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Analysis of Performance Management in Small and Medium Enterprises

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Abstract

At present, a large number of small and medium enterprises have not had a perfect performance management system and there also exist a variety of problems in the process of performance management, such as, unprofessional evaluators, unscientific performance indicators, shortage of performance feedback mechanism. To enhance performance management level, small and medium enterprises need to pay attention to the performance management, train performance management personnel, establish scientific performance indicators and and established bidirectional performance feedback mechanism.

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1. Introduction

In China, small and medium enterprises play a more and more important role in boosting economic development, alleviating employment pressure and optimizing economic structure, etc. Performance

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management is an extremely important aspect in management of small and medium enterprises. However, as a result of the weak human resource management capacity of small and medium enterprises and deficiency of a scientific and reasonable performance management system, the effects of performance management usually fail to achieve the anticipated requirement. Thus, a good job of performance management in small and medium enterprises is of great significance to help small and medium enterprises to accomplish the corporate strategic targets and enhance the competitive strength of enterprises, etc.

2. The concept and process of performance management

2.1. The concept of performance management

Performance management refers to a systematized behavior to make evaluation on the working performance of employees and an organization within a certain time period according to certain performance standard and to reach a consensus in terms of the performance targets of managerial personnel and employees. Performance management is a bidirectional management process and is a kind of activity which the managerial personnel and employees together participate in.

2.2. The general process of performance management

Generally, there are the following five processes for performance management:

1) Performance planning. It means that the managerial personnel and employees carry out together the performance plan of a specific performance cycle according to the result of performance evaluation of the previous cycle and the strategic target of the enterprises at the beginning of each performance cycle. Performance planning is the first aspect of performance management cycle and is also the starting point. It includes two aspects of establishment of performance target and formulation of the performance plan.

2) Performance implementation. It means that the managerial personnel guide and supervise employees within each performance cycle, record performance of employees and collect the data they have recorded which will become the proof and referential data of the following cycle. This is a central process, which directly affects success or failure of performance management. In this process, the managerial personnel should keep persistent communication with employees.

3) Performance evaluation. It refers to evaluation on performance of employees in all aspects according to performance evaluation indicators at the end of each performance cycle. In this process, it is necessary to pay attention to confirmation of evaluators, confirmation of evaluation content and confirmation of evaluation time.

4) Performance feedback. It means that the managerial personnel have an interview with employees in terms of the result of performance evaluation at the end of each performance cycle, listen attentively to opinions and suggestions of employees, find out difficulties employees encounter in the process of work and help employees overcome and resolve difficulties.

5) Application of performance evaluation result. It means that the result of evaluation is applied into work of employees, confirm the target and content of training and establish developmental plan of employees. This is the aspect displayed by the performance management achievement.

The above five processes are integral, follow each other in a proper sequence and correlate each other. Performance plan directly guides implementation of performance, implementation of performance affects evaluation of performance, the result of performance evaluation directs the performance plan of the following cycle and the result of evaluation needs to be bi-directionally communicated with employees so as to direct

formulation of the performance plan of the following cycle, training of employees and vocational development of employees.

3. Effective measures for small and medium enterprises to improve their performance management

Development of a large majority of small and medium enterprises in China has not had a long history and the modern enterprise system is at a construction stage, so the management idea and management level of enterprise managers is still open for further improvement[2]. At present, a large number of small and medium enterprises have not had a perfect performance management system and there also exist a variety of problems in the process of performance management, such as, unprofessional evaluators, unscientific performance indicators, shortage of performance feedback mechanism, and mere focus on the result of performance management and no focus on the process of performance management. Small and medium enterprises have to resolve all varieties of problems in performance management and take effective measures to enhance the level of performance management.

3.1. To set up scientific and effective performance indicator system

performance management, small and medium enterprises ought to set up complete performance indicator system and ensure effective development of performance management. Drawing out scientific and rational key performance indicators requires managerial personnel and employees to work together, have communication with each other, listen to opinions proposed by employees, take an overall consideration and modify and confirm the performance indicators. After the performance indicators are established, it is still necessary to establish the weight value of performance indicators. Establishment of weight value needs to depend on historical data. Performance management is a periodic management process and each period can get a result. On the basis of the historical data, imperfect historical data can be improved to adjust the weight value. In the process of implementation, it is also necessary to pay attention that at the time of establishing performance indicators of enterprises, we ought to take into consideration of the strategic goal of the enterprises to confirm the key performance fields and highlight those most critical performance focus points.

3.2. To attach great importance to performance tutoring

In reality, as a result of gaps of managerial personnel in small and medium enterprises in terms of management theory and level, they tend to ignore effective performance tutoring on their subordinates and they fail to guide the working methods and attitudes of their subordinates, which leads to low performance levels of employees. The so-called performance tutoring refers to the process of discussion on relevant working progress of employees by the managerial personnel together with the employees, the potential obstructs and problems of employees, the methods and measures to resolve problems, achievements achieved by employees and existing problems as well as how the managerial personnel help their employees. Performance tutoring runs through the entire management process, neither not only at the beginning of the management process, nor merely at the end of the management process, but runs throughout the whole performance management. The effect of performance tutoring lies in that it is able to perspectively discover problems and resolve problems before the problems appear, but also lies in that it can closely connect the managerial personnel together with employees. Frequently, the managerial personnel and the employees have a discussion on existing and probably existing problems, resolve the problems together to eradicate the obstructs, achieve common progress and improvement, and realize the purpose of high performance.

Performance tutoring is also helpful to set up perfect working relationships between the managerial personnel and the employees.

3.3. To select appropriate evaluators

As for selection of evaluators, a large part of small and medium enterprises complete the selection process by the superior leaders of the enterprises and the employees are appraised only through observation of the superiors, which is unreasonable. Scientifically speaking, the evaluators are supposed to be an evaluation group, which is usually constituted by five kinds of people, namely, the superior, peer colleagues, those who are evaluated, the underling and the clients. The direct superior take the responsibility of direct leadership, management and supervision. Since the superior have a clear idea about such realistic situations as whether the working task finished by the subordinate complies with the performance goal, the superior play a leading role in the process of evaluation on performance of the subordinate and play a major role in evaluation on employees. Since the section colleagues finish the work together with the employees, they are more clearly aware of the progress and method of employees completing a working task than the superior, they are also appropriate evaluators. Since the clients have face-to-face contact with employees, they are more clearly aware of the working capacity and working behavior of employees, so the clients are also one of the appropriate candidates for performance evaluation of employees. Those who are evaluated have a clear idea about their working capacity and working attitude, but as for those who are evaluated, it is difficult to have an impartial and justified evaluation on themselves since most of them are with personal color and might exaggerate their capacity. Although those who are evaluated participate in the evaluation job, the proportion of these people should not be too large so as not to affect the evaluation result. Since the subordinate have a clear idea about the working capacity, decision making capacity, judging capacity and leadership capacity of the superior, the subordinate are also the qualified candidates for the evaluation. However, due to the interpersonal relationship between the subordinate and the superior, this proportion of the subordinate should also not be too large. It is likely to enhance the accuracy of the performance evaluation result to select appropriate evaluators, constitute the evaluation group and train the evaluators and then become a professional evaluation team.

3.4. To set up performance feedback mechanism

Performance feedback is a subsequent management process of performance management, which requires the managerial personnel to have an interview on performance of employees after the performance evaluation is over. The purpose of performance feedback is to examine whether there exists any misunderstanding caused by lack of communication between the superior and the subordinate in the process of performance management and to check whether setting of the performance indicators is really impartial and justified, whether confirmation of the weight is rational and fits in with the requirements of the position and with development of the strategic goal of the enterprises. Nevertheless, quite a lot of enterprises fail to give feedback of the result of performance evaluation to employees, which causes the employees to have such a feeling that their work is not important, as a result of which they lose the enthusiasm in the work and which affects improvement of the corporate performance. There are generally two reasons for insufficient performance feedback. On one hand, the managerial personnel are reluctant to inform their employees of the evaluation result because they are afraid that this might cause any dissatisfaction among employees and any phenomenon of comparing with each other unrealistically among the employees. On the other hand, the managerial personnel have no idea about the importance of the feedback or they are lacking in the

consciousness of giving feedback of this performance result to employees. Thus, it is necessary to train the managerial personnel and strengthen the consciousness and capacity of performance feedback.

3.5. To use performance management result in a scientific way

Quite a lot of small and medium enterprises apply the performance evaluation result only into remuneration adjustment. As a matter of fact, application of the performance evaluation result is various. Scientific application of the performance evaluation result can stimulate the enthusiastic work of employees, improve their working enthusiasm, and promote development of enterprises and employees. In terms of personnel training, we can confirm the training object and training content according to the result of performance management to help employees' development and make greater contributions to the enterprises. In terms of position adjustment, we can come to know about the difficulties employees encounter in their work according to the result of performance management and select excellent employees and unqualified employees so as to adjust the positions, make use of existing talents of enterprises and cut down on the costs. In terms of remuneration adjustment, we can set up the incentive mechanism according to the result of performance evaluation and connect the incentive mechanism with the performance so as to mobilize working enthusiasm of employees. In terms of employee development, through the performance management, the managerial personnel can come to know about the working capacity of employees and their working condition to determine whether the employees fit in with their position, whether the position adjustment should be made and work out the training plan of employees. As for employees, through performance management, they can have an idea about their disadvantages in the work, have communication with the managerial personnel about the strategic goal of the enterprises, know about their working property, confirm their career planning and set up their development plan.

4. Conclusion

In one word, rapid development of small and medium enterprises has made great contributions to stable and economic development of the society and has played a crucial role in growth of the national economy. It is of great significance to the long-term healthy development of small and medium enterprises to resolve the realistic problems existing in performance management of small and medium enterprises and enhance the performance management level of small and medium enterprises.

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