should shoulder social responsibilities. The laid-off employees are very few every year.

The company cannot be identified with the employees. For the same job, regular employees sign the contract with the company, but labour dispatch cannot. I think it is not special for ALCC, because of the planning economy period in China. Now two kinds of employees are the national problem. We are the state-owned company, so our salary is from State Assets Administration Committee"

Do you think EAS needs to be adjusted to suit ALCC? If yes, what ways does it need to be adjusted?

M8 said: "I think ALCC's performance system is set by the group. Now, it can work, apart from performance communication. The employees cannot see their targets. The system is good. The group has made it in 2006."

How do you consider which ten factors of the performance culture will impact the performance measurement on being implemented in a Subordinate Business Unit? (please order according to importance)

- A responsibility
- B. growth
- C. fairness
- D. appreciation
- E. sharing
- F. equal status
- G. cooperation
- H. harmony
- I. competition
- J. team work

M8:

fairness	equal status	cooperation	competition	responsibility	growth	team work	sharing	appreciation	harmony
10	9	8	7	6	5	4	3	2	1

Explore relationship of three dimensions

how do you think the importance of implementing capability system, implement operation system, and implementing culture system impact the execution of the EAS (BSC), please you order three

*dimensions according to the importance as following:*

*implementing capability system,*

*implement operation system,*

*implementing culture system*

*please fill in:*

*M8 said: "I think the rank from top to bottom is ABC. Implementation culture is the most important.*

*Implementation capacity influences the least. You can have a lot of ways to implement something. It is based on personal ability.*

*Operation system ranks in the second place. We have performance management methods, which can promote people with clear target.*

*The third is implementation culture, which is the key. Leaders do not emphasize the thing. To do or not to do both are questions. The entire culture environment does not value it. Without leader's focus, it is naturally put at the end.*

*What can performance bring about? Implementation system is the management. I am sure that our company pays great attention to performance. "*

*How do you think effectiveness of above three dimensions implement the EAS (BSC) in ALCC? please you order three dimensions as following:*

*implementing capability system,*

*implement operation system,*

*implementing culture system*

*please fill in:*

*M8 said: "I think the ranking from the best to the worst is ABC. The worst is culture system, which is the most important one anyway.*

*We issued documents this month. Without implementing performance management, we do not have performance bonus. It is related to performance whether we do it, and its extent.*

*Now, the worst is performance culture. Some departments do not make performance plan. It takes a lot of time to plan performance. It is impossible to advocate it to the employees. It must be executed from the top to the bottom, especially for departments in province company. If the leaders do not ask about it, we are reluctant to do it. Actually, it must be from the top to the bottom, and implement it to the employees. For example, a department leader of the provinces company does not value it, the employees will not do it, and the leaders do want to bother it. "*

#### *Explore the new EAS*

*How do you comprehensively evaluate the satisfaction of current employee appraisal system? Please you tick items as following:*

*A. 5-strongly satisfaction*

*B. 4- satisfaction*

*C. 3-uncertain*

*D. 2-dissatisfaction*

*E. 1-strongly dissatisfaction*

*M8 said: "I will score it 4. In Xinjiang, at least 95% are doing performance plan, even 98% are doing performance. We also building index base according to different departments. So I think I can score it 4. "*

*Do you think whether the new employee appraisal mode is better than original that? If better, Can you tell why? (see the table 1 )*

*M8 said: "I think I can try some new performance evaluation model. You should communicate with the group about your created performance evaluation model. "*

*Qiu said: "How will you evaluate this new model from the aspect of the future "*

*M8 said: "I do not know whether it is good or bad. In this new model emphasizes a starting point of employees driving force sets the target, and focuses on their vision to improve our action and performance, not like what we do before, the targets are to cascade down to employees. I will let some departments to try new performance model, because I believe that this model has great vision for it is based on their capacity. If employees do not have motivation, which are common in any company, it will add pressure on them. Now that you are ordinary without any hope, you just need ordinary ability, and you will take ordinary bonus. This new performance model is based on this presuppose that everyone has great vision. In companies, at least 20% to 30% of the employees are just following the rules. 30% of them want to be excellent, and 40% of them are just in between. "*

*Qiu said: "Your idea is very good, now the situation is that, ALCC are facing turning point, and the employees are tired."*

*M8 said: "Macro-environment is closely related to the industry development. Before 2009, our incomes increased by 20% annually. "*

*Qiu said: "In the past, the employees thought simply. You have been in the company for a decade. Do you want to change? "*

*M8 said: "I cannot compare it to the time which I came to the company, but it changes every year. "*

*Qiu said: "How will you answer the question that your relation with ALCC? "*

*M8 said: "I have thought about it. For me, I am easily satisfied. In Xinjiang, the incomes are guaranteed, so I don't have the idea of job-hopping. As for my relation with ALCC, it provides me a platform to show my ability, and gives me salaries which are higher than the average. "*

*GM10-Interview Record Form*

<i>Interviewed name</i>	<i>xinhua</i>	<i>Sex</i>	<i>male</i>	<i>position</i>	<i>Vice GM</i>
<i>Status</i>	<i>rank</i>	<i>Birth age</i>		<i>Work years</i>	<i>department</i>
<i>normal</i>	<i>14</i>	<i>35</i>		<i>10</i>	<i>Train School</i>
<i>Interviewing time</i>	<i>2011/11/1</i>	<i>place</i>		<i>Guangdong</i>	
<i>Contact</i>		<i>others</i>			

<i>Individual performance state in recent</i>	<i>Overall appraisal result is good in a or half year</i>
<i>interview</i>	
<p style="text-align: center;"><i>Implementing operation system</i></p> <p>1. <i>How do think the BSC performance measurement system (BSC) is too complex structure and inflexible to be effective in a Subordinate Business Unit?</i></p> <p><i>GM10 said: "ALCC doesn't have such a unified BSC performance system, even in the province, there's no consistent standard, including principles, procedure and frameworks. Every indicator of designing and using exist difference. Because of system is not complex, but there's too much flexible to implement the system, and too subjective operating, so it's one of the reasons why lead to employees' dissatisfaction. "</i></p> <p>2. <i>What do you expect the main purposes of employee appraisal system (BSC)?</i></p> <p><i>GM10 said: "From the qualitative point of view, it should be a positive incentive system. No matter how much range, it must be a progressive optimization, a virtuous circle. But in most cases it remains unchanged, or even regresses. From the quantitative point of view, I desire those employees' behaviours like GDP can be improved, and become better more and more. "</i></p> <p>3. <i>How do think the effectiveness of current employee appraisal system? If 5- strong satisfactory, 1-strong dissatisfactory, how many can you score?</i></p> <p><i>GM10 said: "2, general level"</i></p> <p>4. <i>Which of the following methods of measuring employee performance do you think are acceptable within your organization? (Please tick all that apply)</i></p> <p><i>o. the BSC method as a means of the employee performance measurement tool</i></p> <p><i>p. the KPI method as a means of the employee performance measurement tool</i></p> <p><i>q. the Goals method as a means of the employee performance measurement tool</i></p> <p><i>r. the annual assessment, the BSC method should be suitable for the employee performance measurement</i></p> <p><i>s. the quarterly and monthly assessment, both of the KPI and GS should be suitable for the</i></p>	

*employee performance measurement*

*GM10 said: "E:I deem D item Complex system and evaluation flow, E item is Simple. Working plan works. Simplify evaluation flow"*

*5. Which key characters do you expect an affective employee appraisal system?*

*GM10 said: "① Relative the current situation of China culture and employee skill, the new system should be easily implemented, but it is likely complicated a little. A supervisor needs to spend a lot of energy to operate it, when the span of management is big.*

*② Short-term indices should be simple, and long-term indices could be systemic and complex a little. I think the system is more effective. Similarly, the allocation of resources should consider the short-term and long-term factors. The resource should be distributed according to short-time and long-time term, In China SOE, career of employees is usually very long, and it is said that development largely relies on the interpersonal relationships.*

*③ Employee indicators of more subordinate unit is More Objective "*

*Implementing capability system*

*6. How do think you have be enough ability ready to well apply the BSC as a means of the employee performance measurement in a Subordinate Business Unit*

*GM10 said: "I deemed junior managers and employee don't have enough ability, they are all needed to improve the ability, at the starting stage, the managers are special trained first, at the end stage, employees are needed to improve how to learn and develop self-management within loop process of the performance management."*

*7. How do think series relevant skills inhibit well implementing the employee appraisal system (EAS), including setting objective, communicating, analysing information, feed backing, coaching, conducting and developing ability etc?*

*GM10 said: "It needs the introduction and training from their supervisors. The main point is to standardize the understanding of the system. Even though we are working on this thing, the fact is that we hardly get to the point. All of these are because we have no same recognition. Like the blinds touching an elephant, the whole elephant is standing there, but everyone just feels a part of the elephant. Now, it is the time for us to know the whole picture of the elephant.*

*It is crucial to get a wholesome recognition. "*

8. *Which key factors impact on effectively executing employee appraisal system from the perspective of implementing capability system?*

*GM10 said: "Coach skills, self-management, manage superior, self-reflection, loop learning and developing, time management, setting objective "*

#### *Implementing culture system*

9. *How do you think the EAS (BSC) fits with culture and value in China SOE?*

*GM10 said: "The culture perspective doesn't match with the BSC. Its main difference culture of between western and China, the west country considers that people is fair for ever, and to control people behaviour through fair the regulations. In China SOE, the viewpoint is too serious, such as official position and inequality. He stated "there is not fair regulation to evaluate one in their mind, if something is not good for their own, and says it is not good" is opposite for their own , similarly, in China SOE, while evaluating one performance, and assessor likes to link with one behaviour and character, but westerner doesn't think so. "*

10. *Do you think EAS needs to be adjusted to suit ALCC? If yes, what ways does it need to be adjusted?*

*GM10 said: "①The aspect of skills, although there is the system, and our system might not be advanced, but it can't be perfect, and no implementing, as a half of employees and managers lack a series of skills which carry out the system, so the skills are greatly improved.*

*②Forcing rank appraisal results generate many contradictions. The problem is what we give performance management many functions and expectations. All things are related to performance, so the effect of performance will be amplified, this caused imbalance of the system, the results are biased. When you excessively apply the results to all, the problem is magnified. "*

11. *How do you think which ten factors of performance culture impact performance measurement on being implemented in a Subordinate Business Unit? (please order according to importance )*

*A responsibility B. growth C. fairness D. appreciation E. sharing F. equal status*

*G. cooperation H. harmony I. competition J. team work*

*Explore relationship of three dimensions*

*12. how do you think the importance of implementing capability system, implement operation system, and implementing culture system impact the execution of the EAS (BSC), please you order three dimensions according to the importance as following:*

- a) implementing capability system,*
- b) implement operation system,*
- c) implementing culture system*

*please fill in:*

*GM10 said: "ACB, due to Culture is not a short-term project"*

*13. How do you think effectiveness of above three dimensions implement the EAS (BSC) in ALCC? please you order three dimensions as following:*

- a) implementing capability system,*
- b) implement operation system,*
- c) implementing culture system*

*please fill in:*

*GM10 said: " better bca worse Poor execution led to unsatisfactory results, especially for those line manager"*

*Explore the new EAS*

*14. How do you comprehensively evaluate the satisfaction of current employee appraisal system? Please you tick items as following:*

*A. 5-strongly satisfaction*

*B. 4- satisfaction*

*C. 3-uncertain*

*D. 2-dissatisfaction*

*E. 1-strongly dissatisfaction*

*GM10 said: "2, dissatisfaction."*

*15. Do you think whether the new employee appraisal mode is better than original that? If better, Can you tell why? (see the table 1 )*

*GM10 said: "ALCC is a results-oriented company. From the staff, indices are too unilateral. The setting of Indices is entirely based on performance objectives, and to ignore the ability of employees and responsibilities, there are a lot of impact factors ,which employee can't control, so employees are dissatisfied with the indicators. Moreover, he stated that the normal distribution system was unfit for ALCC, as he say : "It is unfair for employee in current company, there exists the different culture between China and west, the fair culture is unsuitable for China SOE..."*

*The new model is very good from the development guide for ALCC, particularly both of the employee ambition, aspiration and employee developing dimensions, but the new model needs to consider how to practice in the future. Such as different province, internal and external area. He said that the group hopes to unify the system, but the theory of system can't be unified, but the element which integrates employee demand with organization is core issue. However, the new system too relies on the previous performance management, which can't be changed until today, so the new system is delayed to create.*

*Like as the innovation can't be changed lots, step and step, and adapt more and more, unless the new system can't be fulfilled.*

*While I asked whether the new system is better than before or no, he said yes, but this is only*

*theory not to practice....."*

*E-FG12-30-Focus Group Record Form*

<i>Interviewed name</i>	<i>FG 12-30</i>	<i>Sex</i>		<i>position</i>	<i>Junior/employee</i>
<i>Status</i>	<i>Rank</i>	<i>Birth age</i>		<i>Work years</i>	<i>department</i>
<i>Informal and Formal employee</i>	<i>10-4</i>				
<i>Interviewing time</i>	<i>About 3 hours</i>	<i>place</i>		<i>Office Hall</i>	
<i>Contact</i>		<i>others</i>			<i>Putian company hall</i>
<i>Company performance statement in recent</i>	<i>Rank top 5 in Fujian province</i>				
<i>Focus Group discourse</i>					
<i>Implementing operation system</i>					

1. *How do you think performance measurement system (BSC) is too complex structure and inflexible to be effective in a Subordinate Business Unit?*

*They said: "...the system should be simple in subordinate business unit, every day we need to fill in many appraisal forms, many KPI items, let us waste much time on communicating on every monthly start and end, ultimately, our targets can't be changed and reduced, due to our role is executing non managing, company doesn't need us so many creating approaches and attending external customers change, all works are arranged by the leaders not to understand organisational strategic change, so far away us..."*

*"... although the BSC fully considers anything, but the feasibility is not good, and to increase so much cost, and to reduce the work effectiveness, and no improving efficiency. As an employee-dispatched at least considers quarterly objective, and yearly objective is so far away us, we may not pay attention to that..."*

2. *What do you expect the main purposes of employee appraisal system (BSC)?*

*F G replied:*

*1) They consider the system should simple, effective, useful, and feasible.*

*2) In addition that, they suggest that employee appraisal system stands for employees' stances according to their position characterisers to design an appropriate system, and not complete organisation benefit.*

*3) They strong need the system can satisfy their internal and external demands to balance explicit and implicit motivation.*

3. *How do you think the effectiveness of current employee appraisal system? If 5- strong satisfactory, 1-strong dissatisfactory, how many can you score?*

*E-FG said: "they seem to mostly scale 3, small scale 4 score.*

*They explained, the effectiveness of the system seems to be good, but they were forced to executive the system and obtain the results, indeed, they explained that the system is not good for employee, if the system can be optimized to fit them and create high and sustainable performance.*

4. *Which of the following methods of measuring employee performance do you think are*

*acceptable within your organisation? (Please tick all that apply)*

- t. the BSC method as a means of the employee performance measurement tool*
- u. the KPI method as a means of the employee performance measurement tool*
- v. the Goals method as a means of the employee performance measurement tool*
- w. the annual assessment, the BSC method should be suitable for the employee performance measurement*
- x. the quarterly and monthly assessment, both of the KPI and GS should be suitable for the employee performance measurement*

*the nineteen interviewees of using focus group interview, the choices are bellows:  
B,E,E,E,E,E,C,B,B,E,B,E,E,C,E,B,E*

*They almost chose the E or B. while asking why they chose the item. They almost explained “ if let them choose only one from five items, the KPI approach is likely suitable for us a little, although we don't complete like KPI as our appraisal method, there sense some matter for us, but we don't understand how to improve the system ”*

*One of participants gave me a good example, he said: “ I have worked for 7 years in the company, when I come here, my age is about 24 years just graduated from university, I need some money for life and parents, so I always work hard, as well as I get good performance and earn some money, because I am informal employee and can't never become a formal employee as same as the benefit of formal position... this year, I feel that I wouldn't like to work hard, usually, to ask for myself that why I work hard here, and what I want in my life, sometimes my manager assigns a large of targets to me, I always communicate with him for long time, not liking accept the target. Finally, the manager hope to visit family and understand which troubles my family faces, manage discusses the family target with me, and help to solve some trouble and achieve I want what my family need, on the contrary, the job KPI performance get better than past...”*

*5. Which key characters do you expect an effective employee appraisal system?*

*They said: “ ...I expect that not only the system has as simple structure, explicit, useful and individual independent creating work, self-management, no control-management, but also the*

*software system can support operation to avoid the unfair measuring behaviour...”*

#### *Implementing capability system*

6. *How do you think employee has be enough ability ready to well apply the BSC as a means of employee performance measurement in a Subordinate Business Unit.?*

*They said: " they think some employees are sure there are not enough skill to undertake the complete the BSC which can't be fulfilled, it is understandable for them.*

*Meantime, they confidently replied: “they are sure that they are willing to be improved a wide range of skills by training professional skills for 5 years...”*

*They also explained: “ there are some series of employees including old employee, just recruiting postgraduate students etc., so the professional skill exist some gap between them, what the skills are not whole enough might accept so...”*

7. *How do you think series the relevant skills of employee inhibit well implementing the employee appraisal system (EAS), including setting objective, communicating, analysing information, feed backing, coaching, conducting and developing ability etc.?*

*E-FGs generally said: “ they think that employee skills are sure to likely impact on the BSC implementation, they explain that company really provide a series of training skills to us, including the conception of performance management, but we lack some comprehensive skills in previous course, in addition, they relate to the current indicators doesn't well connect with their job responsibility, too wide dimension, too many numbers, many indicators can't be controlled by them such as customers indictors, strategic...”*

8. *Which key factors impact on effectively executing employee appraisal system from the perspective of implementing capability system?*

*While asking which important skill factors impact on implementing the BSC,*

*they replied: “ change skill, innovating skill, self-motivated, communicating, information analysing”*

### *Implementing culture system*

9. *How do you think the EAS (BSC) fits with culture and value in China SOE?*

*They (E-FGs) said: “the question is too difficult to reply, we try to do that”*

*They mainly replied: “...a Chinese SOE is a special organisation, and organisational culture is distinguished from western organisation...” they explained:*

- 1) ...Chinese culture inclines towards the tradition, collective culture, and does not advocate encouraging creation, uniqueness, and competition, but Western companies are opposite to a Chinese SOE. In a subordinate business unit, employees of high performance get rewards as same as the employees of low performance, we feel little respected in Chinese SOE.*
- 2) The organisational objectives are cascaded from top down, we are only ordered to accept the target, no matter how we have to obey the management style, however, the BSC requests that organisational objectives need to double the closed-loop communication between managers and employees when designing an employee BSC. So we cannot obey the rule of implementing the BSC like as the Western organisations and we do not concern with the external customers 'demands, and only pay more attention to achieving our objectives and targets...”*
- 3) As a Chinese SOE, all formal employees have always worked in an organisation until they have retired, they can't be refused except some terrible or wrong events. The employee career development is not significant for formal employees, the appraisal system is likely unsuitable to all people.*
- 4) we little sense to belong to ALCC, our purposes only achieve the KPI for an company, but many employees are low enthusiastic more and more because they can't look forward to a good vision and individual development.*

10. *Do you think EAS needs to be adjusted to suit ALCC? If yes, what ways does it need to be adjusted?*

*They (E-FGs) said: “...the system needs to be adjusted...” when asking what,*

*They said: “...firstly, the appraisal model should be changed, the employee appraisal*

*distinguishes with an organisational BSC, but I don't know how to adjust..."*

*Secondly, "...monthly appraisal contents should distinguish from quarterly and yearly contents, we feel that every monthly appraisal emphasizes job KPI and award employee according to our performance, but every quarterly appraisal should stress enhancing our high performance competence, and every yearly appraisal should focus on our ambition and aspiration in our internal comprehensive demands including individual, family and organisation integrate with job KPI. If the company considers to balance organisational and employees objective, balance explicit job KPI and implicit internal process goals, balance individual ambition and organisational ambition, and balance implicit demand and explicit demand, balance individual, family life and organisational work..."*

*Thirdly, "...some participants also replied: " I disagree with all appraisal results of employees link to compensation system, for example, assessing our competence and individual aspiration shouldn't concern our performance award, these should be opposite to evaluate managers as their yearly performance and influencing position next year..."*

*While asking how you understand the events.*

*They replied: "...main is different position should have different appraisal system to evaluate employee, at current, one system evaluate whole organisation employees, and it is inappropriate for low-level employees... they explain: "there are a series of employees, for technology, administer, service, market, sale... we all only employee quantitative indicator and to undertake organisation indicator, some jobs are difficult to be quantified for some back department, even according to performance results of different departments in a monthly must force to rank, but the worst employees can't be refused, the best employees can't also be enough encouraged, on the contrary, the best is afraid about be marginalized by the worst employees, some leader can't deal with the worst employees..."*

*11. How do you consider how extent performance culture will impact employee performance measurement (BSC) on being implemented in a Subordinate Business Unit, below ten*

factors, please order according to importance.

A. responsibility B. growth C. fairness D. appreciation E. sharing F. equal status  
G. cooperation H. harmony I. competition J. team work

*They said results to see appendix*

*Explore relationship of three dimensions*

12. *how do you think the importance of implementing capability system, implement operation system, and implementing culture system impact the execution of the EAS (BSC), please you order three dimensions according to the importance as following:*

- a) *implementing capability system,*
- b) *implement operation system,*
- c) *implementing culture system*

*please fill in:*

*They said results to see appendix*

13. *How do you think effectiveness of above three dimensions implement the EAS (BSC) in ALCC? please you order three dimensions as following:*

- a) *implementing capability system,*
- b) *implement operation system,*
- c) *implementing culture system*

*please fill in:*

*They said results to see appendix*

*Explore the new EAS*

14. *How do you comprehensively evaluate the satisfaction of current employee appraisal system? Please you tick items as following:*

A. *5-strongly satisfaction*

*B. 4- satisfaction*

*C. 3-uncertain*

*D. 2-dissatisfaction*

*E. 1-strongly dissatisfaction*

*They said results to see appendix*

*15. Do you think whether the new employee appraisal mode is better than original that? If better, Can you tell why? (see the table 1 )*

*Their choice to see appendix. While finishing to choose, and asking why,*

*The issue was intensely debated too long time, They almost said:*

*Firstly, "...the perspective of creation, we consider that the new model is better than before, because it distinguishes with Kaplan and Norton BSC, the four dimensions of the new system consist of likely match with essential characters of a subordinate business unit, in particularly, clearly identifying job KPI, adding employee aspiration dimension for employee assessing contents, ..."*

*Secondly, "...we think that driving cause-effort of the new model is different from Kaplan and Norton, the starting point driving cause-effort is an employee aspiration, no strategic objective and financial indicator, deeply digging demand of employee internal including individual, family and organisation regards as a commitment and engagement between managers and employees, before making performance planning, however, the previous system driving cause-effort is financial and strategy..."*

*Thirdly, "...the new system more focuses on job KPI and internal process Goals, which regards as evaluating employee, and no customers and organisational financial, the operation is simply a little, and sense more useful a little..."*

*But while asking which issues on the new model, they said:*

*“...we seem to worry about the details operation procedures and effectiveness; in the meantime, whether over emphasizing employee aspiration improves organisation performance, whether boss of an organisation agrees with the new innovation system, and how to design and quantify key indicators and factors on an individual aspiration dimension, how employee BSC aligns with organisation BSC to an integration systems, there are some questions needs to be solved ...”*

*signature :*

*editing time :*

*phone :*

## Appendix 5 Some Basically Statistic Information

Some quantitative question original data overall table

	No. 3 score	No. 4 score	No.11 from low to high	N0.12, from low to high	No.13 from better to worse	N0.14 score	No.15 score
1	4	BC	B→G→E→F→D→I→A →H→C→J	C→A→B	B→A→C	3	4
2	4	E	H→D→E→J→B→A→L →G→F→C	A→B→C	A→B→C	4	4
3	4	B	I→E→D→B→F→G→H →J→A→C	C→A→B	B→A→C	3	4
4	4	B	E→H→D→G→J→C→F →B→A→I	C→A→B	C→A→B	3	5
5	4	E	F→H→J→D→E→B→I →G→C→A	A→B→C	B→A→C	3	3
6	3	E	H→J→A→C→D→E→F →G→B→I	A→B→C	C→B→A	3	4
7	3	E	C→A→B→D→J→I→F →G→H→E	B→A→C	B→C→A	3	5
8	3	E	A→I→G→B→J→E→D →F→C→H	A→B→C	B→A→C	4	5
9	4	E	D→I→B→A→E→G→J →H→C→F	C→B→A	A→B→C	3	5
1 0	2	DE	E→D→G→B→I→J→F →A→H→C	A→C→B	B→C→A	2	4
1	3	B	F→H→D→E→I→G→J	A→B→C	A→B→C	3	4

1			$\rightarrow B \rightarrow C \rightarrow A$				
1 2	4	B	$J \rightarrow B \rightarrow E \rightarrow A \rightarrow I \rightarrow D \rightarrow F$ $\rightarrow H \rightarrow G \rightarrow C$	$A \rightarrow B \rightarrow C$	$B \rightarrow A \rightarrow C$	3	4
1 3	4	E	$D \rightarrow B \rightarrow I \rightarrow A \rightarrow E \rightarrow J \rightarrow G$ $\rightarrow F \rightarrow H \rightarrow C$	$A \rightarrow B \rightarrow C$	$B \rightarrow A \rightarrow C$	4	4
1 4	3	e	$B \rightarrow D \rightarrow A \rightarrow I \rightarrow G \rightarrow E \rightarrow J$ $\rightarrow C \rightarrow F \rightarrow H$	$B \rightarrow A \rightarrow C$	$B \rightarrow A \rightarrow C$	2	4
1 5	3	E	$B \rightarrow D \rightarrow J \rightarrow E \rightarrow A \rightarrow I \rightarrow G$ $\rightarrow C \rightarrow H \rightarrow F$	$A \rightarrow B \rightarrow C$	$A \rightarrow B \rightarrow C$	2	5
1 6	3	E	$D \rightarrow I \rightarrow B \rightarrow J \rightarrow E \rightarrow A \rightarrow F$ $\rightarrow G \rightarrow C \rightarrow H$	$C \rightarrow B \rightarrow A$	$C \rightarrow A \rightarrow B$	2	3
1 7	5	E	$J \rightarrow D \rightarrow B \rightarrow F \rightarrow I \rightarrow A \rightarrow C$ $\rightarrow G \rightarrow H \rightarrow E$	$A \rightarrow B \rightarrow C$	$B \rightarrow A \rightarrow C$	3	4
1 8	3	E	$I \rightarrow B \rightarrow D \rightarrow J \rightarrow G \rightarrow A \rightarrow E$ $\rightarrow H \rightarrow C \rightarrow F$	$C \rightarrow A \rightarrow B$	$B \rightarrow A \rightarrow C$	3	5
1 9	4	E	$A \rightarrow D \rightarrow E \rightarrow I \rightarrow B \rightarrow J \rightarrow H$ $\rightarrow G \rightarrow F \rightarrow C$	$C \rightarrow B \rightarrow A$	$B \rightarrow A \rightarrow C$	4	5
2 0	4	C	$I \rightarrow D \rightarrow A \rightarrow B \rightarrow E \rightarrow G \rightarrow H$ $\rightarrow C \rightarrow F \rightarrow J$	$A \rightarrow B \rightarrow C$	$A \rightarrow B \rightarrow C$	3	5
2 1	2	B	$D \rightarrow E \rightarrow B \rightarrow A \rightarrow I \rightarrow F \rightarrow G$ $\rightarrow J \rightarrow C \rightarrow H$	$A \rightarrow B \rightarrow C$	$B \rightarrow A \rightarrow C$	2	4
2 2	3	B	$A \rightarrow D \rightarrow E \rightarrow I \rightarrow J \rightarrow B \rightarrow F$ $\rightarrow G \rightarrow H \rightarrow C$	$A \rightarrow B \rightarrow C$	$B \rightarrow C \rightarrow A$	3	4
2 3	2	E	$I \rightarrow E \rightarrow B \rightarrow D \rightarrow A \rightarrow J \rightarrow F$ $\rightarrow C \rightarrow H \rightarrow G$	$B \rightarrow A \rightarrow C$	$B \rightarrow A \rightarrow C$	2	5
2 4	4	B	$I \rightarrow D \rightarrow A \rightarrow E \rightarrow B \rightarrow H \rightarrow G$ $\rightarrow J \rightarrow F \rightarrow C$	$C \rightarrow B \rightarrow A$	$B \rightarrow A \rightarrow C$	2	5

2 5	3	E	$B \rightarrow A \rightarrow E \rightarrow G \rightarrow J \rightarrow D \rightarrow F$ $\rightarrow H \rightarrow C \rightarrow I$	$A \rightarrow B \rightarrow C$	$B \rightarrow A \rightarrow C$	3	5
2 6	3	E	$E \rightarrow G \rightarrow A \rightarrow B \rightarrow I \rightarrow J \rightarrow H$ $\rightarrow D \rightarrow F \rightarrow C$	$A \rightarrow C \rightarrow B$	$B \rightarrow A \rightarrow C$	3	4
2 7	2	C	$I \rightarrow F \rightarrow D \rightarrow B \rightarrow J \rightarrow E \rightarrow A$ $\rightarrow H \rightarrow C \rightarrow G$	$A \rightarrow B \rightarrow C$	$C \rightarrow A \rightarrow B$	3	4
2 8	2	E	$J \rightarrow E \rightarrow A \rightarrow B \rightarrow I \rightarrow G \rightarrow D$ $\rightarrow F \rightarrow H \rightarrow C$	$A \rightarrow B \rightarrow C$	$B \rightarrow A \rightarrow C$	2	5
2 9	4	B	$D \rightarrow I \rightarrow A \rightarrow E \rightarrow B \rightarrow J \rightarrow G$ $\rightarrow H \rightarrow C \rightarrow F$	$A \rightarrow B \rightarrow C$	$B \rightarrow A \rightarrow C$	2	4
3 0	3	E	$A \rightarrow D \rightarrow B \rightarrow I \rightarrow G \rightarrow E \rightarrow J$ $\rightarrow H \rightarrow F \rightarrow C$	$A \rightarrow B \rightarrow C$	$B \rightarrow A \rightarrow C$	2	5