Competent Chinese Cats:
Framing Research on the Institutional Effects of the Central Organization Department on
the Competency Assessment of Chinese Executives and Chinese Performance Management
Practices.

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Abstract

“It doesn’t matter if it is a yellow cat or a black cat, a cat that catches mice is a good cat.”

Deng Xiaoping (1962)

This conceptual review paper will present three elements or themes: First, the historically complex and often conflicting value put on cultural, functional and industrial competencies in modern China; second, the assertion that Chinese executive and managerial assessments and career development processes, particularly as practiced by the Central Organization Department (COD) of the Communist Party of China (CPC), are essentially secret, and effectively implicit processes; third, institutional theory applied to international human resource management (IHRM) studies would lead analysts to consider that many firms operating in China – be they State Owned Enterprises (SOE), collectives (so called “red hat” firms with political connections), or private firms (be they “siying” or “minying” (McGregor, 2010: 203)), or even international joint ventures – may to some degree practice implicit performance management practices in accordance with the longstanding approach of the COD. The paper concludes with a series of three observations on the importance of assessing the institutional impact of the COD as well as the complexities of measuring executive competencies across the cultural distance between China and the West.
I Complex Competencies

Research on international executive competencies is divergent and dynamic (Bird et al., 2010). One broad model of competencies associated with transnational strategies is presented by Engle, Mendenhall, Powers and Stedham (2001). Cultural competence – breadth and depth – refers to an understanding of the artifacts, history, heritage, values, beliefs and assumptions operating in the macro culture, in this case an organizational culture (Hofstede, 1980; Schein, 1985). Functional competence – breadth and depth – refers to technical expertise and capabilities inherent in the various functional specializations in a production value chain (Porter, 1985). Product competence – breadth and depth - may be conceptualized on a micro level – an in depth knowledge of the technical capabilities of products and service provided by a firm – or on a more macro level – the industrial wisdom an executive may have in understanding the strategic and competitive dynamics in the steel industry or in the automotive industry (Engle, McGlone & McGlone, 2003).

Cultural competency in China may be tripart: 1) traditional Chinese Confucian cultural values (Roberts, 1998: chapter 4); 2) the cadre instilled values of Chinese Marxism as codified by the CPC (McGregor, 2010: Chapter 3); and 3) an administrative or bureaucratic business culture (Denison, Xin, Guidroz & Zhang, 2011). These disparate perspectives have a long history in China – first the ultimately unsuccessful effort to balance the “ti” (substance or essence) of traditional Chinese learning and the “yong” (function or utility) of Western studies as experienced during the “self strengthening” efforts (led by Li Hongzhang and Feng Guifen of the “Tongzhi Restoration” in the 19th century (Roberts, 1998: 75). The conflict between Western functional competencies and Chinese cultural competencies is also a long standing element in modern Chinese history. Indeed, Mao’s Cultural Revolution and tens of thousands of small iron
smelting furnaces may be seen as symbolic of the tensions between the cultural competencies (Marxist Moist ideological values of cooperation) and the differentiation inherent in the functional competencies (including hierarchies and vertical differentiation) inherent in mass production. Additional tensions between industrial (product competence) knowledge and political stability (cultural competence) have been evident in China for over a half century, and may have prompted Deng Xiaoping’s famous cat quote.

II Implicit Performance Management Systems

Western, particularly U.S. based, human resource researchers and practitioners are cognitively, affectively and economically committed to standardized, formalized, explicit, objective and output based systems of performance management. Engle, Dowling & Festing have presented the idea that a more complete domain for assessing global performance management would consist of a) a horizontal dimension operationalizing performance as person-based input, job-based process, and/or performance as outcome; b) a vertical dimension, distinguishing explicit vs. implicit definitions of performance; and c) a third, “depth” dimension, capturing the degree to which performance is conceptualized as a globally standardized or locally customized construct. (2008). One of the characteristics of the COD is that its deliberations, including assessing managers and executives, are done exclusively in secret (Burns, 1994; Chan, 2004; McGregor, 2010). This closed system of assessment results in decisions (career consequences, promotions, reassignments, etc.) that are reported without comment or justification – effectively an implicit system in Engle et al.’s terms.

A specific example of the impact of this process may be enlightening. In November of 2004

The Central Organization Department had announced without warning a reshuffle of the top executives at China’s three big state-owned telecoms companies, China Mobile, China Unicom and China Telecom. Two of the Chinese companies were listed on overseas exchanges, and another was preparing to sell shares offshore. . . Power was increasingly accruing to the company’s CEOs in a strategic industry with important national security
implications. ‘The view was that we have to keep these ones in a box; we are better off running these companies with politicians and not entrepreneurs,’ said an adviser to the companies. ‘The idea was to break emerging centres of power’.

(McGregor, 2010, pp. 84-86.)

No explanation was given for these actions. One might conclude that this is a case of realigning executive assignments to prioritize political cultural competencies at the expense of administrative corporate competencies (both themselves forms of cultural competencies) as well as prioritizing political cultural competencies at the expense of product competencies. It is interesting to note that the reshuffling of executives was within the critical and rapidly growing Chinese telecom industry (that is all three executives shared industrial competencies). An implicit performance management process, focusing on balancing cultural, functional and product competencies, may be inferred from this single example. How many more examples of this system exist?

It may be that such an implicit process is not the clumsy, blunt instrument it may appear upon first review. According to Landry, control in terms of principal-agent relationships may be facilitated by the very bureaucratic nature of Chinese firms:

In bureaucracies, this [the control connection resulting from pay for performance] is hard to accomplish because wage scales are generally sticky across individuals, but vary instead with bureaucratic rank . . . An appointment is unambiguous. It has a powerful demonstration effect: Other agents may not easily observe each other’s wages, but they know who is being appointed and who is being demoted. Furthermore, since formal and informal economic returns are tied to bureaucratic rank, the appointment game is also the economic incentive program that induces compliance.

(Landry, 2008, p. 40.)

Things may be changing in a way that makes the performance management process more explicit. There is some evidence of the introduction of “performance contracts” (Whiting, 2004) and since 2002 all party personnel have to have an annual review, consisting of a remarkably public assessment of “professional merit and moral integrity”, “professional achievements” and whether the individual is “accepted by the masses” (Shambaugh, 2008: 142). Output performance indicators are
also in use in some situations, with a regional gross domestic product (GDP) index applied as part of the assessment.

Interestingly, old Confucian virtues (personal input traits) are also evident in these new, more explicit review processes - consisting of opinion surveys, questionnaires and interviews. Shambaugh notes that “several of the criteria used in cadre appraisals use terminology reminiscent of the Confucian personnel system of imperial times: de (morality), neng (capability), qing (diligence), ji (achievement), and lian (uncorrupt). The overall goal, according to many official documents is to create a cadre corps consisting of talented people (rencai), another Confucian concept. (2008: 142).

III Institutionalism and Chinese Performance Management

What is not clear, and what this author has had little luck in assessing, is the extent to which all large scale firms operating in China – be they SOEs, collectives, “red hat” privates or private enterprises - borrow and apply this model of performance management. Institutional theory (DiMaggio & Powell, 1983; Festing & Sahakiant s, 2010) would explain similarities in business systems, activities and processes (“isomorphism”) operating in a national or regional social, political or regulatory context. A great deal of research has recently been done in the West (particularly in the E.U.) to investigate the patterns in HR systems and activities within nations or regions. Institutional theory has been used to frame, organize and interpret these empirical research efforts (Bjorkman, 2006; Brewster, 2006). I was unable to uncover any empirical research inquiring into the possible role that the institution of the COD might play in the “individual preferences” and “governance” that make up the formal and informal “institutional context” of Chinese performance management (Festing, 2006: 457). Some empirical evidence has been reported on government performance management activities on the regional level (Chen, Li & Zhou, 2005; Li & Zhou, 2005).

There is some empirical support for the contention that there are two more or less distinct form of performance management in China today. Cooke distinguishes between a system for
enterprise workers as opposed to government officials and civil servants, contrasting the two
practices in terms of purpose, measures, methods, frequency of assessment, how the performance
management output is used, how distinct the system is from Western performance systems and how
well these two groups accept the process of performance management and its consequences on the
individual (2008: 200). What remains to be seen is the degree to which Chinese executives see
themselves and are seen in the wider community as enterprise workers as opposed to government
officials. Again, empirical research on this occupational group is limited.

Finally, the relationships between the performance management practices of Chinese based
multinational enterprises as they operate around the world, as opposed to the performance
management practices of Western based multinational enterprises doing business in China, and the
role of these performance management systems in creating an identifiable Chinese corporate culture
is largely understudied (Denison, et al., 2001). Do Chinese based MNEs doing business around the
world take their institutionally based bundle of practices with them? Do Western based MNEs make
adjustments to more effectively do business in China? Is there any form of convergence in these
practices (Boselie, Farndale and Paauwe, 2012)?

Conclusions

Any ongoing assessment of the processes of the secretive COD is going to be problematic.
Assessing knowledgeable actors and asking them to verbalize their thoughts about the cultural,
functional and product model in section I of this paper will be a daunting task. Creating research
designs measuring the extent to which the institutional effect of the COD’s implicit and secretive
system impacts upon national performance management activities is a non trivial activity. So why
bother?

- A better understanding of the COD may be critical to understanding the economic and
  political pressures being placed on the Central Committee of the CPC. The entire global
community (academic and otherwise) has a vested interest in this enigmatic focal point of political, social and economic change.

- The idea of studying person or process based performance management systems (Engle et al., 2008) has potential advantages for any multinational enterprise (MNE) doing business in increasingly geographically and culturally distant cultures (Denison et al., 2011).

- Institutional effects, and the relationship between the “harder” (more observable and formal institutional factors like legislation) and the “softer” (more informal and indirect effects of traditional governance practices, and individual and collective preferences and schemas) aspect of institutional effect is an interesting and as of yet understudied area of IHRM. If we are to move our analysis forward – beyond our initial cross cultural frame – this type of institutional approach may be useful.

- Finally, academic disciplined in the positivist school that “correct” performance management systems are exclusively standardized, objective, explicit and output based may gain insights on the terrain of global performance management (GPM) by investigating across what some might consider the extreme “cultural distance” of competencies associated with “catching mice” in the 21st century.

References


