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Performance appraisal management in Qidi

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Abstract

Title: Performance appraisal management in Qidi
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Aim: The purpose of this study is to explore the performance appraisal practice in Qidi, and suggest in what way Qidi should go in performance appraisal in the future.

Method: I make a case study on Qidi in this research. I collect primary and secondary data. The primary data is collected by six interviews. And I collect the secondary data from printed documents of Qidi.

Result and conclusion: There are problems in Qidi’s performance appraisal management. For example, the whole performance appraisal system is not standard; guanxi influences performance appraisal process; there is not any appeal institution or control system; and the appraisal process is not so transparent in some sectors such as procurement sector. Thereby, it is important for Qidi to establish a standard performance appraisal system, which includes goal setting, performance appraisal, discussion, reward and punishment, training, and appeal. Meanwhile, it must create a formal control system in appraisal, and keep the process transparent.

Suggestions for future research: The research on how an organization establishes a formal appeal and control system to improve the effectiveness of performance appraisal is limited in this study. For further study, I suggest to focus on the establishment of appeal and control system in performance appraisal, and the ways of obtaining transparency.
Contribution of the thesis: This study may be useful for people who are interested in performance appraisal. Especially, this study offers information and recommendations on performance appraisal management to Qidi.

Key words: Performance appraisal, goal, discussion, reward, training, China, Qidi.
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1. Introduction

The introduction presents a background of my primary idea for studying performance appraisal management, and why I am interested in this research. Purpose, limitation and disposition of the study are discussed in this Chapter also.

1.1 Background

Domestic private sector is one part in Chinese economy. Most of the private firms are small or medium, and they are established by individual entrepreneurs. Since the reform and opening up in China, there are many great changes in Chinese economy (Lin et al, 2009), and domestic private sector plays an increasing significant role in it (Qian, 2000). Besides, it contributes to the GDP a lot. For instance, the private firms with small- and medium-sized possessed 99.8 percents in the all firms in China in the end of 2008. And their contribution to the GDP is 60 percents. (Lin et al, 2009) Consequently, it is believed that domestic private sector is the major engine of Chinese rapid growth (Firth et al, 2009). With the development of the economy, especially after China joined into the WTO, Chinese private companies have a great deal of development. But at the same time, they encounter lots of challenges. For example, they experience lots of problems in performance appraisal management (Chen, 2009).

Performance appraisal experiences important changes in China since the economic reform. Before the economic reform, performance appraisal was only used for cadres’ promotion and transfer. During that period, the results of appraisals relied on guanxi with managers. (Shen, 2004) Lindholm et al (1999) also shows China has not any actual performance appraisal system for workers before the mid-1990s. At the time, for it was in the planned economy regime, performance appraisal was controlled by the central state (Cooke, 2005). After 1995, Chinese enterprises have more freedom to establish their performance appraisal system (Chen, 2009). Performance appraisal is
widely used, and “self-evaluation and democratic sounding of opinions by peers and subordinates” system is one obvious feature in Chinese performance appraisal (Easterby-Smith et al., 1995). The process of appraisal contains self-appraisal, peer group discussion, and supervisors’ comments (Zhu, Doling, 1998). But performance appraisal practice still faces problems in Chinese organizations. For example, communications among Chinese organizations are at a low level in performance appraisal. Appraisers seldom provide feedback to appraisees. It also lacks of openness, transparency, and objective standards in performance appraisal. (Shen, 2004) Meanwhile, Chinese culture (i.e., guanxi) increases the difficulties in performance appraisal (Lindholm et al., 1999).

Performance appraisal and its outcome play a key role in employees’ job activities and the organization (Thurston, McNall, 2010). An effective performance appraisal system can improve organization performance. Therefore, it is important for Chinese private organizations to improve their performance appraisal management skills. Guangdong Qidi Biochemistry Perfume Co., Ltd. (Qidi) is one of these private firms that face difficulties and challenges in performance appraisal management. Qidi was founded in 1997, and has almost 100 employees in the organization. It mainly deals with tobacco essence to all tobacco factories in China. Qidi has achieved performance appraisal management in its organization for three years. Its appraisal system is only performed for a short time. Therefore, it is ineluctable that it lacks of experience and encounters difficulties in this perspective.

In this study, I will make an intense investigation on performance appraisal management perspective in Qidi. I concern on what the situation is in performance appraisal in Qidi and how it should deal with it in the future. There are some reasons for me to do the research. Firstly, I am so enthusiastic about the topic of performance appraisal in Chinese private firms. Furthermore, many private firms in China lack of management skills. They may easily get success at the beginning of their business. But when their companies became larger, most of them are lost in management or
marketing area. They face a great deal of troubles and bottlenecks when they grow up. Hereby, it is necessarily to explore this research.

1.2 Aim

The purpose of this study is to analyze performance appraisal management in Qidi and suggest in what way Qidi should go in performance appraisal.

The research questions are as follows:
1. What is the situation in performance appraisal management in Qidi?
2. How should Qidi deal with it?

1.3 Limitation

This study only focuses on a specific company. Furthermore, the study highlights the weakness of Qidi in performance appraisal, so the strengths of its operation are seldom discussed. Finally, Qidi does not establish its website on the Internet, and because of that the secondary data collection is limited. Therefore, this study focuses on primary data.

1.4 Disposition

This work is divided into six chapters (See figure 1). The first chapter is an introduction of the study. It presents the background, purpose, research questions, and limitation in this study. Chapter two is discussed about the performance appraisal management theories, which contain performance appraisal, a performance appraisal program, guanxi in performance appraisal, and reflections on these theories. The third one is about the research method. I choose a case study to make the investigation in this work. In chapter four, I show the empirical findings including presentation of Qidi, and all the interview information. In the discussion chapter, I make a critical discussion according the collected data and theories. Finally, a conclusion and
recommendation are discussed in chapter six.

Figure 1   Disposition of the study
2. Theoretical framework

This chapter introduces the theories, which include performance appraisal, a performance appraisal program, guanxi in performance appraisal, and reflections.

2.1 Performance appraisal

Performance appraisal is the activities involving evaluating employees’ past or current performance relative to their working standards (Dessler, 2000). It started in 1813 in the United States (Wiese, Buckley, 1998). With the emergence of big business at the beginning of twentieth century in America, performance appraisal was considered as a business practice (Sillup, Klimberf, 2010). In the old days, performance appraisal was used for administrative objectives, such as promotion, salary administration, and retention (Murphy, Cleveland, 1995). However, due to an inefficient human resource management, performance appraisal system was not utilized well (Wiese, Buckley, 1998). At the beginning of 1950s, organizations began to apply performance appraisals (Spriegel, 1962). In that period, performance appraisals emphasized past actions, and used a standard, numerical scoring system to evaluate employees according to a set of dimensions (DeVries et al., 1981). These methods could not be satisfied due to that they ignored the development of employees (Van Riper, 1958). In 1991, Fedor suggested that a performance appraisal system should focus on employee development and feedback. Providing feedback could help to obtain a substantial improvement in the future (Kopelman, 1986). In 1998, Wiese and Buckley mentioned that performance appraisals were used for many purposes, such as financial purpose and total quality management. Nowadays, performance appraisal also highlights employee development, and ethics (Sillup, Klimberf, 2010).

2.2 A Performance appraisal program

Performance appraisal plays an important role in human resource practices (Boswell, Boudreau, 2002). Aguinis (2009) also thinks that performance appraisal contributes to
the efficiency of employee behaviors, attitudes, and performance. It encourages and 
presses them to make a suitable change to improve themselves. Stone (2005, p.304) 
offers a program to make an effective performance appraisal. He mentions 
organizations should highlight goal establishment, performance feedback and 
performance improvement in the performance appraisal program. Specifically, the 
context of this program includes goal setting, performance appraisal, rewards, 
performance review discussion, and training and development. The relationship of 
them is presented in the following figure.

**Figure 2** Human resource management

![Figure 2](image)

*Source: Stone, 2005, p.304*

Goal establishment is the first step in performance appraisal. After that, organizations 
use tools and methods to assess employees’ performance. With a comparison of 
employees’ setting goals and performances, organization can see how well they work. 
In a performance review discussion, organizations provide feedback to employees, 
and discuss with them how to improve next. If needed, organizations offer training 
programs to employees to develop and enhance their abilities. Meanwhile, in the 
appraisal process, if they have a good performance, they will obtain rewards.

### 2.2.1 Goal setting

Goal setting involves defining a target or purpose to achieve. Stone (Ibid.) argued that
organizations should pay attention to some issues in goal-setting process. First, goal should be set unambiguously. With a clear goal, employees are able to achieve and improve easily. Furthermore, goal setting is to contribute to higher performance than only telling employees what to do and how to do it. Finally, goals should be perceived as difficult to achieve in order to get a better performance. But organizations must consider that the setting goals should be based on employees’ abilities.

In addition, goals should be comprehensive and hierarchical (Goncharuk, Monat, 2009). In detail, goals must be divided into different levels, such as corporate level, department level, and individual level. Meanwhile, individual goal and department goal must support the corporate goal, and enhance corporate performance finally.

### 2.2.2 Performance appraisal

In this step, it requires that the organization observes and records employees’ performance. That is, the appraisers should observe, and record their or someone’s behavior or performance. For making an effective performance appraisal, it is important to understand who assesses performance. This can be done by supervisors, peers, subordinates, self-appraisal and customers. (DeNisi, Griffin, 2005)

Supervisors play a significant role in performance appraisal. Immediate supervisors (Immediate managers) are most familiar with subordinates’ behavior and performance, and they usually take responsibility for their subordinates’ performance (Becker, Klimoski, 1989). Thus, they are used to appraisal performance in most organization. But the disadvantage is that supervisors may hurt the benefit of their subordinates if they are not objective.

Immediate managers can not always have the opportunities to observe their subordinates’ performance (Sillup, Klimberf, 2010). Thus, an evaluation by peers can offer objective information to managers (McEvoy, Buller, 1987). Peers work together
day-to-day so that they are familiar with each other to provide feedback to manager easily. On the other hand, the result of appraisal may depend on the relationships between ratees and raters in appraisal process.

It is an important source to assess managers’ performance because subordinates know their managers well. The information from subordinates may be useful for enhancing managers’ leadership ability (DeNisi, Griffin, 2005. p.291). But most of the time, subordinates may be threaten if they record bad performance of their managers.

Individuals are the persons who know their strength and weakness well. In appraisal, they can provide useful feedback to managers. (Ibid.) The weakness is that they may overstate their performance.

Customers are a useful source to provide feedback to organization about employees’ performance. The feelings of consumers are the responses to the products and employees’ performance (Sillup, Klimberf, 2010). This way helps organizations to know what customers highlight and what the organization needs to improve. On the other hand, this approach may be costly.

In conclusion, DeNisi and Griffin (2005) think that it is easy for each participant to subject weaknesses. Therefore, organizations should often combine more than one of the sources to get information. With the combination of these sources, organizations will reduce the inefficiency in the appraisal process.

**Performance appraisal tools**

There are many tools to assess performance in organizations, such as 360-Degree Feedback, a graphic rating scale, critical incident method, behaviorally anchored rating scales, behavioral observation scales and the management-by-objectives system (Decenzo, Robbins, 2002). Two tools of them are used frequently in organizations, which are 360-Degree Feedback, and the management-by-objectives system.
360-Degree Feedback is considered as obtaining feedback from the traditional top-down approach which includes boss, subordinates, peers, and customers in performance appraisal process (Lepsinger, Lucia, 1997). It can help organizations to get a comprehensive feedback from top to down. Raters may not be so objective when evaluating the ratees due to each participant may subject weakness.

The management-by-objectives system (MBO) requires setting detailed goals with each employee and observing the progress they make (Dessler, 2000, p.333). This system makes employees understand what they should do clearly. But the objective should be attainable and fair.

**Performance appraisal problems and solutions**

In performance appraisal, there are many factors influencing the result, such as halo effect, central tendency, leniency or strictness bias, and relationship effect. If a supervisor gives an employee the same score in all factors due to his or her biases on a specific factor, this will be called halo effect. Central tendency occurs when a manager gives everyone an average rating, which is not according to the truth. Leniency bias means a manager is kind to the employees in performance appraisal, while strictness bias means a manager is strict. Relationship effect means the relationship with the manager and employee may influence the result of appraisal. (Stone, 2005, p.290-292) This results in many performance appraisal problems. Therefore, organization should develop the following ideas to deal with the problems (Dessler, 2000, p.340).

1. Organizations should understand the problems and what leads to them. After that, organizations will know how to avoid them.
2. Organizations should select a right appraisal tool.
3. Organizations should train raters to eliminate rating errors.
4. Supervisors must make a diary keeping. This helps them to judge the performance of each employee objectively.
Barrett and Kernan (1987) mean it will be better to have more than one appraiser to conduct the appraisal, and all of them should assess employees independently. Furthermore, appraisers should record all the information and reasons supporting any decision.

2.2.3 Performance review discussion

Performance review discussion is the key in performance appraisal. It requires managers reviewing employees’ responsibilities and performance, exploring what have to do to improve their performance, and providing feedbacks to them. Generally, performance review discussion is conducted by interviews. (Stone, 2005, p.306) Before the interviews with employees, managers should make a sufficient preparation for the interview. They must review employees’ job description, goal, and performance, consult with other managers who also know the employees, and list important points that will be discussed in the interview. In the interview, managers should encourage employees to talk what problems they have and their ideas about the future work. Furthermore, managers should give a feedback to them. This helps employees identify what skills and knowledge have to be developed (Ubeda, Santos, 2007). In this process, managers must avoid utilizing their authority. In other words, the interview should be freely and neutral. (Stone, 2005, p.310)

2.2.4 Rewards and punishment

Goncharuk and Monat (2009) provide a performance management model, which is called employee goals-behaviors-metrics-rewards (GBMR) model. In this model, they emphasize the importance of motivation in employee performance management. It is also essential in performance appraisal. They think that motivation can encourage the adoption of employees’ new behaviors. When improving their behaviors, employees can make a superior performance. Reward is an approach in motivation. It can be also divided into formal and informal rewards, financial and nonfinancial rewards (Ibid.).
In Concharuk and Monat’s (2009) opinion, organization must keep an effective reward system to improve their behaviors. Furthermore, rewards should have values, which mean they are financial or symbolic. Finally, rewards must be offered consistently and meet employees’ needs.

According to Stone (2005, p.424-425), punishment is a kind of motivation. It is used when a negative performance appear after the undesired behavior is presented. They think organizations should obey the following principles when applying the punishment tool.

1. Communicate with the employee what is not correct about their performance, and tell them the reason for punishment.
2. Notify them what is right.
3. Punish them in private. If they are punished in public, they will easily have negative emotion, which leads to the bad result of punishment.
4. Punish them according to the regulations.
5. Match the behaviors when punishing them.

2.2.5 Training and development

In performance appraisal system, it is necessary to train employees who have weak performance. Training is design to enhance employees’ job performance in organization (Chiaburu, Tekleab, 2005), and helps employees to improve their ability. Chen et al. (2004) claimed that training may reduce frustration or anxiety of employees who are not familiar with skills for their jobs. After training, employees learn more and may improve their confidence and performance. Harrison (2000) also argues that training contributes to the positive performance of an organization.

Off-the-job training and on-the-job training

Nowadays, two training approaches are important, which are off-the-job training and on-the-job training (Smith, 2002). The differences between them are as follows.
Figure 3  Off-the-job training versus on-the-job training

<table>
<thead>
<tr>
<th></th>
<th>Off-the-job training</th>
<th>On-the-job training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emphasis on</td>
<td>Learning basic facts and skills</td>
<td>Getting the job done</td>
</tr>
<tr>
<td>Ultimate goal</td>
<td>Knowing</td>
<td>Developing best practice</td>
</tr>
<tr>
<td>Knowledge</td>
<td>Static, decontextualized, general</td>
<td>Dynamic, situated, practice-oriented</td>
</tr>
<tr>
<td>Topics/problems</td>
<td>Given by curriculum</td>
<td>Arise from and embedded in work situation</td>
</tr>
<tr>
<td>Scope of learning</td>
<td>Primarily individual</td>
<td>Individual, group, organization</td>
</tr>
</tbody>
</table>

Source: Tabassi, Bakar, 2009

From the figure above, we can see that off-the-job training concerns on learning basic facts and skills by lectures, films, case studies, and so on, while on-the-job training requires learning by doing the job. In the former training, the knowledge is static, decontextualized and general. In the latter training, the knowledge is practice-oriented and situated.

Both training and development are considered as a process of developing employees’ knowledge and skills for jobs that enhance the performance (Swanson, 1999). Six approaches are often used when developing employees, which include job rotation, assistant-to positions, committee assignment, lecture courses and seminars, simulations and outdoor training. (Decenzo, Robbins, 2002, p.215-220)

2.3 Guanxi in performance appraisal

There are many definitions about guanxi. Xin and Pearce (1996) define guanxi as the personal connections in society. Chen (1995) argues guanxi is the friendship with implications of a persistent exchange of favors. Hackley and Dong (2001) suggest guanxi is “one of the most deeply rooted Chinese cultural values” Guanxi is the tie connecting with people, and it is a society culture in China. Guanxi does not only mean friendship, but also mean salient role obligation (Farh et al., 1998). Meanwhile, the shared obligations only offer to individuals who have a strong relationship with them (Song, Werbel, 2007). Thereby, a person who has strong ties has more opportunities to get success than others who have weak ties. Cheng (1995) suggests
managers treat their employees according to their relationship. Employees who have relationships with them obtain more preferential treatment than others. Thus, guanxi affects human resource management (Ahlstrom et al., 2001), especially influences the result of performance appraisal in China (Chen, 2009). Chen means if one ratee has no good relationship with peers, supervisors, and customers, even if this ratee has a perfect activity in reality, it is hard for him or her to obtain a good result in appraisal process.

2.4 Reflection

In the performance appraisal, the five steps must be looked as an entirety. Organizations must emphasize all of them in appraisal process. Meanwhile, motivations play a key role in assessment process (Goncharuk, Monat, 2009). Pay for performance helps to improve employees’ performance (Milkovich, Wigdor, 1991). Thus, in motivation, organizations should keep an effective motivation system in appraisal.

Guanxi is one important factor that influences the result of performance appraisal (Chen, 2009). Appraisers may have biases toward the person who has guanxi with them (Stone, 2005). Thus, organizations should pay attention to it, and word hard with avoiding its negative function in performance appraisal.

Furthermore, it is important to providing the appeal right to employees in performance appraisal (Milkovich, Wigdor, 1991). If employees have a right to appeal, they can communicate with organization if they are not satisfied with the result of appraisal. Meanwhile, a control system helps organizations to reduce the accumulation of error and cope with organizational complexity (Griffin, 2005, p.654). Thus, it is essential for organization to create a formal control system in performance appraisal.
Finally, an effective performance appraisal requires transparency in the process. With a transparent appraisal, employees know what scores they are given and why. (Sankethi, 2008)
3. Methodology

This chapter introduces the research method used in the study, and discusses how to get the data, and then how to present and analyse it.

3.1 Research approach

3.1.1 Qualitative and quantitative approach

Qualitative is about the nature of something while quantitative is about a measure of something before making an assumption (Blumberg et al, 2005, p.124). More specifically, qualitative highlights observations and words to describe the natural situations in reality. It must be conducted by a deep and intense research on the situations. (Amaratunga et al, 2002) There are some approaches for exploratory investigations in the qualitative research, which include an in-depth interviewing, case study, document analysis, observation, films, photographs and videotape, and so on (Blumberg et al, 2005, p.132). However, quantitative approach considers more in numbers to show opinions or ideas. It must be designed the testable hypotheses and theory, and more concerned with how the complex situations will develop. (Amaratunga et al, 2002)

The purpose of this study is to find out the situations in performance appraisal in Qidi. It is important to explore a deep and intense research for this company. Thus, I choose the qualitative approach to make the investigation. Qidi has not established its website on the Internet, because of that I make general observations on it though printed documents and in-depth interviews.

3.1.2 Case study

This study is to find out the situation and suggestion in performance appraisal in Qidi. As a consequence, a case study approach is suitable in this work. A case study means
that the qualitative method is used (George, Bennett, 2005), and it is about the “real life context” (Yin, 2003). More specifically, Yin (Bibd.) argued that case study is that investigating the phenomenon from the reality. In a word, the case study not only requires that evidence and data collections must come from the reality, but also needs a comprehensive observation on the research. Thus, case studies apply a useful and effective method in management research, especially when investigating “Why” and “How” question (Blumberg et al, 2005, p.190).

3.2 Data collection

3.2.1 Primary data

Data can be divided into two categories: primary data and secondary data. Primary data means the researcher gets information directly from the organization (Money, et al., 2000). The source of primary data contains experiment, observations, surveys (questionnaires) and interviews. Primary data is collected for the particular project at hand, which is also its main advantage. It can make the research consistent and objective. (Ghauri, Grönhaug, 2002, p.82) If we do the research on people’s attitudes or buying behavior, only primary data can help us to get assess to the answers. Therefore, we can know the nature behind consumer behavior, problems faced or management decisions in the companies. But something we have to pay attention to are that it can take a long time, and difficult to obtain. In this study, I use the primary data to make the investigation. The primary data are from the interviews.

3.2.2 Secondary data

Secondary data is the data which is written or collected by other people, and it is often for other purposes (Hussey, Hussey, 1997). In another word, if the information has existed, it is secondary data when we use it. General speaking, the source of secondary data includes Internet sites and web pages, government or organization studies and reports, researches of institutions, text books and another published data,
and so on (Ghauri, Grönhaug, 2002, p.77). There are some advantages when using secondary data. For instance, it is available, and then people can get and analyze it. In general, secondary data has high quality. It offers useful information to the researches to make their investigation. On the other hand, for secondary data is not collected by us with the same research problems, maybe the data is not quite suitable for ours. (Blumberg et al, 2005, p.342-343) In this study, I only get limited documents from Qidi because it has not website on the Internet.

3.3 Validity and reliability

Validity involves “the extent to which a test measures what we actually wish to measure”. It concludes three forms, which are content, criterion-related and construct validity. For making a good content validity, the data collection instrument must be adopted correctly and relate to the topic, or use a group of people to make the investigation. A perfect criterion-related validity concludes four qualities, which are relevance, freedom from bias, reliability, and availability. In construct validity, it should be considered the theory and measuring tools. After knowing the theory, the measure instrument can be adopted adequately. (Blumberg et al., 2005) In this study, I choose a case study research. For obtaining the valid data, the interview questions are designed carefully, which relate to the topic of the theories used. Also, I make interviews with six employees in Qidi, and try to get detailed information on it.

Reliability involves the research findings can be repeated by another researcher. It requires the interview questions must be answered in high quality by respondents. (Hair et al., 2007) Thus, it is important for the researches to conduct the interviews in an efficient way. Meanwhile, reliability involves stability, equivalence and internal consistency of the research results. For improving reliability, some methods can be used, such as minimizing external sources of variation, standardizing conditions under which measurement arises. (Blumberg et al., 2005) The research result in my study is based on the collected data. Consequently, in order to make the study as reliable as
possible, I conduct interviews with different persons, most of who are in different sectors. I compared the different opinions of them and developed this investigation.

3.4 Progress of the study

This study explores the situation in performance appraisal in Qidi. Thus, I adopt the qualitative and case study methods to investigate. The secondary data comes from printed documents of Qidi. The primary data is collected from six interviews. In order to avoid bias, I interview both a manager and five employees in Qid.

Specifically, with the help of my supervisor, I design two different pieces of interview questions which covered the same topic (performance appraisal management) for them (See appendix). One piece is for the manager, and the other is for the five employees. For obtaining objective information, the five employees are chosen from different departments in Qidi. In detail, the manager names Feng Li, who is in the operation department. He has worked in Qidi for seven years. The others are Hui Lin, Kang Chen, Sidi Wu, Xiaoyong Li, and Ming Ye. Hui Lin also works in operation department for three years. Kang Chen is in procurement division, and he is in Qidi for four years. Sidi Wu began his work in back-end sector in 2006. Xiaoyong Li works for production since 2007. Ming Ye is in finance department for four years. These interviews are carried out on the middle of May, 2010. Due to that all of them are in China, I make telephone interviews with them.

After the interviews, I review six interviewees’ words and select the useful data. Finally, I translate it into English and present it in the paper.

For analyzing the data, I make a comparison with the information from the six people to see what the differences are in performance appraisal. Meanwhile, I compare it with the theories, and try to explore what the situation is in performance appraisal in Qidi, and suggest how Qidi should deal with it in the future.
Summary

In this study, qualitative and case study approaches are adopted. I conduct in-deep interviews with six persons, most of who are from different sectors in Qidi. These interviews are made in the middle of May by telephone. After collecting the data, I compare the information and the theories, and then explore the situation in performance appraisal in Qidi and in what way Qidi should go in the future.
4. Empirical findings

The empirical findings include the presentation of Qidi, and the presentation of selected information from six persons in Qidi.

4.1 Presentation of Qidi Biochemistry Perfume Co., Ltd

(Qidi, 2010)

Guangdong Qidi Biochemistry Perfume Co., Ltd is a private company in China. There are about 100 employees in this company. It was established in 1997. It offers tobacco essence to all kinds of tobacco factories in China. Its business concept is to keep quality and consumers first. Therefore, it works hard with the quality control all the time. It has passed ISO900: 2000 International Quality System Certificate so that it creates a good brand image. Meanwhile, its tobacco essence has a special and comfortable perfume, which is favored by many consumers. Qidi has a range of advanced technical equipments. This helps it to manufacture and select good products. One of competitive advantages in Qidi is that it has many scientific researchers. They always concern on technical innovation. They persistently work with improving and exploring products. As a consequence, Qidi produces many kinds of tobacco essence products with unique perfume. At the same time, Qidi has a strong team to work for the sales and market. These market and sales talents create a great deal of profits for Qidi. In 2007, for improving employees’ working performance, Qidi adopted performance appraisal institution to manage all employees. In the following, the situations of performance appraisal management in Qidi will be shown specifically.

4.2 Presentation of interview information from six persons

4.2.1 Information from operation manager, Li

The manager I interviewed names Feng Li, he works in operation department for seven years. He mentions the performance appraisal works well in his department.
The performance appraisal system includes goal setting, performance assessment, discussions and training, and rewards. The general information is shown in figure 5. Li says Qidi requires the employees setting their objectives at the beginning of the year, and then assesses their performance according to their setting goals at the end of the year. The goal setting is based on different job positions and the abilities of employee. That means different employees should set different goals according to their abilities even if they are in the same department. For example, in his department, he knows his subordinates’ characters and abilities well. Thus, he divides different tasks to them and requires them setting goals that are corresponding with their capabilities.

He states the method of appraisal is the management-by-objective in operation department. The appraisal information is often obtained from supervisor (him) and self-appraiser (subordinates). He explains that at the end of the year, Qidi offers appraisal forms to him and his subordinates. The forms include the appraisal of employee’s performance and work attitude. Li and his subordinates must fill in the forms according to the truth.

He often has a meeting to discuss with his employees after assessment. In the meeting, they discuss why a good performance happens and not happens, what problems they meet, and how to improve next. After meeting, Qidi will set training programs to those lacks of ability or knowledge; such offering lectures, and coaching them.

Li claims employees will get financial rewards or other nonfinancial rewards such as career development if they achieve a good performance in his operation department. If they do not achieve a good performance, they will be asked to follow the good examples. But they will not get any special punishments. Mostly, he only criticizes employees when they make a mistake or bad performance. When asked whether the rewards are given fairly, he says that it is fair in general. He emphasized the rewards distributions are base on employee’s performance.
**Figure 4**

<table>
<thead>
<tr>
<th>Process</th>
<th>Operation department, Manager, Li</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal setting</td>
<td>Set their objectives at the beginning of the year, based on employees’ abilities</td>
</tr>
<tr>
<td>Assessment</td>
<td>The MBO tool, supervisor and self-appraisal methods, forms filling.</td>
</tr>
<tr>
<td>Discussions</td>
<td>Have a meeting; discuss what needs to improve, and how to improve it.</td>
</tr>
<tr>
<td>Training</td>
<td>Set training programs, coach and give lectures to employees</td>
</tr>
<tr>
<td>Rewards</td>
<td>Rewards are given fairly and based on performance, but seldom punish employees.</td>
</tr>
</tbody>
</table>

Li thinks it helps all employees to maintain a good cooperation if they have a good relationship with each other. But if guanxi can not develop its active function, it will lead to a subjective result in performance appraisal. He mentions this hardly happens in his department. He evaluates his subordinates according their daily performance. Thereby, guanxi can not make a negative function in appraisal process.

### 4.2.2 Information from Lin

Lin, who is also in operation department, says performance appraisal management helps to develop his ability. There are five steps in the system, which are goal setting, assessment, discussion and interview, training, and rewards. The general information is shown in figure 6. Though the assessment is operated in the end of year, they must specify their goals into a quarter of a year, a month, and a day. It helps him clearly understand his objective. Meanwhile, he is not allowed to set a goal which is easy to achieve. The goal setting must base on his ability. In assessment, he is assessed by his manager and himself. At the end of the year, his manager and he will fill in some forms, which are considered as the source of assessment. After that, manager often discusses with him. Sometimes manager interviews with him, and coaches him how to improve their skill. If needed, his manager will suggest what training programs he
need, and offers the programs to him. For example, he was sent to another company (Qidi’s partner) to study.

However, Lin does not think the rewards are given equally in operation department. He takes an example. A and B worked together for a task. A put more efforts and energies than B. Finally, when they completed the task successfully, B got financial rewards while A got nothing. The reason is that B often talks to the manager that what works he had done, how hard he worked, though B did less or nothing actually. In the long run, the manager believed him and thought B was the person who contributed to the work, and A only played a little function in this aspect. As a result, B was rewarded while A was granted nothing. Lin says that this frequently happens in Qidi.

**Figure 5**

<table>
<thead>
<tr>
<th>Performance appraisal condition</th>
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</thead>
<tbody>
<tr>
<td><strong>Process</strong></td>
</tr>
<tr>
<td>Goal setting</td>
</tr>
<tr>
<td>Assessment</td>
</tr>
<tr>
<td>Discussions</td>
</tr>
<tr>
<td>Training</td>
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<tr>
<td>Rewards</td>
</tr>
</tbody>
</table>

Both Li and Lin are in the same department. Li thinks guanxi does not create a harmful function in performance appraisal. But on the other hand, Lin says guanxi results in an unfair situation in appraisal. Employees who have a good relationship with manager get more opportunities to obtain a good result in appraisal.

**4.2.3 Information from Xiaoyong Li**

Xiaoyong Li, who is in production department, mentions performance appraisal is not
so formal in his sector. Figure 7 shows the general information from him. Manager does not require setting goals. Thus, he only works by following the order and task. His daily attendance and performance are recorded, which are the source of manager’s assessment. At the end of each month, manager assesses his performance according their records. If employees have a bad performance in his department, manager and some technology employees often discuss with them and help to find the reasons of it. They also set training programs to those lacks of technology ability. Sometimes, they send employees to the school to do further study. In his department, technology is the key. Thus, they emphasize developing employee’s skills.

Li thinks it is easy for the manager to assess his performance due to that his daily performance is recorded. If he is absent or has weak performance, he will be punished by a reducing in the salary or criticized. If he has a good performance, he can get more rewards. He argues rewards and punishments are given unfairly. People who have guanxi are treated more preferentially than other ordinary employees. Qidi hardly establishes a formal system to supervise the result of performance appraisal. Thus, it leads to problems (such as reward unfairly) in performance appraisal. He thinks rewards are given to motivate employees’ good performance. But if they are given unfairly, it will reduce the activities of employees.

**Figure 6**

<table>
<thead>
<tr>
<th>Performance appraisal condition</th>
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<tbody>
<tr>
<td><strong>Process</strong></td>
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<tr>
<td>Assessment</td>
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<tr>
<td>Discussions</td>
</tr>
<tr>
<td>Training</td>
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<tr>
<td>Rewards</td>
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</tbody>
</table>

Li argues people who have guanxi get more preferential treatments in performance
appraisal. He thinks guanxi does affect the performance appraisal in his sector. His daily performance is recorded. Thus, manager knows his work performance and gives the corresponding result to him. But if a person who has guanxi with him or the boss, he frequently makes a good result for him or her even if he or she works inefficiently in reality. This is not fair for those who work hard.

4.2.4 Information from Wu

Wu works in back-end sector. He thinks there is not performance appraisal management in his sector. Though Qidi has this regulation, it seldom forces his department to perform it. Thus, performance appraisal plays no functions in his sector. For this reason, he can not offer useful information about performance appraisal management. He mentions his company often regulates important rules, but it hardly performs these successfully. It has not a good control system and seldom supervises various activities.

He says his manager discusses with him about how to improve his performance sometimes. When being asked whether Qidi offers some training programs and rewards to contribute to the improvement, he thinks Qidi hardly provide training programs to him. Meanwhile, he emphasizes the reward and punishment system is not fair in Qidi. Guanxi is often the main factor that leads to the unfair situation. He gives me an example. Suppose A has a good relationship (such as the relatives or friends) with the manager. Though A and B make the same mistake which hurts the benefit of the company, A may be only criticized while B must be fired.

4.2.5 Information from Chen

Chen works in procurement sector. The general information from him is shown in figure 8. He thinks performance appraisal is only a kind of formalization. There is not any specific performance appraisal standard in his sector. He was assessed by his
manager through filling forms. But he is seldom told about the appraisal information after assessment. He does not know how the manager gives scores to him. His manager hardly discusses with employees about their performance. The discussion meeting will not be held unless serious performances or matters happen. Employees in his department are infrequently granted training.

He thinks Qidi seldom punishes employees formally when they make a mistake. Formal punishments are only given when a serious matter happens. Rewards are given unfairly. Rewards distributions are based on manager’s favor.

**Figure 7**

<table>
<thead>
<tr>
<th>Process</th>
<th>Performance appraisal condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement department, Chen</td>
<td></td>
</tr>
<tr>
<td>Assessment</td>
<td>Supervisor assesses employees by filling forms</td>
</tr>
<tr>
<td>Discussions</td>
<td>A discussion is only held when a serious matter or performance happens</td>
</tr>
<tr>
<td>Training</td>
<td>Seldom train employees</td>
</tr>
<tr>
<td>Rewards</td>
<td>Rewards are given unfairly; formal punishments are only given when a serious matter happens.</td>
</tr>
</tbody>
</table>

He also thinks guanxi results in a serious situation in performance appraisal. Everyone knows the importance of guanxi. Thus, at the end of each year, for getting rewards after the assessment, many people work hard with making a close relationship with manager. This has formed a habit and hurt the firm strongly.

**4.2.6 Information from Ye**

Ye has similar opinion with Chen. That is, performance appraisal is a kind of formalization. It is shown the general information in Figure 9. Though her manager evaluates her though form-filling, he only assesses her according to his impression and favor, not the truth. In performance appraisal, she is not required setting goals. Thus, she is unclear with her objective. She often follows the order and tries her best
to complete the task.

After assessment, her manager discusses with her sometimes. In the discussion, she has fewer opportunities to communicate with her manager. Mostly, the only thing she could do is to listen to the manager. She told that manager scarcely offer training programs to her. The reward and punishment system is not fair in Qidi. After being asked how the organization punishes employees, she said that there are mainly four principles in punishment. If the employee makes small mistakes, they are only criticized. But if the mistakes are serious, she or he will be reduced rewards. On the other hand, if someone pursues individual benefit so that hurts the organization, the boss will seldom give development opportunities to them. If the result is serious, the boss will reduce their rewards and let them out of the company if necessary. However, she never saw the key employees (such as managers) were punished formally when they made a serious mistake. The boss only criticized them. But on the other hand, if the ordinary employee made a serious mistake, they would be punished much more strictly than the key employees.

**Figure 8**

<table>
<thead>
<tr>
<th>Performance appraisal condition</th>
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</thead>
<tbody>
<tr>
<td><strong>Process</strong></td>
</tr>
<tr>
<td>Assessment</td>
</tr>
<tr>
<td>Discussions</td>
</tr>
<tr>
<td>Training</td>
</tr>
<tr>
<td>Rewards</td>
</tr>
</tbody>
</table>

She complains because the managers often bias those people who have guanxi with them. They offer many development opportunities to them, but seldom offer to those who have not guanxi with them.
5. Analytical Discussion

In this chapter, I make a critical analysis according to the theory and the findings, and discuss the aspects of performance appraisal in this study.

5.1 Comparisons of interview information from six persons

Goal setting
From the interview information, it is obviously that only the operation department requires employees to set goals, while the other sectors do not. Some of them only work though following the orders. Especially, the back-end sector does not perform any performance appraisal management.

Performance appraisal
The operation sector provides the MBO tool, and combines two kinds of methods to assess employees’ performance. However, the production, procurement and finance sectors only use one method in appraisal. They do not adopt any tools to assess employees. Wu’s department performs nothing in appraisal. He mentions there is not any formal control system to supervise all operations in Qidi.

Discussion
The operation sector often discusses with employees and help them how to improve their performance in the future. Production sector also highlights discussions. They frequently discuss with employees and help them to find the reason of a bad performance. However, in back-end sector, manager discusses with them sometimes. Procurement department does not emphasize discussion. A discussion will not be held unless a serious matter happens. Chen says he hardly knows how his manager scores him in appraisal. In Ye’s department, manager seldom cares what employees’ thinks in the discussion. He hardly listens to employees.

Training and development
Both operation and production sectors highlight training and developing employees’
skills. They often give lectures to employees, or send them to another company or school to do further study. But the others seldom offer training programs to workers.

**Rewards and punishments**

The manager in operation department thinks rewards are given fairly in his sector. This is because it is based on employees’ performance. However, Lin, who is in the same operation as the manager, says one’s good performance is often robbed by another so that the rewards given are not equal. The other five employees also argue rewards and punishments are given unfairly. They show key employees and individuals who have guanxi with managers or boss often get more preferentially than ordinary employees.

**Guanxi in performance appraisal**

The manager in operation department thinks guanxi does not create a harmful function in performance appraisal, while his subordinate (Lin) mentions guanxi leads to unfairness. He thinks individuals who have a good relationship with his manager obtain more opportunities to achieve a good result in appraisal. The other four employees also think guanxi influences the result of appraisal seriously. In production department, Li mentions his manager often gives a good result to those persons who have guanxi with the boss or managers, even though they work inefficiently. Wu and Chen think guanxi results in an unfair situation. Chen emphasizes for everyone knows the significance of guanxi, many people work hard with creating a close relationship with managers. This hurts the organization powerfully.

**5.2 Discussions on Qidi’s performance appraisal**

**5.2.1 Qidi’s performance appraisal process**

Stone’s (2005) performance appraisal model presents the importance of goal setting, performance appraisal, discussion, rewards, and training development. These five factors are considered as an entirety. That is, it can not lack of each of them. However,
in Qidi, some sectors do not set goals, make discussions, offer training programs to employees, or suitable reward and punishment system in performance appraisal process. Stone (2005) thinks goal establishment helps employees to improve and get a higher performance. Without goals setting, employees do not know their work direction and objective. If they only work by following managers’ order, they will seem to be a machine. That is, if the machine is touched, it will run. Or it will stop there all the time. Furthermore, some sectors have not any appraisal tools to assess employees. And there is only one rater who assesses employees’ performance in these sectors. According to DeNisi and Griffin (2005), it is easy to subject weaknesses if there is not more than one rater in appraisal. Thus, these sectors are easy to encounter subjective results in appraisal. Meanwhile, managers seldom discuss with employees or set training programs to them. Stone (2005) mentions discussion and training play a key role to enhance employees’ skills in appraisal. Without these, employees can not improve their performance well. Besides, the rewards and punishments are also given unfairly, which must reduce employees’ work attitude. These factors lead to an inefficient result in appraisal in Qidi.

5.2.2 Guanxi’s effects in performance appraisal in Qidi

Farh et al (1998) suggest guanxi means a person has a relationship with others. More importantly, it means individuals have the responsibility to help others who have guanxi with them. Thereby, if individual need help, their friends will think they have the obligations to give favors to them. Cheng (1995) thinks employees are treated according to their relationship with managers. That means individuals who have guanxi with managers obtain more preferentially than others. In Qidi, some managers also like this. They often assess their employees according to guanxi. They give a good result to those persons who have guanxi with them, even though they work inefficiently. When assessing individuals who have not guanxi with them, they can keep objective. For different treatments, employees who have not guanxi with managers feel unfairly. This reduces employees’ work activities in Qidi. It also makes
them work hard with creating guanxi instead of improving their performance. They know if they have guanxi with managers, they will get a good result and reward though they do not have a good performance. This hurts the development of Qidi strongly.

5.2.3 Complements on performance appraisal in Qidi

An appeal system is important in performance appraisal. If employees are not satisfied with the result of performance appraisal, they can follow the appeal system to communicate with their managers or the organization well. But Qidi has not this system. Employees have not any channel to strive for their rights in performance appraisal. This increases the negative influence of guanxi. Furthermore, there are not any control systems for performance appraisal in Qidi. A control system helps organizations to limit the accumulation of error and deal with organizational complexity. Without controlling, performance appraisal management is not able to work efficiently, no matter how well this system is. For this reason, Qidi’s performance appraisal system is not performed well in all sectors. Finally, transparency is an important part in performance appraisal. If the process of managers’ assessment is not transparent, it causes problems. For example, managers may easily score a good result when assessing some employees, even though these employees work incompetently. In Qidi, the performance appraisal process is not transparent. Some employees do not know how managers score them. This provides an opportunity for managers to assess employees according to their favor.

5.3 Problems in Qidi’s performance appraisal

After the discussions, I found out there are problems in appraisal in Qidi.

Firstly, the whole performance appraisal system is not standard in Qidi. For example, in some sectors, they have not set any goals or appraisal tools in the process. There is only one rater who assesses employees’ performance. Meanwhile, managers seldom discuss with employees or set training programs to them. Finally, the rewards and
punishments are given unfairly.

Secondly, guanxi plays a harmful role in performance appraisal. Guanxi not only leads to unfairness in appraisal, but also makes people work hard with creating guanxi with leaders.

Furthermore, there is not any appeal institution in performance appraisal. Qidi has not any channel for appeal to managers or organization if they are unsatisfied with the result of appraisal.

Fourthly, Qidi has not established a formal control system to supervise the appraisal process in the whole organization. In Qidi, it is found out that different departments have different attitudes on performance appraisal. That is, some managers support performance appraisal management while some do not. Without supervising, some managers do not perform the rules well.

Finally, the appraisal process is not so transparent in Qidi. Not everyone knows how managers score them concretely in this process. This offers lots of space for managers to assess employees according to their favor.

**Summary**

In this part, after comparing the interview information from six persons in Qidi, I discussed the operations of performance appraisal, and found problems in appraisal in Qidi. These problems are as follows.

1. The whole performance appraisal system is not standard in Qidi.
2. Guanxi plays a harmful role in performance appraisal.
3. There is not any appeal institution in performance appraisal.
4. Qidi has not created a formal control system to supervise the appraisal process.
5. The appraisal process is not so transparent in Qidi.
6. Conclusion

In this chapter, the answers to research questions are given specifically. A critical reflection on the study and suggestions for further studies are also presented.

6.1 Answers to research questions

1. What is the situation in performance appraisal in Qidi?

In this study, it is found that Qidi encounters problems in performance appraisal. First, the whole appraisal system is not standard in Qidi. It lacks of a clear objective, proper appraisal tools, plenty raters, sufficient discussion and training, and a suitable reward and punishment system in some sectors. Specifically, operation department performs well in performance appraisal. Employees in this department are required setting a clear goal according to their ability. They combine two appraisal methods to assess performance. Meanwhile, the discussion and training process work well in this sector. However, other sectors do not require employees setting a clear and suitable goal in performance appraisal. They only use one appraisal tool (supervisor method) to assess employees’ performance. Though they also discuss with employees sometimes, it is not enough. Some managers seldom listen to the employees in the discussions. Also, they hardly set some programs to those employees who really need. More importantly, the reward and punishment system is not performed well in Qidi.

Secondly, guanxi plays a harmful role in performance appraisal. It influences managers’ decision and leads to the subjective result. Furthermore, there is not any appeal institution or formal control system in appraisal process. Finally, the assessment process is not so transparent in Qidi.

In conclusion, these factors influence the result of performance appraisal and make it go in an inefficient way. If nothing changes in performance appraisal in Qidi, performance appraisal system has no functions, let alone improving employees’ performance. Thus, it is essential for Qidi to develop its performance appraisal
2. How should Qidi deal with the situation?

Firstly, Qidi must create an efficient performance appraisal system, which includes goal setting, performance appraisal, discussion, training and development, reward and punishment, and appeal. These six steps must be considered as an entirety. Qidi can not neglect each of them in appraisal process. Qidi should require employees to set goals according to their ability, which also supports the department and corporate goals. Meanwhile, it is better to combine more than one rater to assess employees, and select suitable appraisal tools. Also, Qidi should train the appraisers to reduce the errors in performance appraisal. Managers should keep communications with employees, and provide feedback to them. Before discussions, managers should review employees’ job goal and performance, and list important points which will be discussed. In the interview, they should encourage employees to talk what problems they have and their ideas about the future work. It also needs to offer training programs (such as job rotation, assistant-to positions, committee assignment, lecture courses and seminars) to them if they need. More importantly, they must create a suitable reward and punishment system to increase employees’ work activities and performance. Finally, it must create the appeal system, which helps employees have the rights to appeal to managers or the organization.

Furthermore, Qidi should establish a formal control system to supervise the operations of performance appraisal. With a control, managers and all employees will have the motivations to support and perform appraisal process well. It also helps Qidi limit its error and deal with complex situations (such as guanxi) in appraisal process.

Finally, the appraisal process should be transparent. In this way, Qidi and all employees will know the appraisal operations clearly. It not only helps Qidi and employees to find out the problems in this process, but also reduces the negative influence of subjective factors (such as guanxi).
In a word, Qidi’s performance appraisal system should conclude goal setting, performance appraisal, discussion, training and development, reward and punishment, appeal. Meanwhile, in each step, it should keep transparency, and it must be controlled and supervised by the organization. This not only enhances the validity of result in performance appraisal, but also reduces the negative influence of guanxi in human resource management.

6.2 Critical reflection

This study explores the performance appraisal in a Chinese private company. After the discussion, I know what problems Qidi faces in performance appraisal, and how to improve its system.

The work highlights a specific private company so that it does not look on the public ownership enterprises. In data collection, I interviewed six persons in Qidi by telephone. But it will be better to make a questionnaire to more than 20 employees or make face to face interviews. Meanwhile, it will be better if I can conduct more interviews with managers and their subordinates in all sectors in Qidi. This may help me to get detail information and different opinions of different people in performance appraisal so that the findings of this study will be more reliable and valid.

6.3 Suggestions for future study

This study analyses the performance appraisal management in Qidi. It is concluded Qidi must establish a formal appeal and control system to improve its appraisal management. Meanwhile, in the appraisal process, Qidi must make all operations transparent. In this study, I develop a new theory model in performance appraisal, which involves goal setting, performance appraisal, discussion, training and development, reward and punishment, appeal. Also, the whole system needs transparency and control in each step. This study highlights performance appraisal and develops an efficient appraisal system. But the research on how to establish
control, appeal and transparent system is limited in this study. Therefore, for further studies, it is important to explore how Qidi can establish the formal appeal and control system, and keep transparency in performance appraisal. This further study may help Qidi or other organizations to improve its performance appraisal system specifically, and make it work professionally.
Reference

Books


Stone, R.J., 2005, Human resource management, John Wiley & Sons Australia, Ltd, the fifth edition, Singapore.


Articles


Comparative Economics, p.1-35.


Appendix

Interview questions

Questions for the manager
1. How does your company evaluate employee performance? Can you describe it?
2. Does performance appraisal improve employee performance in your company? Why or why not?
3. What role does Guanxi play in performance appraisal?
4. How does your company judge a good or weak performance of employee?
5. Does your company meet any problems in performance appraisal?
6. How does your company deal with the problems?
7. Does your company provide feedback to employees? How does it do?
8. What kinds of rewards or punishments does your company offer to employees according to their performance?
9. What does your company do after performance appraisal?
10. What do you think will be important in the future?
11. Do you want to add something more in performance appraisal?
Questions for the employees

1. How does your company evaluate your performance? Can you describe it?

2. Do you think performance appraisal can help you to improve your performance? Why or why not?

3. What role does Guanxi play in performance appraisal?

4. Do you know what a good performance is? How to achieve it?

5. Are there any problems in performance appraisal?

6. How does your manager deal with the problems? In what ways do you think is useful to solve the problems?

7. Does your manager provide feedback and communicate with you? How do they do?

8. What kinds of rewards or punishments do you obtain according to your performance?

9. What does your company do after evaluating your performance?

10. What do you think is important in performance appraisal in the future?

11. Do you have any ideas about improving performance appraisal?