



LAUREA
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Prime Mover

Optimizing Performance Management by Management By Objectives

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This study presents the critical problem of the development of Chinese small and medium-sized enterprises, where unstructured management hinders the healthy growth of the enterprise. Changchun Chengshi Ltd. Co China is a small enterprise troubled by an inefficient work force. In order to increase productivity the owner of Chengshi requested a solution to extricate the company from this difficult position. This thesis was conducted to fulfill the owner's request.

The initial objective of the thesis is to use Management by Objectives (MBO) to solve the performance management problem. This thesis is concerned with two problems, which are establishing the reason for the inefficient work force and designing a new performance management system to encourage employees.

Quantitative and qualitative methods were applied in the research, and data was collected in the form of a questionnaire and interview. The statistical Package for the Social Sciences (SPSS) was the tool used to analyze the data.

The results obtained suggest that the inefficient productivity was caused by the unstructured performance management system that matched the author's hypothesis and that a new performance management system according to MBO principles could solve the problem.

The study presents the problems of the case company and provides an appropriate solution of performance management that could be a reference for the case company's further development in the aspect of performance management.

Key words: Performance Management, MBO, Managing growth

Table of contents

1	Introduction	4
1.1	Study background	4
1.2	Purpose of the thesis	4
1.3	Research problem	7
1.4	Research approach	7
1.5	Theoretical approach	7
1.6	Framework of the thesis	8
2	Theoretical background	9
2.1	Small and medium sized enterprise (SMEs) and leadership in SMEs	9
2.1.1	Definition and problems of SMEs	9
2.1.2	Managing growth in SMEs	10
2.1.3	The entrepreneur's role as a leader in growing SMEs	11
2.2	Performance management	12
2.2.1	Definition and features of performance management	12
2.2.2	Performance management process	13
2.2.3	Performance management systems and tools	17
2.2.4	Performance management and human resource management	19
2.3	Management by objectives (MBO)	19
2.3.1	Definition; features; advantages and limitations of MBO	20
2.3.2	Application of MBO	22
2.4	Conclusion of the theatrical section	24
2.5	Theoretical framework	25
3	Research approach	26
3.1	Research approach in general	26
3.2	Methodology	30
3.2.1	Research purpose	30
3.2.2	Research method conducted in the study	31
3.2.3	Data collection method and analysis	31
3.3	Reliability and validity of the study	33
4	Empirical study - case study, Changchun Chengshi Co., Ltd	34
4.1	Exploration of the case company	34
4.1.1	Changchun Chengshi Health Industrial Co., Ltd current development state and SWOT analysis	34
4.1.2	The bottle neck of current human resource management	36
4.1.3	Emphasizing human resources management strategy	36
4.1.4	Current performance management system	38
4.2	Establishment of new performance management system	40

4.2.1	The setting of employees' objectives	41
4.2.2	Continuous monitoring of performance and progress.....	42
4.2.3	Performance evaluation/reviews.....	45
4.2.4	Providing feedback and performance appraisals	47
5	Conclusions and recommendations	50
5.1	Findings and recommendations.....	50
5.2	Managerial implications	51
5.3	Future research.....	52
6	Theoretical linkage	52
7	Summary	53
	List of References.....	54
	List of Figures.....	55
	List of Tables.....	56
	Appendices	57

1 Introduction

1.1 Study background

In China, SMEs account for 99% of the total number of enterprises as of 2003, contributing 63% of GDP. In addition, SMEs employed 44.4million (77.3% of the total) workers and account for 68% of the total amount of exports. SMEs serve as a “locomotive” for Chinese economic growth.

However, like all the SMEs in other countries, Chinese SMEs face various problems even more complicated in the context of traditional Chinese systems. There are three categories of problems that Chinese SMEs are facing: (1) the ownership structure; (2) enterprise management; and (3) policies for SMEs by the government. This thesis focused on problems related to the enterprise management such as management notions and skills; human resources; and enterprise management.

First of all, Chinese entrepreneurs, on the whole, have little perspective of long-term operation. Therefore, there occurs intensive competition in industries with low technology where entry barriers are not high. This results in the extreme high startup and bankruptcy rates of SMEs in China. Furthermore, Chinese SMEs do not have enough business know-how since they started from family business or partnership and have little ability to conduct their organization management and financial management rationally. Such entrepreneurs have a strong desire to expand their business by any means so that they can survive. But necessary managerial developments such as management structure and human resources do not improve along with the business expansion. In addition, employees' have little influence in important decision making processes. Meanwhile, SMEs are entities with little credibility because of the entrepreneurs' lack of morality. For instance, they may forge a financial statement and neglect loan repayments arbitrarily. Hence, it is impossible for SMEs to grow under “family business” due to their lack of human resources and weak management structure. (Cong 2009)

1.2 Purpose of the thesis

The purpose of the thesis is to analyze the current performance management state of the case company and locate the most critical areas, optimizing the performance management system to improve and encourage employees' performance. Thus providing a suitable method to motivate and utilize the employees for the owner.

This thesis analyzes the reasons and circumstances which raised such problems. Moreover, the study aims to find an appropriate solution to solve the human resources management crisis

and provide the owner a plan that can be updated when the enterprise expands in the future. In other words, a comprehensive and systemic analysis regarding performance management is presented in the thesis.

1.3 Research problem

By conducting the research, the author expected to solve three problems. Firstly, learn employees' attitude about the current performance management. The employees' attitude is very important for analyzing the case company's development state and problem. A second problem was to test employees' attitude with regard to the introduction of the new performance management system and thus to estimate the negative effect and feasibility of the new performance management system. Finally and the most important problem was to establish measurement criterion for objectives setting by combining both employees' and the owner's opinion.

1.4 Research approach

The research approaches used in the thesis were a quantitative method in the form of a questionnaire to employees and interview with the owner. The questionnaire aimed to collect production information from employees which could be used to set realistic objectives. Questions were divided into three parts: basic information; employees' opinions about the current performance management system; and employees' opinions about updating the performance management system. The key element of the questionnaire searched for is standards used to set up objectives. In addition, the interview covered a few questions regarding development strategy and the goals of the company.

All the data collected were analyzed by the statistical software SPSS as well as the owner's interview.

1.5 Theoretical approach

Three management areas are discussed in the thesis: small and medium sized enterprise, performance management, management by objectives (MBO).

In the SMEs section, the theories mainly focus on how to manage an enterprise while it grows and the entrepreneur's role during this process. In terms of performance management, the author emphasis the importance of performance management by introducing definition, features, process, tools of performance management and the relationship of HRM and performance management. MBO is applied in this thesis as a foundation for all the theories and

mainly discussed in the sections on the definition, features, advantages and application of MBO.

1.6 Framework of the thesis

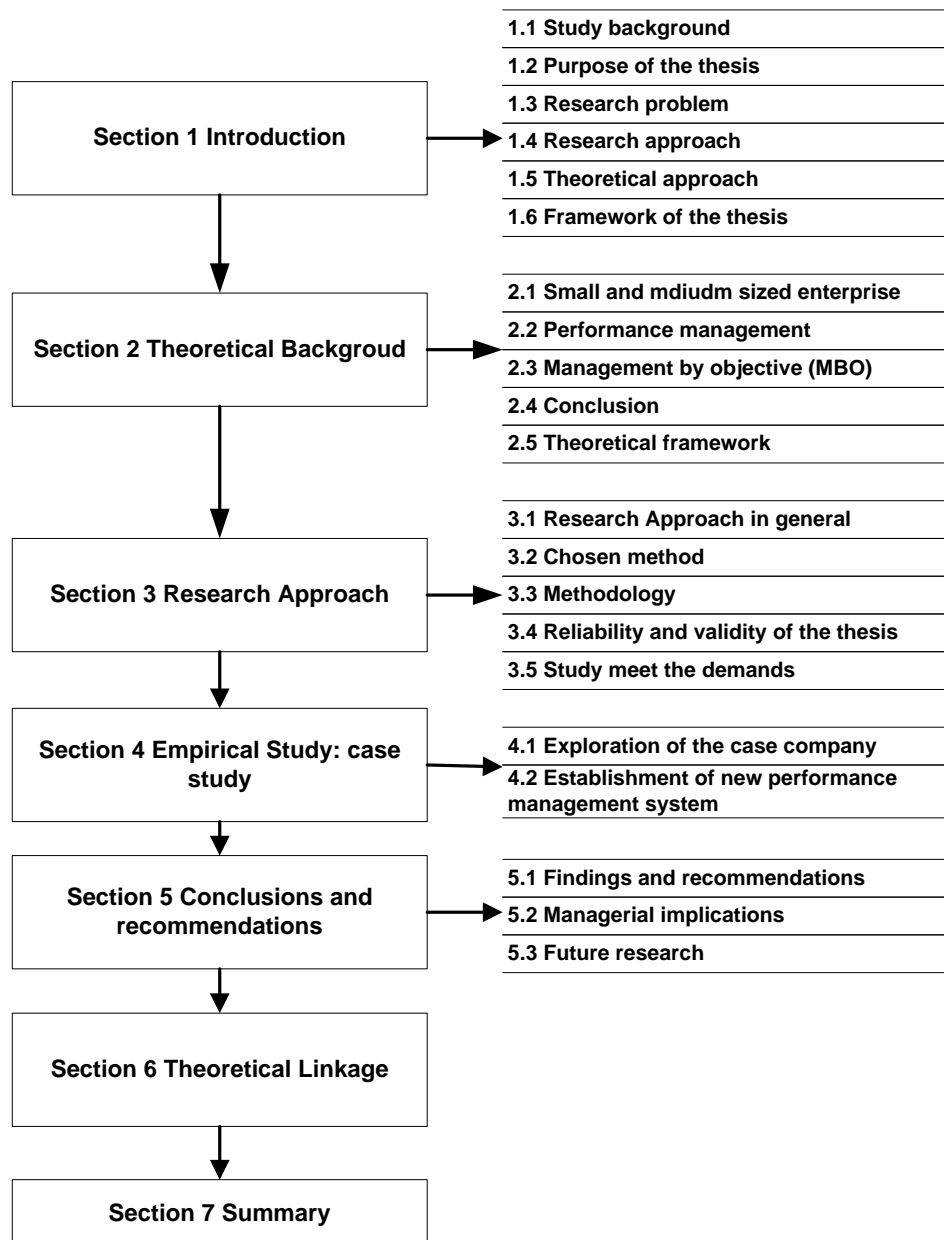


Figure 1 Framework of the thesis

The study contains six sections as the main parts which are the introduction; theoretical background; research approach; empirical study; conclusion and recommendation; theoretical linkage and summary.

The introduction given background information and states the purpose, and structure of the study. The theoretical background focuses on the theoretical areas that support the empirical study, for instance, topics in different theories mainly focus on basic concepts, principles, and criteria and how to apply the academic topics related to the study. Moreover, the research approach with methodology section strives to provide readers a clear understanding of how the research was conducted by introducing the research approach, strategy and data collection methods and analysis methods.

2 Theoretical background

2.1 Small and medium sized enterprise (SMEs) and leadership in SMEs

2.1.1 Definition and problems of SMEs

The definition of small and medium-sized enterprises (SMEs) varies in different economic regions, but all economies apply the same division criteria which are quantitative and qualitative methods. There is no common definition of SMEs in different economic regions and the most precise definition for SMEs would be a multidimensional definition based on qualitative (theoretical) and quantitative (operational) limiting criteria. In terms of theory, the factors take into account to define SMEs are the autonomy of company that it has at least one owner. However, such a definition fails in practice because of the heterogeneity of enterprises and the measurability of these criteria. Hence, in empirical work, the definition usually depends on operational quantitative criteria. Practical definitions for quantitative criteria focus on annual turnover and /or the number of employees, and a certain criterion of legal independence is also included. (Curran & Blackburn 2001, 22)

In “The Practice of Management”, Drucker claimed that there are four stages in the company’s growth, which are small business, fair-sized business, large business and very large business; and each stage of business size requires a different management structure. However, entrepreneurs should pay attention to the fact that the enterprise has problems and typical weakness at different stages.

In terms of small and fair-sized businesses, the most common problem is that they are too small to support the management they need. Financially, SMEs cannot afford high pay to attract top executives. Another typical problem for small or fair-sized business arises out of the fact that they are often family-owned. Family-owned businesses weaken management as the family members always support family members regardless of whether the decision is correct. This discourages other managers outside the family contributing to the company. Finally, SMEs are apt to suffer from narrowness of outlook and pressure of outside competition. As a

result, it puts the business in danger of becoming out of date in knowledge, competence, and technology.

To solve those problems, SMEs have to bring an outside viewpoint into management councils to broaden vision. Secondly, it should adopt a rule that no member of the family earn the job or position he/she is not qualified for. The most important rule is that the thinking, planning, and analyzing should be reviewed for the past year. And the rule should be focused on at least five years ahead and lead to the setting of objectives in all key areas. Moreover, it should assign responsibility for performance in each area to individual members of the company. (Drucker 2007, 200-206)

2.1.2 Managing growth in SMEs

“The biggest problem of size is the problem of growth, the problem of changing from one size to another; the problem of growth is largely one of management attitude, the requirement for successful growth is primarily the ability of management drastically to change its basic attitudes and behavior.” (Drucker 2007, 213) for an enterprise, the four size stages do not form a continuum, what the entrepreneur deal with is not gradual matter of classical physics, it is a quantum phenomenon. It is this that makes size a problem of quality as well as of quantity. (Drucker 2007, 212-213)

Growth demands of management the understanding and application of principles, rigorous emphasis on organization structure, clear setting of objectives and unambiguous assignment of responsibilities at all levels. (Drucker 2007, 216)

The traditional opinion is that small businesses are small and simple enough and do not need pay attention to management. But the facts indicate that “The small business needs organized and systematic management even more than the big business. It does not need, to be sure, large central staffs. It does not need elaborate procedures and techniques in many areas. In fact, it can afford neither large staffs nor elaborate procedures. But it does need management of a high order.” (Drucker 2007, 649) Firstly, small businesses need a strategy to lead the development direction. A second requirement is that small businesses have an effective top manager who knows the right thing to do. Finally, the small business needs its own control and information system. (Drucker 2007, 648-654)

As to the requirements of medium-sized enterprises, Drucker stated that they are largely related to managing people. It requires great managerial self-discipline; self-restraint and almost austerity in all other areas. A well-managed medium-sized enterprise should know what its business is and what it should be. Medium-sized enterprise should purposefully and syste-

matically focus on its resources, especially concentrates its performing key people toward the attainment of its basis mission. (Drucke 2007, 654-659)

Furthermore, when the company growth and the culture growth change as well, procedures become more formal, operations grow more widespread, jobs take on more structure, communication becomes more difficult, and the company's personality begins to change. Employees hardly understand their job's requirements. Entrepreneurs should be aware of the changes and challenges growths bring and manage the enterprise's culture correspondingly. (Scarborough, Wilson & Zimmerer 2009, 685)

2.1.3 The entrepreneur's role as a leader in growing SMEs

"As a business grows, the entrepreneur must relinquish control and learn to depend on the productive energy of others to achieve results." (Scarborough et al. 2009, 669) Compared with management, leadership becomes a more critical requirement to the entrepreneur that influences success. Leadership is the process of influencing and inspiring others to work to achieve a common goal and then giving them the power and the freedom to achieve it. Entrepreneurs and their companies will never achieve the full potential of the organization or that of the employees without successful leadership.

Stephen Covey explained differences between management and leadership by emphasizing different functions of these two areas. He pointed out that leadership deals with people while management deals with things. Leadership deals with vision; management deals with logistics toward that vision. Leadership deals with doing the right things; management focuses on doing things right. Leadership deals with examining the paradigms on which you are operating; management operates within those paradigms. Leadership comes first, then management, but both are necessary. Effective leaders provide vision, direction, value, and purpose; they inspire, motivate and build complementary teams that leverage an individual's strengths. Managers provide systems and procedures, define roles, and solve problems. Leadership and management interact with each other and a successful business cannot continue with one missing.

In order to achieve effective operation entrepreneurs should perform four tasks which are hiring the right employees and constantly improving their skills; building an organizational culture and structure that allows both workers and the company to reach their potential; communicating the vision and the values of the company effectively and creating environment of trust among workers; motivating workers to higher levels of performance. (Scarborough et al. 2009, 669-672)

2.2 Performance management

2.2.1 Definition and features of performance management

As defined by Michael Armstrong (2000, 1), “Performance management is a strategic and integrated process that delivers sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of individual contributors and teams.” As well as in Gary Dessler’s (2003, 266) description “Performance management refers to managing all elements of the organizational process that affect how well employees perform.” Basically, performance management thinking should produce an integrated performance management-oriented system.

It is important to clarify the term “performance” to understand what performance management concerns. Quoting from Brumbrach (1988) Armstrong states (2000, 3), “Performance means both behaviors and results. Behaviors emanate from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviors are also outcomes in their own right-the product of mental and physical effort applied to tasks - and can be judged apart from results.” Therefore in order to manage performance comprehensively, both inputs and outputs should be considered from the team and individual perspectives.

Performance management is a top-down process involving both managers and the individuals and the teams they manage. Managers and team members are jointly participated in agreeing the objectives; taking the objectives into action; monitoring and reviewing performance; sharing results and responsibilities. Essentially, performance management is a shared process between managers and team members.

Furthermore, performance management is an integrative and strategic process which is driven by the organization’s vision and strategy plan. In the sense of strategy, performance management faces broader issues related to whether a business functions effectively in its environment, and the general direction of achieving the long-term goal of the business. In addition, performance management is in two senses an integrative process: vertical integration and horizontal integration. While vertical integration links business, team and individual objectives with core competences, horizontal integration align diverse aspects of human resources management such as organizational development, human resource development and reward. However, both of these two dimensions aim to achieve a coherent method to the management and development of people.

In general, performance management is an integrative and strategic process to deliver sustained success by improving the performance of people and capabilities of individual contributors and teams of an organization. It is forward-looking and developmental. (Armstrong 2000, 2-13)

2.2.2 Performance management process

An efficient and well functioning performance management approach has features that maintain it as flexible and forward-looking. Such features of performance management as described by Vicky Wright and Liz Brading (1992) are that is: (1) focuses on future performance planning and improvement rather than retrospective performance assessment; (2) identifies and recognizes the skills and capabilities associated with higher levels of performance; (3) identifies and recognizes outputs that are defined not only in quantitative but also in qualitative terms; (4) should be a freer, upwardly managed process; (5) is more concentrate coaching and counseling of appraisal, less concerned with criticism; (6) has more focus on the individual's contribution to the team's success with objectives defined in these terms; (7) is concerned with improving and assessing the individual's performance equally; (8) makes no forced distribution of performance ratings; and (9) possibly avoids formal ratings given altogether. (Armstrong 2000, 15-17)

The performance management process has no fixed system but a framework that guides managers, individuals and teams to find the best ways to suit them to gain a better understanding of what is to be done, how it is to be done and what has been achieved. (Armstrong 2000, 19-20)

Basically, a fundamental process of performance management has six steps: performance agreements and plans; defining objectives; defining capability requirements; measuring performance; managing performance throughout the year; and conducting performance reviews.

Performance planning is the starting point of the performance management framework and delivers participants what they are expected to do and how they are expected to behave to achieve the requirements of their roles and for the future development of their capabilities and skills. In other words, the purpose of performance planning is to establish the objectives; raise standards and improve performance; as well as define the key area of the job which needs to be focused on. As showed in Figure 2, the process of performance planning contains five phases which are: define the work to be done; define key result areas and main tasks in more detail; draw up the plans; prepare and record the plans; and finally evaluate the performance planning. (Armstrong 2000, 23-32)

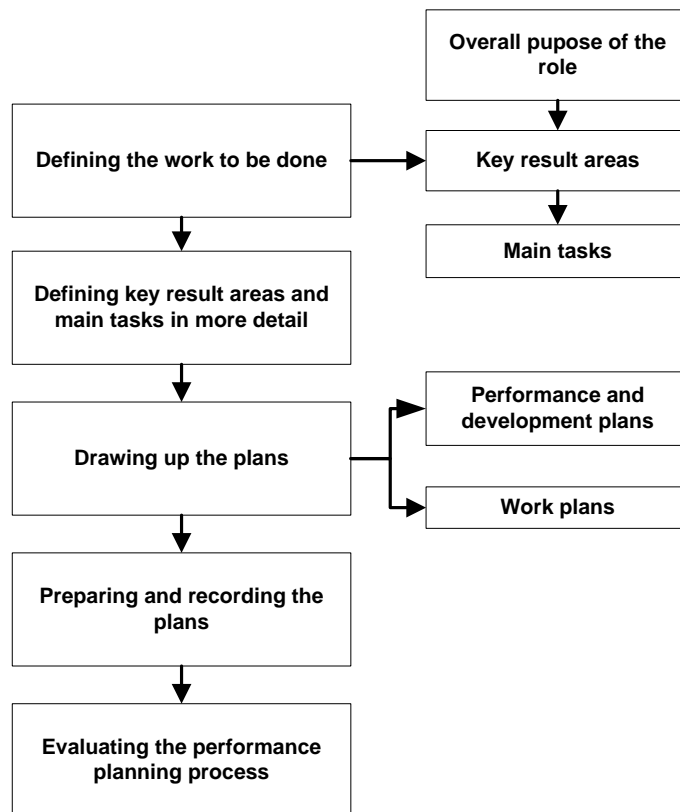


Figure 2 Performance planning process

(Source: Michael Armstrong, Performance Management: Key Strategies and Practical Guidelines, 2000)

Phase 2 of the performance management process is defining objectives and performance standards. “Objectives or goals define what organizations, functions, departments and individuals are expected to achieve over a period of time.” Objectives are conducted in two ways, which are targets so that the quantifiable results can be measured; and tasks or projects, which mean a defined result needs to be achieved in a certain period.

Objectives can also be classified as either short-term or long-term. Short-term objectives express a target to be completed by a specified date, while long-term objectives provide accountabilities for achieving defined results and always described as performance standards.

Objectives should be integrated into a common standard when they are established since they formulated to achieve a shared understanding of the goals and performance requirements throughout the organization. Hence, all the members involved could contribute to the achievement of the team. It should be noted that integration of objectives is not a single-track process from top to bottom; however, it is a cycle process starts with corporate goals as shown in Figure 3.

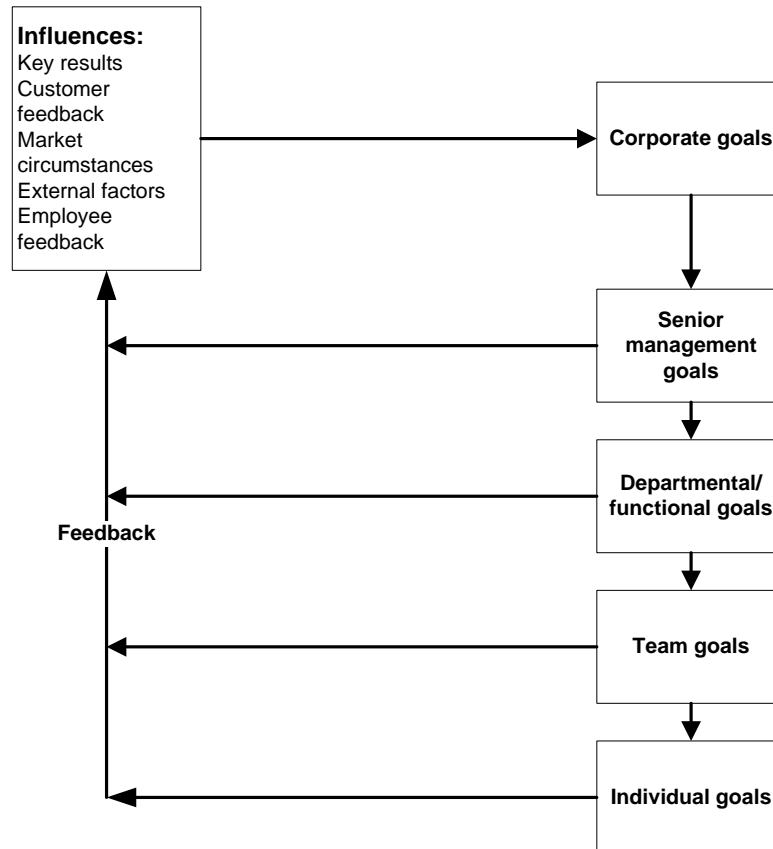


Figure 3 Integration of objectives

(Sources: Michael Armstrong and Angela Baron, *Performance Management: The New Realities*, IPD, 1998)

Finally, to examine whether the objectives designed are appropriate for the task, many organizations apply the “SMART” mnemonic to summarize the characteristics of good objectives. “SMART” is the short-form of specific; measurable; achievable; relevant and time-framed. According to the “SMART” mnemonic, good objectives should be specific, clear, unambiguous, straightforward, and understandable and challenging as well as measureable, which can be verified in terms of quantity, quality, time, and money. Moreover, good objectives should also be achievable which it is challenging but within the reach of a competent and committed person. Furthermore, good objectives need to be related to objectives of the organization and have to be completed within an agreed timescale. (Armstrong 2000, 33-39)

The next phase in performance management process framework is defining capability requirement that the job holders should possess to reach objectives that have been defined. First of all, capability requirements analysis covers three areas: knowledge of the role required; skills of the role holder required; and the type of behavior that is needed to convert the inputs of knowledge and skill into outputs and outcomes. (Armstrong 2000, 41-43)

Performance management provides sustained development power to the organization by improving all its members. However, unless the results are measured, the organization cannot know what has been done and how to improve it. Shortly, no management and improvement can be executed without measurement. Hence, the importance of performance measurement has been introduced by Armstrong and Baron (1998) with the statement “Measurement is an important concept in performance management. It is the basis for providing and generating feedback, it identifies where things are going well to provide the foundations for building further success, and it indicates where things are not going so well, so that corrective action can be taken. In general, it provides the basis for answering two fundamental questions: ‘is what is being done worth doing? And ‘Has it been done well?’ (Armstrong 2000, 52)

Armstrong and Baron established a set of criteria of performance measures stating that “performance measures should: (1) be related to the strategic goals and measures that are organizationally significant and drive business performance; (2) be relevant to the objectives and accountabilities of the teams and individuals concerned; (3) focus on measurable outputs, accomplishments and behaviors that can be clearly defined and for which evidence can be made available; (4) indicate the data or evidence that will be available as the basis for measurement; (5) be verifiable- provide information that will confirm the extent to which expectations have been met; (6) be as precise as possible in accordance with the purpose of the measurement and the availability of data; (7) provide a sound basis for feedback and action; (8) be comprehensive, covering all the key aspects of performance.” (Armstrong 2000, 54)

For an individual and team, measurement is related to key result areas and should be set out according to the main criteria classification which are quantity, quality, productivity, timeliness, and cost control. It also indicates that measurement of the individual should relate to results and observable behaviors and the results should be within the control of the team or individual and be based on agreed targets. In addition, measures should be objective and a data must be available for measurement, and behavioral requirements need to be defined and agreed. (Armstrong 2000, 61)

Performance management is a continuous process that needs to be reviewed, usually annually. Two issues should be solved at the stage of managing performance throughout the year which are updating objectives and continuous learning and dealing with underperformers. (Armstrong 2000, 64)

The last phase of performance management is performance review which is basis of assessing the three key elements of performance (‘the three Cs’), namely contribution, capability and continuous development, and these reviews are usually conducted in a performance review meeting. A formal performance review provides a focal point for the consideration of key mo-

tivational, performance and development issues and should be rooted in the reality of an employee's performance.

The purpose of performance reviews are (1) motivation that provides positive feedback, recognition, praise and opportunities for growth; clarifies expectations; empowers people by encouraging them to take control over their own performance and development. (2) Development focuses on capabilities relevant both in the current role and any future role that the employee may have the potential to carry out. (3) Communication, performance reviews serve as a two-way channel for communication about roles, objectives and capability requirements, relationship, work problem. (Armstrong 2000, 67-90)

2.2.3 Performance management systems and tools

No two organizations have exactly the same performance management system (PMS) since key elements contained in the system vary under different organizational contexts. However, organizations who apply an effective performance management system do share a basic framework as a guideline to establish PMS. A successful performance management system is a combination of multiple performance management tools.

A competency framework of PMSs has three components which are appraisal; objective and efficient decision-making. Appraisal acts as an information-processing system, providing vital data for rational objectives setting and efficient decision-making relate to improving performance, identifying training needs, managing careers and setting levels of reward. The three subsystems of PMS are usually stated as objective management system; appraisal system; and reward system in practice as shown in figure 4. (Bratton & Gold 2003, 250)

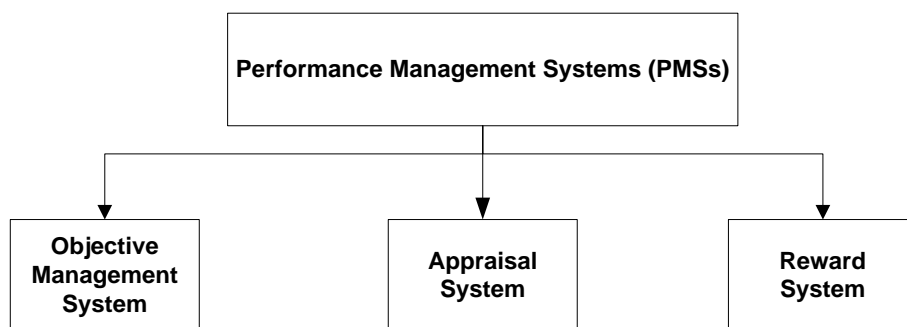


Figure 4 Performance Management Systems

The essential part of PMS is the appraisal system but the objective management system is the foundation of the entire system since all the indicators used to examine the performance are based on the set objectives.

The tools of PMS vary according to the circumstances of the organization and only the tools applied in this thesis are discussed in this section.

The graphic rating scale method is a scale that lists a number of traits and a range of performances for each. The employee is then rated by identifying the score that best describes his or her level of performance for each trait. Each employee is rated by circling or checking the score that best describes his or her performance and the values range is already established, usually from unsatisfactory to outstanding. (Dessler 2003, 243-245)

The graphic rating scale is a popular technique and economical in terms of the time devoted to its development and use, but it does not provide substantial information for analysis compares with other techniques. (McKenna & Beech 1995, 118)

Self-assessment is a process in which individuals review their own performance, using a structured approach, as the basis for discussions with their managers in review meetings. (Armstrong, 2000, 87) Self-assessment reduces defensiveness by allowing employees to take the lead when reviewing their performance rather than having their managers' judgements. It also helps to generate a more positive and constructive discussion during the review meeting and encourages employees to focus on their own development needs and how to improve their performance. In addition, it provides a balanced assessment because it is based on both employees' and manager's views. In order to make self-assessment an effective part of the performance management/ review process, all participations should fully understand the purpose of self-assessment and employees should be trained in how to carry out a self-assessment. In addition, both the manager and employees should understand their expected roles and how to carry out; they also need to be trained in how to conduct reviews, especially on joint problem-solving methods. One problem is that self-assessment is not the only a basis for evaluating past performance, but also provides guidance on the way ahead and it cannot be taken into account when making pay, promotion or disciplinary decisions. (Armstrong 2000, 89-90)

Payment by results (PBR) is a type of reward system which links pay to the quantity of the individual's output. PBR schemes can be effective when work measurement and output measurement are possible and where good communication and consultation with employees have taken place and where a healthy rapport between management and workers. (Jackson, Schuller & Werner 2008, 135-137)

Unlike payment by results (PBR), performance-related pay (PRP) considers not only results or output but also actual behavior on the job. An individual's performance is measured against

set objectives or compared with various requirements in job description. (Jackson et al. 2008, 137)

Group PRP schemes which link rewards to outcomes such as meeting budget targets or organizational profitability, are said to avoid the threat to cooperative modes of working associated with individually based PRP schemes by de-emphasizing the individualistic nature of rewards. It is also called profit-related pay. (Jackson et al. 2008, 140)

2.2.4 Performance management and human resource management

HR's role is shifting from protector and screener to strategic partner and change agent. A firm's competitive key is human resources today and the firm's competitiveness depends on its employees, then the management of human resources plays a bigger role in the firm's success than any other management dimensions. (Dessler 2003, 6-22) Human resource management is a strategic approach to managing employment relations which emphasizes that leveraging people's capabilities is critical to achieving sustainable competitive advantage, this being achieved through a distinctive set of integrated employment policies, programmes and practices. Due to the role of HR, HRM is important to all the managers and organizations because it highly related to the business' long-term plan for how it will balance its internal strengths and weaknesses with its external opportunities and threats to maintain a competitive advantage, in another word, it is a critical role in the implementation of business's strategy. (Bratton & Gold 2003, 7)

Performance management provides ongoing feedback for an organization and other human resources practices are central to effective performance management including linking performance results to rewards and consequences. Performance management serves various purposes in the organization and ineffective performance management leads to negative consequences such as low morale, high turnover, and poor financial performance. (Jackson et al. 2008, 314-315)

Performance management is at the center of HRM and any other human resources activities should assist performance management to function well as possible as they could be. Fewer than 10% of HR professionals were "very satisfied" with their company's performance management process. So, performance management should be more valued in organization, as well as the field of HRM. (Jackson et al. 2008, 323)

2.3 Management by objectives (MBO)

2.3.1 Definition; features; advantages and limitations of MBO

Management by objectives (MBO) was first popularized by Peter Drucker in the book “The Practice of Management” in 1954 and was developed by management experts such as John Humble, Dale McConkey, Edward Schleh and Douglas McGregor in the later years. (Kondalkar 2009, 95)

Management by objectives is a specific technique used by organizations for setting goals. It is a process aimed at the integration of individual and organization goals. (Harvey & Brown 2001, 345) In addition, stripped to its basics, management by objectives requires the manager to set specific measurable goals with each employee and then periodically discuss the latter’s progress toward these goals. (Dessler 2003, 251)

After years development by Drucker and his successors, MBO has some distinguishing features: (1) All activities are goal-oriented. The first significant feature of MBO is that all the activities are aimed to achieve goals. (2) Integration among organizational department and personal objectives. Implementation of the MBO is based on objectives which are set by organization and individuals and drive by a common goal. It should be noted that both the department and individual’s goal needs to be consistent with the organization’s goal or strategy. (3) MBO views the organization as a dynamic entity. Since every organization is influenced by many factors externally or internally, so changing is an important nature of organization and affect the objectives which mean the objectives should be adjusted according to the changing circumstance. (4) MBO is a participative attempt that involves all members in the organization and all the members should contribute and be part of the whole process. (5) MBO matches objectives and resources. Resource is a priority to consider when setting the objective because no objective can be completed without the full supporting resources. If the organization’s objectives exceed ability to meet them, it will lead to a failure of implementation. (6) MBO is a philosophy not a technique. MBO should be considered a philosophy rather than a technique since it has impact on the entire organization at any time and, on the other hand, the technique only affects a particular department and the effect is limited. (7) MBO gives more weight to review and performance appraisal. As an important characteristic of MBO, performance review and appraisal provides the possibility of continuance and adjustment for the organization’s development. (8) MBO provides more freedom to subordinates. Subordinates are not only associated with setting out the objectives, but also have the freedom to make decisions which drive them to achieve the objective according to their roles with MBO. Such freedom makes employees have more sense of participation and increases their job satisfactions. (9) MBO gives more weight to result and not to work. MBO focus on results more than the implement, subordinates can choose the appropriate technique to reach the final results at their own discretion. (Singla 2010, 43-44)

MBO has several advantages that make this philosophy important. First of all, MBO is an incentive for subordinates to work harder and better. Employees are willing to gain more prominence in the organization and if this wish is satisfied, they will be more positive about the work. Obviously employees are encouraged under a MBO context and do impact organization positively.

Secondly, MBO improves communication network. Organization can apply MBO to establish a functional communication network by regular meeting from the step of setting objectives. Such meetings are through the whole process which means employees can change ideas all the time.

Thirdly, MBO also provides a better management of resources and activities. All the objectives set are corresponded to organization's resources that maximize the utilization and no resources remain unutilized.

Moreover, due to MBO focus on result rather than the process, employees are free to choose work methods. In order to get better results, subordinates try to learn new methods. In this way, innovations are developed and both the employees and employers are benefited. In other words MBO encourages innovations.

Next advantage of MBO is that minimizing ambiguity because all the people in the organization are clear about their right and responsibilities. Everyone's role and destination is distinct.

MBO emphasizes the subordinates' participation. Since the subordinates' participation involves the whole process, they are positive and self-motivated. So under MBO, the motivation of employees' work enthusiasm depends on self-control rather than imposed control.

In addition, MBO helps employees to clarify their key result areas- KRAs. Under MBO key result areas are defined and the subordinates understand where they should pay attention to.

Finally, MBO is easier to implement change. The organization affects by various internal and external factors and coordination is necessary among these factors. By introducing MBO, it is easy to manage changes during implementation since employees are authorized to make change themselves to achieve final goals freely. Furthermore, employees can adjust work methods or make innovations while circumstance changing thus resources and objectives match better. (Singla 2010, 46-47)

However, there are still some limitations to the application of MBO. First of all, it adds more pressure to employees at all the levels of the organization. Employees remain under pressure all the time to achieve objectives and thus pressure can influence their performance and efficiency.

Secondly, MBO wastes time and valuable resources; based on regular meetings and reports, MBO monitors performance and adjusts directions. However, these meetings and reports consume time and some of the main activities get neglected that raise hindrance of attainment of objectives. As to the valuable resources, the effect of introducing MBO is absolutely right at the first stage, but when the process undertakes employees tend to give more importance to their commitment than completing jobs. Resources are wasted for this reason.

Thirdly, it seems that top managers have the maximum rights under a MBO context because the objective is set under the common goal from top. On the other hand, it gives subordinates more rights and freedom to obtain objectives which limit rights of the top management conversely.

The fourth limitation is difficulty in objective setting. The precondition of success in the implementation of MBO is that supervisors and subordinates are involved in the process of setting objectives. However, most of the time objectives are set by managers and subordinates are invited to provide suggestions only for reason of formality. That causes difficulties in attainment.

Moreover, because MBO emphasize the importance of short-term objectives over long-term objectives, managers want to be successful at any cost in the shortest possible time. Such long-term run objectives are ignored and it is harmful for the organization's development.

Furthermore, unskilled staff weakens the efficiency of MBO. MBO requires that managers understand the subordinates' problem and solve it. But observations indicate that most managers are not able to deal with these situations and the implementation of MBO does not result as expected or desired. Finally, subordinates' involvement is very important to the success of MBO but sometimes subordinates have no interest in participation. This is another reason for the failure of MBO. (Singla 2010, 48-49)

2.3.2 Application of MBO

MBO is a system to achieve organizational objectives in both the long-term and short-term through employee involvement, and optimum utilization of resources. Management by objectives usually has five steps as a cyclical process. As shown in Figure 5, the first step in the

process of implementing MBO is to establish the organizational objective as a whole. Before setting the objectives for the enterprise, a detailed analysis of internal and external environment should be conducted. The next step is planning premises which are the overall objective of the enterprise. Setting up planning premises focuses on the long-range strategic perspective of the business that includes various factors such as achievement of growth and requirements of work skills. Organization objectives and planning premises together provide a basis to identify key result areas (KRA). Key result areas analysis should be conducted in writing and should contain the following details: the overall objectives of the job of subordinates, the results that an individual is expected to achieve vis-a-vis the objectives set for him, the priorities of various tasks, the assistance that may be required in terms of information and logistic support and performance evaluation and reward system.

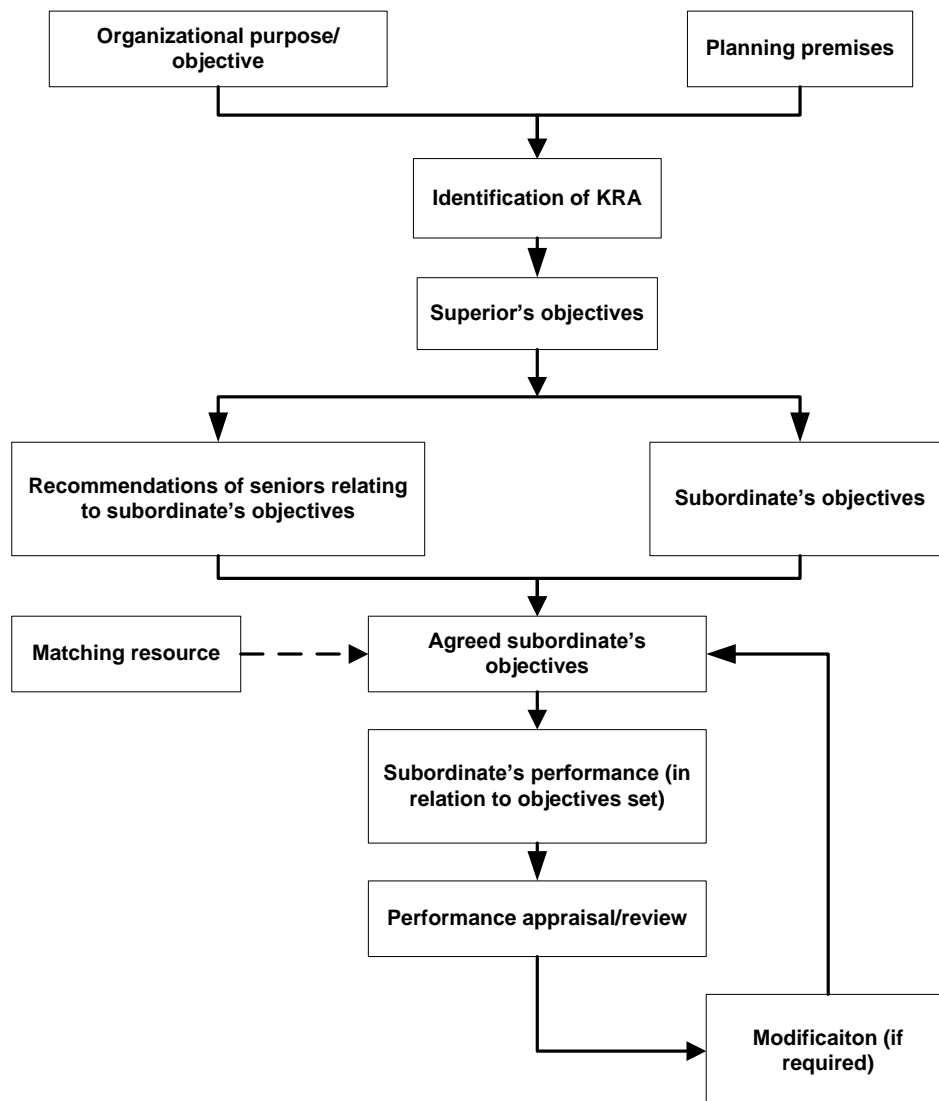


Figure 5 Process of Management by Objectives (MBO)

(Source: Kondalkar, Organization Effectiveness and Change Management 2009)

After setting, the objectives need a formulation for implementation. The major activities of every enterprise are divided on some basis of departmentalization, and top management should discuss the objectives with different department managers to achieve an agreed statement about objectives. In this stage both long-term and short-term objectives are in the agreement. Moreover, objectives should set in verifiable units so that the performance of every department and individuals could be reviewed. The final step is performance appraisal and review in which the performance of an individual is evaluated against standards agreed with superiors. The performance of all employees in the organization are usually reviewed every six months, but it adjusts depend on the policy and work environment. The superior does not judge the individual but appraises his performance and suggest ways of improvement under MBO. Furthermore, the evaluation and adjustment of the performance of every section, department, division, and organization should be carried out periodically as a whole. The organization should respond to the changes in the environment because all the individual, group, department, and organization goals are changed all the time. (Kondalkar 2009, 97-99)

2.4 Conclusion of the theatrical section

Entrepreneurs need to manage growth when expanding their business regardless of on which aspect the growth occurs, especially for small and medium-sized enterprises because they are naturally lacking the management which is critical for survival. Most SMEs have no ability to manage all the subjects of human resources management, but the one aspect which cannot be compromised is performance management. Performance management plays a critical role in SMEs as much as in big business since people are the biggest asset of SMEs. Ineffective performance management can hinder the organization's development. In addition, performance management provides feedback and guidance to entrepreneurs requiring for sustainable development.

For many entrepreneurs, choosing a proper tool to manage performance management is a problem because all the tools have negative effect and the negative impacts are inestimable. Practice of MBO in many big companies has been proved that it is an effective tool in management. However, there is no proof that it is useful for SMEs since big companies also faced failure in the applying process of MBO because of misunderstanding of MBO. Whereas, the author still considers MBO a suitable tool for performance management due to the fact that it requires involvement of both the employees and entrepreneur. This feature encourages the employees' passion in work as well as the company which is important to operate business.

Furthermore, the entrepreneur is a manager in the process of applying MBO and a leader in the process of enterprise growth. These two roles give the entrepreneur more tasks on managing business.

To sum up, in SMEs entrepreneurs should be prepared to manage their business's growth and set up a systemic management structure for the purpose of long-term running. The priority needs to focus on performance management. Moreover, MBO is an effective tool to manage the enterprise not only for performance management but also for other management dimensions such as human resource management.

2.5 Theoretical framework

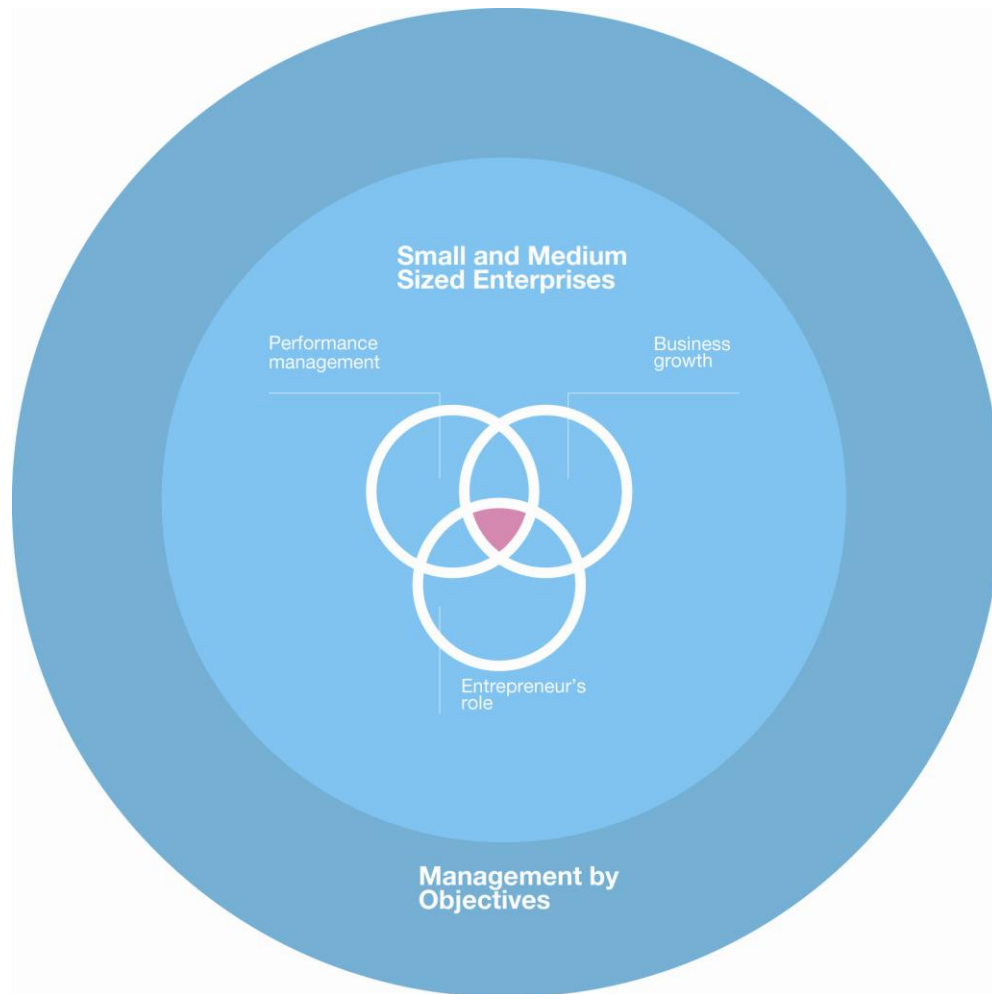


Figure 6 Theoretical framework

Theories developed to support the study are interrelated as showed in figure 6. All the theoretical areas discussed are related to the management of small and medium-sized enterprises in the context of the theory of management by objectives (MBO). Moreover, the key aspects of SMEs' management are performance management; business growth and the entrepreneur's role in SMEs. None of those three areas exist individually; they are interactional as indicated in the coincidence point in theoretical framework. In brief, since business growth in SMEs is a

sustaining change process, so both performance management and entrepreneur's role should transfer accordingly as well as the objective which is the essential element of MBO.

3 Research approach

3.1 Research approach in general

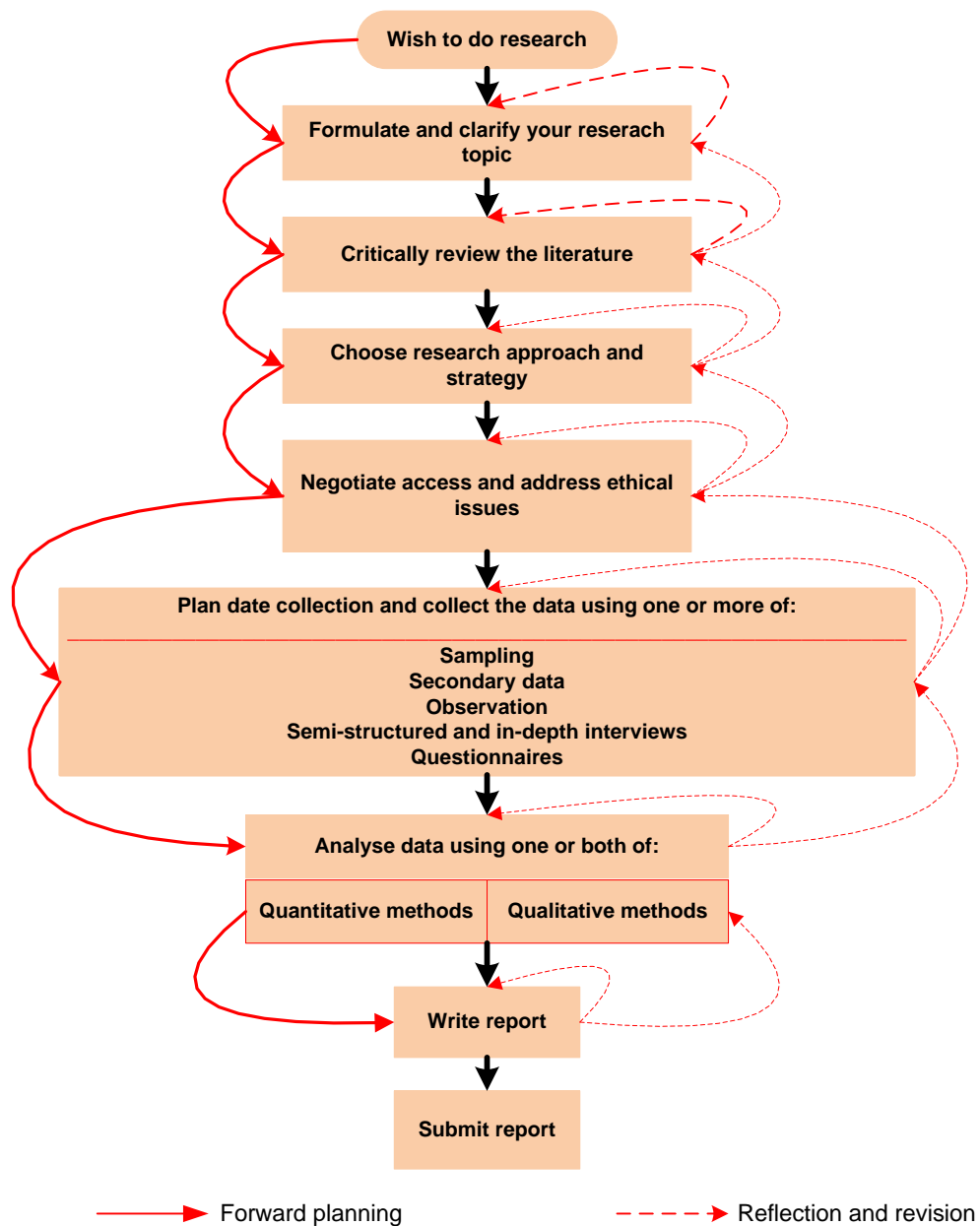


Figure 7 The research process

(Source: Mark Saunders, Philip Lewis and Adrian Thornhill 2003)

Figure 7 presents the process of business research which the study followed. Research usually starts with a wish to do research. First of all, at the formulation of a research topic should be theory dependent and the most important is that the research topic meet the requirement of the examining body. A clear research question which is based on the relevant literature can act as a focus for the research that follows. (Saunders, Lewis & Thornhill 2003, 36) After the research topic is clarified, a critical review of the literature is necessary to help the researcher to develop a thorough understanding of and insight into previous research that relates to the research questions and objectives. When planning the literature search, the researcher should have clearly defined research questions and objectives; define the parameters of the research; generate key words and search terms; and discuss ideas as widely as possible. (Saunders et al. 2003, 75)

“Research involves the use of theory even if it is not usually clarified in the design of the research, but it is made explicit in the presentation of the findings and conclusions. The extent to which are about the theory at the beginning of the research rises and important question concerning the design of the research.” (Saunders et al. 2003, 85) Basically, there are two research approaches, which are the deductive approach and inductive approach. Deductive approach develops a theory and hypothesis and designs a research strategy to test the hypothesis and, while an inductive approach collects data and develops theory as a result of data analysis. In another word, deduction is used to test theory and induction is used to build theory.

Deduction emphasises	Induction emphasises
<ul style="list-style-type: none"> • Scientific principles • Moving from theory to data • The need to explain causal relationships between variables • The collection of quantitative data • The application of controls to ensure validity of data • The operationalisation of concepts to ensure clarity of definition • A highly structured approach • Researcher independence of what is being researched • The necessity to select samples of sufficient size in order to generalise conclusions 	<ul style="list-style-type: none"> • Gaining an understanding of the meanings humans attach to events • A close understanding of the research context • The collection of qualitative data • A more flexible structure to permit changes of research emphasis as the research progresses • A realisation that the researcher is apart of the research process • Less concern with the need to generalise

Table 1 Comparison of deductive and inductive approach

(Source: Mark Saunders, Philip Lewis & Adrian Thornhill 2003, 89)

The differences between the deductive and inductive approaches are indicated in Table 1. It should be noticed that research employing a deductive approach explains causal relationship between variables. Hence, the research should conduct a highly structured methodology to facilitate replication. Moreover, a deductive approach should be operationalised in a way that enables facts to be measured quantitatively. Finally, the deductive approach is generalization

which means a sufficient numerical size samples is required in order to generalize regularities in human social behavior.

Furthermore, the inductive approach would be concerned with the context in which such events were taking place. So the study of a small sample of subject could be more appropriate than a large number as with the deductive approach. (Saunders et al. 2003, 88)

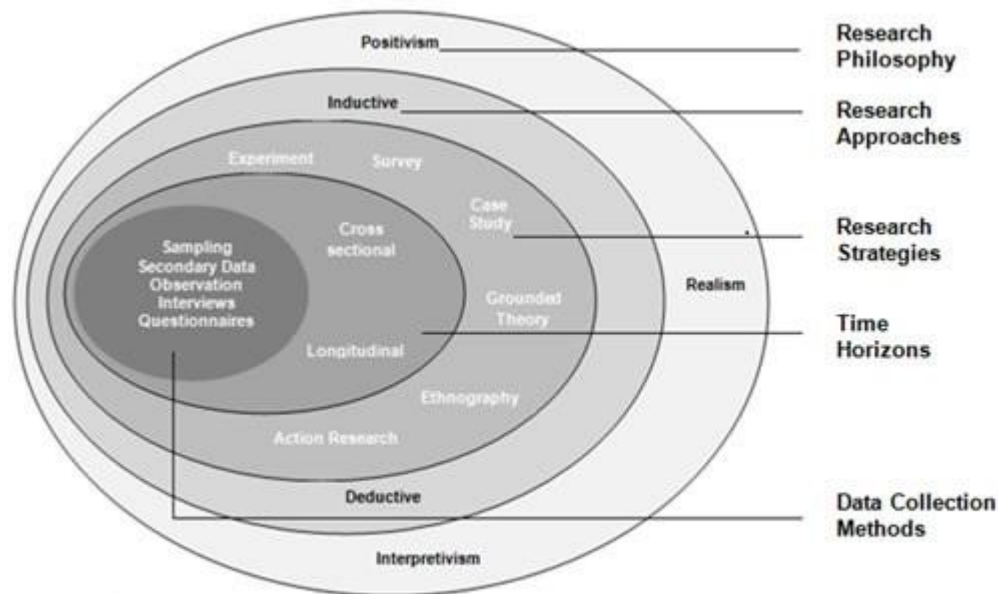


Figure 8 the research process 'onion'

(Source: Mark Saunders, Philip Lewis and Adrian Thornhill, 2003)

A research process 'onion' developed by Saunders, Lewis and Thornhill (Figure 8) consists of five layers that indicate how to choose an appropriate research approach. The middle layer presents most common research strategies which are the experiment, survey, case study, grounded theory, ethnography, and action research.

The experiment is a classical form of research that owes much to the natural sciences. Survey is usually associated with the deductive approach and popular in business and management research. It is often obtained by using a questionnaire; the data involved in the research are standardized, allowing easy comparison. However, the questionnaire is not the only data collection method belonging to survey strategy. Structured observation and structured interviews are used to associate to conduct survey strategy as well. A case study is more like a combination of experiment and survey since it can employ various data collection methods such as questionnaires, interviews, observation, documentary analysis. Therefore, experi-

ment, surveys and the case study are usually classified as examples of the deductive approach.

Other than the three strategies discussed above, grounded theory, ethnography and action research are considered as inductive strategies.

A time horizon is an important issue in planning research since it related to the question of time. A time horizon has two types which are cross-sectional and longitudinal. From a cross-sectional perspective, the study concentrates on a particular phenomenon at a particular time and longitudinal focus on study change and development.

After all the approach and strategies are confirmed, the data collection method and analysis method are easily chosen. Data collection methods are clearly showed in Figure 8.

Sampling techniques provide a range of methods that enable researcher to reduce the amount of data need to collect by considering only data from a subgroup rather than all possible cases or elements. (Saunders et al. 2003, 151)

Secondary data are the data collected for other purposes but still can provide useful information to the new research by reanalyzing them.

Observation can be classified as participant or structured observation. Participant observation is a method in which the researcher participates in the lives and activities of those whom they are studying. Structured observation is concerned with the frequency of events. It is characterized by a high level of predetermined structure and quantitative analysis. (Saunders et al. 2003, 238)

Qualitative interviews are divided into two broad types as unstructured or in-depth interviews and semi-structured interviews. Both of those two type interviews can be used in quantitative as well as qualitative research. Qualitative interviews allow researchers to collect a rich and detailed set of data to associate analysis. (Saunders et al. 2003, 272-273)

The questionnaire is the most frequently used data collection method by survey strategy. It collects data by asking people to respond to exactly the same set of questions. Prior to designing a questionnaire, the researcher must know exactly what data they need to collect to answer the research question and to meet the objectives. Questions have two types which are open and closed questions. (Saunders et al. 2003, 315-316)

After the data is collected, two analysis methods are introduced to data analysis which are the quantitative method and qualitative method. Quantitative research is ‘Explaining a phenomenon by collecting numerical data that are analyzed using mathematically based methods (in particular statistics)’. (Muijs 2011, 1) Data for quantitative analysis are collected and subsequently coded at different levels of numerical measurement. Prime data should be analyzed by using tables and diagrams that can be the preparation for subsequent analyses. Tables and diagrams involved in the analysis are tables to show specific values; bar charts, multiple bar charts and histograms to show highest and lowest values; pie charts and percentage component bar charts to show proportions. The subsequent step is about describing data and exploring relationship using statistics. Statistics involved in analyses are the mean, median and mode to describe the central tendency; correlation and regression to assess the strength of relationship between variables; and regression analysis to predict values. (Saunders et al. 2003, 368)

Another method of analysis is qualitative research, which is based on meaning expressed through words. The results of qualitative research in the collection of non-standardized data require classification and are analyzed through the use of conceptualization. Qualitative research is usually involved the development of data categories, allocating units of original data, recognizing relationship within and between categories of data, developing and testing hypotheses to produce well-grounded conclusions. (Saunders et al. 2003, 406)

Quantitative and qualitative researches are usually employed together in a single study in a complementary manner. There are two advantages of multi-methods. Firstly, different methods can be used for different purposes in a study; and secondly, using multi-methods enables triangulation to take place, which means using different data collection methods within one study in order to ensure that the data are reflecting the researcher’s willingness. (Saunders et al. 2003, 99)

3.2 Methodology

3.2.1 Research purpose

The research purpose was to gather data which were used to analyze the current performance management situation and the employees’ opinions of setting objectives at different steps of the new performance management system of the case company. Another purpose is understood the owner’s opinion of development strategy, short-term and long-term operation. Eventually, a new performance management system was reformed from the research.

3.2.2 Research method conducted in the study

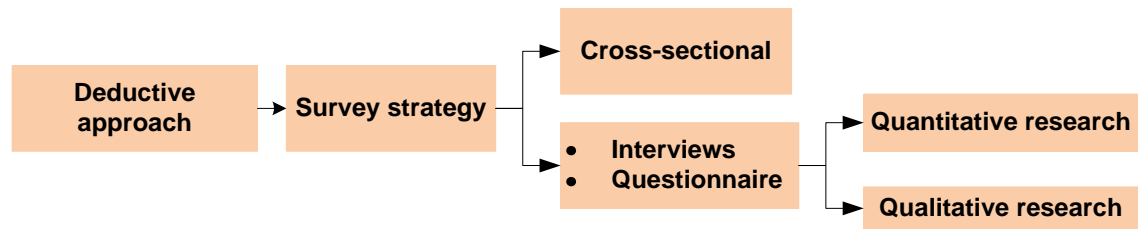


Figure 9 Research method conducted in the study

Horizontally, this thesis was conducted by applying deductive approach; survey strategy; cross-sectional; interviews and questionnaires and quantitative research as showed in figure 9.

This thesis began with a hypothesis that MBO is the proper method to solve performance management problems in small and medium-sized enterprise. According to the feature of deductive approach that is used to test a hypothesis, the deductive approach is the right approach in this thesis. Moreover, the research needed to collect the prime data of the case company and the survey is the most effective and frequently used strategy in the deductive approach. The author expected the research could be completed in a short time (one week) therefore cross-sectional is quite a match option in term of data collection duration. The data collection methods used were the questionnaire and structured interview since they are the most frequently applied methods in carrying out surveys and highly structured. Finally, results were obtained through quantitative and qualitative research methods. Questionnaire data was coded and mainly coordinated by statistical analysis and the interview confirmed the author's initial opinion about the case company's performance management. The multi-methods provided a holistic insight into the case company.

3.2.3 Data collection method and analysis

The questionnaire was designed for collecting numerical data which can be used to set realistic objectives as an instruction. 15 questions are divided into three parts, 5 questions about background information; 3 about the employees' opinions about current performance management system and 7 about the employees' opinions of update performance management system. The key element the questionnaire was the need to find a standard to set objectives which can satisfy both the owner and employees.

As to the interview with the owner, it covered a few questions regarding development strategy; the goal the owner wanted to reach and most importantly, the problems worried the owner.

40 questionnaires were distributed to the employees and collected in a total of three days and 36 copies of questionnaires were returned. Then the interview to the owner was finished in the first day after the questionnaires were collected. All the employees have the same opportunity to be involved in the research since it is confidential and had been informed clearly what the questionnaire aims for without misunderstanding.

Due to the features of MBO which require the involvements of managers and employees, the research concentrated on both employees and the entrepreneur's view. As shown in figure 10, after the data were recorded after collection then analyzed by the statistical software SPSS. SPSS items applied in the study to summarize prime data were Frequency in the form of bar chart, tables, and pie charts and percentage component bar charts. In addition, subsequent analyses used Crosstab that tested correlation to assess the strength of relationships between variables.

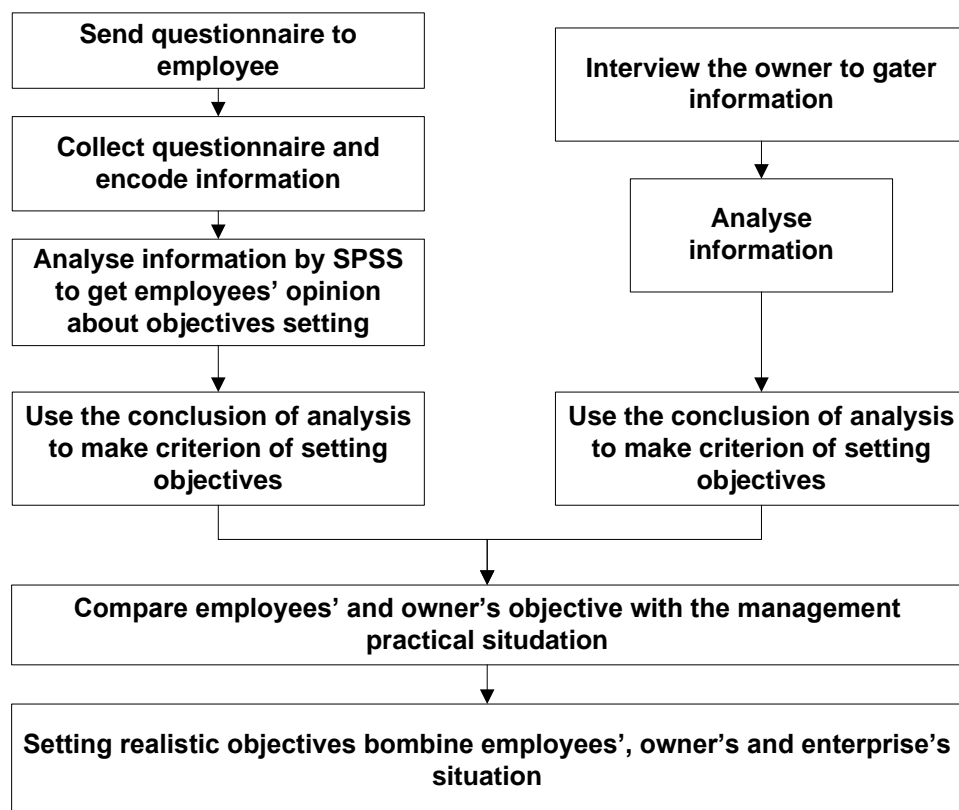


Figure 10 Figure : Flowchart of data process

3.3 Reliability and validity of the study

Reliability and validity have quite different meanings in relation to the evaluation of measures of concepts and research. (Bryman & Bell, 2007, 162)

Reliability is concerned with the question of whether the results of a study are repeatable. The term is commonly used in relation to the question of whether or not the measures that are devised for concepts in business and management are consistent. (Bryman & Bell, 2007, 40-41) In other words, reliability refers to the consistency of measurement of a concept. This thesis is reliable according to the figures analyzed by SPSS which are presented from Table 2 to Table 5.

	N	%
Cases Valid	25	69,4
Excluded ^a	11	30,6
Total	36	100,0

Table 2 Case Processing Summary of Reliability

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,645	,688	22

Table 3 Reliability Statistics

	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Motivate after achievement	-,397	,709

Table 4 Item-Total Statistics of Reliability

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,709	,736	21

Table 5 Reliability Statistics after Adjustment

According to table 3, Cronbach's Alpha is 0.645 which means there is some problems with the questionnaire data, It needs to be adjusted to reach at least 0.7 which is the acceptable figure point worldwide. Then the author used item-total statistics to examine which item is the factor that influence the reliability. Table 4 it indicates that if the research item "motivates after achievement" is deleted, the reliability would be 0.709 which achieves the author's ex-

pectation. Hence, the reliability is sufficient after the Motivate after achievement item was deleted (Table 5) and the impact of the deleted item is not discussed in the study.

Validity is another important criterion of research and it concerns the integrity of the conclusion that is generated from a piece of research. This thesis is valid because the questionnaires were completed by employees in the case company confidentially so that all the information generated was truthful. In addition, the interview which the strategic analysis of the case company was based on was conducted by the author personally. This thesis aims to establish a performance management system based on the practical situation for the case company and the result achieved this purpose. So this research is valid. (Bryman & Bell, 2007, 41-43)

4 Empirical study - case study, Changchun Chengshi Co., Ltd

4.1 Exploration of the case company

4.1.1 Changchun Chengshi Health Industrial Co., Ltd current development state and SWOT analysis

Changchun Chengshi Health Industrial Co., Ltd is a small enterprise in hygiene industry which was founded in 2003 and has five divisions: marketing, finance, logistics, production and general office. After six years' development, the original plant could not fulfill the market demand and the owner decided to build a new plant to expand business and production capacity. At the end of 2009, a new plant was established and two new product lines were launched. Now Chengshi has a 7200 square meters plant; and product ranges is from disinfection production to health foods with a monthly turnover at 200,000 RMB.

However, along with its growth, problems of management in the context of change have been exposed, especially with respect to performance management. It is a critical problem that hinders development of the enterprise.

	Helpful To achieving the objectives	Harmful To achieving the objectives
Internal origin attributes of the organization	<u>Strengths</u> Focus on its key product and have stable market cover	<u>Weaknesses</u> No enough financial support No top-management support Low employee quality No regulations Unstable personal transfer
External origin Attributes of the environment	<u>Opportunities</u> New market	<u>Threats</u> Increased competitors Increased labour cost and material cost

Figure 11 SWOT Analysis of Chengshi Ltd.,.
(Resources: Marketing Management)

Figure 11 is the SWOT analysis of Chengshi which used to explore the helpful and harmful factors of development.

The strength of Chengshi is that the production is focused on its key product line and has stable market cover that provides Chengshi a constant income flow and no distraction in the production plan. On the other hand, the company has some weaknesses such as the lack of effective management and the low employee quality and unstable personnel structure that hinder the company from achieving the long-term development goal which build a unique corporate culture. Strength and weakness together reflected the company's internal problems. However, due to Chengshi is a small enterprise that has natural features such as missing top management and lacking of financial support which is impossible to overcome in short time. So the human resource management is the most critical problems that threaten the company's existence.

As to the external problems, figure 11 illustrates the opportunity for Chengshi's growth is the increased demands from new developed market such as northwest and southwest area of China. Consumers in these areas have purchasing power but no suitable product to buy. Chengshi is not an innovation oriented enterprise and has no advantage of technology; a proper marketing strategy is to extend the market to an undeveloped market to get profits by massive sales.

Moreover, increased competitors forced the owner to decrease selling price to maintain the market share and increased labour and material cost reduced the profits of Chengshi. Thus the importance of high-efficiency work force has been highlighted.

4.1.2 The bottle neck of current human resource management

After expending, Chengshi moved its plant to a suburb where it is far away from the original site and the owner had to fire most of the former skilled employees who could not work in the new plant because of the long commuting distance. Instead, the owner hired new workers that live near the new plant and the problem of human resource had been stressed.

The conflict between employees and the owner erupted due to the owner fired an experienced worker without any explanation. The worker was manager of the product department although she did not be named officially. For this reason, the product department worker did not follow her lead and managers from other departments did not communicate with her, thus conflicts among employees grew gradually. When the growing conflict could not be mediated, the owner fired the worker. Unsatisfied emotion has spread among employees since then.

Since there is no person has the ability to replace the fired worker so that the production and logistic is disordered. The owner now is facing a bottle neck period of human resource management.

4.1.3 Emphasizing human resources management strategy

	<u>Strengths</u> Hard workers	<u>Weaknesses</u> Lacking of company culture Unstable personnel structure
<u>Opportunities</u> Increased orders Growth stage and adjustment the organization's structure	<u>SO</u> Establish the HRM department Establish internal manager selecting and training system	<u>WO</u> Develop company culture Establish performance management system
<u>Threats</u> Low employees quality Losing skilled workers	<u>ST</u> Recruit high quality employees Train current employees regularly	<u>WT</u> Save skilled workers by increasing salary Improve work conditions

Figure 12 SWOT analysis of Employees' satisfaction

The owner expects that the new performance management system can help him to solve the present confusion and it can satisfy all the rising complaints. Combined with the practical

circumstance and the employees' satisfaction SWOT analysis (See Figure 12) of Chengshi, three possible solutions can be adopted to improve HRM. First of all, establish a performance management system to motivate employees and provide guidance for reward and development. Secondly, appoint an internal manager selection and training system because Chengshi cannot afford the high cost of professional managers and internal potential manager have rich experiences of the company and the business. Finally, build a corporate culture. As a core element and foundation of a company, company culture is a necessary consideration for all sized business, it cannot be ignored.

Currently, the performance management system is the most effective and most easily to complete in short time compared with the other two solutions. After analyzing the company's situation holistically, the author thought that MBO is the most appropriate theory to establish the new performance management system. MBO is an applied theory for companies such as Chengshi who do not have a structured management since it provides objectives to employees to achieve without manager.

Do you think it would be motivating to become more involved in the process of setting work objectives?

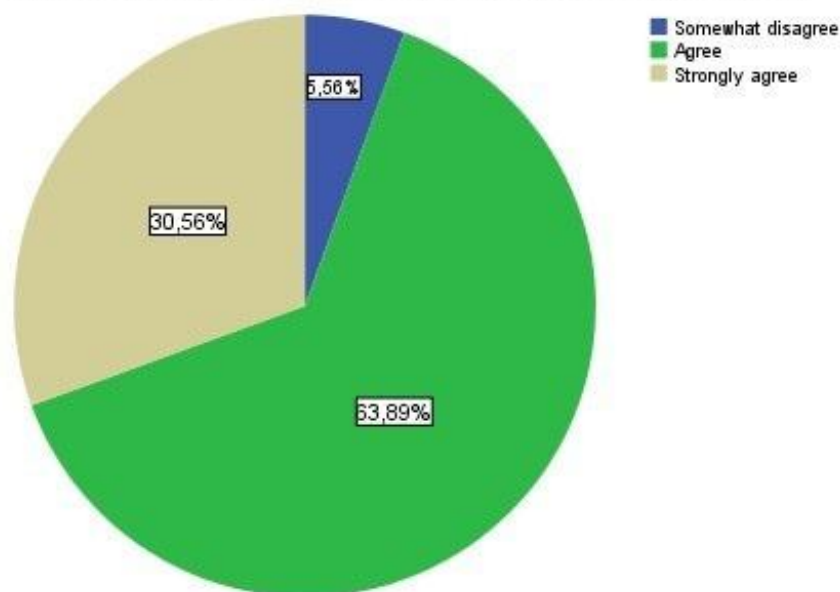


Figure 13 Employees' attitude about participation in the MBO process

An examination of employees' attitude about involvement in PMS reflects that near 95% employees are willing to participate in the process as Figure 13 shows. Employees have positive attitude about MBO process since no employee chose the disagree option. As a result, it can be predicted that systemic performance management can motivate employees' enthusiasm at work which is the owner's original intention.

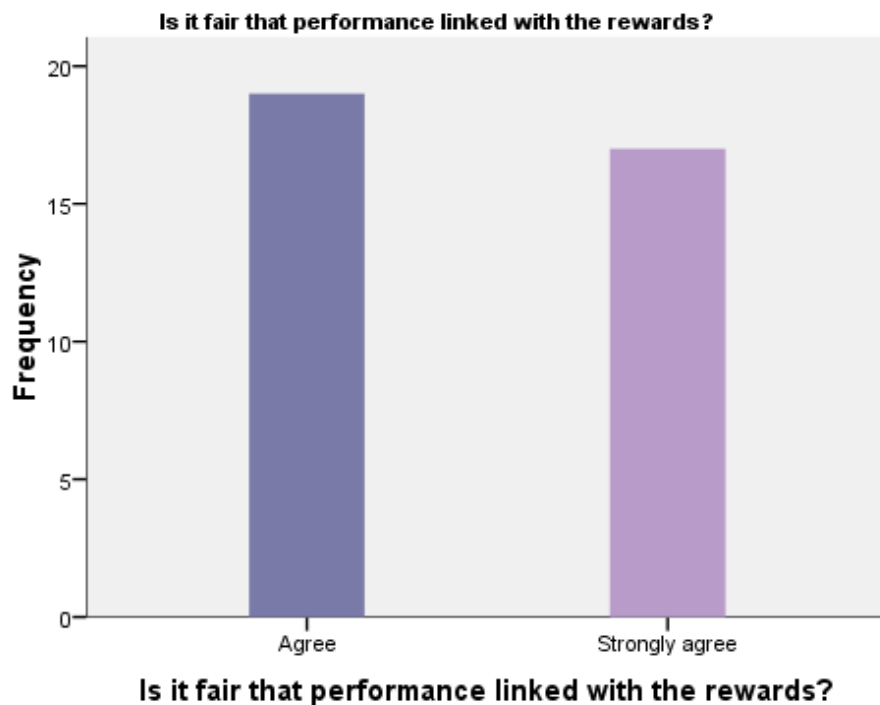


Figure 14 Employees' attitude to linking performance and reward

In addition, according to Figure 14 that no employee chose the negative options which means all the employees agreed that it is fair to link performance and rewards and this implies that a new PMS will not face a dispute when implement it. In contrast, it will be helped to build a healthy competition work environment.

Based on employees' attitude about participation in MBO process and willingness to link performance with rewards, the reward systems of new performance management system adopt payment by result (PBR) system in marketing and production departments. In addition, logistic, finance and general affairs office departments apply performance-related pay (PRP) system. Finally, a Group PRP scheme is also a part of the reward system used to encourage each department at the annual review meeting.

4.1.4 Current performance management system

In terms of performance management, Chengshi Ltd has three problems that hinder its productivity and performance. Firstly, employees are not aware of productivity and performance and only follow the manager's instructions; they also have no sense of participation as well. According to Table 6, it can be seen that the opinions of the superior are very important to employees. As to self evaluation, only 50% employees thought of it as important as superior's evaluation and most of the employees who consider self-evaluation is important have been worked in Chengshi for a long time and not in the production department. Consequently, both

enthusiasm for production and productive efficiency are quite low. The same conclusion can be drawn from Table 7 that judgments from colleagues are more important than their own judgments to themselves.

Combination of Self Evaluation and Superior

			Evaluation by the superior	
			Important	Very important
Self evaluation	Not important at all	Count	1	2
		% within Evaluation of the superior	7,1%	11,8%
	Not really important	Count	5	2
		% within Evaluation of the superior	35,7%	11,8%
	Quite important	Count	1	4
		% within Evaluation of the superior	7,1%	23,5%
	Important	Count	6	8
		% within Evaluation of the superior	42,9%	47,1%
	Very important	Count	1	1
		% within Evaluation of the superior	7,1%	5,9%

Table 6 Combination of Self and Superior evaluation

Combination of Colleague and Superior Evaluation

			Evaluation from a colleague		
			Quite important	Important	Very important
Self evaluation	Not important at all	Count		2	2
		% within Evaluation of from a colleague		13,3%	20,0%
	Not really important	Count		6	3
		% within Evaluation of from a colleague		40,0%	30,0%
	Quite important	Count	4	1	
		% within Evaluation of from a colleague	50,0%	6,7%	
	Important	Count	4	6	4
		% within Evaluation of from a colleague	50,0%	40,0%	40,0%

Table 7 Combination of Colleague and self evaluation

The research results shown in Table 6 and 7 of the analysis of the current performance management system reflect one problem which is that, compared to the other two evaluation types; employees consider judgments from colleague and superior are more important than their judgments to themselves. This phenomenon implies that employees are not clear about their position and work objectives and have no sense of participation in the company.

Secondly, random reward raises dissatisfaction among employees. Since there is no official reward system in Chengshi and the amount of reward is based on the owner's desire. That caused one critical problem which is the reward depends not on the employee's performance but on the owner's favor and emotion. For instance, when the owner is in a good mood and one employee did a good job at the same time, then the employee can get a reward, probably a 0.5% increase on salary. Moreover, there is also difference between the rewards, 0.5% for one employee, 0.7% for another one, depending on the owner's mood. This is unfair to others causing a negative affect among employees and they commit themselves to keeping a good relationship with the owner instead of focusing on the work.

In addition, Chengshi does not have an information system to record information used to evaluate performance. Actually, it does not have a documentation system and systemic plan and record procedure in all departments.

Another factor affecting the current performance management system is the owner who lacks management knowledge and has no clear concept of company's development. So when the conflicts upgraded he had no solution to solve problems.

4.2 Establishment of new performance management system

The establishment of a new performance management system follows the principle of combination of employees' and the owner's opinion to balance differences to satisfy all members in the company.

For long-term development, the owner hopes to optimize the management structure and to fulfill the total output of the new plant in five years. In fact, the owner wants to keep the current size but grow in quality. As to the short-term goal, he expects, of course, to establish a performance management system and all departments to complete documentation as soon as possible. Furthermore, if possible, it would be better all the new systems are easy to operate; effective; economical and continuable.

4.2.1 The setting of employees' objectives

4.2.1.1 The setting of Employees' self objectives

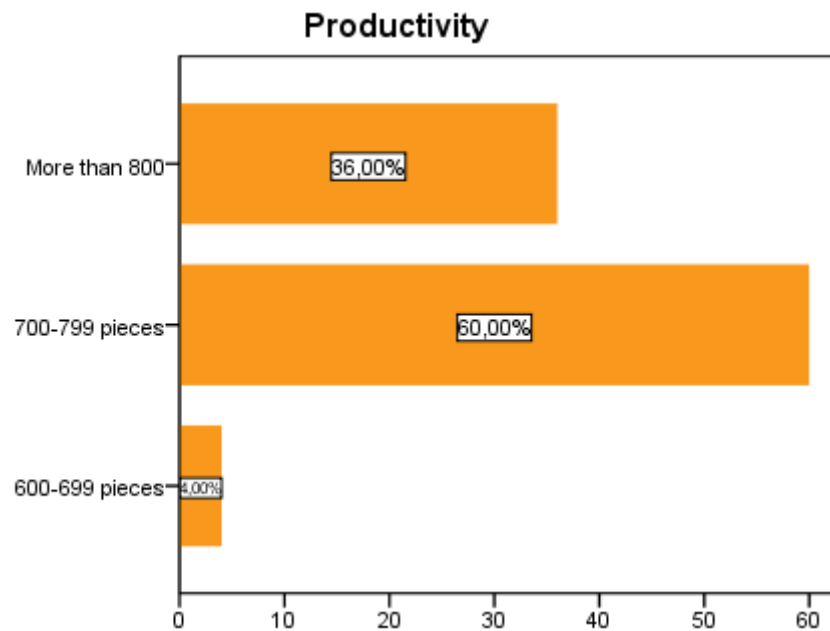


Figure 15 Employees' Productivity

Figure 15 shows the employees' daily productivity, 60% employees' daily productivity is between 700-799 pieces and 36% employees produce more than 800 pieces. So 800 pieces per person is a reasonable daily productivity criteria based on employees' abilities.

Setting of employees' objectives is a combination of the enterprise's goal, departments' goal and employees' career development goal. For Chengshi, the goal of all the departments is to build a documentation system to record operation information at present.

However, different departments have different purpose by using a documentation system and the objectives of departments are various according to the department functions. For the finance department, department objectives include processing and recording financial transactions. As to the logistics department, it should build an information record system of goods shipping and packing. Marketing department's objectives include classifying customer information process, identifying potential customers and maintaining current customers. Finally, a major task of the general affair office is coordinating the manager to communicate between departments.

4.2.1.2 Manager's objectives setting

The manager hopes that daily productivity could reach 1000 pieces per person since he wants to undertake more outsourcing works. As to other departments, he does not need a highly professional documentation recording system at present but at basic level that can satisfy current requirement.

4.2.1.3 Balance the objectives set by the employees and the owner

Since the average productivity level is 800 pieces/ person/ day, but 36% employees can produce more than 800 pieces daily, this explains that employees have a potential to achieve the owner's expectation. After balancing the owner and employees' objectives, productivity at 900 pieces/ person/ day is decided.

The other four departments' specific objectives are not stated in this study since it would be too complex in details and need in-depth further study. However, objectives should follow the "SMART" principle.

4.2.2 Continuous monitoring of performance and progress

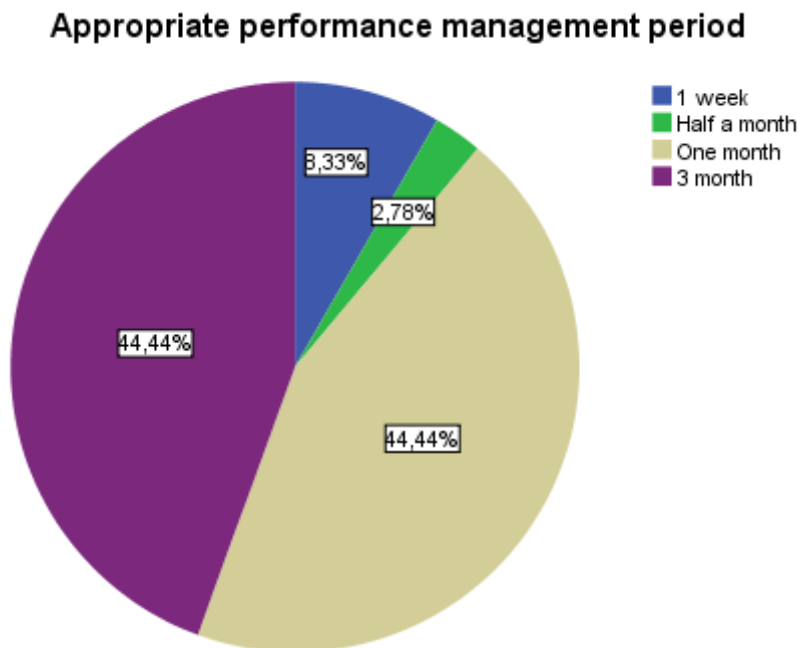


Figure 16 Performance management period

Figure 16 shows the employees' opinion of performance management period. Performance management period is the duration of the performance management cycle. The employees' opinions about how long is an appropriate performance management period count even between one month and three months, nearly 45% each. However, one month is too frequent to a small company such as Chengshi, so three months is an appropriate period for each depart-

ment. In addition, an annual performance review should be applied to explore the company's whole operational status.

Figure 17 to Figure 20 show the four different options of motivation time which are before the performance management cycle starts, in the middle of the performance management cycle, at the end of performance management cycle and right at the time when objectives are achieved.

The motivation time aims to encourage employees to achieve better performance at the most effective time during the performance management cycle. If the employees could get rewards on time as they wished they would be more positive to achieve the confirmed objectives. Different motivation time have different impact, the motivation time of this research follows majority's opinion in order to minimize possible argument against the new PMS.

Before the performance management cycle starts

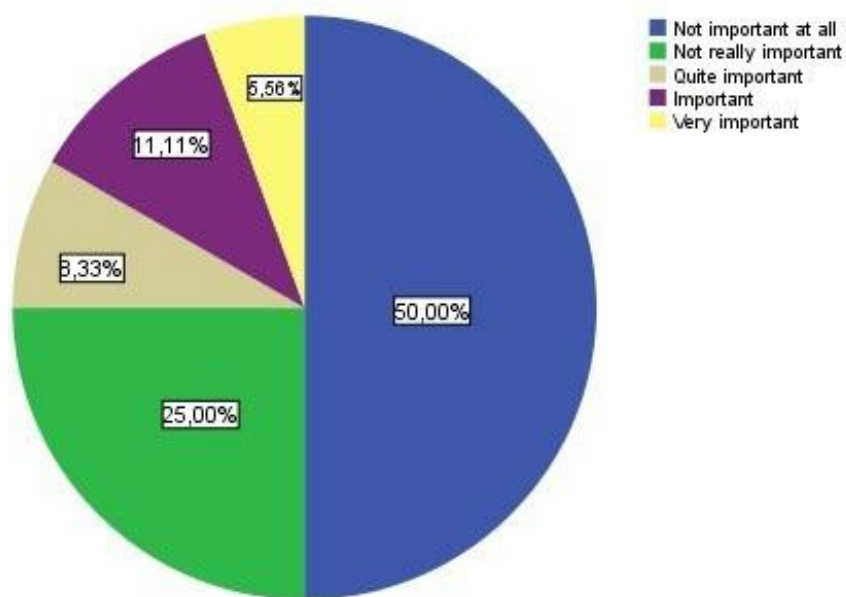


Figure 17 Motivation time: Before the performance management cycle starts

75% employees do not prefer to be motivated before the performance management cycle starts. It should be abandoned since it is not the majority's choice and would possibly lead to more dissatisfaction.

In the middle of the performance management cycle

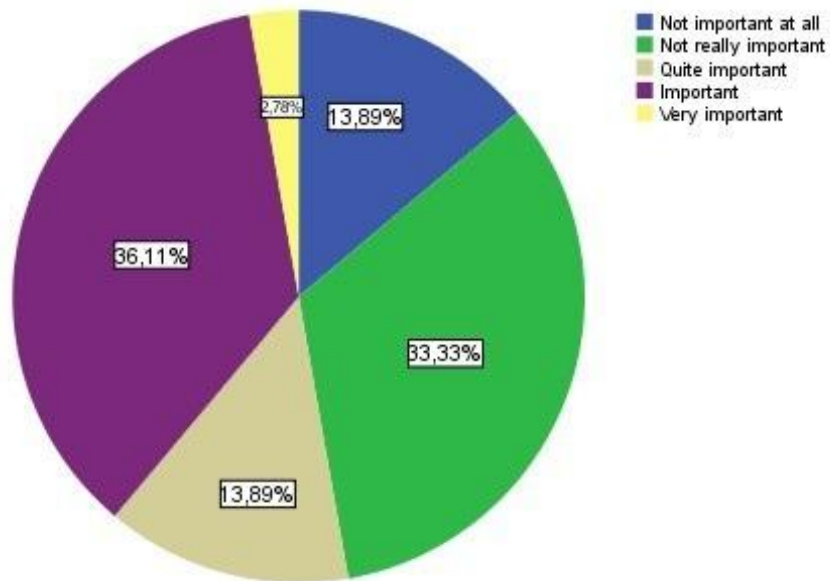


Figure 18 Motivation time: In the middle of the performance management cycle

Employees' opinion of motivating in the middle of the performance management cycle (Figure 18) is equal with positive and negative attitudes basically even at 38.89% and 47.22%.

At the end of performance management

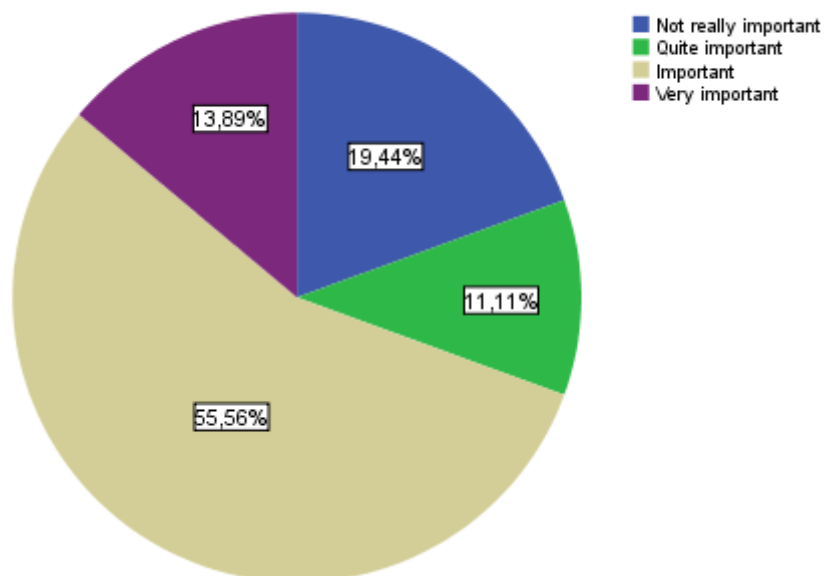


Figure 19 Motivation time: At the end of performance management

Motivate right at the time when objectives are achieved

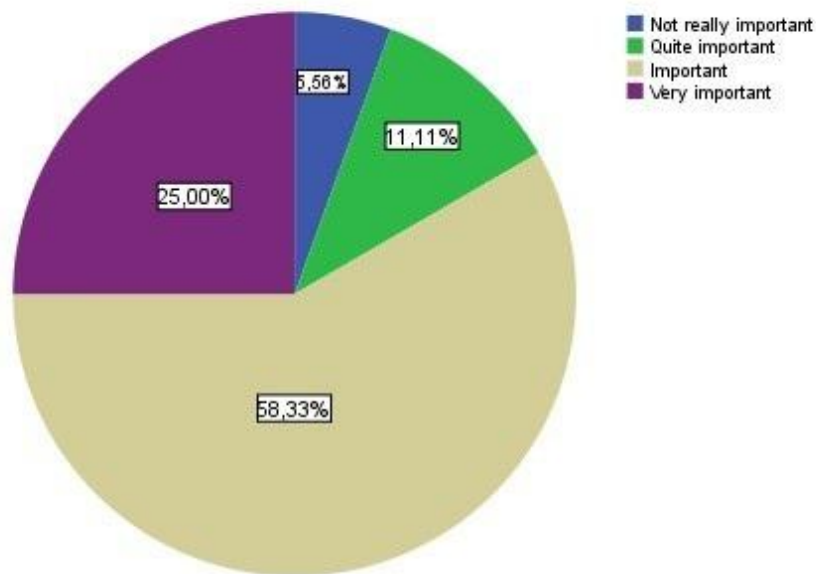


Figure 20 Motivation time: When objectives is achieved

In figure 19, 69.45% employees thought that motivation at the end of performance management is important. However, compared with figure 20 which shows a positive attitude is held by the majority counting 83.33%. Thus, motivation right at the time when objectives is achieved is the best time for Chengshi.

However, there is no doubt that the workload and management cost will increase if all the motivations are fulfilled at the right time when objectives achieved. A compromise solution is that monetary rewards will be disbursed every three months with the salary and other type rewards will be given at the end of year.

4.2.3 Performance evaluation/reviews

The establishment of a performance appraisal system is based on the owner and employees' expectation as well as the practical situation. Graphic rating scale form is applied in the study by using a five-scale criterion from unsatisfactory performer to extraordinary achiever. The evaluation should concentrate on two dimensions: the quality of employees' performance and whether the confirmed objectives have been fulfilled on time.

As mentioned in the analysis of current performance management system, employees have no sense of participation. To solve this problem, a tool is required to improve participation besides MBO.

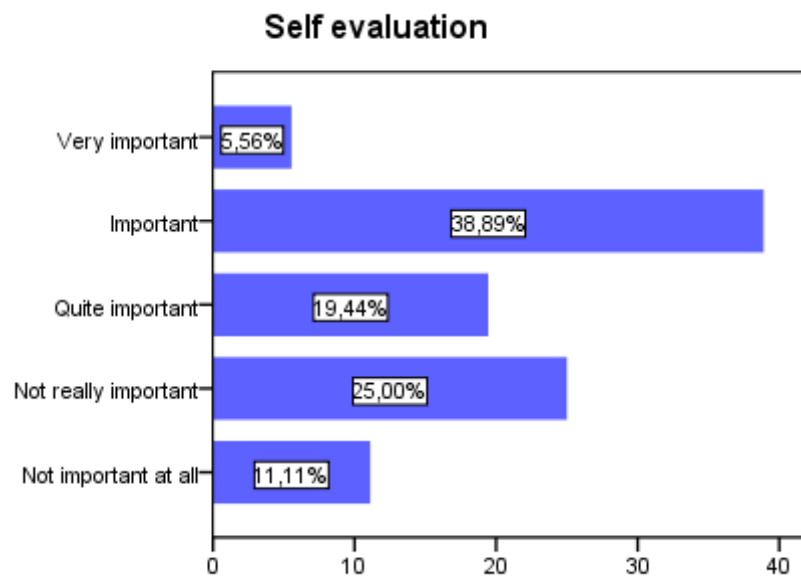


Figure 21 Evaluation: Self Evaluation

Employees' attitudes to self evaluation are complicated as shown in figure 21. The reason for the problem is probably that employees do not know how to define their positions in the company. Since the self evaluation can help employees to develop their career and company's development then the author maintains that self evaluation should be applied in the appraisal system although it may cause some argument.

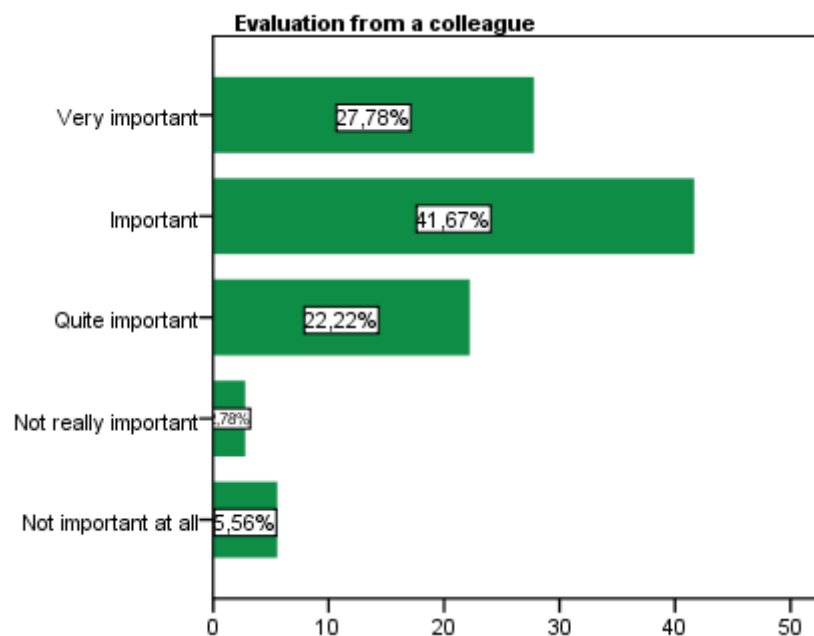


Figure 22 Evaluation: Evaluation from colleague

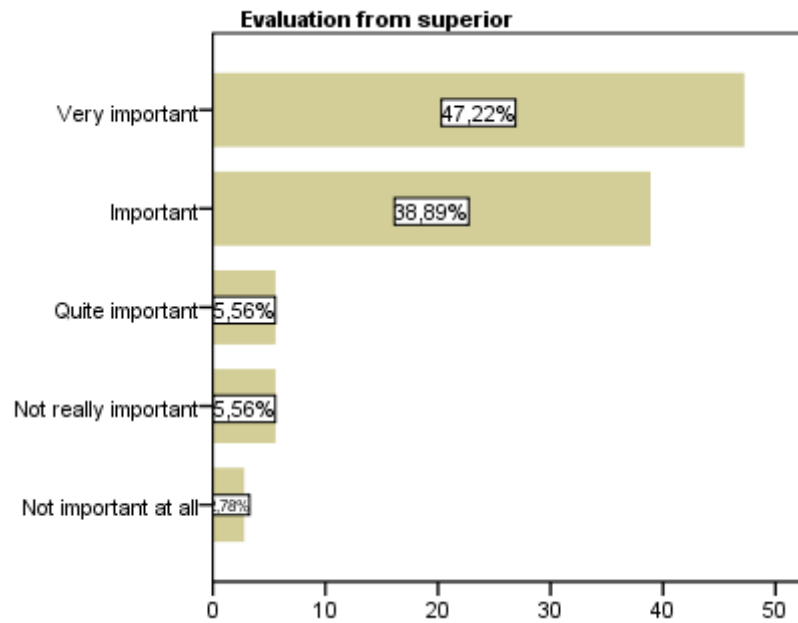


Figure 23 Evaluation: Evaluation from Superior

Employees' attitudes to evaluation by colleagues and superiors tend to positive but due to limited resources, the author decided to choose the superior's evaluation to be taken into account in appraisal system. Thus a set of evaluations was designed for Chengshi, consisting of two components which are the employee self-evaluation form and the superior evaluation form.

4.2.4 Providing feedback and performance appraisals

Both the manager and employees have responsibilities to provide feedback in the form of evaluation forms which were designed according to the measurement criterion. Three options concerning how to get feedback were provided in the questionnaire and scaled from not important at all to very important. They are official seminar in figure 24; individual meeting with manager in figure 25; and through the self-evaluation form in figure 26. The statistical data is the key to choosing the feedback method.

In an official seminar with colleagues

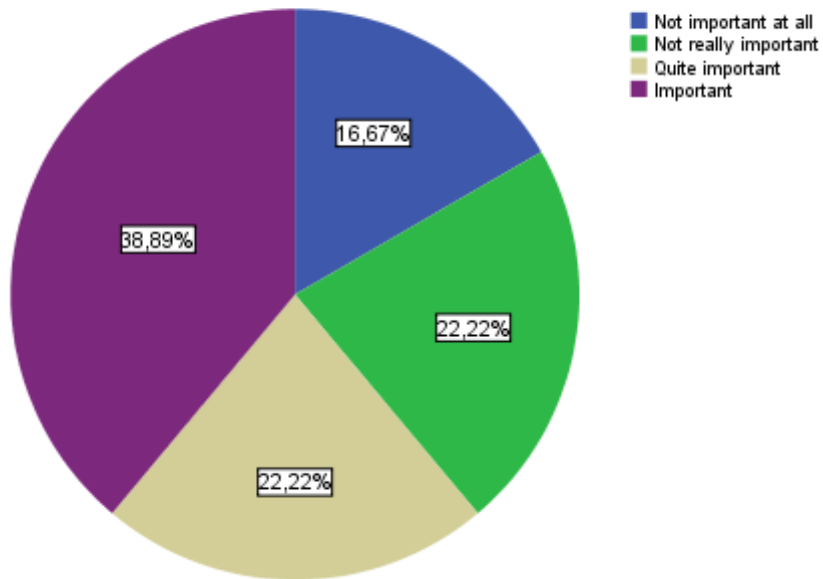


Figure 24 Feedback method: official seminar

22.22% employees consider getting feedback in an official seminar with colleagues to be quite important and 38.89% think it is important but no one considers it an essential method. Indeed, 16.67% employees think it is not important at all. Thus the official seminar is not the first alternative to take into account.

In an individual meeting with manager

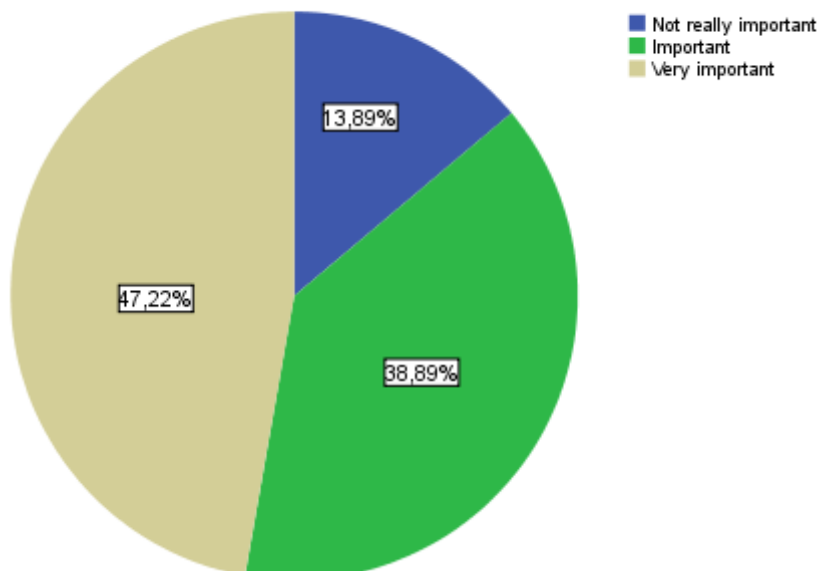


Figure 25 Feedback method: individual meeting with manager

Probably 86% employees are serious about individual meeting with the manager, and no one considers it irrelevant. So the individual meeting with the manager should be a part of the feedback and appraisals system.

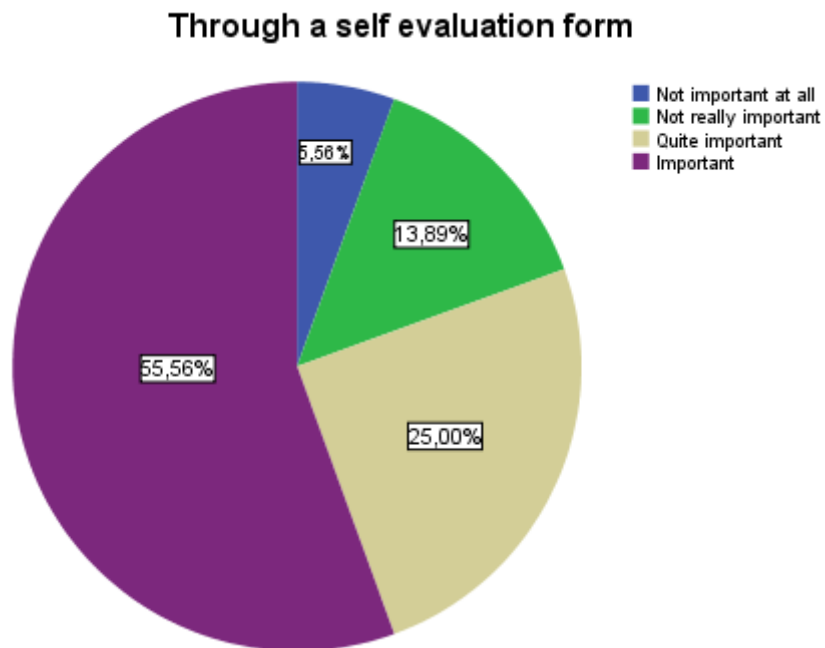


Figure 26 Feedback method: self evaluation form

Most employees held a positive attitude about self evaluation but there are still probably 20% employees that did not pay attention to it. However, as explained in the theory section, self evaluation is an effective tool for both the individual's career and the enterprise's HR development so that it cannot be abandoned. In contrast, neglect of self-evaluation indicates employees are not aware of their career development. For this reason, employees should be trained in how to use the evaluation form and what aspects to focus on, thus the PMS can exert its effect totally.

Would you like to be informed of your colleagues' performance feedback

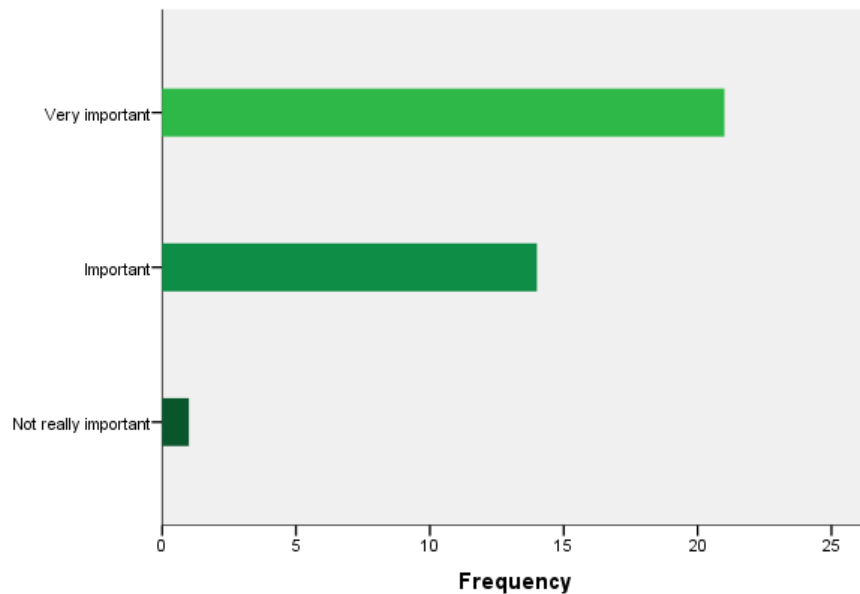


Figure 27 Willingness to be informed of colleagues' performance feedback

Figure 27 clearly indicates that most employees are willing to be informed of their colleagues' performance feedback compare with their own performance. However, the owner is worried that the publication of performance feedback will cause negative competition which is why only a good performance result will be published and no judgment but description of the performance.

5 Conclusions and recommendations

5.1 Findings and recommendations

A new performance management system combines both employees and the owner's opinions based on the company's long-term and short-term goal. On the basis of analysis, the new performance management system will not raise complaints.

Based on the research result, the author recommends that Chengshi should establish a new performance management system to improve its performance management. Figure 28 is the flowchart of the new performance management system which is classified according to MBO subsystem, Appraisal subsystem and Reward subsystem. One important link is training that focuses on employee's evaluation. Employees should know how to evaluate and what to evaluate during the performance management period. The owner should participate in the training as well since the manager interacts continually under a MBO context performance management system

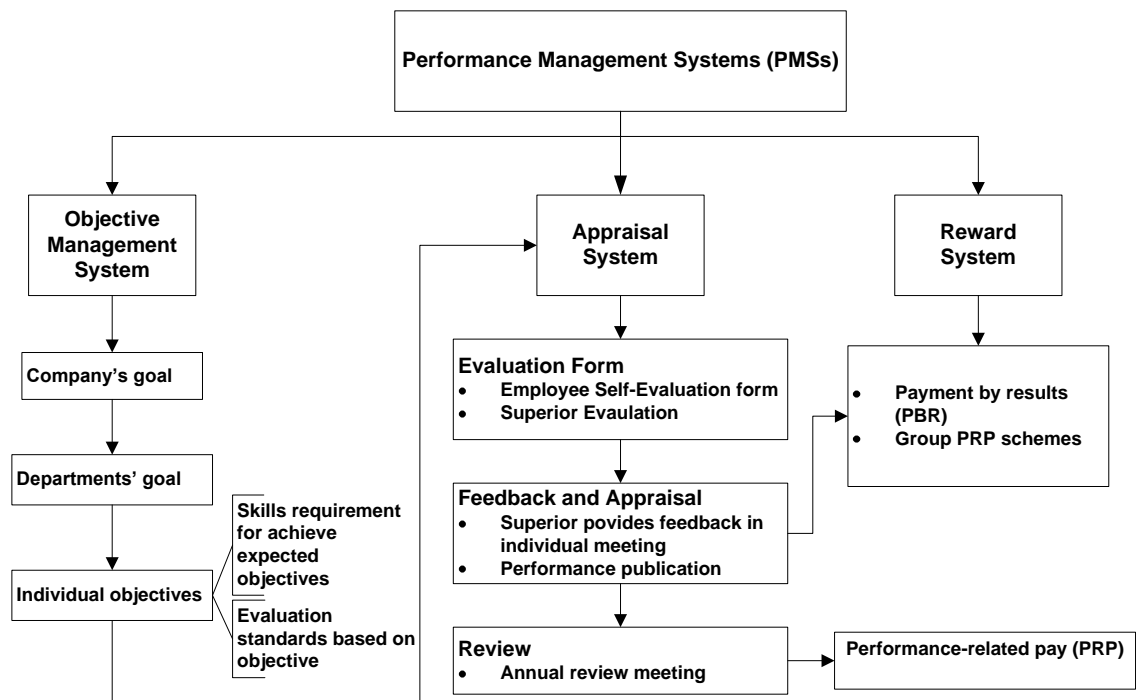


Figure 28 Performance Management System of Changchun Chengshi

No doubt the implementation of a performance management system is time-consuming and needs the devotion of human resource and money, but it is unavoidable on the path of growth. Conflicts during implementation should be solved carefully otherwise the new system could be a drawback of the company's development.

5.2 Managerial implications

This study explores the faults in the performance management of Chengshi and provides a framework to establish a systemic performance management system. Since it was studied under the context of Chinese SMEs which have a weak managerial foundation, the guidance is simple enough for the case company which does not have a logical management structure. As a result, the case company can apply this study when establishing a performance management system.

Moreover, this study also illustrated the necessity of performance management for a company on the perspective of SMEs, especially in the human resource management process. Performance management is not only important for daily management, but also critical for a business which suffers from the pain of confusion while it grows. If those major issues can be studied carefully, it would be easier to determine management restructuring.

In addition to the area of performance management, this study introduces the concept of management by objectives (MBO) that can be applied to other business areas such as marketing; innovation; financial resources; physical resources; profit requirements and social responsibility as well. With study on this theory, entrepreneurs enrich their management knowledge and capacity to know their subjects. Meanwhile entrepreneurs need to manage changing on all aspect of management when the business grows.

Generally speaking, major contribution of this study is the holistic picture of performance management and guidance on the establishment of PMS for the case company.

5.3 Future research

The new performance management system enables to solve current human resources management problems in Chengshi but the result is not estimated since there are various factors that weaken the power of implementation. Those factors need to be studied deeply in order to eliminate any possible impediments.

In particular, such future research could for example, concern methods of training employees before evaluation and how to manage an under-performer after evaluation. While the internal and external circumstance change, the performance management system needs to be complete by introducing new theory and tools. Ways to adjust performance management to satisfy development also needs to be researched.

To conclude, performance management is a central area of human resources management and HRM is a continuous process that needs to be updated according to environmental changes so all relationships involve variable items in HRM could be areas of future research.

6 Theoretical linkage

The theories chosen in this thesis are management by objectives; small and medium-sized enterprise and performance management. Combined with the research purpose, the relationship between the theories explained the reasons for the problems and provided instruction for new performance management.

The SWOT analysis of the case company indicated that performance management is the key element that threatens survival and is the top priority to solve. Hence, the introduction of performance management is necessary for the study. Moreover, although applying MBO theory is a hypothesis, the research results showed that it is feasible in the case company. In addi-

tion, according to the Chinese official definition, the case company belongs to the category of small and medium-sized enterprise thus the discussion of SMEs matches the empirical study.

7 Summary

In China, SMEs play a key role in job creation and upgrading the level of industrial organization. As a weak group in Chinese society, SMEs do not have necessary legal protection and their social burdens are heavy. Despite outside problems, SMEs have some inherent weaknesses such as unstructured management and the lack of top-management that threaten the life cycle of SMEs. However, the main priority with respect to those weaknesses is to deal with performance management since labor is the biggest assets of SMEs. How to develop an effective performance management system should be paid more attention to than ever as the Chinese market becomes more international.

Seeking an appropriate solution for the problem of the performance management of Chengshi is the original objective of this thesis. After the data collected by the questionnaire and interview, which were the data collection methods conducted in the thesis, quantitative analysis method was employed using the SPSS software.

The results explained the research problems. Findings based on the results are, first of all, that employees' enthusiasm for their work is low due to the disordered current performance management system; secondly, a new performance management system which employed MBO would encourage workers to work harder and cause no potential negative effects; finally, the criterion to setting objectives was complete, but it should be discussed in more detailed between employees and the owner. This thesis provides instruction and a rough calculation according to the data.

During the research process, the author observed that setting practical objectives are the most difficult part of the study since it should consider not only the owner and employees' views, but also the enterprise's long-term and short-term strategies. Applying MBO requires a holistic perspective on the company's development.

To conclude, this thesis established an instructional framework of new performance management for the case company based on its circumstance and related theories. However, the impact is unknown because it has not been implemented yet.

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List of Figures

Figure 1 Framework of the thesis	8
Figure 2 Performance planning process	14
Figure 3 Integration of objectives	15
Figure 4 Performance Management Systems	17
Figure 5 Process of Management by Objectives (MBO)	23
Figure 6 Theoretical framework.....	25
Figure 7 The research process	26
Figure 8 the research process ‘onion’	28
Figure 9 Research method conducted in the study	31
Figure 10 Figure : Flowchart of data process	32
Figure 11 SWOT Analysis of Chengshi Ltd,.	35
Figure 12 SWOT analysis of Employees’ satisfaction.....	36
Figure 13 Employees’ attitude about participation in the MBO process	37
Figure 14 Employees’ attitude to linking performance and reward	38
Figure 15 Employees’ Productivity.....	41
Figure 16 Performance management period	42
Figure 17 Motivation time: Before the performance management cycle starts	43
Figure 18 Motivation time: In the middle of the performance management cycle	44
Figure 19 Motivation time: At the end of performance management	44
Figure 20 Motivation time: When objectives is achieved	45
Figure 21 Evaluation: Self Evaluation	46
Figure 22 Evaluation: Evaluation from colleague	46
Figure 23 Evaluation: Evaluation from Superior	47
Figure 24 Feedback method: official seminar	48
Figure 25 Feedback method: individual meeting with manager	48
Figure 26 Feedback method: self evaluation form.....	49
Figure 27 Willingness to be informed of colleagues’ performance feedback	50
Figure 28 Performance Management System of Changchun Chengshi	51

List of Tables

Table 1 Comparison of deductive and inductive approach	27
Table 2 Case Processing Summary of Reliability	33
Table 3 Reliability Statistics	33
Table 4 Item-Total Statistics of Reliability	33
Table 5 Reliability Statistics after Adjustment	33
Table 6 Combination of Self and Superior evaluation	39
Table 7 Combination of Colleague and self evaluation	39

Appendices

Appendix 1 Changchun Chengshi Ltd Performance Management evaluation form

Employee Self-Evaluation

Employee Name:	Department:
----------------	-------------

Rating	Core Responsibilities - Comments on Results Achieved
<input type="checkbox"/> Extraordinary Achiever <input type="checkbox"/> High Achiever <input type="checkbox"/> Achiever <input type="checkbox"/> Fair Performer <input type="checkbox"/> Unsatisfactory Performer	1.
<input type="checkbox"/> Extraordinary Achiever <input type="checkbox"/> High Achiever <input type="checkbox"/> Achiever <input type="checkbox"/> Fair Performer <input type="checkbox"/> Unsatisfactory Performer	2.
<input type="checkbox"/> Extraordinary Achiever <input type="checkbox"/> High Achiever <input type="checkbox"/> Achiever <input type="checkbox"/> Fair Performer <input type="checkbox"/> Unsatisfactory Performer	3.
Rating	Special Assignments - Comment on Result Achieved
<input type="checkbox"/> Extraordinary Achiever <input type="checkbox"/> High Achiever <input type="checkbox"/> Achiever <input type="checkbox"/> Fair Performer <input type="checkbox"/> Unsatisfactory Performer	

<input type="checkbox"/> Extraordinary Achiever <input type="checkbox"/> High Achiever <input type="checkbox"/> Achiever <input type="checkbox"/> Fair Performer <input type="checkbox"/> Unsatisfactory Performer	
Rating	Objectives and /or Competencies - Comment on Result Achieved
<input type="checkbox"/> Extraordinary Achiever <input type="checkbox"/> High Achiever <input type="checkbox"/> Achiever <input type="checkbox"/> Fair Performer <input type="checkbox"/> Unsatisfactory Performer	
<input type="checkbox"/> Extraordinary Achiever <input type="checkbox"/> High Achiever <input type="checkbox"/> Achiever <input type="checkbox"/> Fair Performer <input type="checkbox"/> Unsatisfactory Performer	
Employee Development Results:	
Other Significant Results and Overall Comments:	

Overall Rating:	
<input type="checkbox"/> Extraordinary Achiever	Work that is characterized by sustained exemplary accomplishments at the highest level throughout the rating period; providing exemplary support to the contributions of the organization. Performance that consistently exceeds and sometimes far exceeds the criteria of the job function. Typically demonstrating full mastery of knowledge, skills and abilities; required work; and behavioral competencies.
<input type="checkbox"/> High Achiever	Work that is characterized by a consistently high level of accomplishment; meeting and often exceeding performance targets of core responsibilities; providing significant support to the contributions of the organization. Typically independently demonstrating highly proficient knowledge, skills, and abilities; required work; and behavioral competencies.
<input type="checkbox"/> Achiever	Work that is characterized by achieving results at a level that generally met and sometimes exceeded performance targets of core responsibilities; providing commendable support to the contributions of the organization. Typically demonstrating fully proficient knowledge, skills and abilities; required work; and behavioral competencies (with only a few improvement areas).
<input type="checkbox"/> Fair Performer	Work that requires improvement to fully meet the performance targets of core responsibilities in one or more areas; providing basic support to the contributions of the organization. Typically performing in the beginner or developmental stage of demonstration of knowledge, skills and abilities; required work; and behavioral competencies.
<input type="checkbox"/> Unsatisfactory Performer	Work that fails to meet the criteria of the job function; generally falling well short of performance targets of core responsibilities (even though sometimes approaching targets); providing minimal support to the contributions of the organization. Generally performing below the beginner developmental stage of demonstration of knowledge, skills and abilities; required work; and behavioral competencies.
<p>Employee's Signature: _____</p> <p>Date: _____</p>	

Appendix 2 Changchun Chengshi Ltd Performance Management evaluation form

Superior Evaluation Form

Employee Name:	Supervisor Name:
----------------	------------------

Rating	Core Responsibilities - Comments on Results Achieved
<input type="checkbox"/> Extraordinary Achiever <input type="checkbox"/> High Achiever <input type="checkbox"/> Achiever <input type="checkbox"/> Fair Performer <input type="checkbox"/> Unsatisfactory Performer	1.
<input type="checkbox"/> Extraordinary Achiever <input type="checkbox"/> High Achiever <input type="checkbox"/> Achiever <input type="checkbox"/> Fair Performer <input type="checkbox"/> Unsatisfactory Performer	2.
<input type="checkbox"/> Extraordinary Achiever <input type="checkbox"/> High Achiever <input type="checkbox"/> Achiever <input type="checkbox"/> Fair Performer <input type="checkbox"/> Unsatisfactory Performer	3.
Rating	Special Assignments - Comment on Result Achieved
<input type="checkbox"/> Extraordinary Achiever <input type="checkbox"/> High Achiever <input type="checkbox"/> Achiever <input type="checkbox"/> Fair Performer <input type="checkbox"/> Unsatisfactory Performer	
<input type="checkbox"/> Extraordinary Achiever	

<input type="checkbox"/> High Achiever <input type="checkbox"/> Achiever <input type="checkbox"/> Fair Performer <input type="checkbox"/> Unsatisfactory Performer	
Rating	Objectives and /or Competencies - Comment on Result Achieved
<input type="checkbox"/> Extraordinary Achiever <input type="checkbox"/> High Achiever <input type="checkbox"/> Achiever <input type="checkbox"/> Fair Performer <input type="checkbox"/> Unsatisfactory Performer	
<input type="checkbox"/> Extraordinary Achiever <input type="checkbox"/> High Achiever <input type="checkbox"/> Achiever <input type="checkbox"/> Fair Performer <input type="checkbox"/> Unsatisfactory Performer	
Employee Development Results:	
Other Significant Results and Overall Comments:	

Overall Rating:	
<input type="checkbox"/> Extraordinary Achiever	Work that is characterized by sustained exemplary accomplishments at the highest level throughout the rating period; providing exemplary support to the contributions of the organization. Performance that consistently exceeds and sometimes far exceeds the criteria of the job function. Typically demonstrating full mastery of knowledge, skills and abilities; required work; and behavioral competencies.
<input type="checkbox"/> High Achiever	Work that is characterized by a consistently high level of accomplishment; meeting and often exceeding performance targets of core responsibilities; providing significant support to the contributions of the organization. Typically independently demonstrating highly proficient knowledge, skills, and abilities; required work; and behavioral competencies.
<input type="checkbox"/> Achiever	Work that is characterized by achieving results at a level that generally met and sometimes exceeded performance targets of core responsibilities; providing commendable support to the contributions of the organization. Typically demonstrating fully proficient knowledge, skills and abilities; required work; and behavioral competencies (with only a few improvement areas).
<input type="checkbox"/> Fair Performer	Work that requires improvement to fully meet the performance targets of core responsibilities in one or more areas; providing basic support to the contributions of the organization. Typically performing in the beginner or developmental stage of demonstration of knowledge, skills and abilities; required work; and behavioral competencies.
<input type="checkbox"/> Unsatisfactory Performer	Work that fails to meet the criteria of the job function; generally falling well short of performance targets of core responsibilities (even though sometimes approaching targets); providing minimal support to the contributions of the organization. Generally performing below the beginner developmental stage of demonstration of knowledge, skills and abilities; required work; and behavioral competencies.
<p>Superior's Signature: _____</p> <p>Date: _____</p>	

Appendix 3 Questionnaire of Changchun Chengshi ----- English version

Questionnaire for Chengshi Ltd's Performance Management System

Changchun Chengshi Ltd, China strives to develop the present performance management system in order to improve and motivate the employees' performance. The purpose of this questionnaire is collecting information which used to locate possible problems of current performance management system. Please kindly fill the questionnaire that is fully confidential. Thanks for your contribution!

Part 1 Background Information (Please mark the right alternative)

1. Gender ① male ② female

2. Age

① 18-25 years ② 26-35 years ③ 36-45 years ④ 46-55 years ⑤ 56- years

3. Educational background

① elementary school ② middle school ③ high school ④ bachelor

⑤ above bachelor

4. Years of service with in Chengshi Ltd

① under 1 year ② 1—2 years ③ 3—4 years ④ 5 -6 years ⑤ more than 6 years

5. Department where I'm working

① financing ② marketing ③ logistics ④ production ⑤ general office

Part 2 information of current performance management system (Please mark the right alternative)

Questions 6 are only for persons working in production. Other departments: please go to question 7

6. How many products do you produce daily?

① 300-399 pieces ② 400-499 pieces ③ 500-599 pieces

④ 600-699 pieces ⑤ 700-799 pieces

⑥ if alternative 800 pieces and over, how many? _____

7. Do you have any idea of company's overall development goals in next five years?

① no idea ② not really know ③ know a little ④ know ⑤ have a clear picture

8. Please specify what is the essential factor of your current work: _____

.....

Part 3 Employees' opinion for performance management development

9. In your opinion, who should evaluate your performance, please circle the scales

1= not important at all

2= unimportant

3= neither unimportant or important

4= important

5= very important

	1	2	3	4	5
① self evaluation					
② evaluation of a colleague					
③ evaluation of the superior					

10. How long is an appropriate performance management period in your opinion?

① a week ② half a month ③ one month ④ a quarter of a year ⑤ half a year

⑥ other period not mentioned in the above alternatives: how long? _____

11. Do you think it would be motivating to become more involved in the process of setting work objectives? Please circle the right alternative

①strongly disagree ②disagree ③neither agree nor disagree ④agree

⑤strongly agree

12. What is the right time to motivate employees for better performance?

1= not important at all

2= unimportant

3= neither unimportant nor important

4= important

5= very important

	1	2	3	4	5
①before the performance management cycle start					
②in the middle of performance management cycle					
③at the end of performance management					
④motivate right on the time when objectives is achieved					
⑤motivate after achievement					

13. How would you prefer to get performance feedback? Please circle the right alternative

1= not important at all

2= unimportant

3= neither unimportant nor important

4= important

5= very important

	1	2	3	4	5
① in an official seminar with colleagues					
② in an individual meeting with manager					
③ through a self evaluation form					

14. Would you like to be informed of your colleagues' performance feedback that against your performance?

① not important at all ② unimportant ③ neither unimportant nor important

④ important ⑤ very important

15. It is fair that performance is linked with the rewards?

① strongly disagree ② disagree ③ neither agree nor disagree ④ agree ⑤ strongly agree

Appendix 4 Questionnaire of Changchun Chengshi ----- Chinese version

长春呈实健康实业有限公司绩效管理调查问卷

长春呈实健康实业有限公司为提高生产力，最大程度的调动员工的生产积极性，将在公司内部对目前实施的绩效管理系统进行考查以期优化改进。本次问卷调查以收集用于分析公司绩效管理问题的数据为目的，以不记名形式进行，请各位员工如实作答，以便公司获取最真实有效的考察数据。真诚感谢各位员工的鼎力合作！

第一部分：基本信息：请在相应选项前作记号

1. 性别 ①男 ②女
2. 年龄 ① 18 - 25 ②26—35 ③36—45 ④46—55 ⑤56 岁以上
3. 学历 ①小学 ②初中或同等学历 ③高中或同等学历 ④ 大学 或大专
 ⑤ 大学本科以上
4. 在呈实药业工作年限

 ①1 年 ②2 年 ③3 年 ④4 年 ⑤5 年 ⑥6 年
5. 所属部门

 ①财务部 ②市场部 ③后勤物流部 ④生产部 ⑤ 综合办公室

第二部分：当前的绩效管理系统信息：请在相应选项前作记号。生产部员工从第六题开始回答，其它部门员工从第七题开始作答

6. 本人目前每天生产的产品数量

 ①300—399 盒 ②400—499 盒 ③500—599 盒 ④600—699 盒 ⑤700—799 盒

⑥如果 以上选项都不符合，请写出你的产量：...../盒

7. 你了解公司未来五年的发展规划方向

①一点也不了解 ②不太了解 ③有点了解 ④了解 ⑤非常了解

8. 你指出你当前最主要的工作：

第三部分：员工对于绩效管理的看法：请在相应选项前作记号

9. 在你看来，应该由谁来评估你的工作表现？请在相应选项内作记号。

	①	②	③	④	⑤
	非常不重要	不太重要	既不重要也非重要	比较重要	非常重要
自我评价					
同事评价					
领导评价					

10. 在你看来，多长时间是一个合适的绩效管理周期？

①一星期 ②半个月 ③一个月 ④三个月 ⑤半年

⑥如果 以上选项都不符合，请写出你认为合适的绩效管期：.....

11. 如果你能够参与到工作目标的制定过程，是否会激发你的工作热情？

①非常不认同 ②不认同 ③既不认同也不反对 ④比较认同 ⑤非常认同

12. 在一个绩效管理周期中，什么时间对员工进行奖励最能激发员工的潜能？

	①	②	③	④	⑤
	非常不重要	不太重要	既不重要也非重要	比较重要	非常重要
在绩效管理周期开始之前					
在绩效管理周期进行的中期					
在绩效管理周期结束的时候					
在绩效管理周期中随时对达到目标的员工进行奖励					
在工作目标达成后					

13. 你想以怎么的方式得到工作表现的反馈？

	①	②	③	④	⑤
	非常不重要	不太重要	既不重要也非重要	比较重要	非常重要
在员工会议上					
从管理者处直接得到反馈					
通过自我评价表格					

14. 你愿意得到同事的绩效表现反馈，从而和你自己的绩效表现进行对比吗？

①非常不愿意 ②有点不愿意 ③既非不愿意也非愿意 ④比较愿意 ⑤非常愿意

15. 将奖惩与工作表现挂钩是否合理？

①非常不合理 ②比较不合理 ③既非合理也非不合理 ④比较合理 ⑤非常合理