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THE EFFECTS OF PERFORMANCE APPRAISAL ON EMPLOYEE RETENTION

A comparison of Finnish and Vietnamese enterprises

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ABSTRACT

Purpose: This research aims to identify the features of a performance appraisal system and explore how each feature affects the employees' loyalty. Furthermore, the study would like to discover if these effects are different in different cultures.
Methodology: Applying qualitative method, data was collected through 15 semi-structured interviews (7 cases were conducted in Finland and 8 cases were interviewed in Vietnam). Participants chosen for the research are knowledge employees working in Vietnamese or Finnish original enterprises.
Findings: Four features of a performance appraisal system, which are goals setting, supervisor – subordinate relationship, rewards linked with performance result and fairness issue are argued based on literature review. From empirical studies, variety of findings is identified supporting and supplementing for existing theories. One of those is the emphasis of self-development based performance appraisal in Finland and the rewarding based one in Vietnam. The performance appraisal system has weak impact on Finnish employees' loyalty; while it does influence Vietnamese individual intention to leave the job. The findings also illustrate that Finnish staff take clear goals setting and fairness as prerequisite features of a performance appraisal; Vietnamese employees, in contrast, view the relationship with supervisor and rewards received as more significant criteria.
Practical implications: This study provides suggestions of retaining talents for managerial practices. Findings of the research could assist international managers to concentrate on features which strongly affecting the employees' satisfaction and loyalty when they design and implement performance appraisal system in different locations.

KEYWORDS: Performance appraisal, Employee retention, Fairness issue, Goals setting, Relationship with supervisor, Rewards, Cultural differences

1. INTRODUCTION

This session introduces the motivation of the research and the research questions through discussing the background of the study and the gap in performance appraisal previous research. Delimitations and structure of the study will be presented at the end of the chapter as the direction for this master's thesis.

1.1. Background of the study

The 21st century has witnessed dramatic advances in every aspect of society and economics, including management. Within these movements, the focus of strategic management has also shifted from concentration on critical resources such as capital, technology, and know-how to human resources. Especially in the international market with the high pressure of intensive competition, the issues of managing and keeping talent have become essential and complicated (Rosalie, 1986). More and more, the Human Resources (HR) Department is playing a fundamental role in companies' operations (de Andrés, García-Lapresta, & González-Pachón, 2010). Besides recruiting, training and development, moderating the conflicts between employees' relationships, the performance appraisal system is one of the activities of Human Resources Department in a corporate. With the objectives of enhancing the performance of the company and the individuals as well, the performance appraisal (PA) system as one of the HR practices has been introduced and become one of the sustainable competitive advantages of many multinational firms (Gruman & Saks, 2011).

Although many organizations view performance management as their competitive competence and most of companies worldwide implement the performance appraisal system, the truth is that less than a third of employees believe that their companies' appraisal process could help to improve their performance or their working efficiency (Gruman & Saks, 2011). With the same opinion, Latham, Almost, Mann, & Moore (2005) stress that the outcome of many performance appraisals is frequently a decrease rather than an increase in performance. Hui & Qin-xuan (2009) also indicate that regardless of the significance of performance appraisals in corporate management, this

process is still not welcomed by the employees. There are many explanations for this phenomenon: for example, differences in culture in which the ways of conducting the appraisal might be not familiar with some local units (Evans et al., 2011). Another problem may be the stress, conflict and organizational political behavior derived from the managers/appraisers who are subjective in evaluating their employees (Hui & Qin-xuan, 2009). Furthermore, the appraisal designs may not be clear and the feedback might be much more destructive than constructive (Latham et al., 2005). Perceptions of employees about the targets, outcomes, and uses of performance appraisal results could be also a reason causing the ineffectiveness of a performance appraisal system. For example, if the employees perceive the performance appraisal as a risk of being over-observed by their supervisors, they would be unsatisfied and reluctant with participating in the performance appraisal process (Boachie-Mensah & Seidu, 2012). In other words, the problem related to employees' perceptions could be linked with the goals setting of performance appraisal at the beginning, which means if the employees fully understand about their targets, their responsibilities as well as the importance of the performance appraisal system.

These issues obviously affect the satisfaction and the engagement of the employees towards organizations in various levels. However, the question that is whether these factors influence on employee retention has not been widely focused among research in this field, which is the first motivation of this study. In addition, the research would like to discover that among above-mentioned factors affecting a performance appraisal system (or the characteristics of an effective performance appraisal), which one has the most dramatic influence on the employees' decisions in staying and devoting for the company or leaving and seeking for another opportunity in another firm. Moreover, the research also concern about whether these effects are the same in every corner of the world, or they are different from different nations, values and cultural behaviors, especially in Western and Eastern countries (for which Finland and Vietnam are chosen to do research since these two countries could demonstrate two reverse cultures: Finland – Western nation, and Vietnam – Eastern one). Therefore, findings of the research could be the useful suggestions for international managerial practices in general and HR practices in particular in managing people in distinguishing cultures effectively,

especially for multinationals when designing a suitable performance appraisal system for each location.

1.2. Research gap

There are many studies indicating the relationship between performance appraisal and workers' engagement/satisfaction or between the performance appraisal politics and the employee's intention to leave. For instance, Poon (2004) observed that employees intended to quit their jobs if they felt that the performance ratings were biased. According to Poon (2004), if the employees' performance was rated by political factors rather than performance factors (which means that the raters rated based on their personal motivation and feelings) in the tendency of punishing their subordinates, the working satisfaction of employees would be reduced and then led to greater intentions to job mobility. By contrast, the political factors for motivational purposes (e.g. the raters rated all their members with good results for some personal reasons such as, the pressure of team objectives or being afraid of confronting with internal conflicts) has no effect on job satisfaction and employee retention as well. Nevertheless, the research of Poon (2004) was surveyed on only MBA students with full-time jobs of a university and focused on just one characteristic of a performance appraisal system: the raters. Therefore, the possibility of other factors affecting on the employee retention could exist.

In other research, the relationship of appraisers and their employees, focusing on the fairness issue in a performance appraisal process were also mentioned. Hui & Qin-xuan (2009) identified that the justice is the most-blamed problem within an organization. Likewise, Horvath & Andrews (2007) and Jr & McNall (2010) had the same opinion that employees participating in the performance appraisal perceive fairness only when their supervisors are considered as blameless and objective. However, most of these research have just concentrated on the satisfaction of employees after the performance appraisal period and the problem of bias in this process, which were concluded as the primary reason reducing the employee performance and the overall corporate's effectiveness.

Also, there is no previous research about how each performance appraisal characteristic affects the retention of talent (i.e. in which extent each characteristic of a performance appraisal system as identified in the second part- goals and commitment between corporate and its employees, the supervisors - subordinates relationship, the perception regarding equity - inequity, and the rewards in related with results of the performance appraisal – influence on job leaving decisions of employees; and which characteristic has the strongest effect on staff retention). In other words, this research would like to discover if there are any causes – effects relationships between these factors and the job mobility. Furthermore, it is widely assumed that cultural factor often causes differences of a system in different countries. Hence, the performance appraisal system might be not an exception. Consequently, the performance appraisal structure designed and succeeded in this country might experience a failure in other cultural settings. Since there is also no previous research about how the effects of each performance appraisal's characteristics differ between different cultures: e.g. Western and Eastern, this study would like to explore this phenomenon.

This research could contribute both to the academic field and business context. With regard to the academic field, the study will be surveyed with broader content of performance appraisal system from organizational factors to personal factors (in comparison with previous studies). Combined, the data will be collected in two different countries; hence, the results of this study could be new and supplement for the existing assumptions. Regarding to the business context, based on the findings of this study, international managers could apply them to the performance appraisal system in their companies as the consultancy. For example, when designing and implementing the performance appraisal system, they could concentrate on the characteristics which are more influencing on the turnover rate.

1.3. Research questions and objectives

Considering the issues discussed above, this study aims at answering two questions: (1) how each performance appraisal characteristic affects the retention of employees; (2)

how the effects of each performance appraisal's characteristics differ between different cultures.

In order to solve these questions, the objectives of this paper include:

(1) To identify the characteristics of a performance appraisal system
(2) To understand the main differences between performance appraisal systems in different cultures
(3) To study the effects of each characteristic of the performance appraisal system on employee retention in Western and Eastern countries

1.4. Scope of the study

Firstly, this study will just focus on the features of a performance appraisal system conducted by organizations, including goals and criteria setting, the appraisers and the rewards linked with the performance appraisal. The feature of how the employees perceive about the performance appraisal's usefulness and significance will not be concluded although the employees' perceptions were proved to influence on their behaviors and their working satisfactions in various research. The reason is that these perceptions are argued to be shaped through the process of goal interpretation from corporates.

Secondly, the study will use the social exchange theory, the equity theory, the leader-member exchange theory, the signaling theory, the psychological contract and the Hofstede's cultural dimensions as primary foundations for critical analysis in the research, especially in the theoretical framework. Social exchange theory, equity theory and leader-member exchange theory are selected to explain the behaviors of employees towards the justice and rewards issues. Signaling theory and psychological contract are used to discuss the feature of goal setting. Hofstede's cultural dimensions theory is quite popular and widely cited for analyzing the cultural aspects in doing business, which is also a comprehensive model for analyzing the differences in two case studies: Finland and Vietnam.

Thirdly, Finland and Vietnam would be chosen to study since they could symbolize for two different cultures: Western and Eastern. In Vietnam, the survey will be conducted in Ho Chi Minh City – the biggest industrial city with the largest population in Vietnam and the gathering of all types of companies and employees. Therefore, the data collected here could demonstrate for the whole country. Furthermore, the surveys would be aimed at employees only without interviewing managers or HR staff since this research would like to explore the effects of these characteristics from the employees' opinions. Hence, the companies then could understand what their employees feel, react and think about the companies' performance appraisal in order to find the best solutions of retaining talents.

Fourthly, due to the limitation of resources, time and network capability, this research focuses only on high-educated employees, who possess degrees from colleges or universities. Workers are not targeted for the analysis. Thus, the results value only for creating solutions of satisfying and motivating skilled staff in the office.

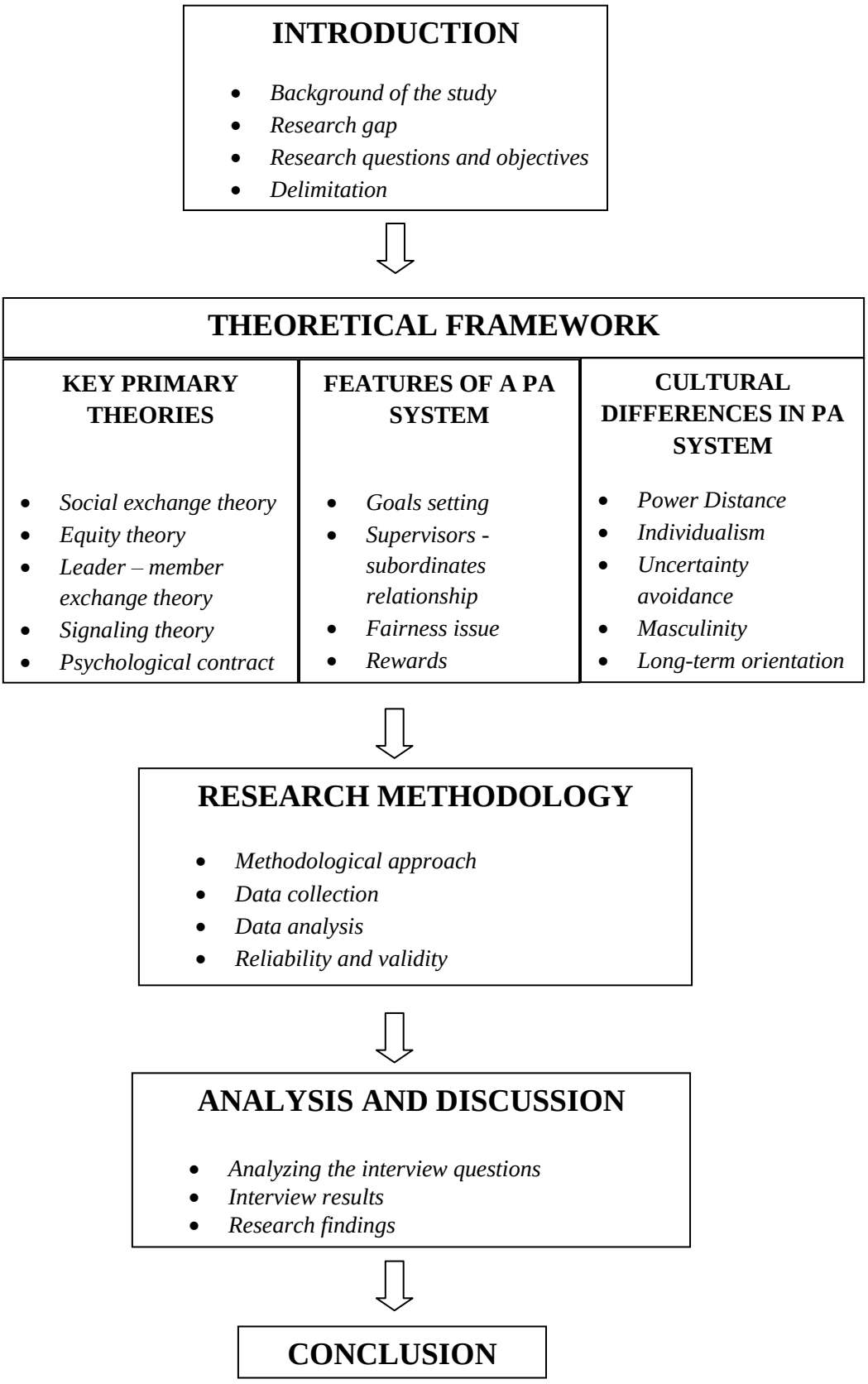
Finally, employees chosen for the interviews are from Finnish and Vietnamese-original companies; which means that the local employees from foreign firms located in these two countries are not the target interviewees. The reason for this delimitation is to avoid the effects of organizational cultures in multinational companies, which are probably rooted from the home countries' cultures, on designing the PA system. However, multinational companies could still use the research's results as a reference when learning about local employees' behaviors in a new country.

1.5. Structure of the study

The study would be structured in seven chapters in a logical order of sequence (Table 1). The first chapter would be the background of study, which includes the motivation of doing research, the research questions and objectives as well as the scope of this paper. The theoretical framework would be reflected in chapter two, three and four. In details, the second chapter will present the fundamental theories for analyzing and

arguing in the whole research, especially for chapter three. Five theories which are selected for this part are: social exchange theory, equity theory, leader-member exchange theory, signaling theory and psychological contract. In the third chapter, the factors/characteristics of a performance appraisal which have potential possibility of influencing on the job mobility will be proposed and argued based on related previous studies as well as the basic theories. The fourth chapter would be the discussion of Hofstede's cultural dimensions theory in PA system and the application in two specific cases: Finland and Vietnam. Research methodology will be presented in chapter five and then the analysis and discussion based on the research results will be argued in chapter six. In the sixth chapter, a comparison between Vietnam and Finland about the issues which need to be explored will be also identified as key findings. Conclusion about the contributions of the research in both academic field and business context and the limitations will be concluded in chapter seven.

Table 1. Structure of the study



2. KEY PRIMARY THEORIES

This chapter presents five key theories for literature review mainly utilized in chapter 3, including social exchange theory, equity theory, leader – member exchange theory, signaling theory and psychological contract. These theories are applied to explain the employees' behaviors regarding PA sessions.

2.1. Social exchange theory

Social exchange theory is a psychological concept supposing that people interact and make decisions based on the estimations of costs and benefits (Emerson, 1976). Therefore, by evaluating all social relationships to determine the benefits received or lost, a person could leave a relationship if he or she perceives that the cost for that relationship or the efforts which he or she has to put on outweighs any perceived advantages.

This theory could explain why a person decides to quit a job. Regarding to the theory, each employee will have a list of received benefits in comparison with a list of what they have to devote for their company. The received benefits could be the increased salary, the promotion, a developmental environment, a fair atmosphere and so on. If this employee feels that with his working effort and results, he should be rewarded a better position, a better income, a better appraise from supervisors or a better learning opportunity, he could leave the company to seek out another better company in his evaluation.

2.2. Leader-member exchange theory

Leader-member exchange theory suggests that leaders do not behave and treat all their subordinates equally; they divide their relationships into different groups: in-group and out-group of followers (Chen, Yu, & Son, 2014; Lunenburg, 2010). In-group employees have close relationships with their managers; therefore, they could reach valuable advantages such as beneficial information, greater rewards or promotion. In contrast,

people in out-group followers have less attention of their supervisors; thus, they could not receive challenging tasks or relationship-based appraises. As a result, out-group employees are managed by rules and regulations (Elicker, 2006; Golden & Veiga, 2008; Lunenburg, 2010).

Since the extents of closeness with leaders of in-group and out-group followers are different, the working motivation and efficiency of these in-group and out-group staff are distinguishing. The in-group employees are more committed and satisfied with their responsibilities as well as their results; whereas the out-group members are less motivated in working and have greater intention to leave their organizations (Chen et al., 2014; Golden & Veiga, 2008). For this reason, the leader-member exchange theory proposes the solution for managers to increase the employees' capability and ability. As in-group subordinates are members who have high working enthusiasm, the supervisors are advised to form high-quality supervisor-subordinate relationships by providing supports, interactive communication, positive comments or rewards. These actions could result in the positive reciprocation of the subordinates such as higher organizational trust and commitment, higher loyalty and performance, better effort and dedication or better behaviors (Golden & Veiga, 2008; Kulkarni & Ramamoorthy, 2011).

Applying this theory to the PA progress, Elicker (2006) claimed that based on the close relationship with the supervisor, the in-group employees are more confident and comfortable when communicating in the PA discussion. They have trust in their company and they have trust in what they could achieve in their jobs; therefore, they perceive the PA system as useful and effective. The out-group members, on the other hand, are passive in PA communication and hence, they feel pressure when facing with their managers (Elicker, 2006).

Although the leader-member exchange theory focuses on leaders' perspective, this study would like to utilize the theory for analyzing the followers' behaviors. This research argues that if an employee perceives himself as an out-group member and considers others as in-group ones, he understands the differences and he therefore reacts

based on his awareness. For example, he could create a safe space with his supervisor and he does not express his opinions to the leader in the PA process. Furthermore, by observing the favorable treatment or favorable feedbacks of the supervisor to other colleagues, he could feel inequality (which has been further discussed in session 2.3). Little by little, the working satisfaction is reduced and the thought of leaving might occur in his mind.

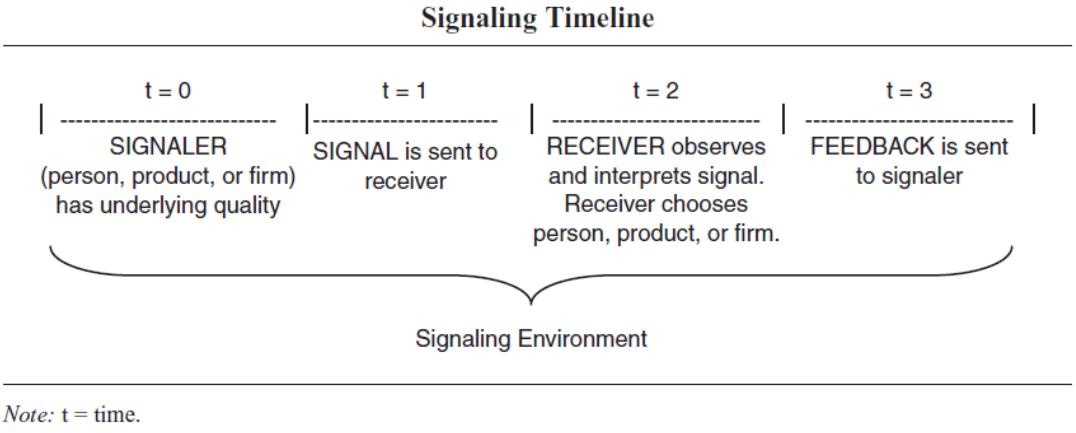
2.3. Equity theory

Equity theory is part of exchange theory. It supposes that people will endure a relationship if they perceive that their relationship is equitable or fair; and vice versa, people will change the relationship if they feel inequitably or unfairly by comparing themselves with other people (Furnham, 2005: 295 - 296). Therefore, equity theory explains the relational satisfaction regarding to fair or unfair issues in an interpersonal relationship. It proposes that individuals would be unsatisfied (feeling unfair) if they perceive themselves as either under-rewarded or over-rewarded. By which, equity is measured by comparing the input (such as effort, ability) and output (such as salary, promotion) ratios, or the contributions and benefits received from a relationship (Adams, 1965). In other words, people will compare what they and other employees contribute to their organizations and what they and other colleagues receive. If they believe that what they are rewarded is not as high as others are, they are demotivated.

Since equity is the personal feeling, it therefore has subjective characteristic and is criticized to be too individualistic (Furnham, 2005: 295). Hence, discussing about fairness issues is a long-debated and complicated subject. However, this paper argues that exploring the personal behaviors contains subjective data due to the fact that each individual is different. Nevertheless, as culture affects, people in the same groups would have general reactions. Thus, this research will use the equity theory as primary theory to explain the fairness issue. For specific, it is argued that if an employee perceives that he is an out-group member of his superior or his reward is lower than his contribution, then he feels unfair.

2.4. Signaling theory

It is widely assumed that people need information to make decisions. Moreover, information is gained through communication process. However, the communication contains more misunderstandings since information could be interpreted in different ways by different people. In signaling theory, basically there are two parties: the senders or the insiders, and the receivers or the outsiders (Connelly, Certo, Ireland, & Reutzel, 2010). The senders holding the information (or the signals) will choose which information to be sent and how the information is sent in order to make the receivers interpret the signals as the senders expect (Connelly et al., 2010).



Note: t = time.

Figure 1. Signaling Timeline (Connelly et al., 2010)

From this theory perspective which is illustrated in Figure 1, the information asymmetry between two parties would be reduced by which one party (the sender) will choose the relevant information, normally positive information to send to the other party (the receiver) in order to convey positive organizational attributes. The information or signal then will be subject to the perception and interpretation of the receiver and the receiver will react based on their interpretation (Connelly et al., 2010; Holtbrügge & Kreppel, 2012).

Therefore, the corporates could send signals about what they expect their employees to behave and what the organizations' values are. As the result, the employees would understand the companies' expectation and perceive the signals in the similar positive

way, which leads to similar actions fitting the organizational culture, enhancing the employees' efficiency as well as the organizational outcomes. In contrast, if the employees have low perceptions about the company's signals, they would behave in different actions, leading to the circumstance that the goal alignments could not be achieved and then resulting in the decrease in performance outcomes of both corporate and individual levels.

2.5. Psychological contract

Psychological contract is the set of mutual expectations of individuals and organization and is reinforced by "*repeated contribution and reciprocity over time*" (Stiles, Gratton, Truss, Hope-Hailey, & McGovern, 1997). In simple explanation, it is the mutual agreement of what the company demands towards its employees and what the employees expect from the company and how it changes over time. In another point of view, Wellin (2008: 2-3) considered psychological contract as a personal deal since he supposed that psychological contract is the combination of what organizational expectations the employee believes and what returns the employee expects. However, obviously, one of the major features of psychological contract is the promised-based characteristic; therefore, this contract is unwritten and needs high level of individual's belief (Rousseau, 2001; George, 2009: 4). In other words, it is the informal guarantee that both parties (organization and individual) have promised benefits if they do their responsibilities.

Basically, psychological contract is the exchange agreement which is illustrated in Figure 2 (Conway & Briner, 2005: 30; Richard & Katherine, 1998; Bal, Chiaburu, & Jansen, 2010). Combined with the fact that a psychological contract is about mutual trust and belief; hence, once breach occurs such as under-rewarded bonus or promotion, the consequences (for example: job dissatisfaction, low-quality performance or leaving intention) might happen afterward (Conway & Briner, 2005: 69-72).

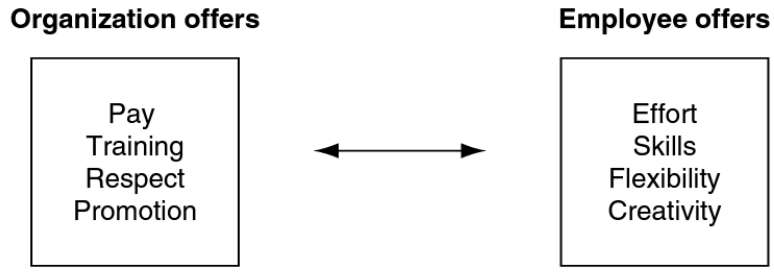


Figure 2. Psychological contract exchange (Conway & Briner, 2005:30)

Regarding to the PA discussion, psychological contract formed at goal setting session is very important to create trust. However, enhancing this trust and maintaining it is a long and complicated process because psychological contract is subjective and individuals' behaviors as well as their expectations are not stable. This research argues that rather than completing promises such as rewards, trainings and promotions, communication between supervisor and subordinate should be taken into consideration regularly in order to understand and fulfill the employees' desires and opinions. This argument is based on leader-member exchange theory as mentioned above.

3. CHARACTERISTICS OF A PERFORMANCE APPRAISAL SYSTEM

This session starts with a discussion of PA definition to argue the approach which the study focuses. Based on this approach, four characteristics of a PA system are identified from reviewing previous studies and the model of relationship between these features and employee retention are proposed at the end of the chapter.

3.1. Performance appraisal

In a long history of human resources research, PA is mentioned in different perspectives and approaches. Chiang & Birtch (2010) defined a PA is "an objective, rational, and systematic way" containing a communicative process and commitment between organizations and the employees such as feedback, reward, equity to manage and enhance the workforce performance. In order to implement an effective PA system, it is claimed that communication in the PA process is significantly important to clarify the demands of company towards its staff and vice versa, the expectations of the staff towards their company; as well as introduce the working guideline so that the employees have the obvious orientation and appropriate attitude to achieve targets (Chiang & Birtch, 2010).

Tziner, Joanis, & Murphy (2000), on the other hand, suppose a PA system as a developmental tool, which focuses on rating scale formats, to reach two purposes: (1) assisting employees to recognize their strengths and weaknesses for individual improvement; (2) referring to a reward, inner transfer or demotion decisions. Although Tziner et al. (2000) paid more attention to the methods which a company uses to ask the raters for their ratees' performance, they also emphasized that these methods are for enhancing the goal setting communication.

Another definition is that performance appraisal is a social and communicative process evaluating the employees' working efficiency and productivity to assist employees to enhance their performance as well as consider their promotion, salary, bonus, and it is

considered as the heart of the performance management (de Andrés et al., 2010; Gruman & Saks, 2011; Murphy & Cleveland, 1995). Therefore, through this process, the employee could know the rewards if they achieve the goal setting, the consequences if they perform poorly in their assignments and how they can improve their working productivity.

Although various researchers have different views of approaching, it could be seen that a PA consists of two purposes. Firstly, it makes alignment between organization and individual about yearly targets, corporate regulations and policies, working methods so that both organization and individual could keep the work in the right track. From this point, the PA could help employees understand what they should concentrate and how they could achieve the goals. Secondly, PA creates a motivational attitude for employees to accomplish all the jobs by allocating rewards based on performance. This research depends on these two PA objectives for analysis.

In addition, from those definitions above, it could be assumed that no matter how approaches are distinctive and narrow-focused, the PA process is about communication between corporate and its employees. Through communication, conflicts arise and dissatisfaction happens. Therefore, this research chooses the communicative aspect to discuss about the PA system. It does not mean that the study underestimates the importance of administrative work (such as the PA format, the rating scale); however, this research would like to explore deeply about the behavioral actions in PA communication. For this reason, features of a PA system as identified in the next session are based on the communicative approach.

3.2. Features of a performance appraisal system

Theoretically, an effective performance appraisal system could enhance the quality of organizational as well as individual performance through the two-way communication of setting goals and receiving feedbacks, by which the organization could diagnose the problems in personal working and plan the solutions (Murphy & Cleveland, 1995). Furthermore, improving employees' performance would lead to increase their

satisfaction and their commitment with the firm, or in other words, make employees trust, engage and be loyal with what the corporate expects them to do (Murphy & Cleveland, 1995; Mayer & Davis, 1999; Kuvaas, 2011). For those reasons, performance appraisal system has become a vital part of the HR practices.

However, the question is that which features attributes to an effective PA system. Regarding to that questions, researchers from different angles of perspectives have different approaches and different arguments. This study, based on the research's objectives and delimitation, will discuss and summarize previous opinions as well as conclude the significant features chosen for the empirical data and analysis.

Evans et al. (2011), when discussing about performance system, categorizes factors influencing the effectiveness of this system into two sides: the upstream side (related to objectives or goals interpretation as the first element) and the downstream side (related to performance appraisal, feedback and reward as the second and third elements). From this approach, the PA is just one part of the whole performance system and is separate with corporate objectives, the interactive feedbacks and the rewards based on the PA results. Nevertheless, this study argues that since PA is a communicative process evaluating the employees' capability, it needs to be goals-oriented and reward-promised. In other words, it is necessary for the employees to clearly understand the strategic and tactical objectives in order to understand the criteria of the PA form and understand what they should do to achieve the goals as well as reach the high score in PA process.

Likewise, having distinguished PA from performance management and performance measurement, Sumelius et al. (2014) identified the determinants of employees' perceptions towards a PA system in multinational organizations, including the top management internalization, the formal system design, the supervisor capability/commitment and the attitudes of colleagues. The first two drivers are at the unit level, and the two latter ones are at the relationship level. Since their research aimed at multinational companies and subsidiaries, the determinants suggested are specific for multinational cases. For instance, Sumelius et al. (2014) suppose that if the

PA system is too standardized, it could make the local employees feel irrelevant in their context and then reduce the PA quality. Although this study targets at various kinds of companies and do not focus on the multinational factor since cultural effects are discussed in a separate chapter, the features finalized for the research could be the combination of those relationship-level determinants. Specifically, both supervisor capability and attitudes of colleagues could affect the fairness assumption and commitment level of employees.

Besides, Murphy & Cleveland (1995) suggest a PA model including four elements: (1) the rating context referring to the organizational values, norms, beliefs and situations within with the PAs are conducted; (2) the performance judgment which is the extent of how accurate the appraisers could conclude the judgments; (3) performance rating which is the extent of how accurate the appraisers could provide the ratings; and (4) evaluation which is the consideration of the uses of PA such as, for promoting or increasing salary. In this model, Murphy & Cleveland (1995) distinguish the judgment as private evaluation and the ratings as numbers rated in the documents since they argue that there is normally different between what the supervisors judge and what they actually score in the PA form. This research does not neglect the influence of the rating context; however, the focus of the study is on the PA system itself beyond the employee perceptions. Thus, external factors affecting the PA process will not be analyzed. Moreover, goals setting – feature of the PA system could partly reflect the organizational values and corporate cultures.

Furthermore, Brown, Hyatt, & Benson (2010) define quality of a PA system in considerations with four indicators: (1) clarity which means that how well the employees are clear with the organizational objectives and their tasks; (2) communication which refers to which level of communication and information exchange between supervisors and their subordinates; (3) trust which is the extent of belief towards the supervisors; and (4) PA fairness which indicates the fair treatment. However, from the perspective of employees, the first and second indicators could interrelate since the interpretation of objectives from the enterprise to its staff requires the involvement of the middle managers or the supervisors, which means that goals

setting needs the supervisor – employee communication. Similarity, the second and third indicators could also have the relationship of causality: high level of communication could increase trust and vice versa, trust could enhance the level of communication. The second, third and fourth indicators, furthermore, could integrate into an issue of fairness, because as stated in Murphy & Cleveland (1995), "judgments are subject to a wide variety of biases, almost all of which are likely to be unconscious". The supervisors have different relationships and communications with each employee, which is difficult to treat everyone totally equally, even though the unjust treatment is out of their consciousness. Therefore, the way in which their subordinates consider fairness could be based on the relationships with the supervisor.

The above discussion about literature review is structured in short in Table 2.

Table 2. Summary of Literature

Authors	**Arguments about PA features**
Evans et al. (2011)	PA is a part of performance management and is separate with corporate objectives, and the rewards linked with the PA results
Sumelius et al. (2014)	Determinants of employees' perceptions towards a PA system in multinational organizations: • Unit level: Top management internalization, formal system design • Relationship level: supervisor capability/ commitment, attitudes of colleagues
Murphy & Cleveland (1995)	PA model is the constitution of four elements: • The rating context • The performance judgment

	• Performance rating • Evaluation
Brown, Hyatt, & Benson (2010)	Quality of a PA system includes four indicators: • Clarity • Communication • Trust • PA fairness

From various suggestions and arguments from previous studies, this research, which is based on the employees' perspective and communicative approach, focuses on four features of a PA system: goals setting (which also include the communication process and the psychological contract from the corporate to its employees), the relationship between supervisors and their subordinates, the fairness issue and the rewards linked with the PAs. Detailed discussions regarding to these four features are presented in the next sessions.

3.2.1. Goals setting

It is widely accepted that goal setting is the first step of any strategies and plays a fundamental role in management. In PA process, goal setting is considered as the heart of the whole system (Smith & Brouwer, 1977: 77). The objective of this activity is that employees could understand clearly their roles and responsibilities in the organization, how they are scored for each performance, which are clear guidelines and direction for work tracking so that the employees are not lost and ambiguous about what and why they have to do in the corporate. However, goal setting is not the one-way communication from corporate to its employees. Goal setting session is an opportunity for both company and employees to discuss and share the company's demands and the individual expectations in each period of work; and after the negotiations and discussions, they could compromise an agreement for the same objectives (Smith & Brouwer, 1977).

In addition to the interpretation of the corporate's objectives, as mentioned above, the communication between companies and individuals is very significant. This point is explained by the signaling effects theory in the second chapter. By which, the employees with inadequate and ambiguous information about goal setting will be likely to work less effectively since they do not know exactly what they need to do (Evans et al., 2011). Therefore, if the company wants its employees to fully understand the corporate's signals or the corporate's objectives, it needs to design the clear expectations, the clear responsibilities and it needs to create a supportive environment to communicate with staff in order to reduce the misunderstanding and assist its staff's obstacles.

For that reason, Evans et al. (2011) supposes that the clear and transparent metrics should be the priorities when designing the scorecards to decentralize responsibility, even towards some goals which are difficult to measure. The reason for this argument is that the employees are easier to follow the objectives which are visible and tangible (Evans et al., 2011). However, if the employees are informed clearly about the metrics but they do not really engage with these metrics, they do not have the motivation to follow them and achieve them. Thus, the commitment issue is another consideration in goal settings.

- ***Commitment building***

Concerning to the commitment building, in Wellin (2008: 8 – 10) research, it is claimed that engaged employees are more productive, motivated and satisfied with their work. Furthermore, there is believed that engaged workers may perform better than the non-engaged ones and also be more loyal to the company (Bakker, Demerouti, & ten Brummelhuis, 2012). The loyalty and commitment could derive from the sense of belonging and being identified in an organization, leading to the motivation of devoting (Golden & Veiga, 2008). As discussed in chapter 2, the commitment between firms and their employees could be created through psychological contract. From the social exchange lens, employees who trust their enterprises for providing them good conditions to promote their developmental activities would feel obliged with the

companies' orientation and then work with higher performance (Kuvaas, 2006). Therefore, the list of clear goals setting is not enough to make people work effectively, or by signaling effects theory, perceive signals positively. Employees need to have the motivation to achieve the goals of corporates, which formed by which extent of beliefs they put on their organizations.

Hence, as trust and commitment is the foundation of any kinds of relationship, including the employers – employees' relationship, the multinational firms nowadays need to make sure that not only the objectives, but also convincing reasons why the employees must attain those objectives are well understood and accepted by the whole organization (Evans et al., 2011).

3.2.2. Relationship between supervisors and their subordinates

Prior studies have emphasized the strong influences of supervisors-subordinates relationship on the PA outcomes such as job satisfaction, working commitment and loyalty (Deluga, 1998; Elicker, 2006; Golden & Veiga, 2008). In terms of leader – member exchange theory, the in-group members or the employees with high quality relationship with their supervisors have higher chances to raise their voice in the PA session (Elicker, 2006). Since the in-group employees are more confident in communicating with their managers, they could clarify and resolve their problems as well as discuss about their expectations. Therefore, the feeling of justice is easier to perceive (Elicker, 2006).

The question is that how to build a high quality supervisor – subordinate relationship. As figured out in leader – member exchange theory, the quality of this relationship is contributed by both material and non-material exchanges to enhance the mutual benefits (Golden & Veiga, 2008). The leaders could offer the invaluable information, the attractive tasks and positions, the developmental trainings, the interesting challenges, the extra break-time days or the increased salary and bonus. In return, the employees would express the motivating working attitude, the loyalty or the high respect (Golden & Veiga, 2008).

As leader – member relationship is subjective; a high quality relationship could be built by different exchanges, depending on different individuals. For instance, some employees expect the material offers (financial incentives, high salary, and complimentary products) to increase their performance; whereas others prefer the non-material ones (developmental trainings, childcare, or a holiday trip) to satisfy their needs. Vice versa, some employers expect the reciprocation of positive working outcomes and high productivity; whilst others want the respectful behaviors from their followers. These differences could be more obvious in different cultures proposed in the next chapter.

3.2.3. Rewards linked with the performance appraisals

The linkage between appraisal outcomes and developmental rewards (promotion, internal mobility, financial bonuses, learning opportunities, salary increasing) has a significant impact on improving the employees' satisfaction (Evans et al., 2011). When the PA is tied with promised benefits including either material or non-material rewards, individuals have more motivation to achieve their working targets. Mayer & Davis (1999) proposed that a PA system which clarifies and increases the connection of performance and rewards could enhance the organizational trust, which is the basement of individual commitment and loyalty. The reason could be the consideration of reward as part of psychological contract; thus, to strengthen this contract, the expected and deserved rewards should be allocated. In contrast, if the rewards are not compatible with the employees' expectation, the psychological contract could be broken, resulting in the reduced commitment and working satisfaction. Explaining from the social exchange theory, the employees will continue devoting their efforts for the companies (or remaining the relationship with their firms) when they perceive that the rewards which they receive from their contribution and their working outcomes are deserved. In contrast, if the employees suppose that the benefits which their enterprises reward them are too small compared with their working, they would seek for another position. Additionally, the rewarding mechanism is only effective if the employees' working results are rated correctly and differentiated. As the objectives of rewarding is to praise

staff contribution and encourage them to perform better, a same score rated for every member leading to the same bonus could make talents feel unfair and disappointed (Lawler, 2003).

According to DeVoe & Iyengar (2004) study, there are differences between the managers and employees' perceptions of the employee motivation and performance appraisal. Also, these differences are not the same in different cultures. For details, the North American managers perceived their employees to prefer the extrinsic factors (monetary incentives and managerial surveillance) than the intrinsic ones (self-actualization). Asian managers, on the other hand, perceived their subordinates as equally motivated by both factors; whereas the Latin American managers thought that their employees are more intrinsically motivated. Nevertheless, all of the employees surveyed by DeVoe & Iyengar (2004) responded that they are more motivated by the intrinsic incentives. If applying the Maslow's hierarchy of needs (Figure 3) into the DeVoe & Iyengar (2004) research, it can be obviously seen that extrinsic factors reflect the fundamental level of the needs at the second layer (financial safety) and the fourth one (esteem); while intrinsic factors reflect the highest peak of the Maslow pyramid - self-actualization. It is advised that the companies should satisfy the needs from the lowest level (Maslow, 1943), which is suitable with the thoughts of North American and Asian mangers. However, societies change. As the development of the young labor with the high demand of self-esteem, the intrinsic incentives should be preferable in rewarding.

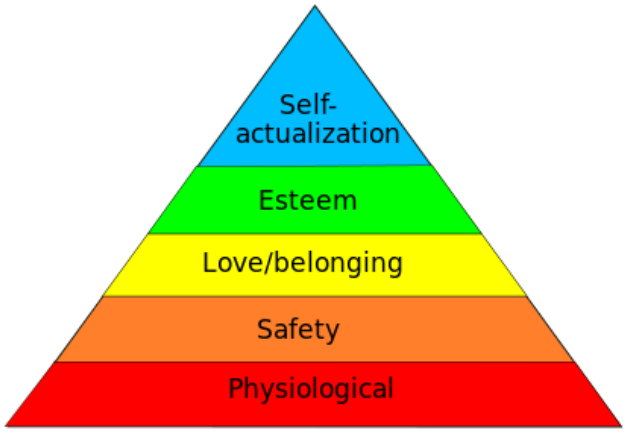


Figure 3. Maslow's hierarchy of needs (Maslow, 1943)

3.2.4. Fairness of the performance appraisal

Fairness is proved to affect various organizational outcomes such as trust and commitment, job satisfaction, working performance or withdrawal (Colquitt et al., 2001; Sholihin & Pike, 2009). However, fairness is a sensitive and subjective issue. Different people perceive fairness in different opinions. Many employees think that they are being evaluated by the appraisers, normally their supervisors, who lacks objectivity and sometimes they are being evaluated by the person who do not understand deeply their roles and their tasks, and hence it is not fair (Latham et al., 2005; Narcisse & Harcourt, 2008). Nevertheless, as mentioned in the introduction, Poon (2004) claimed that if the appraiser rates all members with good results, this action has no effect on employee satisfaction or might be a motivation for employees in working.

In order to explain the level of fairness, the equity theory could be applied. From the equity theory, the individuals compare their input-output ratios with their colleagues to conclude the degree of fairness/justice; so in performance appraisals, the employees will compare their self-evaluation to the rating they receive from their appraisers and with others' results (Erdogan, 2002). Jr & McNall (2010) supposed that even the employees receive the negative evaluation; they could accept it as fair if they perceive the interpersonal interactions and informational communications are fair. In Kavanagh & Brown (2007) findings, the justice perception is strongly related with the employees' involvement level in goal setting session, their understanding of PA process and the supervisor's attitude. It means that if the subordinates are interactive and active in communicating in PA discussion and they consider their supervisors as neutral or unbiased, they are satisfied with the PA results.

This study claims that organizational communication, rating results and rewards distribution are interrelated to the quality of supervisors – subordinates relationship because the supervisors have to involve in every step of the PA process. Therefore, people in the high quality relationship are more satisfied and justice-perceived than those in the low one.

Furthermore, from the equity perspective, in the ratios of input and output, the input could be the employees' effort and contribution. The output could be the possibility of interactive communication about the employees' expectations and what they should do to achieve them, the treatment of supervisors and the rewards. If one of those three factors is not fulfilled, the unsatisfied or unfair feeling could occur, which is the origin of the leaving intention. Therefore, this study supposes that the perceived feeling of inequality is the main cause of job hopping (Figure 4).

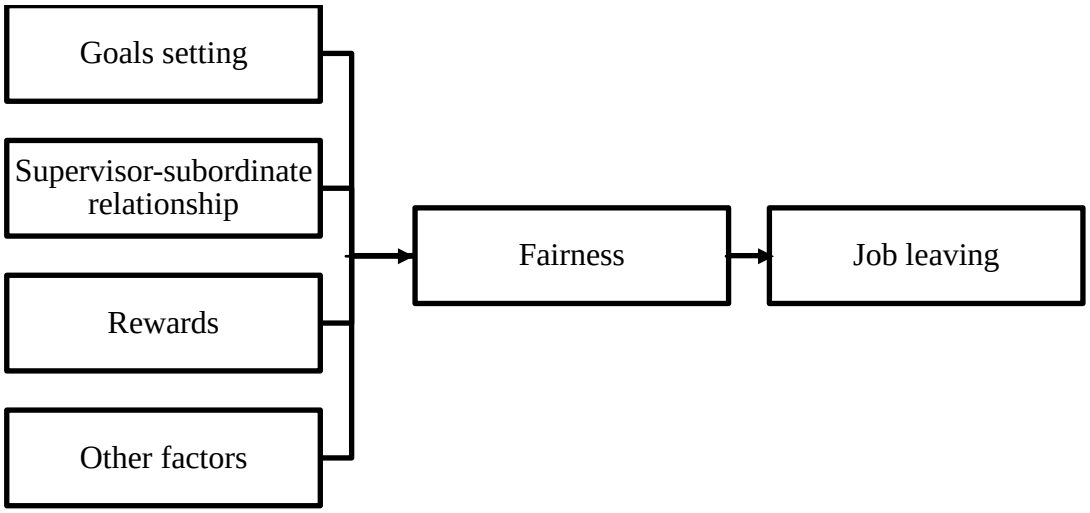


Figure 4. Relationship of PA features and job leaving

4. CULTURAL DIFFERENCES IN PERFORMANCE APPRAISAL SYSTEM

This chapter presents and discusses the differences in designing and implementing PA system in distinguished cultures based on Hofstede's cultural dimensions. At the end of the chapter, these cultural differences are applied to Finland and Vietnam – two selected countries for empirical research, which are compared with the interviews' results to conclude the research findings in chapter 6.

4.1. Definition of culture

Culture has long been considered as a plastic word, which is popularly used in every aspects of society. Although culture has been mentioned in many daily activities, it is still an abstract term which is the focus of many studies. One of the most popular definitions about culture was written by Kluckhohn (1951: 86).

> "*Culture consists in patterned ways of thinking, feeling and reacting, acquired and transmitted mainly by symbols, constituting the distinctive achievements of human groups, including their embodiments and artifacts; the essential core of culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values*"

Often cited is also the definition by Hofstede (2001: 9). He noted that culture is "*the collective programming of the mind which distinguishes the members of one group or category of people from another*". The definition of culture proposed by Hofstede (2001: 9) is the developmental concept of Kluckhohn (1951: 86) study; in which "*the mind"* refers to *"thinking, feeling and reacting"*. From this definition, a person could be part of different cultures or groups. For instance, an employee working in a multinational organization belongs to that organizational culture; but at the same time, he is influenced by his own national or religious culture. Moreover, although using the word "*software of the mind"*, Hofstede (2005: 4) affirmed that *"software"* does not imply that individuals are programmed to act and behave or rules control the individual

beliefs and behaviors. Even though culture is stable and people are influenced by norms endorsed by a group, they have powers to choose what they believe. For what, culture could be changed.

Although this paper is examined in organizations and from employees' perspective, the study chooses national culture to approach because of two reasons. Firstly, the company rooted in one country is operated by people in that country; therefore, it is probably affected by national characteristics. Secondly, the cultural differences are more obvious in macro levels (Chiang, 2005); and hence, the analyses as well as the results are possibly generalized.

4.2. Hofstede's cultural dimensions

From 1968 to 1972, there were approximately 116,000 questionnaires conducted by Hofstede in multinational corporation IBM in 72 different countries (from which 40 countries were initially analyzed) (Hofstede, 1980: 11; Hofstede, 2001: 41). Based on his findings, Hofstede developed a cultural framework describing effects of a societal culture on the values of its members, which includes four main dimensions: Power Distance, Individualism - Collectivism, Uncertainty avoidance and Masculinity - Femininity (The Hofstede Centre, 2014; Hofstede, 2001: 41). In 1988, the fifth dimension: long-term versus short-term orientation or the Confucian dynamism was added by a new cross-national study in China (Hofstede, 2001: 41; Hofstede & Bond, 1988). Although Hofstede's cultural dimensions are widely applied in both international management and economic research, they are criticized to be too generalized, subjective and out-of-date (Chiang, 2005). Explained for that argument, Chiang (2005) claimed that the surveys were conducted in only one company and by the Western research team; therefore, it is doubted about how much extent the research could represent for the whole country and if there are any biases regarding cultural lens.

Nevertheless, this study utilizes the Hofstede's cultural dimensions as primary foundation for analysis due to two main causes. The first one is the targeted respondents. Hofstede aimed at employees in a multinational company, which is

relevant with business issues or business research. The second one is the content of questionnaire. All the questions designed in his questionnaire are related to the working environment and the managers – subordinates relationships (Hofstede, 2001: 41). Since this research would like to explore the employees' attitudes, the Hofstede's survey is appropriate for the study's purposes and objectives. Furthermore, the long-term versus short-term orientation is argued not to be necessarily categorized because it is demonstrated in Asian countries only and could reflect the individualism dimension (Chiang, 2005). However, as Vietnam – an Asian country – is chosen to conduct the interviews, in this paper, the fifth dimension is discussed in a separate session.

Following sessions are the discussions of five Hofstede's dimensions with their applications on the PA system and the analysis of two selected nations: Finland and Vietnam based on cultural dimensions' scores.

4.2.1. Power distance

Human inequality is the term appearing in all societies. However, in different cultures, the level of inequality is different. The dimension of power distance refers to hierarchical powers accepted in a society or the unequal power distributed in an institution (Hofstede, 2005: 28). In high power distance cultures, since the authority is highly respected and the power is centralized from top managers, the followers are likely to accept and follow all decisions made by their leaders (Hofstede, 2005: 37). Moreover, protecting the status of the superiors by hiding negative expressions is one of the recommended rules to prolong the supervisors – subordinates relationship (Chiang & Birtch, 2010). Whereas, in low power distance nations, it is open for individuals to raise their voice to their leaders (The Hofstede Centre A, 2014).

Applying these assumptions to the PA system, in high power distance countries, it is probably difficult and pressure for the employees having comfortable conversations with their supervisors about their real opinions or feelings. Therefore, the goal setting session could be dominated by the leaders. Furthermore, the subordinates are more likely to passively accept the evaluations and the rewards without any upward

feedbacks. However, because of the hierarchical organizational system, the rewards are distributed upon the positions rather than the real contributions and the results (Chiang, 2005). Combined, as mentioned in previous chapter, the PA needs two-way communication to reduce the misunderstandings. Hence, the probability of a low-quality leader – follower relationship and the unfair perception could occur in these high power distance cultures, leading to the employees' dissatisfaction and then the thought of leaving. On the contrary, in low power distance nations, the mutual communications in PA progress are encouraged, leading to the active participation of employees (Chiang & Birtch, 2010). It means that the subordinates in low power distance cultures are supported to express their expectations, their ideas as well as their arguments; and thus, their working outcomes and their satisfaction positively increase.

4.2.2. Individualism versus Collectivism

The dimension of individualism refers to the bonding degree of an individual towards his society (Hofstede, 2005: 51). In individualistic cultures, it is focused on personal achievements, developments and individual rights. People are expected to take care of themselves, their interests and their close families only. Therefore, in this kind of culture, the relationship of supervisors and their subordinates is based on business transaction, which means that a poor performance leading to the firing consequence could be normally accepted (Hofstede, 2005: 64). In contrast, in collectivist societies, individuals act as members of a cohesive group and they put the organizational rights as the priority (The Hofstede Centre A, 2014). For the exchange, the group will protect its individuals, resulting in the preferential treatment of in-group members regardless of their working productivity (Hofstede, 2005: 64).

With regard to the PA process, in the individualistic cultures, it is regular to differentiate the appraisal results based on employees' performance in order to enhance the individual competitiveness (Chiang & Birtch, 2010). Therefore, the rewards linked with the PA are used to increase the motivation and the material rewards such as financial incentives are more effective (Chiang & Birtch, 2010; Chiang, 2005). However, in the collectivistic societies, the performance does not refer to the individual working

efficiency, but the whole group outcomes. For which, it is less different in individual appraisal results; and thus, less different in rewards distribution (Chiang & Birtch, 2010). In addition to the rewards, the non-competitive ones based on experience or tenure are used in this culture to praise the loyalty of group's members (Chiang, 2005). Furthermore, there are differences in judging and rating in PA progress. The first reason is that the collectivistic culture respects *"the face"*, in which direct and negative feedbacks are mostly avoided (Chiang & Birtch, 2010). The second one could be the relationship of in-group and out-group employees with their supervisors. Even the in-group members perform poorly; the supervisor still protects them and praises them. Out-group members, on the other hand, are treated by regulations or under-rewarded regardless their efforts or their great achievements. Besides, this study argues that because the PA mostly focuses on the individual performance, it could be considered as unnecessary in collectivistic cultures in which people are rated as the same.

4.2.3. Uncertainty avoidance

The dimension of uncertainty avoidance is the extent of tolerance for the unknown situations in a specific community or the degree of willingness to take risks (Hofstede, 2005: 113). People in cultures with strong uncertainty avoidance tend to be more emotional. The individuals in these countries will try to minimize the occurrence of unknown and unusual circumstances by carefully planning and implementing rules, laws and regulations as well as showing little tolerance for inappropriate ideas or behaviors. In contrast, people in weak uncertainty avoidance cultures accept the unstructured situations or changeable environments and are flexible with the rules (The Hofstede Centre A, 2014; Hofstete, 2005: 125).

Regarding to the PA system, in high uncertainty avoidance societies, the standardized and formalized PA design is preferable (Chiang & Birtch, 2010). Since the employees are afraid of unpredictable phenomenon, they need the clear guidelines, adequate information and frequent communications to reduce the future risks (Chiang & Birtch, 2010). Therefore, the employees in this culture are motivated by security and certainty; by which justice is perceived with the formal PA and the fixed and non-performance-

based rewards are expected to ensure the future (Hofstede, 2005: 125; Chiang & Birtch, 2010; Hartmann & Slapničar, 2012). Besides, because people are hesitant to change, they have the tendency to stay in a company for a long time (Hofstede, 2001: 169). In comparison, rules and regulations could be flexible in solving problems in low uncertainty avoidance cultures (Hofstede, 2005: 125). As rules could be broken, the supervisors – subordinates relationships are based on trust and commitment (Hofstede, 2001: 169). Furthermore, since people are less scared of unknow situations, the employees are motivated by achievements, valued by performance-oriented rewards (Hofstede, 2005: 125; Chiang, 2005). From this point, it is obvious that people are easy to move to another corporate if they feel unsatisfied with their current job. Besides, since formality is not highly concerned; it is supposed to diverse the PA measurements to make employees percieve the equality (Hartmann & Slapničar, 2012).

4.2.4. Masculinity versus Femininity

In a long accepted concept, men are supposed to be strong, decisive, assertive, competitive and play the lead role in society; whereas women are supposed to be caring and harmonizing (Hofstede, 2005: 81). Therefore, the dimension of masculinity is concerned with the gender role issues in a specific culture. According to Hofstede (2005: 82), masculine cultures refer to societies in which the social gender roles are clearly distinguished; while feminine ones imply to cultures in which there are overlaps between men and women's roles (i.e. both genders are characterized by being modest and tender). In other words, masculine cultures' values concentrate on competitiveness, assertiveness, materialism, ambition and power; whereas feminine cultures' values stress on relationships and quality of life (The Hofstede Centre A, 2014).

In relation to the PA system, the masculine societies expect the competitions, causing the expectations of differences in rewards distribution (Chiang & Birtch, 2010; Chiang, 2005). Moreover, since reward is the evidence of ability affirmation, it is the significant part of PA results' purpose. Higher payment and greater position are highly preferable (Hofstede, 2001: 318). In terms of PA communication, it is claimed that the employees in high masculine cultures have strong intrinsic belief about their capabilities; therefore,

they expect the self-management even they seek for the interactive feedbacks (Chiang & Birtch, 2010). Whilst in feminine societies, it is valued on cooperation, human relationships and caring to others (Chiang & Birtch, 2010). The relationship of managers and their subordinates is mostly equal and the problem solving is based on compromise and negotiation (Hofstede, 2001: 318). Therefore, the developmental communication is emphasized in working environment (Chiang & Birtch, 2010). As stress or pressure is avoided in this culture, the employees expect the fewer working hours and the indifferent rewards allocation (Hofstede, 2001; Chiang & Birtch, 2010). In addition to the reward issues, the feminine-culture employees appreciate the non-material rewards than the material ones. The career break-time or childcare services in order to balance the working - living time and increase the quality of life is expected (Chiang, 2005).

4.2.5. Short-term versus long-term orientation

The short-term versus long-term orientation is also named as the Confucian dynamism. The Confucianism has deeply rooted in a long history of China and affected other neighbors' cultures. Until nowadays, the Confucian lessons are spread among Chinese community (Hofstede, 2005: 165). The key principles of Confucianism mentioned in Hofstede (2005: 165) include:

> *"1. The stability of society is based on unequal relationships between people*
> *2. The family is the prototype of all social organizations*
> *3. Virtuous behavior towards others consists of not treating others as one would not like to be treated oneself"*
> *4. Virtue with regard to one's tasks in life consists of trying to acquire skills and education, working hard, not spending more than necessary, being patient, and persevering"*

Even in the modern life, these attitudes exists as underlying values of modern Chinese people, leading to the fifth dimension of short-term versus long-term orientation. This dimension refers to the extent to which people in a specific society take the traditions as

priorities when dealing with challenges in present (The Hofstede Centre A, 2014). According to Hofstede (2005: 173), people in long-term cultures adapt the past traditions into the present life while the short-term ones respect for the traditions. In the Hofstede (2001: 360) findings, leisure time is a significant part of living among short-term countries; whereas long-term-culture residents consider hard working as more appreciated. Furthermore, as virtue values in the cultural structure of long-term orientation, decision-making and relationship-building are depended upon the moral belief (Hofstede, 2001: 366).

From the Hofstede perspective, the PA communication is probably less open in the long-term orientation cultures because as Confucius emphasized on the unequal relationships including leaders and followers ones, the followers are expected to protect the status and the face of their leaders. The praises of loyalty and belongingness could be the great rewards in this culture. In contrast, in short-term orientation ones, the final working results are more concerned and there is separate between business working and interpersonal relationships.

Following table is the summary of main differences in PA system in different cultures as discussed above.

Table 3. Main differences in PA system in different cultures

Features of PA / **Cultural dimensions**		**GOALS SETTING**	**LEADERS - EMPLOYEES RELATIONSHIP**	**FAIRNESS**	**REWARDS**
POWER DISTANCE	**High**	Goal setting session is dominated by the leaders Indirect communication	Unequal No upward feedbacks to protect the supervisors' faces Passively accept the evaluations	High probability of feeling unsatisfied	Rewards are distributed upon the positions

	Low	Open and comfortable communication Direct communication	Equal	Discuss the PA results Satisfying with the results	Rewards are distributed upon the outcomes
INDIVI-DUALISM	**Indivi-dualistic**	Open and comfortable communication Active participation to acquire the individual rights	Equal	Differentiate the appraisal results based on performance	To increase employees' motivation Material rewards (financial incentives)
	Collect-ivistic	Goal setting session is dominated by the leaders	Unequal	Less different in individual results Differences in judging and rating In-group members are protected	Experience or tenure rewards To praise the loyalty of members
UNCERT-AINTY AVOIDAN-CE	**High**	Standardized and formalized PA design Clear guidelines Frequent communication	Based on rules and regulations	Fairness is perceived through formal PA process	Motivated by security and certainty Fixed and non-performance-based rewards
	Low	Flexible problem-solving Ambiguous information	Based on trust and commitment	Fairness is perceived through the diversity of PA measurement	Motivated by achievement Performance -oriented rewards

MASCULIN-ITY	**Masculine**	Expect the self-management	Unequal	Differences in rewards distribution	Higher payment and greater position
	Feminine	Developmental communication	Equal Problem solving is based on compromise and negotiation	Indifferent rewards allocation	Fewer working hours
LONG-TERM ORIENTATION	**Long-term**	Less open communication	Virtue orientation	Indifferent rewards allocation	To praise the loyalty Experience and tenure rewards
	Short-term	More open communication	Separate between business working and interpersonal relationships	Differences in rewards distribution	Result-based rewards Material rewards

4.3. Comparisons of PA system in Finland and Vietnam

In empirical study, Finland and Vietnam are chosen to conduct interviews as these two countries are from distinct cultures: the Western nation and the Eastern one. This session applies the Hofstede scores and the PA differences in distinguished cultures as identified above to compare the Finnish and Vietnamese PA system. A proposition of the PA influences on leaving decisions in each culture is included afterward.

Illustrated in Figure 5, there are striking differences in Finnish and Vietnamese cultures in all dimensions. As obviously seen, Finland demonstrates a low power distance score (score 33), high individualistic culture (score 63), feminine characteristic (score 26), high uncertainty avoidance intention (score 59) and short-term orientation (score 38). In contrast, Vietnam is a high power distance country (score 70) with collectivistic culture (score 20), feminine distinction (score 40), weak uncertainty avoidance (score 30) and long-term orientation (score 57). Applying the Table 3 in these scores, it could be

guessed that in Finland, the PA communication is more open and direct with high involvement of the employees. Therefore, the Finnish PA system is designed in formal forms with rules orientation to provide clear guidelines, clear information and interactive feedbacks. Moreover, the relationship of managers and their employees are equal and regulation-based, resulting in the separate dividing in the business relationship and the interpersonal one. Since Finland has feminine characteristic, Finnish people focus on the quality of life and expect the security. Thus, financial insurance and working-balance incentives are highly expected. It is predicted that people in Finland rarely consider about changing their job; however, they could leave the company if they have heavy and stressful workload.

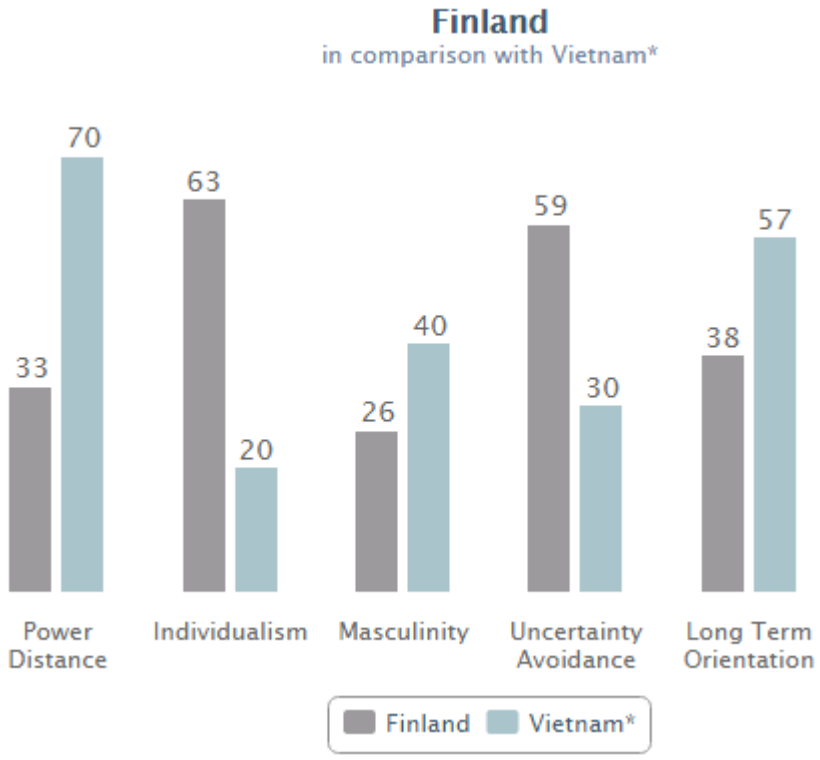


Figure 5. The cultural comparison between Finland and Vietnam (The Hofstede Centre B, 2014).

Vietnamese PA system, in contrast, creates less opportunity for employees to comfortably communicate. The reason is that the Vietnamese leader has dominated role in a relationship. Therefore, they have the powers to force their followers to implement

their desires and treat their subordinates unequally in PA process. Because unequal relationship is one of the features of Vietnamese culture, the out-group members are easily upset with their employers and then easily move. The loyalty of Vietnamese employees derives from the feeling of belongingness. However, as Vietnam is the low uncertainty avoidance culture, the employees would like to challenge themselves in different organizations, resulting in the possibility of the high turnover rate.

Although both Finland and Vietnam has the feminine feature, when combining with other dimensions, it could be predicted that the quality of superior – inferior relationship in Finland is enhanced by the interactive communication. Vice versa, in Vietnam, although people focus on the relationship also, but probably in different ways: satisfying and protecting the 'face' of the supervisors. Therefore, arguing with the raters is not expected and accepted. Table 4 is the outlined summary of Finnish and Vietnamese PA system.

Table 4. Main differences in PA system in Finland and Vietnam

Countries / **Features of PA**	**FINLAND**	**VIETNAM**
GOALS SETTING	Open and direct communication High participation of employees Formal design with clear guidelines, clear information	Less open communication Rules could be broken
LEADERS - EMPLOYEES RELATIONSHIP	Equal Regulation-based Business and interpersonal relationships are separate	Leader has dominated role Status and "face" need to be protected In-group members are protected

FAIRNESS	Fairness is perceived through formal PA process Differences in rewards distribution	Fairness is perceived through the diversity of PA measurement Indifferent rewards allocation
REWARDS	Expect the security Financial insurance and working-balance incentives rewards	To praise the loyalty Experience and tenure rewards

From the basic theory of Hofstede's cultural dimensions, combined with the Hofstede's research presented in Figure 4, it could be guessed that employees in Finland are more independent, free to express their voices, careful in planning and less competitive than employees in Vietnam. Because of the big gap in cultures between these two countries, there is potential possibility that the effects of each performance appraisal's characteristic on the employees' intention to quit their job could be mostly different in Finland and Vietnam.

5. RESEARCH METHODOLOGY

This chapter presents the research methodology which this study applies for. Based on the choice of the research approaches, the research design is introduced and the data collection as well as the method of analyzing data is discussed. At the end of the chapter, the reliability and validity of this thesis will be included.

5.1. Methodological approach

There are two regular approaches in business scientific research, namely deductive and inductive approach (Saunders et al., 2009: 124). In inductive approach, data is collected and observed to formulate a model of theory; whereas deductive research tests an existing theory or a modified one in a real context. In business research, the choice of deductive approach is more common than the inductive one (Saunders et al., 2009: 124). However, it is also possible for researchers to combine these two approaches in their studies (Sachdeva, 2009: 24 - 25; Saunders et al., 2009: 124 – 127).

This study utilizes both approaches since each of them contributes to different parts while doing research. On the one hand, regarding deductive approach, the paper aims to identify the PA characteristics in different cultures based on previous theories and studies. A finalized comparison about PA system in distinguished cultures supposed after analyzing and discussing the literature review is tested in the empirical part. The result of the study is to confirm the theory or to explain the gap between theory and reality. On the other hand, with regard to inductive approach, the interviews are to explore deeply about employees' behaviors towards PA system and its extent of effects on their loyalty. The objective of this exploration is to discover which features of a PA process have strong influence on working turnover to propose suggestions for both further academic research and managerial practices. From the theoretical framework, it could be seen that among research of human resource management, this phenomenon is rarely clearly focused. Therefore, the discussion about previous studies could offer suggestions for the empirical part.

5.2. Research design

The research design is the plan of answering the research questions (Saunders et al., 2009: 136). Based on two research questions and three research objectives introduced in chapter 1, this study would like to explore the underlying effects of each PA features on employees' behaviors. As explained in Saunders et al. (2009: 139), a research, which aims to clarify a problem or discover a new insight, is called exploratory. Therefore, this study is exploratory.

The exploratory research could be done by both qualitative and quantitative methods. Basically, quantitative research focuses on numerical data; whereas qualitative research uses non-numerical data to gain deeper knowledge or explain a phenomenon (Saunders et al., 2009: 151). This thesis applies qualitative method. The reason for this choice is that the research questions are to explore and develop the existing understandings about PA effects on employees' retention. Since there are few papers concerning this matter, the in-depth analysis of the research questions is necessary. Combined, the issues emphasized on this research such as fairness are ambiguous; thus, qualitative method is more suitable.

Saunders et al. (2009: 323) supposes that the non-standardized interviews (including semi-structured and in-depth ones) are appropriate with exploratory and qualitative research. In this study, data is collected through semi-structured interviews. As the research intends to seek out and understand the new employees' insights about PA system, the interview's questions could be modified and could vary from each interview. However, given knowledge about PA consequences on employees' behaviors does exist in various studies, a preliminary list of questions could be prepared. In addition to using interviews instead of questionnaires, it is believed that the participants are reluctant to write down the exploratory answers and give sensitive information to a strange person (Saunders et al., 2009: 324). As this research prefers open questions while collecting data, the interviews are the most suitable choice.

In terms of interviewing method, most of the interviews in this study are conducted by arranging face-to-face meetings. Nevertheless, since the data needs to be collected in two different countries in a limited period of time, interviewing via Skype is also employed. Moreover, all the interviews are personal ones because of the sensitivity of the thesis objectives. As the research discusses some issues such as the fairness in working environment, the relationship between employees and their supervisors, and their extents of loyalty in the organizations, it could be difficult for the interviewees to express their real thoughts if there are other participants.

5.3. Data collection

Primary data for the study was collected through semi-structured interviews in two countries: Finland and Vietnam, containing two phases. The first one is the screening phase to select the interviewees. The second one is the interviewing phase.

Regarding to the first phase, the interviewees chosen are employees in different kinds of industries and they must meet three following criteria:

(1) Being skilled-employees, which means that they have graduated from universities or colleges
(2) Working in Finnish or Vietnamese original companies
(3) Having participated in PA system in their companies

The targeted interviewees were contacted through personal network and were preliminarily screened by informal conversation. Those who fulfilled all three above-mentioned criteria and live in Vaasa or Ho Chi Minh City were asked to arrange a personal appointment in a private space (self-study room in university's library or cafeteria) for the interview. Because of the differences in geographical distance, others living in other cities were asked to participate in the Skype interviews. Among all the interviewees, there were three cases interviewed via Skype (one in Finland and two in Vietnam).

From the screening phase, a total of 15 participants were chosen, including 7 cases in Finland and 8 cases in Vietnam whose profiles are presented in Table 5 and Table 6. Unintentionally, all the participants' ages are from 25 to 30, demonstrating the young labor in two selected societies. The interviews in Finland were conducted first in November 2014 within one week; and then Vietnamese employees were interviewed later in January 2015 due to the traveling plan of researcher.

Table 5. Profiles of Finnish interviewees

Interviewee	***Age***	***Gender***	***Field***	***Type of interview***
1	26	Male	Telecommunication	Face-to-face
2	26	Male	Information technology	Face-to-face
3	26	Female	Accounting	Face-to-face
4	30	Male	Purchasing	Face-to-face
5	30	Male	Information technology	Skype
6	26	Female	Accounting	Face-to-face
7	29	Male	Sales	Face-to-face

Table 6. Profiles of Vietnamese interviewees

Interviewee	***Age***	***Gender***	***Field***	***Type of interview***
1	26	Female	Marketing	Face-to-face
2	26	Female	Business consulting	Skype
3	26	Female	Sales and Marketing	Skype
4	27	Female	Merchandizing	Face-to-face
5	28	Male	Education	Face-to-face
6	25	Male	Sales and Marketing	Face-to-face
7	30	Male	Accounting	Face-to-face
8	26	Male	Information technology	Face-to-face

Given the sensitivity and privacy of the research questions, all the interviews were arranged in the quiet and private space. In Finland, rooms in library and university of

Vaasa were booked to proceed the interviews since all the interviewees living in Vaasa were familiar and comfortable with these rooms. In Vietnam, café space was the preferential choice because all kinds of meeting, even business appointment are normally happened in a coffee shop. However, café with loud music and narrow space were ignored; only private corners were chosen for making appointments to reduce the external effects (such us noise, other people) on the interviewees' answers.

At the beginning of each interview, a brief introduction about the thesis concerns and the affirmation of keeping personal data confidentially were represented; and the using of recorders was asked for permission. Although this research focuses on the effects of PA features on the employees' intention to quit their jobs, the interviewees were not introduced about the research questions. They were only asked to answers the questions related to their PA system. The reason is to avoid the biased thinking so that the real insights could be explored.

While collecting data, all the interviews were both audio-recorded and noted in handwriting. The languages for the interviews were English and Vietnamese, in which English was used for interviewing in Finland and Vietnamese was used in Vietnamese cases. The length of each interview was approximately 30 to 45 minutes. In some interviews, the interviewees provided relevant documents and extra information such as form of PA, the criteria of rating, the general policies and objectives of PA system. These supplement documents were sent to the researcher via email.

After the first interview, the preliminary questions were reviewed and modified for the upcoming meeting. Especially, in Finland, because the language used was English, some terms and explanations were necessary to clarify and confirm to reduce the misunderstandings. Therefore, the language problems were revised after every interview to make a better preparation. In Vietnam, language was not problematic since the researcher is Vietnamese. However, the questions of the interview were still reviewed regularly after each interview to add further exploration.

Furthermore, after every interview, by reading hand-writing notes and listening to audio-records, a transcription was immediately transcribed in full text with highlighted important points and saved in a separate word-processed file, as recommended in Saunders et al. (2009: 485) research.

5.4. Data analysis

The data received will be analyzed in different parts by linking to the theoretical framework which presented in chapter 2, 3, and 4. The contents of each interview will be deeply examined to figure out the implications explaining the phenomenon.

Data analysis started with the explanation of the choices of each interview's question. This explanation is strongly related with the theoretical arguments. As features of a PA system are identified in chapter 3 and are basements for all arguments and analyses, list of questions for the interview is categorized following these features. The objective of each categories and question is presented also to enhance the linkage of theories and the real contexts.

The next part of data analysis is the narrative and discussion of interviews' contents. In this part, data collected from Finnish and Vietnamese employees are processed separately before making comparisons. By designing interviews' questions following four assumed PA features from previous studies, the results are categorized in these four features also. It means that each answer is analyzed, divided into small parts and put into different categories. Commonly, since the question is clearly categorized, the full answer of that question is also categorized in the same category. However, as the interviews are semi-structured and the interviewees' responses could be extended to another issue or overlapped with other parts, dividing answers into small sub-answers is necessary. Afterward, a comparison between employees' behaviors in Finland and Vietnam is highlighted and applied back to the proposed PA system in chapter 4 to identify if the interviews' results support for the literature arguments. A discussion and explanation of these results and comparisons are analyzed then.

Although the analytical framework is based on the theoretical one, it could be possibly to discover the new insights of the interviewees, especially when discussing about the effects of each PA features on their loyalty and their desire to move to another organization. Therefore, new findings are expected.

The summary of findings is presented and argued at the end of data analysis session.

5.5. Validity and Reliability

The reliability and validity of a thesis should be taken into consideration carefully since they reflect the creditability of that research. According to Saunders et al. (2009: 156 – 157), reliability means consistency or repeatability, which refers to the extent to which data collection and data analysis methods could generate similar results; whilst validity concerns about the accuracy and trustworthiness of the findings. This session will discuss about the possible threats to validity and reliability as well as details of how this study could increase the creditability.

5.5.1. Reliability

Four common threats influencing reliability of a research includes: (1) subject or participant error which refers to the dissimilarity when conducting interviews in different conditions of interviewees. For instance, due to the different energies in weekday time or weekend time, the participants could give different long or short answers; (2) subject or participant bias which means that the interviewees do not provide the answers based on their real thoughts but others such as their managers; (3) observer error which occurs when there are various observers conducting observations in one research; and (4) observer bias which is resulted by the misinterpretations of the results because of the prior knowledge or beliefs of observers (Saunders et al., 2009: 156 – 157).

- *Subject or participant error:* As all the interviewees are employees working full-time, the interviews' time was agreed flexibly based on the interviewees' schedules. In

order to create the open atmosphere and relaxing conditions for participants to share, all the interviewees were voluntarily suggested an appropriate time for them in one to two hours in their day-off (normally weekend). Although the interview was estimated to last within one hour; however, the interviewees were asked for arranging extended time so that they were not rushed when answering. Moreover, all the interviews were conducted in 30 to 45 minutes at the maximum to avoid the tiredness of participants.

- *Subject or participant bias:* As mentioned above, the research focusing on a sensitive issue. Therefore, it is high potential to receive biased answers from the interviewees because of many personal reasons such as the insecure feeling when talking about the loyalty or the relationship with their managers. This research tries to eliminate this threat by confirming the confidentiality of the interviewees' information. Name of interviewee, position or job title, name of company were ensured to be kept confidential. Audio-records and hand-writing notes were affirmed to be used by the researchers only. All these confirmations were informed to all participants when asking for the interviews and at the beginning of each interview so that the interviewees could freely share their opinions. Moreover, as briefly described in data collection session, the participants were introduced to be interviewed about how the PA system in their companies works. However, they did not know the research questions and the purposes of each interview question. Therefore, they did not know how their answers could affect the results.

- *Observer error:* Since the researcher is also the interviewer, this threat could be already reduced. However, because the interviews in Finland were conducted by English, misunderstandings due to language distance could occur. Hence, terms and expressions were constantly clarified and confirmed so that the interviewee could understand clearly the questions and the interviewer could interpret exactly what the interviewee implies. After each interview, the questions were revised to eliminate the vagueness of words choice. Furthermore, every interview was followed a same scheme (Appendix 1). All the interviewees were asked from general questions to specific ones. Additional questions and further explorations could be added differently based on each case; however, these questions were all focused on the scheme' objectives.

- *Observer bias:* To reduce this threat, the researcher tried to use the same proper tongue during the interview to avoid the emotional influence on the participant. Personal comments or ideas were not added so that the interviewee was not affected by the interviewer's opinion. The responsibility of the interviewer was just asking, clarifying questions and confirming answers. When confirming answers, the existing knowledge of researcher was not supplemented.

5.5.2. Validity

In terms of validity, the construct, internal and external validity will be discussed. Regarding to Sachdeva (2009: 56 – 57), construct validity refers to the *"approximately truth of the conclusion that your operationalization accurately reflects construct";* internal validity concerns about if the cause-effect relationship identified is really a causal relationship; and external validity is the extent of generalizability.

- *Construct validity:* Although the effects of PA features on employees' retention have been little researched; however, the PA features are the focus of research in human resource management. Moreover, the primary theories utilized are widely used and applied in modern research. Therefore, the theoretical relationships were specified and the examined in the empirical part. The empirical evidence to support the construct validity was derived from both interviews and supplement documents regarding companies' PA process provided by the interviewees. Furthermore, the interview guidelines were constructed and modified by this thesis supervisor and one pilot interview. The audio-records and hand-writing notes were transcribed immediately after each interview.

- *Internal validity:* One of challenges of this research is that the PA is normally processed only one or two times per year, and two of the interviewees have just worked for one year; hence experiencing in PA procedure only one time. Therefore, they could not remember everything obviously. However, the questions focusing on their behaviors rather than detailed procedures; thus, the interviews could provide extra documents via

email. Furthermore, the participant bias as discussed above could be another threat to internal validity since the interviewees could change their answer if they feel uncomfortable or unsafe. The solution for this threat is present as the same in section 5.5.1. Additionally, the propositions are developed based on research's findings.

- *External validity:* Vietnam and Finland are chosen to collect data for the research; however, these two countries have distinguished cultures not only compared to each other but also compared to other nations. Therefore, the likelihood of generalizing the results to all populations could not be reached. However, as emphasized in Saunders et al. (2009:158), since the research focuses on particular cases, it is meant to produce the explanations of these particular cases in order to enrich the theory and knowledge. Although there is much delimitation to implement the research chosen in the first chapter; the researcher tried to contact and finalize 15 cases in both countries to increase the extent of generalizability. Given the number of cases is roughly equal in this two cultures (7 cases in Finland and 8 cases in Vietnam); it is possible to enhance the validity when comparing results.

6. ANALYSIS AND DISCUSSION

This chapter starts with the analysis of questions for interview based on the research questions and theoretical framework. A discussion of results is then presented by deeply analyzing the content of each interview. At the end of the chapter, a comparison of behaviors towards PA features is explained and compared with the theory as research's findings.

6.1. Analyzing interview's questions

The questions for interview were grouped in three main parts (see Appendix). The first part is the general exploration about the PA system such as the frequency of conducting PA, the purpose and usefulness of PA process in terms of employees' perspective. The objective of asking these questions is to make the start for further explorations. Furthermore, it could picture a general understanding about how the interviewee perceives about PA in his company.

The second part was structured by following the theoretical framework. The interview's questions were designed based on four features of PA finalized in chapter 3 although some questions could be categorized in not only one characteristic. For example, the question about promised rewards could both reflect the psychological contract and rewards linked with PA results. However, basically, the questions in goals setting and communication sections aim at exploring how clearly the employees are trained and informed about organizational PA system and how open and encouraged the communication between organizations and their employees is. The questions of communication and relationship with supervisors could discover how close or how quality of supervisor – subordinate relationship. The questions of rewards are to understand which kinds of rewards expected by the employees and why they expect that. Finally, the questions concerning about fairness issue aims at finding how fair the employees perceive about the PA system in their companies and why they assume that level of fairness. By grouping these questions into four specified features, the data

process could be grouped into these four characteristics also, enhancing the consistence and validity of the research.

The third part is related to the effects of PA features on the employees' loyalty. The questions designed for this part are to understand if there is any direct relationship between PA process and the intention of job hopping. Moreover, if this relationship exists, how strong it is and which characteristics of the PA system affect this relationship the most.

As all the interviews are semi-structured, these questions were prepared as the interview guideline and extended questions could be added for further exploration. The extended questions were controlled by the researcher based on each case; however, they still focus on the research's questions and research's objectives.

6.2. Interviews' results

The results of interviews in Finland and Vietnam will be narrated and discussed separately before made comparisons. Each answer will be divided into small parts and then grouped into six categories: PA understanding, goals setting, supervisor – subordinate relationship, rewards, fairness and satisfaction or loyalty.

6.2.1. Finnish interviews' results

In 7 Finnish cases, the PA is conducted once a year, at the beginning or at the end of the year. All the interviewees have the basic knowledge about PA system. They consider PA as an effective tool to enhance their developmental process and a chance to discuss about what they need to do in the next year. All the interviewees emphasize the goals discussion and performance evaluation to develop their work. No one mention about the rewards or demotion based on the PA results.

> *"It gives an opportunity to evaluate your own performance, have direct feedback from it and the possibility to change the current responsibilities"* (Interviewee 5)

> *"PA is about the discussion about self-development"* (Interviewee 1)

> *"Through the system, we know the goals and how much we have to achieve, how much the targets are and how complicated, how much done and how much left"* (Interviewee 7)

> *"PA is the tool to use to identify the good and not-good work in a project so you can make the improvements"* (Interviewee 2)

For specific explorations, including goals setting, relationship with supervisor, rewards linked with PA results and fairness, there is also less difference among interviewees' answers on the first and the last feature: goals setting and fairness. With regard to goals setting, human resource department is responsible for informing the PA procedures and giving guidelines of how it works to all employees. However, setting goals for specific work is negotiated with the team managers. Normally, the manager will give the tasks and the requirements first; the employees could freely discuss about if these task are too demanded or not too challenged and how they could achieve them. All the interviewees feel engaged with the goals.

> *"I have a discussion with the team manager about goals for the whole period, and because this discussion is mutual, I am committed with what I have proposed and agreed"* (Interviewee 5)

> *"We talk about the next targets and what I should improve [...] If the target is too challenged or it takes me too much time and effort, I will negotiate with my boss. I need to make sure that I could both finish my job and balance my life"* (Interviewee 6)

> *"Besides filling PA form, I have a discussion with my direct boss, which is called development discussion. We talk about objectives and plans for the next year as well as provide feedbacks for improvements… I'm engaged with the organizational plan for me because it is planned by both company and me"* (Interviewee 3)

In terms of fairness, interviewees from Finnish corporates are quite satisfied with the fair treatment and fair evaluation. Even they do not know about their colleagues' performance results; they believe that everyone is treated as equal. Furthermore, the working productivity is archived in the company's database and the individual performance is evaluated based on various sources; therefore, the PA result could reflect the individual ability correctly.

> *"They are the same for everyone, the results depend also on how committed the worker is having it"* (Interviewee 2)
>
> *"It's certainly fair. If somebody is promoted, it must have some reasonable reasons"* (Interviewee 3)
>
> *"Of course there are some colleagues having personal relationships and then having preference, but it's not the big problem because we have database to review things"* (Interviewee 1)
>
> *"Results do not come from the manager only, but also your team colleagues, project leaders and from the statistic outcomes, which are saved in company's data, so it must be fair […] It is possible that one of the colleagues does not like you and you receive his negative comments, but you could talk about that with your boss. So it's not the big problem"* (Interviewee 4)

Regarding to the questions related to relationship with the supervisors, all the interviewees confirm that they are encouraged to actively participate in communication. They could freely discuss with their manager about the results of their PA even when they are not satisfied with these results. Furthermore, assuming that the nature of supervisor – subordinate relationship is about job and working efficiency, they claim that regardless how close this relationship is, it has no effect on the final evaluation. Concerning about the negative feedbacks, all of the interviewees accept that negative comments could not avoidable; however, some are fine with the direct ones while others feel irritated.

> *"Communication with manager is open, constructive and respectful on both sides […] When I am not satisfied with the results, I ask for further discussion, but I fully respect his right to direct the team"* (Interviewee 5)
>
> *"If you have good relationship with the boss, you could receive negative comments in an indirect way, so it is better. But actually, this relationship does not affect your results"* (Interviewee 1)
>
> *"I feel fine with the negative comments. They are a result of my performance, but at the same time they can be discussed from my point of view"* (Interviewee 7)

> *"My boss is so direct. Even I really like him, but sometimes I feel upset when receiving direct negative feedbacks"* (Interviewee 6)

In terms of rewards linked with PA results, surprisingly, five of the interviewees do not expect the rewards because they think that PA is used for self-development rather than allocating the material or non-material incentives. Normally, they receive rewards regarding scheduled tenure. It is rare that the company promises to offer bonuses, increased salary or promotion at the goals setting session. One of these five interviewees actively proposes when he wants to receive a higher salary and a better position. However, he is not sure if the PA results affect his company's decision of approving his proposal or not because he needs to prepare a full presentation and asks for recommendations from various managers. When the interviewer asked if these interviewees do not expect the rewards because of the companies' policies or because they really do not expect the rewards, two of them do not give any answers since they have never thought about it before. Other three suppose that as Finland is a high tax country; hence, there is little different between having bonuses or not. Those two ones who expect the rewards, they prefer the financial incentives.

> *"We don't have a program for giving out rewards"* (Interviewee 5)

> *"I don't expect any rewards, in my job, there are 10 levels, every period of time, your level is upgraded and then your salary is increased"* (Interviewee 3)

> *"Because we have to pay a high tax, so if your salary is increased, there is no much difference. That's why I don't expect that"* (Interviewee 1)

> "*I prefer financial bonus. It's motivated when receiving some more money"* (Interviewee 6)

Although in most of cases, rewards are not demanded. However, when being asked about if there is a reward system based on PA results, they would expect the same bonus for everyone or the different one for each individual; all the interviewees have the same answer that they prefer the difference because different rewards are more equal than the indifferent ones.

> *"I want the differences if we have rewarding system. Because different persons have different outcomes; so they should be rewarded differently. It's fair"* (Interviewee 6)

In the last exploration about their satisfaction and loyalty, all the employees affirm that PA process do affect their working productivity and hence, increase their satisfaction. However, it has no influence on their loyalty. Explaining for this confirmation, all the interviewees assume that PA is all about enhancing self-development and it is basically in the same design in other companies; therefore, there is no pressure when taking PA. For this reason, it could not affect the consideration of leaving job. Moreover, none of the interviewees have the tendency of finding another job in future. Nevertheless, if they must quit their job, the reasons could be stressful workload (2 answers), boring work-tasks (4 answers) and low salary (1 answer)

> *"I will stay here as long as I feel appreciated; have reasonable work-load and meaningful responsibilities"* (Interviewee 5)
>
> *"It's not just about job satisfaction; it's about family and money […] So money is good and family is happy with the place living and the benefits, so you make everyone happy"* (Interviewee 2)
>
> *"When I feel so bored with my job, I'll leave"* (Interviewee 1)

Table 7 is the outlined summary of the interviews' results in Finland.

Table 7. Finnish interviews' results

Parti-cipant	PA perception	Goals setting	Relationship with supervisor	Rewards	Fairness	Satisfaction /loyalty
1	Self-development	Mutual discussion with supervisor	Freely communicate with supervisor Equal relationship	No expectation Tenure rewards	Fair Results are from various sources	Satisfied with work PA has no effect on loyalty Reason if leaving:

						boring work
2	Tool to identify good and not-good work for self-improvement	Mutual discussion with supervisor	No pressure when taking part in PA discussion Fine with direct negative feedbacks	Demand for bonus and salary	Fair Results are from real outcomes	Satisfied with work PA has no effect on loyalty Reason if leaving: low salary
3	Opportunity to evaluate own performance to make improvement	Mutual discussion with supervisor	Freely communicate with supervisor, but respect their voice Fine with direct negative feedbacks	No expectation Tenure rewards	Fair Results are from real outcomes	Satisfied with work PA has no effect on loyalty Reason if leaving: stressful
4	Self-development	Mutual discussion with supervisor	Freely communicate with supervisor Feeling annoyed with direct negative comments	No expectation Rewards are actively proposed	Fair Results are from various sources	Satisfied with work PA has no effect on loyalty Reason if leaving: boring work
5	Developmental discussion	Mutual discussion with supervisor	Freely communicate with supervisor Prefer indirect negative feedbacks	No expectation Tenure rewards	Fair Results are from various sources	Satisfied with work PA has no effect on loyalty Reason if leaving: stressful
6	Self-development	Mutual discussion with supervisor	Freely communicate with supervisor	Expect the material rewards such as	Fair Results are from	Satisfied with work PA has no

			but sometimes feel pressured Prefer indirect negative feedbacks	financial incentives	real outcomes	effect on loyalty Reason if leaving: boring work
7	Self-development	Mutual discussion with supervisor	Freely communicate with supervisor	No expectation Tenure rewards	Fair Results are from real outcomes	Satisfied with work PA has no effect on loyalty Reason if leaving: boring work

When being asked for rating four PA features (goals setting, relationship with supervisor, rewards and fairness), as demonstrated in Table 8, in which 1 is the most important and 4 is the least; the interviewees choose goals setting and fairness as the most two important features. Meanwhile, the relationship with supervisor has less effect on their consideration. Detailed will be discussed in session 6.3.

Table 8. The importance of PA features towards employees' satisfaction in Finland

1: most important; **2:** second most important; **3:** third important; **4:** least important

Participant	**Goals setting**	**Relationship with supervisor**	**Rewards**	**Fairness**
1	1	3	4	2
2	1	4	2	3
3	2	3	4	1
4	1	3	4	2
5	1	3	4	2
6	2	3	1	4
7	1	3	4	2
Average	**1.3**	**3.1**	**3.3**	**2.3**

Summary of interviews' results in Finland: PA system in Finland is designed in a formal and normative procedure which is regularly conducted once a year. There is slightly different in operating this system in different companies. All the employees are informed fully about how the PA is processed and they are assessed from various sources, including the raters, other team leaders, the co-colleagues and the statistic results. Thus, the PA result is believed to reflect correctly the employee's ability and working efficiency. Furthermore, the PA is emphasized by the self-development aspect; therefore, PA is a chance to discuss what the upcoming work should be and how to improve the individual effectiveness. As a result, there is no pressure when participating in PA discussion. Regarding to the supervisor – subordinate relationship, the employee considers it as a part of work which is regulated by rules and working performance. Therefore, a personal relationship with boss could not affect the final rating of each employee. Since the real outcomes are appreciated, the same results for everyone are not accepted. However, no reward is expected as the employees explain that a system for rewarding is abnormal and if there are financial incentives, high tax policy will make it become almost indifferent with having the regular income. All the employees confirm that the PA has no effect on their loyalty. None of them have the intention of seeking out a new job. As long as their job is not too stressful and too boring, they stay with their companies.

6.2.2. Vietnamese interviews' results

In Vietnam, 7 cases were interviewed. All the interviewees participate in PA process once or twice a year, normally in the end or beginning of year and in June or July. However, different from Finland where there were a lot of similarities in interviewees' opinions, Vietnamese ones provide different insights in all parts of questions. Most of them perceive PA system as a chance to improve their abilities for the higher salaries and better positions. Some of them assume PA as a disadvantage to their current job such as decreasing the yearly bonus or being replaced by another person. It seems that in their perceptions, the PA focuses on the final results to offer rewards or punishments

rather than assists employees to work better. Therefore, PA is considered both as motivational tool to achieve objectives and a threat of being fired.

> *"PA helps us review all of our job performance in whole year to get promotion, dealing salary, also setting goals & responsibility of the jobs in next year"* (Interviewee 1)
>
> *"It helps employees to stay focus on their goals throughout the year, encourage them to work their way towards the targets, and to provides the results to assess the employees, should they deserve a promotion or a bonus"* (Interviewee 2)
>
> *"The mid-year review aims to revise the previous tasks and point out which skills or work should be improved. The year-end review will affect the bonus and promotion, or even being fired if showing the poor performance" (*Interviewee 4)
>
> *"Each review is to decide which ones are kept and which ones have to leave the company"* (Interviewee 5)
>
> *"It is just the procedure in the year-end, I think it does not affect anything related to your working efficiency […] It is just problematic when you make some serious mistakes and your big boss knows"* (Interviewee 7)

Regarding to the goals setting session, there are striking differences among interviewees' answers. Three of them have mutual discussion with their direct supervisor. They are encouraged to raise their opinions. As a result, only these two cases passionate with the objectives and would like to devote their best effort. Two of the interviewees are asked to participate in the goals setting discussion with their line manager; however, they passively communicate even they are not satisfied about what they have to do or which comments they receive. Other two interviewees do not have any discussions. Every year, they are required to fill a PA form to submit for the human resource department and if there are any changes in the job requirements, the human resource manager will inform them directly. Only one case has the informal discussion with his manager as yearly PA schedule; however, the discussion is not relevant with the PA form or the objectives setting, except the rewards part. Although the PA designs are different in various cases; nevertheless, they share the same point that all the goals setting emphasizes on the promised-rewards depending on how much extent a work could be completed.

"Usually, manager will set goals for their employees. Employees can also suggest their own goals in during PA. Employees can also negotiate the goals that manager set for them […] Staff and manager will have to have mutual agreement on every points […] Goals will be the base to calculate bonus, negotiate new salary and the performance score will affect salary raise" (Interviewee 2)

"Manager summarizes all evaluation of his group, discusses with each person about their results as well as set new goals […] We can actively propose what we think the best […] Based on the extent of challenging goals, we negotiate the bonuses, salary and day-off" (Interviewee 1)

"Each employee has to fill the self-evaluation form and then discuss it with their line manager and director. However, the performance metrics are ambiguous since there are some tasks beyond my control and my manager told me to score a number as she wants. So it is easier for her to explain the team result with the big boss […] 'Discuss' means I am the listener and I follow all my manager's words […] Goals are from top directors […] If I achieve the goals, I am promoted. Unless, I could be fired. I know it exactly." (Interviewee 5)

"The human resource manager told me what I have to do since the first day I come to my company; and I guess it does not change much […] Every year I fill a PA form. In that form, it is clearly stated which scores to which your salary is remained and increased in schedule, which scores to which your salary is decreased. All you have to do is to adjust your scores so that you are safe" (Interviewee 8)

"PA is just a useless procedure. So my boss just has to do it reluctantly. We do not talk about anything related to that; it is the stuff of human resource department […] My boss promises to promote me; but it is not reliable because it is like informal chat" (Interviewee 6)

Due to the differences in PA procedures, the answers regarding to other features (relationship with supervisor, rewards, and fairness) vary from each interviewee to another. However, it is still similar in some explorations. For instance, every interviewee has different opinions about how the supervisor – subordinate relationship could affect the PA results. Nevertheless, they all agree that a high quality relationship is built on personal communication, in which the employee needs to satisfy their manager first. A manager could offer a favorable treatment to a specific employee if

they are close. Therefore, when the employees could build a good relationship with their leader; they could communicate freely and receive more supports from that leader, leading to a more comfortable working environment.

> *"There's no difficulty in communication, since I know him quite well: what he wants to hear, what he hates, what he expects […] Because PA is a dialogue where we need mutual agreement, so of course if I'm not satisfied, I will raise it during PA discussion and we will talk about it until it's accepted from both side. […] I don't think the relationship with the boss could make the evaluation incorrectly. It's just if you are close with your boss, it's easier for you to make compromise"* (Interviewee 2)

> *"My relationship with boss is good; so I could discuss with him everything related to my job; but I still feel pressured when discussing the PA results. If I extremely fight for my rights, he could feel uncomfortable with me"* (Interviewee 1)

> *"If you have good relationship with your manager, your mistakes could be ignored in the PA review. If you are not close with your boss, once you make mistakes, he could remember all the time and doubt your ability all the time […] Arguing with your manager is not good way. Since he could protect you, you should respect him"* (Interviewee 7)

> *"I have to work with my boss in a long time; so the best way is to satisfy him […] Do you have any benefits when opposing your boss?"* (8)

With regard to the rewards issue, all the interviewees confirm that their companies keep the commitment of rewarding, except one participant who was promised to be promoted but his manager did not state the specific time and that promise was not discussed officially. However, none of them totally satisfy with the rewards. Although they receive all the promises, they believe that their companies should actively offer them more due to their effort and their devotion. They all desire for the differences in rewards allocation, even in some cases, the rewards in their organizations are distributed equally to every employee. Explaining for this demand, all the interviewees assume that rewards are the evidence of their recognition and the praise of their working among other staff. Hence, it motivates them to work better and reach more achievements. Besides that, material rewards such as increased salary or bonus are preferential.

> *"I'm satisfied to some extent, not totally. They reflect my contribution, but sometimes I still think I want more, I think every employee does, and I deserve more"* (Interviewee 2)

> *"I always want different rewards for each staff, depending on their contribution, their effectiveness and performance. It's very stupid to treat everyone with same reward."* (Interviewee 1)

> *"The rewards seem fine because the company completes their promises and I could not complain about it. But I would like to receive more financial incentives, more money. I put a lot of my effort for this work. I expect more than a promise."* (Interviewee 3)

> *"At the end of the year, if you don't make severe mistakes, you receive a bonus as the same to everyone else. There are two or three excellent employees receiving extra bonus. They are chosen and agreed by all the team. But normally these people have long experience and have good relationship with the boss. Agreement is just another procedure, when boss and everyone votes for them, you must vote for them also, you cannot work alone […] I'm satisfied with this yearly bonus, but I expect the different one. It makes me feel that I'm better than others"* (Interviewee 7)

In terms of fairness issue of PA system, two of the interviewees consider it fair because it could reflect their contribution and the PA process is transparent with the published procedure and scores. Two of them feel unfair since the results are too subjective, depending on how close the relationship between manager and his employee is. Four others are unsure about this matter. They think that PA is just a task of human resource department which could not affect their daily work. Since both manager and the team's members underestimate the importance of PA system, the PA results could be the same for everyone. However, they stress on the fact that, the manager's judging could be unfair and his treatment to the employees could be unequal, but in the PA review, he still approves the good results for all his members. For more explorations, these interviewees explain that a negative outcome could result in a salary decrease. Since income is a sensitive subject, every staff could see their manager as unethical if his decision-making negatively affects other wages. Furthermore, performance of member is the "face" of the manager. Therefore, protecting member is synonym with protecting his own face even though he could not satisfy or build any good relationship with that member. In these three cases, there is one interviewee supposing that the rating and the

treatment of her supervisor are equal to every employee; however, she feels being too dominated in PA communication although she is encouraged to raise voice. Hence, she perceives that there is unfair in communicating.

> *"It is fair indeed. We take it seriously, and we have one common scale to assess the performance. Also, it is a dialogue, which we can talk face to face to manager, not monologue where manager assess us. We can freely prove to them our performance; show them our achievements and effectiveness, as long as we have concrete examples"* (Interviewee 2)
>
> *"Yes, it is fair since it can be measured and published"* (Interviewee 1)
>
> *"My line manager was subjective when evaluating the performance. As I said, she forced me to rate myself negative score. One of the employees did not show the good job, but she still rated her good performance"* (Interviewee 5)
>
> *"I'm not sure if it is fair or not because actually, it does not affect anything. Of course the bad results could lead to some punishment. But no one receive bad result except you make something so wrong and the human resource manager or the director know about that. It is called your bad luck"* (Interviewee 8)
>
> *"I think there is no fair or unfair here because even your boss does not care about PA procedure. We do it once a year and then forget about it until next year […] But in working environment, my boss treats everyone unfairly and judges them differently. So if the boss does not like you, you could not have challenging tasks or you have to work more boring jobs. But at the end, he signs the same results for the human resource department. It's unethical if he affect someone's basic financial benefit"* (Interviewee 6)
>
> *"I think my manager is very fair in judging as well as rating. All the employees are encouraged to actively participate in the PA discussion. But it's still like one-way communication. She acts as she is listening to us, but then she argues every point. So she wins all the argument. And I felt so depressed after any PA discussion. I just want to leave the company. But she recognizes our effort and praises to the board director, and then we receive good rewards […] Maybe it's fair in some parts and unfair in others"* (Interviewee 3)

Regarding to the question of effect of PA features on the employees' loyalty, four of the interviewees respond that PA system has little effect on them and their loyalty comes from many factors such as their close relationship with the manager or the stability of the job. They do not have any thoughts of hopping to another corporate. Whereas, the

four rest respondents affirm that PA assessment has strong influence on their loyalty and commitment. One of the reasons is that after the PA progress, they receive rewards proving their ability and their contribution. Therefore, they feel being respected and then they are more engaged with the company. The other explanations are more negative. One interviewee assumes that receiving bad performance result is the warning that there is a few of opportunities left for him to prove himself. Therefore, finding another place is an option to consider. Besides, the subjectivity of supervisors is another cause leading to the employees' intention to leave. The interesting part is that all these four interviewees always have the tendency of finding another company to work in a near future (one to five years) regardless of how much satisfied they are with the PA system.

> *"Of course it affects. If I feel that my contribution or ability is recognized, I will continue to try and do better, otherwise if I don't feel that my work is valued, I will quit. […] I leave if I have a chance to study aboard for higher degree, or find a job with better salary, more chance to learn and grow"* (Interviewee 2)

> *"I'm completely satisfied with this PA and my job also. But I'll leave within three years. I need to diversify my experience"* (Interviewee 6)

> *"When receiving a bad result, which means you cannot get trust from your boss anymore and you receive less supports as a result. So it's possible that you cannot get the targeted sales in the next three months and next six months. So finding another job could be a consideration"* (Interviewee 1)

> *"As long as this job is stable, I'll work here. I don't need too high salary or high positions, I have family and children, so I could not start over too much […] If I'm upset with my PA result, but this result does not make me being fired, I'll try to deal with it"* (Interviewee 7)

> *"It is hard to get a job like this, because I'm not too active and smart, so I've never thought of leaving […] I also could not quit the job because my boss is too kind to me"* (Interviewee 8)

Table 9 is the outlined summary of the interviews' results in Vietnam.

Table 9. Vietnamese interviews' results

Parti-cipant	PA perception	Goals setting	Relationship with supervisor	Rewards	Fairness	Satisfaction /loyalty
1	Performance review Basement to get promotion, dealing salary	Mutual discussion with supervisor	Freely communicate with supervisor Pressure when discussing about PA result	Expect high salary and bonus	Fair Results are transparent and published	Satisfied with work PA affect the loyalty Reason if leaving: low salary
2	Make employees stay focused with goals Encourage employees work better Provides results to assess the employees for rewards	Mutual discussion with supervisor	No pressure when taking part in PA discussion Good relationship with supervisor could bring more chances Relationship is based on how much employees understand their boss	Demand for bonus and salary Evidence of ability and contribution	Fair Results are from real outcomes	Satisfied with work PA affect the loyalty Reason if leaving: low salary, higher chance of learning
3	Performance review Basement to get promotion, dealing salary	Mutual discussion with supervisor	Being encouraged to communicate with supervisor, but the supervisor dominate all discussions	Expect high salary and bonuses	Fair result Unfair in discussion with boss	Satisfied with work PA affect the loyalty Reason if leaving: low-quality relationship with boss, low salary
4	Threat of being fired	One-way discussion	Supervisor has	Rewards are distributed	No comment	PA has no effect on

	and decreasing salary		dominated role	equally for everyone Expect the differences in bonuses		loyalty Reason if leaving: work is not stable anymore
5	Both chance to be promoted and threat of being fired	Goals are set from the top managers	Supervisor has dominated role Supervisor has power to decide the final result	Expect high salary, promotion and bonuses	Unfair Boss rates the results based on the subjective feeling	PA affect the loyalty Reason if leaving: supervisor is too subjective
6	A useless procedure	Mutual discussion with supervisor The content is not relevant with PA	Freely communicate with supervisor	Expect high salary, promotion and bonuses Promised-rewards are not reliable	No comment	PA has no effect on loyalty Reason if leaving: less challenging work
7	A procedure of human resource management	No discussion	Supervisor has dominated role Supervisor treats everyone unequally	Rewards are distributed equally for everyone Extra bonus is for experienced people Expect the differences in bonuses	No comment	PA has no effect on loyalty No changing job except being fired
8	A procedure of human resource management	No discussion	Supervisor has dominated role Supervisor treats everyone unequally	Rewards are distributed equally for everyone Expect the differences in bonuses	No comment	PA has no effect on loyalty Reason if leaving: Low salary

When being asked for rating the importance of PA features, Vietnamese interviewees choose the relationship with their supervisors (score 1.9) and the rewards (score 2.1) are the most significant to them. Fairness and goals setting, on the other hand, have little effect on their satisfaction and their loyalty. Especially, goals setting have the least attention of these employees. The detailed rates are illustrated in table 10.

Table 10. The importance of PA features towards employees' satisfaction in Vietnam

1: most important; **2:** second most important; **3:** third important; **4:** least important

Participant	Goals setting	Relationship with supervisor	Rewards	Fairness
1	2	4	1	3
2	4	2	1	3
3	3	1	2	4
4	4	1	3	2
5	3	2	4	1
6	2	3	1	4
7	4	1	3	2
8	4	1	2	3
Average	**3.3**	**1.9**	**2.1**	**2.8**

Summary of interviews' results in Vietnam: PA systems are designed differently in different companies. Normally, PA is conducted one or two times a year in either formal or informal procedure. In Vietnamese employees' perspective, PA is a process to assess the staff abilities in order to distribute rewards or punishments. Therefore, it is a motivational tool to push the employees to work harder and achieve higher. Increased salary, financial bonuses and challenging tasks are common expectations since they could fulfill the feeling of being recognized and respected. Some other employees suppose that PA is just a procedure of human resource department and has no relation with working performance. Nevertheless, the PA result still affects their financial benefits. In Vietnamese working environment, relationship with supervisors is considered as a significant part. This relationship is not only based on jobs and responsibilities, but also overlaps with the personal relationship. There is a gap between

status of supervisors and their subordinates. This gap could vary from case to case, leading to the extent of possibility for employees to involve in PA discussion. The communication could be open and constructive or one-sided and manipulated. However, regardless of how small this gap is, respecting and protecting "face" of the managers are compulsory. Having good relationship with supervisors could bring many advantages. For instance, the supervisors could ignore the mistakes and organizational regulations when rating an employee. In other words, building a strong relationship with manager is the synonym of building a strong protection for the employees at working place. Fairness issue in PA process is another matter with diversified insights. A PA is considered as fair if it is transparent and published among employees. However, when PA result is rated by subjective supervisors, it could not be fair. There are some opinions that as PA is not important, it is hard to perceive it as equal or unequal to every member. Employees who take part in an administrative PA process believe that PA has no effect on their work in every aspect, including leaving decision. In contrast, employees who participate in formal PA discussion claim that PA does affect the loyalty. Specifically, if they receive negative PA results, have bad relationship with their supervisors or are under-rewarded in comparison with their contribution, they will take the job moving into account. The interesting point is that these employees always have intention of working in another place no matter what they satisfy with their companies or not.

6.3. Comparison and discussion of Finnish and Vietnamese interviews' result

As described above, it could be obviously seen that there are numerous differences in Finnish and Vietnamese employees' insights in all aspects explored. Only two similarities are discovered. Firstly, all employees, both in Finland and Vietnam, appreciate the different rewards allocated. Nevertheless, Finnish people consider different rewards as a fair issue. Since fairness is perceived when the performance outcomes are rated correctly based on real performance; the rewards based on performance should be differentiated correctly. In Vietnam, employees feel being respectful by receiving higher rewards than others. In other words, higher rewards mean that the organizations understand and praise their contribution as well as consider them

as important employees. Secondly, fairness is perceived through diversified assessment, such as the raters, the co-colleagues and the statistic data. However, while Finnish employees totally trust their companies about fairness issue although they do not know other results; Vietnamese ones need the transparency and publishing of all members' results.

Besides, while employees in Finland share more similarities of behaving towards PA perception; those in Vietnam present their behaviors and thinking differently in most of questions. The reason could be the PA system in Finland is designed in relatively similar methods in most of companies. Whereas in Vietnam, each organization has its own way to implement PA process; resulting in different PA perceptions and reactions. However, eight Vietnamese interviewees still demonstrate the same cultural insights in their working styles and assumptions.

Specifically, Finnish employees view PA as a chance to improving individual performance and discussing the appropriate solutions for a problem; while in Vietnam, PA is considered as an assessment tool for staff ability and the key to rewarding the organizational members. These understandings are not created from the employees' own knowledge. They are presented to the newcomers by human resources department and normally are published throughout the whole organization by formal documents. As presented in chapter 3, a PA system has two purposes which are enhancing the employees' working productivity and motivating them by distributing rewards. It seems that Finnish companies focus on the first objective; whereas Vietnamese firms concentrate on the latter. These mindsets have significant impacts on employees' behaviors regarding PA participation. When paying attention to rewarding aspect, Vietnamese employees are under pressure of achieving accomplishment. In Finland, because of considering PA as a self-development tool, the employees are more comfortable in finishing tasks. They do not need to compete with any colleagues. They just improve their working for themselves. Therefore, it is less likelihood that leaving job is affected by PA in Finland. Vietnamese case is opposite. As PA results influence the individual benefits, it is high possibility of PA system impacting on employees' retention.

Regarding goals setting, relationship with supervisor, rewards and fairness issues, Finnish and Vietnamese employees demonstrate contrasting thinking, which reflects the national cultural characteristics. The research findings considerably support for propositions concluded by applying Hofstede cultural dimensions to PA features at the end of chapter 4 (Table 3 and 4).

Goals setting

From the interviews, Finnish employers encourage their staff to actively participate in PA process, especially in PA communication. Every employee has an opportunity to discuss and negotiate with their managers about how to improve the job and how to improve their capability. Finnish employees perceive two-way communication as vital part because they need to clarify their tasks and they need to compromise their workload. Following Hofstede's scores (The Hofstede Centre B, 2014), Finland is individualistic and high uncertainty avoidance country. Therefore, people live for themselves, fight for their rights and work based on regulations. In other words, they do not expect the ambiguity in their job. Clear responsibilities and clear guidelines are necessary. Moreover, Finland is also a feminine nation, where the quality of life and non-stressful work are appreciated (The Hofstede Centre A, 2014). Thus, beside of discussing about yearly targets and self-development, workload and the extent of task challenge are also mentioned in goals setting session.

In contrast, the degree of employees' involvement in PA communication depends upon the supervisors – subordinates relationship in Vietnam. Employees building good relationship with their managers are more comfortable with PA discussion; whilst those who lack the closeness with their superiors feel pressured and passively participate in PA. The reason could be explained by Vietnamese score of high power distance (The Hofstede Centre B, 2014). The hierarchical structure has a significant impact on social operation, including business environment. People are taught to respect and follow the elders (The Hofstede Centre A, 2014). Therefore, in the relationship of supervisor – subordinate, supervisor is the person who leads and manipulates the communication.

Even in companies with open-minded culture, open communication is still based on inferior's face protection. Moreover, Vietnam is a low uncertainty avoidance country (The Hofstede Centre B, 2014). This fact is clearly represented in PA design. All the corporates implement PA system every year. Some companies conduct the goals setting discussion; some others only request their staff to fill in the PA forms. However, no matter which methods are chosen, the organizational regulations and policies could be ignored when doing PA, depending on managers' decisions. In PA discussion, goals setting and rewards are both negotiated. Since the managers have a big or monopoly role in communication, goals are expected to be set from top managers.

Supervisor – subordinate relationship

The power distance index has a great influence on leader – member relationship. As Finland is a low power distance country, this relationship is equal. It means that managers and their followers have the equal rights to raise voice. While in Vietnam with high power distance, there is a big gap between supervisor and subordinate status (The Hofstede Centre A, 2014). The research findings are similar with this assumption. Finnish employees do not hesitate to share their opinions as well as their arguments to their managers. They view the relationship with their supervisors as a business matter, which is endured by rules and regulations. Therefore, building a specific closeness with managers is no related to having a good performance rating. In Finnish perspective, the PA result is based on only the real working performance.

By opposite, relationship with managers is an essential and compulsory part of working in Vietnamese office. A person could not work effectively if he does not concern about his supervisor. Vietnam is a collectivistic nation, which means that people live following their group. They feel safe when being considered as in-group members (The Hofstede Centre A, 2014). The research interviews show that creating good relationship with supervisor brings many advantages. For instance, the in-group employees could receive more useful information, more supports and more protection from their managers than out-group ones. This phenomenon leads to the preferential treatments to specific employees or the difference between judging and rating staff. Moreover, the

high quality supervisor – subordinate relationship is not only built based on working efficiency, but also by respecting the managers' status and understanding the managers' emotions to make reactions. Therefore, making arguments with supervisors is not recommended. Consequently, a good leader – member relationship normally consists of both business and interpersonal aspects.

Rewards

The research finding of rewarding issue is extremely interesting. Finnish employees do not expect rewards linked with PA result because they suppose that PA is for self-development; it is not for allocating rewards. However, if there are rewards after PA assessment, they prefer the financial incentives. The reason for this thinking is not just derived from the companies' orientation which does not offer rewards in PA process, but the Finnish income taxation. From the interviewees, if they receive a financial bonus, they have to pay tax which is high. Therefore, it is not too much different with having basic salary. PA without rewards hardly motivates employees to work harder and achieve higher targets. The interviews' result illustrates that Finnish staff would like to finish their job completely; however, all of the cases do not intend to work above the organizational demands. Although there is no reward expectation in Finnish case, the finding still support for the proposition in Table 4. From Hofstede's cultural dimensions, Finland has feminine characteristic. Finnish residents appreciate a balancing life in which the workload is not too heavy and stressful (The Hofstede Centre A, 2014). Workload and day-offs are not the direct rewards since they could be negotiated in PA discussion. However, as non-stressful responsibility is the priority of Finnish staff, dealing about workload could be considered as dealing about indirect reward.

In Vietnam, rewarding is as important as building relationship with supervisor. Vietnamese PA system focuses on rewards and punishments, which motivate and push the staff to hard working. The good performance results and good rewards are the evidence of being recognized or probably having a good position and good opportunities in organizations, which increase the working status. As previously

mentioned, Vietnam has the "face" culture, meaning the status respectability, and has collectivist characteristic (The Hofstede Centre A, 2014). Therefore, reaching a higher status or being considered as "good employee" is significant. Vietnamese employees do not work only for themselves; they perform because of their images in others colleagues. This feature is also reflected in terms of reward types, people who work for companies with experience and tenure rewarding system are satisfied with what they receive even though they hope to be rewarded more bonuses. Those who deal with their firms about rewards expect the extra offers after PA assessment.

Fairness

Employees in Finland believe that they are treated equally and rated fairly because they have a clear system of assessment. The result does not derive from the raters only, but the multi-sources. Therefore, it is trustworthy. In Hofstede's cultural dimensions, Finland is scored as high uncertainty avoidance (The Hofstede Centre B, 2014). Consequently, formal PA design with clear guidelines is applied, reducing the ambiguity and confusion – main cause of communication misunderstandings. This multi-assessment system when implementing strictly could enhance the clarity and the equality.

Fairness issue in Vietnam is more complex. Similar to Finnish case, Vietnamese employees perceive fairness when they are assessed from various sources. However, they only trust the fairness as soon as the results are published. Because their results are the combination of supervisors' rating, colleagues' opinions and statistic data, if there is one factor rated unequally, the total result is unfair. Regarding to equity theory presented in chapter 2, people compare themselves with others to evaluate the fairness (Furnham, 2005: 295 – 296). Nevertheless, Finish employees trust their results even though they do not know others. The reason could be the individualistic and high uncertainty avoidance features of Finland. Finnish people respect organizational rules and they build a business relationship by regulations (The Hofstede Centre A, 2014). As a result, the relationship with supervisors or co-workers could not affect their real performance outcomes. Vietnam is different. As mentioned, the superior – inferior

relationship has a major impact on working efficiency, resulting in a high possibility of subjective opinions from managers. Moreover, judging and rating is not the same. In-group members are protected; they could hence receive good rating even their performance is poorly. Furthermore, Vietnam is a collectivistic and long-term oriented nation where the virtue is respected (The Hofstede Centre B, 2014). In experience and tenure rewarding system, the managers have the tendency of rating the same good results for every member since the bad ones could affect the basis benefits (such as salary and yearly bonus). Interestingly, employees in this system assume that phenomenon as fair because harming the basis financial benefits of a person is considered as unethical.

Effects of PA system on employee retention

The findings demonstrate a very weak impact of PA features on job leaving decisions of Finnish employees and a complicated influence on Vietnamese ones. In Finland, the PA purpose is to enhance the employees' effectiveness without any promised-rewards. Therefore, individuals participating PA process have no pressure. After PA sessions, they feel satisfied, they trust the fairness and they understand the benefits deriving from PA discussion. As argued at the end of chapter 2, the perceived feeling of inequality, mainly comprising from the ambiguous and dominated PA communication, subjective raters and under-rewarding, is the main cause of leaving intention. Probably since the Finnish PA systems in all interview cases are fair and are not used for rewarding or punishing purpose, it does not affect the employees' loyalty. However, it is noticed that all these cases have no intention to find another job in the future. They are hesitant of changing and they are satisfied with an appropriate workload.

In Vietnam, the findings are diversified since PA systems are designed differently in different companies. Half of the cases assume that there is no relationship between PA outcomes and their loyalty. All of them work in enterprises with administrative PA system or informal PA design. Although PA results do affect their benefits such as increased salary or financial bonus; however, in their perspectives, PA is considered as a useless procedure of human resource department. After PA assessment, every member

is rated the same good result. On the other hand, half of the rest cases affirm the influence of PA on their staying. All these employees agree that rewards are important as they reflect their contribution and their recognition. They will leave the companies if they are under-rewarded or the PA outcomes are biased by the raters. Surprisingly, the highlighted point is that all these four interviewees intend to work for a short-term period (two to five years) although they are currently satisfied with their job and their PA system; while the first four cases want to stay with their companies in a long-term.

In addition to the PA features, the findings also figure out that goals agreement and fairness are most important in PA process in Finland; whereas in Vietnam, relationship with supervisor and rewards are considered as more significant. Illustrated in table 11 are the main distinct points of PA process in employees' perspectives of these two selected countries as the main findings of this research.

Table 11. Comparison between Finnish and Vietnamese interviews' result

Countries / **Exploration**	**FINLAND**	**VIETNAM**
PA UNDERSTANDING	Tool enhancing self-development Chance to discuss for job improvements	Process to assess the staff abilities in order to distribute rewards or punishments Motivational tool to push the employees to work harder
GOALS SETTING	Open and direct communication High participation of employees Formal design with clear	The extent of open communication is based on how close the relationship with boss is Rules could be broken Either formal and informal

	guidelines, clear information Goals are discussed and agreed by both companies and individuals Yearly targets, self-development and workload are discussed	design Goals are set from top managers Yearly targets, self-development and rewards are discussed
LEADERS - EMPLOYEES RELATIONSHIP	Equal Regulation-based Business and interpersonal relationships are separate Relationship with supervisors does not affect PA rating	Leader has dominant role Status and "face" need to be protected In-group members are protected even mistakes are made Business and personal relationships could be overlapped
FAIRNESS	Fair Results are from real outcomes and different sources	Fairness is perceived through the diversity and transparency of PA measurement Unfairness occurred by supervisors' subjectivity Supervisor-subordinate relationship is related to fairness issue; but the PA result itself could not reflect the fairness The result should be virtue oriented
REWARDS	No expect Appreciate the different rewards	To praise the recognition and status Expect high salary, promotion and bonuses

		Appreciate the different rewards
SATISFACTION/ LOYALTY	Satisfied with work PA has no effect on loyalty Reason if leaving: boring or stressful work No intention of leaving	PA has no effect on loyalty when employees expect a stable job and a reasonable salary PA affects the loyalty when employees expect the high recognition. They leave when they have higher chance of learning, more attractive salary and competitive job or they have bad relationship with supervisors or are under-rewarded
IMPORTANCE FACTORS	Goals agreement Fairness	Relationship with supervisors Rewards

7. CONCLUSION

Focusing on the effects of each PA features on employee retention; this study has three objectives as presented in introduction chapter. The first objective which is to identify the characteristics of a PA system is achieved in chapter 3. Four features argued to be selected includes goals setting discussion, relationship between supervisors and their subordinates, rewards linked with the PA outcomes and fairness issue. The second objective which is to understand the main differences between PA systems in different cultures is accomplished in chapter 4 by applying Hofstede theory to previous research about PA (Table 3). The last objective which is to study the effects of each characteristic of the PA system on employee retention in Western and Eastern cultures is completed in chapter 4 and chapter 6, which consists of both theoretical propositions (Table 4) and empirical studies. Findings from data analysis are supportive and contributive for the existing theories as well as make suggestions for international leaders in HR practices. Following are the research contributions and its limitations which are presented in details.

7.1. Theoretical contribution

The research concentrates on the effects of four PA features on employee retention in different nations which have not investigated before. Therefore, this study is the adding to an international business research gap in HR traditional research in general and PA research in particular.

There are existing studies regarding determinants of an effective PA through different points of view. This research, concentrating on communicative approach and employees' perspective, is the supplement for PA theoretical discussion. Moreover, four features identified in this study are confirmed as important in different levels in empirical part. Thus, they enrich the PA knowledge and could be the direction for further research.

Additionally, this study explains how each PA feature could affect the leaving job decision. Within constructing features of a PA by applying five theories (social exchange, equity, leader – member exchange, signaling, psychological contract), the fairness perception is identified as the results of three main factors: goals setting discussion, relationship with supervisors and rewards linked with PA outcomes. The explanation of which features emphasized as important is also included based on Hofstede's cultural dimensions. Therefore, this research utilizes prominent theories in a new application.

The research findings also illustrate numerous differences in PA design and implementation in distinguished cultures, which strongly support for existing theories regarding HR practices and cultural dimensions. These findings also discover the specific extents of PA influence on employees' loyalty in Western and Eastern countries. Furthermore, the most significant PA features in particular nations are explored as new finding since there has no research mentioning about this issue before. From the findings, the PA system has weak impact on Finnish employees' loyalty; while it does influence Vietnamese individual intention to leave the job. Moreover, Finnish staff considers clear goals setting and fairness as prerequisite features of an effective PA; Vietnamese employees, in contrast, view the relationship with supervisor and rewards received as more significant. Although this master's thesis is limited, it still could be the new suggestion for deeper exploration.

In addition to the PA process of Western and Eastern countries, the research identifies the specific cultural distances in PA system in two societies: Finland and Vietnam. This understanding is compared to the original Hofstede's theory to find if the application to this theory is appropriate. Hence, the research could both strengthen and update previous research in Vietnam and Finland.

Furthermore, while doing empirical study, this research discovers the relationship of the employees' intention to work in long or short-term and their satisfaction regarding PA system; as well as the relationship between the purposes, the methods, the seriousness

of conducting PA and the employees' behaviors. This exploration could be the suggestions for further research in the future.

7.2. Managerial implications

This study provides an effective framework for international managers while designing and conducting PA assessment in different cultures, especially in Finland and Vietnam. In Finland, the research demonstrates that employees take goals setting communication and fairness as priorities and perceive PA as a self-development tool. In goals setting discussion, targets, clear guidelines and responsibilities as well as the workload should be negotiated. Finnish employees do not expect rewards; therefore, rewarding is optional based on each situation. However, as Finnish prefer the non-stressful life, non-material benefits such as comfortable working environment, short working hours or day-offs should be taken into account. Moreover, Finnish employees gain trust through clear, objective and multi-assessed system. Thus, the design of PA needs to be formal, understandable and transparent.

In Vietnam, relationship with supervisors and rewarding are chosen as two significant features. Vietnamese employees are more open in communicating with their managers when they have close relationship with them. Therefore, in order to encourage these staff to share their opinions, the leaders are advised to build an interpersonal relationship with them. Interpersonal relationship means that besides business assignments, the supervisors should concern about their employees' personal matters or holding activities outside the companies with their inferiors. In addition to rewarding, financial incentives and promotion are expected. However, since Vietnamese individuals are hard-working for better and higher targets, the managers should actively offer the extra bonus if they achieve an excellent result. Completing the promised rewards only could not comprehensively satisfy the employees.

In both cases, no matter which PA methods chosen, the managers should keep in mind that people expect the differences. In Finland, the different results reflect the fairness

issue. In Vietnam, the different rewards illustrate the individual recognition of their contribution and ability.

7.3. Limitations of the study

Within the level of master thesis, there are several limitations occurring regarding to literature review as theory related limitations and empirical process as methodology related ones.

With regard to theory related limitations, the rating context and the rating form are not reviewed. It is possible that the organizational culture and working environment could affect the employees' behaviors towards PA participation. So is the rating form. However, as the study is delimitated in communicative PA approach and employees' perspective, the PA features concluded in this research are still supported. Furthermore, the research utilizes Hofstede's cultural dimensions as the only theory for analyzing cultural differences. Since Hofstede's theory is criticized to be too subjective, out-of-date and generalized (Chiang, 2005), using this theory for explaining could not be comprehensive in two specific cases: Finland and Vietnam.

In terms of methodology related limitations, firstly, the number of interviews is quite small which could not generalize the large population. Secondly, the interview candidates were selected depending on general requirements. The factors of age, gender, job position, type of companies and working field are not concerned. Therefore, it is likelihood that these factors could also affect the employees behaviors when participating PA sessions. For example, all the interviewees are from 25 to 30 year olds which are categorized into young generation. Therefore, their insights could be different from the middle aged and the aged ones. Similarly, people working in different fields of sciences or different types of companies and holding different positions could have distinct characteristics, resulting in the differences in thinking.

Furthermore, in Vietnam, because of the high distance power, men are supposed to earn money and gain societal status while women are supposed to take care of their family

(The Hofstede Centre A, 2014). In this circumstance, male employees and female ones could share the distinguished ideas and behaviors regarding PA system and job hopping. Thirdly, language barrier is a limitation when conducting interviews in Finland since English is the international language to both interviewee and interviewer. Therefore, it could not avoid the situation that the interviewees hardy express their sharing. Finally, there were three interviews arranged via Skype, leading to the possibility of hardly observing the facial expressions so that the interviewer could not assure if the respondent answers were the actual insights of the interviewees. Internet interruption and instability is another limitation of Skype meeting. The interviewee could hesitate to repeat fully what they mention if there are some internet problems occurring.

These limitations could make suggestions for further research as presented below.

7.4. Suggestions for further research

Since the research focus is new and the findings propose many directions, it is obvious that more studies on PA features' effects are necessary. More in-depth qualitative research about this issue could be conducted. In this new research, the data selection should pay attention to categorizing the interview participants regarding ages, genders, job positions, industries of working and types of company.

This research focuses on the national cultures and the internal factors only. Future studies could extend to external factors such us economic context or explore this phenomenon in organizational cultures. Similarly, it could be possible to concentrate on workers as the aimed interviewees since this research delimitates the scope of participants as knowledge employees. These further studies could enrich and improve the missing knowledge of PA effects in a comprehensive picture.

Moreover, as mentioned previously, the findings imply the differences in behaving of employees who want to work for long-term and short-term period as well as the differences of those who work for companies having mature and immature PA systems.

Therefore, these findings are potential suggestions for further research exploring deeply if these differences exist and how much extents these are.

Another option is conducting quantitative research based on the findings of this study. However, since the relationship between PA features and employee retention is negatively supported in Finland, it needs more qualitative research. The quantitative orientation could be implemented in Vietnamese corporates, where the result partly supports for this relationship. Nevertheless, quantitative research is more recommended after some extra in-depth qualitative studies in Vietnam, when the findings obviously have major similarities.

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APPENDIX

INTERVIEW GUIDELINE

WARM UP	– Name, age, career, company, job position, and so on
GENERAL EXPLORATION	- Do you have PA system in your current company - How often do you have to do the PA - Do you think it is necessary to do the PA? Why? - What are the purposes of the PA in your opinion? How do you understand these purposes? (from your own knowledge or from your company's communication) - …
SPECIFIC EXPLORATION	- Can you describe the procedure of your PA system? **Goals setting** - How do you understand each evaluation criteria? - When do you know such criteria (at the beginning or when doing PA) - Who interprets the goals for you? - Do you feel engaged with these goals? Why - Do it affect much when knowing the criteria in advance - … **PA communication** - Which ways of communication your company using to conduct the PA? - Which ways do you feel the most effective? - Have you ever received the negative feedbacks? - How did your supervisor make the negative comments? Is it directly? - How do you feel with the direct negative feedbacks? - … **Fairness + relationship with supervisor** - How is your relationship with your supervisor? - Are you comfortable to communicate with her/him? - Do you feel pressure when discussing the PA result with her/him? - If you are not satisfied with the PA result, do you ask to her/him or

	you accept it? - Do you think the PA in your company is fair? Why? - … **Rewards** - Do you receive any promise of rewards relating to PA results? - Does the company keep its commitment? - Are you satisfied with the rewards? Are they deserved and do they reflect to your contribution? - Do the rewards fit with your expectation? Why? - Do you expect the different rewards for each individual or the same for everyone? - …
RELATIONSHIP WITH EMPLOYEE RETENTION	- Are you satisfied with the PA system in your company? Why? - Does the PA process affect your working efficiency and your satisfaction? Why - Does it affect to your loyalty? Why - Which characteristics affect to you the most (rating 4 characteristics) - How long do you think you will stay in this company? Why - If you intend to quit the job, what could be the most potential reasons? - …