Performance Management in China: In Pursuit of Accountability and Legitimacy

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ABSTRACT: As in many other countries, performance management has received wide attention in China, in order to increase government efficiency and accountability. However, agency-level performance management reforms have been overlooked in the existing literature. By investigating a provincial departmental performance reform case, this article reveals that the latest development of China’s performance management reform has become increasingly technical, with consideration for both political legitimacy and management efficiency. However, significant challenges remain before such efforts can fundamentally improve government accountability.

KEYWORDS: performance management, accountability, legitimacy, reform
Introduction

Performance management has been considered a mechanism to attain accountability of governments through a wide range of methods, including holding bureaucrats more accountable, improving internal management efficiency, enhancing government effectiveness, and increasing government’s responsiveness to citizens (Behn, 2003; de Lancer Julnes, 2009; Moynihan, 2008; OECD, 2005; Schmidle, 2011). As in many other countries, performance management has received wide attention in China, in order to increase government’s management efficiency and political accountability. In practice, performance management has been used for both general governments and individual agencies. Most existing literature studying China’s performance management reform has been focused on general government practices (see, for example, Chan & Gao, 2009; Gao, 2009, 2010; Walker & Wu, 2010). It has been argued that given China’s political and administrative system, China’s performance management reform has been utilized as an instrument for building state capacity, ensuring policy compliance, and enforcing top-down inter-governmental political control (Collins & Chan, 2009; Gao, 2009; Burns & Zhou, 2010). However, such arguments tend to be more valid in light of performance evaluation and management of general-purpose government than that of individual agencies. In fact, performance management of government agencies, in particular provincial level departments, has been largely ignored in the literature. Moreover, most existing literature on China’s performance management reform has been focused on studying written policies and regulations, with
inadequate attention paid to the process of making these policies and regulations and key stakeholders involved in the process.

As stressed by Moynihan (2008) “while there is promise in the future of performance management, its potential will best be achieved if governments rethink what it means, offer realistic expectations rather than hyperbole, and focus on the agency level factors that induce performance success rather than government wide systems” (p. 189). This article argues that department-level agencies need to be specifically examined in order to discern their political and technical consideration when designing and implementing performance management systems. The remainder of this article will first provide a review of the existing literature on performance management reform and development in China. The case of Department of Ocean and Fisheries of Hainan Province (DOFHP)’s performance management reform will be introduced and analyzed. Findings from this case will then be discussed in the broader context of Chinese government reform before concluding thoughts are given.

**Literature Review**

Performance management has been considered an integral part of administrative reforms in China since the 1980s. Administrative reforms in China have long been centered on structural changes, as demonstrated by the six rounds of large-scale reorganization from 1982 to 2008, all of which were initiated by the central authority and implemented in a top-down manner (Dong, Christensen, and Painter, 2009; Burns
and Zhou, 2010). Using Moore’s (1995) terminology of managing upward, downward, and outward, Walker and Wu (2010) describe how performance management in China is used across all these directions—“upward from the bureaucracy to provide information to politicians, who in turn use it downward to hold officials to account; it is also used outward to permit citizens to question politicians and their servants” (p. 368-378). The structure of Chinese government means that “performance management is concerned not only with service performance but also with maintaining a stable, harmonious society and promoting economic and sustainable development” (Walker & Wu, 2010, p. 378). The central government translates its macro reform goals into specific policy objectives and assigns the objectives downward through the administrative hierarchy. These objectives are then converted to a variety of prioritized performance targets for local governments and officials to achieve.

In the last ten years, studies have been conducted to trace the historical evolution and latest development of performance management reforms in China. Scholars in mainland China also joined the international discussion on this important matter (Ni, 2008; Ni and Yu, 2009). However, the views have been highly divided. One group of scholars (for example, Chou, 2008; Christensen, Dong, & Painter, 2008; Caulfield, 2006) find that China’s administrative reform, in particular performance management, is keeping with international practices and in line with the effort to build a more citizen-oriented government. Others (for example, Chan & Gao, 2009; Gao, 2010) argue that performance management in China is primarily intended to enhance the legitimacy
and control of Chinese governments, with limited concern for accountability or citizen satisfaction. One way to reinforce the political control from central government to local government is by implementing the so-called “target-based responsibility system” (Chan & Gao, 2008) or “objective responsibility system” (Burns & Zhou, 2010). Both terms refer to a system where central government conveys strong administrative orders by establishing performance contracts with local (county or township) governments and holds local officials accountable for the accomplishment of the established targets (mu biao ze ren zhi). Such mission-based, sophisticated quantified performance measures typically include the functions of economic development (e.g. attracting foreign investments, sustaining a high rate of economic growth, etc.), public service provision (e.g., vaccination rate, mandatory education, etc.), and important social goals (e.g., family planning, social welfare, etc.). With performance contracts signed between senior and subordinate government organizations, governments are ranked by their actual performance achievements at the annual performance reviews, the results of which significantly determine the promotion potential of local officials (Chan & Gao, 2008, 2009). The hierarchical nature of government means that performance management is “used chiefly to ensure that local officials comply with higher-level policy priorities” and that “by binding local officials’ target accomplishments to their career future the target-based responsibility system guarantees that local officials will follow the directives that come down from above” (Chan & Gao, 2008, p. 8).

Some performance measures, such as family planning, production safety, basic
welfare, and social stability, are considered “political tasks” rather than managerial functions. These tasks are given a “veto power” and possible failure of these measures would mean that local officials had failed to achieve this priority target and are less likely to have a bright career future. Thus, with clearly stipulated and measurable indicators, local officials have to make great efforts to accomplish the specified policy goals, in many instances, at the stake of other goals. Data manipulation, action distortion, and short-sighted policies may become the outcome of such an ‘accountability paradox,’ in which enhanced accountability tends to hinder the improvement of government productivity and long-term development goals. The implementation of such a target-based responsibility system raises the concern of “what gets measured gets done” and risks boosting the short term accountability of public employees while undermining the long term productivity of government agencies (Chan & Gao, 2009).

In addition to these mission-based measures, non-mission-based targets were also identified in local government performance contracts. Such non-mission-based targets typically include (1) politics-oriented tasks that are mainly concerned with building the image as well as the capacity of the ruling party itself, such as recruiting new party members, constructing the party leadership corps, and conducting ideological education among the public; (2) crucial national and local policies that promote a healthy, secure, and harmonious society, such as promoting spiritual civilization, enhancing production safety, and ensuring energy efficiency (Gao, 2010).
In general, the findings of these studies point to the fact that such implementations make performance management in China at the risk of being implied as a tool for political control, building legitimacy, or just following western ideas without meaningful outcomes and put serious doubt in the future of performance management in China. However, it must be said that most of the above-mentioned studies focus on performance management and evaluation in one locality, taking the general government as a whole or evaluating all agencies within a locality. There have been very few studies looking at agency-level performance reforms. Chan & Gao (2008) collectively examined performance contracts from organizations in different functional systems in Zhouzhi county in the inland Xi’an Municipality in Shaanxi province. But all the performance contracts were still issued by the county government as policy directives for local agencies. They were not internally-initiated, designed, implemented, and monitored performance systems. Dai and Teng (2008) accessed the performance evaluation system of Hangzhou, with performance indicators established and implemented by city government. Liu (1995) and Chen, Li, and Zhou (2005) respectively focus on one segment (state-owned enterprises) of the performance management system, but the research objects were not government agencies.

This article argues that individual government agencies differ from general-purpose governments in the following ways and should be examined more carefully in order to understand performance management reform and innovation in China. First, individual government agencies face narrower performance targets and more identifiable service
clientele than general-purpose governments. Individual government agencies can tailor more technical advanced performance management systems. For example, management tools such as strategic management, total quality management, and quality accreditation (e.g. ISO 9000), as well as newly emerging techniques like best practice benchmarking, business process re-engineering (BPR), Plan-Do-Check-Action (PDCA), Balanced Score-Card (BSC), etc. have been widely used in agencies in different countries, aiming at enhancing service quality and customer satisfaction (Burns & Zhou, 2010).

Second, individual government agencies tend to have more autonomy to initiate, design, and implement sophisticated performance management systems because their operations are not under as carefully scrutiny as general-purpose governments. As long as their performance measures are in line with the general social and economic development goals, individual government agencies can act more like business-run organizations in managing performance.

Third, individual government agencies are more likely to engage external or international participants in the design and implementation of their performance management systems. Therefore this article intends to fill the current gap in the literature by studying a typical case of a provincial level department, which initiated, designed, and implemented a highly advanced performance management system with a diverse group of actors participating in the development of this system. The reason this case study was chosen is because it is both a pilot program supported by the World Bank’s Technical Assistance Program and a bottom-up, comprehensive revamping of
department-level administration by adopting systematic performance management measures, with the help of several other supporting programs. Three main research questions will be addressed: (1) how does such a project’s nature and development reflect the most recent department-level performance management reform and how are its drives different from general-purpose government reforms in China? (2) Which parties are involved in the development of such a system and how do they interact? (3) How would this case shed light on the latest performance management reform in China?

The Case Study

In order the answer the above research questions, a case study approach is applied. According to Yin (2009), there are five major qualitative research methods: experiment, survey, archival analysis, history, and case study. Each method has its strengths and weakness depending upon the nature of the research questions. The case study method has the advantage of addressing “how” and “why” inquiries. The research questions raised in this study primarily concern the “how” question and intend to inquire into the “why” question behind such phenomena. Therefore, a case study approach is appropriate. Yin (2009) further presents that six sources of evidence, including documentation, archival records, interviews, direct observation, participant observation, and physical artifacts, can be used as empirical evidence of case studies. This study primarily adopts documentary analysis, participant observation, and archival records as empirical evidence. The following section will introduce the case.
Department of Ocean and Fisheries of Hainan Province (DOFHP) is one of the provincial level agencies in Hainan Province. According to the latest census, the Province of Hainan had a population of 8.67 million in 2010, around 7% of which were employed in fishery-related industries. It is to say that DOFHP serves over 600,000 people in the province, including their fishery-related activities, businesses, training, and administration. DOFHP is responsible for monitoring over 2 million square kilometer of water areas with fishery resources and provides services for fishery industry development in the South China Sea. DOFHP ran a total budget over RMB 25 million in 2012. DOFHP has 12 offices to perform the administrative, functional, and field duties.

DOFHP sought to establish a department-wide performance management system to effectively monitor the operation of the department, enhance operational efficiency, and improve employees’ service capacity. At the individual level, it was expected to formulate an incentive mechanism and make the individual’s objectives consistent with organizational goals. Such a performance management system would enable DOFHP to showcase its engagement in “transitioning from an administration-oriented government to a more service-oriented government” (Department of Ocean and Fisheries of Hainan Province, 2010).

In early 2010, a formal bidding document was promulgated after DOFHP visited several other ocean and fishery agencies in China, including Beijing, Dalian, and Guangdong and officials learned about their performance management development.
Another important factor to make this project possible was that DOFHP successfully applied for and received a generous grant loan from the World Bank’s Technical Assistance Program of China Economic Reform Implementation Project (TCC5) in September 2009. The TCC5 fund aims to significantly increase the adoption and use of sound reform and development strategies, policies and plans in China. Selected projects are expected to promote the implementation of reform and development through institutional capacity building and by addressing specific challenges facing the government at the national and sub-national levels. The project has a strong focus on developing new knowledge as well as on replication and scaling up successful efforts. The total budgets of TCC5 projects in China were US$20 million, with each project awarded a grant loan ranging from US$100,000 to US$300,000 (World Bank, 2006). Governments that receive the funds are expected to provide matching grants to implement the program.

DOFHP intended to use the TCC5 funds and contract out development of a performance management system. A World Bank Project Implementation Office was established under the general office to coordinate the implementation of this program. When DOFHP visited Guangdong province in early 2010, an initial contact was made between DOFHP and the School of Government Sun Yat-sen University (SOG at SYSU). SOG leads public administration research in China and is home to the Center for Chinese Public Administration Research (CCPAR), the only Ministry of Education Key Research Center in this discipline. SOG has a strong performance management
research and practice team, which developed several performance management systems for various local governments and government agencies in Guangdong. A successful bid was submitted by SOG to DOFHP in August 2010. Key elements of the bid include:

1. Establishing a department-wide performance management system to integrate the existing ISO 9000 Quality Control System and to effectively monitor and evaluate the performance of offices and individual employees;

2. Comprehensively implementing the performance management system according to the organizational structure and administrative duties of offices and individual employees within DOFHP;

3. Promoting internal efficiency and external open information operations of DOFHP by integrating the performance management system, the ISO 9000 Quality Control System, and the Office Administration (OA) system;

4. Enhancing the result-oriented management capacity by monitoring and evaluating both key tasks and regular duties of DOFHP.

It is worth noting that key tasks and regular duties are two important components of DOFHP’s operations but they are difficult to measure by the same performance management standard. Key tasks usually include priority projects assigned to DOFHP by national or provincial governments, usually with allocated funding in compliance with financial and budgeting requirements. Regular tasks involve daily operation and management of the department. It is also necessary to develop targeted measurements for different offices and individual employees. SOG’s proposal was accepted and the
contract was signed between DOFHP and the SOG project team in October 2010, starting a two-year project to establish a comprehensive performance management system for DOFHP. The entire project was completed in June 2012. There were four stages during these two years: initiation, design, implementation, and completion. Table 1 lists main activities in each stage.

During the information collection process prior to developing the evaluation plan, the SOG team completed the Questionnaire on Job Description, Survey on Annual Performance Evaluation of Department Administrative Staff, and Responsibility Index of Department Staff to explicitly outline the duties and responsibilities of each office and position. The SOG project team conducted meetings with managers and staff from all levels of the department offices. Officials and experts from state ministries, the provincial government, provincial budgetary office, and key universities were invited to attend the planning meetings.

During the second stage the SOG project team held several rounds of plan revisions and expert review meetings after the initial plan was drafted. After the trial plan was formulated, the SOG project team organized training programs to help enhance staff’s understanding of the trial evaluation plan and related implementation skills. These programs increased staff’s knowledge on the system and related policies, building a solid foundation for the later department-wide implementation.

After the first two stages, the SOG project team was able to develop a “1+4” scheme, which included an Overall Performance Evaluation Plan for Department of
Ocean and Fisheries of Hainan Province, a Detailed Regulation on Performance Evaluation of Regular Tasks, a Detailed Regulation on Performance Evaluation of Key Tasks, a Detailed Regulation on Organizational Performance Evaluation, and a Detailed Regulation on Individual Performance Evaluation. This scheme divided the overall evaluation design to two main categories with four detailed sections. Based on the nature of tasks, the duties are categorized to key tasks and regular tasks. Based on the actor who performs the task, the duties are divided into organizational tasks and individual tasks (Department of Ocean and Fisheries of Hainan Province, 2012).

Using the Detailed Regulation on Performance Evaluation of Key Tasks as an example, a total score of 100 is divided to four primary indicators, including input, activities, output, and outcome, which count for 20%, 30%, 20%, and 30% of the total score, respectively. Each primary indicator is further composed of several secondary indicators, with score values given to each secondary indicator. The indicators are measured by operationalized measurements, with detailed instructions given to each measurement. The score of all measurements are then added up to compose a “raw score” for a key task. Adjustment coefficients are then given to calculate the final score, taking into account the source and type of the key task. For example, a coefficient of 110% will be given if the task is ordered by the core provincial department or even national ministries or is rated as a prioritized task by the senior government.

Similar indicators and measurements are designed to evaluate regular tasks, according to the Plan-Do-Check-Act (PDCA) process control model. Both key and
regular tasks are evaluated by a quarterly self-evaluation, mid-year evaluation, and year-end review procedure.

The evaluation of individual tasks basically follows the performance appraisal scheme to evaluate civil servants and adopts a Key Performance Indicator (KPI) approach. Five main performance indicators are evaluated, including virtue (de), ability (neng), diligence (qin), achievement (ji), and freedom from corruption (lian). The indicator of virtue (de) and freedom from corruption (lian) are evaluated by a qualitative questionnaire designed by the SOG project team on a reverse-selection basis. The addition of freedom from corruption (lian) to the traditional four-indicator scheme (see, for example, Chou, 2005) reflects the latest development of anti-corruption campaign in Chinese government. The remaining three indicators of ability (neng), diligence (qin), and achievement (ji) are given a 20%, 30%, and 50% values out of a total score of 100. Quantified measurements are developed for each indicator. For example, diligence (qin) is measured by checking the attendance record. Each occurrence of lateness will deduct 3 points from the total diligence (qin) score. The indicator of ability (neng) is measured by not only the performance on duty but also the frequency of attending training programs to improve professional skills. The indicator of achievement (ji) is based on the four-level scale of outstanding, competent, basically competent, and incompetent ratings, in compliance with the Chinese Civil Servant Law.

Burns and Wang (2010) find that performance appraisals of civil servants in China are conducted in a highly pro forma manner. For example, civil service regulations
permitted no more than 15% of civil servants to be rated as “outstanding”, which tend to be strictly followed in practice. Officially, two consecutive “incompetent” ratings should lead to dismissal according to Article 83 of the Chinese Civil Servant Law. Being rated “basically competent” would lead to reduced annual bonuses for an individual civil servant. Although the measurement scheme developed in this case tries to avoid any invalid ratings, the phenomena Burns and Zhou (2010) describe where classification of individual performance has turned the official four-grade system into a *de facto* two-grade classification, with over 99% of civil servants being rated “outstanding” and “competent” and thus receiving a bonus and pay hike (Burns and Zhou, 2010, p. 8) may be likely to remain. The individual tasks review is conducted monthly, by self-evaluation and supervisor review.

It is realized that an individual employee’s achievement, to a great extent, is associated with the organizational advancement. Therefore, a Detailed Regulation on Organizational Performance Evaluation is also put in place by applying the Balanced Score-Card (BSC) approach. Organizational performance is evaluated based on four primary indicators: functional execution, managerial operation, targeted service, and innovation and development, which are given a weight of 35%, 25%, 20%, and 20%, respectively. Similar to the Detailed Regulation on Performance Evaluation of Key Tasks, each primary indicator is further broken down to secondary indicator and operationalized measurements. Detailed instructions are provided to measure the organizational behavior. The evaluation is performed on a quarterly self-evaluation,
mid-year evaluation, and year-end review procedure. At the year-end review, all offices with a top 30% score are awarded an “outstanding” rating. Offices that are not among the top 30% but receive a higher than 60-point score will be rated “qualified”. Offices that scored lower than 60 will be rated “unqualified” and reprimanded. The ratings of an office will have a significant impact on the managers. It is required that if an office receives an “unqualified” rate, its manager cannot receive an “outstanding” individual rating. If an office receives an “outstanding” rating, its manager is automatically recommended for an “outstanding” individual rating. With an organizational “qualified” rating, the manager can be recommended for a “competent” individual rating or above.

Findings and Discussion

As China deepens its administrative reform and strives for more service-oriented government, public organizations at different levels are increasingly paying attention to developing technically sound and managerially effective performance management to addresses both bureaucratic needs and citizen demands. By analyzing the DOFHP’s effort to establish a highly sophisticated performance management system, this case study finds that the advancement of performance management in individual government agencies reflects a more technical nature. Such agencies have more specific functions and duties which allow them to be relatively free of broad socio-economic responsibilities. Their operational capacity allows them to invite experts to join the efforts of improving performance evaluation and managerial efficiency. In the DOFHP
case, domestic and international technical partners, such as the World Bank and two key universities in China, assumed an important role in providing the department with leading performance ideologies and models. DOFHP was able to allocate ample financial resources to develop a state-of-art performance management system, with the integration of the ISO 9000 quality control and the Office Administration (OA) systems.

The involvement of universities as technical partners in this process is worth further examination. On the one hand, universities and research institutions in China have become a major force by participating and assisting in government administrative reforms (Burns & Zhou, 2010; Zhu & Xue, 2007). Universities and institutions introduce the latest international experience in performance management to government and provide expertise in designing innovative policies. As seen in the DOFHP case, two key universities were involved in program design and external evaluations. The SOG team led the DOFHP key leadership staff to an international field trip to Australia and New Zealand, learning about the latest development in performance management. The university team was also able to provide training for the department staff in the trial and implementation stages of the program. However, on the other hand, in many cases university teams were hired as consultants in a performance evaluation. In such an arrangement, the university team becomes an “agent” to implement the goals and objectives of government agencies and is limited in its functions to freely design strict performance evaluation measures. Because of this, although many organizations claim to have developed performance measurement systems, they are often at the risk of being
rather rudimentary, consisting of merely workload and output measures (de Lancer Julnes, 2009).

The implementation of such measures may also create conflicts. As Yang (2011) and Dubnick (2005) point out, conflicts may exist between the two broad purposes of government-wide management reform: internal management (or performance improvement) and external political accountability. On the internal management side, overlapping purposes of improving management efficiency sometimes conflict and often raise tensions. Externally, performance management should provide information through reporting and compliance mechanisms for stakeholders and citizens to hold agencies accountable (Behn, 2003). The DOFHP case shows little effort to make the evaluation outcomes available for the public to monitor the agency’s performance. Several items that were revealed with low credibility scores (Table 2) were unchanged in the final program. It indicates that a seemingly sound system is more likely to serve as the main target of such an effort, rather than a working external control mechanism.

Other performance evaluation efforts in China start to involve more civic engagement. Burns and Zhou (2010) identify two new trends in the past decade. One is “leaning to citizens” in the design of performance indicators, with greater emphasis on social functions and public services. The other is growing citizen involvement in performance measurement, which mainly takes the form of resident satisfaction surveys and public assessment of an objective responsibility system (Burns & Zhou, 2010).

It is fair to say that performance evaluation remains as both a political task and a
management innovation in China. As in the DOFHP case, one of the key objectives of the project is to “fully implement the harmonious society goals of the Hainan province and build a service-oriented government” (Department of Ocean and Fisheries of Hainan Province, 2012). The DOFHP tried very hard to use this project to showcase their achievement in building a more effective and efficient department and to receive favorable commendation from the provincial government. Their effort has been established as a role model for other departments in the province.

Concluding Thoughts

As performance management remains a central concern in the field of public management research and practice, it should be understood within specific political and ideological contexts. Chinese performance management has been used as a strategy to resolve particular problems faced by Chinese reformers at different stages of the reform process. Significant problems exist, such as measurement complexities, possible manipulation of performance results, and the low level of involvement of citizens in monitoring and evaluation (Collins & Chan, 2009). This article tries to fill the gap in the existing literature that largely overlooks agency-level performance management reform efforts. Such reforms in China tend to adopt a highly technical model, as depicted in the DOFHP case. It is found that performance management is being used more strategically to improve government agency’s efficiency, adopting a combination of western models and adapting to the Chinese bureaucratic features. However, the present situation seems
similar to Lagerkvist’s (2005) analysis of China’s e-government movement: “it is hard to avoid the idea that e-government is all about installing a machine that will enhance the productivity of a slow-moving bureaucracy” (p.197). Without adequately addressing the intrinsic technical and political issues of the reform, the goal of applying performance management to build a more accountable government in China will remain as a techno-cadre’s game.

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