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# SME Performance Management

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Abstract: Small and medium enterprises, with their unique advantages and mobility, play a very important role in the integration of people's lives and national economies in areas such as expanding employment, invigorating markets, improving people's lives, and stabilizing society. The government attaches great importance to the development of small and medium enterprises and tries hard to create a stress-free market environment. With the gradual development of China's economy, China's small and medium enterprises have also achieved considerable development, but the management level still needs to be further improved. Performance management has been proved to be an effective way to improve the management level of enterprises and the core competitiveness of enterprises. So in recent years, small and medium enterprises have been trying hard to create their own effective performance management system, but there are still many problems. This paper selects some small and medium-sized enterprises as research objects, analyzes the status quo of its performance management and analyzes its existing problems through questionnaires, etc., and actively seeks for corresponding solutions by consulting literature and other methods to promote the effective operation of internal management mechanisms and the realization of management and management goals.

**Keywords:** SME, performance management, performance evaluation

## 1. Introduction

Small and Medium Enterprises face fierce market competition. Due to the lack of funds, technology and talents, they have higher expectations for improving the management level of enterprises, improving company performance and fully tapping the potential of each employee. In SMEs, the division of labor is not It is very meticulous, the work content of the employees is more complicated, the work variability is greater, and employee performance management improves employee performance management. At the same time, because employee performance management aims to help employees improve their performance, it is equivalent to on-the-job training for them, reducing the Traditional performance appraisal often causes the adverse effects of employee relationship tension. From the perspective of industry division of labor, performance is the responsibility of individuals. It relates to the rights and obligations of individuals in the company.

Performance management is the most important part of business management. Absolutely most enterprises have a complete set of their own performance management evaluation system. However, with the rapid development of some small and medium-sized enterprises, Chinese SMEs have gradually begun to realize that the main reason for enterprise development is the level of employee performance. Therefore, companies must establish and implement an effective performance management system that integrates their own reality in order to promote the effective operation of internal management mechanisms and the realization of management and management goals.

Through investigation and research, it is recognized that there are some deficiencies in the four aspects of performance management and related aspects of performance management in China's SMEs. The way of setting performance plans is not reasonable; lack of effective performance guidance and performance feedback; performance evaluation system is not scientific enough. There is a flaw in the performance communication method.

In particular, the lack of emphasis on strategic objectives and the lack of sufficient understanding of the importance of performance evaluation<sup>[1]</sup>. addresses the problems that SMEs have in performance management, analyzes the underlying causes, and proposes some practical improvements. In order to improve the performance management of SMEs in China, SMEs in China have achieved sustainable development.

In summary, the development of China's enterprises today is not technical or manpower. The most important issue is the company's own management philosophy, level, and technology. If an enterprise wants to become bigger and stronger and succeed, a set of sound and effective performance management system is very necessary. This is an important step that Chinese enterprises must take to succeed.

#### 2. SME Performance Management Overview

## 2.1 Definition and Characteristics of SMEs

SMEs are a relative concept. They refer to enterprises with smaller scale of production compared with large enterprises in this industry. The concept of SMEs is difficult to express clearly through simple words, usually defined by quantitative indicators and qualitative indicators. In general, the quantitative indicator is the use of one or more of the company's capital amount, sales, and employment numbers as a criterion for the classification of large, medium, and small enterprises; the qualitative indicator mainly refers to the point of view of compliance with business management. The index that can reflect the essential characteristics of the business operation [2]. For example, whether the company is independent and whether ownership and management rights are integrated. According to the regulations of many countries on the quality of small and medium-sized enterprises, branches of large companies have met the standards of small and medium-sized enterprises even though they are measured by quantitative indicators. They still do not belong to the category of small and medium-sized enterprises.

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**Table 1:** SME allocation criteria:

Industry	Number of employees	Sale	Total assets
industry	300-2000	30 million - 300 million	40 million -400 million
Construction industry	600-3000	30 million - 300 million	40 million -400 million
Wholesale industry	100-200	30 million - 300 million	
Retail industry	100-500	10 million - 150 million	
Transportation	500-3000	30 million - 300 million	
Postal industry	400-1000	30 million - 300 million	
Accommodation and catering	400-800	30 million - 150 million	

Characteristics of SMEs: Although the definition of SMEs in different countries is different, that is to say, the scope of change in the size of enterprises is inconsistent, but overall, SMEs in various countries in the country's specific geographical range, relative to large For enterprises, the scale is smaller. The common feature of SMEs in all countries of the world is the small scale of the company.

- 1) Diversification of investment subjects.
- 2) The development of SMEs is mainly concentrated in labor-intensive industries.
- 3) Low industry concentration.

### 2.2 Performance management

# 2.2.1 Connotation and Characteristics of Performance Management

Performance management is a system that combines the management of an organization with the management of employees. Performance management is a combination of organization management and employee management. It is a dynamic and complete system process. Employees are no longer passive recipients of performance evaluation, they are actively involved in the formulation of performance goals, and they meet the standards and achievements of superior performance. Ways to communicate and negotiate<sup>[3]</sup>; managers are not simply acting as police officers, but are in the process of communicating with employees to achieve corporate goals for improving performance. This win-win result has led many companies to prefer performance management. Instead of purely performance appraisal, performance management should focus not only on post-event inspections but also on plans and controls before and during events. It is a trinity system formed by pre-planning, intra-management, and postexamination.

Performance Management Features:

- a) Performance management is goal-oriented
- b) Performance management is a process of constant change and development
- c) Performance Management focuses on continuous communication
- d) People are the most important factor in performance management to enhance the employee's ownership, and to stimulate their work enthusiasm and tap their potential capabilities<sup>[4]</sup>.

#### 2.2.2 Process of Performance Management

Performance management is a complete system that includes several parts: performance planning, performance implementation, performance evaluation, performance feedback, and interviewing to apply performance results.

### 1) SME Employee Performance Plan

A performance plan is a contract concerning work goals and standards. It can be thought of as a common communication between business managers and employees, and the process of agreeing employees' work goals and corporate planning standards. Performance planning is also the beginning of performance management. In the stage, the company managers and employees mainly complete the following tasks through communication: what are the main tasks of the employees; how to measure the work (standards) of the employees; the time limit of each work; the authority of the employees achieve their goals; other related issues such as skills, knowledge, training, career development, etc.

## 2) SME Performance Implementation

After a successful performance plan has been prepared, the managers or employees of the companies themselves will start to work in accordance with the plan. During the entire performance work period, the company's management personnel will mainly supervise and guide the work of the employees and promptly identify problems and timely solve problems, and in accordance with the practice of a reasonable adjustment of the performance plan, in order to facilitate the smooth progress of performance management, and at any time to collect information as a basis for performance evaluation.

### 3. Performance evaluation of SMEs

After the end of the performance period, according to the pre-selected performance plan, the enterprise management personnel or appraisers will evaluate the employees' performance objectives. The basis for the performance appraisal is the key performance indicators that the two parties reached an agreement at the beginning of the performance period, and at the same time the performance implementation. In the management process, the data and facts that can be collected to explain the performance of employees can be used as a basis for judging whether the evaluator meets the key performance indicator requirements.

#### 4. SME Performance Feedback

The whole process of performance management is not the end of performance evaluation. Finally, the enterprise management personnel also have feedback interviews with the employees, so that employees understand the organizational expectations of their own, understand their own performance, through the performance feedback interview is to find their own The areas that need to be improved, and at the same time put forward the difficulties encountered in accomplishing their own performance goals, so as to obtain the guidance and help of the enterprise management personnel.

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# 5. Application of performance evaluation results for SME employees

The fundamental purpose of performance management is never to raise the level of performance of individual employees. The most important is to promote the improvement of their work ability and performance, promote the continuous development of employees' ability to work, continuous improvement of performance, and experience of success. Fun, so that the employees will have a higher degree of recognition of the performance management system, and at the same time, they can also eliminate subordinate employees' evasion of resistance to the performance system. Therefore, whether the appraisal results can be reasonably applied is particularly critical. Any company can't just pay attention to rewards and punishments and ignore the deeper goals.

#### **5.1 Methods of Performance Management**

## 1) Key performance indicators

The KPI method is divided into narrow sense and broad sense. The broad KPI is based on the objective management. It is a performance management method that extracts the key factors of company success and realizes layered decomposition and conduction to the basic level units to ensure that the company's strategic objectives are achieved. method. The KPI interpretation in the narrow sense is based on the establishment of KPIs for organizations and individuals, and the establishment of KPI systems on the basis of layered and quantified quantification so as to obtain an evaluation basis for individual contributions to the organization and realize the key activities and core of the organization. Direct control and measurement of effectiveness<sup>[5]</sup>.

### 2) Balanced Scorecard

The implementation process of the Balanced Scorecard can be divided into the following steps: 1) First determine the organization's macro-strategic goals. 2) Set up a special team, select the right personnel to enter the group. 3) Make the staff of each line, especially the first-line workshop staff, understand the organization. The strategic planning objectives can be achieved through a variety of methods, such as internal corporate education, training, etc.. 4) Establish internal processes, customers, learning and development, and financial systems with the company's strategic goals. 5) Analyze and process data: Find and Information sources related to each index system 6) Decomposing indicators step-by-step: Formulating suitable

index systems, and formulating index systems should pay attention to their own actual situation 7) Implementing balanced scorecards, continuous tracking, monitoring, and feedback 8) Reward and punishment mechanisms The rewards and penalties should be based on performance results. 9) Performance results Performance indicators and organizational strategic objectives are adjusted based on a wide range of employee opinions.

#### 3) Target management method

Goal management is the strategy that the company first proposes within a certain period of time, and then the employees at all levels determine their goals according to the overall goals and their own actual conditions, and strive to achieve their goals. The goal management is a process. In this process, the employees at the upper and lower levels of the organization negotiate together, and based on the strategic goals of the organization, formulate the overall goals of the organization within a certain period of time. Based on this, the mini-targets of departments and employees at all levels are determined and used as the individual performance of each department and employee. Output standards for organizational performance examination<sup>[6]</sup>. The target management method has been developed for several decades. Its theoretical focus is on correcting deviations in traditional performance management over many years. It truly separates performance appraisal from performance management and truly turns orders into trust.

#### 4) 360 degree feedback method

The 360-degree feedback method is also called multi-source feedback or omni-directional feedback. It refers to people who have various close relationships with the person to be assessed, including the customer to be assessed, supervisors, subordinates, colleagues, and their performance. The conduct of objective and fair feedback evaluation is mainly to help the examinee to find out insufficiency in time and strive to improve and improve performance<sup>[7]</sup>.

# 6. The status quo of the performance management of SMEs and the main problems

## 6.1 Status Quo of SME Performance Management

In order to better understand the status quo of SMEs, I randomly conducted a review of several SMEs in Linyi City.

#### (1) The degree of emphasis on strategic goals.

**Table 2:** Unit's short-term business objectives and long-term development strategy

		Extremely ignorant	Do not understand	General	To understanding	Know well	Total
	manager	4	20	14	10	1	49
	Marketing staff	1	23	3	5	0	32
Th	Developer	6	43	12	11	3	75
The nature of the job	customer service	8	6	7	1	0	22
the job	Financial officer	1	11	7	4	0	23
	Production staff	7	25	0	9	0	41
	Other people	0	34	14	5	0	53
	Total	27	162	57	45	4	2

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From the above table, it is not difficult to see that as a company's management personnel, there are a large number of people who do not know the company's short-term business objectives and long-term strategy. Among the 0.49 managers, 24 are 49% of managers who do not understand the short-term of the company. Business goals and long-term development strategies, and in the general understanding of the state, there are 14 to 28.6%, only 11 in

understanding and well-understanding state, only 22.4%. The managers who are the pilots and the helm do not understand the goals and strategies and need not mention other employees. In this case, the level of performance will not be satisfactory.

### 2) Performance Plan Settings.

**Table 3:** How is your performance plan set?

		Set by the staff	The standard is set by the supervisor	Negotiated by	The objectives of the unit and the department's annual work goals are used to set work goals, and the department subjectively consults with employees to formulate work goals	other	Total
	manager	3	24	2	18	1	48
	Marketing staff	1	18	1	7	0	27
Th	Developer	3	39	10	22	1	75
The nature of the job	customer service	1	17	0	4	0	22
life job	Financial officer	3	16	1	2	0	22
	Production staff	2	23	0	8	3	36
	Other people	3	29	3	12	2	49
To	otal	16	166	17	73	7	279

Through the employees' efforts and the assistance and guidance of the superiors, the performance plan is finally achieved. In order to ensure the achievement of the performance plan, the entire process of setting the performance plan should encourage the participation of employees, so as to help mobilize the enthusiasm of the employees and meet their employees' respect needs. From the table, it is not difficult to find that the performance plan is designated by the supervisor, and the employee can only passively accept 59.5% of the supervisors who have no room for negotiation with the superior. Only 26.2% of the surveyed respondents set individual work goals based on the annual work goals of the unit and department, and the department manager then consulted with them to obtain a performance plan. In the process of setting the performance plan, employee participation is very low.

### 3) Performance appraisal results application:

Employee bonuses are distributed according to the employee's performance appraisal results. Employees with unsatisfactory performance appraisal must participate in the company's relevant post-skills company system training, etc. Employees who do not participate in training or training exams are still unqualified will be given disciplinary action at the end of each year. The result of performance appraisal is the main reference for determining the promotion of employees.

#### 4) The age distribution of the surveyed companies:

**Table 4:** The age distribution of the surveyed company

Business age	Number of companies		
Less than5	4		
5 to 10	6		
10 to 20	4		
20 or more	15		

## 5) Education status of the company leader:

**Table 5:** Leadership status

Education	percentage		
Secondary school	37%		
College	34%		
Undergraduate	25%		
Doctor and above	4%		

Most SMEs in China regard employees only as a cost, not as a resource. To maximize the use of employees' existing capabilities and not to invest in employees, to maximize the wage costs to maximize profits. Among the surveyed samples, only 27.4% of employees surveyed did not care about whether or not your ability improved, and 39.4% did not attach importance to the improvement of employees' ability. The cumulative percentage of the two was 66.8%. In China, employees are regarded as economic people, not social people. It is also another characteristic of the management philosophy of SMEs in China. Therefore, due to the backwardness of management concepts, there are many problems in the entire process of performance management. Insufficient attention to strategic goals, such as lack of scientific performance evaluation system, lack of performance communication methods.

# **6.2** Problems in Performance Management of SMEs

# **6.2.1 SME managers have misunderstood performance management**

Most of the staff of the SMEs, especially the senior management, lack proper understanding of performance management and cannot deeply understand the importance and connotation of performance management, and simply equate performance assessment with performance management. Performance appraisal is to assess the actual work and output of employees through a series of systems, using specific indicators and standards, to evaluate the actual completion of employees under a set of strategic objectives. Performance management is the process of establishing a performance management system to motivate

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the entire SME organization to achieve the expected working results based on the communication with various departments to form the expected work results<sup>[8]</sup>. These are two different concepts. Performance appraisal is only a part of performance management. It is an inclusive relationship rather than an equivalence relationship. However, in the actual implementation process, the results of the assessment of individual employee performance often determine their compensation and benefits, which leads to erroneously equating the two, thus ignoring the true significance of performance management.

# **6.2.2** The performance assessment is inconsistent with the corporate strategy

Performance management is a series of processes that SMEs decompose and complete according to strategic objectives. However, some SMEs do not break down the strategic objectives of the company from top to bottom, but blindly and casually proceed according to the current work situation. The application of the above declaration resulted in inconsistency between the performance objectives and the company's strategic objectives. The lack of performance management in the formulation and implementation process of employees' active participation in performance management aims to decompose the SME strategy step by step, and to plan each The work tasks of the employees enabled them to fully realize their potential and complete the work goals, thus ensuring the achievement of the business goals<sup>[9]</sup>.

# **6.2.3 Injustice and Irrationality of Performance** Evaluation

The unfairness of performance appraisal also lies in the fact that the process and result of performance appraisal are influenced by the appraiser's subjective intention to varying degrees, and their appraisal behavior is often interfered by psychological factors. Such as: Halo effects, stereotypes, like my effect, etc., will result in biased assessment results. In many SMEs, employees are not satisfied with the performance management system. The industry has great restrictions on the participation of ordinary employees in establishing a scientific performance appraisal system. Many employees report that they do not understand the company's assessment process, assessment indicators, and Assessment criteria. At the same time, some SME leaders unilaterally set performance targets, and employees have very few opportunities to participate in performance target development. As a result, the determination of performance targets also lacks recognition and rationality, which in turn leads to employees' lack of enthusiasm for performance evaluation activities.

# 6.2.4 Lack of performance coaching and performance feedback

Performance management is different from performance evaluation. An important aspect is that it introduces a two-way communication mechanism that enables timely feedback on evaluation results. However, in some small and medium-sized enterprises, managers only notify employees of their scores and rankings. The specific calculation process and even key assessment items are not known to the employees. This has led to a significant increase in the opportunities for black-box performance

evaluation. For employees who are identified as unqualified, they do not know how to improve their performance in the future, so it is difficult to correct their own mistakes and the performance goals are difficult to achieve.

# 6.2.5 SMEs formulate performance methods are not scientific

The performance evaluation standards for SMEs are too vague, which are characterized by lack of standards, standard deviations. and difficulties in accurate quantification. They evaluate the evaluated people by using criteria that are incomplete or related standards, and can easily cause incomplete, non-objective and fair judgments. Vague performance evaluation standards make it difficult for the appraisers to be convinced of the evaluation results. Many SMEs, especially some high-tech enterprises, have designed evaluation indicators for engineering design, scientific research and development personnel, marketing sales and after-sales service personnel, and management personnel. There are major problems. Their work enthusiasm is difficult to maintain and improve. The competitive environment for the survival of the fittest cannot be formed, and the mobility of talents is relatively large.

# 7. The SME Performance Management Countermeasures

#### 7.1 Correct understanding of performance management

First, correctly understand the performance management of SMEs. Performance management is not the same as performance assessment. Performance assessment is not the whole content of performance management. Performance management is a closed loop management process, and its most fundamental purpose is to continuously improve the organization's performance so that the employees' capabilities and the company's core competitiveness can be continuously enhanced, and the common development of SMEs and employees can be achieved. Second, establish the awareness of joint participation in performance management. Performance management is a system management process that requires the participation of all SMEs. In this process, human resources departments only play an organizational and coordination role in performance management, and managers at all levels are the protagonists of performance management [10]. Therefore, we should begin with the culture construction of SMEs, obtain the strong support and participation of the company's decisionmaking level, strengthen the company's execution force, change the thinking and prejudice of the SME employees on the performance management tradition, and recognize the importance and benefits of performance assessment. To actively participate in performance management.

## 7.2 Improvements in Performance Targeting Methods

(1) SMEs should decompose strategic objectives when formulating  $\mathsf{plans}^{[11]}$ 

The performance targets of various departments in SMEs are set by various department managers, and then submitted to the company's general manager for confirmation. It can

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be seen that there will be a lack of unified plans and adjustments. This approach is linked to both the strategic objectives and the performance objectives. Unfavorable, to determine the objectives of the department and the staff, first determine the overall strategic objectives and plans of the organization, determine the work objectives of each department according to the overall strategic objectives of the SMEs, and then determine the work objectives of employees within the department, and thus determine the performance The goals and strategic objectives will be more closely matched, laying a good foundation for the realization of the overall strategy of SMEs, and employees' work goals can be guided by the strategic goals and serve the overall goals of the company.

(2) The process of employee participation in setting goals The strategic objectives of SMEs must be fully understood by employees. At the same time, employees should be fully aware of their own personal goals in order to achieve better. Therefore, SMEs should not only vigorously publicize their overall strategic goals, but should also actively The employees' opinions and opinions are solicited that all employees and managers work together to set work goals so that the employees have full recognition of their personal goals from the beginning.

## 7.3 Performance Improvements

- (1) SMEs should improve the performance communication mechanism. First of all, we should improve the performance incentive measures for SMEs and implement the incentive system that integrates material and spiritual, immediate and long-term, stability and dynamics to meet different needs. Second, SMEs' interview feedback should focus on improving staff capabilities. The purpose of performance management is to continuously improve the capabilities of employees, help analyze, confirm and display the strengths and weaknesses of employees, clarify the needs of staff development and training, and set down the next stage goals for them to enable them to realize the performance management of their own capabilities. The promotion effect.
- (2) Interviews with employees' performance after SME performance appraisal. In many SMEs, interviews after appraisal have not received due attention. In fact, postassessment interviews are indispensable in the performance management system. In one aspect, after full and effective communication between managers and employees, they can eliminate estrangement from each other to form a consensus on the results of the assessment, and at the same time, prepare well for the work in the next performance cycle. After the interview is conducted, it is possible to point out problems in the work of the employees, determine the methods for improvement, and then improve the performance of the employees, set relevant work procedures, and prepare performance interview forms. The Ministry of Personnel must establish a performance interview form and determine all relevant work processes. To enable managers to have a systematic and systematic to performance interviews, performance interviews must be conducted between subordinates and subordinates. Each manager is responsible for direct

reporting. Performance interviews should include preparation before the interview, implementation of the interview process, and interviews after the interview. Summarize these three links<sup>[12]</sup>.

## (3) SME Performance Interview Training

In order to allow managers to better conduct performance interviews, the SME Ministry of Personnel needs to provide training for managers on the purpose of interviews, interview procedures, etc. to make managers aware that performance interviews must achieve the following objectives: First, small and medium-sized The upper and lower levels of the enterprise must agree on the results of the assessment. Second, managers should be praised for their achievement and promotion during the performance period and form a certain incentive. Third, managers are obliged to specify the deficiencies of subordinate employees, help them to better analyze, and then work together to design work improvement measures for the next performance evaluation period. Fourth, managers and subordinates jointly formulate performance targets and assessment criteria for the next performance period, laying a solid foundation for future work. In addition, the Ministry of Personnel for SMEs should also explain to all department managers the necessary contents and links for performance interviews, so that managers can clearly understand what to

#### (4) Executive supervision of SMEs

After relevant training, managers can start performance interviews. In order to ensure the effectiveness of the interviews, the quality of the interviews can be controlled. The Ministry of Personnel of the SMEs can monitor the implementation process of performance interviews through a series of means such as viewing performance interviews.

#### (5) SMEs should accept the appeal

After the performance interview, if the subordinate employees are not satisfied with the results of their performance evaluation, SMEs are obliged to provide a platform for complaints. Subordinate employees are allowed to appeal to the highest responsible person in the department or to the managers of the personnel department.

### 7.4 Improvement of Performance Feedback

Establishing effective performance communication and feedback mechanism Feedback and communication are important links after performance appraisal. Feedback information can further help comprehension assessment. Communication runs through the entire process of performance management. Communication, assessment, feedback and communication are closed loops. Any one of them is incomplete. A sound performance feedback mechanism should have a complete set of procedures such as communication, feedback, and appeal, so as to facilitate the appraisers and appraisers to reach a consensus on the assessment conclusion, promote work, performance, and provide feedback through performance. The communication mechanism allows employees to understand their own assessment results, existing problems in their work, and constructive comments from reviewers, so as to find directions and measures to improve

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performance, improve their own work performance and corporate performance, and promote the improvement of their sense of responsibility.

#### 7.5 Improvement of Performance Assessment Indicators

### (1) Set targeted assessment indicators

When formulating assessment indicators, they all hope that a set of assessment systems can reflect the situation in all aspects. In fact, the indicators should be formulated based on the overall goals of the operation of SMEs. It should not be all-embracing, but should highlight the focus of assessment on SMEs. At different stages of development, the overall business objectives are certainly not the same, so the assessment goals should also follow changes.

- (2) SMEs set assessment indicators that guide behaviors. Formulating assessment indicators should not only focus on what employees have done, but also on how employees do it. If an organization overvalues results and lacks employee behavior Assessing can easily cause blindness. Seriously, it is highly likely that unsuccessful attempts will be made to achieve assessment goals. Therefore, assessment indicators should be goal-oriented and behavior-oriented. Assessment indicators can not only determine individual work goals of employees, but also guide them. The way it behaves.
- (3) SMEs need to adopt a definitive evaluation of the evaluation indicators that are difficult to quantify in order to set evaluation criteria for evaluation. This is targeted and can better achieve the role of performance-based evaluation guides. And quantitative evaluation scale is complicated.

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