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# Implementing a Performance-based Management System (with a Case Description of China Post)

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**Abstract:** This study examines an implementation model of performance-based management (PBM). It argues that technical competencies and stakeholder involvement are necessary for a successful PBM implementation. Using the case of PBM reforms in China Post, it finds that technical competencies are being developed in the reforms. It also finds that, although the channels of stakeholder participation exist, stakeholders may not be involved in making critical decisions in Chinese reforms.

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Performance-based management system (PBM) is becoming a world phenomenon when many governments use some forms of it to address specific issues in their countries. US and British governments employ it to deal with political pressure for efficient use of taxpayers dollars, while the government of New Zealand adopts it to articulate employee responsibility (Mascarenhas,1996). Hong Kong government connects it with its financial policies in the hope to withstand the impact of economic depression (Lam, 2003).

The challenges facing the Chinese government indicate a need to adopt a PBM system in China. Since 1978, the market-oriented economic reform has created a maturing market and a large number of private enterprises. The need for economic efficiency in a competitive market contradicts the inefficiency of governmental operations characterized by a centralized and multiple-layer decision-making process, a top-down management structure, obsolete infrastructure, and most importantly, institutions with superfluous workforces. The latest phenomenon, often referred to as “inflated institution”, poses a serious threat to the market, which requires efficient operations of governments. Governmental agencies staffed with unnecessary workers are seen not only as a waste of resources, but also as the root of multiple decision-making layers, and thus an obstacle for efficient policy-making and implementation.

Another issue in the Chinese economy is the existence of a large number of inefficient state-owned enterprises. Many of them lose money and receive government subsidies over years. These enterprises constitute a significant portion of the Chinese economy, and they hire a large number of workers. Many of them are considered “pillar” industries – the ones that lead the

economy such as transportation and communication. Because of the important economic role of these enterprises and the possible severe political consequences, simply allowing these companies to be eliminated by the market is not a choice. Therefore, performance-based reforms are considered critical in these enterprises.

Consequently, institutions in China have adopted a variety of PBM reforms.

Academic discussions are also underway to seek the optimal use of PBM in the Chinese economy (Zhou and others, 2003). The debate seems to focus on the issue of developing PBM in China with the adoption of some features commonly seen in other countries. These features include an idea that an organization should be evaluated by its performance and should use performance measures.

This paper attempts to model PBM implementation in China in an effort to facilitate its implementation in the country. (1) The authors first examine a general model in developing PBM implementation strategies. (2) The second part of the paper develops a theory that explores the characteristics of PBM implementation in China. (3) The paper then analyzes a case of PBM in China Post. The data are gathered from an in-depth survey of eight officials and managers in China Post, which has implemented several waves of PBM for the past two decades. One of the authors was previously a Postal Master in Zhejiang Province who has about 10 years’ work experience in China Post at the management level; another, a Chinese professor who is doing research in the field of performance management, and another, a US professor who has extensive research experience in PBM of US governments. (4) The article summarizes some lessons learnt from the case study.

This study serves three major purposes. First, it examines the Chinese PBM practice that is completely different in its socioeconomic and cultural setting from that the U.S. and other developed countries where the majority of PBM literature is developed. The salient contrast of the two settings should help the building of a general theory of PBM implementation, or at least provide catalyst for countries to learn from each other (Lan, 2003). Differences of political process and cultural environments become much more salient in a comparative context than in a sole US setting where technical capacities are often blamed for the failures of managerial reforms such as Zero-based budgeting (ZBB) and Planning, Programming, and Budgeting System (PPBS). Second, it provides practical guidance for the Chinese reform, which might choose to imitate a US PBM system (or a system of another country) in the future. Prediction on what will happen if such a system is adopted is indicated in this study. Last, it should help US reformers identify the circumstances when a special case happens to hinder the implementation. It should manifest the fact that some factors, under proper conditions, may play a more important role than expected.

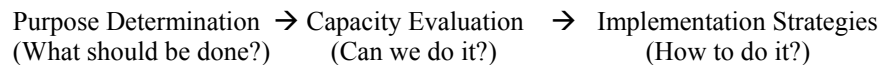
### The PBM Implementation Model

The purpose of this section is to develop a general model that explains the process of PBM implementation. The researchers believe that PBM implementation consists of three interconnected phases. Phase 1 is a process in which reasons of adopting a PBM system are presented and therefore the purposes of PBM are determined. This process should involve groups who participate or have great interests in PBM. The exchange of ideas and information among the groups helps articulate the goals of PBM and solicit supports critical for PBM implementation.

In the second phase of implementation, a thorough evaluation is conducted to assess tasks in PBM and the capacities required to complete the tasks. PBM implementers match their core capacities with these tasks to pave the way for finding strategies perceived to be most effective in achieving PBM goals. In the last stage of implementation, a list of implementation strategies are developed and implemented. Ideally, a monitoring system is set up to consistently evaluate the implementation. This model of implementation is depicted in the following graph.

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**Graph 1. A PBM Implementation Model**



### 1. Purposes of PBM

There are four major purposes of PBM – for planning, resource allocations, daily management decision-making, and showcasing. Performance information can enhance the planning process by helping an organization specify its goals, quantify its objectives, develop its performance expectations, and assess the implementation of the plan. Performance information can be integrated in an organization's long-term plan and performance management can serve as a major mechanism to evaluate the planning process. Another purpose of PBM is to collect performance information and to present it in the process of allocating an organization's resources. In the budgeting process, performance information can be included in budget requests, and it can also be used by elected officials to specify their target of service.

When a performance goal is developed, managers can use it to develop plans or practices in daily management and decision-making. For example, staffing decisions can be made based on the need to meet performance standards in a specific task. Decisions to adjust an organization's service delivery structure can

be made on the basis of meeting performance outcomes. Also important is the possibility to use performance information in evaluating individual employees' job performance and to make employment-related decisions such as hiring and firing.

Of course, performance information can be and should be used to demonstrate performance outcomes, and by doing so, an organization gains supports and feedback from stakeholders on its goals and service quality. It is important to note that showcasing, which is not necessarily a negative term, occurs not only between an organization (or administration) and its customers, but also among managers within an organization. In fact, because performance information is often understandable in general, communication can be significantly enhanced with use of it.

It is vital for an organization to specify the purposes of its PBM. Purpose determination gives a sense of direction of PBM, and such direction is imperative for assessing implementation capacities and strategies. It is also crucial for an organization to evaluate the success of its PBM. Nevertheless, purpose

determination is not an easy task for many organizations because of ambiguity of PBM mandates. In order to achieve an efficient and convenient implementation, it is recommended that an organization starts its PBM with a less ambitious goal. For example, use of performance information in resource allocation decisions is considered technically difficult, while showcasing of performance information will be easier as long as information collected is accurate.

Purpose determination is a prelude to evaluating capacities of PBM implementation. As suggested above, different purposes of PBM indicate different levels of PBM requirements, and therefore different implementation capacities. For example, an effort to incorporate performance standards into resource allocation decision-making requires consensus and supports from decision-makers such as managers, elected officials, and maybe taxpayers. In addition, performance-based resource allocation decision-making also poses a technical challenge for decision-makers to identify the relationship, if not causation, between such decisions and performance goals. The performance measurement literature suggests that this relationship can be extremely difficult to establish. In contrast, the only requirements for performance showcasing are data accuracy and presentability. The relationship between performance and an organization's decision-making, although implied in such showcasing, is not explicitly required. In sum, different purposes of PBM suggest different levels of capacities to carry them out.

## 2. Capacity Evaluation

After the purposes of PBM are determined, efforts should be made to evaluate capacities to implement the PBM system. The performance measurement literature indicates that three kinds of capacities may influence PBM implementation – stakeholder supports, technical competency, and cultural accordance.

### Stakeholder Supports

In government, the PBM implementation is not only a managerial effort to improve services, but also a political initiative to shape up agenda. Government stakeholders with different interests may take different positions in supporting, meddling, or opposing it. Those who expect benefits from PBM would support it, while those perceiving harm would oppose it. Many others adjust their positions according to their changing interest in PBM. Stakeholders with same interests formulate groups in searching common benefits from PBM. Stakeholder groups in a governmental setting include managers, elected officials, citizens (or clients, customers), the union, individual workers, and other interest groups.

Acquirement of stakeholder support is critical for the success of PBM implementation (Wang and Berman, 2001). In the US system, elected officials decide on the financial resources and the budget needed for PBM. It is hard to image a successful PBM

implementation without financial support. Elected officials are also major users of performance information. Managers take major responsibility in designing, implementing, and evaluating PBM systems. Workers carry out the implementation and report the results. Citizens or client groups are potentially the major users of performance information and should provide feedback important for PBM. Ideally, supports from all these stakeholders should exist and sustain for the success of PBM.

To acquire supports from stakeholders, a PBM system must attend to the interests of stakeholders. They must perceive a positive value as the result of PBM implementation. Performance information generated in the PBM system must be easy for elected officials or general public to understand and to use. The information must also be meaningful for managers in decision-making. Individual workers' fear that PBM is another managerial attempt to punish them must be eliminated, and their responsibility for accountability should be enhanced.

Stakeholder participation is perceived to have positive influence on PBM. This is the concept of *participatory PBM*. Wang and Berman's study discloses that elected officials' participation is positively associated with the use of outcome measures in US country governments (2001). Participation allows stakeholders a chance to understand the value of PBM and realize the benefits of its implementation. It also gives them opportunity to express their expectations for PBM. The result of participatory PBM is a greater consensus on the purposes, uses, and potential benefits of PBM among stakeholders. With potential benefits perceived by stakeholders, their support for PBM is expected. Significantly, to reap all benefits of participatory PBM, stakeholder involvement should be emphasized at the beginning stage of PBM design and the involvement should sustain throughout the whole implementation and evaluation process.

### Technical Competency

PBM technical competency refers to the ability of a PBM system to produce valid and reliable performance information. Three elements are often considered in evaluating technical competency of a PBM system – measurement system integrity, sufficient analysis, and adequate and consistent resource support.

Measurement system integrity is critical in PBM technical design if valid performance information is to be achieved. System integrity requires that performance goals be clear and quantifiable, and that measures be valid, reliable, specific, and tailored to organization missions. It also requires that performance data be accurate and be collected in a timely fashion for analysis.

Sufficient analysis is needed for PBM to produce meaningful information. A decision should be made on the unit of analysis (PBM for an program, an activity, or an organization). Analysis tools should be

proper. The level of performance analysis should be compatible with the requirement of PBM purposes. Descriptive analysis and presentation of major outcome measures may be sufficient enough for a showcasing PBM. But for budgetary allocation, the establishment of a possible causal linkage between performance measures and performance goals is necessary. The analysis to link individual performance and organizational performance is necessary for a PBM system that attempts to imply individual performance.

Development of technical competency is largely determined by adequate and consistent resource support that includes acquirement of staff capable of conducting performance analysis and availability of financial resources that are critical for the implementation and continuation of PBM. PBM training workshops and PBM consulting services provided by experts on how to do PBM may also contribute to the development of technical competency.

Technical competency is perceived to be critically important in PBM implementation. Lack of technical competencies is identified as one major cause of failure of many managerial reforms in the US such as Zero-based budgeting (ZBB), planning, programming, and budgeting system (PPBS). Specific examples of lacking technical competencies include invalid measure development, unclear performance goal development, and lack of staff who can conduct performance analysis.

### **Cultural Accordance**

When a PBM system is established, its implementation and, of more consequence, its sustainability are influenced by behaviors, beliefs, commonly-accepted values, and ways of thinking and conducting business among individuals in an organization. An organization is permeated by these cultural attributes through informal and unwritten rules and norms. Violation of these norms and rules by any individual or group often leads his/her isolation or desertion by the majority.

PBM requires a culture that accommodates its performance-centered doctrines. That is for organization members to talk about performance, think about it and, use it daily. Development of a performance-based culture requires that an organization overcome the influence of other cultures that suggest different organizational values. The examples of such non-performance cultures include seniority-based and relationship-based evaluation. We see plenty forms of these non-performance cultures in modern organizations. The *cultural conflict* generated by adoption of PBM is won only when the majority of the members in an organization adopt the performance-based norms.

Although stakeholder support and technical competency are important for the establishment of a PBM system, development of performance culture is critical for PBM sustainability. In sum, stakeholder support, technical competency, and cultural accordance

are essential capacities for the establishment and sustainability of PBM.

### **3. Implementation Strategies**

A PBM user needs to develop an implementation strategy that takes advantage of its existing capacities. The strategy is the list of actions taken by the PBM user to apply capacities to achieve the PBM purposes. Based on the classification of capacities presented above, three distinctive but equally important strategies or their combinations can be developed. They highlight stakeholder supports, technical competencies, and cultural accordance.

A PBM system that involves all important stakeholders at stages of design, implementation, and evaluation has characteristics of a *participatory PBM*. The participation modes include formal processes of budgeting or strategic planning process, or informal meetings with key elected officials or citizen representatives. In these occasions, stakeholders' expectations are solicited and included in discussions. Information exchange in these meetings serves the purpose of articulating PBM goals, expectations, costs, and benefits. The goal of participation is for stakeholders to achieve a consensus on these parameters of PBM and thus their support to PBM can be solicited. The PBM system needs to demonstrate net benefits to stakeholders for their commitment and supports. Also, participation is a continual process in all stages of PBM implementation to sustain stakeholder supports. Progress reports should be made available for stakeholders' review. Periodic assessment on PBM implementation should be conducted with involvement of key stakeholders.

Technical competencies refer to a PBM user's abilities to develop clear performance goals and expectation, valid and reliable measures, data collection and management capabilities, and performance analysis abilities. A technically competent PBM user should have PBM-savvy staff and PBM training capabilities. Newly hired workers should go through the training. The term *technocracy PBM* is used in this article to indicate a tendency to emphasize the development of technical competencies in PBM implementation. It also implies ignorance of establishment of other necessary elements in PBM implementation, mainly the stakeholder supports and development of a PBM culture.

Efforts to develop a *PBM culture* require long-term committee and sustained support of leaders in an organization. PBM training should be initiated to educate workers on the value and practice of PBM. PBM language should be used in organizational documents (i.e., budgets, strategic plans, financial reports) to encourage performance communication. A reward system based on performance should be established for individual workers to perceive the real benefits (and costs) of PBM. Accounts of successful PBM should be promulgated among workers to

encourage performance comparison. Speakers on PBM should be invited to give presentations on PBM. The above are just a limited list of cultural-building strategies. The overall idea is to instill PBM value into organizational blood – the mind of each individual in the organization.

### **A Theory of Implementation Strategies: PBM with Chinese Characteristics**

In this section, we attempt to develop a theory about PBM implementation strategies in China. We argue that the Chinese PBM is characterized by technocracy PBM with limited stakeholder participation.

#### **1. Lack of stakeholder participation**

The Chinese PBM is part of its economic reform designed to transform China's centralized planned economy to a market-driven one. The economic reform started in the late 1970s, evolving from an initial effort of decentralization of the government and agriculture to gradual transformation of state-owned enterprises and governmental institutions. The overall purpose of the reform is to improve efficiency and effectiveness of the Chinese economy. As the essence of PBM is to enhance efficiency and effectiveness in organizations, which is consistent with the overall goal of the economic reform, PBM was quickly adopted by Chinese institutions in various forms such as "streamlining institutions" (Jing-Jian-Ji-Gou) in governments and "performance-based evaluation or PBE" ("Ji-Xiao-Gua-Goo") in state-owned enterprises.

Nevertheless, these reforms see limited stakeholder participations as governments adopted a top-down implementation strategy in which a limited number of decision-makers, most likely at the high level of governments, are responsible for initiation and planning, while the majority of workers and officials play a role of implementers. Stakeholders' opinions are not consistently solicited, or if they are, are not fully considered in implementation. Several reasons may explain the lack of stakeholder involvement. One is the perception that the interest of an individual or a group is often consistent with that of the majority, and if not, the former should obey the latter in the name of the majority rule.

In China, the value of a reform is often justified through an emphasis on an alleged interest of an entity as a whole, often in the form of an agency, an organization, or a nation, instead of individuals' interests in the entity. As the interest of the entity is composed of individuals' interests, both are in agreement in the context of the reform. However, the political and economic interests of the entity are clearly outweighed over an individual's (or a group's) when they are in conflict. In China, executive administrations or the communist party units are often regarded as representing the interest of the majority. Unions do exist and perhaps serve workers well when the workers' interests are in harmony with that of the whole

organization. But unions are not seen as a real balance of the power of the administration or the party unit when workers' interests are in discordance, or in many cases in conflict, with the administration's or the party's interest.

In PBM, decision-making power is redistributed, and operational structure is reorganized, unavoidably affecting the interests of groups in an organization. True representation of different groups whose interests are affected in the PBM process warrants the consideration of the interests so the implementation of the reform can be smoothed with potential resistance being minimized. By the same token, lack of such interest representation causes clashes in PBM implementation. The reform package with absent or limited stakeholder involvement is likely to generate dissatisfaction among employees and low level public officials, who can come up with their ways of dealing with the reform. In China, this phenomenon of indirect resistance in someone's own way is called "the policy is dealt with own practices" (Shan You Zheng Ce, Xia You Dui Ce). The lack of conciliation among different groups erodes stakeholder support necessary for PBM.

#### **2. Development of technical competencies**

With consistent support from high level of governments and extraordinary capacities of the Chinese government in mobilizing resources in the name of serving national interest, the Chinese PBM always has sufficient financial and technical resources for design and implementation. In reforms, performance goals and measures can be quickly identified or developed. Resources are mobilized to support the reforms. Financial resources and human expertise are concentrated and developed in PBM implementation and analysis. This article hypothesizes that, faced with a political mandate and a system that lacks stakeholder involvement, the Chinese PBM largely relied on the technical competencies to implement.

#### **3. Two different value types**

There are two types of values in the Chinese culture that seem to be associated with PBM implementation. One emphasizes the spirit of entrepreneurship and adventure that help China achieve economic development in the past two decades in China. This value system seems to be consistent with the essence of PBM, which encourages the reward for achievement.

On the other hand, Chinese also respect seniority and like personal relationship-building. These values are not consistent with, and in many cases contradictory to, the values of PBM. Seniority is a symbol of having experience. Respect of seniority is rooted in the belief that experience represents rightness, and the experienced ones represent powers. Seniority as a criterion conflicts with the essence of performance-based reforms, as experienced ones may not perform. Development of personal relationship is a particularly

useful venue in Chinese society. Keeping a good relationship with those who have power often reaps significant benefits. Nevertheless, injecting personal relationship in management practice is detrimental to the value of PBM which emphasizes the reward for performance, not relationship.

### **PBM in China Post: A Case Study**

China Post is a state-owned utility enterprise. It is responsible for the construction and operation of the postal network, and universal postal service nationwide. Its headquarter is State Post Bureau that administrates the postal network nationwide. It has local post bureaus in provinces, municipalities, counties, districts and townships.

China Post has implemented several PBM reforms since the 1980s that include Performance-Based Wage (PBW or Guong-Xiao-Gua-Gou) in the 1980s and Performance-Based Evaluation (PBE or Xiao-Ji-Kao-He) in the late 1990s. Both reforms were designed to link wage and benefits of postal workers with organizational performance measures in order to control the cost. PBE is built on the lessons learnt from PBW and has more implementation details. One very very recent PBM effort in China Post was the attempt to adopt the Balanced Score Card based on the past PBM experiences (See Notes 1 and 2 for a more detailed discussions of these reforms). Thus, it is generally believed that China Post has implemented PBM in a systematic manner, and the study of such efforts can teach valuable lessons.

In the first quarter of 2004, researchers conducted a study of China Post in Zhejiang Province, one of the few frontrunners in economic development and postal revenue in China. The purpose of the study was to provide initial empirical evidence on the use of PBM implementation strategies in China. The study includes an in-depth survey that asks a list of questions on PBM implementation strategies. The survey solicits written comments from respondents on these strategies to validate and enrich the responses. Follow-up communications were also established to confirm the responses. China Post has three layers of services in a province (equivalent to a state in US) – the provincial post bureau, city postal bureaus, and district/county postal bureaus. Eight postal officials at leadership positions in their organizations participated in the study. Two respondents are from the provincial post bureau, three from city postal bureaus, and another three from district/county postal bureaus.

#### **1. What measures are used and why they are used?**

The survey asks a list of questions on use of performance measures, purposes of PBM systems, and implementation strategies. Many questions are open-ended to solicit respondents' written comments. The response indicate that financial measures and customer satisfaction measures are used in PBW and PBE, while performance measures inside organizations such as

measures of service reliability, efficiency, and employee satisfaction measures are not used. For example, none of respondents indicate the use of employee satisfaction measures in their organizations. This finding suggests a difference from the US PBM system where internal performance measures are much more prevalent than customer satisfaction measures (Berman and Wang, 2000, Poister and Streib, 1999).

Most respondents believe that performance measures (i.e. financial measures and customer satisfaction measures) are used for establishing goals for services, monitoring the service efficiency and effectiveness, and determining employee salary and benefit. Respondents also indicate the use of financial measures in making funding decisions. Nevertheless, they do not perceive the use of performance measures in communicating among managers and between governments. This finding is different from that in the US where performance measures is often used for communication, not for making critical management decisions such as performance-based funding (Wang, 2000).

#### **2. What implementation strategies are used?**

Respondents indicate that various stakeholder groups participate in PBM. Administrations, party units, unions, and workers are involved in PBM. The only stakeholder group that is not involved is customers. Nevertheless, an examination of respondents' comments suggests different roles of stakeholders in PBM. Administrations play a critical role in PBM as they draft the policy, organize discussion, and make final decisions on implementation issues. They are also responsible for monitoring and modifying the implementation.

Party officials' responsibilities are in supervision and monitoring. The party committee may decide to discuss the draft and organize party members' support for the reform. The committee may decide on taking a vote on the final draft of the reform to show solidarity of support and instill a sense of legitimacy to the reform. The union participates mainly through a vote of its representatives on a PBM draft. A majority of members in the Committee of Worker Representatives need to approve the draft as expected. Some respondents indicate individual employees' participation through the union.

These findings seem to suggest that the channels of a participatory PBM exist in China's PBM. To understand the level of the participation and how it works, the researchers designed a survey question in which respondents were asked to make decisions based on a hypothetical scenario. In the scenario, some higher level officials recommend to close a postal branch because it is in deficit. Respondents were asked to select from a list of strategies to deal with the recommendation and explain the rationale of their selections. The strategies include some that require skills critical for participatory PBM, and some that do not. The finding is shown in the following table.

**Table 1: Selection of Participatory Strategies**

Strategies	% of Selection
<b>Participatory Strategies</b>	
(1) Involving individual employees in the branch in fighting for the recommendation	0.0%
(2) Persuading the higher level officials to change mind	12.5%
(3) Involving the workers' union in fighting the recommendation	0.0%
(4) Involving the party unit in fighting for the recommendation	0.0%
<b>Other Strategies</b>	
(1) Preparing data to demonstrate that the branch has a chance of improvement in the future	37.5%
(2) Following the recommendation, but quietly reallocate the workers to other branches	62.5%
(3) Following the recommendation, and promise the laid off employees for rehiring in the future if possible	75.0%
(4) Following the recommendation, but use attribution	50.0%

The above data show that the majority of respondents choose non-participatory strategies, indicating that involvement of stakeholders may be limited when it comes to making critical organizational decisions. When asked for the rationales of their selections, one respondent points out that elimination of an unprofitable branch is to protect the interest of the majority of employees in the organization. Another commented that a consistent support for decisions made by higher-level governments, unwillingness to pass over issues beyond the management, and doubt on the effectiveness of approaches that involve other stakeholders. One respondent elaborated

The union's responsibility is to protect the interests of the workers, and closedown of the unprofitable branch is consistent with the interest of the organization as a whole and the interest of the majority of the workers.

The data also indicate that technical capacities in the reform are well-developed. All respondents except one (or 87.5%) indicate that their reforms have developed clear performance goals. They have valid performance measures to assess performance; and they have set aside resources for reforms (62.5%). The majority of respondents indicate that they collect reliable performance data (62.5%), that they can conduct performance analysis of root causes (62.5%), and that their performance analysis of organizational performance can be associated with analysis of

individual performance (62.5%). It is surprising that half of respondents (50%) indicate that the linkage between organization performance and individual performance established in the reform is objective and reasonable. This finding is completely different from the experience in the US where such linkage is believed to be very difficult to develop and sustain.

Finally, there is no evidence that a performance-centered culture has been established or advocated in the PBM implementation. No respondents comment they have systemically trained staff to conduct performance analysis.

#### **Summary**

This study examines an implementation model of PBM. Using a case in China Post, it furnishes initial evidence supporting the argument that the Chinese PBM is characterized with a technocracy PBM in which technical capacities are developed and sustained. In the Chinese PBM, clear performance goals and valid performance measures can be developed, and individual performance are linked to organizational performance. Resources are available for PBM.

On the other hand, the Chinese PBM system doesn't seem to stress the practice of participatory PBM, although the channels of stakeholder participation do exist. Administrations still play a critical role in designing and implementing the reforms. The involvement of unions, party officials, individual workers are supplementary. When the time comes to

make a critical performance-based decision, administrations often seek to solve the issue within their authority, not to endeavor to solicit a broader range of political support.

Why limited participation? The authors argue that the limitation of participatory PBM is partly rooted in the fact that stakeholders are not independent entities in Chinese economy. The interests of stakeholders are believed to be interrelated, not contradicted, so decisions made by one stakeholder group are not inconsistent with interests of others. When the reform does negatively affect a group, it is often portrayed as a minority whose sacrifice is justified by the net gain of the majority.

What is the impact of limited participation? The PM literature has suggested that both technical capacities and stakeholder support are necessary for the success of a PBM reform (Wang, 2001). Stakeholder support is also associated with sustainability of a PBM reform. Lack of political support as the result of limited stakeholder involvement may not take an immediate toll on a PBM system but will incur a long-term damage for the continuation of the reform on a full-fledged scale.

## Notes

### 1. Performance-Based Wage (PBW or Guong-Xiao-Gua-Go)

PBW was initiated in the 1980s in China Post under the management of State Owned Enterprises (SOE). It was intended to control cost by linking wage growth with performance measures such as growth rate of whole national postal revenue. In PBW, postal bureaus adopt Labor Quota Management, which sets work requirement for a position, labor quantity for positions and units, and wage base for units.

### 2. Performance-Based Evaluation (PBE or Xiao-Ji-Kao-He)

Based on the experiences of PBW, PBE was adopted in 1999 after the reorganization that severed China Post with China Telecommunication Company. China Post was losing money at the time and was required to break even within three years. In PBE, profit is calculated and is used as an important indicator for each postal unit. In addition, customer satisfaction and productivity measures are also collected and analyzed. The linkage between profitability and wage is established in PBW. Part of employee wage and benefits are determined by profitability and hiring/firing decisions are also influenced by the financial performance of an organization.

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