

## **The Application of Modern Human Resource Assessment Techniques in the Chinese Enterprises**

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### **SUMMARY**

The Modern Human Resource Assessment Technique (MHRAT) is a useful and effective method of personnel evaluation, and has been widely used in different business organizations of many developed countries. However, in China, its development still lags behind for some reasons. In this thesis, we divide the development of MHRAT into 3 periods: planned economy period, the economic transformation period, and the market economy period.

#### **I Planned Economy Period (before 1990s)**

1.Environment: During the planned economy period, almost all enterprises were state-owned. All the resources of enterprises, such as materials, types and quantities of products, sale, purchase, cost, price, etc., were allocated by the government, especially the human resource. In planned economy, controlled by registered permanent residence, people found it hard to move freely to different areas. So, the circulation of human resources is considerably low. Usually, new HR were outsourcing from new graduates and ex-serviceman.

2.Procedure of HR Allocation: Enterprises reported their personnel demand to the relevant government authority, and then the government allocates the HR according to their HR allocation standard and the real situation of the enterprises.

3.Standard of the Selection: The standard of selection included political standpoint, education level, and specialized knowledge.

4. The Techniques of HR assessment: Certificate or diploma, background investigation. No specific assessment techniques were used, sometimes even the face-to-face interview was omitted.

5. Problems: This unreasonable procedure led to the waste of manpower, and the decline of the productivity, including poor quality and quantity of the product and the low efficiency of the enterprises.

#### **II the Economic Transformation Period (in 1090s)**

1.In the early 1990s, the Chinese government decided to transform the planned economy into

market economy. Private firms began to prosper and foreign capitals began to enter the local Chinese market. In the market economy, the social resources should be allocated according to the market demand, so the method of HR allocation also began to change accordingly. On the one hand, state-owned enterprises began to have some rights of the personnel management. And the allocation of graduates changed from being completely controlled by government to being selected by both graduates and enterprises under the guidance of government. On the other hand, government unfastened the control of HR circulation, the rate of circulation began to increase, and the HR of enterprises increase the channel of selection in society. At this stage, there were both planned method and market method in the HR allocation of stated-owed enterprises The concept of HRM became acceptable in China.

2.Procedure of HR Allocation: There are 2 selection channels for enterprises to get manpower. One was through the government, the other was from the HR market.

3.Standard of the selection: educational level, specialized knowledge and skills, working experience, part of mental traits, such as IQ, personality, etc.

4.The Techniques of HR assessment: interview, paper test of professional knowledge, skill test, psychological test. Part of the modern HR Assessment techniques were applied in the HR selection.

5.Problems: In this stage, most of the Chinese enterprises had no standardized criterion and procedures in HRM. Most of the HR Dept had no job descriptions. There were only a few general methods and techniques used in the selection, but their position pertinence was not good. There was a need for HRAT in the local market, however, it's still very hard to find a professional institute offering HRA services. HRAT was seldom used in HR management and development of enterprises.

### **III Market Economics Period (from 2000 to now)**

1.The Changes of the Environment:

Since 2000, China has finished its transformation from the planned economy to market economy. With China's entry into the WTO, the Chinese enterprises are facing a fierce competition more than ever. More and more enterprises become aware of the essence of HR as the core competence in the business organization. The enterprise has the power to plan and implement its own HRM independently. They are free to recruit personnel from the HR market.

The range of the selection is expanding. Enterprises can select person from different regions, different industries, even different countries in the world. The diversity of the employees leads to culture conflicts. The circulation of HR is increasing.

The standardization of the management has been improved by rebuilding the organizational structure and description of the positions. The match between person and position becomes more and more delicate.

HR selection becomes more difficult.

The vast candidate pool makes it almost impossible to face-to-face interview every candidate. The authenticity of resumes and recommendation letters becomes questionable. It's also hard to classify every sort of certificate and diplomas to ascertain its value. Interview skills training becomes popular, which makes it more difficult for the efficiency of interview.

2.Procedure of HR Allocation: planning — — demands — — advertisement — — getting the information of the candidates — — selection procedures — — placement

3.Standards of the selection: Standard is diversified, including aptitude, personality, professional ability, team-building, communication, creativity and innovation, educational level, professional knowledge, work experience, logical thinking, decision making Honesty, etc.

4.Modern HRAT is now applied to selection.

Methods and techniques: interview, paper test, psychological tests, LGD, management game, work sample, in-basket, projection, task-works, field test, special instruments.

5.Enterprises begin to use the modern HRAT in promotion, training, and HR diagnosis.

6.Problem: The most of HR managers in enterprises have little knowledge of modern HRAT. They need help from professional assessment organizations.

#### **IV the Tend of the Development of MHRAT in China**

1.a survey research.

2 . standardized, professional, concrete, and case based service

#### **V a Case of MHRAT Application in a Chinese company.**

## **I Modern Human Resource Assessment Techniques developed in China**

The modern human resource assessment techniques (MHRAT) is a useful and effective method of personnel evaluation, and has been widely used in different business organizations in many developed countries. However, in China, its development still lags behind for some reasons. In this thesis, we divide the development of MHRAT into 3 periods: planned economy period, the economic transformation period, and the market economy period.

Before 1990s, China was in the planned economy period, and almost all enterprises were state-owned. All the resources of enterprises, such as materials, types and quantities of products, sales, purchase, cost, price, etc., were allocated by the government, especially the human resource. During this period, controlled by registered permanent residence, people found it hard to move freely to different areas. So, the circulation of human resources was considerably low. Usually, new HR was outsourcing from new graduates and ex-serviceman.

In this stage, the procedure of HR allocation was quite simple. If Enterprises had personnel demands, they needed report to the relevant government authority. Then the government allocated the HR according to their HR allocation standard and the real situation of the enterprises. In this stage, the most important standard of HR selection was political standpoint. Education level and specialized knowledge were comparatively unimportant. The basic tool of selection was background investigation. No specific assessment techniques were used, sometimes even the face-to-face interview was omitted. Everyone had an individual file which recorded his working or studying performance, awarding and punishment records, and the yearly appraisal of enterprises and organizations. And this file was not available to the individual himself. Under this background, assessment techniques were not needed in the circulation of HR. The individual file was the way to evaluate person, and it was also the exclusive and authoritative way at that time.

This method of HR evaluation was almost effective during the certain period when the circulation of HR was slow and the competition was not so fierce. But the problems were obvious. This unreasonable procedure led to the waste of manpower and the decline of the productivity, including poor quality and quantity of the product and the low efficiency of the enterprises. China was compelled to select the market economy.

In the early 1990s, the Chinese government decided to transform the planned economy into market economy. Private firms began to prosper and foreign capitals began to enter the local Chinese market. In the market economy, the social resources should be allocated according to the

market demand, so the method of HR allocation also began to change accordingly. On the one hand, state-owned enterprises began to have some rights of the personnel management. And the allocation of graduates changed from being completely controlled by government to being selected by both graduates and enterprises under the guidance of government. On the other hand, government unfastened the control of HR circulation, the rate of circulation began to increase, and the HR of enterprises increase the channel of selection in society. At this stage, there were both planned method and market method in the HR allocation of stated-owed enterprises The concept of HRM became acceptable in China.

During this period, when the enterprises wanted to recruit new employees, they could get them through government or through the HR market. At that time, the standard of selection had changed from the “only political standpoint” to educational level, specialized knowledge and skills, working experience, and highly morality. Certificates and diplomas were important thing in the HR examination. Only some foreign enterprises would consider part of employees’ mental traits, such as IQ, and personality. The most common methods of selection were interview, paper test of professional knowledge, skill test, psychological test. We can say that in this stage part of the modern HR Assessment techniques were applied in the HR selection.

At that time, because the enterprises just got the right of HR management from the government, there were lots of problems in the HR management, such as, most of HR department Of Chinese enterprises had no standardized HR criterion and procedures, no job descriptions, and no distinct organizational structure. The lack of these that are the base of HR management led to the problems of HRM. There were only a few general methods and techniques used in the selection, but their position pertinence was not good. Besides recruitment, HRAT was seldom used in HR management and development of enterprises. Of course, there was an external reason that it’s still very hard to find a professional institute offering high-quality HRA services at that time.

After 2000, the market economy began to grow mature in China. On the one hand, large sum of foreign capital has entered Chinese local market; on the other hand, lots of Chinese local enterprises have developed and began to explore the oversea market. With China’s entry into the WTO, the communication between China and the world increased a lot. Chinese enterprises are facing a fierce competition more than ever. With the competition of technology and market developing, more and more enterprises become aware of the essence of HR as the core competence of the business organization. Chinese entrepreneur also realize that HR is the first resource in enterprises.

In this stage, the advantage of HRM was that enterprises have all rights to plan and implement their own HRM independently. They are free to recruit employees from the HR market. Moreover, the standard of the HR management has been improved by rebuilding the organizational structure and description of the positions. The match between person and position becomes more and more concrete. The allocation of HR in enterprises runs according to market completely. This is the procedure of hiring:

planning——demands——advertisement——getting the information of the candidates——

selection procedures——placement.

Of course, the problems still exist. Firstly, the circulation of HR increases, so the work for employing increases accordingly. Secondly, the range of the selection is expanding. Enterprises can select person from different regions, different industries, even different countries in the world. And the rate is considerably high. Meanwhile plenty of foreigners begin to apply for jobs in China. The diversification of employees begins to appear, and it leads to so many problems, especially culture conflict problem. The candidate pool is getting bigger and bigger. The vast candidate pool makes it almost impossible to face-to-face interview every candidate. Moreover, the authenticity of resumes and recommendation letters became questionable. It is also hard to classify every sort of certificate and diplomas to ascertain its value. Interview skills training becomes popular, which makes it more difficult for the efficiency of interview. At the same time, how to retain excellent employees also becomes a big problem.

In the market economy, Chinese enterprises get some new idea about the standards of HR selection. They do not only stick to “high educational background” anymore. The standard becomes diversified, including Aptitude, personality, professional ability, team-building, communication, creativity, innovation, educational level, professional knowledge, work experience, logical thinking, decision making, honesty, and so on. They will all be considered. More and more entrepreneurs realize that the comprehensive aptitude becomes more and more important to evaluate whether the person is competent for this position or not.

Under this background, the needs for HRAT increase a lot. Now Modern HRAT becomes to be applied to recruitment in enterprises. We usually use these methods and techniques: interview, paper test, psychological tests, LGD, management game, work sample, in-basket, projection, task-works, field test, special instruments, etc. Some enterprises also begin to use the modern HRAT in promotion, training, HR diagnosis. Now there are also some problems. For example, because most Chinese HR managers came from other vocations, they have little knowledge of modern HRAT, and they can't well apply it into the real HRM. So they need help from professional assessment organizations. We are glad to notice that Chinese professional assessment organizations have developed and also began to take part in the enterprises' HRAT.

## **II The Application of HRAT in the Chinese Enterprises**

We have designed a research project in order to study the HRAT application in Chinese enterprises. This research includes studying the methods of selecting new employees, the application of HRAT, and enterprises' expectation for the professional assessment organizations. There are 160 middle-level and senior managers from the enterprises of Shanghai, Beijing, Guangzhou, Wuhan, Qingdao taking part in the research. Twenty percent of the enterprises are public companies, and all of them are Chinese enterprises. We got 148 questionnaires finally. Please see the results from form 1-6.

### **1.the Approaches of Recruitment**

Our first question is that how do enterprises get the information of candidates. The Form 1

below indicates the research result.

Form 1: the Common Approaches of Recruitment

Choice	Agency	HR Exchange meeting	Universities and colleges	Head hunting company	Internet	Recommendation by employee	Seeking job directly	others
frequency	17	122	96	8	33	36	43	23
ratio	12.1	82.4	64.8	5.4	22.3	24.3	29.1	15.5

We can have the conclusion from form 1 that selecting new employees from HR exchange meetings. Universities and colleges are the main approaches in China, and the ratio are 82.4% and 64.8% respectively. The ratios of head hunting companies and internet are not so high as we expect.

## 2. What aptitudes are most important to enterprises when they are selecting middle-level and senior managers?

Comparing to selecting general employees, it is more important and difficult to select middle-level or senior managers, because they are extremely important for the enterprises' development and success. The cost of using them is high, and the risk is also much higher. Form 2 tells that the comprehensive aptitudes of job seekers are paid most attention to, strong suit is in the next place, the third factor considered is educational background. It is noticeable that speciality background and working experience are last two places.

Form 2: the Comprehensive Aptitudes of Job Seekers are Paid Most Attention to

Choice	Educational background	Personality	Working experience	Speciality background	Strong Suit	Comprehensive Aptitude
Frequency	102	87	81	63	104	123
Ratio	68.9	58.8	54.7	42.6	70.2	83.1

## 3. the methods of selection

What methods will enterprises use to select new employees? We pay most attention to this question, and form3 tells us the answer.

Form 3 : the Methods of Selection

Choice	Investigate of background	Application form	Psychological test	Face-to-face interview	Resume	Techniques of HRA center	Recommendation material	Probation	Test of comprehensive aptitude
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Frequency	23	40	18	140	101	3	55	70	26
Ratio	15.5	27.0	12.2	94.6	68.2	2.0	37.2	47.3	17.6

Form 3 tells that enterprises use various methods to select new employees, among which face-to-face interview is the most frequently used method, evaluation from resumes is in the next place. About the half of enterprises use the probation as an important method for selection, and some enterprises still use the traditional methods, such as investigation of background, evaluation from the application forms. We are shocked to find that few enterprises use really scientific, objective methods to select new employees, such as techniques of HRAT, psychological test. This is so different from the result of Form2.

#### 4.the situation of using psychological tests in China

Psychological tests have been used since 1990s in foreign companies in China. Now some national enterprises have also accepted this method. As indicated in form 3, 12.2% of the enterprises use psychological tests to select employees. In these enterprises, 56.7% take aptitude test, 21% take personality test. Because Chinese enterprises know little about psychological tests, IQ tests and interests tests are seldom used.

Form 4: the Psychological Tests used in Selecting and Evaluating

Choice	IQ test	Aptitude test	Interest test	Personality test	Others
Frequency	23	84	20	32	38
Ratio	15.5	56.7	13.5	21.6	25.7

#### 5.the application of HRAT when enterprises select middle-level or senior managers

Assessment Center Technique is a comprehensive method using work sample, field test, etc. In some developed countries, such as USA, it is the most frequently used method. However, in China, more than half the enterprises have not used this method as indicated in form 5. Thus we can conclude that the Chinese method of personnel evaluation lags behind a lot to some developed countries

Form 5: the HRAT used to evaluate intermediate and senior managers

Choice	LGD	in-basket	management game	structured interview	others	not used
Frequency	16	6	14	35	11	72
Ratio	10.8	4.1	9.4	23.6	7.4	48.6

Form 6 the effect of HRAT in the enterprise management

Choice	HR diagnosis	Promotion	recruitment	career guidance	post arrangement	performance test	training need analysis	others
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Frequen cy	78	70	115	52	66	84	44	3
Ratio	52.7	47.1	77.7	35.1	44.6	56.8	29.7	2.0

We can conclude from form 6 that 77% of the managers think that HRAT can offer the way to select new employees. At the same time, they also approve the usage of promotion evaluation and post arrangement. There are comparatively fewer managers think that HRAT can be used in training evaluation and career plan.

### III The case of HRAT in Chinese enterprise

Here we will introduce the case of HRAT application in Wuhan Kaidi Electric Power Co, Ltd.

Wuhan Kaidi Electric Power Co, Ltd. was founded in 1993, and it became a public company in 1997 in Shengzhen. Its register capital totaled in RMB 216 million and 300 thousand. Before 2000, its business focused on water decontamination, chemical industry, hot-work, computer application, etc. In 2000, its directorate decided to transfer its business into environment protection. The main operation included de-sulfuring of the air and sewage decontamination. In early 2001, Kaidi Co. Ltd. signed contracts of RMB 1,30 million. At that time, Kaidi faced two big challenges—lack of employees and employees' lacking working experience. The simplest resolution to this problem is launching advertisement over the country to recruit new employees.

After launching job information through media, 3000 people applied for this position. After examining the application material, telephone interview, 500 people were selected out. The directorate, some senior managers and HR department went to have interview with the 500 candidates over the country. At last, 343 persons were come into the final. Because the positions were quite important to Kaidi, the chairman decided to invite professional HRA institute to evaluate these applicants.

Star HRA center accepted this task, and designed a detailed assessment project using various methods to give comprehensive evaluation to these applicants. The assessment was operating in Wuhan on 1<sup>st</sup> May 2001 . We used the computer center and psychological behavior observation lab to finish this project. Please see the methods and procedure in the chart 1.

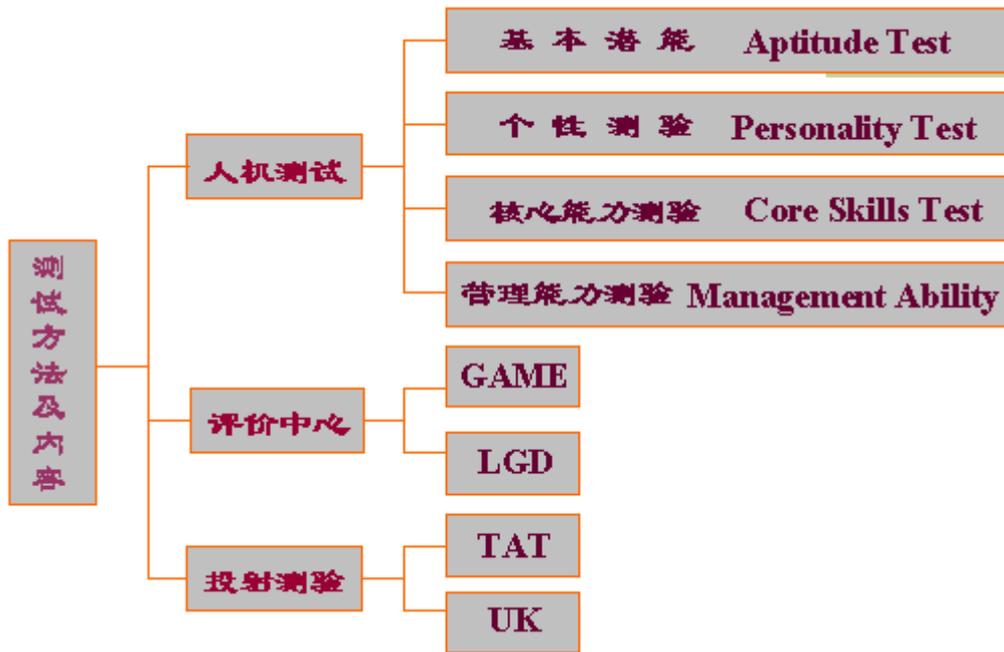


CHART 1: the methods and procedure of Kaidi's selection of employees

We analyzed the response every applicant gave in every test item and the data of the test results. And then we gave every applicant a specific recommendation suggestion according to the positions they applied for. Our recommendation suggestion divided into 5 grades. The fifth grade indicates excellent; the fourth grade indicates good; the third grades indicates qualified; the second grade indicates the persons who are not right for hiring; the first grade indicates the persons who are totally not eligible.

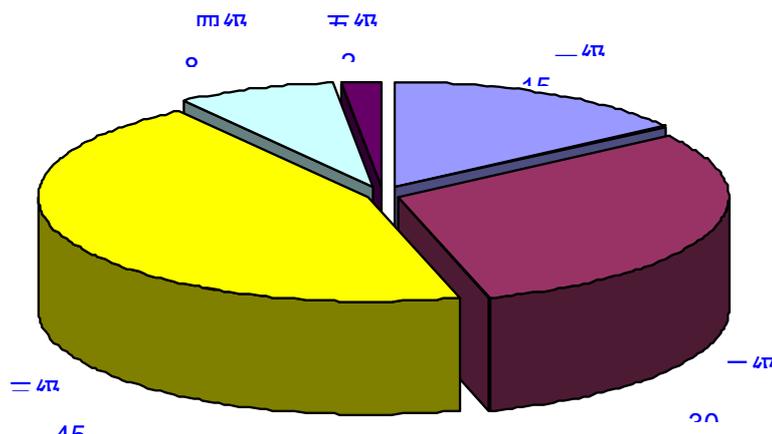


CHART 2 the Result of Assessment

We can conclude from chart 2 that the fourth and fifth grades include excellent human resource, they only cover 10% of all the applicants. The first and second grades include persons

who were not eligible for the positions. These two parts totaled in 45% of all the applicants. If Kaidi had not take HRAT to select employees, the ratio of choosing the right persons would not over 50%, just as choosing the applicants randomly. So scientific HRA method is very important for selecting employees.

How did these people perform after selected for the positions? The director of Kaidi, Mr. Chen Yilong said,

“We can get the whole file of everyone through the professional personnel evaluation, thus we can make the correct conclusion that who are the right person to hire and who are eligible for some certain position.”

“According to the recommendation suggestion given by Star Assessment Center, we selected 100 from 343 persons. We decided to hire all the applicants of grade 4 and grade 5, it is very easy to finish the selection.”

“The practice proved that the recruitment strategy is correct. Most techniques, management, and sales backbone employees of Kaidi were hired in that recruitment. They are very important to the company’s fast growing.”

Kaidi has used HRAT for six times since that recruitment, which also improves the correctness of HRAT.

Here are the records.

May 2001 using HRAT to select employees from 343 candidates in Wuhan

June 2001 using HRAT to test its employees

Jan 2002 using HRAT to select employees in Changchun and Wuhan

Mar 2002 using HRAT to test the satisfactory level of its employees

Aug 2002 using HRAT to select employees in Wuhan

Oct 2002 using uses HRAT to finish promotion within the company

Kaidi uses HRAT to get advantage in HR management. Its business develops very fast. Only in one year, it has become the leader of its trade.

#### **IV the Tend of HRAT’s development in China**

The Chinese economics’ development offers a good environment for Chinese enterprises. As the enterprises developed, more and more enterprises will use HRAT to support their management. HRAT is certain to become one business in China and it will get standardized, professional, concrete, and will offer case based service.

“Standardized” means two things. On the one hand, we should make some statutes and rules for HRAT in the scope of the society. The statutes can lead the development of HRAT, and protect the rights of enterprises and testees at the same time. On the other hand, within one enterprise, it also needs some rules to protect the usage of HRAT. For example, Kaidi lets every candidate have the tests before being hired. It is fair and objective to every applicant.

“Professional” means that HRAT needs quite professional techniques. Its operators should have long-time training and have some practical experience. There are some consulting companies

launching advertisement declaring that they can offer HRAT, but in fact, they do not have professional experts and useful assessment tools. Their actions in some way destroy the healthy development of HRAT market and lead some enterprises to misunderstand the HRAT. We have mentioned above the importance of creating some statutes and rules for HRAT market, moreover, it is also quite important for HRAT institutions to develop their own HRA skills and techniques.

“Concrete” means HRAT should be exact. For example, psychological test usually includes IQ test, aptitude test, personality test and these tests only have several editions. Some editions have been known by too many people and are not suitable for selecting employees anymore. Because the new editions are not available, most HRAT institutions still use the old editions as a magic weapon. Moreover, for norm, only one general norm is used now. As we all know, China is a big country with diversified cultures and minorities , so it is not enough to only have one norm over China. However, there are almost none trade norm and position norm existing. We have a lot of things to do to deepen and develop HRAT, among which concretize HRAT is important.

“Case base service” means offering individualized service to clients. HRAT can exist because of the difference exists. There is difference among clients, among objects’ characters, among assessment methods, among aims. If we use unified standard to evaluate everything, we will certainly make mistakes. So the success of HRAT lies in whether we can offer individualized service to the clients. In this regard, only professional HRAT institutions have the opportunity to develop, for non-professional institutions cannot offer individualized service.

Chinese enterprises’ need for HRAT increased rapidly. HRAT enjoys a boomy prospect in China. Given the situation of HRAT, we should try out best to make the opportunity available.