Performance Management in Small and Medium Size Enterprises in China

Name: Lu Zhao

Email: lz62@kent.ac.uk

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Abstract

The recent development and issues of small and medium size enterprises (SMEs) attract increasing attention from many researchers. However, the existing literature mainly focus on general management issues of SMEs, such as human resource and marketing etc.. There is little study conducted from the perspective of performance management for SMEs. Thus in this thesis, we focus on performance management in SMEs in China, and try to explore the possible effective performance management models for them.

We firstly review the key issues commonly discussed in the existing SME studies. Based on the literature, we identify several main issues that are related to performance management of SMEs. We also notice that effective performance management models are often closely related to organizational structure. Thus we carry out reviews of organizational structure theories, especially Minzberg's configuration theory. Adjustments and refinements of the performance management six steps are carry out with the help of literature reviews of SME issues and Minzberg's configuration theory. After that, a further focused exploratory research is carried out. A questionnaire is designed and distributed in an industrial-based area of China, 300 local SMEs were participated in the survey. The questionnaire is mainly designed to investigate the actual performance management practice of SMEs as well as their current issues. Both qualitative and quantitative data is collected and analyzed. The analysis result shows that performance management practices in fast-growing SMEs are largely consistent with our adjusted performance management six steps. Meanwhile, we also identify some emerging issues in many sample SMEs through open questions of the questionnaire. After further discussions with some SME executives, we found that the management issues of '90s employees' are quiet severe in local SMEs, and traditional performance management approaches failed to deal with these issues. However, some new management approaches are reported to be helpful to improve the situation but not yet been studied academically. Thus we carry out a follow up study in order to explore the new approaches and try to explain the mechanism by leader member exchange

theory. A semi-structured interview is designed and carried out in a local SME which adopted the new management approaches. The result provides some evidence for the proposed mechanism, which could be helpful for further studies.

Keywords: Performance management, Small and medium size enterprises, Organization structure, Leader-member exchange.

Introduction

Research background and research questions

The concepts of Small and Medium Size Enterprises (SMEs) arose from practices in western countries and gradually attracted more and more attention of researchers especially from management perspective. There exist lots of literature and research about management in SMEs, most of which deal with human resource, entrepreneurship, marketing and financial aspects. However there are only limited studies conducted from a perspective of performance management for SMEs. For example, Mel Hudson, Andi Smart and Mike Bourne (2001) considers the adjustments of overall performance measurement system design and implement persedures for SMEs. Dr. Mark Gilman' study (2012) examines performance and growth of UK SMEs and provides possible avenues for performance improvement. In fact, performance management research has mostly focused on large companies or entire industry, although increasing attention has been paid to performance management in SMEs.

In China, SMEs account for more than 95% of total enterprises, among them 89.9% are in the service and manufacture sector (among them 46.1% are small and medium manufactories) (All-China Federation of Industry and Commerce, 2012). Therefore the performance of SMEs is closely related to welfare of most people in the society. SMEs are playing a key role in Chinese economy (Jie 2013, Zeng and Zhan 2010): the Chinese president Xi has emphasized the importance of SMEs many times in different economic conferences. This indicates SMEs will be the focus of future development of Chinese domestic economy.

However, there are many problems in Chinese SMEs management, especially in SMEs performance management as to be seen later in the full literature review. Some western literature has studied performance management issues in SMEs, but there is very limited literature about performance management in Chinese SMEs (Zhang 2009). Moreover, due to the different SME definitions in the western countries and China, most of the research findings in western literature may not be applicable to China directly. Furthermore in China, even though there is an increasing amount of research about

SME, the studies that focus on performance management in SMEs are rare (Zhang 2009).

Meanwhile, there are some pressing issues emerging in Chinese manufacturing SMEs, which have not been studied academically before. For example there are many articles written by practitioners (also some researchers) in some companies, complaining that the management of young staffs by any of the classical approaches is becoming very hard especially in the manufacturing sector (An and Zhang 2009, Wang 2013). In practice, some new approaches are reported to be effective in improving SME performance and solving these issues in SMEs without academic explanations. Therefore my research is going to examine some of the key issues and the new approaches from a theoretical perspective. We hope that this thesis will shed light on the following questions:

What are the key issues in Chinese SMEs' performance management? Do the issues mentioned in the western literatures also exist in Chinese SMEs? Are there any unique issues in Chinese SMEs?

What adjustment and improvement should be carried out in order to apply the classical PM framework in Chinese SMEs Effectively? For example, how should the well-known steps in performance management be adjusted, and how should we deal with the current young staff management issue?

What are the mechanism and rationales for the emerging approaches in Chinese SME performance management?

In this thesis, we try to answer the above questions for Chinese SMEs (mainly the small and medium manufacturers). The research objectives of my thesis are firstly we carry out some exploratory research to find out the issues of Chinese SMEs. Secondly based on well-accepted performance management framework, we adjust and enrich the framework by cooperating organizational structure characteristics. The adjusted framework should be able to provide guidance for SMEs performance practices. Thirdly by collecting empirical data of performance management data in Chinese SMEs, we provide a full picture of the current PM practices of Chinese SMEs, as well as some emerging approaches. In the end, we carry out an explanatory research, in which we try to analyze these emerging approaches and explain their mechanism by applying leader member exchange.

Research route map

In this thesis, our research object is effective PM models of Chinese SMEs. Currently the academia does not have a clear picture of PM issues and practices of Chinese SMEs (Cao 2008). Therefore we firstly carry out an initial exploratory research. The main research method is literature review. Management issues of SMEs that may related to performance management are summarized and categorized from the literature.

Based on the literature review, we try to identify the main issues of PM for SMEs (especially in China) in terms of six steps of PM and explore the possible effective approaches to handle them for Chinese SMEs. Due to the limit of time and resource, some research approaches, such as large sample of observations and case studies, are infeasible in our research. Through the literature review and our experiences, we noticed that effective PM models are often closely related to organizational structure (Lawrence and Mohr 1971). Therefore we use some organizational theory, in particular Mintzberg's organization theory (1979), and logical deduction to explore feasible models for Chinese SMEs. Here we adopt Mintzberg's theory (1979) because it deals with both internal and external system of organizations, and its theoretical structure is consistent with main steps of modern performance management. In this research, we follow the widely used performance management steps (Liu 2010) to carry out the exploratory research. Focusing on the issues summarized from literature review and performance six steps, we use Mintzberg's organization theory and logical deduction to adjust them for machine bureaucracy organizations (as many Chinese SMEs in the manufacturing industry are machine bureaucracy organizations). In this stage of exploratory research, there are too many uncertainties and possibilities. It is not feasible for me to carry out large number of observations in this thesis. Therefore we apply logical deduction to discuss possible effective PM steps based on the widely used six steps framework.

Combined with the above study, we carry out further focused exploratory research by questionnaires in order to explore the effective model of PM in Chinese SMEs. Here we use questionnaires to collect data because in questionnaires, large amounts of information can be collected from a large number of SMEs in a short period of time and in a relatively cost effective way. The results of the questionnaires are usually standardized and therefore they can usually be quickly and easily quantified in order to analysis or compare. In this research stage we need to explore the current performance

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management practice in Chinese SMEs. Therefore questionnaire is the most suitable method to get access to this information in large number of SMEs. The overall framework and basic principles of this questionnaire are in accordance with the classical performance management main steps which are the cycle of six main steps to develop a performance management system. As summarized in Chapter one, the six steps are: strategy formulation and review, strategy decomposition, strategy deployment, generating and selecting KPIs, performance plan and assessment and feedback. In the questionnaire, we principally follow the order of these six steps to design the related questions. The questionnaire lists some of the existing approaches suggested by the literatures and the feasible models we developed in previous stage, which the managers of SMEs can choose from. Consequently we can see which approach is more widely used and effective. In the questionnaire, we also have some open end questions to record any different ideas to deal with the problems based on personal experience and practice. Through the open end questions and follow up informal discussions with some SME executives, some new approaches (employee development programme) are reported to be much effective when dealing with the emerging issues and the mechanism of these approaches have not been studied academically using Leader-Member exchange theory. Thus we try to explain the mechanism of the new approaches using leader-member exchange theory. We then carry out further exploratory research using semi-structured interviews to collect evidence for the proposed mechanism.

Chapter map

This research consists of nine chapters. The first chapter reviews the definition of performance and performance management and some useful framework and tools in performance management.

Chapter two presents a literature review of SMEs. This chapter reviews the definitions of SMEs in western and Chinese literature. The performance management issues in western and Chinese SMEs are classified and summarized from the literature.

Chapter three focuses on reviews of leader-member exchange theories as the enablers for performance management and they will be used to explain some emerging issues and performance management approaches of Chinese SMEs.

Chapter four reviews various organizational theories, mainly Mintzberg's organization theory.

Chapter five examines and adjusts the performance management six steps in a low specialization and low variability organization (LL machine bureaucracy organization) based on the development of Mintzberg's theory.

Chapter six explains the methodology of this thesis. Firstly the research paradigm of this thesis is discussed. Secondly the research designs and research methods are described. Then detailed information about the design, contents and data collection of questionnaires are presented.

Chapter seven shows the results and analysis of the questionnaire. Frequency and cross-tab analysis are adopted to show the result of the questionnaires.

Chapter eight firstly introduces the employee development program that has been adopted in some Chinese SMEs. Then the mechanism of this program is explained using leader-member exchange theory. In this chapter we conduct interviews in some of the samples that have adopted the new program in order to collect evidence for the proposed mechanism.

Chapter nine includes the conclusion and research findings, research limitations of this thesis as well as the future research.

Chapter One: Performance Management

From the introduction we can see that the research object is the effective performance management models in Chinese SMEs. At the primary stage of this research, we should know what performance and performance management is. In this chapter, we will research the definitions of performance and performance management, and then we will carry out a review of frequently used PM framework and tools.

1.1 Performance

Companies in the contemporary world face more and more intense competition from all sides. This environment forces companies to seek internal solutions as well as external help to deal with the fierce competition (Zhang 2012). One internal solution in management is to work on performance management methods in order to improve the effectiveness and efficiency. In the academic world, a lot of the research has developed new theories for performance management without clearly defining the meaning of performance and performance management. In fact, the academic discussions about performance are still immature (Thorpe and Beasley 2004). Researchers have not been able to reach a consensus about the definition of performance after years of discussions. According to Qi (2010), the current definition of performance is divided into the following categories: 1) work results, work completion and contribution (Rogers 1990, Bernadin 1995, Faulk 2002 and Andre 2003); 2) actions with purposes (Baldvinsdottir 2003, Campbell 1990, Lebas 1995, Ermolayev and Matzke 2007); and 3) processes, results and effects (Otley 1999 and Mwita 2000). At the early stage, performance was defined as the record of outcomes, since these work results closely related to the strategic objectives, customer satisfaction and economic contribution (Bernadin 1995, Roggers 1994). Later, in 2007, Ermolayev and Matzke gave the definition of performance as achievements relative to set targets (Ermolayev and Matzke 2007). From these definitions, we can see that the results-oriented definitions describe performance in relation to the results generated, and it is the record of people's work outcomes. With a growing number of studies focusing on performance management, the opinion that performance is the work outcomes, the objectives achieved and the production has been challenged. Some researchers propose the definition that

performance is the actions. The supporters of the action-oriented definition argue that many work outcomes are not generated by individuals. They can be affected by other non-work-related factors (Cardy and Dobbins 1994, Murphy and Cleveland 1995). Some also argue that not all the actions of employees contribute to work outcomes (Cleveland and Murphy 1989). The excessive focus on work outcomes may lead to important processes being overlooked. The lack of control over processes may lead to unreliability of the work results, and the over emphasis on results may also mislead employees (Niu and Li 2005). Campbell (1990) thinks that performance is a synonym for action. Performance is the expression of people's actions and can be observed (Campbell 1993). Ermolayev and Matzke (2007) think that performance is actions with purpose. This definition sees actions with purpose as the process that generates the outcomes. Some researchers have a more integrated view on performance. Otley (1999) proposes that performance is work actions and the results that are obtained. Fisher (1997) argues that performance is the future impacts of the actions and achievements. In summary of some of the definitions, Mwita (2000) proposes a more comprehensive definition that performance includes the actions, achievements and effects. In this thesis, the adopted definition is a summary and further clarification of the previous definitions. This definition is proposed by Liu (2010). He defines organizational performance as "the accomplishments related to the organizational objectives, the action of implementation, and the future internal and external impact due to the accomplishments and actions for a fixed period of time."

1.2 Performance management

There are various definitions of performance management across many different subjects. However, there is no widely accepted definition among researchers due to the complicated and interdisciplinary nature of performance management (Wang 2015). Based on the needs of this research, several definitions are discussed here to shed light on the various connotations of performance management. In general, there are two different styles of definitions. Firstly, the definition is a comprehensive description for performance management and the other style is an enumeration of the performance management work (Qi 2010). Performance management also has different levels and a hierarchical structure (Liu 2010). Daniels (1989) proposes that performance management is an employee management model that is systematic and data-driven, and that optimizes performances based on positive encouragements in private companies.

Daniels' (1989) definition focuses on data and the importance of performance measurement information. Some definitions emphasise that the performance management process is the process of management organizational performance based on the organization's objectives and strategies (Bititci, Carrie and McDevitt 1997). This definition highlights more details about performance management, such as that the PM processes should be aligned with the organization's objectives and strategies. McNamara (2000) defines performance management as activities to ensure that goals are consistently being met in an effective and efficient manner. McNamara (2000) also points out that performance management can focus on different levels, such as organizational level, departmental level, production and service process level, and individual level. This definition reveals the hierarchy in performance management. On the micro level, many researchers are trying to distinguish and explore the boundaries and differences between management and performance management. It is very important for building and improving a performance management system in an organization (Qi 2010). Pollitt (1999) thinks that there are four main jobs in performance management: set objectives, job allocation, performance measurement and PM information feedback to decision makers. There are many similar definitions, such as Lebas (1995), Mwita (2000), Davies, (1999), McNamara (2013), etc. The key works listed include setting objectives, aligning strategies and objectives with operations and customers, employee training, setting performance goals, performance measurement, motivating and rewarding the employees, information flow, communication and feedback, etc.(Ferreira and Otley 2009, Smith and Goddard 2002, Armstrong 2006, Cokins 2004) Even though the key jobs of performance management are detailed and involve every aspect of organization management, there is no structured and systematic framework that can guide the performance management process. In summarising the researches mentioned, a general performance management framework is proposed with six steps: strategy formulation and review, strategy decomposition, strategy deployment, generating and selecting KPIs, performance plan and assessment and feedback (Liu, 2010).
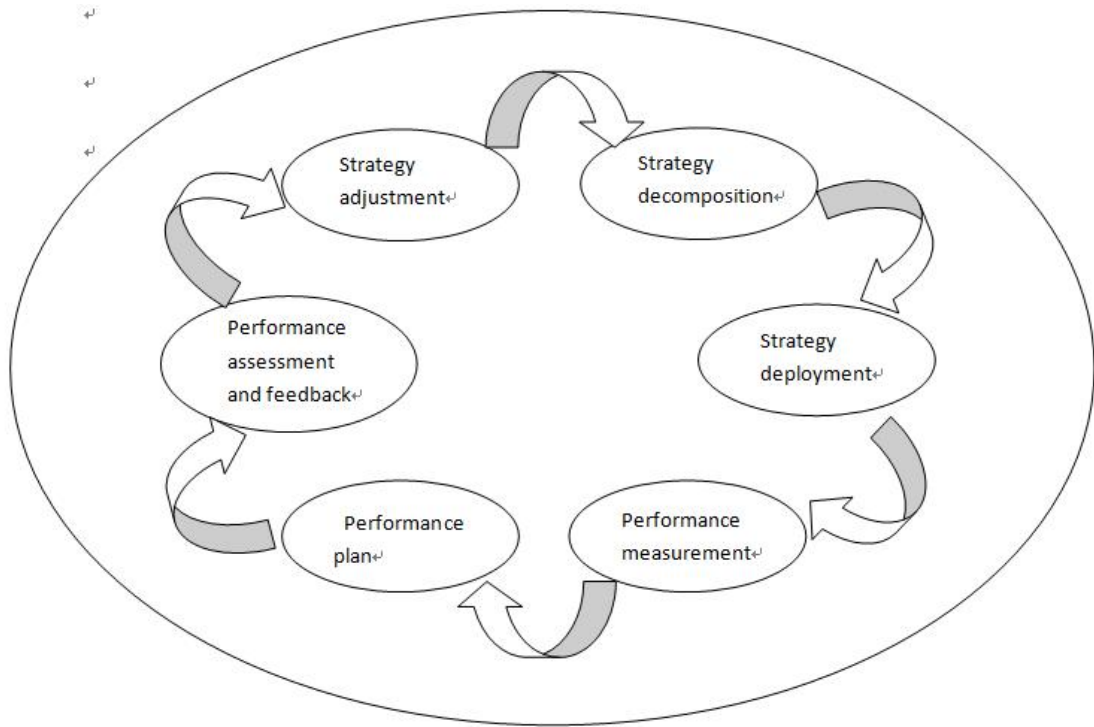
Figure 1.1 Performance management six steps

In more detail, performance management consists of the following works (Liu, 2010; Wei, 2010): First, strategy formulation and review. This assists the strategy setting process by understanding the organization's missions, culture, environment and vision. In this process, the stakeholders' interests are balanced. Second, after gaining a full understanding of the operation's processes and management structure, decompose the organizational strategy into operations and management. Third, deploy the strategies into each level of the organization. Fourth, performance measurement of all levels are generated and selected to accompany the strategy deployment processes. Fifth, performance plans are carried out for each level. In this step, the performance plans are based on the organization's objectives and employee capabilities and experience. Sixth, performance assessment is carried out based on the performance plan and KPIs and feedback information is provided from all levels of the company. Based on coordination of these activities, the overall strategy and objectives can be achieved (Liu 2010, Wang 2015).

In this thesis, the main performance management approach used is the performance six steps. These steps are not fixed and, in different types of organizations, these steps will be carried out in different ways and by different groups of people. Therefore Xue (2014) believes that there are various forms of PM in different organizations. We should be

fully aware that performance management actions can vary greatly in different types of organizations. The forms and structures of PM need to adapt to the characteristics of different types of organizations. It also needs to consider other management aspects in an organization, e.g. operational management and HR management (Xue, Meng and Liu 2014).

1.3 Widely-used PM tools and models

In the following section, we will review some of the most widely-used PM models (EFQM and balanced scorecard) and the performance tool soft system methodology.

1.3.1 The EFQM Excellence Model

There is a type of performance management model aims to connect management and operation factors with performance management. The most well-known model was proposed by the European Foundation for Quality Management (EFQM) in 1988 with the help of the presidents of European companies. The EFQM Excellence Model is a self-explanatory and useful tool for organizations to assess their performance and to 'benchmark' to other companies (Chen 2003).

The EFQM Excellence Model is based on the practical experience of the continuous improvements and the results accomplished (Hou and Guo 2014). In summary, there are eight dominant ideas: 1) results oriented; 2) customer centred; 3) leaders and objectives; 4) process and fact management; 5) employee training and self improving; 6) innovation and improvement; 7) develop cooperation; and 8) public liability (Li 2012). In the EFQM Excellence Model, the above eight dominant ideas are transformed into nine applicable and measurable criteria and 32 sub-terms within the nine criteria. As seen in Figure 1.1, the first five criteria are the 'enablers' and the other four criteria are the 'results'. The 'enablers' criteria provide guidance for companies on daily key practices, and the 'results' criteria provide companies with suitable objectives (Wongrassamee et al. 2003). The 'enablers' criteria contain leadership, people, policy and strategy, partnerships, and resources and processes; and the 'results' criteria include people results, customer results, society results and key performance results. The arrows show the nature causation of this model, which is that the 'results' are triggered by the 'enablers', meanwhile the organization can ,make improvement to the 'enablers' by innovation and learning from feedback from the 'results' (Martín-Castilla and Rodriguez-Ruiz 2008).
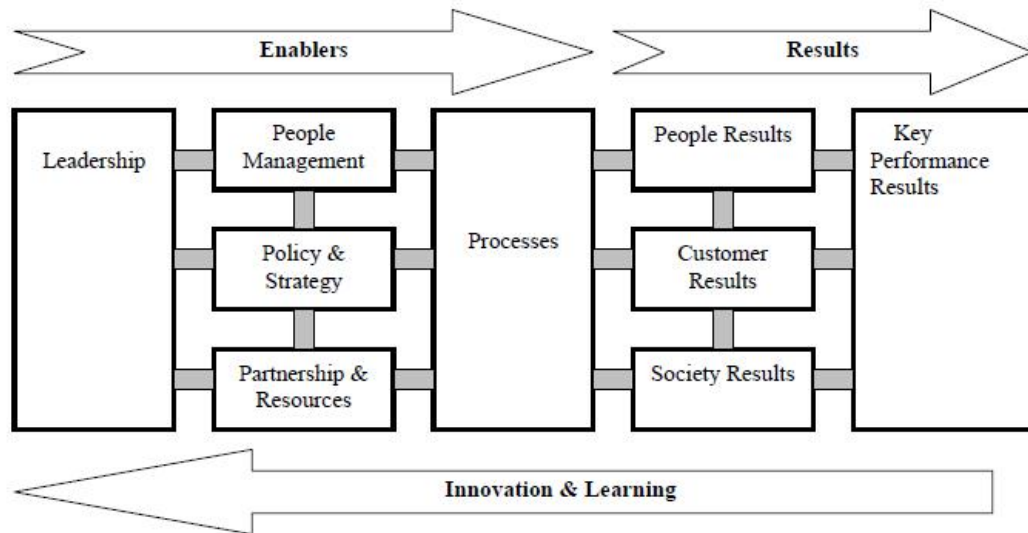
Figure 1.2 European Foundation for Quality Management model

(Source: http://www.efqm.org/the-efqm-excellence-model)

RADAR stands for Results, Approach, Deploy, Assessment and Review. The concept of RADAR is the core requirement of the EFQM model. It is the standardized scoring system for all the criteria (Arjomandi, Kestell and Grimshaw 2009). The PDCA method (plan, do, check, action) is used to analyse the RADAR (Sokovic et al. 2010).

The purposes of the EFQM model are as follows: firstly, to set the right direction for the outstanding achievements; secondly, to get guidance from other organizations' benchmarking methods; thirdly, to look for improvements; fourthly, to set a management system in the organization (Oakland 2014).

1.3.2 Malcolm Baldrige National Quality Award (BNQA) Model

The BNQA is another performance management model. It was established in the USA to reward excellent performance. The Baldrige National Quality Award is evaluated on the basis of 1,000 points, and is divided into seven main criteria as shown in Figure 1.2, below (Steeples 1993). The leadership criteria mainly represent the high level managers. The focus is on public liability and the support of key stakeholders. The strategic planning criteria are mainly about the strategy development process, the setting of short-term and long-term objectives, strategy deployment and operation plan, resource allocation, etc. (Dean and Evans 1994). The customer and market focus criteria include the understanding and targeting of the market, customers and customer satisfaction. The

workforce criteria are about employee education, training, career development and satisfaction. The process management criteria contain the design of the work processes and realization of the objectives. Last but not least, the results criteria include stakeholder satisfaction, financial and market performance, employee performance and effectiveness, and efficiency of the organization (Dean and Evans 1994).
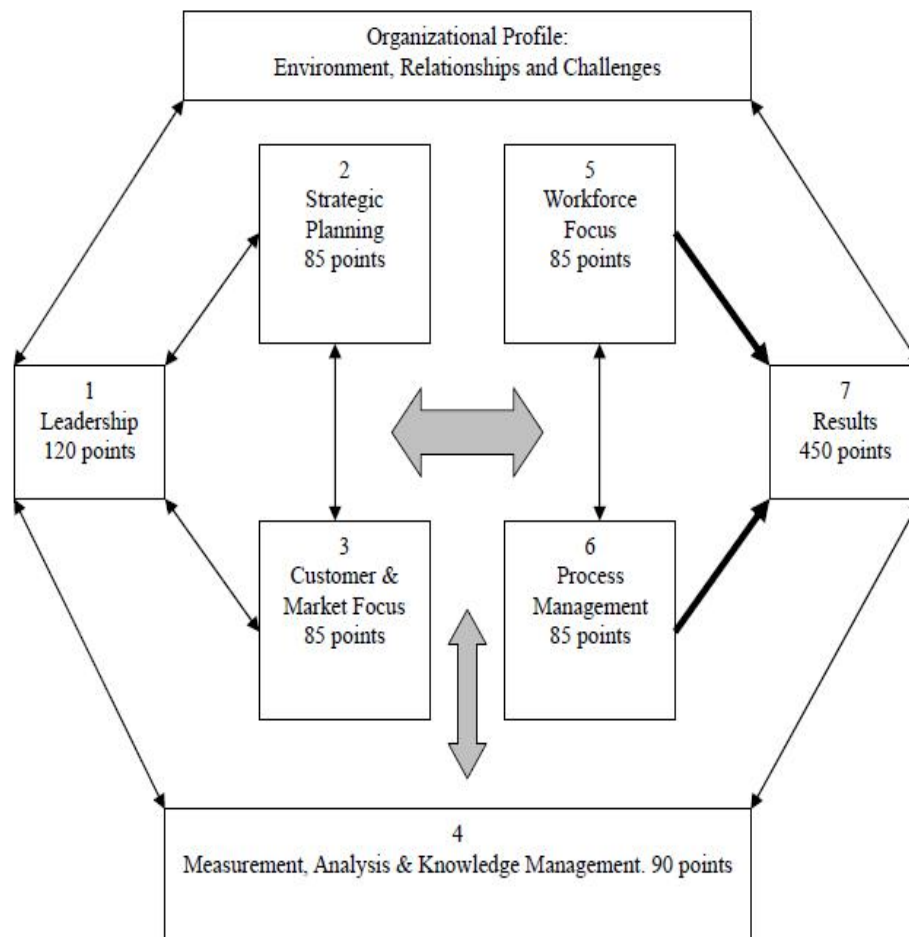
Figure 1.3 Malcolm Baldrige National Quality Award model

(Source:http://www.processgps.com/malcolm-baldrige/)

The Malcolm Baldrige Excellence Framework can be divided into three parts: the seven criteria; core values and concepts for the organization's profile; and the scoring guidelines.

As we can see, in both of these models, the 'enablers' are quite similar. In performance management, much of the literature has looked into the enablers, such as planning, policy, strategy, customer, market and process, etc., whilst some of the enablers, such as

leadership, people and workforce, have not been studied in great detail in a performance management context (Becker, Huselid and Ulrich 2001). In the later chapters, some of the enablers and their related extended theories will be discussed.

Both of the EFQM Excellence Model and the Malcolm Baldrige National Quality Award Model are designed to identify excellency in different aspects of the organization's performance management. They are both suitable to use in benchmarking with the companies that performs well. However their limitation is that the inner logic relations of criteria in these two models are not clear. Moreover these two frameworks do not provide realization path for the better performance in an organization (Ma 2003). So it lack of practical guiding significance.

1.3.3 Balance Scorecard framework

Even through the EFQM excellence model has integrated many non-financial criteria in comparison to earlier performance management models, this type of model still does not have a clear structure. There is another type of model that has a relatively clear underlining structure and logic process to facilitate the improvement of performance (Qi 2010). And among those, the most well-known one is the Balanced Scorecard (BSC). The BSC adds to the traditional performance measures criteria that measure performance in three non-financial aspects. They are: customers, internal business processes, and learning and growth (Kaplan and Norton, 1992). From the first publication of the BSC in the *Harvard Business Review* to the publication of the book *Strategy-focused Organization*, the BSC has transformed from a performance measurement system to a performance management framework that exercises an organization's strategies (Marr and Schiuma 2003). In 2004, Kaplan and Norton published a new book called *Strategy Maps*. This book explained how to visualize an organization's strategies and how to convert the intangible assets into tangible outcomes by using strategy maps (Kaplan and Norton 2004).

The first aspect in the BSC is finance. The financial aspect includes indicators like revenue increase, cost efficiency, production efficiency, strategic investment indicators, etc. The design of the BSC does not downgrade the importance of financial indicators. On the contrary, it is the direct representation of the interests of the stakeholders, and is on the top level of the BSC. Kaplan and Norton (1992) claim that the first perspective should be financial indicators, since the overall performance management could be

reflected and further improved by a good financial measurement system. However, the casual connection of first and second perspectives is not very clear. The second aspect is the customer. Companies should make their products or services attractive to the customers in order to achieve a good financial performance. Therefore, the starting point of the organization's operation should be the customers. The indicators in customer aspect are market share, customer satisfaction, customer turnover, etc. The customer aspect is the connection between an organization's performance and its external environment (Kaplan and Norton, 1992).

The third aspect is the internal business processes. The internal business processes should focus on the core competitiveness of the organization (Xu 2011). The business processes includes production and operation processes, after-sale service processes and innovation processes. The indicators in the business process aspect are inventory turnover, production and service quality, customer response time, new product development time, etc. The BSC links the organization's learning and growing, customer satisfaction and financial objectives together using the internal business process. The BSC gives managers a comprehensive view of the condition of business operations, internal operational efficiency and whether the products and services meet customers' needs. Different industries have different internal business processes. Therefore, an investigation and analysis of the organization's internal processes needs to be carried out before setting operational performance objectives and indicators.

The fourth aspect is learning and growth. The guidance the BSC model provides for organizations is not limited to the traditional investments in hardware and equipment. It also focuses on investment in employees' learning and growth (Kaplan and Norton 1992). In order to improve employees' satisfaction, decrease employee turnover and improve the efficiency of employee production, the keys of the learning and growth aspect are the core skills and specialization of the employees, motivation, authorization, organizational culture and atmosphere, etc (Qi 2010). The indicators of the learning and growth aspect pay attention to the long-term development capability of the organization.

The intention of the BSC is to let the managers see an overall picture and the inter-relationships of different aspects. Each indicator in the BSC is part of a series of causal relationships. Each indicator is both the result and the enabler. Through these indicators, the objectives of each processes and departments are linked with the organization's strategies. It also coordinates the short-term benefits and long-term gains (Kaplan and

Norton, 2000). For example: the skills and employee qualities determine the product quality and sales performance; then the product quality and service quality determine the customer's satisfaction level and loyalty; then the customer satisfaction and loyalty determine the financial performance and the market share. In other words, in order to improve the organization's performance, the product and service must win the trust of the customers; in order to gain the trust, a satisfactory product or service must be provided. Therefore, some necessary improvements of the production processes are carried out, and then this also requires proper training of the employees and the development of new information systems.

Figure 1.4 Balanced Scorecard model

(Source: Adapted from Kaplan & Norton. 1996. The balanced Scorecard. Harvard Business School Press.)

There are numerous applications of the BSC in organizational content in both western countries and in China (McPhail 2008, Wu and Yi 2006, Li 2004). The BSC as a well-known performance management framework provides guidance for many organizations and their daily management practices. Kaplan and Norton (2001) suggest that due to difference of companies in industry, operation and management, every company is encouraged to design and develop their very own BSC systems. The indicators in such

system should be designed and decided by the company stakeholders. This indicates that the BSC can adjust to different organizational structures and external environments.

The BSC is a well designed performance management system that incorporate different aspects that drives the organizational performance (Jiang 2016). It also clearly show the linkage of organizational strategy, financial objectives, customer, inner business processes and learning and growth. The logic relations between each aspects are very clear and it can provide practical guidance for performance management. The limitation of the BSC is that it is based on the organization's existing business processes. It is hard to find innovative ways to carry out performance management and BSC may not able to deal with new emerging issues resulting from the social and environmental factors (Yang 2001).

1.3.4 Soft System Methodology（SSM） in PM

Peter Checkland firstly introduce SSM in early 70s. SSM aims to understand and deal with complex problems from a systematic perspective (Checkland 1981). It is used as tool to help build a performance management framework from a systematic viewpoint (Wang 2014). The traditional hard operation research methods cannot get satisfactory results when dealing with complex problems in real life, especially when facing social problems or an organization's structure problems (Mingers 1997). For example in operation research, mathematical models are often designed to solve practical problems. However, sometimes the complexity of the problem is hard to understand, let alone to find a theoretical best solution. There are many soft factors involved, such as social, political and cultural factors, so researchers started to look for solutions from systematic and soft approaches.

SSM contains two types of actions. The interactive human actions in social life are called the 'actual world', whereas the 'conceptual world' contains the people and actions in the scenarios (Checkland 1981). There are seven steps when using SSM. The first and second steps are the description and expression of the complex problems. In these steps we need to gather as much relevant descriptions and expressions of the problem scenario from the appropriate people. The third step is to generate a root definition. The root definition should clearly explain the basic nature of the system. The fourth step is to design and verify the conceptual model. The root definition answers the question 'what is the system?' and the conceptual model describes 'what the system

needs to do'. The fifth step is to compare the actual world with the conceptual model. The comparison of the two should stimulate discussions about the improvements of the problems and the scenario. The six and seven steps are possible and feasible changes (Checkland 1981).

SSM can be a great tool in performance management, because performance management contains many social, environmental and organizational factors which make even defining the problem difficult (Wang 2014). Many practices have proved that SSM is very effective in solving complex management problems (Li, 2010). SSM is also a very helpful way of setting up an indicator system based on the transformation process of the definition. The application of using the conceptual model, the root definition and the 3E indicators to design an indicator system has been successfully achieved (Meng, Li and Liu 2007, Li and Liu 2010). SSM can also direct the strategy decomposition process (Casu, Shaw and Thanassoulis 2005, Meng, Mingers and Liu, 2007). SSM also has been used in many research fields. For example, Bolton and Gold (1994) used SSM to investigate complicated HR management systems (specifically in the design of long term career path for staffs). The analysis and recommendations for improvements are generated. Nandish (1995) used SSM to find improvements for teaching and learning in an educational institution. Minger and Taylor's (1992) and Ledington and Donaldson's (1997) detailed investigations show that the practice of Soft System Methodology has been applied in the design of information systems, performance management systems and training systems. Many researchers have contributed to the further development and field study of SSM, such as Crawford et al. (2003), Ledington and Donaldson (1997 and 1999), Ferrari et al. (2002), Luckett et al. (2001) and Tajino et al. (2004). In China, the research and practice of SSM in PM is still in its beginning stages, such as those analysing complex social and human resource issues by Yang et al. (1999), Cao (1994) and Lv (2012).

SSM can be used both for general problem solving and in the management of change, as well as in organizational process modeling (Checkland 2011). The diversification of the SSM makes it suitable to deal with the social, environmental and organizational factors in performance management. However SSM is hard to popularize in organization performance management since it need a lot of learning and practice to fully master this approach.

In summary, here we clarified the definition that we are using for performance and performance management in this thesis. Then we carried out a review of classical PM frameworks and tools.

Chapter Two: Small and Medium Sized Enterprises - Literature Review

In China, SMEs account for more than 95% of total enterprises, with 89.9% of them being in the service and manufacture sector (among them 46.1% are small and medium manufactories) (All-China Federation of Industry and Commerce 2012). The performance of SMEs is closely related to the welfare of most people in the society. SMEs are playing a key role in the Chinese economy. However, there are many problems in Chinese SMEs' management, and there is very limited literature about performance management in Chinese SMEs. Moreover, most of the research findings in Western literature may not be directly applicable to China.

This thesis will carry out exploratory research of management issues and approaches in SMEs from the performance management perspective. Firstly, we will summarize and compare the different definitions of SME in different countries. Secondly, from a PM perspective, we will summarize and classify the management issues, and current status and approaches of SMEs in China and Western countries respectively. Finally, we will summarize the research methods in PM of SMEs.

2.1 Definition of SMEs

The development of a modern economy proves that SMEs are an indispensable component of social and economic activities. In the majority of countries, the SMEs make up over 90% of all companies. In terms of gross domestic product (GDP), almost 50% of the GDP is produced by SMEs (Ouyang 2002). For example, in the USA, more than 20 million SMEs produce 40% of the total GDP (Zheng 2014). In the European Union, about 15 million SMEs produce more than 65% of the total GDP (Fang and Ji 2004). The survival and development of SMEs is gaining more and more attention in many countries.

2.1.1 Definitions of SMEs in Western Countries

SMEs have different definitions in different countries and regions according to their circumstances. In general terms, SMEs in the international community are defined by

several factors: first, the paid-up capital; second, how many employees are in the company; and third, business turnover annually. Most countries use one or two factors out of the three and some countries use all three factors. It should be noted that, even with the countries using the same set of definitions, the standard adopted is not the same (Wu, Song and Zeng 2003). The standard in one country even varies at different stages of economic development. The former shows the differences in the level of economic development of different countries. The latter reflects a country's different requirements of the company size at different stages of economic development.

In some western countries like the UK, Germany and Italy, the government does not specifically set up unified regulations that define SMEs. Some countries not only have quantitative standards to define SMEs, but also qualitative standards (Abor and Quartey 2010). In the UK, there is no unified definition of SMEs using the most widely used 'quality' and 'quantity' criteria. Instead, SME is defined for the purpose of tax and accounting requirements. Based on that, a SME refers to a company with turnover lower than 26 million (lower than 6.5 million for small companies), and with less than 250 staffs (less than 50 for small companies). At the same time, they were added in the 'quality' criteria, which all rely on personal judgment and the independent operator's market share being very low for small and medium enterprises (Sheikh 2013). In accordance with this provision, the independent enterprises are defined as small enterprises as long as the operators of independent operation and management institutions were not finalized and the market share is not high. As can be seen, there are various definitions about what is a SME, the definition generally applied in UK is a company with less than two hundred and fifty staff. Such definition is provided by the European Commission and the UK Department for Trade and Industry. The detailed definition is in the following chart.

Table 2.1 SME definition in UK and Europe

Company category	Employees	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

(Source: European Commission, 2003; Small Business Service, 2003b)

In the USA, an SME is an organization with less than one thousand and five hundred stuffs and a turnover of $0.75-29m. Many studies have applied this definition (Hendry et al., 1995; Kinnie et al., 1999). In the USA, the Small Business Administration (SBA) gives different definition of SMEs according to the industries in which they operate. In comparison, west EU countries simply set one definition for all small business in different industries. Clearly the former definition could better reflect the actual situation of the companies, since the number of staff and turnover differs greatly in different industries. By comparing the common number of staff in different industry, it can be summarized that the number of staff for common manufacturing and mining SMEs is around five hundred, while only one hundred in trade SMEs. As for the turnover, the common turnover for the former SMEs are about 30 million, while for the later the common turnover is only around 5 million.

Overall, the current national standards for SMEs are generally summarized into two categories: quantitative and qualitative. The first criteria mainly define companies according to the stuff numbers, capital and turnover, etc.; the second criteria often contain standards like 'independently owned', 'self-managed', and 'small market share' as the key contents. Currently, more than half countries use quantitative criteria. Quantitative criteria can be sub-divided into a 'single quantitative criterion' and 'composite standard definition', the first one applies on single indicator (normally a figure), which consists of several quantified parameters, e.g. Staff number, turnover etc. China uses mainly a quantitative and composite standard, and the number of employees, the annual turnover and industry type are also included.

2.1.2 Definitions of SMEs in China

The definition standards of Chinese SMEs and related information were issued by the Ministry of Industry and Information Technology on June 18, 2011. The National Bureau of Statistics, the National Development and Reform Commission, and Ministry of Finance jointly issued the 'Plan based on the issuance of standards for SMEs' that provides the standard for various industries. The detailed information is as follows (China Briefing, 2011):

Table 2.2 SME definition in China

Industry	Specific standard (upper limit)	Medium	Small	Mini
Classification Standards for SMEs in China *(All revenue and asset figures are in RMB)*				
Agriculture, forestry, livestock farming, fishery	Operating revenue < 200 million	Operating revenue ≥ 5 million	Operating revenue ≥ 0.5 million	Operating revenue < 0.5 million
Heavy industry	Number of employees < 1,000 persons Or, Operating revenue < 400 million	Number of employees ≥ 300 persons And, Operating revenue ≥ 20 million	Number of employees ≥ 20 persons And, Operating revenue ≥ 3 million	Number of employees < 20 persons Or, Operating revenue < 3 million
Architecture	Operating revenue < 800 million Or, Total assets < 800 million	Operating revenue ≥ 60 million And, Total assets ≥ 50 million	Operating revenue ≥ 3 million And, Total assets ≥ 3 million	Operating revenue < 3 million Or, Total assets < 3 million
Wholesale trade	Number of employees < 200 persons Or, Operating revenue < 400 million	Number of employees ≥ 20 persons And, Operating revenue ≥ 50 million	Number of employees ≥ 5 persons And, Operating revenue ≥ 10 million	Number of employees < 5 persons Or, Operating revenue < 10 million
Retail industry	Number of employees < 300 persons Or, Operating revenue < 200 million	Number of employees ≥ 50 persons And, Operating revenue ≥ 5 million	Number of employees ≥ 10 persons And, Operating revenue ≥ 1 million	Number of employees < 10 persons Or, Operating revenue < 1 million
Transportation industry	Number of employees < 1,000 persons Or, Operating revenue < 300 million	Number of employees ≥ 300 persons And, Operating revenue ≥ 30 million	Number of employees ≥ 20 persons And, Operating revenue ≥ 2 million	Number of employees < 20 persons Or, Operating revenue < 2 million
Warehousing industry	Number of employees < 200 persons Or, Operating revenue < 300 million	Number of employees ≥ 100 persons And, Operating revenue ≥ 10 million	Number of employees ≥ 20 persons And, Operating revenue ≥ 1 million	Number of employees < 20 persons Or, Operating revenue < 1 million
Postal industry	Number of employees < 1,000 persons Or, Operating revenue < 300 million	Number of employees ≥ 300 persons And, Operating revenue ≥ 20 million	Number of employees ≥ 20 persons And, Operating revenue ≥ 1 million	Number of employees < 20 persons Or, Operating revenue < 1 million

Accommodation industry	Number of employees < 300 persons Or, Operating revenue < 100 million	Number of employees ≥ 100 persons And, Operating revenue ≥ 20 million	Number of employees ≥ 10 persons And, Operating revenue ≥ 1 million	Number of employees < 10 persons Or, Operating revenue < 1 million
Restaurant and catering industry	Number of employees < 300 persons Or, Operating revenue < 100 million	Number of employees ≥ 100 persons And, Operating revenue ≥ 20 million	Number of employees ≥ 10 persons And, Operating revenue ≥ 1 million	Number of employees < 10 persons Or, Operating revenue < 1 million
Information transmission industry	Number of employees < 2,000 persons Or, Operating revenue < 1 billion	Number of employees ≥ 100 persons And, Operating revenue ≥ 10 million	Number of employees ≥ 10 persons And, Operating revenue ≥ 1 million	Number of employees < 10 persons Or, Operating revenue < 1 million
Software and IT service	Number of employees < 300 persons Or, Operating revenue < 100 million	Number of employees ≥ 100 persons And, Operating revenue ≥ 10 million	Number of employees ≥ 10 persons And, Operating revenue ≥ 0.5 million	Number of employees < 10 persons Or, Operating revenue < 0.5 million
Real estate development industry	Operating revenue < 2 billion Or, Total assets < 100 million	Operating revenue ≥ 10 million And, Total assets ≥ 50 million	Operating revenue ≥ 1 million And, Total assets ≥ 20 million	Operating revenue < 1 million Or, Total assets < 20 million
Property management industry	Number of employees < 1,000 persons Or, Operating revenue < 50 million	Number of employees ≥ 300 persons And, Operating revenue ≥ 10 million	Number of employees ≥ 100 persons And, Operating revenue ≥ 5 million	Number of employees < 100 persons Or, Operating revenue < 5 million
Tenancy and business services industry	Number of employees < 300 persons Or, Operating revenue < 1.2 billion	Number of employees ≥ 100 persons And, Operating revenue ≥ 80 million	Number of employees ≥ 10 persons And, Operating revenue ≥ 1 million	Number of employees < 10 persons Or, Operating revenue < 1 million
Other unlisted industries	Number of employees < 300 persons	Number of employees ≥ 100 persons	Number of employees ≥ 10 persons	Number of employees < 10 persons

From the summary of SME definitions from different countries, we can see that the criteria that they use are quite similar, although the standards that are used are quite different. The quantitative criteria that are frequently used are the number of employees, the turnover, the assets and the balance sheet total. The qualitative criteria often used are independently owned, self-managed, small market share and industry type, etc. However, the quantitative standards defining SMEs in each country varies greatly. In comparison, Chinese SMEs have relatively bigger employee numbers than Western countries, but in terms of annual turnover, the Chinese SMEs are generally lower when compared with Western countries. The definition of SMEs is set by the government according to each country's economic environment. The definition is set to empower some policies to control and benefit certain types of companies. In this case, there is no need to compare the definitions of different countries. Also, it is not suitable to compare SMEs from different countries, since they may not be in the same form or type. In summarizing the frequently mentioned issues and success factors, the thesis included Western literature since the study of SME management in China is still in the early stages. In terms of studying the characteristics and features of SMEs, we need to choose one definition and compare the companies within the region that use this definition. In this thesis we will use the definition from the Ministry of Industry and Information Technology of the People's Republic of China.

2.2 Frequently mentioned issues in SME management

There exists a lot of literature and research about management in SMEs, most of which deals with human resource, entrepreneurship, marketing and financial aspects. However there are only limited studies conducted from the perspective of performance management for SMEs. In order to understand what the important aspects of SME performance management are, we firstly need to understand issues in SMEs from all perspectives of management.

2.2.1 Review of western literature

Management problems in SMEs always receive great attention in the academic world. The issues in SMEs have been there for a very long time, yet there is no universally

applied way to tackle these management issues(Rutherford 2003). Researchers and practitioners are attempting to describe summaries and even find feasible solutions for these problems from different angles and different contexts.

As the world's economy is recovering from the recession, SMEs survival is even harder than ever. In this post-crisis era, all companies are trying to improve their management approaches. Previously, the traditional management methods and tools used in SMEs blindly copy the management models of large enterprises instead of taking their own characteristics into consideration; in practical applications this often results in various management dysfunctions. SMEs are more urgently in need of a suitable management model, which will lead to steady growth and long-term development. Although economic crisis quietly past, but the history cannot be forgotten: The lesson must be learnt that the lack of core competitiveness in SMEs will result in the lack of ability to resist risks. Facing a new round of economic growth, revitalized SMEs must rely on management to reshape their core competitiveness.

There are many researches in the Western literature that shed light on SMEs' critical success factors and issues. They exist in many different fields of study, such as strategic management, human resource management, etc. However only very limited researches exist that are devoted to performance management for SMEs. In this research, we look into some issues in SMEs from a performance management perspective. Furthermore, recent researches show that an organization's structure appears to be closely related to performance management that has been implemented (Xue, Meng and Liu 2014). Thus, in the following section, we will review studies of SMEs according to five vital parts of an organization. The reviews of these issues will guide us in adjusting the classical PM framework later on.

2.2.1.1 Strategy and (top management) decision makers

Entrepreneurs

For the characteristics of leaders of SMEs, a few personal qualities and characteristics have been identified by various researchers. Firstly, Yusuf (1995) suggested that self-confidence and perseverance of the entrepreneurs can affect a business' success. In a research, leaders of SMEs were provided with some important factors and the they were required to decide which factors are more important than others in running SMEs. The results show that the qualities of perseverance, the desire and willingness to take the

initiative, competitiveness, self-reliance, a strong need to achieve, and self-confidence are the most important ones (Cooper, Woo and Dunkelberg 1988). In another research for young SMEs, Duchesneau and Gartner (1990) discovered that many successful SME leaders have similar family backgrounds. Their parents are more likely to be managers and business owners so that they could benefit from business experience, social connection and visions. Meanwhile, the same researches also reveal that successful SME leaders are very dedicated to their work; they spend a lot of time on work and become the shareholder of the SME (Westhead et al. 1995). The importance of business experience is also supported by the study carried out by Yusuf (1995), Wijewardena and Cooray, (1995). In these studies the education background and business experience are believed to be the most important factors for SME leaders. Other important factors are suggested by different researches. Gilman (2012) claims that work enthusiasm could be a key to success for SMEs. Duchesneau and Gartner (1990) lists success factors such as a clear and ambitious objective, wide range of business and a clear awareness of competitive advantage. In addition to entrepreneurs' characteristics of being ambitious, Zhou's research shows that continuous learning and the spirit of pursuing change constantly are also very important to a SME's success (Zhou 1999). Roure and Maidique (1986) state that entrepreneurship is not supposed to mean that everything is done by one person. Most successful SMEs start up by building a team to build a company. Disagreement with partners also contributes to a company's failure (Hall and Young 1991). They think when conflicts between partners become the norm, these disagreements are more likely to lead to company failures. A lack of entrepreneurial motivation and commitment are also commonly found in unsuccessful SMEs (Hudson and Schroeder 1984). The company is also more likely to fail if the owner or the manager fails to make a development plan or if they lack administrative power (Boyle and Desai 1991).

Market orientation, market positioning

Duchesneau and Gartner (1990) suggest that companies should pay attention to a wider range of customers, instead of trying to satisfy a specific type or small group of targeted customers who are difficult to deal with. However some researchers point out that a well defined market segment which the company know and understand is also very important to a company's success (Taylor 1989). Some scholars argue that market orientation is closely linked to the performance of a company (Pelham 2000). However, they also point out that the relationship of market orientation to company success is

only for the short-term. Over a longer period of time, other factors might be more dominant to the success or failure of the company.

Globalization

Hitt and Ireland (2000) conclude in their study that globalization could be one of the reasons for many successful companies. Such companies benefit from a wider vision, more opportunities and a bigger market. As a result, these companies show better performance in aspects such as self-learning and innovation. Moreover, competing with other companies worldwide also builds up the competitiveness of companies, which makes them more likely to survive. Jarillo (1988) lists many advantages of globalization for SMEs. He believes that SMEs which participate in the global market are more likely to identify and develop their own core competitiveness. More importantly, such companies are normally more sensitive to the latest development of relevant technology, which could be a key to future company development.

Internal cooperation and coordination

Many researches focus on the internal cooperation and coordination of SMEs. Some researchers believe that a company with good internal cooperation and coordination not only performs better, but also helps to build a good image or reputation in the industry and marketplace.

Strategic planning

The positive connection of strategic planning and an organization's performance has been confirmed in many early researches, such as Bracker and Pearson (1986), Ngo, Lau and Foley (1989), and Baker et al. (1993). In Baker et al.'s study, in a sample of rapid growth SMEs, more than 50% had a formal strategic planning process in their daily operations. Clearly, for these SMEs, strategic planning is not only a tool of fund raising, but also an essential part of internal management and operations. The researchers therefore suggest that SMEs should carry out a formal and detailed strategic plan and keep monitoring and updating it as necessary. Meanwhile, Duchesneau and Gartner (1990) found that some successful SMEs do not carry out formal strategic planning or produce any written documents. However, they do spend much more time (and energy) on strategic planning than unsuccessful companies.

Some studies question the above results, such as Bhide (1994), Miller and Cardinal (1994), Powell (1992), and Dess et al. (1997). These studies argue that most unsuccessful SMEs are struggling with their situation and therefore they have no time or interest to participate in the researches. Some also point out that there are inconsistencies in the studies to identify and confirm the connection of strategic planning and an organization's performance. Meanwhile, there are also researches which identify other success factors, such as sufficient government support, clear and practical business ideas and good management skills (Yusuf 1995).

Many studies summarize the failure factors of SMEs, and poor strategic management is mentioned many times, although using different words, such as: lack of business planning (Boyle and Desai 1991); lack of attention to strategic issues (Jennings and Beaver 1997); and lack of management skills related to strategic planning (Yusuf and Saffu 2005). Meanwhile, other failure factors are also discussed in some literature, which include: poor business vision and position (Bruno et al. 1987; Labich and de Llosa 1994); an incompetent management team (Gilman 2012); and a refusal to change or make innovations in management and products (Labich and de Llosa 1994; Miller 1994).

It can be seen from these literatures that strategic planning is one of the most mentioned failure factors. It is believed to have a relatively strong connection with the success of SMEs. However, the contingency factors should also be considered, not just other success or failure factors, but also the type of SMEs and the industry and market environment. For some SMEs, the operation's planning (instead of strategic planning) shows a higher importance to the company's performance.

Core competitiveness

Another important factor that is related to the success of SMEs is the core competitiveness. Many literatures discuss different kinds of core competitiveness and believe it to be the key to success. Wijewardena and Cooray (1996) emphasis the quality of products and service, while Chaganti (1983) suggests a good balance between cost and quality. Some researchers argue that good market share and customer loyalty is the key to success, but others believe that an efficient supply chain is the most important factor (Ghosh and Kwan 1996). It can be seen that a SME could be successful for being good at any aspect, notwithstanding the product quality or customer relationship. So from the literature, many researchers regard core competitiveness as the aspects that a

company is good at, in other word the success factor. Researches clearly have not reach a consensus on which competitiveness advantage is more important than the others.

However, it is interesting to notice that although a successful SME does not need to be good at every aspect of success, failing at every aspect will lead the company to failure. Many studies summarize the failure factors as follows: inappropriate strategy position; poor quality of product or service; poor customer relationship; poor cooperation with suppliers; poor communication with stakeholders; and over-focus on single type of customer (Reid 1991, Bruno 1987, Lussier 1995).

Internal management and administration

Many studies reveal that internal management and administration issues are the major reason for the failure of many large companies. Some researchers point out that internal management issues are due to human resource problems, e.g. incompetence of managers who lack the necessary management knowledge, experience and skills (Storey 1994). For SMEs, internal management issues are most likely to occur during company expansion (Sull 2005). Some successful SMEs may be too optimistic about their situation and start blind expansions. Without a careful planning and preparing process, the expansion may lead to a lag in internal management, and eventually turn success into failure.

2.2.1.2 The core operation

Among the success factors for SMEs, some researchers emphasise the flexibility of the core operation. A highly flexible core operation is believed to be a significant feature of a successful SME. The high flexibility of the core operation require SMEs to quickly respond to market and customer requirements, and then make corresponding adjustments to the operation. Such adjustments include changes in strategic production and service process, human resource adjustments, work arrangement adjustments, and so on. Smallbone et al. (1992) found that the SMEs which are most able to make adjustments are more successful in market performance. Similarly, Reid (1991) also claims that the SMEs dealing with more types of customer and who make quick responses to market needs often have a better chance of survival. Another success factor that is related to the core operation is stable and high quality production. Good strategic planning and sales activities are no doubt key success factors for SMEs (Cromie 1991;

Hall and Young, 1991), but they are all based on stable and high quality production (Wijewardena and Cooray, 1996).

Staff skill

Many studies address the importance of staff quality and skill level. A study carried out by Wijewardena and Cooray shows that firms with highly skilled employees perform better in the market place. Taylor (1997) also shows that firms with a talented management team result in good coordination and a good communication environment, which positively affects the decision making process of the firm and leads to fast business development. A high level of professional skill leads to a more efficient operation and better quality of products. In management, talented leaders or managers are proven to be a key success factor for many large companies. These telented leaders or managers show the spirit of teamwork and innovation, which often affects the cooperation and coordination in the company (Xu and Chen, 2003). However, some studies show that it is more difficult for SMEs to attract or keep talented staff (Li and Wang, 2005). The main reason is that SMEs rarely provide better welfare and career opportunities in comparison to large companies. Many talented staff employed in SMEs plan to acquire some work experience and then jump to a larger company. Moreover, in large companies, more training is generally provided to staff, while in SMEs, there is rarely enough resources to support good training programs. Lastly, the difference in an organization's culture and management style between large and small companies is another aspect that affects the staff skill level. Talented staff are more likely to choose firms with an inspiring culture and formalized management approach (Zhang and Chen, 2005). Comparatively, most SMEs lack effective motivation methods to retain talented staff.

Resource

Similar to the limit of talented staff, SMEs also face limits in resources. Due to the resource limit, SMEs cannot afford highly talented staff, as has been discussed above. It also makes them more vulnerable to market change or other risks. For example, a new technology might be easily implemented in a large company to benefit the end product, but a SME may not be able to update the technology due to resource limits, and eventually the quality of product will be affected. Moreover, SMEs cannot afford expensive promotions or advertisements, which means that it will be more difficult for them to develop a product reputation and brand image. In addition, SMEs can only

produce a relatively narrow range of products, which means that the customer type and profit model is more focused. As discussed in previous content, the over-focused product and customer type is a failure factor for many SMEs.

2.2.1.3 Product design and operation process

Chaganti and Chaganti (1983) claim that product design and operation processes are vital aspects in fast-growth SMEs. Wiklund (1998) especially emphasises innovation in product design and operation process design. Such innovation mainly refers to both innovative products or business ideas, and optimization of the operation process. However, some studies, e.g. Kauranen (1996), suggest that a good business idea is helpful to companies only in the short-term. To be successful a company needs to be continuously innovative in products, services and providing value to its customers. Innovation does not necessarily mean new ideas or revolutionary changes; it also includes recombination of current designs or re-engineering of current operation processes. As has been mentioned in the aspect of strategic planning, being innovative and responding quickly is an important factor of successful SMEs. However, although many SMEs understand the importance of innovation, they are unable to be innovative for a variety of reasons.

2.2.1.4 Middle management

Middle management refers to department managers, branch managers and project managers. These managers account for a large part of management in modern companies. The major task of middle management is to decompose and deploy the top strategy and objectives to the lower level of management, and to monitor the implementation and operation's progress. It is also their responsibility to provide feedback about market and customer needs to high-level management in order to support strategic decision-making.

Management skill and management team

There is a lot of literatures that talk about the importance of a good management team. Some emphasise the management skill, experience and management education background of the middle managers. They believe that managers with relevant education background or personal experience contribute more to the company's success. There are a number of empirical studies that support the above conclusions, e.g. Westhead et al. (1995); Yusuf (1995); and Cooray (1996). Meanwhile, some studies

focus on management team building. Birley and Stockley (2000) show that SMEs with a larger management team perform better than those managed by individuals. Similar studies can be found by Gadenne (1998) and Geus (1997). Meanwhile, several studies suggest that the innovations are mainly carried out by middle management, since they are more sensitive to the market movement than top managers, and have a more general vision than the front-line employees. However, poor management is also a major failure to SMEs. Poor management includes a lack of human resource, the incompetency of managers, a lack of managing skills (professional skills, communication skills or team building skills) and a lack of experience. Haswell and Holmes (1989) claims that poor management is closely connected to the failure of companies, especially in SMEs.

Communication

Duchesneau and Gartner (1990) claim that fast-growth companies tend to put more effort into connecting with stakeholders and communication. They would like to know what their customers need and want, how their suppliers want to cooperate, and what their employees think about the company. There are also some studies that emphasise the importance of a good relationship with banks and other institutions. Moreover, Lechler (1999) shows that social networks and personal resources of the leader are two of the most significant factors to SMEs' success, since most SMEs rely highly on cooperation with other firms (Mancinelli and Mazzanti, 2008). Internal communication is not specifically emphasized for SMEs in the literature, but in large companies, communication issues are believed to be one of the main failure factors, which could create lag in management efficiency.

Staff morale and attitude

Taylor (1997) discussed the importance of staff morale and attitude in SMEs, especially for newly-established SMEs. The research suggests that SMEs with good staff (well educated, committed and hardworking) tend to survive in competition and develop continuously. However, as we have discussed, due to the limits of resource, especially human resource, SMEs are unlikely to attract or keep talented employees. Even so, having good staff with high morale and commitment still plays a key role in a company's success (Foley and Green 1989). A good working attitude leads to more efficient communication and coordination within the company; as a result, the decision-making process can be faster and the execution power can be improved as well. Similarly, Labich and de Llosa (1994) show that an unprofessional attitude and low staff

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morale could be a major failure factor for SMEs, especially for those in the retail business.

2.2.1.5 The supporting departments

There are few studies that specifically talk about the supporting departments in SMEs, but some mention the failure of such functions in SMEs. The reason is partially because, in most SMEs, the degree of specialization in department function is not high enough due to limits in human resource. Some departments (and even managers) carry various functions at the same time. One of the most frequently mentioned issues of supporting and analysing functions in SMEs is inefficient feedback channels (Duchesneau and Gartner 1990, Ghosh and Kwan 1996, Halborg et al. 1997). As has been mentioned previously, many SMEs fail because of losing their connection with their customers or failing to meet the market requirements. It indicates the importance of customer relationship maintenance and market information feedback channels for strategy makers. Clearly, the information collection and analysis function is blamed for the failure of these SMEs.

It can be seen that the commonly discussed issues in SMEs are closely linked, and that scholars explain these issues from different perspectives, which leads to different conclusions. Some researchers blame the failure of most SMEs on relying on a single type of customer or product. However, most SMEs cannot afford to develop diversity due to lack of resource. The resources of SMEs are largely dependent on the social connection and personal network of the leaders, which is another issue for many SMEs. Some issues can be considered as reasons for or results of others, sometimes even both. Thus, the commonly mentioned issues of SMEs are generally summarized in the above five categorizes, with certain inevitable overlaps.

2.2.2 Review of the Chinese literature

Due to the language barrier, Western academics have very limited knowledge of the management issues, current status and approaches of Chinese SMEs. Unlike Western literature, the terminology and research focuses of Chinese SMEs are much more diversified. Therefore it is difficult to summarize the studies according to the above five parts. Instead we will summarize the studies in several groups. In order to enable the association with the literature in Western countries, similar elements will be drawn out from each group to echo with the previous literature.

2.2.2.1 The strategy absence, the management philosophy and the top management in Chinese SMEs

Management

The economic environment has become more competitive, and so excess profits are shrinking, which makes it harder for SMEs to survive in the increased competition. Since they are unable to bring in more profit, the importance and need to start internal management reform has increased in importance. However, in comparison with Western companies, internal management still lacks top management level's attention (Wu 2003). The owner is the head decision-maker, but many of them know nothing about operation and management (Yuan 2005). SMEs' management being out of date is often mentioned in the literature. As a result it is hard for those SMEs to seize the opportunities to make a development breakthrough. SMEs' management is over-reliant on past experience (Zhong 2006). Due to severe market competition, managers pay more attention to business-level issues, whereas energy put into internal management is very limited (Zhao 2005). Chinese SMEs often do not follow the process of enterprise development. Many SMEs blindly use the latest development tools without checking whether the management methods are suitable for their own development (Zeng 2007).

Strategic planning

Careful planning is the key to the success of SME performance management (Bo 2012). Many researchers point out that Chinese SMEs are too concerned about short-term benefits, and ignore the long-term development plan (Zhong 2006). The vast majority of SMEs are only concerned about the short-term interests and lack careful strategic planning for long-term benefits. There are objective factors of energy, resources, etc., but more likely due to short-sighted vision of the leaders (Bo 2012). Most SMEs do not have a clear strategic direction and do not have a vision of their development (Zheng 2008). There is no long-term business development goals and the owners are struggling to cope with the daily affairs of the company. They are troubled by daily trivial problems without seeing the big picture (Wang 2010).

Strategic positioning

In market positioning, many SMEs tend to embrace market diversification blindly; researchers pointed out that some SMEs without a solid position in the industry begin to cover some highly profitable industry, but the high cost and risk, and lack of resources and experience tends to make the SMEs pay a heavy price in blind expansion (Shi 2003).

For very small companies, there is no need for authorization since the boss assigns work to the employees. When the firm size increases, the boss faces the problem of how to delegate power. Many SME bosses fail to delegate power and give managers enough authority. Then, a valid authorization becomes a problem (Cui 2008). Due to the expand of SME organizations, the original management model become powerless. Many SME bosses tend to manage everything by themselves, which is the most dangerous method according to many literatures (Yu 2015).

2.2.2.2 Inappropriate management models, management optimization and communication problems in SMEs

Management system

China has gone through the reform and opening-up phase. At the beginning of this phase, developing business was at the exploration stage. Chinese companies did not have their own scientific models to compare with, so everything is based on Western models. However 20 years has gone since then, and Chinese companies have accumulated much experience in management and gradually formed a unique and more scientific model that is tailored to the external economy environment. However, nowadays, there are still companies, especially SMEs, that are still run and managed by experience (Chen and Yu 2006): Chinese entrepreneurs and managers start each day expecting to solve managerial problems, but find themselves dealing with endless trivial operation problems (Lin and Xia 2003). A scientific management system tailored for Chinese SMEs is needed. 20 years have past since China's reform and opening up, Chinese enterprises imported a large number of advanced Western management systems, but most of them have had limited effects. One important reason is that companies are anxious and eager to implement new management approaches and so they ignore the design and fit of the management system. This problem exists in many aspects of SMEs, such as human resource, management and performance measurement, etc. Some researchers believe that only through the process of discovering the problem, designing

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the process, determining the tools and finding a way to solve the problem, can Chinese companies find the suitable management systems for themselves (Tao 2003). Some SMEs do not worry about their chaotic management system as long as they get good results, but in fact, behind the enterprise's management system, there could be a waste of resources that is hindering further development. It is widely approved by researchers and practitioners that a scientific and efficient management mechanism is needed in Chinese SMEs (Lin 2001).

Internal management

From the literature we can see that very few SMEs incorporate improvements and enhancements into management of SMEs in their daily work agenda (Shi 2003). Often, the top managers can operate the business, but they may not be good at management. Individual and private enterprises form the largest proportion of SMEs, and so there is inadequate organizational structure, a basic management philosophy, etc. Thus, these barriers existing within the SMEs result in poor internal management (Zheng 2007).

Communication

Most of the Chinese SMEs have the vertical one-way communication, i.e. layer by layer from top to bottom. However, with no communication from the bottom to the top, the communication loop is not complete, which sets the foundation for many problems (Li 2009). In addition, there is little horizontal communication, which makes the companies unable to adapt to the situation flexibly, and which causes unnecessary misunderstandings between departments and employees (Zeng and Zheng 2007). Some researchers think the reason for poor communication in many companies is the result of gradual evolution (Zhang 2007). At the early stage, the enterprise may only have a total of a dozen people; their goals and ideas are easily known to everyone. When companies rapidly expand, the personnel number surges. The communication starts to become difficult. When violation of discipline happened, many enterprises adopt strict monitoring and detailed management methods, but this may result in employees refusing to communicate, and the communication difficulty is worsened (Zhang 2010). Communication within the organization is very important, but a lot of managers do not pay enough attention to it. In particular, the performance appraisal is a vital part of internal communication that is often overlooked (Zheng 2007). Employees are not willing to communicate with superiors. Some researchers summarize that the assigned tasks and "taking orders" atmosphere suppresses the willingness to communicate (Guo

2014). In reality, managers tend to overlook the fact that feedback is not a formality but information need to be analysed and understood. Most SME managers only give notification of results rather than assess the feedback on the level of understanding (Guo 2014). In performance assessments, the communication mechanisms are not complete, which leads to a lack of consensus on assessment and mutual distrust, resulting in the final examination results not ideal (Zheng 2006). Researchers encourage the managers to communicate with employees about their performance in a friendly atmosphere, and to try to establish an equal partnership (Yang 2011). Managers in the performance management process should play the role of a collaborator; they must understand that they and the staff need to work together to complete the process.

2.2.2.3 Execution power, human resource and performance management systems in Chinese SMEs

Lack of execution power

In the operation of some Chinese SMEs, many frontline staff drag the work time using any excuses. Many practitioners try to explain the lack of execution power in Chinese SMEs for many reasons, such as: inadequate training, insufficient resources, not enough management, bad organizational culture, etc. (Wu 2009, Li 2010). Some researchers explain that the lack of executive ability is due to unsuitable employees in the wrong positions (Wu and Xing 2009, Zhang 2012). The managers in SME are usually promoted from sales person, their ability to carry out scientific management is weak, which causes confusion, hindering business development and market competitiveness, while some family businesses cronyism, and the excesses block of talented people to get on the management position causes the bottleneck of business growth (Zhou 2008).

Lack of fairness

Employees feel a lack of fairness in performance management. Some researchers think it may be due to the performance assessment design (Liu and Huang 2012). Many SMEs failed to set scientific, reasonable and strong operational management rules and regulations. Without a system of corporate management, the management practices are most likely to cause confusion and lead to randomness and blind management (Xiong 2006). When a contradiction between the different systems' approaches occurs, the set of rules to deal with this problem is often not clearly defined in SMEs. Some researchers discovered that department heads deal with this problem based on their

feelings (Wang 2008). Some SMEs' regulation systems are neither reasonable nor operable (Zhu 2003). Some researchers find out that only the general staff is affected by the regulation system, while the senior leadership, the enterprise's shareholders and the owners' friends and family that working as staff are not (Chen 2012). This situation can seriously affect the general staff's enthusiasm and ambition. In the long run, the regulation systems will become useless. Researchers identified a lack of regulations on supervision and incentives mechanisms in SMEs. This is a common problem in many private enterprises; the company executives and those higher up in the hierarchy are not supervised, whereas the ordinary general staff, when committing some small mistakes, can be punished with no mercy (Li 2006).

Human resource management

In many Chinese SMEs there is no modern human resource management, and a people-oriented system should be introduced (Gu 2011). Employees engaged in human resource management generally do not have the necessary professional management knowledge, and lack relevant experience (Shen 2004). Some SMEs pay more attention to the science and completeness of performance management, but they may sometimes overlook operational problems (Peng 2010). The development of SMEs needs many talented people, whereas the wages rewards and opportunities that SMEs can provide do not appeal to them (Xie 2010).

Performance management

Many SMEs nowadays still think performance appraisals and performance management are the same (Jin 2009). Many business executives of Chinese SMEs believe that the key part of a performance appraisal is how to quantify the performance assessment indicators. These beliefs make performance assessment too stiff and inflexible, resulting in very unsatisfactory results of performance assessment (Liu 2010). Performance management should always be dynamic, flexible and sensitive to change. In real world, internal management is changing. In addition, the external environment is also constantly changing. Therefore, performance objectives and evaluation criteria should also vary. They cannot be static and inflexible, otherwise goals and standards will lose significance. Some researchers discovered that in some SMEs performance management and company strategies are detached (Liao 2010). There is also a high percentage of outcome indicators in comparison to process indicators and quality indicators in Chinese SMEs (Liu and You 2006).

Researchers find that performance management in Chinese SMEs is at a primary stage. The employees are not satisfied with performance management (Xiong 2006). In some SMEs in China the staff's understanding of performance management is not adequate. There is lack of communication in performance management aspects (Guo 2003). Many practitioners and researchers all point out that the performance management in Chinese SMEs has little effect on the staff (Wu 2007). Performance management should be linked to incentives, performance, pay promotion, and other related management successor. Performance management should be concerned about the future of the company and employees, but instead focuses on investigating the past (Zhao 2008).

2.2.2.4 Staff competency, talent retention, training, and reward and punishment mechanisms in Chinese SMEs.

Even though a lot of SME owners are not willing to admit it, little attention is paid to employee benefits (Tan 2011). In general, the interests of employees mainly include two aspects. The first is "capacity-building", and many SMEs treat employees as "tools" to make money, but never think about how to help employees grow together. Moreover, some SME owners claim that the staff's ability to grow is a threat to their business' survival (Chen 2009). Second is the economic reward: some companies have outstanding employee performance bonuses because of poor overall operational efficiency. Some companies require employees perform perfectly in order to get the bonus. Some companies even deliberately delay the normal payroll dates. These phenomena lead to a lack of employee motivation. When companies do not pay attention to employee benefits, it is not surprising that employees do all kinds of things to harm the interests of the company in return (Zhou 2005). Employee turnover rate is high. Corporate shareholders are the top managers in Chinese SMEs, and employee composition is too focused on local people, which is not conducive to the development of enterprises. It may also result in staff forming a group to stop talented employees from fitting in the company. Researcher find out that in some SMEs the local staff account for more than 80% of the total number of employees, therefore it is very likely to have a problem of product homogeneity (Zhao 2008). There are other issues in senior management, for example the decision-making tends to be one-sided, which may be effective in management. However it also makes SMEs easier to fail (Sun 2009). Many Chinese SMEs generally complain about the lack of professionalism of their employees; a little dissatisfaction will lead to people quitting their jobs. This action causes unnecessary losses to the SME. While some companies took action, such as increasing

salaries, bonus room, promotions, and other measures to retain talent, the problem is not completely resolved.

Also, hard work and commitment from all members of staff has been found to be important. It is common that a general staff member who works hard and contributes to the company for a long time does not get any reward according to incentive policies. In terms of wages for general staff, some SME may not sign long-term contracts with their employees in order to prevent the salary increases and adjustments, which will lead to a decline in employee motivation (Wu 2006). The incentive system in some SMEs is not effective because the low pay and low reward results from the company's poor profitability (Wu 2007). Some researchers found that on the one hand the capacity of existing staff find it difficult to meet the needs of their company's rapid development, but on the other hand, it is difficult to attract and retain excellent staff (Wu 2012). Some researchers found that it is difficult to change the concept of staff. They lack willingness to learn and innovate, and lack enthusiasm, initiative and passion (Wu 2010). Unreasonable mechanisms for hiring, salary, incentives, etc. could cause a huge loss of talent in Chinese SMEs (Li and Wang 2005). Most SMEs in China have insufficient investment in human capital and training mechanisms (Ren and Li 2005). There is a lack of employee career planning and management systems. The employees cannot see their promotion channels and development direction (Wang 2010). Researchers found that there is too much emphasis on technical factors of performance measurement, which leads to ignoring the purpose of performance management (Qian 2004). Chinese SMEs are too eager to collect and apply the comparative scientific tools, forms, software, etc. and they ignore the human factor, i.e. the importance of the relevant personnel (Wang 2007).

2.2.2.5 Issues between corporative culture and the management model in Chinese SMEs

From the literature we can see that most of the SMEs in China do not pay a great deal of attention to corporative culture (Zhou 2005). Although some SMEs think that corporative culture is the soul of the businesses, the majority of Chinese SMEs do not think it can help management (Cheng 2007). Most Chinese SMEs are not aware of their organizational culture. Moreover, the employees of Chinese SMEs have little understanding of their corporate culture (Hu 2006). There are conflict and corporate

culture and their management style can well adapt to the development of enterprises (Chen 2004).

2.3 Summary of the frequently mentioned issues in western and Chinese SMEs

In summary of the above reviews of issues in Western and Chinese SMEs, the most frequently mentioned ones are as follows:

1. Many Chinese SMEs do not have a formal strategy.

2. Chinese SME strategies mostly focus only on operating conditions, production and product services. Less emphasis is put on internal management.

3. In many SMEs, the top managers' daily work is often directly involved in bringing in production orders.

4. There are still a lot of Chinese SMEs with top managers carrying out daily management and decision-making all by themselves.

5. A considerable part of the Chinese SMEs' managers rely solely on experience in management.

6. Many SMEs are busy with solving emergency operational problems and they do not pay enough attention to business rules and regulations.

7. Regulations in Chinese SMEs are inadequate and the execution of regulations is a big problem.

8. Rules and regulations in Chinese SMEs are not perfect and lack execution power in all aspects of management.

9. Many researchers suggest that communication issues in many Chinese SMEs is a very serious problem.

10. Communication problems in Chinese SMEs are mainly between departments, followed by problems between the upper and lower levels.

11. A considerable part of Chinese SMEs have limited management training.

12. Corporate training focuses on pre-service training and professional knowledge training.

13. Most SMEs think that improving the quality of managers is critical to improving the company's management level.

14. The turnover rate of general staff is generally higher compareing to that of key employees, as reflected in the literature, the difficulty in retaining people is more serious among the general staff.

15. Most SMEs have lack key staff.

16. In the SME literature, most business executives have little or no academic background.

17. Many owners of Chinese SMEs promote their relatives to the executive level and important management positions.

18. Career planning of junior staff is not taken seriously.

19. Career planning as an incentives is not highly used in SMEs.

20. Employees' lack of courage and sense of responsibility is the biggest impediment to promotion.

21. The Chinese literatures suggest that the management of relatives and old employees is problematic.

22. Many SMEs' management system lost its effectiveness on the part of employees.

23. Many SMEs with the existing incentive levels cannot inspire staff enthusiasm.

24. Many employees of SMEs do not have a clear development direction.

25. Many SMEs believe that the quality of staff is poor.

26. Most SMEs believe that increasing wages is the most effective incentive.

27. In Chinese SMEs, a lot of relatives of the owners work in the company.

28. The majority of the general staff have just a junior high school education.

29. Executives' incentives are primarily economic incentives.

30. The most commonly used incentive for general staff is a bonus, followed by performance pay.

31. In many SMEs, the unified employee values have not been highly recognized.

32. In Chinese SMEs, the corporate culture has not been widely recognized.

34. In SMEs, the corporate culture and management model are often not compatible.

In the following section the performance management approaches for SMEs will be reviewed.

2.4 Performance management approaches for SMEs

There exists very limited literature of performance management in SMEs in general. From 2000s till now, the research on performance management in relation to SMEs can be classified into two groups. The first group of researches focus on the implementation of the models designed for big firms. This group consists of the implementation of the well-known BSC (Chow, Haddad and Williamson 1997, Fernandes, Raja and Whalley, 2006, Manville 2007), the implementation of many quality models (Noci, 1995), the implementation of the ABC (Gunasekaran et al. 2000), etc. Rodney McAdam (2000) used the TQM-related models, which were initially developed in large organizations, in the SME context. This research of CSIRO Australia studied the approaches of supporting organizations to find out and design tailored indicators in order to reflect their overall performance in all perspectives. (Chennell et al., 2000). The system they proposed was initially designed based on many practice and implements in actual companies. Gunasekaran (2000) studied the implications of performance indicators on the application of computer-integrated manufacturing (CIM) in small companies. A framework based on the performance measurements was developed to study the implementation justification of CIM in SMEs (Marri 2000). By implementing the framework that consists of four perspectives, which are Lead time improvement; improvement in marketing objectives; improvement in product development and improvement in shop floor, this research studied the performance improvements in sample British SMEs. Some scholars argue that there is a lack of research that looks at the underlying assumptions of the models in the context of SMEs by taking a critical perspective (Wilkinson and Willmott 1996). It should be noticed that such PM models

generated from large companies can hardly identify the difference between performance management and measurement in many important aspects.of the firms.

The second group of researches is devoted to the design of special performance measurement systems for SMEs. Hudson et al. (2001) examine the problems associated with PM for SMEs and propose a procedural framework specifically tailored to their needs. Sharma (2005) presents the data analysis conducted in Indian SMEs. An issue is identified relating to the daily operation of these companies. An effective performance measurement system is incorporated in the study, which included SMEs cooperating in a wide range of industries from high tech to transportations. About 150 companies participate in the analysis and many problems related to performance management system are identified.

Compared with researches for large companies, there is a lack of systematic study on performance management for SMEs (Taticchi 2010) and only a few publications were found on frameworks suggesting an integrated design to performance measurement. Researches on more specific issues are becoming the dominant content, although there have been some researches who attempt to encourage and modifiy the research into SME performance measurement (Garengo, Biazzo and Bititci 2005).

2.5 ‘90s employees’ characteristics

From the study in the later chapters, our attention was directed to the characteristics of a group of people. This group of people was born after 1990 and they usually have education levels no higher than technical secondary school according to the Chinese education system (Zheng 2010). These young people become the majority employees in Chinese labor intensive companies. Both practitioners and researches in different fields start paying great attentions to ‘90s employees’ because of their unique characteristics and the researchers belive that these unique characteristics might be the reasons for many managerial issues (Zhou 2013). The specific era, environment and various policies that they grow up in shape them with some unique characteristics (Zhang 2012). The "90s employees" are focused on the pursuit of happiness. According to Zheng's (2010) research in some Chinese companies, good working and living environment, respect for private time, humanized management style and platforms to show themselves are the most important factors that affect their happiness. As the "90s employees" have a relatively wealthier family background comparing with employees

from other generation, they value respect, individuality and self-realization more than material life (Liu 2012). Some researchers found that the '90s employees' are usually strongly resistant to rules and regulations. They found it hard to agree with the authority. In companies they usually defy the rules, regulations and orders from their leaders (Li 2011). The '90s employees" all have distinct individuality and they have a strong sense of freedom. Their fundamental motivations in work are based on their interests and the need of self-actualization instead of responsibility to family, the pursuit of power or proof of their willpower. This is different from other generations. Zheng (2010) claim that the '90s employees' minds are not stable in work. The '90s employees' always show their emotions through work. If they have any dissatisfaction in work, they will job-hop or leave the company without notice (Rong 2013). Some researchers also find out that the '90s employees' lack motivation in work. The salary increase and performance pay cannot motivate them (Lu 2014). They also lack team spirit. Liu (2012) found out that the '90s employees' do not work well in teams. Many researchers discover that the '90s employees' have a relatively week sense of belonging to the companies they work in (Wu 2013).

Moreover, in Chinese SMEs, there are some emerging issues that were raised by Chinese practitioners and researchers. For example, incentive issues of 90s staff etc.(Ma 2007, Wang 2011, Liu 2011). Some Chinese SMEs are using new approaches that have not been studied in the existing literature. They are reported to be very effective in some of the Chinese SMEs, although they are not widely used yet(Fenghuang net 2013, China Economy Net 2013，Beijing Busienss Newspaper 2013, Global CEO 2013). Their mechanisms are not clear yet. Therefore, we will also examine these new approaches and try to explain the underling mechanisms. In order to undertake our explanatory research later, we need reviews of leader-member exchange theories, which is carried out in the following chapter.

Chapter Three: Leader-Member Exchange Theory

As mentioned above in the commonly-used performance management tools and models section, many PM enablers are similar, such as leadership, people and workforce, etc. Some of the enablers have been studied in performance management both in the Western and Chinese contexts, such as strategy, employees, customers, market and processes, while other enablers, such as leadership, have not been studied greatly in the Chinese performance management context. As mentioned in the introduction, there are some emerging new approaches in Chinese SMEs, which are reported to be helpful in solving some of their key issues. And we believe they may be associated with leadership enabler, to be discussed in details in Chapter 8. Through further exploration and study of the new approaches, it is possible to investigate and identify the underlying mechanisms of these new approaches and to utilize them to deal with some of the emerging issues in Chinese SMEs. This chapter will review some of the related theories.

3.1 Leadership

Leadership criteria in the EFQM concentrates on perspectives of orgnizational objectives, top strategy, incentives and HR. With regards to mission and vision, EFQM guidance is very similar to that of American writers such as Kouzes and Posner (2003) and Kotter (1988). The EFQM suggests that this may include developing the organization's mission, vision and culture. The role of organizational leaders in promoting improvement and excellence is defined in total quality management (TQM) textbooks, e.g. by Gonzalez-Benito and Martıinez-Lorente (2003).

HR management and incentives have received most attention in leadership contents (Adair 1983, 2003 and 2004, Kotter 2001, Kouzes and Posner 1999, Yukl 2002). Researchers suggests leaders to listen to their subordinates, inform, motivate and delegate works to them, which corresponds closely to the EFQM guidance.

Comparatively little leadership contents consider the importance of relationships with the stakeholders, the community and employees (Hampson 1999, Logan 1999). The study conducted by Larraine (2003) reveals that most company owners agree that good relationship with partners was not as important as is today. Another research carried out

by Kettley and Strebler (1997) supports the findings that top managers are now paying more attention to external affairs than before.

3.2 Leader-member exchange theory

Leadership behaviour is one of the important parts of management and organizational behaviour research (Conger 1987). In recent years, scholars all over the world have started a wave of leadership behaviour research (Van Dierendonck, 2004). Bass (1985) proposed transactional leadership behaviour theory and transformational leadership behaviour theory. The basic assumption of transactional leadership behaviour theory is that the relationship between leaders and subordinates is based on series of exchanges and an implicit contract between the two persons. At present, this hypothesis is widely supported, such as in Path-Goal Theory (House 1971) and Leadership-Member Exchange theory (Bass 1985). These theories also note the importance of the relationship between leadership and their subordinates.

Leader-Member Exchange (LMX) theory was first proposed in 1972 (Graen and Dansereau 1972). The theory starts with the social research mainly focusing on new employees. The results show that the attention that leaders give to new staff is very important for the development of new employees (Dansereau and Graen 1975). Graen (1972) and his colleagues showed that there is a constantly changing leadership-member relationship within the same team. Different subordinates have different opinions of the same leaders. Due to the difference characteristics of members, time constraints and other conditions, a leader can develop relatively close contact and establish a special relationship with a small portion of the subordinates while maintaining a certain distance from others. This leads to the "in-group" and "out-group" respectively. Members of the in-group get more support and receive more attention from the leaders. In exchange, the leader will be trusted and respected by subordinates. In this way they can establish a high level of interaction (Dienesch, 1986). The out-group only has a formal relationship with the leader (Liden and Graen 1980). The outsiders tend to be appointed to relatively more trivial tasks. In this case, the interactions are not very active and they are often task-oriented. The leader decides a subordinate is an insider or an outsider at an early stage. Moreover, this relationship is relatively stable. Thus, LMX theory has stimulated plenty of research and exploration of the relationship between leaders and subordinates. The reactions and use of this relationship are very important in management, both for the organization leader and the employees themselves.

LMX theory suggests that the exchange between leaders and subordinates involves both economic exchanges and social exchanges. The purpose of the economic exchange is to meet the material needs of both the leaders and the subordinates (Wang and Zhu 2006). In this relationship, the leaders promise the subordinate material goods. When the subordinates accomplish a specific task, they will get the promised reward. The whole process looks like a transaction (Song and Zhao 2009). Since the purpose of the economic exchange is to meet the interests of the material as well as balancing the pay and benefits, based on stable exchange effect, the content of the economic exchange involves only the low-level pursuits of material. These exchanges are obtained by an external way with the bargaining tactics to achieve, so this exchange is not fundamentally motivating both sides, let alone improving the organization's performance (Mo 2011). The content of the social exchange is social and psychological communication. These social exchanges are connected with the people's respect, trust, growth, progress, development, and other factors. This exchange can contribute to building loyalty, trust and accountability between leaders and employees. Thus, social exchanges have a positive effect on building a mutually beneficial cooperation between leaders and subordinates. This exchange includes: enhancing mutual trust; a firm willingness to cooperate for the purpose of emotional communication; creating good prospects for cooperation; building better common efforts for the purpose intended; (Chen 2006) tolerance and understanding related to job performance evaluation; and improving to meet the level of demand related to the behaviour of reciprocity. This social exchange allows subordinates to get more direct benefits by effectively helping the leaders to achieve their goals. The leaders will also be conscious of providing rewards and special interests to subordinates who make an effort. In this way, the social exchange is able to better compensate the short comings of the economic exchange.

3.2.1 Stages of LMX theory formation and development

Vertical dyad linkage (VDL) is the basis for the theoretical development of LMX theory. The VDL model considers how the leader treats subordinates in different ways within a small workgroup. Dansereau, Graen and Cashman (1972) think that the most appropriate level of analysis is not on a small workgroup, should be on the simplest and most straightforward vertical pair, also called a dyad relationship. Dansereau et al. (1995) suggested that the basic unit of leadership analysis should be the unique relationships that are formed between a leader and each subordinate. We can see that the

concept of VDL includes leaders, subordinates, and the relationship between leaders and subordinates, and that these three elements are inseparable.

LMX theory gave more attention on the dynamic management mode between the leader and employees. In the VDL model, the key variables are each vertical pair formed between the leader and subordinates. The focus is on a different one-to-one correspondent relationship (Dansereau and Graen 1975).

In summary of the various researches on LMX theory, we can see that the formation and development of LMX relationships is a continuously changing process. Graen (1995) divided the development process of LMX into four stages. In the first stage, the leader develops different relationships with each subordinate. It is completely inconsistent with the idea of the average leadership style model, in which the leader exhibits exactly the same induced behaviour with all subordinates (House 1997). In this stage, in-group and out-group are formed. In the second phase, the leader pays more attention improving the quality of the exchange relationships. In this stage, the members in the out-group try to improve the quality of exchanges in order to become the in-group members. At the same time the connection with the outcome variables is built. In the third stage, the leader builds one-to-one cooperation relationships with each subordinate, and this process is accompanied by the development of the leadership relational model. In the fourth stage, the one-to-one cooperative relationships are extended into a wider range. For example, the individual exchange relationships between leader and subordinates can be extended to the team level, which forms a team member exchange relationship (TMX). The above four-phase model is based on a number of previous studies on LMX.

After the theoretical development matures, the relevant study of LMX also increases. The current studies focus primarily on the role and significance of LMX theory from the organizational level (Wayne 2002). By reviewing LMX and organizational performance, the relationship between organizational justice, organizational support and employee satisfaction, we can further understand the status of LMX research. Studies have shown that LMX quality differences for individuals and organizations will have a more significant impact (Dansereau, Alutto and Yammarino 1984). Gerstner and Day meta (1997) claims that factors, such as LMX, job performance, higher level of satisfaction, commitment and role conflict among the members etc., are found to be significantly connected. Some studies suggest that the LMX research is beneficial to the understanding of the phenomenon in leader member relationships (Schriesheim 1999).

Many researches show that the later leader-subordinate relationships can be predicted accurately from the early stages of the LMX (Zhong, Xie and Chen 2003). This means that the quality of the leader and subordinate relationship at the early stage is very important for forming high quality exchange relationships. The formation of the LMX relationship can be traced back to the first contact of the leader and the subordinates. Starting from the new employees entering the company or the new leader entering a work team, both the leader and the subordinates get to experience the negotiation process for role taking and role making. During this negotiation process, both sides specify the work expectation and how to acquire necessary resources through direct conversation and negotiation. The LMX relationships are formed and developed gradually alongside the negotiation process. The important factors for the exchange relationship at this stage are mutual trust, loyalty and respect. Therefore, consistency of the work expectation on both sides plays a vital role in determining the quality of the LMX relationship (Ren and Wang 2005). The positive factors, such as the high consistency of the work expectation, positive performance and feedback, and the compatibility characteristics and features of the leader and the subordinates, can help improve the quality of the LMX relationships. When the understanding of the role of both sides is established, the LMX relationships become more stable. At this stage, the shared promises and joint input to achieve work objectives and missions becomes the basis of the exchange relationships. Whether the subordinates are willing to take on missions outside their role could have great impact on forming high quality exchange relationships. Especially for the out-group members, they are more likely to become in-group member when they show initiative on missions outside their roles (Zhou 2010). With the developments of the LMX relationships, the effect of the contingency factors in the organization, such as the size of the workgroup, workload, positions, work atmosphere, team spirit, useful resources and information communication methods, on the quality of the LMX relationships will become more and more evident.

3.2.2 What is exchanged between leader and member

In order to take advantage of limited resources to obtain the desired results, it is impossible to assign the energy, time and resources equally to each person in the organization. Thus, in daily work the leader will have to build different relationships with different subordinates on a selective basis. Leaders will decide the exchange content and the method based on the status, functions and the characteristics of the

member in the organization (Sun Wang and Shi 2008). In this way "high quality exchange relationship" and "low quality exchange relationships" are formed in the organization. "Low-quality exchange relationship" suggests that the content that exchanged between leaders and members is material. For a "high-quality exchange relationship" the exchange content not only refers to the necessary economic exchange, but also includes a positive emotional exchange (Xie 2000). Since the leader and a small proportion of the subordinates formed special exchange relationships, these subordinates are the in-group members. These subordinates' level of trust and support for the leader are relatively high. In return, these subordinates enjoy more trust and benefits from the leader. The leader is more satisfied with the performance of the in-group members. Thus, these in-group members also enjoy some privileges, for example more independence, flexibility in work, more opportunity for developments and rewards. The low quality exchange relationship is mainly formed by economic exchanges between the leaders and subordinates. The leader and subordinates relationships are relatively distant. The method of communication is limited to formal communication channels and the frequency of communication is relatively low. These subordinates take up less of the leaders' time and they have relatively less motivation and opportunities for development. These subordinates form the out-group members. Their work efficiency and performance is lower than those of the in-group members.

3.2.3 Studies on social exchange

As mentioned above, LMX theory suggests that the content exchanged between leaders and members can be classified into economic exchanges and social exchanges. Out-group members have a more limited scope of economic exchange, whereas the in-group members are included in both economic and social exchanges aspects. Economic exchange is a form of contract. In the exchange process, the leader will break down the organizational goals into specific objectives supported by the appropriate job rewards, to examine the implementation of those goals and evaluate reward; the two sides reach a consensus when they formed a unity. The leader in this process uses the rewards to achieve the organizational goal, and subordinates achieve the personal goal of getting the reward (Zhang, An and Yang 2012).

Dienecsh (1986) and Liden (1997) state that social exchange includes three parts: (1) the exchange of an actual contribution; (2) loyalty; and (3) feelings. In daily work, we can define social exchange as follows: building on economic exchange and the

exchange of factors such as people's respect, trust, growth, progress and development etc. In this exchange, each party of the leader members must provide to the other beyond what the contract provides, and these are things that the other party does not own, but considers valuable. Creating a social exchange and a mutually beneficial relationship will encourage subordinates to do more, so that managers directly benefit. Meanwhile managers will consciously provide rewards and special benefits to subordinates. With this virtuous cycle, leaders and members of the exchange relationship will gradually move beyond the mere scope of work expectations, they gradually evolve into a positive sense of team.

Some researchers also focus on the reciprocity and exchange relationship continuum (Rook 1987). They argue that the social exchange is a continuum from negative reciprocity to comprehensive reciprocity. The middle point is defined as the balanced reciprocity. There are three dimensions in the reciprocity and exchange relationship. They are the equivalence, immediacy and the interest (Sahlins 1972, Chen and Xu 2013). Sparrow and Linden (1997) proposes three forms of reciprocity, they are generalized reciprocity, balanced reciprocity and negative reciprocity. In LMX, the comprehensive reciprocity can result in high quality exchanges whereas the negative reciprocity will definitely result in low quality exchanges.

3.2.4 'In-group' and 'out-group'

Since there are differences between in-group and out-group members, the relationship and mutual influence between them has become an unavoidable problem. Hollander (1978) believes that the existence of the circle may cause envy in other members of the organization. However Duchon (1992) thinks that the employee satisfaction and their influence on their managers of the "out-group" members are not necessarily lower than that of the "in-group" members. It is examined in two different points of view; in practice, the results obtained agree with the view of Duchon (1992). From the perspective of the relationship between the two, one can draw the following conclusions: first, in an organization not everyone has the desire to be in-group members. Also not everyone has the necessary condition to be in-group members, the difference of the leader and subordinate relationships inevitably produces a distinction between "in-group" and "out-group"; secondly, there are different needs of leaders and subordinates, which can be achieved through different exchange relationships. Furthermore, because the satisfaction standard is not the same among subordinates, the differences in

exchange relationships do not have much negative effects on the out-group members. In reality, the normal income of the out-group members is not decreased because of the distant relationship with the leader. On the contrary, their revenue tend to increase because of the performance improvement of the in-group members (Du and Wang 2002). Additionally, in-group and out-group maintain a certain degree of openness, over time more people have the opportunity to join the in-group, and experience the positive impact brought about by the high exchange relationship, so that the overall quality of the organization continues to increase.

3.3 LMX and organizational performance

The researches on LMX show that the organizational performance can be efficiently predicted once the exchange relationships between the leader and the subordinates are clearly established (Cao 2011). The quality of the LMX relationships can be analysed on an individual, group and organizational level. High quality LMX relationships can lead to higher self-efficacy evaluation, better employee group identity and make it easier to accomplish team goals. Some research has found that the work performance of the in-group members is approximately 20% higher than the out-group members (Lu 2008). Graen's (1982) LMX relationship effectiveness model gives a clear and definite explanation of the relationship between LMX and an organization's performance from the organizational level. Indeed an organization's performance depends on many factors, and leadership effectiveness is an extremely important one (Deng 2011). The leadership's effectiveness comes from the basic effectiveness generated by the leader and subordinates. LMX has a great promoting effect on leadership effectiveness. On the one hand, the improvement of an organization's performance depends on the nature of the work and individual capability. On the other hand, the interrelation between LMX and the organization's performance is inevitable. The effect of this interaction will become more and more obvious and important with the development of the organization or the team. Thus we can conclude that the improvement of LMX relationships can continuously improve the actual organization's performance. Therefore, we have reason to recognize that the role of the LMX in performance management is becoming more obvious, more important (Onne, 2004).

3.4 LMX and employee satisfaction

In theory, the LMX and employee job satisfaction are closely linked. In general, the higher quality of the LMX relationships, the more positive interactions between leaders and subordinates are. Also, the subordinates will have a more objective and positive attitude toward the work missions, the working environment, job opportunities, leadership and organizational environment etc. The subordinates' self-satisfaction is higher when they have better quality LMX relationships. For the leaders, by giving employees a more positive assessment to those employees who make efforts to perform, at the same time, the leader can also help himself/herself better carry out their own management work. Therefore, the leader also gets higher satisfaction in this process. We found that although there are many empirical studies on LMX and employees' satisfaction, studies of the correlation between the two are few. In recent years, more than few researchers have started to focus on the study of the correlation between LMX and employee satisfaction, for example the empirical studies of Janssen and Van Yperen (2004), Piccolo et al. (2006), Ismatilla (2008), etc. all verified the correlation between LMX and employee satisfaction. So employee satisfaction is very important for improving business productivity and work performance. The LMX and employee satisfaction are closely correlated. These provide strong support for the statement that improving the quality of the LMX relations, cultivating proper leadership behaviour and a good work atmosphere will improve employee satisfaction and the organization's performance. The development of LMX theory provides a new framework for application in organizations. LMX theory is becoming an effective leadership instrument for maintaining high quality leader subordinate relations and significantly improving employee performance (Guo 2011). The application of LMX theory is helping the transition of the management mode from traditional top-down one-directional management to interactive management between leaders and subordinates, or even between members and the teams/organizations. The interactive management emphasises the communication and learning between leaders and subordinates (Zhu and Wang 2015). In summary, LMX theory has various practical applications. The building and development of high quality LMX relationships is an effective way of improving leadership effectiveness and the organization's performance (Mueller, 2002).

3.5 Summary

In summary, this chapter reviewed LMX theory. Firstly, the definition and the different development stages of LMX theory were reviewed. Secondly, we reviewed what is exchanged between leaders and members. Thirdly, we discussed the relationship between LMX theory, an organization's performance and employee satisfaction. The LMX theory will be used in Chapter Eight as the possible theoretical basis of the emerging approaches in Chinese SMEs.

Chapter Four: Organisational Structure Theories

The relationship between organisational structure and organisational performance has attracted the attention of certain scholars. Thompson (1988) points out that the organisational structure of control and coordination system has an influence on the behaviour of employees, and thus impacts organisational performance. Cray's (1984) British and French multinational study indicates that the adaptability of the organizational structure to the organizational strategic change and environmental changes affects the organizational performance. Lin and Germa (1999) studied 205 Chinese state-owned enterprises so as to analyse the impact of the control system in the organisational structure on organisational performance. Most previous studies have tackled the subject from an empirical perspective by finding the correlation between the presence of organisational structure and organisational performance.

In this chapter, firstly we briefly review the definitions of organisation and organisational structure. Following this, we carry out a review of relevant organisational structure theories and frameworks. Finally, we focus on reviewing Mintzberg′s organisational structure theory, which is one of the bases for our following theoretical analysis.

4.1 Definition of organisation

Providing a definition of organisation is not easy. In fact, different research perspectives may lead to different enlightening conclusions. Three main theoretical perspectives have been concluded as follows: the rational system, the natural system and the open system perspective (Scott 2002). The rational system perspective adheres to the structure - function analysis. The rational system intends to completely separate the organisational structure into functionally interdependent units and studies the interrelationship between them. The natural systems perspective does not focus on the abstract model of the organisational structure with the general characteristics. Instead there is a focus on the principles of behaviourism, according to the reality in all types of organisations' operating practice to analyse the problems in the process. Open systems perspective is a concept that emerged following a book by Ron Ashkenas (1995)-

"Borderless organisation: breaking the chains of organisational structure". This book attempted to break the four boundaries of traditional organisation, which are internal vertical boundary, the internal lateral boundary, the external vertical boundary, and the external lateral boundary. Indeed, this enables organisations to better integrate social production in the context of globalisation, while the organisation's definition and analysis of ideas basically adhere to the behaviourist point of view. Since my research is closely related to Mintzberg's organizational configuration theory in this research, we adopt the following definition: Organization is the process of achieving rational division of labor of people and activities through the division of work and duties and the distribution of rights and obligations in order to achieve the common goals (Rudrabasavaraj 1993).

4.2 Theories on organisational structure

The organisational theory was compiled following many studies such as organisational structure, functions and operations, as well as the actions of the management in the organisation (Zhou 2010). The organisational structure theory is an important part of the organisation theory and its development history. Organisational structure has many different definitions and researchers have interpreted it from different perspectives. Organisational structure is the framework of the management system and is a model that shows the order, position, integration/separation and the connection between all parts. It also demonstrates the interaction between key components of the organisation (Li 2010). The organisational structure is a system of job descriptions, power and responsibility. This system is formed by ensuring that work division and coordination in management work is conducted by all the employees of the organisation in order to realise the organisational objectives (Pugh and Weber 1971). The nature of the organisational structure relates to the allocation of organisational functions and power determined by the organisational objectives (Gupta and Govindarajan 1991). It can also be considered as the perspective from which individuals see their organisation and its environment (Jacobides 2007).

The traditional organisation theories pay more attention to the formal structures such as stability of the organisation, clear connections, clear authority and formal communication channels. They place emphasis on objectivity, impersonalisation and formalisation (Kim 1976). As mentioned by Taylor (1914), Fayol (1949) and Weber (1974), the organisational structure is considered to be the most important factor for

work efficiency and effectiveness (Lawrence and Mohr 1971). Modern organisation theories have started to focus on the relations between the organisational structure and the external environment. Some researchers believe that a flexible structure can better adjust to the external environment and be more efficient (Miles, 1978). In the 21st century, some researchers proposed theories claiming that the development of organisational structure is largely dependent on strategy, management actions, employees in the authority hierarchy, and the external environment (Sambrook, 2010).

Regardless of how the organisation is structured, there are three basic components that are inherent to the organisational structure. These are the governance, the rules by which the organisation operates, and the distribution of work (Gupta and Govindarajan 1991, Levinson 1959, Sarker 2000).

4.2.1 Classical theories of organisational structure

In the late 20th century, classical organisation theory was developed as a way of bringing together scientific management, bureaucratic theory and administrative theory (Kathryn, 2011). The classical organisation theory created the power-centralised, hierarchical type of organisation structure (Taylor 1914， Fayol 1949, Weber 2009). This organisational structure fitted the needs of the transformation from small scale production to industrialised mass production. It also improved organisational efficiency and the development of productivity (Wu 2006). The classical structure theory is focussed on the study of static structure, and places emphasis on the coordination of organisational efficiency (Zhang and Wu 1998). The classical organisation theory expressed the reasons for the changes of organisational structure scientifically, logically, accurately and universally.

4.2.1.1 Taylor's scientific management theory

Classical organisation theory was a theoretical system focussed on the organisation of the internal division of labour and activity arrangements (Taylor, 1914). It also provided theoretical guidance for how to do the division of labour (Taylor, 1911). Taylor's scientific management theory, including the early beginnings of organisation theory, set the precedent for ideas about planning departments, the implementing of system functions, and the principle of exceptions. This is the contribution of scientific management theory to the theory of organisational structure (Alvesson and Willmott, 1992).

Taylor considers that the planning functions and executive functions work separately. The function of the division of labour is one of the basic principles in scientific management. The planning functions set by the corporate planning department are mainly designed to investigate and study the development of fixed and standardised methods of operation (Zuo and Pan 2007). Workers in the planning department develop methods and instructions to ensure that the required work is carried out correctly (Aiken and Hage 1968). Taylor's 'division of function' theory states that you should separate management activities from production activities in order to become professional (Bahnisch 2000).

Taylor advocated the functional management system, where people not only individually set the functions of the regulatory agencies, but also the implementation of the division of labour specialisation. This means that the whole management is divided into a number of smaller management functions, thus resulting in improved efficiency within the organisation (Taylor 1914).

4.2.1.2 The Fayol administrative theory

From the organisation and management process perspective, there are five basic functions of management, namely planning, organisation, command, coordination and control. Among them, the function of organisation is very important (Fayol, 1911).

Fayol (1911) also pointed out that, from the perspective of organisational functions, there are roughly 14 general management principles. They are for example, the division of labour, power and responsibility, discipline, and unified command etc. Many of these are the guiding principles of organisational structure, for example the division of labour, the consistency of powers and responsibilities, and unified command. Fayol's (1911) division of labour is not limited to technical work, but also applies to functional specialisation and the division of competencies. Power is the right to command and expect obedience. The general principles of a hierarchy of power form a hierarchical organisational structure (Yuan and Song, 2006).

4.2.1.3 Weber's bureaucratic administration and organisation theory

The famous German sociologist Max Weber is known in management circles as "the father of organisation theory". The management point of view is epitomised in his masterpiece "theory of social and economic organisation". His main contribution to organisational theory is the "bureaucratic model", which has become the main

administrative organisation system. Weber's "hierarchical structure" (pyramid structure; also known as the bureaucratic structure) can be summarised by three aspects (Weber, 2009):

(1) Administrative organisation system. Weber believed that rationality is the legal right of a system of administrative organisation.

(2) Organisational memory is important in a clear division of labour. Various positions and occupations should be organised according to a specified level. Weber also mentioned the formation of a top-down rating system, stating that an organisation's personnel appointments should take place solely on the basis of the technical conditions and requirements of the position. He thinks that management is a full-time, fixed salary job, and that management personnel should exercise their functions and powers under strict and systematic discipline and control (Chen, 2010).

(3) The administrative organisation architecture: the structure can be categorized into three classes, namely top, middle and front management. Its major functions are to make and implement decisions, and to carry out specific work(Chen, 2004).

4.2.2 Neo-classical structure theories

From 1930s, researchers gradually shift their interests into more 'soft' studies of organizational structures: human behaviour in an organization. It is believed that the 'hard' organizational structure is limited; more emphasis should be put on how people behave and feel in organizations (Wang, 2000). Many theories then developed to discuss how people's feelings and other psychological behaviours change the orgnizational culture. The most famous theories include Mayo (1933), Maslow (1943), McGregor (1960), and Herzberg (1974) et al.

4.2.2.1 Relations Theory

Mayo, by conducting the Hawthorne experiments, found that "social" demands to be important and richer than economic satisfaction and benefits (Mayo, 1949). Thus the relations theory claims that reasonable organization structure and management should first consider from the aspects of social psychology instead of simply from the technical and material conditions. Mayo also pointed out that informal organisations work together towards common interests and values. The informal organization exists within formal organization. The informal organization has an effect on the efficiency

and objective acheivement through affecting the work attitude of the workers (Kochan, McKersie and Cappelli, 1984)

4.2.2.2 Behavioural science theory

The behavioural science theory of organisational structure performance states that businesses must find time to fully take into account human factors, Only by incorporate the goals of the formal organisation and the informal organisation's goals, can the business achieve its objectives (Liu and Sun 2005).

4.2.3 Modern theory of organisational structure

The modern management theory has been celebrated for its great potential since its conception in the 30s. Many theories were developed during that time. Some theories study the orgnizational structure from the perspective of contingency; others investigate the environment factors of organizations. These theories can be considered as a supplement of classic theory, since they look into different aspects of organizational structure.

4.2.3.1 Contingency theory of organisational structure

After the early 1960s, the school of contingency approach to organisational structure theory began to appear (Kast and Rosenzweig 1974). They argued that systems and contingency perspectives examine the organisational structure as an open, dynamic socio-technical system whereby managers must constantly adjust to changing circumstances (Fiedler 1964). The social system school was founded by Barnard. From a sociological point of view, an organisation is a "social collaboration system composed of a material, biological, personal and social aspects". He also mentioned that the collaboration system is an organised, material system which constitutes the overall social system of the people. An organisation is two or more people with an awareness of a system of coordinating activities; it is a collaborative system; an organisation is, therefore, complex.

Custer and Rosenzweig Vic (1985) pointed out that both biological systems and social systems must have continued investment in conversion and outputs circulation. In addition to this, they stated that business organisations enter the human, financial, material, and information worlds through the social environment and the production process. Enterprises will include these inputs in a product or service output for the

social environment. As such, a corporate organisation is an open system which involves interaction between environmental sustainability and a dynamic equilibrium.

Burns and Stoke (1961) evaluated the relationship between environmental and business management organisational structure. They believe that the so-called stable environment is maintained for a relatively long period of time with little change in the environment. An unstable or turbulent environment experiences rapid changes in state. Two different environments are part of the formation of two different models of organisational structure - the mechanical structure and the organic structure. Mechanical structures deal with task specialisation, responsibilities, hierarchical control, exercise of authority and communication. Organic structures are concerned with interaction with other members (Freedman 1992). This helps to adjust and define tasks, diffuse responsibilities, and mesh structures in order to achieve the implementation of control and authority. Contingency management theory was formed in the United States in the 1970s. The core of this theory is trying to define the relationship between the research organisations within each subsystem (Hammer 1974). It also looks at the organisation's original environment. It emphasises that organisations should seek the most appropriate management model for their differing conditions, programs or methods. Contingency theory for environmental management is role specific. Management theory and practice are closer together, and both consider the relationship between environment variables and the corresponding management concepts and technologies, the latter of which are used to effectively achieve goals. The functional relationship between the environmental variables and management variables creates contingency relations; its main features are systematic. Contingency theory claims that the management of a variety of factors is an interconnected, unified whole. Contingency relations are also empirical; this is due to the theory of management practice tests. Contingency relations are also multi-dimensional. Contingency theory states that management is the result of interaction between a variety of factors; therefore, the combination of the different variables must also be considered using multi-dimensional analysis techniques (Kochan, McKersie and Cappelli 1984). Contingency theory claims that the behaviour of an organisation and its members is extremely complex and constantly changing. As such, more often than not, an effective management method is essentially impossible to find.

The school representative of Peter Drucker, Dell and Sloan (1990) is an Empiricist one, based on actual experience. It involves research of the classical schools of management and behavioural sciences, and summarises the basic types of organisational structure,

centralised structure, "federal" structure, analogue decentralised structure, matrix structure and system architecture. It advocates management using objectives, tasks and people-centred management methods to mobilise workers' enthusiasm and creativity (Euske and Roberts 1987).

4.2.3.2 Environment determines organisational structure theory

The system of organisation theory

The core idea of Rowan and Zucker's (1999) institutional theory is to explain the homogeneity of an organisation's social background, and the institutional environmental changes in its organisational structure (Meyer and Scott 1983). System theory states that the organisational structure is not determined by the need to more effectively complete tasks, but by the institutional environment's wide range of expectations and requirements. The external power relations call for a decision on the behalf of the organisation.

Resource dependence theory

Pfeffer's (2003) resource dependence theory suggests that organisations are dependent on external resources, and thus strive to control these resources. Resource dependence theory emphasises the importance of an organisation's access to resources from the environment; it establishes important links between the organisation's political and economic patterns, and dependencies or exchange methods (Euske and Roberts 1987).

From the above review, it is clear that classical organisation theories focus on the design of organisational structure, the basic principles of organisational operation, and the basic functions of the organisation and management. Although the classical organisation theories help organisations to achieve efficiency and effectiveness, there is a limitation in that they ignore the importance of the human factors in organisational management. Behaviour scientific organisational structure theory is a supplement and rectification for the classical organisational structure theories. The greatest theoretical contribution of this period was the organisation's full attention to the emotional and psychological needs of people, which pays attention to the motivation structure issues. However, regardless of whether it is classical organisational theory or behavioural science organisational theory, research focusses on the subordinates, ignoring the study of managers. Moreover, they also believe that an organisation is a closed system and do not consider the environmental impact on the organisation. As such, they cannot achieve

a comprehensive and thorough study of organisation theory. The modern organisational structure theory sees an organisation as an open system. These theories not only study the inner workings of the organisation to analyse the characteristics of the various sub-organisations and their relationships, but especially focus on the interaction between the organisation and the external environment.

There is a relatively new school of organisational structure theory based on organisational configuration. The essential distinction of the organisation configuration perspective is that one set of organisational structures cannot fit all types of organisations. The characteristic of this new school of organisational structure theory is fully absorb the conclustions and the main achievements of each school of theory. Then carry out further research on all aspects of the organizational structure systematically (Zhou 2010). By better understanding the characteristics of similar organisations, one can develop a more comprehensive understanding of the organisational phenomena (Lunenburg 2012). The most well-known theory in this field is Mintzberg's organisational configuration theory (Ketchen 1993). Mintzberg claimed that there are three dimensions when it comes to classifying organisations. First is the key building block of the organisational structure, followed by the coordinating mechanism, and then the type of decentralisation (Mintzberg 1979). We believe that the organisational configuration theory can better assist the six steps of performance management in the present research. As such, in this part, we carry out a general review of Mintzberg's organisational configuration theory.

4.3 Review of Mintzberg's theory

Mintzberg shares the same view as Barnard, namely that the reason for establishing an organisation is to accomplish the missions that an individual is not able to achieve (Barnard 1968). Mintzberg thinks that the fundamental reason for establishing an organisation is the need for division of labour. However, Mintzberg is of the opinion that the division of labour is aimed at exploiting the advantage of specialisation in order to improve the overall efficiency of the organisation. By only relying on the division of labour, organisational missions cannot be accomplished. As such, coordination is needed to integrate different labour tasks in order to accomplish organisational objectives (Mintzberg, 1979). From Mintzberg's perspective, the division of labour is used to break the organisational mission into many different tasks and then realise the

work objectives through coordination. The collection of these methods represents the organisational structure (Mintzberg, 1973).

Mintzberg analysed and summarised the organisational configuration based on people and the characteristics of their tasks. This provides us with a whole new perspective. Moreover, in the organisational configuration model, Mintzberg summarised six basic building blocks that may exist in an organisation: the operating core, the strategic apex, the middle line, the techno structure, the support staff and the ideology (Mintzberg, 1979). The operation core consists of those people directly involved in the production activities of the products/services. The strategic apex consists of the top managers and people involved in controlling the organisation. The middle line consists of middle-level and lower-level management staff. The techno-structure consists of the analysts who are involved in planning, designing and making amendments to the operating core. The support staff includes experts who support the organisation outside the operating core activities. The Ideology refers to the unique traditions practiced by the organisation, as well as the existent beliefs and cultures.
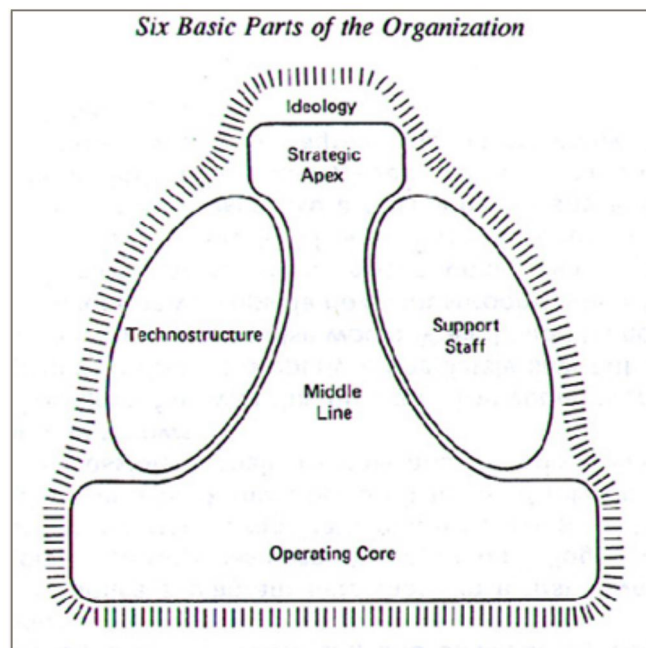
Figure 4.1 Mintzbergs' six basic building blocks in an organisation

(Source: Mintzberg, H. (1987). The strategy concept: five ps for strategy)

Another important part of Mintzberg's organisational configuration theory is the summary of six coordination mechanisms: mutual adjustment, direct supervision, standardisation of work processes, standardisation of output, standardisation of skills and standardisation of norms (Mintzberg, 1984). Here the coordination mechanism includes vertical management control and horizontal information communication (Rui, 2004).

First, mutual adjustment achieves coordination through the simple process of informal communication (Mintzberg, 1973), e.g. the communication between rowing crews. Second, direct supervision means that one manager gives orders/instructions to several employees who carry out the interrelated work and supervise them (Mintzberg, 1973). Third, the standardisation of work processes means ensuring that the employees have a clear understanding of the work content and the processes for the employees who are carrying out the interrelated work; indeed, this ensures that coordination is achieved (Mintzberg, 1973). Fourth, the standardisation of outputs means to specify the work results in order to achieve coordination (Mintzberg, 1973). For example, with regard to sales managers, it is only necessary to specify the revenue they must achieve each month; how they can achieve this is something they must figure out by themselves. Fifth, the standardisation of skills means that if the required standards and training of certain work is quite clear, you can set standards for the skills and knowledge required for the jobs (Mintzberg, 1973), such as a medical specialist. Sixth, standardisation of norms means that the norms in the work place are controlled so that everyone functions according to the same set of beliefs as in a religious order (Mintzberg, 1979). All of the coordination mechanisms act between different parts of the organisation. All the parts of the organisation can work together to achieve the common objectives by relying on the effects of each coordination mechanism. In an organisation, all of the above coordination mechanisms may exist. At different stages of the development of the organisation and in different types of organisations, there is variation when it comes to the degree and amount of workload each coordination mechanism carries. In the following, we review Mintzberg's classification of organisation types based on different configuration and coordination mechanisms.

Table 4.1 Types of organisations in Mintzberg' configuration theory

Configuration	Prime coordinating mechanism	Key part of organisation
Entrepreneurial	Direct supervision	Strategic apex
Machine organisation	Standardisation of work processes	Techno structure
Professional organisation	Standardisation of skills	Operating core
Diversified organisation	Standardisation of outputs	Middle line
Innovative organisation	Mutual adjustment	Support staff

(Source: Adapt from Mintzberg, H. (1987). The strategy concept: five ps for strategy)

1. Simple structure or Entrepreneurial organisation
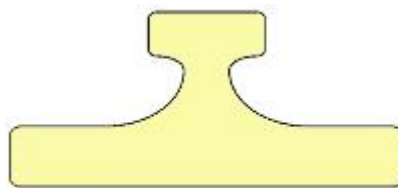
Figure 4.2 Simple structure or Entrepreneurial organisation

(Source: Mintzberg, H. (1987). The strategy concept: five ps for strategy)

The simple structure is characterised by its incompleteness compared with other organisations. Usually the simple structure or entrepreneurial organisation has little or no techno structure, or support staff. It usually has a loose department configuration and a simple management hierarchy. This type of organisation rarely standardises the actions and rarely has plans, training or communication systems. Coordination in the

simple structure or entrepreneurial organisation mainly relies on direct supervision. Usually, the CEO has the decision making power when it comes to all of the important affairs. As such, the strategic apex is the key part of the organisation. The main characteristic of the simple structure or entrepreneurial organisation is organic (Mintzberg 1973). Generally speaking, the micro or small companies or entrepreneurial organisations have this structure. Since there is a high level of power centralisation, this type of organisation has the advantage of being flexible and adaptable and is suitable for a dynamic environment. However, the simple structure or entrepreneurial organisation is the configuration with the highest risk.

2. Machine Bureaucracy organization
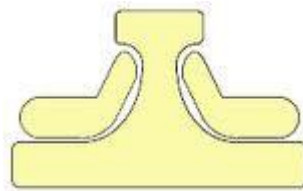
Figure 4.3 Machine Bureaucracy organisation

(Source: Mintzberg, H. (1987). The strategy concept: five ps for strategy)

The machine bureaucracy organisation is built on the standardisation of production and management processes. The characteristics of a machine bureaucracy are that its operation core tends to focus on highly specialised, routine operating tasks. The operation core is usually fairly large in size. The operations of this type of organisation are standardised, well-planned and accurate. This type of organisation relies heavily on regulations, formalisation and standardised operation processes. As such, the techno structure becomes the key part of the organisational structure. Since the power centralisation is relatively high, there is a relatively large span of control for the middle managers. Coordination in this type of organisation is realised by standardisation of work processes. The regulations and formal communication system tie the organisation together (Mintzberg, 1979).

The machine bureaucracy organisation places emphasis on regulations and uses the standardised processes to manage the operational activities; this means that it cannot react in a timely manner to changes in the external environment. As such, this structure

is more suitable in a simple and stable environment. This type of organisation is not capable of dealing with complex and dynamic tasks which cannot be predicted, repeated or standardised.

The machine bureaucracy organisations are usually mature organisations, since they already have mass production capability to perform standardised operations. They have developed mature techno structures to design the required standards and regulations for their operation core. Rather than concentrating on innovation, the strategic apex is focussed on keeping the whole system going and finding ways to operate more efficiently and effectively. Compared with other configurations, the machine bureaucracy organisation pays most attention to the division of labour and specialisation. Indeed, this is evident in all aspects and at all levels.

3. Professional bureaucracy organisation
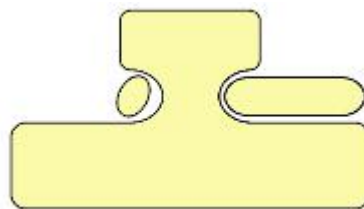
Figure 4.4 Professional bureaucracy organisation

(Source: Mintzberg, H. (1987). The strategy concept: five ps for strategy)

A professional bureaucracy organisation usually has an operation core made up of employees with high professional qualifications and skills, such as doctors in hospitals and professors in universities. The main competitiveness lies in the operation core. Members of the operation core have greater autonomy, thus meaning that they are relatively independent when doing their jobs. However, they are relatively close to their customers. The professional bureaucracy organisation relies mainly on standardization of skills to coordinate. This standardisation is achieved mainly through training and instruction. The nature of this type of organisation is still embedded in bureaucracy because its coordination mechanism still works through designed pre-set standards. The difference between machine bureaucracy and professional bureaucracy is that, with machine bureaucracy, the standards are based on work processes, while in professional bureaucracy the standards are based on skills and knowledge. A professional bureaucracy organisation emphasises authority of a professional nature, and so many of

the standards of professional bureaucracy come from external regulators. The strategies of a professional bureaucracy organisation are mainly developed by individual professionals within the operation core as well as by professional associations on the outside (Mintzberg, 1995). Since the base operations are highly technical, professional and complicated, there is no standardised process. In order to facilitate the operation core, power centralisation is low in a professional bureaucracy organisation. This great autonomy also brings about problems for the professional bureaucracy organisations, as the work of the highly professional employees is not easily managed and controlled by the organisation.

4. Diversified organisation
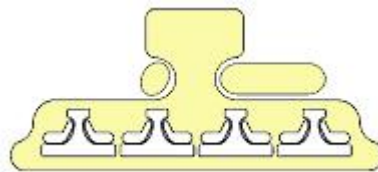
Figure 4.5 Diversified organisation

(Source: Mintzberg, H. (1987). The strategy concept: five ps for strategy)

The characteristic of the diversified organisation is that it has a powerful middle line. The operation core of the diversified organisation is made up of many individual divisions with relatively high independence. The middle line consists of many middle level managers who have the most authority of all the divisions. Diversified organisation relies on the standardisation of outputs to achieve coordination. All the divisions have a relatively complete organisation structure, and this guarantees independence. A diversified organisation is usually large scale and mature, with a relatively diversified market, for example modern multinationals.

5. Adhocracy or Innovative organisation
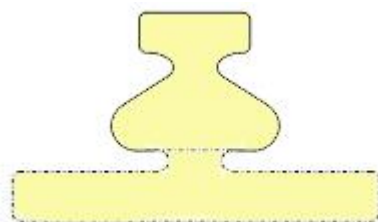
Figure 4.6 Adhocracy or Innovative organisation

The adhocracy or innovative organisation is a highly organic structure with little formalisation. It is highly flexible, with minimal levels of formalisation and regulation. The employees are highly skilled professionals who are scattered across different organisational structures. The professionals of the organisation form project teams based on strategic decisions. This type of organisation relies on mutual adjustment as the key coordinating mechanism within and between these project teams. This is the type of organisation frequently found in the computer world, which is full of flexible teams working on specific projects. This type of organisation works well in a dynamic environment. However, adhocracy or innovative organisations do encounter problems such as low efficiency.

4.4 Summary

In summary, this chapter paints a general picture of different organisational theories. Among them, some of the organisational theories focus on the internal system, while some pertain to the external system. In light of this, here we review Mintzberg's organisational structure theory in more detail. In the next chapter we conduct exploratory research into possible SME PM effective models of Chinese SMEs from an organisational structure point of view using Mintzberg's current organisation theory and logical deduction method.

Chapter Five: Performance Management from the Perspective of Organization Theory

In this chapter, based on Mintzberg's organization structure theory and logical deduction, we will explore the possible PM models for a certain type of organization which is Low specialization and Low variability (LL) machine bureaucracy organization. The limitation of Mintzberg's organization theory is that firstly it is not designed to carry out performance management activities. Secondly, SMEs cannot fit into the classification of an organization. This chapter consists of an extension of the five parts of Mintzberg's theory. Then, we will propose a classification method of organization and define the low specialization and low variability organization. Next, we will follow the widely-used PM six steps to carry out further exploration. We will carry out adjustments and refinements of the PM six steps in LL machine bureaucracy organizations, which are common in Chinese SMEs. These adjustments and refinements are based on the main issues in the literature review, Mintzberg's organization theory and logical deduction.

5.1 Extension of Mintzberg's five parts of an organization

Mintzberg (1993) proposes five basic parts of an organization in his organization structure theory, which form the basic linkage to performance management's six steps (our Western literature review is primarily constructed according to these five parts). However, the definition of the operating core is ambiguous in that the production and service are not specified in the organization; there could be a lot of different products and services in the organization. This problem leads to ambiguous definitions of the other parts. The limitation of Mintzberg's organization theory is that it is not designed to fit SMEs. We believe that the definition of the organization's structure should start from defining the operating core, because it is generally the most important part of the organization. The definitions of other structures are based on the definition of the core operations, such as the middle line structure, which is the structure that carries out direct management and supervision of the operating core and works as the information exchange channel between the operating core and the strategic apex.

In the following section, we will clarify the definition of operation core by specifying its content and nature of the production and service.

Operation Core: people directly related to the production of core services or products. Here, the core products and services are specified by the organization.

For our purposes, we further divided the techno structure and support staff in order to facilitate our exploration for effective PM models. Here we define analysis structure and functional structure as follows:

Analysis structure: analysts who process the internal and external information to facilitate the decision-making of the strategic apex. The analytical structure is the hub of external information. It is the main source of data about customers, competitors and other market information.

Functional structure: analysts who design general and management rules and regulations for the entire organization.

These two structures are identified due to their nature of work, job content and the role played in the process of reaching performance in organization. The outside information from the analytical structure and the rules and regulations generated from the functional structure and techno structure help the middle line realize the management of the operation core. The identification of these two structures can facilitate our future adjustments and refinements of the performance management's six steps.

With the seven parts, the organization structure can be shown as follows:
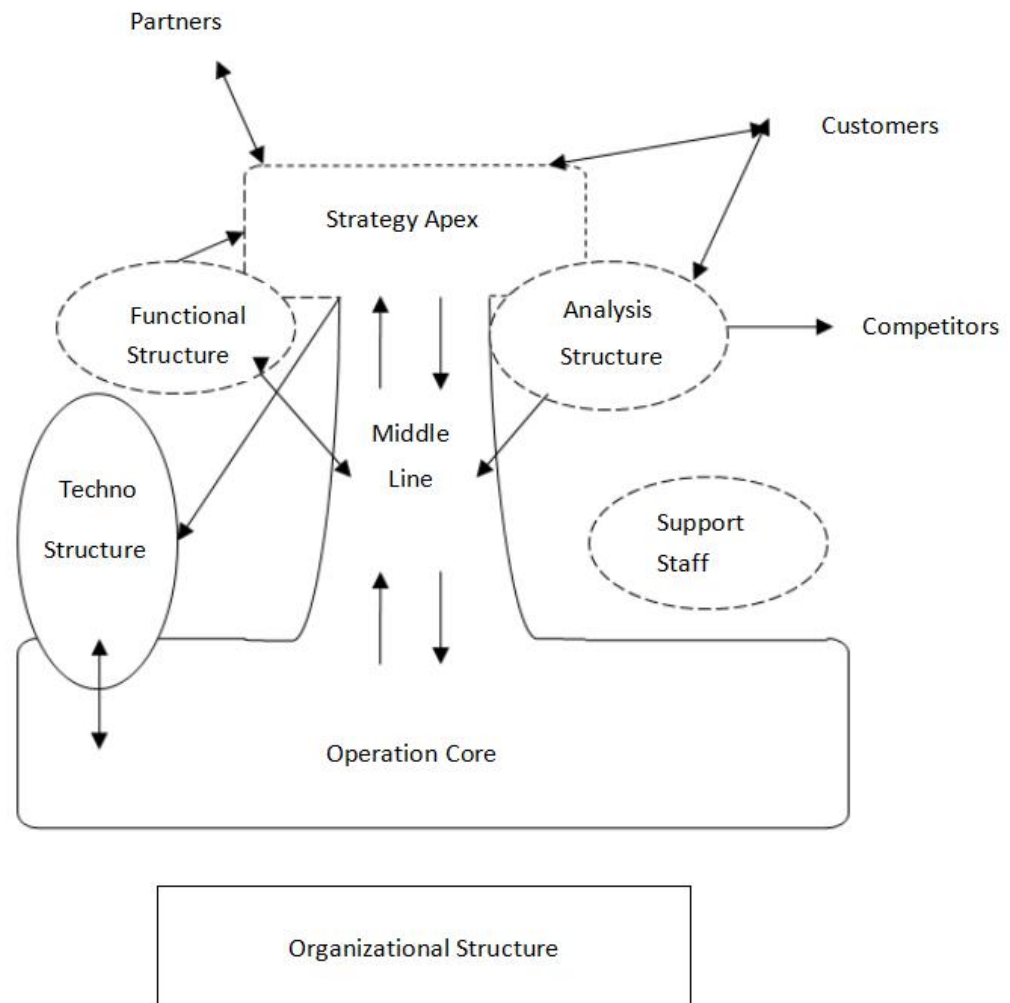
Figure 5.1 Adjusted seven parts organization structure

5.2 Types of an organization based on its core operations

The further classification is based on the content and nature of the core products and services. Firstly, we can see that the core operations have two dimensions: degree of specialization and degree of variability. The definition of specialization is consistent with Mintzberg's (1993): 'specialization: the chief parameter for determining the division of labour, concerns the number of tasks and the breadth of each task in a given position and the incumbent's control over these tasks' (Mintzberg, 1993). The degree of specialization of the core can be measured using the professional training time needed to be qualified in certain core work. The degree of variability of the core is measured by the variety of work processes and the realization methods involved in the core (Staats and Gino, 2012). For example, the core operation work processes can be repeated work achieved in standardized manner or in flexible and resourceful manner. According to the

two dimensions, we can further classify the core operations. Since these two dimensions are continuous variables, in theory there will be many possible classifications.

However, here we will only study the typical low specialization and low variability organizations, which are most closely related to a large class of SMEs (manufacturers).

5.3 Characteristics of LL machine bureaucracy organizations

An LL machine bureaucracy organization is defined as an organization with low specialization and low variability core operations. In the following, we assume that this LL machine bureaucracy organization is of at least medium size and is operating in a typical Chinese environment in order to achieve the maximum operational efficiency for profit-making. Changing this scenarios may affect the conclusions. A detailed discussion of contingency factors is carried out later in this chapter.

1. The work of a LL operation core is mechanical and repeated. Thus, the actions of the operation core tend to be standardized, and the output of works can be easily predicted (Mintzberg, 1993). Therefore, the requirement of qualification (such as education level) of the core operators is low. Consequently, there is relatively low decision-making power in the operating core staff. Moreover, the core operators in LL machine bureaucracy organizations usually come from lower social classes. In this case, economic incentives such as a pay rise are usually the most effective ways of motivation.

2. In LL machine bureaucracy organizations, due to the mechanical and repeated nature of the core's work, the techno structure can design detailed standardized operations based on the core operations. Therefore the technical structure helps mid and top managers to gain direct control of the operation core through the use of regulations. For the same reason, the middle line can directly supervise and coordinate the process and output of the operation core according to these regulations. Thus the coordination used in operation core is mainly formal regulations of core operations (Mintzberg, 1993), and the middle line and techno structure are usually the key structures in an LL machine bureaucracy organization.

3. The span of control of the middle line is larger than other types of organizations because of the highly standardized and repeated nature of core operations. Meanwhile, the middle line also works as the internal information hub, which has direct access to

the detailed information of core operations as well as the strategy apex's intentions (Mintzberg, 1993). As a result, staff assignment in the operation core is mainly done by the middle line, particularly by line managers, based on people's characteristics or skills. This is because the LL core operation is often repetitive and mechanical, and line managers can easily obtain employee information, and thus they have a sufficient amount of information regarding the employees' skills, personality and needs in order to make the most appropriate arrangements.

4. The strategy apex has the most global perspective, information, knowledge and capacity, and has easy access to any relevant information about the operation core (maybe with the help of the middle line) (Lyles, 1992). Therefore, they should be setting and breaking down strategy, maybe with the middle line. However, the interests of all stakeholders should be considered in the strategy formulation process. Therefore, a representative from each level of staff should participate in this process.

5. In a LL machine bureaucracy organization, improving the skills of core staff is often not the key for enhancing overall performance (Datta, 1991), because employees are able to attain satisfactory job skills after a short period of training. Therefore, personal guidance from the middle managers is often unnecessary. Instead, organizing core staff into batches to attend training on a regular basis may be a more efficient way to improve performance.

6. In a LL machine bureaucracy organization, the techno structure divides core operation processes into detailed sub-processes, then they set up standardized operations in order to control and coordinate the core operations. These often lead to the standardization of process and output (Mintzberg, 1993). A complicated task is divided into a number of simple steps, so that the work efficiency can be improved. Furthermore their management can be effectively carried out by setting up regulations and direct supervision. The most typical example is the assembly line in a factory. Usually, the assembly line's job settings and operation processes are designed by the technical structure, who then set up rules and regulations to convey it.

We believe that, due to different characterizations of operational cores, the effective performance management approaches will also be different. This includes differences in management tools, management methods and management objects. In this thesis we focused on the small and medium manufacturers, many of them belonging to machine bureaucracy organizations (Mintzberg, 1993), which have LL operation cores. Using the

characterization of LL machine bureaucracy organizations established in this section, we will focus on exploring effective performance management models in the classic six steps of performance management in LL machine bureaucracy organizations.

5.4 The performance management Six Steps in LL machine bureaucracy organizations

Many important issues in the six steps have been identified by our review in the previous chapters. For example, in the strategy formulation step, the literature addressed the importance of the strategy making processes – who should do it, and how? Therefore, we will discuss the possible effective and efficient ways of making strategies in LL machine bureaucracy organisations (which include many manufacture SMEs).

5.4.1 Step 1 - Strategy formulation and review

As reviewed in previous chapters, strategy plays a core part of modern performance management. However, from the literature review, effective and efficient strategy-making processes for SMEs are confusing (Gu, 2011). Therefore, in performance management, our main attention is to check how the strategy is formulated, and if the interests of the key stakeholders are balanced.

As discussed in previous sections, in LL machine bureaucracy organizations, the strategy setting and decomposition should usually be initiated by the strategy apex, with middle line managers being involved in the process. The support and functional structures can be involved in drafting documents. The core staff is not much involved in the strategic development at the organizational level, but their interests should be considered in the objectives and strategies.

5.4.2 Steps 2 & 3 - Strategic decomposition and deployment

As mentioned in the SME management issue reviews, a lot of top managers in Chinese SMEs carry out daily management and all decision making all by themselves, which has been criticized as an inefficient and improper management approach (Wu and Li 2005). These issues enlighten us to further discuss the effective and efficient strategy decomposition and deployment processes in SMEs. Therefore, below we will explore how the strategy decomposition and deployment processes should be carried out, and who should be responsible for these processes in Chinese SMEs.

The strategy decomposition and deployment processes explain how strategies are conveyed to the operation core and how the objectives are broken down.

As discussed in the above sections, in classic LL machine bureaucracy organizations, the techno structure divides the core operation processes into detailed sub-processes. They then set up standardized operations in order to control and coordinate the core operations. Meanwhile, staff assignment is mainly done by the middle line, particularly by line managers, based on the characteristics or skills of staff members.

Therefore, in LL machine bureaucracy organizations, strategy should be mainly conveyed and deployed to the operation core through the middle line layer-by-layer. The structure which does the job allocation will also be involved in the strategy formulation process. The job allocation is usually in the form of a formal plan made by the technical structure.

5.4.3 Step 4 - Generating and selecting KPIs

From the literature review, we can see that the performance indicators in SMEs are often inappropriate, in many cases due to unqualified personnel who designed the indicators (Fang, 2008). Key performance indicators (KPIs) are usually used to measure the performance of the key processes (KPs). For the KPs at the top level, only the strategic apex is in the position of carrying out this job in LL machine bureaucracy organizations. For the KPs at the middle level, since the middle line is the information hub and it has wider perspective and adequate information, The job of forming KPIs is carried out by middle line with the help from techno part.

5.4.4 Step 5 - Performance plan

The important factors in the performance planning are motivation, guidance, supervision and coordination.

Motivation

It can be seen from the literature that most SMEs consider increasing wages as one of the most effective incentives (Wu, 2006). However, it has been mentioned by many authors that employees in SMEs are generally not motivated by their salary, and a pay rise does not help with the situation (Ma, 2007).

In our opinion, as discussed above, in LL machine bureaucracy organizations, based on the features of core operators, economic incentives such as pay rises are usually the most effective ways of motivation. On this basis, other motivation methods, such as promotion, emotional bond can also serve as an important way to motivate employees.

We found that our conclusions in motivation are conflicting with some of the literatures. Some contigency factors that affect the way of doing motivations in SMEs are found with further discussions in the later chapters,

Guidance

Generally, training in SMEs is focused on the pre-service training and operation skill training (He, 2006). However, these trainings seem to not be enough for the core workers, especially for those in key positions. Many literatures argue that the poor quality of staff in SMEs is due to a low education level and insufficient training (Wu, 2003). We believe that it is because the SMEs did not find an efficient way to train the workers, and so incurred a high cost. This high cost consequently jeopardizes adequate training for staff.

As discussed above, in the LL machine bureaucracy organization, the guidance that middle managers can provide to core staff may be very limited due to resource restriction. Instead, organizing core staff in batches to attend training on a regular basis is an efficient way to improve performance.

Supervision

The rules and regulations in Chinese SMEs are often inadequate and there is a lack of execution power in all aspects of management (Wu, 2009). These issues can be dealt with from the perspective of supervision in the performance plan.

As discussed in section 5.2, in LL machine bureaucracy organizations, it is usually the middle line who supervises the core staff. In a LL machine bureaucracy organization, cost is always one of the most important factors of competitive advantage; thus, organizations tend to use low-cost methods of supervision, as rules and regulations are applicable to a wide range of aspects and they can improve the supervision span of the middle line. Therefore, generally, supervision is based on regulations and rules that are developed by the technical structure and functional structure, and carried out by the

middle line. In this way, the effective combination of self-monitoring and direct supervision can achieve the maximum reductions to the cost.

Coordination

Communication problems generally exist in Chinese SMEs, mainly between departments and between the upper and lower levels. Therefore, we will discuss how communication should be carried out.

Our LL machine bureaucracy organizations tend to make formal procedures based on standard processes. Most of the time, coordination and cooperation are taken into consideration when doing technical division by techno structure. For example, the design of department, the design of the assembly line, and the development of process standardization. Thus, coordination in an LL machine bureaucracy organization mainly relies on the standardization of automatic processes. However, when the process standardization fails, the coordination should be done through other means, such as direct commands from a higher authority.

In conclusion, the coordination method should be formal and routine. Communications between departments and different levels should be carried out formally on a regular basis. A formal record and a tracking system are required during and after the communication process.

5.4.5 Step 6 - Assessment and feedback

As discussed in section 5.2, in general, the assessment is jointly carried out by the middle line and techno structures of LL machine bureaucracy organizations. Recently, the assessment tends to be more quantitative with the support of management information technologies (Sun, 2006).

5.5 Contingency factors

The above discussions and conclusions are based on a series of hypotheses of some contingent factors. In fact, we assume that the company is a traditional manufacturer of a medium size, and has a large number of frontline staff. The company involves repetitive massive production and its staff's tasks in the core operations are mechanical and repetitive. A change in this scenarios may affect our conclusions. For example, different ownerships may affect the motivational approaches. In Chinese state-owned

companies, employees are mostly motivated by promotions, whereas in private companies, the employees are generally motivated by economic incentives. Another example is the scale of the company. As the size of the manufacturer increases, more formal coordination tends to be adopted, such as formal communication channels and standard process control, etc. In SMEs, the contingency factors may vary greatly, which may result in ineffectiveness of the adjusted PM approaches. Therefore, we will discuss further PM practices in Chinese SMEs and the adjustment of the PM six steps through a later survey.

In summary, in this chapter we followed the currently widely-used PM six steps to carry out further exploration. We adjusted the PM six steps in LL machine bureaucracy organizations, which are common in Chinese SMEs. These adjustments and refinements are based on the main issues form the literature review, Mintzberg's organization theory and logical deduction. In the following chapter, more focused exploratory research is carried out to find an effective PM model for Chinese SMEs through a questionnaire survey.

Chapter Six: Research Methodology

6.1 Research paradigms

Before explaining the approaches and methods used in this research, We feel the need to look into the philosophical issues and paradigms relate to social science research and clarify the underling paradigm in this research. There are three major paradigms in social sciences. They are positivism otherwise called the empiricism, the interpretivism or social constructionism and the critical realism (CR) (Johnson R B, Onwuegbuzie A, 2004). The adoption of different paradigms determines the approaches and methods used in a research. In the following sections, we carry out reviews of the three major paradigms in social science researches. Whether the methodologies that commonly seen in natural science be suitable for social science researches becomes the distinguishing point of social science paradigm. The fundamental difference of these paradigms is at the ontological stance (subjective or objective) of different paradigms (Oakley A, 1998). As a result, different epistemology and methodology are applied in the paradigms.

6.1.1 Positivism/Empiricism

Positivism/empiricism is considered as the main stream of research paradigm nowadays. It basically follows the principle and method from a natural science research paradigm. The reason can be explained from the ontology stance of positivism. In positivism, the truth (real word) is believed to be objective, meaning that it would not change, despite what people think about it. In other words, the theory of positivism is a belief that an objective reality world independently exists. This reality can be identified, measured quantitatively and summarised as knowledge through certain "scientific" procedures. The knowledge generated by positivism is normally cause-effect regularities with certain conditions and factors such as, if A happens then B will happen if in conditions C and D. In social science research, positivism tries to identify the cause-effect regularities behind the actual social events (Guba and Lincoln, 1994; Mingers, 2000; Ponterotto, 2005). Therefore, the researchers following this paradigm carry out their study by observing social events and summarising the patterns of why they are happening or how they happen. There are some general principles to applying

positivism in research. For example, the research is required to keep a certain distance from the research object in order to avoid interference, which is believed to influence the objectivity of the result. Objectivity also requires the researchers to clearly distinguish the facts (truth) from common beliefs or interests. More importantly, the result or conclusion of positivism researches is required to be quantitative, or could be quantitatively measured. In terms of method, positivism tries to divide big problems into small pieces and then apply a hypothesis and deduction procedure to generate a causal law. In order to generate a validated causal law, a large number of samples is required (Comte, 1868). In social science, positivism tries to identify causal laws behind the social events by observation and analysis based on the quantitative method. Such an approach is criticised by other paradigms, especially the interpretivists. They question the meaning of results generated by positivism research and argue that the methods adopted are too rigid to truly reflect the reality.

6.1.2 Interpretivism/Social Constructionism

Comparatively, researchers following interpretivism believe that the reality of the social world is generated by the understanding and interpretations of actual people in the social world. Therefore, the reality is never "objective" but depends on how people interpret it. Different understandings and perspectives generated by people in the social world construct the reality (constructionism). Following the above idea, the research purpose is no longer generating causal laws, but to understand how people think about certain social events and then describe them from different perspectives. Therefore, interpretivists suggest different research methods (different to positivism) due to the different nature of the research objects. The commonly applied methods in interpretivism include in-depth interviews, dialogue-coding and sense-making etc. Gioia (2003) summarises three characteristics of interpretivism. Firstly, the fact is only part of the truth in social reality: people give the fact meaning by interpreting and understanding. Different people would give different interpretations, even based on the same fact. Thus, people and their interpretations construct the reality. Secondly, all the people construct the reality "collectively and consensually". Simply speaking, this suggests not to ignore an individual understanding of the truth, but also not to be overly affected by extreme views or opinions. Thirdly, the reality is relativistic. It means the reality is not absolute but depends on who interprets it. A social event could be a "good thing" for some people, but also a "bad thing" for others. Both sides of an event are all

part of the reality. An interpretivism research usually includes a large amount of dialogues, conversation records and analysis based on these materials. Qualitative research methods, such as grounded theory and narrative analysis, are applied.

The debate between positivism and interpretivism has persisted for a long time. Researchers from both paradigms argue about the scientific research methods and approaches. The interpretivists believe that research methods originally developed from natural science should not be applied in social science researches, because the nature of research objects is different. They suggest totally abandoning natural science research methods and to apply specific social science research methods. On the other hand, the positivist argues that social science research should adopt methods from natural science research since they are more"scientific" (Pondy L. R; Mitroff I, 1979). As a result, critical realism (CR) adopts a neutral position in the debate. It agrees that a social science research object is different to a natural science research. It believes that, in social science, the objects are often open systems: in such systems, the contingency factors are too great to carry out controlled environment experiments. Moreover, some researchers believe that a social event is easily affected by research activities; thus, an independent research observation is harder to achieve (Lynch, 1997). More importantly, the research purpose is neither looking for causal laws nor collecting opinions from different people. Instead, CR tries to find and summarise the mechanism that makes the social event occur (Archer, 2013).

6.1.3 Critical Realism

CR has been developed for more than thirty years, originally criticising positivism. However, to some extent, CR agrees with the ontology stance of positivism. CR also believes that the reality is independent from people's views and opinions but that reality is only part of the real world. CR developed a three-level world as its ontology stance. The first level is the empirical world (the empirical domain). This world includes all the events that people can observe and experience. The second level is the actual world (the actual domain), which consists of the empirical world, as well as those events and non-events that happen all the time but of which people are unaware. For example the temperature drops in the North Arctic: the event is happening but people do not feel it. The third level of world is the real world (the real domain). It includes the first two levels of world as well as mechanisms that enable the events occurring or not occurring in the first two levels of world. The ontology stance of positivism can be seen as the

first level of world, which only refers to the event that can be observed and identified by people, while CR believes that there are more events that actually happen, of which people are unaware. The research purpose of CR is to identify and describe the mechanism in the real world (the real domain) from observing the empirical world. In the process of looking for mechanisms, logical deduction and retroduction are often applied as a research method. However, the effect of mechanism is not definite: an event may happen or not happen under the influence of the same mechanism. A mechanism is more like a trend pushing the event to happen, but there are also other trends and factors that have impacts on the final results.

In order to fulfil the research purpose of CR, a multi-methodology (also called critical methodological pluralism) is adopted. Basically, the multi-methodology includes both research methods from positivism and interpretivism. It believes that both types of research method have advantages in dealing with different kinds of data. Therefore, both types of method could be applied simultaneously in one research as long as the research purpose is to dig and understand the mechanism (rather than generating regularities).

However, people can only perceive these social events starting from observing them in the domain of empirical, and then go back to find its mechanism. This process is opesite with the development of the events, therefore, the methodology of this thesis consists of re-troduction and logic deduction, which help us to dig mechanisms from social events. During this process social science research methods, such as questionnaire and interviews are also applied to gather necessary information.

6.2 Research Design

In the first stage, we carry out an initial exploratory research. The main research method is literature review. We firstly define several key words such as SME management problems, management issues, then search and go through related literature. The performance management issues of SME are summarised and categorised from the literature. This is due to the fact that our research objective is effective PM models of Chinese SMEs and also because the current academia does not have a clear picture of PM issues and practices of Chinese SME. As such, at this stage the literature review method is applied to gather information on performance management issues in SME.

During the second stage, and based on the literature review, certain SME management issues are summarised. However, it is unclear what the possible solutions may be. Thus, we try to explore the possible effective PM models for Chinese SME. Due to time and resource limitations, certain research approaches, such as large sample observations and case studies, are infeasible in our research. Moreover, and as explained earlier, effective PM models are often closely related to organisational structure. As such, some organisational theories, in particular Mintzberg's organisation theory and logical deduction, are used to explore feasible models for Chinese SME. In this research, we followed the widely used performance management steps (Qi, 2006) to carry out the exploratory research. Focussing on the issues summarised from the literature on the steps, we used Mintzberg's organisation theory and logical deduction to adjust them for LL machine bureaucracy organisations (as many Chinese SME are LL machine bureaucracy organisations). During this stage of exploratory research, there are too many uncertainties and possibilities. It is not feasible for us to carry out a large number of observations in this thesis. Therefore, we apply logical deduction to form and discuss possible effective PM steps based on current/general theories. The results of this deduction are examined later through questionnaires.

During the third stage, and combined with the above study, further and more focussed exploratory research using questionnaires is needed in order to explore the effective model of PM in Chinese SME. We can gather this information by various means, such as interviews or surveys. Here we use questionnaires to collect data as this method makes it possible to collect large amounts of information from many SME in a short period of time and in a relatively cost effective way. The results of the questionnaires are usually standardised and therefore can usually be quickly and easily quantified, thus facilitating analysis and comparison. During this research stage we need to explore the current performance management practice in Chinese SME. In this regard, the questionnaire method is deemed most suitable when it comes to gaining access to this information in a large number of SME. The overall framework and basic principles of this questionnaire are in accordance with the main classical performance management steps which constitute a cycle of six main steps used to develop a performance management system. As summarised in Chapter 1, these six steps are: strategy formulation and review, strategy decomposition, strategy deployment, generating and selecting KPIs, performance plan and assessment and feedback. In this questionnaire, we principally follow the order of six steps to design the related questions. The

questionnaire lists some of the existing approaches suggested by the literature as well as the feasible models we developed in the previous stage, and which the managers of SME can choose from. Consequently, we can see which approach is more widely used and effective. The questionnaire also contains some open questions which allow us to record any different ideas which may help us deal with problems based on personal experience and practice. At this stage, data are collected in Jiaozuo City, Henan Province, China. Henan Province is located in China's middle-east, which is one of the country's most important industrial development zones. In this region, samples are selected from SME in the manufacturing industry.

During the fourth stage, and based on the results of the questionnaire, we conduct descriptive research into current PM practice in sample SME. With reference to the results of frequency analysis and cross-tab analysis of sample SME, we describe the current PM practices, issues and the relations between the PM models and performance. We find that many PM models used in high performance samples are consistent with those previously suggested. We also notice some emerging issues in Chinese SME through analysis of the survey results.

Among these issues, the most frequently mentioned is effective management of new generation employees. In many samples, classical PM methods have been applied but with little success. However, from the open questions and further interviews some new methods emerged in certain sample SME. These methods have not been studied in the literature although many claim that they are effective. At this stage, interviews are adopted to gather more detailed information and different perspectives from people. During the next research stage, we will describe these new methods and try to explain the possible mechanisms behind said methods. In this explanatory research, we will explain the new methods from the view of leader-member exchange theory. Based on the explanatory research, we will attempt to identify the possible mechanisms behind the new methods, and then use them to further improve our PM models for Chinese SME.

6.3 Research Methods

This research makes use of both qualitative and quantitative methods, mainly questionnaires and interviews, during different stages and for different purposes. The questionnaire is needed in order to collect data pertaining to the current PM practice of

Chinese SME. The interview is needed in order to gather further information on the new performance management approaches used in Chinese SME. It is essential that both methods are applied since they allow us to collect different kinds of information, which is needed in different stages of the research. This will be discussed in detail below.

The questionnaire is designed to collect quantitative data pertaining to performance management models in Chinese SME. Here we use questionnaires to collect data because we need to know the current PM practice of Chinese SME, and thus we need information from many Chinese SMEs. Questionnaires make it possible to collect large amounts of information from many SME in a short period of time and in a relatively cost effective way. The results of the questionnaires are usually standardised and therefore can usually be quickly and easily quantified in order to facilitate analysis and comparison. During this research stage we need to explore the current performance management practice in Chinese SME. As such, the questionnaire method is deemed most suitable in terms of gaining access to this information in a large number of SME.

The informal discussions are carried out to gather further information related to the new approaches used in Chinese SME after the questionnaire survey. Indeed, at this stage we only have a general idea about the new approaches in some of the local SME through the open questions in the questionnaires. These new approaches have recently been identified in certain Chinese SME and have not been studied in academia. It is not feasible for us to spend a long time waiting and observing the new approaches in every Chinese SME, and thus the informal discussions are the most suitable way in which to gather necessary information of the new approaches at this stage.

6.3.1 Questionnaire Design

The purpose of the questionnaire is to carry out further focussed exploratory research based on the above research. The basic method used is the questionnaire survey. Firstly, we wish to establish whether or not the adjustments and refinements to the six steps of classical performance management carried out in above chapter are in accordance with current PM practices in Chinese SME. Indeed, these six steps include formulating a strategy, decomposing and deploying that strategy, communicating, training and motivating. Secondly, we wish to further identify emerging issues from Chinese SME. As such, we design the questionnaire according to the six steps in the classical PM framework, so as these six classical PM steps can be further adjusted to fit Chinese

SME. To this end, the questionnaire lists some of the approaches suggested by the literature and by our research in Chapter 5. Managers of SME could choose from these options, and so we can see which approach is more likely to be used and be effective; it is also possible to assess the relation of these options with performance. The questionnaire also contains some open questions which are used to record different ideas and approaches to deal with the problems based on personal experience and practice.

The overall framework and basic principles of this questionnaire are in accordance with the cycle of six main steps which are used to develop a performance management system. In this questionnaire, we principally follow the order of six steps to design the related questions; the aim of this is to establish how the SME carry out their performance management activities. For example, during the step of strategic intervention, we need to establish who makes the major strategic decisions (Snow, 1978). Is there a problem of dictatorship in high level management? What is the process of making strategic decisions (Miles, 1978)? Is there a formal record of strategy or the decision making process? More importantly, is the decision made based on managers' instinct or data analysis? Do they consider other factors such as market environment, internal operations or external relationships (Zhu and Sarkis, 2004)? We then further analyse the results of the questionnaire.

Contents of questionnaire

The questionnaire consists of two parts. The first pertains to the basic information of the interviewees and their SME. The questions in this part include names, gender and positions of interviewees, as well as the names, ownership, scale and profit of SME. Following this, there are also some general questions about the organisational culture and management style. Such questions include numbers 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 57, 58, 59, 60, 61, 62, 63, 64, and 65. The purpose of these questions is to identify the unique organisational culture and assess how it is possible to benefit from this culture. The following figure presents an example:

Table 6.1 Sample for basic information questions

Section 1: Basic Information
1. Name of your company： Name： Gender： Job Title： Are you the most senior person in day-to-day control of your business?
2. What year was the business established：
3. Was the business established as：（multiple choices) A. A completely new start-up B. A restructuring from a state-owned business C. A subsidiary D. A state-owned company E. A joint-stock company
4. Which sector does your company belongs to：
5. How many employees in your company：
6. What was the approximate annual sales turnover of the business for the last financial year：

The second part relates to performance management in SME; there are two aspects in this part.

The first aspect includes questions regarding the six steps of performance management. The major purpose is to understand how the SME carry out these steps in real practice. Such questions include numbers 11, 12, 14, 15, 16, 17, 23, 24, 25, 27, 28, 30, 32, 33,34, 35, 37, 38, 46, 50, 51, 53, and 54. The following table presents an example:

Table 6.2 Sample for performance management in SME questions

Section 2：Performance management and its implementation

➢ STRATEGY FORMULATION AND ADJUSTMENT

11. Is there an overall strategic plan for at least the following 3 years for your company? (It should include objectives and the ways to achieve them) (single choice)
A. There is a formal strategic plan in action
B. There is a general development direction but has not formally documented
C. There are short-term objectives but no long-term plan
D. There is no plan made

12. Is the formal strategic plan communicated to: (single choice)
A. The top-level managers only
B. The top and middle level managers
C. The top, middle level managers and some of the staff
D. Other, please state

14. How are the important strategies developed? (single choice)
A. They are generated from stakeholder's personal vision and decision
B. The top-level managers generate the overall framework and direction, based on which the lower level staff fill in the details
C. The top-level managers generate the main body of strategies and the middle level managers and staffs have discussions and make amendments
D. The middle level managers generate the strategies
E. Representatives from all levels discuss and then generate the strategies.
F. Other, please state

15. Are there any problems of your company's performance management system?
(Includes performance assessment, training, reward and punishment, human resource etc.)
(Multiple choice)
A. The performance assessment is unfair.
B. The reward and punishment are not reasonable.
C. The performance indicators are poorly designed.
D. The performance management system did not take the feelings of employees into account.
E. There are problems of communication between subordinates.
F. Staff's work lack of guidance.
G. Staff's work lack of supervision.
H. Other, please state.

The second aspect focusses on the issues mentioned in the literature, and includes questions 13, 18, 19, 20, 21, 22, 26, 29, 31, 36, 39, 40, 41, 42, 43, 44, 45, 47, 48, 49, 52, 55, and 56. The questionnaire aims to show weather these issues exist in Chinese SME. Indeed, these issues are classified and summarised into following groups based on performance management steps: 1. Strategy issues, for example some SME do not have a strategy or basic plan of development; 2. Management issues, whereby managers practice an out-of-date management principle and style, and show a lack of attention to internal management; 3. Regulation issues, whereby regulations are not strictly obeyed and employees, as well as some managers, do not respect the rules; 4. Human resource issues, in that employees are poorly educated and trained, and are not qualified for their jobs. The motivation system fails to motivate the current employees, or attract new ones; 5. Organisational culture issues, conflicts between culture and management activities. The following table presents an example:

Table 6.3 Sample for SME issues questions

Section 2： Performance management and its implementation
➢ OBJECTIVES DECOMPOSITION AND DEPLOYMENT OF OBJECTIVES
18. In your company, which of the statement is the best to describe your company's management style? (Single Choice) A. The owner must do all of himself and make himself an example to all the staffs. B. The owner only makes the vital decisions. The owner knows how to use the talented people and entrusted them with important tasks. C. The owner delegates all the power to trusted top managers. D. The owner manages the company with the help of relatives. E. Other, please state.
19. To what extend do you think your subordinates can help to share your burden and work?（Single choice） A. Almost nothing need my attention. B. Only some important affairs need my attention to handle them. C. Many things need my attention to handle them. D. Other, Please state.

20. In managing your company, what takes up most of your time? (Single choice)
A. Handle emergencies.
B. Handle external social connections.
C. Listen to subordinates' report and give instructions to planed work.
D. Meet with customers and brings in orders.
E. Handle the inertial operational management.
F. Other, please state.

21. In handling management problems in your company, what are you intending to relay on? (Single choice)
A. Management experience
B. The continuously renewal of management knowledge.
C. Consultant with others or external consultants.
D. Relay on group decision making.

Questionnaires are enclosed in the appendix 1.

Questionnaire reliability test

Before we conduct the formal survey, 10 samples are tested to ensure that the contents of the questionnaire can be fully understood. These 10 samples are analysed thoroughly and we adjust some of the misleading or ambiguous questions. Following this, we interview some respondents face to face in order to make sure that they can fully and correctly understand the meaning of each and every question in the questionnaire. We also receive some valuable feedback and suggestions from certain respondents, which are quite helpful when it comes to adjusting the questionnaire.

In order to test the consistency of the questionnaire, we test the samples (30 samples) twice at intervals of two weeks. We then conduct analysis to establish the degree of consistency. The aim of the method is to analyse the frequency distribution for the same questions in the first and second tests; if the percentage distributions are consistent in both tests, then there is most likely a high degree of consistency. Here we adopt the indicator of Kappa to conduct the tests:

Table 6.4 test-retest reliability

		Value	Asymp. Std. Error[a]	Approx. T[b]	Approx. Sig.
Measure of Agreement	Kappa	.869	.033	17.560	.000
N of Valid Cases		5160			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

As can be seen from the chart above, the number of Kappa is 0.869. Kappa values range between 0 and +1, with a higher value meaning better consistency. Generally speaking, Kappa≥0.75 indicates high consistency. As such, we can see that the consistency of this questionnaire is acceptable.

6.3.3 Sample Selection and data collection

In this thesis, quantitative data from the questionnaire survey results are collected. The questionnaire is designed to ascertain how Chinese SME carry out the six performance management steps. The questionnaire lists some of the approaches suggested by the literature and by our research in Chapter 5. Managers of SME could well choose from these options, and so we can see which approaches are more likely to be used and effective, and which are correlated with performance. The data from these single and multiple choice questions are collected during the third stage of this study. The purpose of collecting these data is to conduct further and more focussed exploratory research in order to assess the effective model of PM in Chinese SME.

With regards the data collection process, during the first stage, the primary questionnaires are put to the top managers in 10 sample Chinese SME. The aim of this process is to make sure that the contents of the questionnaire can be fully understood. The feedback and suggestions are collected from the respondents and used in adjusting

some of the misleading or ambiguous questions. Following this, we meet with each of the 10 respondents in order to ensure that they can fully and correctly understand the meaning of each and every question in the questionnaire. During the second stage of the questionnaire survey, we select manufacturing Chinese SME from the local yellow pages and contact the top managers via email and telephone. These questionnaires are only filled out by the top managers in each Chinese SME. The questionnaire is distributed to respondents during the period spanning 20-07-2014 to 28-07-2014 and collected from the respondents over the period spanning 05-08-2014 to 15-08-2014 through emails or in person. During the third stage, 30 samples are selected for retesting and the same questionnaires are distributed to the respondents on 01-09-2014 before being collected on 05-09-2014.

The survey is conducted in Jiaozuo City, Henan Province, China. Henan Province is located in China's middle-east and is rich in mineral and water resources. This area is also an important industrial development zone in China. Jiaozuo City is representative of an industrial based city in Henan Province. Over recent years, Jiaozuo has formed an integrated industrial structure with energy, machinery, chemicals, metallurgy, building materials, food, textiles, pharmaceutical and other industries. Some products have established a dominant position in the domestic market. Moreover, Jiaozuo City is representative of a concentrated and developed industrial city with many manufacturing industries. Therefore, the samples in this region could provide us with a typical understanding of Chinese SME. Samples from the manufacturing industry are chosen as they are more closely related to the research subject: LL machine bureaucracy organisations (the definition and characteristics of LL machine bureaucracy organisations can be seen in previous chapters). The core operations in LL machine bureaucracy organisations are both low in specialisation and diversity degrees. In other words, the core operations are mechanical and repeated work.

In this region, samples are selected from SME in the manufacturing industry. This research is primarily focussed on private SME, and so we only choose private SME from the manufacturing industry. Secondly, we consider the size of the SME in terms of number of employees as the factor for the stratified sampling. We use the definition of Chinese SME and categorise the sizes into three groups, namely micro companies (1-20 employees), small companies (21-300 employees) and medium companies (301-1000 employees). In order to represent the manufacturing SME in China's Jiaozuo region, we analyse the percentage of each group in all qualified SME. These percentages are

generally 9% of micro companies, 67% of small companies and 24% of medium companies. The survey samples are selected using stratified sampling according to these percentages and in each layer the samples are randomly selected; following this, the SME are contacted through the local yellow pages. The total number of qualified registered SME is 3064. We send out 27 questionnaires to micro companies, 210 questionnaires to small companies and 63 questionnaires to medium companies, thus giving a total of 300 questionnaires (10% of the total number). We collect 250 finished questionnaires, of which 241 are valid (25 in micro companies, 165 in small companies, 51 in medium companies).

Table 6.5 Questionnaire survey sampling

Groups	percentage	Send out	Collected
Micro (1-20 employees)	9%	27	25
small (21-300 employees)	67%	210	165
medium (301-1000 employees)	24%	63	51
total		300	241

6.3.4 Analysis methods

The main quantitative data processing tool used in this thesis is SPSS. It is used to conduct descriptive analysis and reliability tests. The frequency and proportion analysis is carried out on questions regarding the management issues raised in the literature. The frequency and proportion show the existence and pervasiveness of these issues. Cross-tab analysis is carried out on questions pertaining to the six steps of performance management. The cross tab shows the relationship between certain PM approaches and organisational performance. Indeed, this helps to establish the effective PM models in Chinese SME.

6.3.5 Informal discussion

In the end of the survey, we carry out informal discussions with some of the owners of sample SMEs. The purpose is to further explore their current issues in management and operation. The informal discussions are motivated initially by the open questions in the

questionnaire. Some participants provide extra information in the questionnaire related to their urgent management issues. In order to further explore these issues, we contact these participants through various means including telephone, individual and group meeting. During the informal discussions, we ask the participants to describe their issues and how these issues affect the SMEs. We also discuss the possible cause and solutions of these issues. Among the issues discussed, it is found that the issue of young staff management is wide-spread and urgent, which will be reported in the next chapter.

6.4 Conclusion

In this chapter, we firstly review the main research paradigms in social science research. We generally follow the paradigm of critical realism which suggests to apply both qualitative and quantitative research methods in social science studies. Then we introduce the research design and research methods of this thesis. A questionnaire is designed to collect the information needed, and we mainly apply SPSS to carry out the data analysis. A part of the questionnaire is demonstrated as an example, the full content can be found in the Appendix 1. In the end, we briefly introduce the informal discussions carried out with some of the SMEs owners. In the next chapter, the results of the questionnaire are analyzed and presented, as well as the content of informal discussions.

Chapter seven: Results of Analysis

7.1 Results of questionnaire - Frequency analysis

We first conducted some frequency analysis of the survey results to get the overall situation of respondents. The following sections explain the analysis in accordance with the questionnaire question number.

Type of Companies

Figure 7.1 Type of Companies in sample SMEs

From the analysis we can see that respondents are mostly partnership or joint-stock companies and new companies. Only a few are enterprises formed in restructuring from state-owned enterprise, and a small part of the companies surveyed are subsidiaries and affiliates.

Annual turnover level
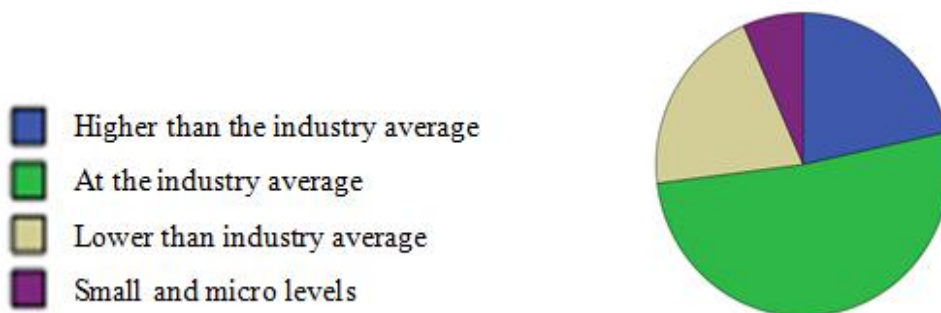
Figure 7.2 Annual turnover level in sample SMEs

From the above chart we can see that the majority of respondents believe that their turnover is at or above the industry average, operating in good condition. 20% of the enterprises have low turnover and they may have some problems. Overall, the number of low level turnover enterprises and high level turnover enterprises are essentially the same in the sample.

Trend of profit
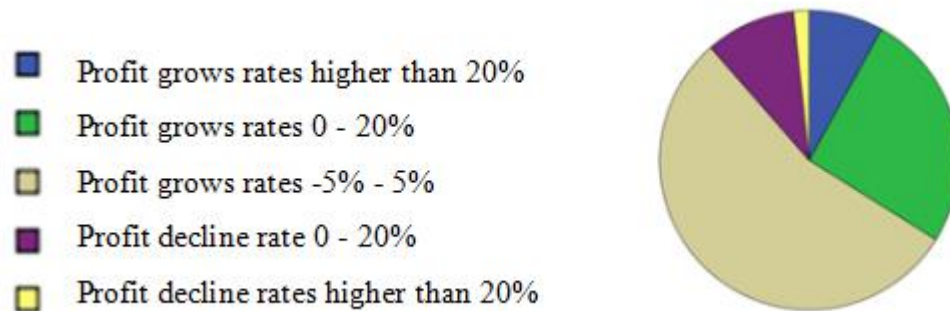
Figure 7.3 Trend of profit in sample SMEs

From the analysis we can see that the majority of the respondents have profit that did not change significantly while about 30% of respondents profits grew rapidly, and about 10% are enterprises that face a loss.

Confidence
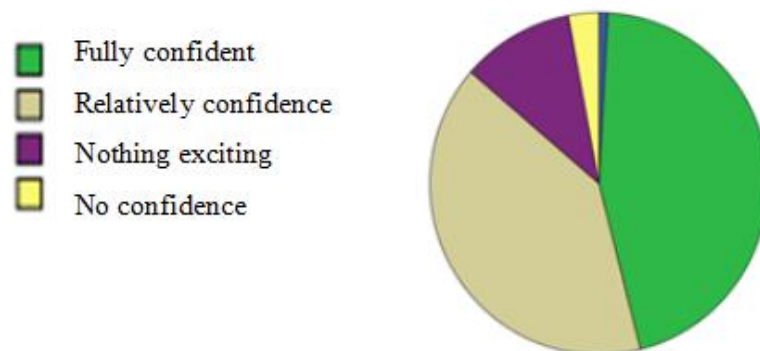
Figure 7.4 Confidence level in sample SMEs

From the result we can see that more than 80% of the respondents have confidence in development in the future year. Nearly half of companies are very optimistic about the future development.

Brand ranking

Figure 7.5 Brand ranking of sample SMEs

From the above chart we can see that among the respondents, the majority are local brands and industry well-known brands.

7.2 Discussion about questionnaire results of SMEs performance management issues

Strategy absence issues

Table 7.1 Frequency analysis for absence of strategic issues

11.Is there an overall strategic plan for at least the following 3 years for your company?)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	There is a formal strategic plan and it is currently in action.	145	60.2	60.2	60.2
	There is a general development direction but no formal document of strategy.	49	20.3	20.3	80.5
	There are short-term objectives but no long-term planning.	29	12.0	12.0	92.5
	There is no plan.	16	6.6	6.6	99.2
	Missing	2	.8	.8	100.0
	Total	241	100.0	100.0	

One can see that although 60% of companies believe that they have a formal strategy and plan, there is still a considerable degree of strategic absence.

Strategy Content

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Table 7.2 Frequency analysis for strategy content

13 Are any of the following content covered in the plan?

		Responses	
		N	Percent
Strategy Content	A.Growth(turnover/ profit/ ROI forecasts etc.)	174	15.9%
	B.Human Resources（forecasts of staffing requirements, employee skills/developments, employment policies/practices）	160	14.6%
	C.Product/service development/innovation.	120	10.9%
	D.Process improvement/innovation.	120	10.9%
	E.Quality of product or service	151	13.8%
	F.Market strategy/developing new markets	157	14.3%
	G.Internal management improvement/innovation.	123	11.2%
	H.Corporate Social Responsibility(CSR)	88	8.0%
	I.Other, please state.	3	.3%
Total		1096	100.0%

Companies′ strategic plans include many aspects in business. As seen here, the strategic content of the respondents puts most of the attention on the development and growth of companies, while only a small part of the business focus on corporate social responsibility strategy. Overall, the respondents focus mostly on individual aspects of their strategic planning, such as business development. Few companies have comprehensive and complete strategic planning. Moreover, internal management improvement and change did not get much attention: only half of the companies in this survey have relevant strategic planning.

Management and management style

Table 7.3: Frequency analysis of management style 1

18.which of the statement is the best to describe your company′s management style?

		Frequency	Percent
Valid	A. The owner must do all of himself and make himself an example to all the staffs.	101	41.9
	B. The owner only makes the vital decisions. The owner knows how to use the talented people	105	43.6

			Frequency	Percent
	C.	The owner delegates all the power to trusted top managers.	24	10.0
	D.	The owner manages the company with the help of relatives.	6	2.5
	E.	Other, please state.	3	1.2
	Total		239	99.2
Missing	System		2	.8
Total			241	100.0

Thus, although there are not many respondents who manage their companies with relatives, a considerable portion of managers choose to do everything themselves diligently and wish their employees would follow their example. Moreover, the vast majority of managers tend to have a higher degree of centralization of management. This may be the proof of arbitrary management issues in the literature.

Table 7.4: Frequency analysis of management style 2

19.To what extend do you think your subordinates can help to share your burden and work?

			Frequency	Percent
Valid	A.	Almost nothing need my attention.	50	20.7
	B.	Only some important affairs need my attention to handle them.	149	61.8
	C.	Many things need my attention to handle them.	37	15.4
	D.	Other, Please state.	4	1.7
	Total		240	99.6
Missing	System		1	.4
Total			241	100.0

Thus, the majority of respondents employees can perform their jobs and basic work, but there is still a part of the respondents employees who cannot handle hard work and help the managers. At the same time, we can see that the majority of the companies surveyed have a similar management mode where managers take care of the important transactions while subordinates deal with other things.

Table 7.5: Frequency analysis of management style 3

20.In managing your company, what takes up most of your time?

			Frequency	Percent
Valid	A.	Handle emergencies.	37	15.4
	B.	Handle external social connections.	46	19.1
	C.	Listen to subordinates' report and give instructions to planed work.	60	24.9
	D.	Meet with customers and brings in orders.	21	8.7
	internal operation management		71	29.5
	other please state		3	1.2
	Toal		238	98.8
Missing	System		3	1.2
Total				100.0

Thus, the situation of managers doing sales work directly as mentioned in the literature is rare in our survey respondents. Moreover, more than half of business managers consider the guidance, instructions of subordinates and internal operations management as their main job, which is not consistent with the existing problems in the literature

Management model issue

Table 7.6: Frequency analysis of management model issue

Evidently, the continuously updated knowledge and theory has been accepted and

21.In handling management problems in your company, what are you intending to relay on?

			Frequency	Percent
Valid	A.	Management experience	54	22.4
	B.	The continuously renewal of management knowledge.	117	48.5
	C.	Consultant with others or external consultants.	42	17.4
	D.	Relay on group decision making.	26	10.8
	Total		239	99.2
Missing	System		2	.8
Total			241	100.0

respected by many managers in dealing with management problems. But there is still a considerable part of managers who tend to use their own and others' management experience to solve the problem. Only a small part of managers adopted a collective

decision-making way. This situation is basically consistent with issues raised in the literature, but not so significant.

Rules and regulations related issues

Table 7.7: Frequency analysis of Rules and regulations related issues 1

22. what statement is more suitable for your company?

		Frequency	Percent
Valid	A. The rules and regulations are not well developed.	42	17.4
	B. There are complete rules and regulations but poorly implemented.	129	53.5
	C. The rules and regulations are not well developed and they are also poorly implemented.	62	25.7
	D. The rules and regulations are not reasonable。（Please state the reasons）	4	1.7
	Total	237	98.3
Missing	System	4	1.7
Total			100.0

From the above table we can see that the issue of company's rules being not perfect and poorly implemented is a common problem in enterprises. Lack of effective implementation of rules and regulations is the main problem. This is consistent with the literature.

Table 7.8: Frequency analysis of Rules and regulations related issues

23. What situation is most suitable to describe your company's rules and regulations?

		Production management，Sales and services		Performance management		Daily administrative management	
		Frequency	Percent	Frequency	Percent	Frequency	Percent
Valid	A. There is no rules and regulations。	15	6.2	17	7.1	7	2.9
	B. There are some rules and regulations but not adequate.	61	25.3	73	30.3	19	7.9
	C. There are rules and regulations but poorly implemented.	58	24.1	42	17.4	56	23.2
	D. There are rules and regulations and well implemented.	101	41.9	103	42.7	51	21.2

		235	97.5	235	97.5	108	44.8
	Total	235	97.5	235	97.5	108	44.8
Missing	System	6	2.5	6	2.5	241	100
Total			100		100		100

As seen from above, the situation of rules and regulations being not perfect and poor implementation exist in all aspects of management. More than half of the companies surveyed have problems in all aspects. The imperfect regulations situation is more serious in performance management.

Communication problems

Table 7.9: Frequency analysis of communication problems 1

24. In your company, the situation of communication between departments

		Frequency	Percent
Valid	A. Good interaction in work, good communication.	151	62.7
	B. Sometime there will be disagreements which need higher authority coordinate.	55	22.8
	C. Constantly having conflicts because of departmental interest, sometime it can interfere with daily work.	22	9.1
	D. Other, please state.	3	1.2
	Total	231	95.9
Missing	System	10	4.1
Total			100.0

To summarize the results above, in the companies surveyed, communication problems are not considered to be very serious. For more than half of respondents, the communication problems do not exist. This is not consistent with the literature.

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Table 7.10: Frequency analysis of communication problems 2

26. In which aspects do you think your company have communication problems?

		Responses		Percent of Cases
		N	Percent	
Communication problems	A.Between leaders and subordinates.	94	27.5%	40.0%
	B.Between colleagues	82	24.0%	34.9%
	C.Between departments	112	32.7%	47.7%
	D.With customers	52	15.2%	22.1%
	E.Other, please state.	2	.6%	.9%
Total		342	100.0%	145.5%

Thus, corporate communication problems are mainly between departments. The next most come from issues between superiors and subordinates. Communication between colleagues can also easily go wrong. Since not many respondents choose more than one communication problem, we can say that the respondents mostly just have one major communication problem while a few cases have communication problems in various aspects.

Table 7.11: Frequency analysis of communication problems 3

36. In the process of communicating with subordinates about their performance result

			Frequency	Percent
Valid	A.	The managers evaluate, commend or criticize staffs based on their results.	56	23.2
	B.	The staffs give explanations of the work results and staffs propose an improving plan.	63	26.1
	C.	The managers analyze the staffs' results and managers propose an improving plan.	110	45.6
	D.	There is no communication of work results.	11	4.6
	Total		240	99.6
Missing	System		1	.4
Total				100.0

Thus, managers play a leading role in the communication of performance, but a considerable part of the enterprise still only work to evaluate the results.

Table 7.12: Frequency analysis of communication problems

39. When doing the communication of their performance results, the atmosphere is more close to which statement in the following ?

		Responses		Percent
		N	Percent	of Cases
Communication problems	A.The Boss gives directions to staffs about the work.	117	26.2%	49.0%
	B.Friend having a chat.	103	23.0%	43.1%
	C.The boss and staffs finding a solution together.	169	37.8%	70.7%
	D.The boss constantly questioning and the staffs give explanation.	46	10.3%	19.2%
	E.There is no communication of performance results.	12	2.7%	5.0%
Total		447	100.0%	187.0%

Thus, the majority of respondents have a good atmosphere in the performance communication process. Most companies tend to use discussions and find feasible solutions together when communicating about performance.

Training related issues

Table 7.13: Frequency analysis of training related issues

40. How often do the managers receive training?

			Frequency	Percent
Valid	A.	Often	161	66.8
	B.	Rarely	66	27.4
	C.	Never	8	3.3
	D.	I do not know	4	1.7
	missing		2	.8
	Total		241	100.0

Thus, in general the respondents do pay more attention to the training of managers, but

there is still a considerable portion of companies where managers are rarely trained.

Table 7.14: Frequency analysis of training related issues

41. About the staffs' professional training

		Frequency	Percent
Valid	A. The staffs rarely receive training provided by the company.	23	9.5
	B. The staffs only receive basic induction training.	66	27.4
	C. The staffs receive regular professional training provided by the company.	130	53.9
	D. There are targeted training based on performance results.	20	8.3
	Total	239	99.2
Missing	System	2	.8
Total			100.0

Thus, respondents now generally pay attention to staff training, but the content of training is focused on the pre-post training and professional training, in particular professional training. Training based on staff's performance results is relatively rare. The pertinence and effectiveness of training need further verification.

Table 7.15: Frequency analysis of training related issues

42. Which 3 factors are most important to improving your company's managerial level?

		Responses		Percent of Cases
		N	Percent	
improve management	A.Improve the quality of managers	179	22.9%	74.9%
	B.Improve the quality of staffs.	176	22.5%	73.6%
	C.Strengthen the basic management.	138	17.6%	57.7%
	D.Speed up company information system construction.	72	9.2%	30.1%
	E.Establish reward and punishment mechanism.	110	14.0%	46.0%
	F.Establish formal decision making mechanism.	34	4.3%	14.2%
	G.Need management consultant service.	18	2.3%	7.5%
	H.Learn from domestic and overboard outstanding industry peers	52	6.6%	21.8%
	I.Other, please state.	4	.5%	1.7%
Total		783	100.0%	327.6%

As it can be seen, the quality of managers and staff has been widely recognized. It is also an urgently needed step for the further development of enterprises. Strengthening

basic management and establishing reward and punishment system are also considered to be important ways to improve enterprise management level. However, only a small percentage of the respondents believed that management consulting services and learning from peers can enhance the management level.

Talent retention problems

Table 7.16: Frequency analysis of talent retention problems 1

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		Key.staff.turnover		Basic.staff.turnover	
		Frequency	Percent	Frequency	Percent
Valid	A. More than 20%	17	7.1	32	13.3
	B. 20%-10%	17	7.1	34	14.1
	C. 10%-5%	47	19.5	92	38.2
	D. Less than 5%	155	64.3	77	32
	Total	236	97.9	235	97.5
Missing	System	5	2.1	6	2.5
Total			100		100

In general, more than half of the businesses have a key employee turnover rate lower than 5%, which is quite a low level. Thus, respondents have good amount of attention on key employees, and key employees leaving situation is not serious.

Thus, the general staff turnover rate is higher compared to key employee turnover rate. The problem in the literature of difficult to retain employees is more serious with the general staff.

Table 7.17: Frequency analysis of talent retention problems

No.44

		Frequency	Percent
Valid	A. The staffs' capability fully satisfies the need of company's rapid development.	62	25.7
	B. After training, the staffs' capability fully satisfies the need.	140	58.1
	C. Through recruiting, the staffs' capability fully satisfies the need.	32	13.3
	D. The staffs' capability is a barrier for company's rapid development.	5	2.1
	Total	239	99.2
Missing	System	2	.8
Total			100.0

In summary, first, the problem of insufficient capacity of key employees existed in a majority of the respondents. Second, the majority of companies have chosen to enhance the capacity and quality of key employees through internal training methods.

Reward and punishment mechanisms

Table 7.18: Frequency analysis of reward and punishment mechanisms

45. In your company, who have their own career planning?

		Responses		Percent
		N	Percent	of Cases
Career plan	A.Top-level managers	152	29.7%	63.9%
	B.Middle-level managers	159	31.1%	66.8%
	C.Front-line staffs	62	12.1%	26.1%
	D.Staffs that have outstanding capability.	124	24.3%	52.1%
	E.None of them above	14	2.7%	5.9%
Total		511	100.0%	214.7%

Thus, in the surveyed enterprises, career planning is primarily for executives, middle-level managers, and the person with outstanding ability. Career planning for general employees is not being accounted for. At the same time, only half of the companies designed a distinguished career planning for executives, middle-level managers, and

staff with outstanding ability that shows that the prevalence of using career planning as an incentive is not high.

Internal promotion channel

Table 7.19: Frequency analysis of internal promotion channel

46. For the company's managers

		Frequency	Percent
	A. Most of them are external recruits.	63	26.1
	B. Most of them are internal promotion.	164	68
	C. Most of them are owner's relatives.	11	4.6
	D. Other, please state.	1	0.4
	Total	240	99.6
Missing	System	1	0.4
Total			100

Thus, very few of the respondents have the problem of appointing relatives as business executives. Most of the managers are trained and promoted internally which indicates that there is a relatively smooth internal promotion channel. Employees have the opportunity to be motivated by internal promotion.

Table 7.20: Frequency analysis of internal promotion channel

47. What do you think is the reason that stops staffs from getting promotions?

		Responses		Percent
		N	Percent	of Cases
Employee promotion	A.The staff's performance is not good enough.	95	23.0%	40.1%
	B.The staffs lack of courage, insight and responsibility.	135	32.7%	57.0%
	C.There is no open position.	67	16.2%	28.3%
	D.The quality of the staffs are not good enough.	113	27.4%	47.7%
	E.Other, please state.	3	.7%	1.3%
Total		413	100.0%	174.3%

Thus, the biggest prevention of promotion for employees is the lack of courage and lack of the sense of responsibility. The ability of the employees and the poor work performance of employees have had a serious impact on their promotion. In some

companies, all the managerial positions are occupied and there is a lack of effective mechanism for fair competition and job promotion.

Employee management

Table 7.21: Frequency analysis of employee management

48. What are the hardest problems in staff management in your company?

		Responses		Percent of Cases
		N	Percent	
employee management problems	A.Managing by regulations has lost its power over some staffs.	98	21.5%	41.5%
	B.The current rewards can hardly arouse the enthusiasm for work.	123	27.0%	52.1%
	C.The staffs themselves do not have clear goals.	126	27.6%	53.4%
	D.The staff quality is much lower than the job required.	109	23.9%	46.2%
Total		456	100.0%	193.2%

Thus, some staff management issues did exist in respondents indeed. About half of the companies believe that the existence of various types of personnel management issues need to be addressed urgently.

Regulation execution power

Table 7.22: Frequency analysis of regulation execution power

51. When managing by regulations, who is the most difficult to manage?

		Responses		Percent of Cases
		N	Percent	
regulation deploy	A.Relatives	128	31.5%	54.5%
	B.Senior staffs.	130	32.0%	55.3%
	C.Top-level managers	48	11.8%	20.4%
	D.Staffs with outstanding capability.	47	11.6%	20.0%
	E.Young staffs or new staffs.	53	13.1%	22.6%
Total		406	100.0%	172.8%

Thus, in the respondents, the main difficulty is in executing regulations and rules on relatives and old employees. It is relatively harder to execute regulation and rules on young employees and new employees compared to executives and employees with outstanding ability.

Corporate executives and relatives

Table 7.23: Frequency analysis of corporate executives and relatives

54. How many of the top-level managerial key position in your company is occupied by relatives?

			Frequency	Percent
Valid	A.	Almost none	73	30.3
	B.	A few	147	61.0
	C.	Half	11	4.6
	D.	Most	8	3.3
	Total		239	99.2
Missing	System		2	.8
Total				100.0

As can be seen from the survey, nearly 70% of the companies have relatives as a corporate executive. Few of the businesses have a lot of relatives on executive positions. Corresponding to the literature, we do have relative occupy executive position and similar problems in most of the respondents.

Staff qualifications

Table 7.24: Frequency analysis of staff qualification

54.2. How many top-level managers have management education background?

			Frequency	Percent
Valid	Missing		5	2.1
	A.	Almost none	46	19.1
	B.	A few	91	37.8
	C.	Half	24	10.0
	D.	Most	75	31.1
	Total		241	100.0

As can be seen, the education backgrounds of the executives in the respondents have a tendency of polarization. Most of the businesses' executives have little or almost no

management background, while with another part of the business executives almost all have management background.

Table 7.25: Frequency analysis of staff qualification

No.54.3. Education background

		General.staffs		Middle.level.manager		Top.level.manager	
		Frequency	Percent	Frequency	Percent	Frequency	Percent
Valid	A. University degree or above	25	10.4	32	13.3	123	51
	B. College degree or above	43	17.8	146	60.6	81	33.6
	C. Middle school or above	162	67.2	53	22	22	9.1
	D. Other, please state	3	1.2	2	0.8	8	3.3
	Total	233	96.7	233	96.7	234	97.1
Missing	System	8	3.3	8	3.3	7	2.9
Total			100		100		100

As can be seen, the majority of respondents have generally employees with junior high school education. Most often, the general staff have relatively lower education levels.

Thus, the majority of middle-level managers have a college degree or above, in general. The qualification of middle-level managers is higher than the general employees.

Overall, the proportion of executives with university degree or above is the largest compared with other employees. More than half of the executives received a university degree and above.

Motivation method:

Table 7.26: Frequency analysis of motivation method

No.53

			Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A.	Raise salary	150	62.2	62.5	62.5
	B.	Give motivation	22	9.1	9.2	71.7
	C.	Unify values	56	23.2	23.3	95.0
	D.	Spiritual motivation	12	5.0	5.0	100.0
		Total	240	99.6	100.0	
Missing	System		1	.4		
Total			241	100.0		

Thus, raising wage levels is the main incentive that recognized by majority of enterprises. The unity of employees' values   has also been a high recognized.

Table 7.27: Frequency analysis of motivation method

55. What does your company use to motivate the staffs?

	Top manager motivation		middle manager motivation		staff motivation	
	Responses		Responses		Responses	
	N	Percent	N	Percent	N	Percent
A.Performance related pay	90	21.20%	114	25.90%	126	30.60%
B.Promotion	49	11.60%	131	29.70%	56	13.60%
C.Bonus share	137	32.30%	39	8.80%	14	3.40%
D.Bonus	86	20.30%	100	22.70%	145	35.20%
E.Emotion and relationship	30	7.10%	15	3.40%	13	3.20%
F.Honor motivation	32	7.50%	39	8.80%	54	13.10%
G.Adverse incentive	0.00%	0.00%	2	0.50%	3	0.70%
H.Other, please state.	0.00%	0.00%	1	0.20%	1	0.20%
Total	424	100.00%	441	100.00%	412	100.00%

You can see that executives' motivation method is mainly to reward shares, supplemented by bonuses and performance-related pay, whereas the promotion is not used as major incentives. We can summarize that currently the main motivation methods for executives are material incentives based.

Thus, for middle-level managers, the most important incentive is job promotion, followed by performance-related pay and bonuses. Motivation by rewarding share and honor is rare.

Thus, for the general staff, the most common incentives are bonuses, followed by performance related pay. Some companies use job promotion to motivate general staff, but few companies use reward shares and relationships incentives. Another important point is that, in the three groups of employees, the honor reward is most commonly used on general employees. The higher the management hierarchy, the less the honor reward is used. Similarly, the higher the management hierarchy gets, the less use of performance related pay and bonus incentives.

Table 7.28: Frequency analysis of motivation method

56. Comparing with the industry peers how is your company's staff salary level?

			Frequency	Percent
Valid	A.	Higher than industry peers	49	20.3
	B.	Lower than industry peers	27	11.2
	C.	Same with industry peers	147	61.0
	D.	I do not know	15	6.2
	missing		1	.4
	Total		239	99.2
Missing	System		2	.8
Total				100.0

As it can be seen, most of the companies think that their salary levels are the same or higher than peers, which means that these companies are not likely to increase salary, and the slack for wage increase is small.

Corporate culture

Table 7.29: Frequency analysis of cooperate culture

What is the effect of the organizational culture in the development of your company?			Frequency	Percent
Valid	A.	Positive effect and promoting the development	190	78.8
	B.	Negative effect and slow down the development	4	1.7
	C.	No effect	14	5.8
	D.	There is no organizational culture	32	13.3
	Total		240	99.6
Missing	System		1	.4
Total				100.0

This shows that most companies believe they have a positive corporate culture that can adapt to the development of enterprises very well. A small part of the business does not form a clear corporate culture.

Table 7.30: Frequency analysis of cooperate culture

58. Do the staffs acknowledge and approve the current organizational culture?

		Frequency	Percent
Valid	A. Yes	175	72.6
	B. No	19	7.9
	C. There is no distinct organizational culture to acknowledge or approve.	44	18.3
	Total	238	98.8
Missing	System	3	1.2
Total			100.0

As can be seen, for the majority of enterprises, there is a basic recognition of corporate culture to its employees, but some companies do not form a unique corporate culture.

Table 7.31: Frequency analysis of cooperate culture

59. What is the relationship between your company's organizational culture and management style?

		Frequency	Percent
Valid	A. They supplement each other and need to be promoted.	154	63.9
	B. They conflict each other and need to be changed.	7	2.9
	C. They need more integrations and better unification.	58	24.1
	D. They are not related.	19	7.9
	Total	238	98.8
Missing	System	3	1.2
Total			100.0

This shows that in most companies, the corporate culture and management model are consistent whereas a minority of companies believe that their corporate cultures and management models require further unity.

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7.2.1 Summary of the key issues from the sample SMEs

The frequency analysis shows that, among the issues in the literature, the following issues have been clearly noticed:

1 Many Chinese SMEs do not have a formal strategy.

2 Chinese SME strategies mostly focus only on operating conditions, production, and product services. They are less concerned on internal management.

4 There are still a lot of Chinese SMEs top managers who carry out daily management and decision making all by themselves.

5 A considerable part of the Chinese SME managers rely solely on experience in management.

6 Regulations in Chinese SMEs are inadequate, and the execution of regulation is a big problem.

7 Rules and regulations in Chinese SMEs are not perfect and lack execution in power in all aspects of management.

8 Communication problems in Chinese SMEs are mainly between departments, followed by problems between the upper and lower levels.

9. A considerable part of Chinese SMEs have limited training of managers.

10. Corporate training focused on the pre-service training and professional knowledge training.

11 Most SMEs think that improving the quality of managers is critical to improve enterprise management level.

12 The turnover rate of general staff is generally higher compared to key employees. As reflected in the literature, it is more difficult to retain general staff.

13 Capacity deficiencies of key staff is an issue for most SMEs.

14 The career planning of junior staff is not taken seriously in most SMEs.

15. Using career planning as incentive is not popularized in SMEs.

16. Employees lacking courage and a sense of responsibility are the biggest impediments to its promotion.

17. The management systems lost their effectiveness in managing some of the employees in SMEs.

18. Many SMEs failed to inspire staff enthusiasm with the current incentive levels.

19 Many employees of SMEs do not have a clear development direction.

20. Many SMEs believe that the quality of staff is poor.

21. Most SMEs consider increasing wages is the most effective incentives.

22. In Chinese SMEs, a lot of relatives of the owners work in the company.

23 The majority of respondents in the general staff have junior high school education, which in general means lower education levels.

24. The incentives for executives are based primarily on economic incentives.

25. The most common way of incentives for general staff is bonus incentives and followed by performance pay.

In comparison, the following issues are seemingly not as serious for the Chinese SMEs sample.

1. In the literature reviewed above, the managers directly getting the production orders is rare. Moreover, more than half of business managers carry on the work of subordinates using guidance and instructions and internal operations management. These issues reflected in the literature are not consistent with the existing problems.

2 The communication is not a very serious problem in the respondents, more than half of the companies do not have communication problems. This is not consistent with the issues reflected in the literature.

3 The scenario of appointing relatives as business executives is very few in the sample companies. Most of the management staff is promoted from internal training and the internal promotion channel is relatively smooth. This is different from the conclusions in the literature.

4 Over half of the businesses pay great attention to rules and regulations, but the lack execution power is still an issue.

5. Unified value system agreed by employee has also been use as an effective incentive in many participated SMEs.

6. The education background of executives in respondents has a tendency of polarization. Most of the businesses' executives have little or almost no management background, while with some businesses; their executives almost all have management background.

7. Most companies believe they have a positive corporate culture and can adapt well to the development of enterprises.

8. Most of the enterprises in the corporate culture can be its employees' basic identity.

9. Most participated companies have corporate culture and management model that promote each other.

7.3 Cross-tab analysis

Question 8 in the questionnaire shows the profit trends of respondents. We first use the profit trends as the main criteria for deciding if the small and medium enterprise is good or bad (Hudson M, 2001). According to the options of question 8, second, the surveyed enterprises are divided into five groups: companies with rapid profit growth, companies with profit growth, companies with profits remained unchanged, companies with profit decline, and companies with serious profits decline. Third, we do the cross-tab analysis each questions with the question 8. During the data analysis, the profit trend is not the only criteria that was chosen as the definition of good or bad SMEs performance. We also carry out cross tab analysis using the annual turnover as the definition of good or bad SMEs performance. The results of both attempts are quite similar. So in the following section, we show the cross-tab results and analysis based on profit trend. In the following section the analysis are organized based on the performance management 6 steps framework.

1. Strategy formulation

Profit growth and strategies

We can see from the table below, because the majority of respondents have a formal strategy, the comparison results are not that different, but you can see that companies that have a formal strategies get more profit growth. In the group of companies that facing profit decline, the percentage of companies that with a formal strategy is significantly less. In companies with just general development direction and companies with only short-term objectives, there is higher percentage of profit decline in comparison with companies with formal strategy.From the data, in the companies with profit growth, about 70% have a formal strategy, while in the profit decline corporate, 50% had no formal strategy. Thus, the profit growth of corporations and whether or not they have a formal strategy does show that they are positively related.

Profit growth and who develop strategies

Thus, in companies where profit remains unchanged and companies reporting rapid profit growth, a higher percentage of companies choose the strategies formation to be done by high, middle, and junior staff representatives together. In companies with profit growth and companies facing falling profits, more percentage of companies choose the strategies formation to be done by senior and middle managers jointly.

From the comparison of various strategy development models, we can see that companies that develop strategies by only high-level managers more easily have high-speed profit growth, but also more prone to falling profits. In contrast, companies that have developed strategies jointly by each level of employees are less likely for corporate profits fell and more likely to be relatively stable in development. Companies that develop strategies by senior and middle enterprises are more likely to have profit growth, but relatively unlikely to have rapid development.

Profit growth and strategy development methods

Based on table 7.34, companies' strategies formed by subordinates and approved by superiors, none of them show profits decline. For companies' strategies formed by all levels of staff representatives through discussion, none of the companies show profits decline. About 20% of the respondents that use the above two methods tend to have profit growths and mostly they have stability and achieve unchanged profit. But there is almost no rapid profit growth at companies using the above two methods. Companies that have the high-level managers generate the main content and middle-level discuss

and amend appear to be more likely to get rapid profits growth, thought there are more cases of falling profits using this method.

This shows the ability of the company's senior managers have a relatively large impact on the operating result. Also, it can be seen is that the way of strategy formulation has a relatively large impact on business results as well. More employee involvement in strategy development process will lead to a more stable and security development, but also reduce the pace of development.

Profit growth and strategies

Table 7.32 Cross tab analysis of Profit growth and strategies

8.Which statement best describes the business's trend in profit?* 11.Is there an overall strategic plan for at least the following 3 years for your company?) cross tab

		11.Is there an overall strategic plan for at least the following 3 years for your company?)					Total
		There is a formal strategic plan and it is currently in action.	There is a general development direction but no formal document of strategy.	There are short-term objectives but no long-term planning.	There is no plan.	Missing	
8.Which statement best describes the business's trend in profit?	N	13	2	4	0	0	19
	Company with rapid profit growth (annual profit growth > 20%)	68.4%	10.5%	21.1%	0.0%	0.0%	100.0%
	N	38	12	9	2	0	61
	Company with profit growth (5% < annual profit growth < 20%)	62.3%	19.7%	14.8%	3.3%	0.0%	100.0%
	N	78	25	12	12	2	129
	Company with stable profit (-5% < annual profit growth < 5%)	60.5%	19.4%	9.3%	9.3%	1.6%	100.0%
	N	10	8	4	1	0	23
	Company with profit decline (5% < annual profit decline < 20%)	43.5%	34.8%	17.4%	4.3%	0.0%	100.0%
	N	2	1	0	1	0	4
	Company with rapid profit decline (annual profit decline > 20%)	50.0%	25.0%	0.0%	25.0%	0.0%	100.0%

Profit growth and who develop strategies

Table 7.33: Cross tab analysis of profit and who develop strategies

8.Which statement best describes the business's trend in profit?* 12.Is the formal strategic plan communicated to: cross tab

		12.Is the formal strategic plan communicated to					
		Missing	The top-level managers only.	The top and middle level managers.	The top, middle level managers and some of the staff.	Other, please state.	Total
8.Which statement best describes the business's trend in profit?	N	1	5	5	8	0	19
	Company with rapid profit growth (annual profit growth > 20%)	5.3%	26.3%	26.3%	42.1%	0.0%	100.0%
	N	0	10	34	17	0	61
	Company with profit growth (5% < annual profit growth < 20%)	0.0%	16.4%	55.7%	27.9%	0.0%	100.0%
	N	1	22	41	60	5	129
	Company with stable profit (-5% < annual profit growth < 5%)	0.8%	17.1%	31.8%	46.5%	3.9%	100.0%
	N	1	6	8	7	1	23
	Company with profit decline (5% < annual profit decline < 20%)	4.3%	26.1%	34.8%	30.4%	4.3%	100.0%
	N	0	1	1	2	0	4
	Company with rapid profit decline (annual profit decline > 20%)	0.0%	25.0%	25.0%	50.0%	0.0%	100.0%

Profit growth and strategy development methods

Table 7.34: Cross tab analysis of profit growth and strategy development methods

8.Which statement best describes the business's trend in profit?* No.14 crosstab

| | | 14. How are the important strategies generated? | | | | | | | |
		Missing	They are generated from owner's personal vision and decision.	The top-level managers generate the overall framework and direction, the staff fill in the details.	The top-level generate the main body of strategies and the middle level managers and staffs have discussions	D. The staffs generate the strategies and the top-level approve them.	E. Representatives from all levels have discussion and then generate the strategies.	F. Other, please state.	Total
8.Which statement best describes the business's trend in profit?	N	0	9	5	4	0	1	0	19
	Company with rapid profit growth (annual profit growth > 20%)	0.00%	47.40%	26.30%	21.10%	0.00%	5.30%	0.00%	100.00%
	% within No.14	0.00%	12.20%	6.60%	12.10%	0.00%	2.60%	0.00%	8.10%
	% of Total	0.00%	3.80%	2.10%	1.70%	0.00%	0.40%	0.00%	8.10%
	N	0	17	21	5	4	14	0	61
	Company with profit growth (5% < annual profit growth < 20%)	0.00%	27.90%	34.40%	8.20%	6.60%	23.00%	0.00%	100.00%
	% within No.14	0.00%	23.00%	27.60%	15.20%	33.30%	36.80%	0.00%	25.80%

	% of Total	0.00%	7.20%	8.90%	2.10%	1.70%	5.90%	0.00%	25.80%
	N	2	36	43	16	8	23	1	129
	Company with stable profit (-5% < annual profit growth < 5%)	1.60%	27.90%	33.30%	12.40%	6.20%	17.80%	0.80%	100.00%
	% within No.14	100.00%	48.60%	56.60%	48.50%	66.70%	60.50%	100.00%	54.70%
	% of Total	0.80%	15.30%	18.20%	6.80%	3.40%	9.70%	0.40%	54.70%
	N	0	11	7	5	0	0	0	23
	Company with profit decline (5% < annual profit decline < 20%)	0.00%	47.80%	30.40%	21.70%	0.00%	0.00%	0.00%	100.00%
	% within No.14	0.00%	14.90%	9.20%	15.20%	0.00%	0.00%	0.00%	9.70%
	% of Total	0.00%	4.70%	3.00%	2.10%	0.00%	0.00%	0.00%	9.70%
	N	0	1	0	3	0	0	0	4
	Company with rapid profit decline (annual profit decline > 20%)	0.00%	25.00%	0.00%	75.00%	0.00%	0.00%	0.00%	100.00%
	% within No.14	0.00%	1.40%	0.00%	9.10%	0.00%	0.00%	0.00%	1.70%
	% of Total	0.00%	0.40%	0.00%	1.30%	0.00%	0.00%	0.00%	1.70%
Total	N	2	74	76	33	12	38	1	236
	Total %	0.80%	31.40%	32.20%	14.00%	5.10%	16.10%	0.40%	100.00%

2. Strategy decomposition and deployment

Profit growth and company goals decompose into department goals

When decomposing the company goals into department goals, half of the companies choose to carry out the decomposition of company's goals by their owners in our sample SMEs, 70.7% of them have a stable profit growth at ± 5%. However in comparison with other companies, it is more difficult to achieve a rapid profit growth, but they also tend to have profits decline.

The companies that use high-level meeting to decompose company goals, 39.7% received a rapid growth in profits, but also have the highest proportion of business profits decline compare with other group. The companies that decompose company's goals using operational processes and job responsibilities had the relative higher possibility to received profit growth . The companies that decomposing corporate goals in meeting of all employees , had the highest proportion to achieve rapid profit growth. But it is also tend to have decline in profits in comparison with other companies.

When decomposing the department goals to individual employees, 60.7% of the companies choose to decompose and deploy department goals according to operation process and job responsibility. Among these companies, the majority of companies have profit growth or a stable profit. In comparison with companies use other decomposition method, the companies that choose to decompose and deploy department goals according to operation process and job responsibility are more likely to have rapid profit growth.

Profit growth and company goals decompose into department goals

Table 7.35: Cross tab analysis of Profit growth and company decomposition method

8.Which statement best describes the business's trend in profit?* No.17 cross tab											
		17. decomposition of organizational objectives/measures and the job allocation?								Total	
		The boss does the decomposition and then deploys it to subordinates.		B. The top-level managers have meetings and discussions to decide.		C. Decompose and deploy according to operation process and job responsibility.		D. All the staffs have meetings and discussions to decide.			
Top - Department (T-D)/ Department - employee (D-E)		T-D	D-E	T-D	D-E	T-D	D-E	T-D	D-E	T-D	D-E
8.Which statement best describes the business's trend in profit?	N	5	1	7	4	6	9	1	3	19	17
	Company with rapid profit growth (annual profit growth > 20%)	26.3%	5.9%	36.8%	23.5%	31.6%	52.9%	5.3%	17.6%	100.0%	100.0%
	decomposition of organizational objectives/measures and the job allocation?	4.3%	2.6%	9.6%	11.1%	16.7%	6.6%	14.3%	21.4%	8.2%	7.6%
	Total %	2.2%	0.4%	3.0%	1.8%	2.6%	4.0%	0.4%	1.3%	8.2%	7.6%
	N	23	8	29	5	6	41	3	4	61	58
	Company with profit growth (5% < annual profit growth < 20%)	37.7%	13.8%	47.5%	8.6%	9.8%	70.7%	4.9%	6.9%	100.0%	100.0%

	decomposition of organizational objectives/measures and the job allocation?	19.8%	21.1%	39.7%	13.9%	16.7%	30.1%	42.9%	28.6%	26.3%	25.9%
	Total %	9.9%	3.6%	12.5%	2.2%	2.6%	18.3%	1.3%	1.8%	26.3%	25.9%
	N	82	28	23	18	19	71	2	6	126	123
	Company with stable profit (-5% < annual profit growth < 5%)	65.1%	22.8%	18.3%	14.6%	15.1%	57.7%	1.6%	4.9%	100.0%	100.0%
	decomposition of organizational objectives/measures and the job allocation?	70.7%	73.7%	31.5%	50.0%	52.8%	52.2%	28.6%	42.9%	54.3%	54.9%
	Total %	35.3%	12.5%	9.9%	8.0%	8.2%	31.7%	0.9%	2.7%	54.3%	54.9%
	N	5	1	13	8	4	13	1	1	23	23
	Company with profit decline (5% < annual profit decline < 20%)	21.7%	4.3%	56.5%	34.8%	17.4%	56.5%	4.3%	4.3%	100.0%	100.0%
	decomposition of organizational objectives/measures and the job allocation?	4.3%	2.6%	17.8%	22.2%	11.1%	9.6%	14.3%	7.1%	9.9%	10.3%
	Total %	2.2%	0.4%	5.6%	3.6%	1.7%	5.8%	0.4%	0.4%	9.9%	10.3%
	N	1	0	1	1	1	2	0	0	3	3
	Company with rapid profit decline (annual profit decline > 20%)	33.3%	0.0%	33.3%	33.3%	33.3%	66.7%	0.0%	0.0%	100.0%	100.0%
	decomposition of organizational objectives/measures and the job allocation?	0.9%	0.0%	1.4%	2.8%	2.8%	1.5%	0.0%	0.0%	1.3%	1.3%
	Total %	0.4%	0.0%	0.4%	0.4%	0.4%	0.9%	0.0%	0.0%	1.3%	1.3%
合计	N	116	38	73	36	36	136	7	14	232	224
	Total %	50.0%	17.0%	31.5%	16.1%	15.5%	60.7%	3.0%	6.3%	100.0%	100.0%

3. Performance assessment system and KPIs

Profit growth and performance assessment system design

For companies with rapid profit growth, the majority think there are some problems in their performance assessment system that need to be improved. For companies with profit growth and companies with a stable profit, most of them think their performance assessment system are reasonable, and some think it needs improvement (more than 30%). Only a few companies thought that the performance assessment system is disconnected with practice work. However in companies that faced declining profits, most of them think there are some problems and they need improvement.

Here we notice that as the profit growth get lower; the portion of companies that have unrealistic performance assessment system or companies with no performance assessment system gets higher. In other words, companies that have an unrealistic performance assessment system or companies with no performance assessment system are more likely to face profit decline.

Profit growth and detailed records

For companies with rapid profit growth, few have relatively detailed records in many respects. On the contrary, the companies that have the most detailed records tend to facing declining profits. From this result we can see that the detailedness and comprehensiveness of the record keeping does not help with profit growth in sample SMEs. Since the record keeping is associated with the degree of formalization, from our sample we can see that formalization does not related to the profit growth in SMEs.

Profit growth and design of indicators

As seen in table 7.39, the most often used way to design performance indicators is to use other company's indicators as reference. There are also a lot of companies top level managers design the indicators for the staffs based on his experiences. Some other companies design the indicators through discussions of top level and staffs. There is no clear evidence of the relationship between indicators designed and profit growth. (See table 7.39)

Profit growth and performance appraisal frequency

As the profit growth rate of respondents gets lower, there is a greater percentage of companies that does not conduct KPI assessment on executives.

For companies with declining profits, the high frequency of KPI assessment on corporate executives in less than other groups, the majority of them conduct KPI assessments once a month. Respondents were generally conducting in monthly KPI assessment of middle managers. Companies with rapid profit growth are more inclined to do frequent KPI assessment on junior staff.

Overall, companies that do not do incorporate KPI assessment were more often companies with profits in decline. Companies with profit growth tend to have high frequency of KPI assessment of senior and junior staff. But for middle-level managers, they generally conducted KPI assessment once a month. Here we can see that the assessment of middle-level managers is not very careful, and therefore there may be problems.

Profit growth and performance assessment system design

Table 7.36: Cross tab analysis of profit growth and performance assessment system design

8.Which statement best describes the business's trend in profit?* No.27 cross tab

		27. What do you think of your company's performance measurement system?				
		A. Relatively reasonable.	B. There are some problems which need to improve.	C. Basically not responding to actual work, need to redesign the system	D. Not really use the performance measurement system.	Total
8.Which statement best describes the business's trend in profit?	N	7	12	0	0	19
	Company with rapid profit growth (annual profit growth > 20%)	36.8%	63.2%	0.0%	0.0%	100.0%
	your company's performance measurement system	5.9%	12.6%	0.0%	0.0%	8.1%
	Total %	3.0%	5.1%	0.0%	0.0%	8.1%
	N	36	20	3	2	61
	Company with profit growth (5% < annual profit growth < 20%)	59.0%	32.8%	4.9%	3.3%	100.0%

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	your company's performance measurement system	30.5%	21.1%	23.1%	22.2%	26.0%
	Total %	15.3%	8.5%	1.3%	0.9%	26.0%
	N	68	47	8	5	128
	Company with stable profit (-5% < annual profit growth < 5%)	53.1%	36.7%	6.3%	3.9%	100.0%
	your company's performance measurement system	57.6%	49.5%	61.5%	55.6%	54.5%
	Total %	28.9%	20.0%	3.4%	2.1%	54.5%
	N	7	14	0	2	23
	Company with profit decline (5% < annual profit decline < 20%)	30.4%	60.9%	0.0%	8.7%	100.0%
	your company's performance measurement system	5.9%	14.7%	0.0%	22.2%	9.8%
	Total %	3.0%	6.0%	0.0%	0.9%	9.8%
	N	0	2	2	0	4

		0.0%	50.0%	50.0%	0.0%	100.0%
	Company with rapid profit decline (annual profit decline > 20%)	0.0%	50.0%	50.0%	0.0%	100.0%
	your company's performance measurement system	0.0%	2.1%	15.4%	0.0%	1.7%
	Total %	0.0%	0.9%	0.9%	0.0%	1.7%
Total	N	118	95	13	9	235
	Total %	50.2%	40.4%	5.5%	3.8%	100.0%

Profit growth and detailed records

Table 7.37: Cross tab analysis of Profit growth and detailed records

No.8.Profit.Trend*$q28 cross tab

		Document KPI												Total
		Volume of sales/ service provided	Total cost	Profits/return on investment	Unit labour costs	Quality of product service	Productivity	Labour turnover	Employee diversity	Absenteeism	Workforce training	Employee job satisfaction	Customer satisfaction	
8.Which statement best describes the business's trend in profit?	N	8	11	10	11	8	7	4	1	8	6	7	10	19
	Company with rapid profit growth (annual profit growth > 20%)	42.1%	57.9%	52.6%	57.9%	42.1%	36.8%	21.1%	5.3%	42.1%	31.6%	36.8%	52.6%	
	Document KPI	5.1%	8.0%	6.7%	13.8%	6.0%	8.0%	8.7%	2.6%	7.0%	5.8%	12.7%	9.0%	
	Total %	3.4%	4.7%	4.3%	4.7%	3.4%	3.0%	1.7%	0.4%	3.4%	2.6%	3.0%	4.3%	8.1%
	N	43	39	42	25	38	31	10	7	29	20	10	20	61
	Company with profit growth (5% < annual profit growth < 20%)	70.5%	63.9%	68.9%	41.0%	62.3%	50.8%	16.4%	11.5%	47.5%	32.8%	16.4%	32.8%	

	Col1	Col2	Col3	Col4	Col5	Col6	Col7	Col8	Col9	Col10	Col11	Col12	Col13
Document KPI	27.2%	28.3%	28.0%	31.3%	28.6%	35.2%	21.7%	18.4%	25.4%	19.4%	18.2%	18.0%	
Total %	18.3%	16.6%	17.9%	10.6%	16.2%	13.2%	4.3%	3.0%	12.3%	8.5%	4.3%	8.5%	26.0%
N	86	69	82	33	70	45	30	27	58	62	30	65	128
Company with stable profit (-5% < annual profit growth < 5%)	67.2%	53.9%	64.1%	25.8%	54.7%	35.2%	23.4%	21.1%	45.3%	48.4%	23.4%	50.8%	
Document KPI	54.4%	50.0%	54.7%	41.3%	52.6%	51.1%	65.2%	71.1%	50.9%	60.2%	54.5%	58.6%	
Total %	36.6%	29.4%	34.9%	14.0%	29.8%	19.1%	12.8%	11.5%	24.7%	26.4%	12.8%	27.7%	54.5%
N	18	16	14	11	15	4	2	3	17	12	7	14	23
Company with profit decline (5% < annual profit decline < 20%)	78.3%	69.6%	60.9%	47.8%	65.2%	17.4%	8.7%	13.0%	73.9%	52.2%	30.4%	60.9%	
Document KPI	11.4%	11.6%	9.3%	13.8%	11.3%	4.5%	4.3%	7.9%	14.9%	11.7%	12.7%	12.6%	
Total %	7.7%	6.8%	6.0%	4.7%	6.4%	1.7%	0.9%	1.3%	7.2%	5.1%	3.0%	6.0%	9.8%
N	3	3	2	0	2	1	0	0	2	3	1	2	4
Company with rapid profit decline (annual profit decline > 20%)	75.0%	75.0%	50.0%	0.0%	50.0%	25.0%	0.0%	0.0%	50.0%	75.0%	25.0%	50.0%	

	Document KPI	1.9%	2.2%	1.3%	0.0%	1.5%	1.1%	0.0%	0.0%	1.8%	2.9%	1.8%	1.8%	
	Total %	1.3%	1.3%	0.9%	0.0%	0.9%	0.4%	0.0%	0.0%	0.9%	1.3%	0.4%	0.9%	1.7%
Total	N	158	138	150	80	133	88	46	38	114	103	55	111	235
	Total %	67.2%	58.7%	63.8%	34.0%	56.6%	37.4%	19.6%	16.2%	48.5%	43.8%	23.4%	47.2%	100.0%

Profit growth and design of indicators

Table 7.38: Cross tab analysis of Profit growth and design of indicators

No.8.Profit.Trend*No. 30 cross tab

		30. How is the KPI designed?					
		Done by external consultant company	Take other company's indicators as reference.	The top level design it for the staffs based on his experiences.	The staffs propose the indicators and the top level approve.	Both top level and staffs decide through discussion.	Total
8.Which statement best describes the business's trend in profit?	N	1	9	7	8	3	19
	Company with rapid profit growth (annual profit growth > 20%)	5.3%	47.4%	36.8%	42.1%	15.8%	
	How is the KPI designed	3.2%	8.2%	9.7%	19.5%	3.7%	
	Total %	0.4%	4.0%	3.1%	3.6%	1.3%	8.4%
	N	14	36	14	7	28	59
	Company with profit growth (5% < annual profit growth < 20%)	23.7%	61.0%	23.7%	11.9%	47.5%	
	How is the KPI designed	45.2%	32.7%	19.4%	17.1%	34.1%	
	Total %	6.2%	16.0%	6.2%	3.1%	12.4%	26.2%
	N	10	57	42	21	46	121
	Company with stable profit (-5% < annual profit growth < 5%)	8.3%	47.1%	34.7%	17.4%	38.0%	
	How is the KPI designed	32.3%	51.8%	58.3%	51.2%	56.1%	
	Total %	4.4%	25.3%	18.7%	9.3%	20.4%	53.8%
	N	6	7	7	4	5	22

	Company with profit decline (5% < annual profit decline < 20%)					
Company with profit decline (5% < annual profit decline < 20%)	27.3%	31.8%	31.8%	18.2%	22.7%	
How is the KPI designed	19.4%	6.4%	9.7%	9.8%	6.1%	
Total %	2.7%	3.1%	3.1%	1.8%	2.2%	9.8%
N	0	1	2	1	0	4
Company with rapid profit decline (annual profit decline > 20%)	0.0%	25.0%	50.0%	25.0%	0.0%	
How is the KPI designed	0.0%	0.9%	2.8%	2.4%	0.0%	
Total %	0.0%	0.4%	0.9%	0.4%	0.0%	1.8%
N	31	110	72	41	82	225
Total %	13.8%	48.9%	32.0%	18.2%	36.4%	100.0%

Profit growth and performance appraisal frequency

Table 7.39: Cross tab analysis of profit growth and performance appraisal frequency

8.Which statement best describes the business's trend in profit?* No.50 cross tab

Top-level managers（T） Middle-level managers (M) Front-line staff (F)		50. Frequency of quantitative performance indicators for performance assessment																			
		T	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T	M	F
		Once a week			Once a month			Once a quarter			Once every 6 month			Once a year			Do not use KPI for performance assessment			Total		
8.Which statement best describes the business's trend in profit?	N	5	1	6	4	11	5	5	1	3	2	1	0	2	0	1	1	1	1	19	15	16
	Company with rapid profit growth (annual profit growth > 20%)	26.3%	6.7%	37.5%	21.1%	73.3%	31.3%	26.3%	6.7%	18.8%	10.5%	6.7%	0.0%	10.5%	0.0%	6.3%	5.3%	6.7%	6.3%	100.0%	100.0%	100.0%
	How is the KPI designed	7.4%	2.4%	12.0%	6.8%	10.7%	5.6%	10.9%	2.6%	8.3%	15.4%	6.7%	0.0%	8.0%	0.0%	7.1%	5.0%	5.6%	5.0%	8.2%	6.7%	7.1%
	Total %	2.2%	0.4%	2.7%	1.7%	4.9%	2.2%	2.2%	0.4%	1.3%	0.9%	0.4%	0.0%	0.9%	0.0%	0.4%	0.4%	0.4%	0.4%	8.2%	6.7%	7.1%
	N	16	9	8	11	25	31	18	13	7	3	5	2	7	4	5	5	4	5	61	60	60

Company with profit growth (5% < annual profit growth < 20%)	26.2%	15.0%	13.3%	18.0%	41.7%	51.7%	29.5%	21.7%	11.7%	4.9%	8.3%	3.3%	11.5%	6.7%	8.3%	8.2%	6.7%	8.3%	100.0%	100.0%	100.0%
How is the KPI designed	23.5%	21.4%	16.0%	18.6%	24.3%	34.4%	39.1%	33.3%	19.4%	23.1%	33.3%	14.3%	28.0%	50.0%	35.7%	25.0%	22.2%	25.0%	26.3%	26.7%	26.5%
Total %	6.9%	4.0%	3.5%	4.7%	11.1%	13.7%	7.8%	5.8%	3.1%	1.3%	2.2%	0.9%	3.0%	1.8%	2.2%	2.2%	1.8%	2.2%	26.3%	26.7%	26.5%
N	45	31	33	30	49	42	19	25	23	8	7	11	13	3	5	10	9	10	125	124	124
Company with stable profit (-5% < annual profit growth < 5%)	36.0%	25.0%	26.6%	24.0%	39.5%	33.9%	15.2%	20.2%	18.5%	6.4%	5.6%	8.9%	10.4%	2.4%	4.0%	8.0%	7.3%	8.1%	100.0%	100.0%	100.0%
How is the KPI designed	66.2%	73.8%	66.0%	50.8%	47.6%	46.7%	41.3%	64.1%	63.9%	61.5%	46.7%	78.6%	52.0%	37.5%	35.7%	50.0%	50.0%	50.0%	53.9%	55.1%	54.9%
Total %	19.4%	13.8%	14.6%	12.9%	21.8%	18.6%	8.2%	11.1%	10.2%	3.4%	3.1%	4.9%	5.6%	1.3%	2.2%	4.3%	4.0%	4.4%	53.9%	55.1%	54.9%
N	1	1	3	12	15	11	4	0	1	0	2	1	3	1	3	3	3	3	23	22	22
Company with profit decline (5% < annual profit decline < 20%)	4.3%	4.5%	13.6%	52.2%	68.2%	50.0%	17.4%	0.0%	4.5%	0.0%	9.1%	4.5%	13.0%	4.5%	13.6%	13.0%	13.6%	13.6%	100.0%	100.0%	100.0%
How is the KPI designed	1.5%	2.4%	6.0%	20.3%	14.6%	12.2%	8.7%	0.0%	2.8%	0.0%	13.3%	7.1%	12.0%	12.5%	21.4%	15.0%	16.7%	15.0%	9.9%	9.8%	9.7%

	Total %	0.4%	0.4%	1.3%	5.2%	6.7%	4.9%	1.7%	0.0%	0.4%	0.0%	0.9%	0.4%	1.3%	0.4%	1.3%	1.3%	1.3%	1.3%	9.9%	9.8%	9.7%
	N	1	0	0	2	3	1	0	0	2	0	0	0	0	0	0	1	1	1	4	4	4
	Company with rapid profit decline (annual profit decline > 20%)	25.0%	0.0%	0.0%	50.0%	75.0%	25.0%	0.0%	0.0%	50.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	25.0%	25.0%	25.0%	100.0%	100.0%	100.0%
	How is the KPI designed	1.5%	0.0%	0.0%	3.4%	2.9%	1.1%	0.0%	0.0%	5.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	5.6%	5.0%	1.7%	1.8%	1.8%
	Total %	0.4%	0.0%	0.0%	0.9%	1.3%	0.4%	0.0%	0.0%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.4%	0.4%	1.7%	1.8%	1.8%
Total	N	68	42	50	59	103	90	46	39	36	13	15	14	25	8	14	20	18	20	232	225	226
	Total %	29.3%	18.7%	22.1%	25.4%	45.8%	39.8%	19.8%	17.3%	15.9%	5.6%	6.7%	6.2%	10.8%	3.6%	6.2%	8.6%	8.0%	8.8%	100.0%	100.0%	100.0%

4. Performance Plan

Profit growth and performance plans

From table 40 we can conclude that the enterprises with more comprehensive performance plans obtain profit growth more easily. The performance plan in corporate with profit decline involves fewer employees than in companies with profit growth. On the whole, most of the middle-level managers in SMEs have their performance plan (70% +), followed by junior staff, and fewer executives tend to have performance plan.

Profit growth and performance planning methods

The performance planning in companies with better profit growth tend to use the method where the managers develop the plan and staffs participate but cannot make any changes. There are also many companies with better profits that draw the performance plan by having the managers develop the plan and discuss it with the staff to determine its advantages and disadvantages. Enterprises with declining profits tend to have the staff develop the plan and managers make adjustments.

From this question, we can see that the initiator, the receiver and the communication direction of the performance planning have some relation with the SMEs profit growth. Thus, the effect of the management staff being more involved in business through better, indirect instructions may need to increase the quality of staff. It can also be considered that in the companies surveyed there are more suitable way to develop performance management plan.

Profit growth and work plan records

We can see from table 7.42 Most of the companies use a formal meeting record to document the work plan. For companies with rapid profit growth, there is no case of not keeping records for work plan, and the record keeping method tended to be the employees keeping records themselves. In comparison with other companies, the method that work plan is recorded by the employees themselves is only a small portion of sample SMEs. For companies with profit growth, they tend to use more formal meetings records in comparison with other groups of companies.

Presumably, the rapid growth of corporate profits may be more dependent on the employee's initiative, and maintaining the profit growth is likely to be more dependent on the formal level.

Profit growth and motivation method

As can be seen here, in the companies with profit decline, they believe that increasing wages is the most effective incentives (87%). Moreover, they also pay less attention to unity   of employee values (8.7% compared to about 20% of other groups) (See table 7.36).

Profit growth and promotion channels

Companies with a profit growth rate tend to use internal promotion to fill management positions (about 80%). As corporate profit growth rate gets lower, there are more cases of appointing relatives into the management positions (about 10%, compared to 5% or less of other groups) (See table 7.40).

On the whole, the companies that established good internal promotion channels tend to get a good profit growth rate, while appointing relatives to entry-level management positions led to more profits decline.

Profit growth and performance plans

Table 7.40 Cross tab analysis of Profit growth and performance plans

No.8.Profit.Trend*No.32 cross tab						
		32.who has performance plan?				Total
		Top-level managers	Middle-level managers	Front-line staffs	None of them above	
8.Which statement best describes the business's trend in profit?	N	13	13	11	1	19
	Company with rapid profit growth (annual profit growth > 20%)	68.4%	68.4%	57.9%	5.3%	
	who has performance plan	9.7%	7.3%	7.5%	7.7%	
	Total %	5.6%	5.6%	4.7%	0.4%	8.2%
	N	36	46	43	1	61
	Company with profit growth (5% < annual profit growth < 20%)	59.0%	75.4%	70.5%	1.6%	
	who has performance plan	26.9%	25.8%	29.3%	7.7%	
	Total %	15.5%	19.7%	18.5%	0.4%	26.2%
	N	72	101	83	5	126
	Company with stable profit (-5% < annual profit growth < 5%)	57.1%	80.2%	65.9%	4.0%	
	who has performance plan	53.7%	56.7%	56.5%	38.5%	
	Total %	30.9%	43.3%	35.6%	2.1%	54.1%
	N	11	16	10	4	23
	Company with profit decline (5% < annual profit decline < 20%)	47.8%	69.6%	43.5%	17.4%	
	who has performance plan	8.2%	9.0%	6.8%	30.8%	

	Total %	4.7%	6.9%	4.3%	1.7%	9.9%
	N	2	2	0	2	4
	Company with rapid profit decline (annual profit decline > 20%)	50.0%	50.0%	0.0%	50.0%	
	who has performance plan	1.5%	1.1%	0.0%	15.4%	
	Total %	0.9%	0.9%	0.0%	0.9%	1.7%
Total	N	134	178	147	13	233
	Total %	57.5%	76.4%	63.1%	5.6%	100.0%

Profit growth and performance planning methods

Table 7.41: Cross tab analysis of profit growth and performance planning methods

8.Which statement best describes the business's trend in profit?* No.33 cross tab

| | | 33. How do you draw up the performance plan for the key staffs? | | | | | |
		A. The staff draws up the performance plan. Managers adjust it according to actual situation.	B. The managers draw up the performance plans. Staffs participate in form but not really make any difference.	C. The managers draw up the performance plans and then discuss them with staffs.	D. The managers and the staffs draw up the plan together through discussion.	E. There is no performance plan.	Total
8.Which statement best describes the business's trend in profit?	N	1	9	4	4	1	19
	Company with rapid profit growth (annual profit growth > 20%)	5.3%	47.4%	21.1%	21.1%	5.3%	100.0%
	How do you draw up the performance plan for the key staffs	2.3%	17.3%	5.0%	8.2%	9.1%	8.1%
	Total %	0.4%	3.8%	1.7%	1.7%	0.4%	8.1%
	N	14	9	26	10	2	61
	Company with profit growth (5% < annual profit growth < 20%)	23.0%	14.8%	42.6%	16.4%	3.3%	100.0%
	How do you draw up the performance plan for the key staffs	32.6%	17.3%	32.5%	20.4%	18.2%	26.0%
	Total %	6.0%	3.8%	11.1%	4.3%	0.9%	26.0%
	N	20	29	43	31	5	128
	Company with stable profit (-5% <	15.6%	22.7%	33.6%	24.2%	3.9%	100.0%

annual profit growth < 5%)						
How do you draw up the performance plan for the key staffs	46.5%	55.8%	53.8%	63.3%	45.5%	54.5%
Total %	8.5%	12.3%	18.3%	13.2%	2.1%	54.5%
N	7	4	7	4	1	23
Company with profit decline (5% < annual profit decline < 20%)	30.4%	17.4%	30.4%	17.4%	4.3%	100.0%
How do you draw up the performance plan for the key staffs	16.3%	7.7%	8.8%	8.2%	9.1%	9.8%
Total %	3.0%	1.7%	3.0%	1.7%	0.4%	9.8%
N	1	1	0	0	2	4
Company with rapid profit decline (annual profit decline > 20%)	25.0%	25.0%	0.0%	0.0%	50.0%	100.0%
How do you draw up the performance plan for the key staffs	2.3%	1.9%	0.0%	0.0%	18.2%	1.7%
Total %	0.4%	0.4%	0.0%	0.0%	0.9%	1.7%
Total N	43	52	80	49	11	235
Total %	18.3%	22.1%	34.0%	20.9%	4.7%	100.0%

Profit growth and work plan records

Table 7.42: Cross tab analysis of profit growth and work plan records

8.Which statement best describes the business's trend in profit?* No.35 cross tab

		35. In the discussion of the work plan, in which way do you record the managers' guidance and help?				
		A. Formal meeting records.	B. Staffs take notes themselves	C. Record in office information system	D. There is no records	Total
8.Which statement best describes the business's trend in profit?	N	10	7	2	0	19
	Company with rapid profit growth (annual profit growth > 20%)	52.6%	36.8%	10.5%	0.0%	100.0%
	way of recording the managers' guidance and help	6.7%	13.7%	15.4%	0.0%	8.1%
	Total %	4.3%	3.0%	0.9%	0.0%	8.1%
	N	44	11	1	5	61
	Company with profit growth (5% < annual profit growth < 20%)	72.1%	18.0%	1.6%	8.2%	100.0%
	way of recording the managers' guidance and help	29.5%	21.6%	7.7%	22.7%	26.0%
	Total %	18.7%	4.7%	0.4%	2.1%	26.0%
	N	78	28	8	14	128
	Company with stable profit (-5% < annual profit growth < 5%)	60.9%	21.9%	6.3%	10.9%	100.0%
	way of recording the managers' guidance and help	52.3%	54.9%	61.5%	63.6%	54.5%
	Total %	33.2%	11.9%	3.4%	6.0%	54.5%
	N	14	5	2	2	23

	Company with profit decline (5% < annual profit decline < 20%)	60.9%	21.7%	8.7%	8.7%	100.0%
	way of recording the managers' guidance and help	9.4%	9.8%	15.4%	9.1%	9.8%
	Total %	6.0%	2.1%	0.9%	0.9%	9.8%
	N	3	0	0	1	4
	Company with rapid profit decline (annual profit decline > 20%)	75.0%	0.0%	0.0%	25.0%	100.0%
	way of recording the managers' guidance and help	2.0%	0.0%	0.0%	4.5%	1.7%
	Total %	1.3%	0.0%	0.0%	0.4%	1.7%
Total	N	149	51	13	22	235
	Total %	63.4%	21.7%	5.5%	9.4%	100.0%

Profit growth and motivation method

Table 7.43: Cross tab analysis of profit growth and motivation method

8.Which statement best describes the business's trend in profit?* No.53 cross tab

| | | 53. What do you think is the best motivation method? | | | | |
		A. Raise salary	B. Give motivation	C. Unify values	D. Spiritual motivation	Total
8.Which statement best describes the business's trend in profit?	N	13	0	4	2	19
	Company with rapid profit growth (annual profit growth > 20%)	68.4%	0.0%	21.1%	10.5%	100.0%
	best motivation method	8.7%	0.0%	7.5%	16.7%	8.1%
	Total %	5.5%	0.0%	1.7%	0.9%	8.1%
	N	25	13	21	2	61
	Company with profit growth (5% < annual profit growth < 20%)	41.0%	21.3%	34.4%	3.3%	100.0%
	best motivation method	16.8%	61.9%	39.6%	16.7%	26.0%
	Total %	10.6%	5.5%	8.9%	0.9%	26.0%
	N	88	6	26	8	128
	Company with stable profit (-5% < annual profit growth < 5%)	68.8%	4.7%	20.3%	6.3%	100.0%
	best motivation method	59.1%	28.6%	49.1%	66.7%	54.5%
	Total %	37.4%	2.6%	11.1%	3.4%	54.5%
	N	20	1	2	0	23
	Company with profit decline (5% < annual profit decline < 20%)	87.0%	4.3%	8.7%	0.0%	100.0%
	best motivation method	13.4%	4.8%	3.8%	0.0%	9.8%
	Total %	8.5%	0.4%	0.9%	0.0%	9.8%
	N	3	1	0	0	4
	Company with rapid profit decline (annual profit decline > 20%)	75.0%	25.0%	0.0%	0.0%	100.0%
	best motivation method	2.0%	4.8%	0.0%	0.0%	1.7%
	Total %	1.3%	0.4%	0.0%	0.0%	1.7%
Total	N	149	21	53	12	235
	Total %	63.4%	8.9%	22.6%	5.1%	100.0%

Profit growth and promotion channels

Table 7.44: Cross tab analysis of profit growth and promotion channels

8.Which statement best describes the business's trend in profit?* No.46 cross tab

			46 company's managers promotion path				
		Missing	A. Most of them are external recruits.	B. Most of them are internal promotion.	C. Most of them are owner's relatives.	D. Other, please state.	Total
8.Which statement best describes the business's trend in profit?	N	0	4	15	0	0	19
	Company with rapid profit growth (annual profit growth > 20%)	0.0%	21.1%	78.9%	0.0%	0.0%	100.0%
	managers promotion path	0.0%	6.6%	9.3%	0.0%	0.0%	8.1%
	Total %	0.0%	1.7%	6.4%	0.0%	0.0%	8.1%
	N	0	8	50	3	0	61
	Company with profit growth (5% < annual profit growth < 20%)	0.0%	13.1%	82.0%	4.9%	0.0%	100.0%
	managers promotion path	0.0%	13.1%	31.1%	27.3%	0.0%	26.0%
	Total %	0.0%	3.4%	21.3%	1.3%	0.0%	26.0%
	N	1	44	78	5	0	128
	Company with stable profit (-5% < annual profit growth < 5%)	0.8%	34.4%	60.9%	3.9%	0.0%	100.0%
	managers promotion path	100.0%	72.1%	48.4%	45.5%	0.0%	54.5%
	Total %	0.4%	18.7%	33.2%	2.1%	0.0%	54.5%
	N	0	5	15	2	1	23
	Company with profit decline (5% < annual profit decline < 20%)	0.0%	21.7%	65.2%	8.7%	4.3%	100.0%
	managers promotion path	0.0%	8.2%	9.3%	18.2%	100.0%	9.8%
	Total %	0.0%	2.1%	6.4%	0.9%	0.4%	9.8%
	N	0	0	3	1	0	4
	Company with rapid profit decline (annual profit decline > 20%)	0.0%	0.0%	75.0%	25.0%	0.0%	100.0%
	managers promotion path	0.0%	0.0%	1.9%	9.1%	0.0%	1.7%
	Total %	0.0%	0.0%	1.3%	0.4%	0.0%	1.7%
Total	N	1	61	161	11	1	235
	Total %	0.4%	26.0%	68.5%	4.7%	0.4%	100.0%

5. Performance feedback and communication

Profit growth and performance feedback content

Most of the companies surveyed have performance feedback, including employees′ strengths and weaknesses exhibited in the performance assessment, as well as gaps in performance and improvements that employees need. However, the resources required for achieving objectives and tasks and objectives of the next performance period have not gained enough attention. Overall, the faster the corporate profit growth, the more comprehensive the performance feedback content.

Profit growth and performance communication frequency

For companies with rapid profit growth, various ways to communicate and exchange for the performance results get universal attention.

However, for companies with profit growth, it is unlikely for them to take an informal chat in private to communicate about the performance. And there are a considerable number of companies that only use performance results to determine the pay and rewards without doing performance appraisal.

For companies with unchanged profit or companies with profit decline, they are less likely to use various types of communication in comparison with companies with rapid profit growth.

Profit growth and communication problems

The communication between top and middle-level managers

No matter the level of profit growth, the communication method between high-level and middle-level managers is mainly through regular meetings and reports. At this point we cannot see the relationship between the communication method and profit growth.

The communication between middle-level managers and their subordinates

For companies with rapid profit growth, most of them choose to communicate through meetings when something goes wrong. For companies with profit growth, 70% choose regular meetings to communicate. For companies with ± 5% profit growth, for them, too, communication is based on regular meetings. For companies with falling profits,

they use more informal means of communication compared to companies with rapid profits growth.

The communication between departments

the result is the same with the analysis above. Companies that used informal communication among departments are more easily to have profit decline. Overall it is shown that the informal communication-based enterprises are more easily to have profit decline.

In addition to this question, we further explore the communication between departments. For the companies with profit decline, the case of disagreement between the department and the needs of higher-level managers to coordination occurs more often in communication between departments.

Table 7.45: Cross tab analysis of profit growth and performance feedback content

No.8.Profit.Trend*No.37 cross tab

		37. Performance Feedback content				
		The staffs' advantages and disadvantages that showed in the performance assessment.	The performance gap and improving methods.	The resources needed to fulfill the job	The work tasks and objectives for the next performance assessment cycle	Total
8.Which statement best describes the business's trend in profit?	N	12	10	6	14	19
	Company with rapid profit growth (annual profit growth > 20%)	63.2%	52.6%	31.6%	73.7%	
	Performance Feedback content	9.0%	7.2%	6.5%	16.9%	
	Total %	5.2%	4.3%	2.6%	6.1%	8.2%
	N	35	48	18	24	61
	Company with profit growth (5% < annual profit growth < 20%)	57.4%	78.7%	29.5%	39.3%	
	Performance Feedback content	26.3%	34.5%	19.6%	28.9%	
	Total %	15.2%	20.8%	7.8%	10.4%	26.4%
	N	74	69	56	34	124
	Company with stable profit (-5% < annual profit growth < 5%)	59.7%	55.6%	45.2%	27.4%	
	Performance Feedback content	55.6%	49.6%	60.9%	41.0%	
	Total %	32.0%	29.9%	24.2%	14.7%	53.7%
	N	11	11	11	10	23
	Company with profit decline (5% < annual profit decline < 20%)	47.8%	47.8%	47.8%	43.5%	

	Performance Feedback content	8.3%	7.9%	12.0%	12.0%	
	Total %	4.8%	4.8%	4.8%	4.3%	10.0%
	N	1	1	1	1	4
	Company with rapid profit decline (annual profit decline > 20%)	25.0%	25.0%	25.0%	25.0%	
	Performance Feedback content	0.8%	0.7%	1.1%	1.2%	
	Total %	0.4%	0.4%	0.4%	0.4%	1.7%
Total	N	133	139	92	83	231
	Total %	57.6%	60.2%	39.8%	35.9%	100.0%

Table 7.46: Cross tab analysis of profit growth and performance communication frequency

No.8.Profit.Trend*No.38 cross tab

		When do the performance appraisal				
		There is a formal and regular appraisal.	Do the performance appraisal when problems emerges	Private informal chat.	The result is only used for determine salary and bonus, there is no appraisal	Total
8.Which statement best describes the business's trend in profit?	N	14	12	10	0	19
	Company with rapid profit growth (annual profit growth > 20%)	73.7%	63.2%	52.6%	0.0%	
	Performance Feedback content	9.5%	9.2%	10.4%	0.0%	
	Total %	6.0%	5.1%	4.3%	0.0%	8.1%
	N	38	34	18	10	61
	Company with profit growth (5% < annual profit growth < 20%)	62.3%	55.7%	29.5%	16.4%	
	Performance Feedback content	25.7%	26.2%	18.8%	38.5%	
	Total %	16.2%	14.5%	7.7%	4.3%	26.1%
	N	81	68	57	12	127
	Company with stable profit (-5% < annual profit growth < 5%)	63.8%	53.5%	44.9%	9.4%	
	Performance Feedback content	54.7%	52.3%	59.4%	46.2%	
	Total %	34.6%	29.1%	24.4%	5.1%	54.3%
	N	14	14	10	2	23
	Company with profit decline (5% < annual profit decline < 20%)	60.9%	60.9%	43.5%	8.7%	
	Performance Feedback content	9.5%	10.8%	10.4%	7.7%	
	Total %	6.0%	6.0%	4.3%	0.9%	9.8%

	N	1	2	1	2	4
	Company with rapid profit decline (annual profit decline > 20%)	25.0%	50.0%	25.0%	50.0%	
	Performance Feedback content	0.7%	1.5%	1.0%	7.7%	
	Total %	0.4%	0.9%	0.4%	0.9%	1.7%
Total	N	148	130	96	26	234
	Total %	63.2%	55.6%	41.0%	11.1%	100.0%

Profit growth and communication problems

Table 7.47: Cross tab analysis of profit growth and communication problems

8.Which statement best describes the business's trend in profit?* No.25 cross tab

		25. What is the main communication method in the following level									Total		
		A. Have regular meetings to report and communicate.			B. Have meetings to report and communicate when come across problems.			C. Informal communication methods.			Total		
Between top manager and middle manager (T-M) between middle manager and their subordinates (M-S) Between departments(D-D)		T-M	M-S	D-D	T-M	M-S	D-D	T-M	M-S	D-D	T-M	M-S	D-D
8.Which statement best describes the business's trend in profit?	N	16	4	9	2	11	4	0	1	3	18	16	16
	Company with rapid profit growth (annual profit growth > 20%)	88.9%	25.0%	56.3%	11.1%	68.8%	25.0%	0.0%	6.3%	18.8%	100.0%	100.0%	100.0%
	main communication method in the following level	8.4%	3.1%	8.7%	6.5%	16.9%	6.9%	0.0%	3.3%	5.1%	7.8%	7.2%	7.2%
	Total %	7.0%	1.8%	4.1%	0.9%	5.0%	1.8%	0.0%	0.5%	1.4%	7.8%	7.2%	7.2%
	N	53	41	19	6	13	26	1	5	12	60	59	58
	Company with profit growth (5% < annual profit growth < 20%)	88.3%	69.5%	32.8%	10.0%	22.0%	44.8%	1.7%	8.5%	20.7%	100.0%	100.0%	100.0%

	main communication method in the following level	27.7%	32.3%	18.3%	19.4%	20.0%	44.8%	12.5%	16.7%	20.3%	26.1%	26.6%	26.1%
	Total %	23.0%	18.5%	8.6%	2.6%	5.9%	11.7%	0.4%	2.3%	5.4%	26.1%	26.6%	26.1%
	N	99	72	62	22	31	25	5	19	36	126	122	123
	Company with stable profit (-5% < annual profit growth < 5%)	78.6%	59.0%	50.4%	17.5%	25.4%	20.3%	4.0%	15.6%	29.3%	100.0%	100.0%	100.0%
	main communication method in the following level	51.8%	56.7%	59.6%	71.0%	47.7%	43.1%	62.5%	63.3%	61.0%	54.8%	55.0%	55.4%
	Total %	43.0%	32.4%	27.9%	9.6%	14.0%	11.3%	2.2%	8.6%	16.2%	54.8%	55.0%	55.4%
	N	20	8	12	1	9	3	1	4	6	22	21	21
	Company with profit decline (5% < annual profit decline < 20%)	90.9%	38.1%	57.1%	4.5%	42.9%	14.3%	4.5%	19.0%	28.6%	100.0%	100.0%	100.0%
	main communication method in the following level	10.5%	6.3%	11.5%	3.2%	13.8%	5.2%	12.5%	13.3%	10.2%	9.6%	9.5%	9.5%
	Total %	8.7%	3.6%	5.4%	0.4%	4.1%	1.4%	0.4%	1.8%	2.7%	9.6%	9.5%	9.5%
	N	3	2	2	0	1	0	1	1	2	4	4	4
	Company with rapid profit decline (annual profit decline > 20%)	75.0%	50.0%	50.0%	0.0%	25.0%	0.0%	25.0%	25.0%	50.0%	100.0%	100.0%	100.0%
	main communication method in the following level	1.6%	1.6%	1.9%	0.0%	1.5%	0.0%	12.5%	3.3%	3.4%	1.7%	1.8%	1.8%
	Total %	1.3%	0.9%	0.9%	0.0%	0.5%	0.0%	0.4%	0.5%	0.9%	1.7%	1.8%	1.8%
Total	N	191	127	104	31	65	58	8	30	59	230	222	222
	Total %	83.0%	57.2%	46.8%	13.5%	29.3%	26.1%	3.5%	13.5%	26.6%	100.0%	100.0%	100.0%

Profit growth and communication between departments

Table 7.48: Cross tab analysis of profit growth and departmental communication

8.Which statement best describes the business's trend in profit?* No.24 cross tab

		24. the situation of communication between departments				
		Good interaction in work, good communication.	B. Sometime there will be disagreements which need higher authority coordinate.	C. Constantly having conflicts because of departmental interest, sometime it can interfere with daily work.	D. Other, please state.	Total
8.Which statement best describes the business's trend in profit?	N	10	4	2	1	17
	Company with rapid profit growth (annual profit growth > 20%)	58.8%	23.5%	11.8%	5.9%	100.0%
	the situation of communication between departments	6.8%	7.4%	9.1%	33.3%	7.5%
	Total %	4.4%	1.8%	0.9%	0.4%	7.5%
	N	41	14	4	1	60
	Company with profit growth (5% < annual profit growth < 20%)	68.3%	23.3%	6.7%	1.7%	100.0%
	the situation of communication between departments	27.9%	25.9%	18.2%	33.3%	26.5%
	Total %	18.1%	6.2%	1.8%	0.4%	26.5%
	N	84	25	14	1	124
	Company with stable profit (-5% < annual profit growth < 5%)	67.7%	20.2%	11.3%	0.8%	100.0%
	the situation of communication between departments	57.1%	46.3%	63.6%	33.3%	54.9%
	Total %	37.2%	11.1%	6.2%	0.4%	54.9%
	N	11	9	2	0	22
	Company with profit decline (5% < annual profit decline < 20%)	50.0%	40.9%	9.1%	0.0%	100.0%
	the situation of communication between departments	7.5%	16.7%	9.1%	0.0%	9.7%
	Total %	4.9%	4.0%	0.9%	0.0%	9.7%
	N	1	2	0	0	3
	Company with rapid profit decline (annual profit decline > 20%)	33.3%	66.7%	0.0%	0.0%	100.0%

	the situation of communication between departments	0.7%	3.7%	0.0%	0.0%	1.3%
	Total %	0.4%	0.9%	0.0%	0.0%	1.3%
Total	N	147	54	22	3	226
	Total %	65.0%	23.9%	9.7%	1.3%	100.0%

6. Other characteristics of sample SMEs

Profit growth and corporate culture

In companies with rapid profit growth, the vast majority of them have corporate culture that played a positive role in promoting development. Whereas in companies with profit decline and companies with profit growth, there are more cases of not forming a corporate culture compared to other groups.

Compared to other groups, in companies with profit decline, there are more companies where the recognition of corporate culture is relatively low. In companies with profit growth and companies with falling profits, there are more cases of insufficient awareness of corporate culture.

As the companies' profit growth gets lower, there are more cases of incompatible corporate culture and management models, and the companies recognize that further integration are requires. As the companies' profit growth gets lower, more companies think that there is no apparent relationship between corporate culture and management model.

Profit growth and corporate culture

Table 7.49: Crosstab analysis of profit growth and corporate culture 1

8.Which statement best describes the business's trend in profit?* No.57 cross tab

| | | 57What is the effect of the organizational culture in the development of your company? | | | | |
		A. Positive effect and promoting the development	B. Negative effect and slow down the development	C. No effect	D. There is no organizational culture	Total
8.Which statement best describes the business's trend in profit?	N	18	0	0	1	19
	Company with rapid profit growth (annual profit growth > 20%)	94.7%	0.0%	0.0%	5.3%	100.0%
	How is the KPI designed	9.6%	0.0%	0.0%	3.3%	8.1%
	Total %	7.7%	0.0%	0.0%	0.4%	8.1%
	N	46	3	3	9	61
	Company with profit growth (5% < annual profit growth < 20%)	75.4%	4.9%	4.9%	14.8%	100.0%
	How is the KPI designed	24.6%	75.0%	21.4%	30.0%	26.0%
	Total %	19.6%	1.3%	1.3%	3.8%	26.0%
	N	106	1	6	15	128
	Company with stable profit (-5% < annual profit growth < 5%)	82.8%	0.8%	4.7%	11.7%	100.0%
	How is the KPI designed	56.7%	25.0%	42.9%	50.0%	54.5%
	Total %	45.1%	0.4%	2.6%	6.4%	54.5%
	N	14	0	4	5	23
	Company with profit decline (5% < annual profit decline < 20%)	60.9%	0.0%	17.4%	21.7%	100.0%
	How is the KPI designed	7.5%	0.0%	28.6%	16.7%	9.8%
	Total %	6.0%	0.0%	1.7%	2.1%	9.8%

	N	3	0	1	0	4
	Company with rapid profit decline (annual profit decline > 20%)	75.0%	0.0%	25.0%	0.0%	100.0%
	How is the KPI designed	1.6%	0.0%	7.1%	0.0%	1.7%
	Total %	1.3%	0.0%	0.4%	0.0%	1.7%
Total	N	187	4	14	30	235
	Total %	79.6%	1.7%	6.0%	12.8%	100.0%

Profit growth and corporate cultural identity

Table 7.50: Cross tab analysis of profit growth and cultural identity

8.Which statement best describes the business's trend in profit?* No.58 cross tab

		58. Do the staffs acknowledge and approve the current organizational culture?			
		Yes	No	There is no distinct organizational culture to acknowledge or approve.	Total
8.Which statement best describes the business's trend in profit?	N	13	0	6	19
	Company with rapid profit growth (annual profit growth > 20%)	68.4%	0.0%	31.6%	100.0%
	How is the KPI designed	7.6%	0.0%	14.0%	8.1%
	Total %	5.6%	0.0%	2.6%	8.1%
	N	46	7	8	61
	Company with profit growth (5% < annual profit growth < 20%)	75.4%	11.5%	13.1%	100.0%
	How is the KPI designed	26.7%	36.8%	18.6%	26.1%
	Total %	19.7%	3.0%	3.4%	26.1%
	N	98	9	21	128
	Company with stable profit (-5% < annual profit growth < 5%)	76.6%	7.0%	16.4%	100.0%
	How is the KPI designed	57.0%	47.4%	48.8%	54.7%
	Total %	41.9%	3.8%	9.0%	54.7%
	N	13	3	6	22
	Company with profit decline (5% < annual profit decline < 20%)	59.1%	13.6%	27.3%	100.0%
	How is the KPI designed	7.6%	15.8%	14.0%	9.4%
	Total %	5.6%	1.3%	2.6%	9.4%
	N	2	0	2	4
	Company with rapid profit decline (annual profit decline > 20%)	50.0%	0.0%	50.0%	100.0%
	How is the KPI designed	1.2%	0.0%	4.7%	1.7%
	Total %	0.9%	0.0%	0.9%	1.7%
Total	N	172	19	43	234
	Total %	73.5%	8.1%	18.4%	100.0%

organizational culture and management style

Table 7.51: Cross tab analysis of profit growth and culture and management style

8.Which statement best describes the business's trend in profit?* No.59 cross tab

		59What is the relationship between your company's organizational culture and management style?				
		A. They supplement each other and need to be promoted.	B. They conflict each other and need to be changed.	C. They need more integrations and better unification.	D. They are not related.	Total
8.Which statement best describes the business's trend in profit?	N	12	0	7	0	19
	Company with rapid profit growth (annual profit growth > 20%)	63.2%	0.0%	36.8%	0.0%	100.0%
	How is the KPI designed	7.9%	0.0%	12.1%	0.0%	8.1%
	Total %	5.1%	0.0%	3.0%	0.0%	8.1%
	N	41	4	13	3	61
	Company with profit growth (5% < annual profit growth < 20%)	67.2%	6.6%	21.3%	4.9%	100.0%
	How is the KPI designed	27.2%	57.1%	22.4%	15.8%	26.0%
	Total %	17.4%	1.7%	5.5%	1.3%	26.0%
	N	88	3	26	11	128
	Company with stable profit (-5% < annual profit growth < 5%)	68.8%	2.3%	20.3%	8.6%	100.0%
	How is the KPI designed	58.3%	42.9%	44.8%	57.9%	54.5%
	Total %	37.4%	1.3%	11.1%	4.7%	54.5%
	N	7	0	12	4	23
	Company with profit decline (5% < annual profit decline < 20%)	30.4%	0.0%	52.2%	17.4%	100.0%
	How is the KPI designed	4.6%	0.0%	20.7%	21.1%	9.8%
	Total %	3.0%	0.0%	5.1%	1.7%	9.8%
	N	3	0	0	1	4
	Company with rapid profit decline (annual profit decline > 20%)	75.0%	0.0%	0.0%	25.0%	100.0%
	How is the KPI designed	2.0%	0.0%	0.0%	5.3%	1.7%
	Total %	1.3%	0.0%	0.0%	0.4%	1.7%
Total	N	151	7	58	19	235
	Total %	64.3%	3.0%	24.7%	8.1%	100.0%

Profit growth and employees′ degrees

As the companies′ profit growth rate gets higher, the proportion of general staff who have a college or university degree is higher. In companies with profit decline, there are no general employees with university degree or higher. The proportion of the general staff with university degree is a positive evidence for the companies′ profit growth rate. However, overall, the general staff in respondent companies mainly have junior high school education.

The percentage of middle-level managers with university degree or higher is higher in companies with rapid profit growth and companies with profit growth in comparison with the percentage in companies with unchanged profits and companies with profit decline. Overall, respondents′ middle-level managers have a college degree or above on average.

In companies with rapid profit growth, half of their executives have university level qualifications, and it is significantly higher than the percentage in profit decline companies. It can be seen also that the higher education level the executives have, the higher the profit growth of their companies. Overall, executives mainly have university degree.

Overall, the education level of employees and the corporate profit growth rate is positive correlated. There is a significant gap between each level of employees in terms of education level.

Profit growth and employees' degrees

Table 7.52: Cross tab analysis of profit growth and employees' degrees

8.Which statement best describes the business's trend in profit?* No.54.3General.staffs cross tab

| General staff (G) Middle-manager (M) Top-manager (T) | | No.54 Education background | | | | | | | | | | | | Total | | |
| | | A. University degree or above | | | B. College degree or above | | | C. Middle school or above | | | D. Other, please state | | | | | |
		G	M	T	G	M	T	G	M	T	G	M	T	G	M	T
8.Which statement best describes the business's trend in profit?	N	3	3	11	4	14	8	12	1	0	0	0	0	19	18	19
	Company with rapid profit growth (annual profit growth > 20%)	15.8%	16.7%	57.9%	21.1%	77.8%	42.1%	63.2%	5.6%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
	Education background	12.5%	9.7%	9.2%	9.3%	9.8%	9.9%	7.5%	1.9%	0.0%	0.0%	0.0%	0.0%	8.3%	7.9%	8.3%
	Total %	1.3%	1.3%	4.8%	1.7%	6.1%	3.5%	5.2%	0.4%	0.0%	0.0%	0.0%	0.0%	8.3%	7.9%	8.3%
	N	8	14	32	14	31	17	37	14	5	1	1	6	60	60	60
	Company with profit growth (5% < annual profit growth < 20%)	13.3%	23.3%	53.3%	23.3%	51.7%	28.3%	61.7%	23.3%	8.3%	1.7%	1.7%	10.0%	100.0%	100.0%	100.0%
	Education background	33.3%	45.2%	26.9%	32.6%	21.7%	21.0%	23.3%	26.4%	22.7%	33.3%	50.0%	75.0%	26.2%	26.2%	26.1%
	Total %	3.5%	6.1%	13.9%	6.1%	13.5%	7.4%	16.2%	6.1%	2.2%	0.4%	0.4%	2.6%	26.2%	26.2%	26.1%

	N	13	11	67	19	81	39	90	32	16	1	0	2	123	124	124
	Company with stable profit (-5% < annual profit growth < 5%)	10.6%	8.9%	54.0%	15.4%	65.3%	31.5%	73.2%	25.8%	12.9%	0.8%	0.0%	1.6%	100.0%	100.0%	100.0%
	Education background	54.2%	35.5%	56.3%	44.2%	56.6%	48.1%	56.6%	60.4%	72.7%	33.3%	0.0%	25.0%	53.7%	54.1%	53.9%
	Total %	5.7%	4.8%	29.1%	8.3%	35.4%	17.0%	39.3%	14.0%	7.0%	0.4%	0.0%	0.9%	53.7%	54.1%	53.9%
	N	0	2	8	6	16	15	16	4	0	1	1	0	23	23	23
	Company with profit decline (5% < annual profit decline < 20%)	0.0%	8.7%	34.8%	26.1%	69.6%	65.2%	69.6%	17.4%	0.0%	4.3%	4.3%	0.0%	100.0%	100.0%	100.0%
	Education background	0.0%	6.5%	6.7%	14.0%	11.2%	18.5%	10.1%	7.5%	0.0%	33.3%	50.0%	0.0%	10.0%	10.0%	10.0%
	Total %	0.0%	0.9%	3.5%	2.6%	7.0%	6.5%	7.0%	1.7%	0.0%	0.4%	0.4%	0.0%	10.0%	10.0%	10.0%
	N	0	1	1	0	1	2	4	2	1	0	0	0	4	4	4
	Company with rapid profit decline (annual profit decline > 20%)	0.0%	25.0%	25.0%	0.0%	25.0%	50.0%	100.0%	50.0%	25.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
	Education background	0.0%	3.2%	0.8%	0.0%	0.7%	2.5%	2.5%	3.8%	4.5%	0.0%	0.0%	0.0%	1.7%	1.7%	1.7%
	Total %	0.0%	0.4%	0.4%	0.0%	0.4%	0.9%	1.7%	0.9%	0.4%	0.0%	0.0%	0.0%	1.7%	1.7%	1.7%
Total	N	24	31	119	43	143	81	159	53	22	3	2	8	229	229	230
	Total %	10.5%	13.5%	51.7%	18.8%	62.4%	35.2%	69.4%	23.1%	9.6%	1.3%	0.9%	3.5%	100.0%	100.0%	100.0%

Profit growth and regulations

In the production management and sales and services aspects, companies with profit decline lack of executive force for regulations significantly.

In performance management, it can be seen that in companies with falling profits, the absence of performance management system and the incompleteness of the performance management system is more serious. There are also some issues with executive force of regulation. It is worth noticing that the most serious problem of poor implementation of regulation occurred in companies with rapid profit growth, followed by the companies with profit decline.

In summary, the completeness of the regulation system and the executive force of the regulation is highly related to the corporate profit growth. It also played a positive role to maintaining steady profit in businesses. However, for enterprises with rapid development rate, the related regulation systems need to be adjusted according to the actual situation in order to adapt to the pace of development of enterprises.

Profit growth and regulations

Table 7.53: Cross tab analysis of profit growth and regulations

8.Which statement best describes the business's trend in profit?* No.23 cross tab

Production sales and services (PSS) / Performance management (PM) / Administrative management (AM)		23.What situation is most suitable to describe your company's rules and regulations?												Total		
		. There is no rules and regulations			B. There are some rules and regulations but not adequate.			C. There are rules and regulations but poorly implemented			D. There are rules and regulations and well implemented					
		PSS	PM	AM	PSS	PM	AM	PSS	PM	AM	PSS	PM	AM	PSS	PM	AM
8.Which statement best describes the business's trend in profit?	N	1	1	0	5	6	2	7	7	6	6	4	10	19	18	18
	Company with rapid profit growth (annual profit growth > 20%)	5.3%	5.6%	0.0%	26.3%	33.3%	11.1%	36.8%	38.9%	33.3%	31.6%	22.2%	55.6%	100.0%	100.0%	100.0%
	rules and regulations	6.7%	5.9%	0.0%	8.2%	8.3%	3.6%	12.5%	17.5%	11.8%	6.1%	4.0%	9.6%	8.3%	7.8%	7.9%
	Total %	0.4%	0.4%	0.0%	2.2%	2.6%	0.9%	3.0%	3.0%	2.6%	2.6%	1.7%	4.4%	8.3%	7.8%	7.9%
	N	5	4	4	20	17	18	5	10	11	31	30	28	61	61	61
	Company with profit growth (5% < annual profit	8.2%	6.6%	6.6%	32.8%	27.9%	29.5%	8.2%	16.4%	18.0%	50.8%	49.2%	45.9%	100.0%	100.0%	100.0%

growth < 20%)															
rules and regulations	33.3%	23.5%	22.2%	32.8%	23.6%	32.1%	8.9%	25.0%	21.6%	31.6%	29.7%	26.9%	26.5%	26.5%	26.6%
Total %	2.2%	1.7%	1.7%	8.7%	7.4%	7.9%	2.2%	4.3%	4.8%	13.5%	13.0%	12.2%	26.5%	26.5%	26.6%
N	6	9	10	32	40	31	34	17	25	53	60	59	125	126	125
Company with stable profit (-5% < annual profit growth < 5%)	4.8%	7.1%	8.0%	25.6%	31.7%	24.8%	27.2%	13.5%	20.0%	42.4%	47.6%	47.2%	100.0%	100.0%	100.0%
rules and regulations	40.0%	52.9%	55.6%	52.5%	55.6%	55.4%	60.7%	42.5%	49.0%	54.1%	59.4%	56.7%	54.3%	54.8%	54.6%
Total %	2.6%	3.9%	4.4%	13.9%	17.4%	13.5%	14.8%	7.4%	10.9%	23.0%	26.1%	25.8%	54.3%	54.8%	54.6%
N	2	2	3	3	8	5	9	5	7	8	7	7	22	22	22
Company with profit decline (5% < annual profit decline < 20%)	9.1%	9.1%	13.6%	13.6%	36.4%	22.7%	40.9%	22.7%	31.8%	36.4%	31.8%	31.8%	100.0%	100.0%	100.0%
rules and regulations	13.3%	11.8%	16.7%	4.9%	11.1%	8.9%	16.1%	12.5%	13.7%	8.2%	6.9%	6.7%	9.6%	9.6%	9.6%
Total %	0.9%	0.9%	1.3%	1.3%	3.5%	2.2%	3.9%	2.2%	3.1%	3.5%	3.0%	3.1%	9.6%	9.6%	9.6%

	N	1	1	1	1	1	0	1	1	2	0	0	0	3	3	3
	Company with rapid profit decline (annual profit decline > 20%)	33.3%	33.3%	33.3%	33.3%	33.3%	0.0%	33.3%	33.3%	66.7%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
	rules and regulations	6.7%	5.9%	5.6%	1.6%	1.4%	0.0%	1.8%	2.5%	3.9%	0.0%	0.0%	0.0%	1.3%	1.3%	1.3%
	Total %	0.4%	0.4%	0.4%	0.4%	0.4%	0.0%	0.4%	0.4%	0.9%	0.0%	0.0%	0.0%	1.3%	1.3%	1.3%
Total	N	15	17	18	61	72	56	56	40	51	98	101	104	230	230	229
	Total %	6.5%	7.4%	7.9%	26.5%	31.3%	24.5%	24.3%	17.4%	22.3%	42.6%	43.9%	45.4%	100.0%	100.0%	100.0%

7.3.1 Discussion of companies＇ PM practices and their performance: accordance with the adjusted PM six steps

7.3.1.1 Strategy formulation

According to our adjusted PM framework, in a classical LL machine bureaucracy organization, the strategy formulation process is mainly carried out by its Strategy Apex. From analyzing the results of Question 12, we can see that the companies that develop strategies jointly by high-level managers and staff representatives more easily attain profit growth. So the methods adopted that are similar to the adjusted framework are positively related to the high performance of the samples. In this step, our main attention is to check if the interests of the key stakeholders are balanced as this is the basis of effective motivations for staff. When each level of employees participates in the strategy formulation process, their interests are balanced through the formulation process. So we can see that the method suggested in adjusted framework is consistent with practices that lead to high performance.

Overall, we can see that from the practice in Chinese SMEs, the companies that adopted the similar strategy formulation methods to those in our adjusted framework generally got positive results. So this can be regarded as a verification of the approaches in that region.

7.3.1.2 Strategy decomposition and deployment

In the adjusted PM framework for classic LL machine bureaucracy organization, the decomposition and deployment process is usually carried out using regulations and rules whereas in Question 17, the result shows that the companies decompose and deploy their strategies based on standard operational processes and job descriptions have a relatively higher possibility to acheive profit growth.

In the adjusted PM framework, the staff assignment is mainly done by the middle line, particularly by line managers, based on the characteristics or skills of staff. In Question 17.2, respondents need to choose the way of decomposing departmental goals to frontline staff. Companies whose departmental goals are decomposed by leaders and then deployed to subordinates are more likely to have a stable profit growth. From this

question we can verify that the strategy decomposition and deployment approaches in our adjusted framework are more likely to lead to high performance.

In the adjusted PM framework, strategy is mainly conveyed and deployed to the core through the middle line layer-by-layer. Since it is easy to obtain employee information, middle line managers have a sufficient amount of information about the employees' skills, personalities, and needs in order to make the most appropriate arrangements. As the result of Question 33 we can see that companies with better profit growth tend to develop a work plan like this: the managers develop the work plan and staff participates without making any changes. This result proves that workload assignment suggested in the adjusted PM framework is positively correlated with high performance.

Overall we can see that those who adopted similar strategy decomposition methods as the adjusted PM framework generally obtained better performance. The results can be regarded as a verification of the consistency of strategy decomposition approaches in adjusted PM framework and those used in the sample companies.

7.3.1.3 Performance plan

Guidance

Our adjusted PM framework suggested that organizing core staff in batches to attend training on a regular basis may be a better way to improve performance. The result of Question 41 shows that respondents with good profit growth now generally pay attention to staff training focused on the pre-post training and professional training. So we can see that the method suggested in the adjusted framework is positively correlated with practices that lead to high performance. Overall, the results can be regarded as a verification of the guidance approaches in the adjusted PM framework.

Coordination

In the adjusted PM framework, a LL machine bureaucracy organization tends to use formal procedures when comes to inter-departmental communication. It is shown in Questions 24 and 25.3 that the companies that use formal communication between departments are more likely to have profit growth. We can see that the communication methods in the adjusted PM framework generally have a positive relation with better performance.

Coordination in operation in LL machine bureaucracy organization mainly relies on formal coordination methods, such as regular formal meetings. In Question 25, for companies with rapid profit growth, respondents tend to choose to communicate through formal meetings. We can see that the methods suggested in our adjusted framework are positively correlated to high performance in the samples.

Motivation

In our adjusted PM framework, the most effective motivation of a LL machine bureaucracy organization is economic incentives. However, from the related questions, we cannot draw any conclusions that are positively related to performance. The companies that chose the economic incentive do not have clear trend of profit growth. We can see that from the practice in Chinese SMEs, the motivation method in our adjusted PM framework generally is not clearly related with good performance. Therefore, we need further investigation on this part.

Supervision

The LL machine bureaucracy organization usually supervises the core staff through the middle line, and the supervision is based on regulations and rules, which should be the most efficient and effective way. However, in companies with both profit growth and decline, the supervision based on regulation is not effective due to execution problems. Questions 48 and 51 reveal that it is relatively harder to manage young employees and new employees by regulation, and many companies recognize this as the hardest management problem at present. From the above comparison we can see that the supervision approaches in our adjusted PM framework does not have a clear relation with company performance. Therefore, we need further investigation on this part.

7.3.2 The characteristics of companies with good profit growth

The faster the profit grows, the more confidence the business has. This may indicate that an adequate inflow of profit makes the companies full of life and the profit may help build stronger competitive advantage for the companies.

A greater percentage of companies with rapid profit growth choose that their strategy formation is done by high, middle, and junior staff representatives together. We can see that companies that develop strategies by only high-level managers more easily have high-speed profit growth, but are also more prone to falling profits.

Companies whose strategies were formed by subordinates and approved by superiors, they are less likely to have profits decline. Companies with strategies formed by all levels of staff representatives through discussion are less likely to have profits decline. More employee involvement in strategy development process will lead to a more stable and secure development, but also reduce the pace of development.

The companies with rapid profit growth tend to not decompose the company's goals by owners. They tend to use high-level meetings to decompose company goals. Otherwise, the companies with good profit growth tend to decompose company's goals using operational processes and job responsibilities.

Many companies with rapid profit growth, more companies choose to communicate through meetings when something goes wrong. For companies with profit growth, the majority of companies choose regular meetings to communicate. For companies with stable profit growth, still communication is based on regular meetings.

Companies with rapid profit growth pay universal attention to communicate and exchange for the performance results using various ways.

Few companies with rapid profit growth have relatively detailed records in many respects. So we can see that fast growing businesses do not rely on formalization.

None of the companies with rapid profit growth had no records for work plan, and the record keeping method tends to be the employees keeping records themselves. Companies with profit growth tend to use more formal meetings records in comparison with other groups of companies. Presumably, the rapid growth of corporate profits may be more dependent on the employee's initiative, and maintaining the profit growth is likely to be more dependent on the formal level.

The majority of companies with rapid profit growth think there are some problems in their performance assessment system which needs to be improved, and the rest think their system is perfect. Overall they are very confident with their performance assessment system.

As the profit growth rate of respondents gets lower, there is a higher percentage of companies that does not conduct KPI assessment on executives. Companies with rapid profit growth are more inclined to do frequent KPI assessment on junior staff.

The enterprises with more comprehensive performance plans obtain profit growth more easily.

The performance planning in companies with better profit growth tend to use a method where the managers develop the plan and staff participate but cannot make any changes. There are also many companies with better profits who draw the performance plan in the way that the managers develop the plan and discuss it with the staff to determine the outcome.

The vast majority of companies with rapid profit growth have corporate culture that plays a positive role in promoting development.

Companies with profit growth are more ambitious compared to other groups.

As the profit growth gets faster in companies, the more attention is put onto the management innovation.

Companies with rapid profit growth use information systems and data better. Companies with profits growth have more demands for applications and usage of the information and data.

As the companies' profit growth rate gets higher, the proportion of general staff who has a college or university degree is higher. Overall, the general staff in respondent companies mainly have junior high school education. The percentage of middle-level managers with university degree or higher is higher in companies with rapid profit growth and companies with profit growth. In companies with rapid profit growth, the proportion of executives with university level qualifications is significantly higher. It can be seen that also the higher education level executives have, the higher profit growth companies get. Overall, executives mainly have university degree.

Companies with a profit growth rate tend to use internal promotion to fill management positions.

7.3.3 The characteristics of companies with profit decline

For the companies where turnover is lower or much lower than the industry average, a larger number of companies are facing profits decline. Moreover, companies where turnover is far below the industry average are basically companies with slow profit growth or even staged or declining profits.

Among companies that facing profit decline, the percentage of companies that have formal strategies is significantly less. In companies with just general development direction and companies with only short-term objectives, there is higher percentage of profit decline in comparison with companies with formal strategy.

In companies facing profit decline, the most prominent problem is poor communication between superior and subordinates. The second prominent problem is that the employees feel that they are not being taken cared of. The following problem is that the supervision is not in place and lack of guidance. All other issues are commonly existed in companies facing profit decline.

Companies with falling profits use more informal means of communication compared to companies with rapid profits growth. It is shown that enterprises using informal communication are more likely to have profit decline. Companies that use informal communication among departments are more likely to have profit decline.

The companies who decompose corporate goals in meeting of all employees are also relatively easier to have profits decline.

This shows that the ability of the company's senior managers has a relatively large impact on the operating result.

We notice that as the profit growth get lower, the portion of companies that have unrealistic performance assessment system or companies with no performance assessment system gets higher. In other words, companies that have unrealistic performance assessment system or companies with no performance assessment system are more likely to face profit decline.

The companies that have the most detailed records of daily operation tend to face declining profits.

The performance plan in companies with profit decline involves fewer employees than that in companies with profit growth.

Enterprises with profit decline tend to use a method whereby the staff develop the plan and managers make adjustments. Companies with profit decline use a method whereby the managers develop the plan and discuss it with the staff. Thus, the effect of management staff that is more involved in business with better, indirect instructions

may need to increase the quality of staff. It can also be considered that the companies surveyed are more suitable to develop performance management plans.

Companies with unchanged profit or companies with profit decline, they are less likely to use various types of communication in comparison with companies with rapid profit growth.

For companies with profit decline, the high frequency of KPI assessment on corporate executives in less than other groups (4.3%), the majority of them conduct KPI assessments once a month. Overall, companies that do not do corporate KPI assessment appeared to have higher percentage of profit decline.

Among companies with profit decline, there are most often cases of not forming a corporate culture. Compared to other groups, there are more companies with profit decline where the recognition of corporate culture is relatively low (14%, compared to less than 10%). Among companies with profit growth and companies with falling profits, there are more cases of insufficient awareness of corporate culture.

There is a higher percentage of companies with profit decline that do not pay attention to the integration of external resources. There are also fewer companies that are able to make full use of external resources compared to other groups.

In companies with profit decline, there are no general employees with university degree or higher.

In the companies with profit decline, they believe that increasing wages is the most effective incentives. Moreover, they also pay less attention to unity   of employee values.

In production management and sales and services aspects, companies with profit decline have a significant lack of executive force for regulations. In the performance management system aspect, it can be seen that companies with falling profits have absence of performance management systems or have incomplete performance management systems. There are also some issues with the executive force of regulation.

As the corporations' profit growth rate gets lower, there are more cases of appointing relatives into the management positions.

Many companies with profits in decline, the case of disagreement between department and needs of the higher level managers for coordination occurs more often.

We also conducted crosstab analysis using companies turnover, relative llevels in the industry and vrious issues. The results are generally consistent with the crosstab analysis using profit growth.,

7.4 Report of the informal discussions

Through the open questions and follow-on informal discussions, we find out some urgent issues in Chinese SMEs, especially the problems of managing '90s employees'. From the informal discussions we can summarize that the major part of these employees are local young people born after 90s. This generation under the one child police of China is just entering the Chinese labor market. Some researchers claim that due to the "one child policy", many of the 90s lack of team spirit and have trouble with sharing and cooperating with others (Liu 2014). In local SMEs, many 90s employees carry out simple and repeated operations in a daily basis due to their relatively poor level of education. Since the value they created in the final product is low, they are only able to have relatively low level of salary. Most of these employees are local young people with sufficient support from their family so that their lives do not rely on their salary. Moreover, generally they are not clear about their career path and also lack of career plans due to their education level. Thus, most of them do not really care about their jobs and show little interest in learning and improving their work competence. Compared with other employees, those '90s employees' are more difficult to motivate due to the above reasons. Managers complain that their '90s employees' generally do not have the hardworking spirit compared to other employees, they are not eager to learn from work, and do not care about the rules and regulations. Some managers also report that these employees do not show a strong interest in promotion and pay rise.

Since the normal salary and pay rise cannot motivate '90s employees' in those companies, it is quite difficult for managers to push them to work hard. What is worse, the undisciplined working attitude, lack of responsibility and self-motivation have seriously affected these SMEs' expansion and development. Firstly, it is difficult to fostering a middle manager from the young employees, not to mention to form a hardworking, responsible and qualified middle management team. Secondly, employees show little respect for rules and regulations: if the rules and regulations are strictly

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executed, employees would simply quit because it is quite easy for them to find a similar job. However, the SMEs will have to recruit new employees and provide trainings. Thus, the SMEs are in a dilemmatic situation, internally they have difficulties to motivate, control and cultivate employees. Externally, it is difficult for the SMEs to find the right people.

Many SMEs applied the commonly accepted management approaches in the literature, but the results were not satisfying. Whereas from the open questions and follow-on informal discussions, we found some SMEs using new approaches that reportedly worked well, but these approaches are not mentioned in the literature yet. In the following chapters, we carry out explanatory research on the new approaches based on leader-member exchange theory.

7.5 Summary

Based on the overall analysis of manufacturing SMEs in Jiaozuo Region, we can have a better understanding of local manufacturing SMEs and their management operations. We can also have an overall picture of the local manufacturing industry. Through different parts in the questionnaire, we can now describe SMEs′ daily operations: how to make strategic decisions and how to carry out them? How to manage and motivate employees? How to select KPIs? How to measure performance of different level employees? Therefore we can summarize that mostly practice in good SMEs and the suggested PM procedures are consistent.

To summarize, in this chapter we design and carry out a questionnaire according to the classical PM six steps. Through the questionnaire design, survey and result analysis, we get a detailed picture of PM six steps of Chinese SMEs. We give a description of the management issues, models and the relation between models and performance using frequency analysis and cross tab analysis methods. We discover that the PM models used in organizations with high performance in the sample are in accordance with what we suggested in the above research.

Chapter Eight: Study of New Approaches for "90s Employees"

As discussed in Chapter Seven, SMEs have suffered from unskilled managers, relatively low quality employees and an ineffective motivation system. However, the most severe issue is the management of local '90s employees'. Effective solutions do not appear to exist in the classic performance management and human resource management literature. After talks with the owners of quite a few SMEs, we found that these problems have already seriously affected the operation and development of many SMEs. Nevertheless, some SMEs have explored some non-classical ways of dealing with these problems. In this chapter, we further explore and analyze these emerging management approaches.

8.1 Introduction of new approaches

Focusing on the common characteristics of the '90s employees' in SMEs, a new kind of employee development program has been adopted by some SMEs and it seems to be effective and welcomed by both the managers and employees. This program appears to be helpful in terms of team building, improving work efficiency, improving work attitude and other aspects. This program can be roughly identified as having three stages: the first stage consists of several concentrated training courses for a targeted group normally including one top manager and his/her subordinates (normally middle managers), while the second stage mainly includes frequent guidance and help from the leader to the members in this group through different forms of communication like formal meetings, informal gatherings or group dinners. This stage creates more opportunity and assistance for members learning from the leader in order to improve their skills and work performance. In the third stage, members of the group have frequent communication and provide help and guidance mutually. In this stage, the communication is no longer leader-oriented. In the end, this program can normally be popularized within the whole organization, beyond the in-group members.

I participated in the employee development program in T company from the beginning to the third stage. The program start in October 2014 and last till January 2015. It is the

second batch of employee development program. According to the top manager in T company, this program is very effective in helping them dealing with young staff management as well as form better teams. My roll in the program is as a team member. I try to maintain a neutral observer in the program. The following descriptions of the program are based on my personal experiences derived from participation in and observation of a full employee development program (2014-2015, Henan, Jiaozuo), alongside reports published in various media and Internet resources (Fenghuang net 2013, China Economy Net 2013，Beijing Busienss Newspaper 2013, Global CEO 2013).

In the first stage, the teams are brought to a semi-closed resort to participate in the intensive training. usually the teams consist of one leader from the top managers/owners and members from the middle management level. In many SMEs, the team is made up by the owner and all the middle managers.

This concentrated training consists of full-day courses that last for several days (normally during weekends in order to avoid disturbing the daily operation of the companies). The courses are usually held in a venue semi detached from the team members everyday working life.

The training courses start by sharing some well-accepted management experiences and tips which provide straight forward guidance to the managers for solving common management issues, for example how to balance the relationship between family and career, how to deal with experienced and talented employees, how to manage the supply chains, etc.

The courses then shift to some team building activities. These activities primarily simulate cooperation and communication scenarios between the team leader and the individual employees. The trainer (usually an external expert) tries to lead the employees to gain praise from the leader through a series of activities. For example, the trainer usually picks the sensitive topic of emotions, such as gratitude towards parents, patriotism, etc., to arouse an emotional resonance from the employees to the leader. After that the trainer gives further guidance to encourage the employees feel friendship and gratitude towards their leader. Finally, the trainer encourages the employees to express their emotions and gratitude through deep conversations to create an emotional bond with their leader.

The core content of the training courses is to further strengthen the emotional bond between leaders and members through a series of activities. Each team needs to accomplish a series of particularly hard tasks that are designed by the trainer in a competition against other teams with severe punishment for the losers. The tasks are specifically designed to require close cooperation and a high level of coordination from all team members. The purpose is to allow the team members to work together and experience ups and downs together in a short time frame. These tasks are extremely hard and even impossible to accomplish. as a result, almost all the teams end up suffering self-punishments as promised before. In this way, together with their leaders all team members experience the process of planning, cooperating, coordinating and fighting for success whilst also taking responsibility and punishment together.

The second stage of this program encourages the participants to have regular meetings and formal communications in their daily work. For example, the program suggests holding daily morning and afternoon meetings and it also proposes weekly meetings hold on Monday morning and Friday afternoon. During this regular and frequent communication, leaders can provide extra help and guidance to members and members can learn from their leaders in terms of skills, experience and vision. Actually, the emotional experience they share in the training courses makes the relationships between leaders and members much closer. As a result, they are more likely to spend time together during and after work. Generally, employees report more frequently to the leader and they tend to spend spare time together spontaneously in a pub or playing sports. Moreover, the management methods and tips introduced in the training are gradually practiced in their daily work with the help of their leaders and managers. Gradually, more efficient communication and work relationships are expected to be built.

Following this, formal group meetings will gradually be replaced by informal and incomplete member meetings; for example, the members of the group start to hang out more frequently in their social life and they also tend to have a chat with each other during breaks. In general, members of in-groups start to communicate more frequently with each other. This can be seen as the third stage. In this stage, the communication method has gradually transformed from the formal communication that the training required to informal and spontaneous communication. More importantly, members learn from each other by sharing experiences, information and resources.

The middle level managers and their subordinates are expected to follow the same pattern of the employee development program to improve the communication and learning activities they engage in. However, for middle managers, their relationships with lower level employees may not be as close as the connections with their leaders. Correspondingly, middle managers often have lower expectations and requirements compared to lower level employees.

Through such a program, the organization as well as the participants could benefit in several ways. The leaders and the middle level managers should have some improvement in performance and a more efficient and effective work mode should be formed. Meanwhile, their personal abilities and working attitude are improved as well as improved rewards in terms of wage and position. This contributes to dealing with the issues of '90s employees' mentioned in Chapter 7 as this pattern of learning and team building can be introduced and replicated throughout the whole company. The overall performance of the company is expected to be improved.

Though such a program is effective in some SMEs and more SMEs are reported to follow it, the mechanism is not clear. There has been no systematic study; therefore, we attempt to provide a systematic mechanism in the following sections.

8.2 Mechanism of the employee development program based on LMX theory

We have given a detailed introduction to the employee development program. Although the mechanism is not clear yet, we believe that the LMX theory plays an important role in studying the program. In this section, we will apply the LMX theory to explain the possible mechanism.

As mentioned in Chapter three, the research of Bauer and Green (1996) shows that there are four stages in the formation and development of the leader-member exchange relationship. To summarize them shortly, the stages are firstly leader develops different relationships with each subordinate. Secondly the leader pays more attention improving the quality of the exchange relationships. Thirdly the leader builds one-to-one cooperation relationships with each subordinate and fourthly the one-to-one cooperative relationships are extended into a wider range (Bauer and Green, 1996). In the first stage, the leader and the new members develop different levels and types of relationships

through continous exchanges. The "in-group" and the "out-group" are formed. At this point, the LMX theory indicates that there are two types of exchange behaviour which are "in-group" exchanges and "out-group" exchanges. The "in-group" exchange is the high quality exchange. Other than the work in job description and the economic exchanges, it includes more exchange content such as flexibility and insinuative work, more promotion opportunities, etc.

Usually, the formation of the "in-group" will take a long time. According to the role making theory of Graen (1995), when the leader first gets to know new employees, he/she will provide various role making opportunities to different employees in order to assess their work capability, initiative, motivation and potential. The leader gradually decides which employees belong to the "in-group" and the "out-group" through their degree of role recognition. In this process, the role of the leader is outside the employment contract. By providing relatively unstructured work content or work opportunities, the leader could observe the employees' response to the extra work opportunities and new roles. If a positive response is not perceived, their exchange content will stay within the scope of the "out-group" exchange. From the role making theory, we can see that deciding whether the employee is "in-group" or "out-group" is a long process. In daily work, the main exchange content between the leader and members remains within the employment contract and the new roles provided by the leader are limited. Role taking, role making and role routinization takes a long time for employees. However, in the development program mentioned above, the leaders and members can carry out a pure role making process since they are separated from the daily work environment. In other words, we can see that the role making theory is the most important theory in this stage. The effect of role making is to quickly form an in-group relationship between leaders and members.

Through the training course mentioned above, it is evident that the leaders and members live together. They conduct frequent role making activities in an extremely competitive and cooperative environment. This gives the leaders a deeper and more comprehensive view of the members and sets the basis for the "in-group". The close, intensive and emotional interaction between the leaders and members not only deepens the understanding, but also promotes the building of leader-member trust and loyalty.

The possible mechanism of the second stage of the program can be explained by the second and third stages of the LMX development theory (Graen 1995). In this stage the

leaders and members take actions respectively to improve the quality and effectiveness of the "in-group" exchange in order to improve team and organizational performance. More importantly, in-group exchanges enable the leaders to provide extra help and guidance to members in order to enhance work performance. Leaders also benefit from the exchange since the members return trust, loyalty and better team contribution. Through the learning process the leaders and the members work together to maintain a closer bond and relationships, to create a better work atmosphere and gradually establish the emotional bond of mutual trust and loyalty. In contrast to the first stage, at the start of the second stage, the "in-group" role making process may exist but it is not the main focus. The leader still will give members opportunities to take up new roles but the aim is not to purely probe but to exchange.

In comparison, the social exchange theory (Emerson 1987) and the reciprocity exchange relationship (Rook 1987) can better explain the possible mechanism in this stage. When the "in-group" is formed, the social exchanges between leaders and members continue to increase. These promote mutual trust and loyalty which helps to maintain the good relationship between leaders and members. With the help of social exchanges, the relationships between leaders and the "in-group" members are more stable and the work results of "in-group" members improve greatly. Thus, effective performance and stability are established.

From the viewpoint of the reciprocity exchange relationship (Rook 1987), this stage of the program can be seen as the gradual building of the reciprocity exchange relationship. Through the continuous exchanges between leaders and the "in-group" members, the leaders are able to provide high quality exchange contents, which are mainly learning opportunities, extra guidance and valuable information. Meanwhile, members return trust, loyalty and better performance as gratitude. More importantly, they can learn from leaders through this reciprocity exchange relationship. Both sides of the exchange get a more precise understanding of their different needs and expectations. For example, the leaders could have a better understanding of what members expect to learn and when and what content of learning is needed and required. Obviously, in order to realize high quality mutually beneficial exchanges, the leader should consider the mutual benefits for each "in-group" member and each exchange.

The third stage of this program can be explained by the member-member exchange in LMX theory development (Graen 1995). The leader-member dyad exchange

relationships within the "in-group" naturally evolve into team members exchange relationships, creating a stable and highly efficient work team. In the previous stages, the exchanges largely exist between leaders and members. As a good working atmosphere and close relationships gradually formed between in-group members, the members are encourage to carry out cooperation and exchange activities. In this stage, the cooperation and exchange relationships are still based on the "in-group" but it is not necessarily connected to the leaders. The extended exchange relationships can be one to one or even many to one. At this point, the social exchange theory (Emerson 1987) can be used to explain the possible mechanisms; since there are no contract relationships between team members, the main content exchanged between members is the social exchange. In summary, the exchanges between "in-group" team members can further benefit both sides and consequently further improve team and organizational performance.

8.3 Discussion of the proposed mechanism of employee development program

The purpose of this section is to discuss the above mechanism for the new employee development program. As mentioned in the previous sections, this new program is used in several manufacturing companies and is becoming popular. The top managers in these companies claim that it is very effective in dealing with some emerging issues in SMEs, especially the motivation issues of '90s employees'. Since this new program has not been widely spread and used, a quantitative survey with a large sample is not applicable here. Thus, we choose to combine the LMX relationship measurement scale and semi-structured interviews to explore and collect evidence for the proposed mechanism summarized in the previous sections. Firstly, we choose the widely used leader-member exchange multi-dimensional measurement scale (Liden and Maslyn 1998) to confirm the existing high quality leader-member exchange relationships in the companies. Then, semi-structured interviews are carried out with each of the leaders and their "in-group" members in order to explore the proposed mechanism of the new program.

8.3.1 Leader-Member exchange multi-dimensional measurement scale

The Leader-Member exchange multi-dimensional measurement scale (LMX-MDM) is generated based on the understanding that the LMX relationship should have a multi-

dimensional structure (Linden and Maslyn 1998). Here, the multi-dimensional structure means that the quality of the exchange relationship will change based on different content being exchanged. Liden and Maslyn (1998) proposed the LMX-MDM scale, which measures the exchange relationships in four dimensions: affect, loyalty, contribution and professional respect (Liden and Maslyn, 1998). The scale is shown in appendix 2. In this measurement scale, each dimension has three questions with 12 questions in total. According to Liden and Maslyn (1998), it is found that the internal consistency reliabilities are 0.90, 0.74, 0.57, and 0.89 for affect, loyalty, contribution, and professional respect, respectively. The test-retest correlations are found to be .83, .66, .56, and .79, respectively. In general they are over 0.7, which is acceptable (Liden and Maslyn, 1998).

In this research, the scale is used to detect the in-group members; in the following interviews, we will explore the possible relationship between the establishment of in-group-ship and the program. Furthermore, we will try to determine whether the program can help to further develop the LMX.

8.3.2 Design and implementation of semi-structured interviews

Qualitative interviews can be categorized into three types: structured interviews, unstructured interviews and the semi-structured interviews. The structured interview is also called the standardized interview; a well-structured interview outline is designed prior to the interviews and the interviewer read out the questions in the exact sequence. The interviewees are required to answer the questions based on a specific standard and this type of interview is carried out directly in line with the preset interview outline. The structured interview is commonly used in formal and large-scale survey (Jensen and Laurie, 2016). On the contrary, the unstructured interview, also called the free style interview, has basically no detailed interview outline designed prior to the interviews. There are also no fixed rules and standards for the interview procedures. The interviewer conducts conversation with the interviewees based on a rough interview outline or several topics. It is commonly used in the primary stage of the research in order to learn more about the issues being explored and the attitude towards them. Comparatively, the semi-structured interview is in-between the structured interview and the unstructured interview. The semi-structured interview has some control over the structure of the interview, while at the same time it also allows the interviewees to fully express their opinions. In this research, we choose the semi-structured interview method

because we need to get information from different stages of the leader-member exchange relationship development. Therefore, the structure of our interviews should be initially designed based on these stages. At the same time we also need the interviewees to answer the questions openly and share their experiences in order to understand specific situations of exchange relationships between leaders and members. There are two interview outlines of the semi-structured interviews, one for the leaders and the other for the members. Both of the interview outlines are designed based on the four stages of the LMX theory (Graen 1995) and each stage includes several main open questions. The way of asking the questions and the sequence of the questions are flexible. The additional questions and clarification questions are designed in the outline to probe and let the interviewees talk more about the specific situations of the LMX relationships. The interview outlines are attached in appendix 3.

8.3.3 Sample selection

The new program has not been widely applied in SMEs. To our knowledge, there are currently two local SMEs that have introduced this program in the questionnaire distribution area. Consequently, we first distribute the LMX-MDM scale in one of the two companies and then contact the company to do interviews. The LMX-MDM scale is given to the leaders and employees who have attended the same employee development program. The interviews are carried out one by one by telephone and top managers, middle line managers and frontline employees are interviewed. The recordings of the interviews are collected and approved by each of the interviewees.

The LMX-MDM scales are used to identify the leader and member dyads that have high quality exchange relationships. This scale also can identify in which dimension they have high quality exchange relationships. We amend the format of the LMX-MDM scale addressing people from different management level. These scales are distributed to the top manager, 4 middle managers and 3 employees directly under one of the middle managers. The top manager is given the leader version of the LMX-MDM and the employees are given the member version of the LMX-MDM. Finally, the middle managers are given both of these two versions to fill in. The management levels in the sample company are as follows:
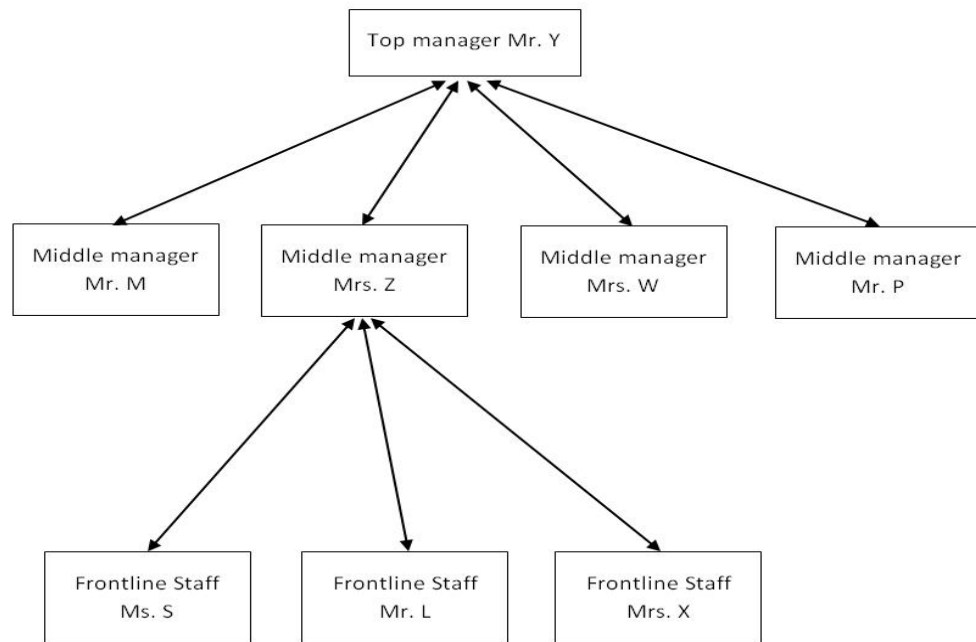
Figure 8.1 Interview samples

8.3.4 Analysis of LMX-MDM scales and interview results

The scores of the LMX-MDM scales are as follows:

Table 8.1 LMX-MDM scale scores

Scale Name	From	To	Affect	Loyalty	Contribution	Professional Respect	Total score
Mr. Y (L)	Mr. Y	Mrs. Z	21	20	18	21	80
		Mrs. W	20	19	16	21	76
		Mr. M	16	18	16	21	71
		Mr. P	17	18	16	21	72
Mrs. Z (L)	Mrs. Z	Ms. S	19	17	18	16	70
		Mr. L	19	15	16	18	68
		Ms. X	19	16	16	15	66
Mrs. Z (M)	Mrs. Z	Mr. Y	17	16	18	18	69
Mrs. W (M)	Mrs. W	Mr. Y	19	16	18	20	73
Mr. M (M)	Mr. M	Mr. Y	20	17	20	17	74
Mr. P (M)	Mr. P	Mr. Y	20	19	19	20	78
Ms. S (M)	Ms. S	Mrs. Z	19	16	17	21	73
Mr. L (M)	Mr. L	Mrs. Z	17	17	19	18	71
Ms. X (M)	Ms. X	Mrs. Z	18	16	16	18	68

In this table, scale name means the person who filled in the scale. Each row shows one leader member dyads. The columnn named "from" means whose opinion it is from whereas the columnn named "to" means the scale is filled in based on the opinions of this person. For example the first row shows the scale filled by Mr.Y, the scores are based on Mr. Y's opinion of Mrs. Z. In the LMX-MDM scale, 4 is the middle point of each question; therefore, 12 is the average score of each dimension and indicates neither a good or bad LMX relationship. As we can see from the table, the scores in each dimension of all the participants are over 12 and the total scores are all much higher than 48, which indicates that high quality LMX relationships exist. In the table, the pairs of leader and member are highlighted in the same colour. Comparing the scores in each pair in the same colour we can see that the high quality LMX relationships are mutually recognized. These seven pairs of leader-member dyads (with a total of eight participants) with high exchange relationships are chosen for further interviews.

The interview guideline is divided into the following four parts: the first part consists of questions about the form of the in-group; the second part is about leader-member exchange content and activities; the third part includes questions about the emotional bond between leaders and members; and the last part is about member-member exchanges. Each of the parts consists of several questions and we have also added some extra questions about the effect of closely related theories (role making, social exchange and reciprocity exchange theories). Detailed questions guidelines can be found in the Appendix 3.

We then further analyze the interviews using a coding method (Jensen and Laurie, 2016). In this part of the thesis we use an approach to code verbal data that we believe represents a combination of methods. For example, we used the LMX theory as a prior theory to frame our interview guidelines, and structure the initial levels of the coding scheme. To be precise, based on the LMX theory and the four stages of LMX, we generated four general codes which are "in-group" formation, LMX, emotional bond and member member exchange. Then we moved into a more grounded approach by useing open coding method. By combing through the interview transcript, some repeated phrases are recogenised and categorized into codes. These codes are relates to a number of individual quotations. We can see that the general codes are roughly corresponding with the sections of interview guideline. However some data mentioned in different interview sections might be related. So we use the codes to break down the interview data and reorganize the data to find out the storyline. Through this process, we

find out that the main storyline of these interviews shares some common stages. The codes and quotations linked to each LMX development stages are summarized and compared to generate discussions as follows:

Part One: The Formation of The 'In-group'

In part one of the interview guideline, the interviewees are asked to give a rough description of the relationships that they have with their direct leaders and subordinates. Following this, we explore how their relationships were formed.

A: The relationship between interviewees and their leaders and subordinates

Based on the content of LMX theory, we believe that the employee development program can help with the establishment of good relationships between leaders and members, which are considered to be the foundation of exchange.

Table 8.2. Coding system for determining relationship status

Tier 1	Relationship Status	
Tier 2	Work relationship	Private relationship
Tier 3	Good relationship Cooperate well No conflict Pay more attention to someone	Close relationship Friendship Get together Chatting Communication Understanding

In the interview, the first step is to determine the relationship status between interviewees and their leaders and subordinates. In this way, the relationship status becomes the first-tier code. In order to facilitate further studies of social exchanges between leaders and members, we further specify the relationship status code into work-relationship status and private-relationship status. For each of the relationship statuses, we use 'positive', 'neutral' and 'negative' as codes to indicate nature of the relationship status. In the interview transcript, we find codes that appear frequently, such as 'good

relationship', 'cooperate well', 'no conflict' and 'pay more attention to someone' as indications of positive work relationships. Furthermore, we find codes such as 'close relationship', 'friendship', 'get together', 'chatting', 'communication' and 'understanding' as indications of positive private relationships. Based on the coding results, we find strong evidence of positive relationships between most interviewees and their leaders or subordinates.

B: The formation of the relationship between leaders and members

We then determined how the employee development training course affects positive relationships between the interviewees and their leaders or subordinates. Based on our understanding of the employee development training course, we consider it to be an important event or experience that promotes and facilitates the formation of LMX relationships. It also should contribute in quickly forming a team and increasing the number of high-quality exchanges. We ask the interviewees about the most important event or experience they have had with their leaders.

Table 8.3. Coding system of the training course effect

Tier 1	Effect of the Training Course		
Tier 2	Promotes good relationships	Promotes team-formation	Promotes high-quality exchanges
Tier 3	Helps with good relationships Builds up relationships Encourages get-togethers Increases communication Promotes friendship Helps individuals get along better	Enhances team cohesion Encourages better cooperation	Helps Teaches Gives employee platforms Promotes understanding Helps employees forgive each other

When coding the interview data, we first use the effect of the training course as the first-tier code, then by going through the interview transcripts, we generate three aspects of effects—namely, 'promotes good relationships', 'promotes team-formation' and

'promotes high-quality exchanges'. First, codes such as 'helps with good relationships', 'builds up relationships', 'encourages get-togethers', 'increases communication', 'promotes friendship' and 'helps individuals get along better' support the argument that the training has the effect of promoting good relationships. Second, codes such as 'enhances team cohesion' and 'encourages better cooperate' support the claim that the training effects the promotion of team-formation. Finally, codes such as 'helps', 'teaches', 'gives employee platforms', 'promotes understanding' and 'helps employees forgive each other' indicate that the training has the effect of promoting high-quality exchanges between leaders and members.

For the question of what the most important event or experience was with leaders, most of the interviewees have mentioned positive effects of the employee development training course.

Part Two: The Leader-Member Exchange

In part two, we ask interviewees about the leader-member exchange content and the relationships between the interviewees and their leaders and subordinates. Based on the interviews, we determine the actual effectiveness of the leader-member exchange relationship (e.g., how the relationship affects work performance).

A: Format and content of the leader-member exchange

According to the LMX theory, non-work related exchanges (social exchanges) are an important component of LMX. We think that the second and third stages of this program promote exchanges between leaders and subordinates in work and in private life. The frequency of the communications and contacts between leaders and subordinates increases, as does the degree of the communication in the process of forming LMX relationships. This should be evident in daily work and private life, especially after the first stage of the program.

The leader member exchanges constantly occur in daily work and individuals' private lives. We encourage the interviewees to talk about their communication processes both at work and in their private lives. When coding the interview data, we first use LMX at work and LMX in private as first-tier codes. In our analysis of interviewees' discussions of their daily work, we find that their exchange relationships are described in terms of content, format and frequency. We use these three characteristics as the second-tier

codes. The third-tier codes are words frequently mentioned in the interview transcripts that relate to different characteristics.

Table 8.4. Coding system for LMX

Tier 1	LMX at work			LMX in private		
Tier 2	Content	Format	Frequency	Content	Format	Frequency
Tier 3	Work-related	Meet	Weekly	Good relationships	Communicate	Monthly
	Work plans	Inspect work plans	Monthly	Friendship	Meetings	Weekly
	Solving problems	Communicate		Personal matters	Get together	Constantly
	Completing tasks	Talk		Advising	Dinner together	Frequently
		Cooperate		Encouragement	Talking and chatting	
		Coordinate		Thoughts and ideas	Parties	
				Attitude	Activities	
				Emotions	Getting to know someone	
					Understand someone	

The interviewees' responses indicate their willingness to communicate with their leaders or subordinates after the first stage of the program. We believe that the program has positive effects in encouraging communication and high-quality exchanges between leaders and members in their daily lives. This is indicated by interviewees' answers. For example, when we ask Interviewee D about his relationship with his subordinates and whether the employee development program helps those relationships, his answer is as follows:

Interview D

Interviewee D: 'I think the cohesion and the sense of unity are enhanced by participating (in the employee development program). It shows through my team. I would like all my subordinates to participate in this program. They can get a good understanding of where they stand in the organization; they will have a sense of belonging, and they can work wholeheartedly not only for the wages.'

Though some of the interviewees have less communication in their private lives for personal and family reasons, the majority of the interviewees have a level of communication and contact between leaders and subordinates that becomes more frequent and active following the program. This is indicated by the codes generated from the transcripts.

We can see that the formal communication between leaders and subordinates during their daily work is frequent. The content of such communication is mainly cooperation and guidance. One example of this is evident in Interview F:

Interview F

Interviewer: 'What aspects of the work capability improved?'

Interviewee F: 'In giving speeches, I am an introverted person in daily life; I rarely speak loudly. Through communication and the requirement of the work, I have improved a lot in this aspect'.

Interviewer: 'How does your leader help in this process?'

Interviewee F: 'She gives me advice and teaches me the way to give a speech. There is also a lot of encouragement, and she always says you can do it'.

From this example, we can see that the high-quality exchange between leaders and members occur in daily work. The leader provides the member with advice and encouragement, and the member repays the leader by performing well at work and better skills. This example indicates that high-quality exchange relationships between leaders and members is common after the employee development program.

Similarly, based on the codes, we can summarize that communication in the private lives of leaders and members is also quite frequent. Many interviewees mentioned having frequent get-togethers and meals after work with their leaders and subordinates.

Some of the interviewees organize regular activities such as karaoke and basketball matches for informal communication between themselves and their leaders and subordinates. Many interviewees mentioned that, during these informal communications, they and their leaders and subordinates discuss their emotions and personal problems and offer each other advice, encouragement, thoughts and ideas.

B: The effect of exchange relationships on work performance

LMX theory argues that exchange activities at work and in private life can help the formation of high-quality exchange relationships. With these frequent exchanges, work attitude, capability and performance can be improved. Through continuous communication promoted in the second stage of the employee development program, high-quality exchanges are gradually carried out between leaders and members, which also contributes to improved work performance for both sides.

We ask the interviewees to compare their current work performance and abilities to their performance before participating in the program, when they first started in the company. We want to know whether frequent communication and high-quality exchanges have any effect on their work performance and abilities. Therefore, in the coding system, we use the effect of LMX on work performance as the first-tier code and the positive effects as the second-tier code. Some frequently mentioned effects that are positive to work performance are categorized in the third tier.

Table 8.5. Coding system for relationship statuses

Tier 1	Effect of LMX on work performance	
Tier 2	Positive effects	
Tier 3	Improved attitude	Dedication
	Improved capability	Professionalism
	Improved performance	Problem-solving
	Encouraged to learn	Easier to manage
	Improved skills	Promoted mutual understanding
	Improved emotions	Increased efficiency

Based on the interviewees' answers, it is clear that most of them consider regular communication processes and high-quality exchanges between themselves and their leaders to be helpful in their daily work. Some of the interviewees claim that they receive excellent help from their leaders. More importantly, through learning from their leaders, their skills are generally improved. Interviewees C and G provide examples of this effect:

Interview C

Interviewer: 'Do you think communication in your private life with the team members helps with your work performance?'

Interviewee C: 'It does; for example if there is a communication problem in work, some negative emotions will build up. Through communication in private life, everyone can get things off their chest. Everything is out and clear; the misunderstandings between people can be resolved, and it is beneficial to our work'.

Interview G

Interviewer: 'Do you think the communication helps improve your work capability?'

Interviewee G: 'Yes, it does help. I feel like with her help and guidance for these years, I am capable of fulfilling all the tasks. I do not feel any struggle in my current work.'

Interviewer: 'Do you think your ability to work well is linked to her help and guidance?'

Interviewee G: 'Yes, definitely. She sets an example for us in daily work. Her work capacity is also a motivation for us. We all would like to be like her. The nature of our work is complex. We could be dealing with all sorts of situations in receiving business clients. Because of the leader's way of dealing with these situations, we all learn from our manager'.

As with these two interviewees, most interviewees believe that the program's suggested daily communications, whether in work or in private, promote improvement. Frequent communication encourages high-quality exchanges and creates closer relationships between leaders and members. Formal communication in their daily work also becomes much easier, and they can cooperate much more smoothly. One point mentioned frequently in the interview is the fact that interviewees and their leaders can directly

identify each other's faults and mistakes in daily work, which helps to prevent failures, improve work habits and increase work efficiency.

Part three: Trust and loyalty between leaders and members

In part three, we ask questions about trust and loyalty between individuals on both sides of the exchange. The interviewees are allowed to describe their relationships with their leaders in a few words. We then explore the effects of trust and loyalty of the relationship (if one exists) on the interviewees' performance.

A: The emotional bond and its effect on working performance

In the interview transcript, most interviewees use the topic: effects of trust and loyalty on the interviewees' performance as an example to support or describe the emotional bond between leaders and members. Therefore, we combine the The emotional bond and its effect on working performance in this section.

LMX theory suggests that when leaders and members maintain high-quality exchange relationships, an emotional linkage or bond of mutual trust and loyalty develops between leaders and members. This linkage or bond will expand to all the team members as the number of exchanges increases. This emotional bond promotes the work performance of the entire team or organization. In this study, we wish to explore whether the interviewees established similar emotional bonds with their leaders or subordinates and how the program contributes to the establishment of such relationships. We also further investigate the actual effects of emotional bonds in terms of working performance. When conducting the interviews, we first ask the interviewees to describe the relationship between themselves and their leaders and subordinates in simple words. We use the emotional linkage or bond as a first-tier code. The words used to describe the emotional bonds are second-tier codes.

Table 8.6. Coding system for emotional linkages or bonds

Tier 1	Emotional linkages or bonds	
Tier 2	Trust	Brothers and sisters
	Loyalty	Care for
	Respect	Cohesion
	Partners	Cooperation
	Friendship	Idol
	Teachers	

The answers of the interviewees indicate that most of the interviewees agree that 'trust' and 'loyalty' only describe part of their emotional bonds. The words they usually prefer to include are 'family', 'brother', 'sister', etc. Many of the interviewees consider the training courses of the program as a starting point in developing their relationships, which gradually develop during the communications that are promoted by the program after the training stage. We believe that there are extraordinary emotional bonds— stronger and more complex than mutual trust and loyalty—formed between leaders and members. Interview D supports this finding:

Interview D

Interviewer: 'Do you think the employee development program helps with the formation of an emotional bond?'

Interviewee D: 'I feel like we are a big family with all the employees, after being in the program. I cannot feel that in other companies. In other companies, everyone only does their own work and rarely says anything when we meet, but here everyone feels like family members; we shared some very important experiences'.

By analysing the interview transcripts, we discover that the emotional bond affects work performance mainly in the following ways:

Table 8.7. Coding system for relationship statuses

Tier 1	Effect of emotional bond on work performance
Tier 2	Positive effects
Tier 3	Improves attitude
	Improves capability
	Improves performance
	Solves problems
	Encourages teamwork
	Improves relationships
	Improves employee satisfaction

Generally, the emotional bond between interviewees and their leaders and subordinates has a positive effect on the members' work performance and employee job satisfaction.

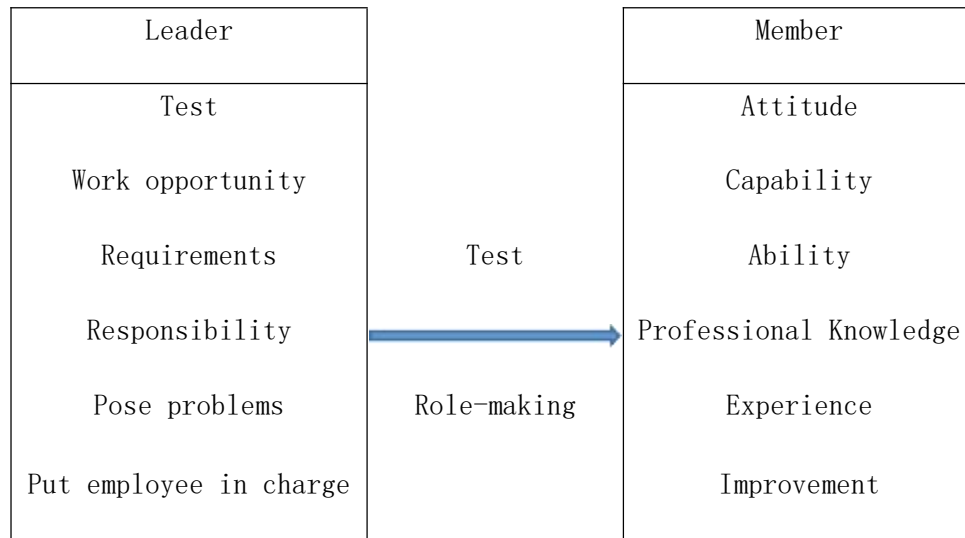**Part four: Member-member exchange**

In the fourth part of the interviews, we ask questions about exchanges which happen between members. The interviewees are asked about their exchange activities and the effect of such activities on their work performance. According to LMX theory, the exchanges between leaders and members eventually expand to team members and improve the performance of the whole team. For this study, we design questions such as 'How is your relationship with your team and with your team members?' and 'Do you think communication between team members helps the team's performance?' In the actual interviews, these questions are asked after similar questions such as 'How is your relationship with your leader?' The answers are also mixed into the main content, above, so that we do not repeat them here (details can be found in the transcripts in Appendix 4).

Based on the answers of the interviewees, it is clear that most of the interviewees have built effective exchange relationships with each other. Their communication in both work and private is close and frequent. Moreover, interviewees generally indicate a belief that effective relationships between team members has a positive effect on their work performance. The results of these questions demonstrate that LMX activities among the interviewees have evolved to the member-member exchange phase. The effect of the program is not yet clear but supports the development of LMX theory.

Additional questions

In addition to the main questions, we wish to explore some details about the role-making theories in LMX further. We therefore designed questions such as 'At the initial contact stage, how do the leaders test your work capability and attitude?' In LMX theory, at the initial stage of contact for both sides, the leader will propose the requirement of role-making processes in order to observe the work attitudes and abilities of the employees. Through continuous role-taking and role-making processes, the leader-member exchange is realized. By going analysing transcript, we find interviewees describing a similar process, and the codes that we generated and used to categorise responses are included in Table 8.8.

Table 8.8. Coding system for role-making processes

Leader		Member
Test		Attitude
Work opportunity		Capability
Requirements	Test	Ability
Responsibility	→	Professional Knowledge
Pose problems	Role-making	Experience
Put employee in charge		Improvement

Detailed examples can be found in Interview A, which describes role-taking and role-making processes from a leader's perspective, and Interview C, which describes role-taking and role-making processes from a member's perspective (these interview transcripts can be found in Appendix 4). It can be seen that, in general, some interviewees describe similar processes of role-taking and role-making.

8.4 Summaries and Conclusion

We think that the new employee development program is helpful in motivating and managing the local '90s employees' in SMEs. We use the LMX theory to explain the mechanism of the new employee development program, and based on this theory we have also designed a series of questions in order to explore the practices of LMX mechanisms in the real world. Currently, the new employee development program is not widely popularized. The number of the SMEs using this program is still small. Therefore, we have conducted semi-structured interviews with the employees that participated in this program. Before the semi-structured interviews, we first conducted assessments using the LMX-MDM scale to confirm the "in-group-ship". Then, we conduct telephone interviews with the "in-group" members. From the results of the interviews, most of them think that the program has promoted the formation of leader-member exchange relationships. Good communication and contact modes are formed after the program. The mutual trust and loyal emotional bonds are built in the continuous communications that follow. Most of the interviewees express that the program promoted communications with the leaders/subordinates and this helped them and the team to complete their work in many ways. It also helped improve their work

abilities and performance. Based on the LMX theory, we believe that high quality exchange relationships between leaders and members have been established among the interviewees. The interviewees and their leaders/members have formed stable and highly efficient work teams. The exchange activities have expanded between the team members (rather than leaders and members). Through the interviews, we have explored the effects of the program from the perspectives of the interviewees. The details of these interviews could also be helpful for further research investigating performance management for SMEs.

Chapter Nine: Findings and Conclusions

9.1 Conclusions

This research starts from reviewing the recent studies of SMEs in general, in order to understand the background and commonly discussed issues in the performance management of SMEs. Based on the review, the major issues of SMEs are summarized and categorized, and the difference between western and Chinese SMEs is discussed. By reviewing the performance management studies, it is noticed that most of the performance management frameworks and methods are designed for large firms. Some adjustments and refinements maybe required in order to be applied in SMEs satisfactorily. In addition, some urgent issues of Chinese SMEs are found difficult to deal with by the traditional management approaches, while they are reportedly to be solved satisfactorily by some emerging approaches in several Chinese SMEs.

In order to find solutions for the above issues, we carried out the review of performance management literature and look for effective models for Chinese SMEs. Through the literature review, we noticed that effective performance management models are often closely related to organizational structure. Therefore, some theories of organizational structure are reviewed, especially Minzberg's configuration theory. Based on the configuration theory and the literature reviews, we further develop an adjusted six steps performance management framework for LL machine bureaucracy organizations (low degree of specialization and variability). As most of Chinese SMEs in Jiaozuo local region shows characteristic of LL machine bureaucracy organizations, a questionnaire is designed and carried out in 241 Chinese SMEs in order to explore their current performance management practices and compare the performance management models that we have initially developed. The results of questionnaires are analyzed in details and the performance management practices of SMEs with good results are summarized, which are largely consistent with our adjusted performance management six steps. From the analysis, we also notice a few emerging management approaches which are applied by several SMEs. Such approaches are reported to be very helpful in improving the performance of SMEs. Therefore, we carry out further explorative research about the new approaches. We believe that the mechanism of the new approaches can be

explained by leader member exchange theory. An interview is carried out in the end to collect evidence for effectiveness of the possible mechanism proposed.

9.2 Research Findings and contributions

This study explores a possible effective performance management model for traditional manufacturing Chinese SMEs. We carry out adjustments to the performance management six steps tailored for the traditional manufacturing Chinese SMEs, with the help of literature reviews of SME issues, extensions to Minzberg's configuration theory and the feature of LL machine bureaucracy organizations. In the adjusted PM model, we discussed how to carry out each of the PM 6 steps in detail based on the organizational type and its characteristics. This can provide theoretical support for SME performance management practice.

In order to achieve these findings, we mainly makes the following contributions: Firstly, this thesis present a literature review of the management issues in SMEs in western and Chinese literature. Secondly this study extended the Minzberg's configuration theory and categorize the organization types. Thirdly we adjust and enrich the performance management 6 steps model based on the organizational type and its characteristics. From a managerial point of view, this adjusted model can provide SME managers with practical guidance.

In order to explore the current practice of performance management in Chinese SMEs as well as to examine the main issues of SMEs discussed in literature, a questionnaire is designed and distributed in an industrial zone which is located in the middle part of China. The surveys are distributed to 300 Chinese SMEs and 241 feedbacks are collected. The results are analyzed and the performance management practices of fast-growing SMEs and unsuccessful SMEs are summarized. The analysis results provide a clearer picture of current Chinese SMEs and their performance management approaches. More importantly, we found that performance management practices in fast-growing SMEs are largely consistent with our adjusted performance management six steps. Meanwhile, some unique issues of Chinese SMEs are identified such as the motivation problem for young employees (born in the 90s), and a few emerging management approaches are noticed.

The empirical study contribute to the the clear picture of whether the issues in the literature exist in Chinese SMEs. The questionnaire survey results also provide us with some insights of SMEs performance management practice. From a managerial point of view, the consistency of our adjusted performance management six steps and practices in fast-growing SMEs give SME managers more confidence in following the guidance of the model.

In order to further explore the emerging management approaches in Chinese SMEs, the leader member exchange theory is applied to explain the possible mechanism. A semi-structured interview is carried out in a SME which applied the emerging approaches that are reported to be very effective. The interviews collected detailed supporting evidence for the possible mechanism proposed.

In this thesis, the positive evidence in the interviews contribute to showing the advantage and possible applications of LMX theory. From a managerial viewpoint, the mechanism explained in this thesis can help SMEs managers to find ways and approaches in dealing with young employee management and motivation problems.

9.3 Research limitations

As our research objects are the traditional manufacturing SMEs, after the calcification of the organization types, we focus on explaining and analyzing the characteristics of LL machine bureaucracy organizations. The performance management model we adjusted may only be effective to LL machine bureaucracy organizations. However Chinese SMEs may have other organization types, for example HH organizations. The limitation of this thesis is that it cannot present the performance framework adjusted based on other different organizational types. Therefore further researches are needed to look into the possible effective performance management models for other organization types in order to give a full picture for Chinese SME performance management.

In this thesis we use questionnaire survey to investigate the performance management practices in sample Chinese SMEs. Though the SMEs surveyed are drawn out using a scientific sampling method, due to limit of time and resources, we cannot conduct a nationwide research. The sample SMEs of this thesis are from a concentrated and developed industrial city with many traditional manufacturing industries. So they

should be representative for traditional manufacturing SMEs. However other manufacturing SMEs from different districts or cities may have different social background, customs and cultures, which may have effects on the managerial approaches and organizational culture. Thus further research of performance management practices in other manufacturing SMEs is needed to reveal the possible differences.

In this thesis, we explore and explain the emerging management approaches and its mechanism in dealing with '90s employees' management and motivation issues. Since the characteristics of the '90s employees' is associated with the time and environment they are born in, their characteristics have time dependent. Our analysis may shad light on young employee management and being very effective now, but further researches is needed for employees with other characteristics.

9.4 Further research

We have some suggestions for further studies. Firstly, the performance management model of LL machine bureaucracy organizations could be applied to more firms (rather than just Chinese SMEs). Further adjustments and improvements could be made to the model for more practical applications. Moreover, the model is designed for LL machine bureaucracy organizations considering the features of low specialization and low variability in core operations. It can be seen that other type of core operations, such as high specialization and low variability, may have different features. Thus different performance management models could be designed based on the type of core operations for different kinds of organizations.

Secondly, the questionnaire survey data can be further exploit to generate more useful results. For example correlation analysis can be done to explore possible relationships between performance management approaches and the SME status.

Thirdly, in the end of this study, an exploratory research is carried out to get better understanding of the emerging management approaches in Chinese SMEs. Further research can be carried out regarding to benefits and follow-up impact of these approaches. The emerging approaches are reported to be very effective to some Chinese SMEs. However, they are not widely applied and only a few SMEs have participated in them. With more applications of the emerging approaches, there might be enough samples and data to carry out other studies.

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Appendix 1

Performance Management Current situation survey

2014

Section 1: Basic Information

1. Name of your company：

   Name ：

   Gender：

   Job Title：

   Are you the most senior person in day-to-day control of your business?

2. What year was the business established：

3. Was the business established as：(Single Choice)
   A. A completely new start-up
   B. A restructuring from a state-owned business
   C. A subsidiary
   D. A state-owned company
   E. A joint-stock company

4. Which industry does your company belongs to：

5. How many employees in your company：

6. What was the approximate annual sales turnover of the business for the last financial year：

7. Compare to the peers in your industry，the annual turnover of your company is at which

   level ：(Single Choice)
   A. Higher than average
   B. Average
   C. Lower than average
   D. Miniature level

8. Which statement best describes the business's trend in profit.

   over the last 3 years the business's turnover has:（single choice）
   A. grown rapidly on average by more than 20% more per annum
   B. grown on average by 0-20% per annum
   C. remained the same varying by +/- 5% per annum
   D. reduce on average by 0-20% per annum
   E. reduce sharply on average by more than 20% per annum

9. Overall, how confident are you that the business will be better off in the next 12 months?

    （single choice）

    A. Very confident
    B. Fairly confident
    C. About the same
    D. Not confident

10. What best describe the brand of your company comparing in your industry?
    A. The leading brand in the industry
    B. One of the famous brand in the industry
    C. Famous brand in my province
    D. Famous brand in my district
    E. Other, Please state.

Section 2：Performance management and its implementation

> ## STRATEGY FORMULATION AND ADJUSTMENT

11. Is there an overall strategic plan for at least the following 3 years for your company? (It should includes objectives and the ways to achieve them) (single choice)
    A. There is a formal strategic plan and it is currently in action.
    B. There is a general development direction but no formal document of strategy.
    C. There are short-term objectives but no long-term planning.
    D. There is no plan.

12. Is the formal strategic plan communicated to:（single choice）
    A. The top-level managers only.
    B. The top and middle level managers.
    C. The top, middle level managers and some of the staff.
    D. Other, please state.

13. Are any of the following issues covered in the plan：（multiple choice）
    A. Growth(turnover/ profit/ ROI forecasts etc.)
    B. Human Resources（forecasts of staffing requirements, employee skills/developments, employment policies/practices）
    C. Product/service development/innovation.
    D. Process improvement/innovation.
    E. Quality of product or service
    F. Market strategy/developing new markets
    G. Internal management improvement/innovation.
    H. Corporate Social Responsibility(CSR)
    I. Other, please state.

14. How are the important strategies generated? (Single choice)

    A.   They are generated from owner's personal vision and decision.

    B.   The top-level managers generate the overall framework and direction, the staff fill in the details.

    C.   The top-level generate the main body of strategies and the middle level managers and staffs have discussions and make amendments.

    D.   The staffs generate the strategies and the top-level approve them.

    E.   Representatives from all levels have discussion and then generate the strategies.

    F.   Other, please state.

15. Are there any problems of your company's performance management system? (Includes performance assessment, training, reward and punishment, human resource etc.) (Multiple choice)

    A.   The performance assessment is unfair.

    B.   The reward and punishment are not reasonable.

    C.   The performance indicators are poorly designed.

    D.   The performance management system did not take the feelings of employees into account.

    E.   There are problems of communication between subordinates.

    F.   Staff's work lack of guidance.

    G.   Staff's work lack of supervision.

    H.   Other, please state.

16. Which aspects do you think your company's current performance assessment have a positive effect on? (Multiple choice)

    A.   Link employee wages to personal performance, give rewards more reasonably.

    B.   It helps setting work objectives, examine the completion.

    C.   It helps changing managerial methods..

    D.   It helps maintaining talents and eliminating unqualified employees.

    E.   It helps improving employee performance and capability, which results in realizing organizational objectives.

    F.   It helps employees to do their work more effectively.

    G.   It helps employees to plan their career path.

    H.   It helps change organizational culture and realizing organizational strategic goal.

    I.   Other, please state.

➢ OBJECTIVES DECOMPOSITION AND DEPLOYMENT

17. How do you conduct the decomposition of organizational objectives/measures and the job allocation? (Single choice)

Decompose organizational objectives/measures into departments	
Decompose departmental objectives/measures to employees	

   A. The boss does the decomposition and then deploys it to subordinates.
   B. The top-level managers have meetings and discussions to decide.
   C. Decompose and deploy according to operation process and job responsibility.
   D. All the staffs have meetings and discussions to decide.

18. In your company, which of the statement is the best to describe your company's management style? (Single Choice)
   A. The owner must do all of himself and make himself an example to all the staffs.
   B. The owner only makes the vital decisions. The owner knows how to use the talented people and entrusted them with important tasks.
   C. The owner delegates all the power to trusted top managers.
   D. The owner manages the company with the help of relatives.
   E. Other, please state.

19. To what extend do you think your subordinates can help to share your burden and work? （Single choice）
   A. Almost nothing need my attention.
   B. Only some important affairs need my attention to handle them.
   C. Many things need my attention to handle them.
   D. Other, Please state.

20. In managing your company, what takes up most of your time?

A. Handle emergencies.

B. Handle external social connections.

C. Listen to subordinates' report and give instructions to planed work.

D. Meet with customers and brings in orders.

E. Handle the inertial operational management.

F. Other, please state.

21. In handling management problems in your company, what are you intending to relay on? (Single choice)

A. Management experience

B. The continuously renewal of management knowledge.

C. Consultant with others or external consultants.

D. Relay on group decision making.

22. Currently many management problems are often caused by the rules and regulations，what statement is more suitable for your company?(Single choice)

A. The rules and regulations are not well developed.

B. There are complete rules and regulations but poorly implemented.

C. The rules and regulations are not well developed and they are also poorly implemented.

D. The rules and regulations are not reasonable。（Please state the reasons）

23. What situation is most suitable to describe your company's rules and regulations? (Single choice)

1) Production management，Sales and services，etc：

A. There is no rules and regulations。

B. There are some rules and regulations but not adequate.

C. There are rules and regulations but poorly implemented.

D. There are rules and regulations and well implemented.

2) Performance management ： （Performance assessment, training, reward and punishment, human resource, etc.）

   A. There is no rules and regulations。

   B. There are some rules and regulations but not adequate.

   C. There are rules and regulations but poorly implemented.

   D. There are rules and regulations and well implemented.

3) Daily administrative management：

   A. There is no rules and regulations。

   B. There are some rules and regulations but not adequate.

   C. There are rules and regulations but poorly implemented.

   D. There are rules and regulations and well implemented.

24. In your company, the situation of communication between departments: (Single choice)

   A. Good interaction in work, good communication.

   B. Sometime there will be disagreements which need higher authority coordinate.

   C. Constantly having conflicts because of departmental interest, sometime it can interfere with daily work.

   D. Other, please state.

25. What is the main communication method in the following level: (Single choice)

Between top-level and middle-level managers	
Between middle-level and their subordinates	
Between departments	

   A. Have regular meetings to report and communicate.

   B. Have meetings to report and communicate when come across problems.

   C. Informal communication methods.

   D. Other, please state.

26. In which aspects do you think your company have communication problems?(Multiple choice)

    A. Between leaders and subordinates.

    B. Between colleagues

    C. Between departments

    D. With customers

    E. Other, please state.

➢ FORM KPI

27. What do you think of your company's performance measurement system? (Single choice)

    A. Relatively reasonable.

    B. There are some problems which need to improve.

    C. Basically not responding to actual work, need to redesign the system

    D. Not really use the performance measurement system.

28. Does the business keep records on any of the following?(Multiple choice)

    A. Volume of sales/ service provided

    B. Total cost

    C. Profits/return on investment

    D. Unit labour costs

    E. Quality of product/service

    F. Productivity

    G. Labour turnover

    H. Employee diversity

    I. Absenteeism

    J. Workforce training

    K. Employee job satisfaction

    L. Customer satisfaction

    M. Other, please state.

29. What is the percentage of performance related pay in total salary in the following levels?

Frontline staffs	%
Sales staffs	%
Management level	%

30. How do your company design the performance measurement indicators? (Multiple choice)
    A. Done by external consultant company.
    B. Take other company's indicators as reference.
    C. The top level design it for the staffs based on his experiences.
    D. The staffs propose the indicators and the top level approve.
    E. Both top level and staffs decide through discussion.

31. In your company's performance indicators, what is the percentage of business result indicators and internal operation indicators?

Business result indicators （The business result indicators reflect the company's overall and long-term operating condition. For example: 如：Business turnover, Profit margin, Market share, etc.）	%
Internal operating and control indicators （The internal operating and control indicators are indicators about the main steps of the business process, which have great impact on business results. For example: Defective percentage, Completion rate, On-time rate, etc.）	%

➢ PERFORMANCE PLAN

Performance Plan： Performance Plan includes the work plan for employees in all levels, as well as the adjustments, communication, guidance, motivation and other actions and programs regarding to the work plans.

Key staffs： Key staffs are department heads, top-level managers, Technicians that mastered the core techniques, sales person that have the key customer resource, etc. Moreover it also includes the people that have great impact on business results and internal coordination. These people may not be on the management position but they have a wide range of influence.

32. In your company, who has performance plan?(Multiple Choice)
    A. Top-level managers
    B. Middle-level managers
    C. Front-line staffs
    D. None of them above

33. How do you draw up the performance plan for the key staffs?(Single choice)
    A. The staff draws up the performance plan. Managers adjust it according to actual situation.
    B. The managers draw up the performance plans. Staffs participate in form but not really make any difference.
    C. The managers draw up the performance plans and then discuss them with staffs.
    D. The managers and the staffs draw up the plan together through discussion.
    E. There is no performance plan.

34. How frequently do managers and staffs discuss about the work plan? (Single choice)
    A. Once a month
    B. Once a quarter
    C. There is no fixed cycle, discuss whenever needed
    D. Other, please state.

35. In the discussion of the work plan, in which way do you record the managers' guidance and help? (Single choice)

    A.   Formal meeting records.

    B.   Staffs take notes themselves

    C.   Record in office information system

    D.   There is no records

    E.   Other, please state.

36. In the process of communicating with subordinates about their performance result:
    (Single Choice)

    A.   The managers evaluate, commend or criticize staffs based on their results.

    B.   The staffs give explanations of the work results and staffs propose an improving plan.

    C.   The managers analyze the staffs' results and managers propose an improving plan.

    D.   There is no communication of work results.

37. Based on your knowledge, in your company what kind of feedback does your managers give staffs regarding their performance assessment results?(Multiple choice)

    A.   The staffs' advantages and disadvantages that showed in the performance assessment.

    B.   The performance gap and improving methods.

    C.   The resources needed to fulfill the job.

    D.   The work tasks and objectives for the next performance assessment cycle.

38. In what circumstances does the communication of staff's performance results take place?(Multiple choice)

    A.   There is a formal and regular appraisal.

    B.   Do the performance appraisal when problems emerges

    C.   Private informal chat.

    D.   The result is only used for determine salary and bonus, there is no appraisal.

39. When doing the communication of their performance results, the atmosphere is more close to which statement in the following ?(Multiple Choice)

    A. The Boss gives directions to staffs about the work.

    B. Friend having a chat.

    C. The boss and staffs finding a solution together.

    D. The boss constantly questioning and the staffs give explanation.

    E. There is no communication of performance results.

40. How often do the managers receive training? (Single choice)

    A. Often

    B. Rarely

    C. Never

    D. I do not know

41. About the staffs' professional training: (Single choice)

    A. The staffs rarely receive training provided by the company.

    B. The staffs only receive basic induction training.

    C. The staffs receive regular professional training provided by the company.

    D. There are targeted training based on performance results.

42. Which 3 factors are most important to improving your company's managerial level?(Multiple choice)

    A. Improve the quality of managers

    B. Improve the quality of staffs.

    C. Strengthen the basic management.

    D. Speed up company information system construction.

    E. Establish reward and punishment mechanism.

    F. Establish formal decision making mechanism.

    G. Need management consultant service.

    H. Learn from domestic and overboard outstanding industry peers

    I. Other, please state.

43. Key staffs turnover rate ： （Single choice）

    A. More than 20%

    B. 20%-10%

    C. 10%-5%

    D. Less than 5%

    Basic staffs turnover rate ：

    E. More than 20%

    F. 20%-10%

    G. 10%-5%

    H. Less than 5%

44. Does the capability of the key staffs satisfy the need of rapid development of your company?(Single choice)

    A. The staffs' capability fully satisfies the need of company's rapid development.

    B. After training, the staffs' capability fully satisfies the need.

    C. Through recruiting, the staffs' capability fully satisfies the need.

    D. The staffs' capability is a barrier for company's rapid development.

    E.

45. In your company, who have their own career planning? (Multiple choice)

    A. Top-level managers

    B. Middle-level managers

    C. Front-line staffs

    D. Staffs that have outstanding capability.

    E. None of them above

46. For the company's managers: (Single choice)

    A. Most of them are external recruits.

    B. Most of them are internal promotion.

    C. Most of them are owner's relatives.

    D. Other, please state.

47. What do you think is the reason that stops staffs from getting promotions? (Multiple choice)

    A. The staff's performance is not good enough.

    B. The staffs lack of courage, insight and responsibility.

    C. There is no open position.

    D. The quality of the staffs are not good enough.

    E. Other, please state.

48. What are the hardest problems in staff management in your company? (Multiple choice)

    A. Managing by regulations has lost its power over some staffs.

    B. The current rewards can hardly arouse the enthusiasm for work.

    C. The staffs themselves do not have clear goals.

    D. The staff quality is much lower than the job required.

    E. Other, please state.

49. Do you have any new method or solutions for these staff management problems?

    _____

    _____

    _____

    _____

    _____

➢ **PERFORMANCE ASSESSMENT AND SUPERVISION**

50. How frequent do you use the quantitative performance indicators for performance assessment for the following group? (Single choice)

Top-level managers	
Middle-level managers	
Front-line staffs	

    A.   Once a week

    B.   Once a month

    C.   Once a quarter

    D.   Once every 6 month

    E.   Once a year

    F.   Do not use KPI for performance assessment

    G.   Other, please state.

51. When managing by regulations, who is the most difficult to manage? (Multiple choice)

    A.   Relatives

    B.   Senior staffs.

    C.   Top-level managers

    D.   Staffs with outstanding capability.

    E.   Young staffs or new staffs.

52. When problems emerges, how do you decide who is responsible? (Single choice)

    A.   According to relevant regulations.

    B.   Decide according to actual situation.

    C.   Everyone share the responsibility.

    D.   Other, please state.

53. What do you think is the best motivation method? (Single choice)

    A.   Raise salary

    B.   Give motivation

    C.   Unify values

    D.   Spiritual motivation

    E.   Other, please state.

54. How many of the top-level managerial key position in your company is occupied by relatives? (Single choice)

A. Almost none

B. A few

C. Half

D. Most

How many top-level managers have management education background? (Single choice)

A. Almost none

B. A few

C. Half

D. Most

Education background：

General staffs(exclude research staffs)	
Middle-level managers	
Top-level managers	

A. University degree or above

B. College degree or above

C. Middle school or above

D. Other, please state

55. What does your company use to motivate the staffs? (Multiple choice)

Top-level managers	
Middle-level managers	
General staffs	

A. Performance related pay

B. Promotion

C. Bonus share

D. Bonus

E. Emotion and relationship

F. Honor motivation

G. Adverse incentive

H. Other, please state.

56. Comparing with the industry peers how is your company's staff salary level? (Single choice)

A. Higher than industry peers

B. Lower than industry peers

C. Same with industry peers

D. I do not know

Section 3 ： Organizational culture and Management Style

57. What is the effect of the organizational culture in the development of your company? (Single choice)

A. Positive effect and promoting the development

B. Negative effect and slow down the development

C. No effect

D. There is no organizational culture

58. Do the staffs acknowledge and approve the current organizational culture? (Single choice)

A. Yes

B. No

C. There is no distinct organizational culture to acknowledge or approve.

59. What is the relationship between your company's organizational culture and management style? (Single choice)

A. They supplement each other and need to be promoted.

B. They conflict each other and need to be changed.

C. They need more integrations and better unification.

D. They are not related.

E. Other, please state.

60. Please tell us in details of how does your company's organizational culture and management style related? in which way do they complement or conflict each other?

_____

_____

_____

_____

61. In the following 5 years, how would you like to run your business? (Single choice)

A. Maintaining the company's current state.

B. Maintaining the stable of the company and make slow development.

C. Promote high speed of development of the company.

D. Promote great development to make the company the industry leader.

E. Other, please state.

62. What is the attitude toward managerial and technical innovations in your company? (Single choice)

A. Managerial and technical innovations gains widespread attention.

B. Managerial innovations gains attention

C. Technical innovations gains attention

D. Neither of them gains attention

E. Other, please state.

63. What is the attitude toward using the external resources in your company? (Single choice)

A. It gets much attention and we use external resources sufficiently.

B. It gets much attention but we need to improve the sufficiency of using external resources.

C. It does not get much attention.

D. Other, please state.

64. What kind of external resources can provide vital help for your company's development? (Multiple choice)

A. Suppliers

B. Customers

C. Industry peers

D. Government and regulation makers

E. Current and potential investors

F. Banks and financial institutions

G. Current and potential partners

H. Media and advertising agencies

I. Other, please state.

65. What do you think of the use of information and data in your daily management? (Single choice)

A. Not that important

B. It is getting more and more important

C. It is very important and we are making good use of information and data.

D. It is very important but we need to use information and data better.

E. Other, please state.

In your company's daily management, what is the current situation of information system (computers and networks)? (Single choice)

A. Do not use information system in daily management and intent to remain the same.

B. Do not use information system in daily management currently but considering adding them.

C. Use information system in daily management but need improving.

D. Use information system in daily management and currently making good use of them.

E. Other, please state.

Appendix 2

LMX-MDM scale (For leaders)

Name＿＿Yang Junlu＿＿＿＿＿ Department＿＿Sales＿＿＿＿＿ Position＿＿＿Vice president＿＿＿＿＿＿

-

1 Strongly Disagree	2 Disagree	3 Slightly Disagree	4 Neither Disagree Nor Agree	5 Slightly Agree	6 Agree	7 Strongly Agree
（Please fill in the name of your subordinates）			Zhang Jun	Wei Yan	Mai Jun	Peng Peng		
1. I like this employee (group member) very much as a person.			7	7	5	6		
2. This employee (group member) is a lot of fun to work with.			7	6	5	5		
4. This employee (group member) is the kind of person one would like to have as a friend.			7	7	6	6		
4. This employee (group member) would defend my work actions to others in the organization, even without complete knowledge of the issue in question.			7	7	6	6		
5. This employee (group member) would come to my defense if I were criticized by others.			7	6	6	6		
6. This employee (group member) would defend me to others in the organization if I made an honest mistake			6	6	6	6		
7. This employee (group member) does not mind working his/her hardest for me.			6	5	5	5		

8. This employee (group member) is willing to apply extra efforts, beyond those normally required, to meet my work goals.	6	5	5	5		
9. This employee (group member) does work for me that goes beyond what is specified in his/her job description.	6	6	6	6		
10. I am impressed with this employee''s (group member's) knowledge of his/her job.	7	7	7	7		
11. I seek out this employee''s (group member''s) opinion on important job-related matters.	7	7	7	7		
12. I admire this employee's (group member''s) workrelated skills.	7	7	7	7		

LMX-MDM scale (For leaders)

Name　　Zhang Jun　　　　Department　Reception　　　　Position　　Department manager　　　　

1 Strongly Disagree	2 Disagree	3 Slightly Disagree	4 Neither Disagree Nor Agree	5 Slightly Agree	6 Agree	7 Strongly Agree
（Please fill in the name of your subordinates）			Sha An	Liu Wei	Xue Jingyu			
1. I like this employee (group member) very much as a person.			7	7	7			
2. This employee (group member) is a lot of fun to work with.			6	6	6			
4. This employee (group member) is the kind of person one would like to have as a friend.			6	6	6			
4. This employee (group member) would defend my work actions to others in the organization, even without complete knowledge of the issue in question.			6	6	6			
5. This employee (group member) would come to my defense if I were criticized by others.			6	5	5			
6. This employee (group member) would defend me to others in the organization if I made an honest mistake			5	4	5			
7. This employee (group member) does not mind working his/her hardest for me.			6	6	6			
8. This employee (group member) is willing to apply extra efforts, beyond those normally required, to meet my work goals.			6	5	5			

9. This employee (group member) does work for me that goes beyond what is specified in his/her job description.	6	5	5			
10. I am impressed with this employee''s (group member's) knowledge of his/her job.	5	6	5			
11. I seek out this employee''s (group member''s) opinion on important job-related matters.	6	6	5			
12. I admire this employee's (group member''s) workrelated skills.	5	6	5			

LMX-MDM scale (For leaders)

Name___Mai Jun___ Department___Post-Sales___ Position___Department manager___

1 Strongly Disagree	2 Disagree	3 Slightly Disagree	4 Neither Disagree Nor Agree	5 Slightly Agree	6 Agree	7 Strongly Agree
（Please fill in the name of your subordinates）			Ding Zhi	Zhang Yang		
1. I like this employee (group member) very much as a person.			6	7		
2. This employee (group member) is a lot of fun to work with.			5	6		
4. This employee (group member) is the kind of person one would like to have as a friend.			7	4		
4. This employee (group member) would defend my work actions to others in the organization, even without complete knowledge of the issue in question.			5	6		
5. This employee (group member) would come to my defense if I were criticized by others.			6	7		
6. This employee (group member) would defend me to others in the organization if I made an honest mistake			4	5		
7. This employee (group member) does not mind working his/her hardest for me.			7	6		
8. This employee (group member) is willing to apply extra efforts, beyond those normally required, to meet my work goals.			6	5		

9. This employee (group member) does work for me that goes beyond what is specified in his/her job description.	5	7				
10. I am impressed with this employee"s (group member's) knowledge of his/her job.	6	5				
11. I seek out this employee"s (group member"s) opinion on important job-related matters.	5	7				
12. I admire this employee's (group member"s) workrelated skills.	7	5				

LMX-MDM scale (For members)

Name__Sha An__ Department__Reception__ Position__Team leader__

1 Strongly Disagree	2 Disagree	3 Slightly Disagree	4 Neither Disagree Nor Agree	5 Slightly Agree	6 Agree	7 Strongly Agree

6	1. I like my manager very much as a person.
7	2. My manager is a lot of fun to work with.
6	3. My manager is the kind of person one would like to have as a friend.
5	4. My manager defends (would defend) my work actions to a superior, even without complete knowledge of the issue in question.
6	5. My manager would come to my defense if I were "attacked" by others.
5	6. My manager would defend me to others in the organization if I made an honest mistake.
6	7. I do not mind working my hardest for my manager.
6	8. I am willing to apply extra efforts, beyond those normally required, to meet my manager's work goals.
5	9. I do work for my manager that goes beyond what is specified in my job description.
7	10. I am impressed with my manager's knowledge of his/her job.
7	11. I admire my manager's professional skills.
7	12. I respect my manager's knowledge of and competence on the job.

LMX-MDM scale (For members)

Name　Xue Jingyu　　Department　Reception　　Position　Team leader

1 Strongly Disagree	2 Disagree	3 Slightly Disagree	4 Neither Disagree Nor Agree	5 Slightly Agree	6 Agree	7 Strongly Agree
6	1. I like my manager very much as a person.					
6	2. My manager is a lot of fun to work with.					
6	3. My manager is the kind of person one would like to have as a friend.					
6	4. My manager defends (would defend) my work actions to a superior, even without complete knowledge of the issue in question.					
4	5. My manager would come to my defense if I were "attacked" by others.					
6	6. My manager would defend me to others in the organization if I made an honest mistake.					
6	7. I do not mind working my hardest for my manager.					
5	8. I am willing to apply extra efforts, beyond those normally required, to meet my manager's work goals.					
5	9. I do work for my manager that goes beyond what is specified in my job description.					
6	10. I am impressed with my manager's knowledge of his/her job.					
6	11. I admire my manager's professional skills.					
6	12. I respect my manager's knowledge of and competence on the job.					

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LMX-MDM scale (For members)

Name Liu Wei   Department Reception   Position employee

1 Strongly Disagree	2 Disagree	3 Slightly Disagree	4 Neither Disagree Nor Agree	5 Slightly Agree	6 Agree	7 Strongly Agree
6	1. I like my manager very much as a person.					
6	2. My manager is a lot of fun to work with.					
5	3. My manager is the kind of person one would like to have as a friend.					
7	4. My manager defends (would defend) my work actions to a superior, even without complete knowledge of the issue in question.					
6	5. My manager would come to my defense if I were "attacked" by others.					
4	6. My manager would defend me to others in the organization if I made an honest mistake.					
7	7. I do not mind working my hardest for my manager.					
6	8. I am willing to apply extra efforts, beyond those normally required, to meet my manager's work goals.					
6	9. I do work for my manager that goes beyond what is specified in my job description.					
6	10. I am impressed with my manager's knowledge of his/her job.					
6	11. I admire my manager's professional skills.					
6	12. I respect my manager's knowledge of and competence on the job.					

LMX-MDM scale (For members)

Name___Zhang Jun_____ Department___Reception_____ Position___Department manager_____

1 Strongly Disagree	2 Disagree	3 Slightly Disagree	4 Neither Disagree Nor Agree	5 Slightly Agree	6 Agree	7 Strongly Agree

7	1. I like my manager very much as a person.
5	2. My manager is a lot of fun to work with.
5	3. My manager is the kind of person one would like to have as a friend.
5	4. My manager defends (would defend) my work actions to a superior, even without complete knowledge of the issue in question.
5	5. My manager would come to my defense if I were "attacked" by others.
6	6. My manager would defend me to others in the organization if I made an honest mistake.
6	7. I do not mind working my hardest for my manager.
6	8. I am willing to apply extra efforts, beyond those normally required, to meet my manager's work goals.
6	9. I do work for my manager that goes beyond what is specified in my job description.
6	10. I am impressed with my manager's knowledge of his/her job.
6	11. I admire my manager's professional skills.
6	12. I respect my manager's knowledge of and competence on the job.

LMX-MDM scale (For members)

Name__Maijun____ Department__post-sales____ Position___Department manager_____

1 Strongly Disagree	2 Disagree	3 Slightly Disagree	4 Neither Disagree Nor Agree	5 Slightly Agree	6 Agree	7 Strongly Agree

7	1. I like my manager very much as a person.
6	2. My manager is a lot of fun to work with.
7	3. My manager is the kind of person one would like to have as a friend.
6	4. My manager defends (would defend) my work actions to a superior, even without complete knowledge of the issue in question.
6	5. My manager would come to my defense if I were "attacked" by others.
5	6. My manager would defend me to others in the organization if I made an honest mistake.
7	7. I do not mind working my hardest for my manager.
7	8. I am willing to apply extra efforts, beyond those normally required, to meet my manager's work goals.
6	9. I do work for my manager that goes beyond what is specified in my job description.
6	10. I am impressed with my manager's knowledge of his/her job.
5	11. I admire my manager's professional skills.
6	12. I respect my manager's knowledge of and competence on the job.

LMX-MDM scale (For members)

Name___Wei Yan_____   Department___production_____   Position___Department manager_____

1 Strongly Disagree	2 Disagree	3 Slightly Disagree	4 Neither Disagree Nor Agree	5 Slightly Agree	6 Agree	7 Strongly Agree

7	1. I like my manager very much as a person.
6	2. My manager is a lot of fun to work with.
6	3. My manager is the kind of person one would like to have as a friend.
5	4. My manager defends (would defend) my work actions to a superior, even without complete knowledge of the issue in question.
6	5. My manager would come to my defense if I were "attacked" by others.
5	6. My manager would defend me to others in the organization if I made an honest mistake.
7	7. I do not mind working my hardest for my manager.
7	8. I am willing to apply extra efforts, beyond those normally required, to meet my manager's work goals.
4	9. I do work for my manager that goes beyond what is specified in my job description.
6	10. I am impressed with my manager's knowledge of his/her job.
7	11. I admire my manager's professional skills.
7	12. I respect my manager's knowledge of and competence on the job.

LMX-MDM scale (For members)

Name___Peng Peng_____ Department___Online-Sales_____ Position____Department manager____

1 Strongly Disagree	2 Disagree	3 Slightly Disagree	4 Neither Disagree Nor Agree	5 Slightly Agree	6 Agree	7 Strongly Agree

7	1. I like my manager very much as a person.
6	2. My manager is a lot of fun to work with.
7	3. My manager is the kind of person one would like to have as a friend.
7	4. My manager defends (would defend) my work actions to a superior, even without complete knowledge of the issue in question.
6	5. My manager would come to my defense if I were "attacked" by others.
6	6. My manager would defend me to others in the organization if I made an honest mistake.
7	7. I do not mind working my hardest for my manager.
6	8. I am willing to apply extra efforts, beyond those normally required, to meet my manager's work goals.
6	9. I do work for my manager that goes beyond what is specified in my job description.
6	10. I am impressed with my manager's knowledge of his/her job.
7	11. I admire my manager's professional skills.
7	12. I respect my manager's knowledge of and competence on the job.

Appendix 3

Interview guidelines

The purpose of this interview is to investigate the leader member exchange (LMX) relationship between interviewees and their leaders/subordinates in order to explain the possible mechanism of the emerging employee development programs.

The interview is conducted through telephone, before the interview, permissions are asked and approved by interviewees to record the contents of dialog: This interview will be recorded for the purpose of academic study; your personal information will be protected and not released to anyone else. Would you agree to let me take records of this interview?

The main content of this interview is divided into four topics based on the development stages suggested by LMX theory. Each topic contains one or several questions. Additional questions and clarifying questions are designed to help getting more information from interviewees. The following is a general guideline of the four topics.

Interview guideline 1 (for leaders)

Topic one: form of in-group

Main questions:

How is your relationship with your subordinate XXX?

How is this relationship built up?

Is there any important event that boosts the development of this relationship?

Does the employee development program help to build the relationship between you two? Can you specify in what aspects?

Do you test the work ability and attitude of your subordinates? How?

At the very beginning of you and your subordinates work together, how do you test your subordinate's work ability and work attitude?

Topic two: leader member exchange

Main questions:

Is the communication and contact in work and in private life increased after the program?

How about your relationship with your subordinates in your work group?

How is your personal relationship with your subordinates XXX?

Usually how do you communicate with your subordinate XXX? Can you specify in what way?

Do you think the communication suggested by the program in work and in private life help with your work performance?

Do you think you and your subordinates is a good working team?

Do you think all the communication suggested by the program help with the improvement of the

work capability? Please specify in what aspect?

Do you think the communication suggested by the program between team members is helpful to daily work?

Do you think you subordinates get any improvement through communication with your?

Topic three: trust and loyalty relationship between leader and members

Main questions:

In what words can you describe the emotion linkage between you and your team members?

Do you think the communication suggested by the program help forming the emotional bond?

What features or characteristics in your subordinates that attracts you value most?

Are there other factors that affect the formation of the emotional bond?

Topic four: member-member exchange

Main questions:

How is your relationship with your team, with your team members?

Do you think the suggested communication between team members helps the team performance?

Additional and clarifying questions:

Can you give me an example?

Can you be more specific?

Do you mean by...?

It should be noted that not all questions are asked for every interviewees, some interviewees are more likely to talk and cooperate therefore they provide information before we ask about it.

Interview guideline 2 (for members)

Topic one: form of in-group

Main questions:

How is your relationship with your direct leader?

Could you explain how is this relationship built up?

Is there any important event that boosts the development of this relationship?

Does the employee development program help to build the relationship? Could you specify in what aspects?

When you first start to work here, how does your leader test your work ability and work attitude?

Topic two: leader member exchange

Main questions:

Is the communication and contact in work and in private life with your leader increased after the program?

How is your personal relationship with your leader?

Usually how do you communicate with your leader? Could you explain in what way or give me some examples?

Do you think the communication suggested by the program in work and in private life help with your work performance?

Do you think you and your leader is a good working team?

Do you think all the communication suggested by the program help you improve the work

capability? Please specify in what aspect?

Do you think the communication suggested by the program between team members is helpful to daily work?

Do you think you get any improvement through communication with your leader?

Topic three: trust and loyalty relationship between leader and members

Main questions:

In what words can you describe the emotion linkage between you and your leader?

Do you think the communication suggested by the program help forming the emotional bond?

What features or characteristics in you leader that attracts you or be helpful to you?

Are there other factors that affect the formation of the emotional bond?

Topic four: member-member exchange

Main questions:

How is your relationship with your team, with your team members?

How do you usually communicate with your team members? Could you explain in what way or give me some examples?

Do you think the suggested communication between team members helps the team performance?

Additional and clarifying questions:

Can you give me an example?

Can you be more specific?

Do you mean by...?

It should be noted that not all questions are asked for every interviewees, some interviewees are

more likely to talk and cooperate therefore they provide information before we ask about it.

Appendix 4

Interview transcripts

Interview A (Mr. Y)

Interviewer: "Hello, My name is Lu Zhao, I am a PhD student from Kent Business School. Today's interview is about the leader subordinate relationships between you and your direct manager. The content of this interview will only be used in academic study. The interview content will not be share to other parties and your personal information will not show in any article. Do you mind if I record this interview?"

Interviewee A: "I do not mind."

Interviewer: "Could you please introduce your direct subordinates?"

Interviewee A: "I have four direct subordinates in the office. They are department managers. The nature of my work is the internal manager. Other than this four, I also got many sales managers. There are seven or eight vice sales presidents and all the presidents, vice presidents of sales districts."

Interviewer: "Have all the sales presidents and vice presidents all been in the training course?"

Interviewee A: "Yes, they all have."

Interviewer: "How is your relationship with these subordinates?"

Interviewee A: "I should say it is good; it is good both in the work and in private. We cooperate very well and the friendship is also good. Everyone feels the same way."

Interviewer: "How is your relationship with manager Z?"

Interviewee A: "Manager Z is very careful and responsible for her work. For example we have end of year party each year for all the employees to celebrate New Year, all the organization of these kinds of big parties is done by her. This task is very complicated and trivial. She often needs to work till midnight. However she does not have any complain. Her work attitude and work capability is excellent."

Interviewer: "Do you think the training course has any promoting effect on your relationships?"

Interviewee A:" It did not help with the improvement of relationships that much. Because the main point of this training course is to improve the team cohesion. The

relationships are mainly based on daily communication. The program does have some promotion. It helps to start the relationship."

Interviewer: "Do you think you and your subordinates have formed a good team?"

Interviewee A:" yes, I think so, because they need to cooperate a lot."

Interviewer: "How is the relationship between the team members?"

Interviewee A: "The cooperation between some of them is good, but the others may have some issues. Since my subordinates are at the same management level, they can cooperate well when the problem is not too complicated. If the problem is complicated and difficult, they may have some resistance and do not want to communicate and coordinate with each other. They much prefer to hand me the problems. I hope they can understand each other and put finishing the work in the first place. I hope they can solve problems through cooperation and coordination and I do not wish to see they put their personal interest before work."

Interviewer: "How is your personal relationship with your subordinates?"

Interviewee A: "The private relationships with some of them are good, some are bad. I have two female managers and two male managers. There is one department head is very blunt when express her opinion and some people cannot understand and accept that."

Interviewer: "How do you test the work ability of the department heads?"

Interviewee A: "At the beginning, there is a newly formed department, the online sales department; I value the professional knowledge and experiences. So I start to test the basic professional knowledge of this department head. Then I let him design the work processes, propose work plan like How long does each work take, the improvements needed if cannot accomplish the work in time. At first I help him in setting up detailed work plan. I keep observe his work ability after a few times. For the skills for managing people, there are not many people in online sales department, so it is not that important for this department head. For other department heads, when assessing them I firstly see the job description and compare with their abilities to see if they are competent. Secondly I look at the employee management, whether he/she can get the subordinates work together towards the same goal. I look at whether he/she can take responsibility of the employees, whether all of them can work in harmony. Currently there is one department head that did not do a good job. Earlier I have talked with the department head. This department manager talks too

blunt and direct. The way she manage the employees is not good so there are many people complain about it. However this post needs high professional level. There is no one can replace her."

Interviewer: "How do you communicate with your subordinate managers? In what way?"

Interviewee A: "Firstly I would stay in each department for 10 minutes when I come to the office, to observe their work to spot problems. Secondly I would host meeting of all the departments heads each week to solve all kinds of problems and I also require them to have weekly meetings inside their departments. Other than that, the department heads are required to keep a work journal. They are required to make work plans and I will go and inspect the compulsion and reasons for failure of compulsion.

Interviewer: "what about the communication outside work?"

Interviewee A: "Sometime I will ask the department heads to communication with their subordinates. I have set a rule that on 30th of each month, all the sales leaders have to come back to the headquarter to have a meeting. It is the monthly summary meeting on sales. After the meeting, we all sit together to have a meal. All the department heads are joint in this meal so that they can communicate. In daily work, we usually talk about work, the personal emotions are not involved. But when we go out and have meals together, everyone talks about the personal matters, in this way the friendships are easier to build. Sometime I take up the blame of my subordinates; this is also a quick way to build friendships with my subordinates."

Interviewer: "Do you think the communication in work and in private life help with your work performance?"

Interviewee A: "It did help, first you can spot problem and correct them timely. It not only helps the department mangers but also help the employees. It helps improve their performance. They can get improvement in many aspects through communications. Firstly they can be more organized, have work plans. Secondly the regulations and the company spirit can be truly exercised and the managers and employees will understand more about it."

Interviewer: "Do you think the employee training course help with improving your work performance?"

Interviewee A: "In the training, the power of execution, grateful and appreciation, big hearted are mentioned. Each person has different understanding of these topics, so not all of the people can fully understanding the meaning behind them. Thus some people get great improvement while some people just gradually forget about it."

Interviewer: "In what words can you describe the emotion linkage between you and team members?"

Interviewee A: "We are like brothers and sisters; we have mutual trust and loyalty."

Interviewer: "Do you think the communication help form the emotional bond?"

Interviewee A: "Definitely helped, each person has different pursuits working here. Some people work for the positions and the money. Some people work to prove their ability. When I am helping the sales managers with their ability improvement, our relationship improves and they feel grateful towards me. In private life, the communication about the family life problems also brings our feeling closer."

Interviewer: "For your subordinate managers, do they pass on your way of building relationships with your subordinates?"

Interviewee A: "Yes, in most of the departments they are doing will in terms of building relationships, but in one or two department, they are not doing it right."

Interview B (Mrs. W)

Interviewer: "Hello, My name is Lu Zhao, I am a PhD student from Kent Business School. Today's interview is about the leader subordinate relationships between you and your direct manager. The content of this interview will only be used in academic study. The interview content will not be share to other parties and your personal information will not show in any article. Do you mind if I record this interview?"

Interviewee B: "I do not mind."

Interviewer: "How is your relationship with your direct manager?"

Interviewee B: "It is becoming quite good."

Interviewer: "Could you explain how is this relationship built up?

Interviewee B:" My direct manager is a very strict person. We do not get along well at the very beginning, but gradually we start to understand each other and becoming good friend."

Interviewer: "Any significant events affect the development of relationships between you and your direct manager?"

Interviewee B: "What do you mean by significant event?"

Interviewer: "For example the employee development training?"

Interviewee B: "Oh, yes, the training did help the relationship build up. Before the training I was just start as a department manager. I have some problems with some of the department heads when dealing with daily work. They do not pay much attention to my work. My department is in charge of the internal examine and supervision of the product quality. We always have conflicts and cannot work well together. During the training, I become familiar with some department heads and we communicate about my concerns in work. From then on we get along much better."

Interviewer: "How do you communicate with your direct leader?"

Interviewee B: "I usually report to him about the work progress. We usually have a brief talk each morning about the work schedules."

Interviewer: "How is your personal relationship with your leader?"

Interviewee B: "In personal life, we usually have lunch together at the company's dining hall. During lunch we probably talk about personal life, you know kids… He gives me a lot of advice and suggestions about how to talk to others. He teaches me how to express my meaning without make them angry."

Interviewer: "Do you get together in your private life, for example have dinner or karaoke?"

Interviewee B: "Yes we do get together. The entire department heads some time get together. Mr. Y usually joins us."

interviewer: "Do you think the communication in work and in private life help with your work performance?"

Interviewee B: "It helps, because we have consensus with the opinions and the way of thinking, we have consensus on how things should be done and which method to choose, so we can get better effect."

interviewer: "Do you think you and your leader is a good team? How is your relationship with your team, with your team members (other department heads)?"

Interviewee B: "Yes I think we are a team. I get along with most of the department heads, but I have conflicts time to time with some of them because of my work nature. I think we are a team because we can work things out. With Mr. Y, we work

really well together. He is very in to details, which is the same as me. We usually share the same thoughts."

interviewer: "How do you communicate with these team members? in work and in private life?"

Interviewee B: "In work we help each other out. For example if sales department need to organize big meetings for important clients, we all try to help. In work we usually have weekly meetings together with Mr. Y and all the department heads. Other than that we basically try to chat about work whenever we meet. In private life, I have not social too much with them. Oh, Mr. Y would organize dinner get together."

interviewer: "Do you think the suggested communication between team members helps the team performance?"

Interviewee B: "Yes it helps with our work efficiency. The good relationships between department heads make some cooperation work smoother and efficient."

Interviewer: "In what words can you describe the emotion linkage between you and your team members?"

Interviewee B: "In a word… Family. I think we are like a big family. Everyone help each other. Trust and loyalty is certainly there. More than that we take care for each other. For example we help each other out in work also in private life. Our family members all know each other and sometime get together. The atmosphere is really good."

Interviewer: "Do you think the communication suggested by the program help forming the emotional bond?"

Interviewee B: "Yes it definitely helped. Actually I think in the training, we have formed a great bond. We are doing the team challenge together. At that time, everyone feels we are close together. I daily work, the communication make us understand each other. Something I used to hold back and not be able to talk to others, during daily communication, I can talk to Mr. Y and he helps me out a lot."

Interviewer: "ok, that is all, thank you so much for your participation."

Interview C (Mrs. Z)

Interviewer: "Hello, My name is Lu Zhao, I am a PhD student from Kent Business School. Today's interview is about the leader subordinate relationships between you

and your direct manager. The content of this interview will only be used in academic study. The interview content will not be share to other parties and your personal information will not show in any article. Do you mind if I record this interview?"

Interviewee C: "I do not mind."

Interviewer: "Have you participate in the employee development training?"

Interviewee C: "Yes. I have been to the training more than ten times. The first time is in 2012 in Xian. That time, the company president, the general manager and all the vice general managers all participate in the training. Basically all the department heads and top managers are all involved. The department heads and their team participated in the following training courses."

Interviewer: "Could you explain to me who is your direct manager?"

Interviewee C: "I have three direct managers. One is for the reception work, one is for the administrate work and one is for the internal supervise and examine work.

Interviewer: "How is your relationship with your direct manager in reception work?"

Interviewee C: "It is ok, it is pretty good."

Interviewer: "Do you cooperate well in work?"

Interviewee C: "Because I was his direct subordinate before, we used to have some conflicts. But when I have more and more subordinates, I become more understanding of my boss's mind set and thinking. Now I have clear out my mind and I think there are no more problems. It is common for leaders and subordinates to have conflicts and it will become better with the time."

Interviewer: "Any significant events affect the development of relationships between you and Manager Z?"

Interviewee C: "Yes, for example my leader was out on a business trip abroad, because of the time zone difference something I could not directly ask for his opinion. In the program this situation has been discussed, what to do when you cannot find your boss. Thus I managed to come up with solutions. In the end I communicated with my direct leader and get his positive feedback about this decision. I think in this aspect, I have learnt a lot."

Interviewer: "Have you been in the training course together with your subordinates?"

Interviewee C: "Yes I have. Even through our company is expanding rapidly, we still cares about the employee training."

Interviewer: "Do the subordinates have improvement in their work capabilities?"

Interviewee C: "I think the training help improve the execution power of my subordinates. Before the training, if I have not specified a finish time for certain tasks, my subordinates never take indicative to complete the tasks. Now without me specified the finish time, my team members all set time themselves and report to me regularly about the progress."

Interviewer: "Do you think you, your leader (Mr. Y) and all the other department managers formed a team?"

Interviewee C: "Yes, I think we are a team."

Interviewer: "Does the training help the cooperation of this team?"

Interviewee C: "Previously our team is not that formal. Some of the colleagues have relatively low education level, the training teaches them about some useful tips in communicating and cooperating. When they apply this knowledge in daily work, we see a lot of improvement. Moreover the employees in some departments are all relatively poorly educated, so when their manager introduce the way of communication and cooperation, the employees are all agree to the manager's thoughts and they become much easier to manage. "

Interviewer: "How is your personal relationship with your subordinates and direct managers?"

Interviewee C: "there is a lot of cooperation in daily work, in many aspects, we need to communicate and coordinate with other departments.

Interviewer: "How do you communicate with your team members in private life?"

Interviewee C: "usually my leader will organize a dinner and communicate and exchange ideas in this meeting. But personally I did not arrange this kind of activities because I am quite busy at home and my work loan is quite much. I have relatively less time so I rarely attend parties and communication activities other than the one mentioned before. "

Interviewer: "Do you think the communication in private life with the team members help with your work performance?"

Interviewee C: "it does, for example if there is a problem in communication in work, some negative emotions will build up. Through the communication in private life, everyone can get things out of their chest. Everything is out and clear, the misunderstanding between people can be resolved, it is beneficial to our work."

Interviewer: "How do you communicate with your subordinates?"

Interviewee C: "I assign each subordinate with one aspect of work. When problems occur I can find the person responsible. However sometime when I point out the mistakes of the subordinates, it may cause their resistance. But through communication in private life, I can explain and analyze my way of doing things more clearly and show them pros and cons of my method, it makes it easier for them to accept my advice."

Interviewer: "How is your relationship in private life?"

Interviewee C: "yes, basically every week, we all get together and have a dinner with all the new employees. I organize and pay for it. If we have time I also organize people to get together to communicate. Now the young employees born in 90s always leave the job without notice. If we cannot understand what they are thinking about, they can quit today and disappear completely tomorrow. It is really bad for the consistency of work. So we need to keep communication and get to know what they are thinking about in order to better manage them. For them, try to understanding and get to know them can better keep them in work than giving them money. They would only want to work here if they feel the bond and love from the team."

Interviewer: "Comparing with when you first enter the company, in what aspects do you feel you have improvement?"

Interviewee C: "When I first started here, when the leader give any criticism, I have negative emotions inside. But now I know that it is good for you when get the criticism from the leaders. Also in the last, my way of managing people may affect others and it makes them have opinions against me. Now I just focus on doing the right thing and do not care too much about other's judgement about me. With more and more things that I am in charge of, my capability is improving. Especially in hosting, my ability of work with the clients is improved. The efficiency of communicating with others in improved."

Interviewer: "Do you think these improvements have anything to do with the communication with your leader?"

Interviewee C: "Yes, when I talk about the negative emotions with my leader, he can quickly resolve these negative emotions and he help me adjust my attitude and my mind to the better direction. With the team members, we can discuss and communicate about topics such as selfishness, misunderstanding, big hearted. It

helps with our cooperation. It can also help form their dedication and professionalism."

Interviewer: "When you first start to work here, how did your leader test your work ability and work attitude?"

Interviewee C: "When my leader is not in the company, he let me take charge of one aspect of her work. I have to deal with some important problems. In that time, I was feeling very negative and resist the responsibility. But now I know that is helping me."

Interviewer: "Do you do this to your subordinates?"

Interviewee C: "Yes, I also use this method to train my members. I give more work opportunities to the subordinates to see if there is space for improvement."

Interviewer: "In what words can you describe the emotion linkage between you and your leader/team members? Trust? Loyalty? Respect? "

Interviewee C: "all of them, but I want say that our relationships are not that simple. In work we are partners in battle, friends, brother and sisters. So the relationship is not limited to the words you said."

Interviewer: "Do you think this emotional bond help in daily work?"

Interviewee C: "Yes, when someone face problems or failures or if he/she do something wrong, all the others all work together to compensate it. They will not sit aside and not help."

Interviewer: "What features or characteristics in you leader that attracts you or be helpful to you?"

Interviewee C: "My direct leader, he is really careful in doing work. He is very careful and strict about small details. I think this is good and very helpful to me."

Interviewer: "ok, that is all of the questions. Thank you so much for your cooperation."

Interview D (Mr. P)

Interviewer: "Hello, My name is Lu Zhao, I am a PhD student from Kent Business School. Today's interview is about the leader subordinate relationships between you and your direct manager. The content of this interview will only be used in academic study. The interview content will not be share to other parties and your personal

information will not show in any article. Do you mind if I record this interview?"

Interviewee D: "I do not mind."

Interviewer: "Have you taken the employ development training course together with your direct manager (leader)?"

Interviewee D: "Yes."

Interviewer: "How is the relationship between you two?"

Interviewee D: "it is the normal leader subordinate relationship. He pays more attention to me."

Interviewer: "How is the relationship between you two in private?"

Interviewee D: "We do not get together that often, but occasionally we sit down together to have a chat. We have common topic to talk about and we communicate."

Interviewer: "How do you build up this relationship with your leader?"

Interviewee D: "He can understand and support my work. For the daily work in the company, I feel I can accomplish all the tasks given to me. So there are no such issues as not communicating and others. "

Interviewer: "Any significant events affect the development of relationships between you and Manager Y?"

Interviewee D: "I think first think from other's perspective, it can make the employees understand the leaders. It gives a platform to the employees where they can show their abilities. I can deeply understand that it is not because how excellent I am, it is because the organization gives me a platform to show my abilities. So I can understand the leaders. And I can finish my work positively without complain and unwillingness. The program encourages the emotional communication and friendships. After the program, I can take my leaders into consideration when facing difficulties. The problems in work and some time in private life I can communicate with my leaders about them."

Interviewer: "How is your relationship with your subordinates? Does the program help? "

Interviewee D: "I think the cohesion and the sense of unity are enhanced by participate. It shows through my team. I would like all my subordinates participate in this program. They can get a good understanding of where they are stand in the organization, they will have the sense of belonging and they can work whole hearted not only for the wages.

Interviewer: "Do you think you and your subordinates formed a team? How is the cooperation with them? "

Interviewee D: "We cooperate really well. We get together a lot, there is basically no situation of not cooperation in work. We do work on the internet and the company website, so we do not talk much in work, so not much conflicts. The problems between us we talk and solve it on the spot."

Interviewer: "Do you think the training course have any effect on the team cooperation?"

Interviewee D: "We, all of the people participated, feel that we are members of a big family. If we have something on our mind, we would not hide it, we would say it straight away."

Interviewer: "How does your leader test your work capability and work attitude when you first work here?"

Interviewee D: "When I did my interview for the job here, most of the top managers are present in the interview. At that time, I feel that this company values me a lot. Since I start to work here, we may have some time to adjust to each other. After that the tasks given to me by my leader is usually within my capability. So I do not feel like he is testing my limit. My work load is mainly depending on the company's strategy focus on the support on online sales."

Interviewer: "What is the way you communicate with your direct leaders?"

Interviewee D: "About the important things or things need other departments to cooperate, we usually communicate in formal meetings so there will be meeting record. If there is a problem in the work I am doing, I will just ask him directly. "

Interviewer: "What about your relationship outside work?"

Interviewee D: "the end of the year party, both of us do not go home at lunch break, so we have lunch together in the company's dining hall, we go to gym or play basketball and chat. We do not talk about work much in private. "

Interviewer: "Do you think the communication in work and in private life help with your work performance?"

Interviewee D: "Yes it helps, there are a lot of things I do not dare to talk about in work. However in private, when we meet I can talk about these things. For example some advice on the company's operations, advice on personal welfare, etc. Some of the people, I cannot talk about some things when I do not know the characteristics of

them. When we become close and familiar, the things like advices, things I do not understand and issues I cannot solve, I can talk and communicate with the leader."

Interviewer: "Do you think you get any improvement through communication with your leader?"

Interviewee D: "I feel I have improvement on my professional skills. Since I want to do contribute to the company, I am willing to study and research."

Interviewer: "Do you think you subordinates get any improvement through communication with you?"

Interviewee D: "Yes, in our professional field, I can tell them my ideas. We all have good understanding of each person's characteristics and personality, when we talk about and communicate about the shortages, skills, personality problems. We can also communicate about the things in our private life and give help to each other. I think it is easier to manage when you and your subordinates are friends. They are more likely to express their thinking to you. I learnt this from my leader."

Interviewer: "In what words can you describe the emotion linkage between you and your leader/team members? Trust? Loyalty? respect?…"

Interviewee D: "He is both my teacher and my friend. I respect him a lot."

Interviewer: "Do you think the employee development training course help with the form of the emotional bond?"

Interviewee D: "I feel like we are a big family with all the employees after been in the training course. I cannot feel that in other companies. In other companies, everyone only do their own work and rarely say anything when meet. But here everyone feels like family members, we shared some very important experiences."

Interviewer: "Is there other factors that affect the formation of the emotional bond?"

Interviewee D: "The top managers really take care of all the employees both in work and in life. Our company has a special fund. If there is any difficulty in employees' family, our company will help us through. This makes me feel like be in a family. This fund was started by the owner. We are all support it. This behavior makes me respect the top managers more. They also do well in the professional aspects, which makes all of us feel like following the right people and in the right company. The cohesion in our company is really strong now. There is no one bitching behind the leaders' back. The relationships are good and we do not need to be careful about we say. The employee welfares are very good. We have the best basketball courts; best

employee accommodations for those are distant from home. These are all pretty outstanding."

Interviewer: "What do you value the most in your leader in terms of the personality or characteristics?"

Interviewee D: "His attention to details. He is very strict when it comes to the documents and presentations for the clients. He always considers the image of the company and he pays a lot of attention to details in daily work. Also I respect that he is a man of his own words. We usually set sales goals for ourselves and punishment if the goals are not met. He is always the first one to carry out the punishment and he never finds excuses to try to get out of the punishments."

Interviewer: "Do you think the communication with your leader help in improving your performance?"

Interviewee D: "Yes, definitely. He helps me a lot in daily work. The communication help we understand each other much efficiently."

Interviewer: "Do you think the communication with your subordinates help in improving your performance?"

Interviewee D: "In current work, we can have conversations of details in work, personal life and some deep topics. It really helps in cooperation and improvement of efficiency."

Interviewer: "That all for today's interview. Thank you so much for your participation."

Interview E (Mr. M)

Interviewer: "Hello, My name is Lu Zhao, I am a PhD student from Kent Business School. Today's interview is about the leader subordinate relationships between you and your direct manager. The content of this interview will only be used in academic study. The interview content will not be share to other parties and your personal information will not show in any article. Do you mind if I record this interview?"

Interviewee E: "I do not mind."

Interviewer: "Have you taken the employ development training course together with your direct manager?"

Interviewee E: "Yes. I have"

Interviewer: "How is the relationship between you two?"

Interviewee E: "We always have a good relationship. We have known each other for a long time."

Interviewer: "How is the relationship between you two in work and in private?"

Interviewee E: "We know each other for a long time. Our family lives quite nearby. We always get together when we have time. He can understand and support my work. For the daily work in the company, I feel I can accomplish all the tasks given to me. I think we have work together so many years that our ideas are synced. So the cooperation in work is easy and efficient. "

Interviewer: "Any significant events affect the development of relationships between you and Manager Y? Does the employee development training help?"

Interviewee E: "Yes we went to that training together. We learned a lot from that training. I remember we were really moved and grateful to each other in that training. I feel that we are even closer and work even better after that training."

Interviewer: "How is your relationship with your subordinates? Does the program help? "

Interviewee E: "Yes, my team is cooperating much better after the training. I think the cohesion and the sense of unity is enhanced by participate. It shows through my team. They can get a good understanding of the relationships between leaders and their employees. I hope they will see my efforts in helping them in daily life. I hope they can have the sense of belonging and they can work whole hearted not only for the wages.

Interviewer: "Do you think you and your subordinates formed a team? How is the cooperation with them? "

Interviewee E: "We cooperate really well. All the tasks that I give them can be finished on time. If they have any doubts or if they do not know how to talk to clients, they will come to me straight away for advice."

Interviewer: "When you first started here, how does your leader test your work capability and work attitude?"

Interviewee E: "Since I start to work here, he usually gives me some difficult or challenging work. I have to find a way to solve problems. I used to think he has opinions about me and do not like me. However after few times, I found that I have learned and improved a lot. Now I understand that all the tests are good for me. I also use the way on my employees."

Interviewer: "What is the way you communicate with your direct leaders in work and in private life?"

Interviewee E: "We usually have meetings about the important things or things need other departments to cooperate. We usually see each other every morning, we talk about the work schedule and any difficult problems need out attentions. In private, we often go out and have dinner together, sometimes with other department heads."

Interviewer: "Do you think the communication in work and in private life help with your work performance?"

Interviewee E: "Yes it helps; there are a lot of things we cannot talk in work environment. However in private, when we are having dinners, some advice on the company's operations, opinions about certain work can be discussed informally. In private we are all relaxed and we are not leaders and subordinates. We are just friends, so the things like advices, opinions are more tolerated and people do not take offences."

Interviewer: "In what words can you describe the emotion linkage between you and your leader/team members? Trust? Loyalty? respect?…"

Interviewee E: "He is both my teacher and my friend. I trust his judgement. We are more than friend, more like family."

Interviewer: "Do you think the employee development training course help with the form of the emotional bond?"

Interviewee E: "I think in our company, everyone feels like family members, we shared some very important experiences. We are able to be honest to each other. We care about each other. We are free to communicate and talk about anything."

Interviewer: "Is there other factors that affect the formation of the emotional bond?"

Interviewee E: "The top managers really take care of all the employees both in work and in life. We have a Tiane fund for all the employees. If you have any difficulties you can apply for help. Most of the time, everyone would like to give you a hand to help you out. That makes me feel very safe working in this company. I feel like I have a strong community to fall back on. We also feel like we should work our bests to help the company develop."

Interview F (Ms. S)

Interviewer: "Hello, My name is Lu Zhao, I am a PhD student from Kent Business

School. Today's interview is about the leader subordinate relationships between you and your direct manager. The content of this interview will only be used in academic study. The interview content will not be share to other parties and your personal information will not show in any article. Do you mind if I record this interview?"

Interviewee F: "I do not mind."

Interviewer: "What about your relationship with your direct manager?"

Interviewee F: "it is quite good."

Interviewer: "Good with the personal friendship in daily life or good with work cooperation?"

Interviewee F: "Both of the aspects are all good. His personality is quite straight forward and he is always very considerate."

Interviewer: "What is the most important event or experience between you and your direct leaders? What is the most impressive event? "

Interviewee F: "Well firstly our personalities complement each other, so that we cooperate better in some aspects."

Interviewer: "Is there any specific events? Can you give me an example please?"

Interviewee F: "He give me a lot of help in daily work, he teach me everything from start. He is always patiently teaching me… "

Interviewer: "Do you mean he's personality is really nice and considerate?"

Interviewee F: "uhh, yes."

Interviewer: "Do you think the employee development training has any promoting effect on your relationships?"

Interviewee F: "uhh, the training makes us understand and forgive each other. When I face some situations, I can put myself in his position and to understand his feelings at that moment."

Interviewer: "Is the communication and contact in work and in private life increased after the program? For example discuss opinions about work, or chat about private matters?"

Interviewee F: "Can you be more specific…"

Interviewer: "For example if you have anything that you cannot decide, will you discuss it with your leaders in order to better deal with it? Outside daily work, do you usually get together? Have meals? Karaoke?"

Interviewee F: "Yes."

Interviewer: "during holidays?"

Interviewee F: "We do these things after work when we have time."

Interviewer: "Do you think you and your leader is a good working team?"

Interviewee F: "I think so."

Interviewer: "Do you think all the communication help with the improvement of the work capability?"

Interviewee F: "It does have some effect."

Interviewer: "What aspects of the work capability improved?"

Interviewee F: "In giving speech, I am an inner going person in daily life, I rarely speak loudly. Through communication and the requirement of the work, I have improved a lot in this aspect. "

Interviewer: "How does your leader help in this process?"

Interviewee F: "She gives me advice and teaches me the way to give speech. Also a lot of encouragement and she always say you can do it."

Interviewer: "In what words can you describe the emotion linkage between you and your leader/team members?"

Interviewee F: "Trust is definite there. Great cooperation tacit."

Interviewer: "Do you feel like being loyal to your leader? When you leader made an honest mistake, do you feel like defending him in front of others?"

Interviewee F: "It depends on the specific situation, if it is an honest mistake and it did not cause any damage, I would definitely defend the leader."

Interviewer: "Does the communication between you two help with the degree of trust?"

Interviewee F: "Definitely."

Interviewer: "What characteristics of your leader attracts you in your daily communication?"

Interviewee F: "The confidence, She has a lot of ideas."

Interviewer: "What about other aspects? What personality, what quality do you value the most? "

Interviewee F: "She is quite open and straight forward, which is good."

Interviewer: "You are in charge of the reception work, right? Does your leader have many experiences in this aspect? Does her guidance and advice help?"

Interviewee F: "Yes she is very experienced. She is very helpful to me."

Interviewer: "How about your relationship with the members in your work group?"

Interviewee F: "We are all very good to each other."

Interviewer: "Do you guys usually get together in private time? Communicate?"

Interviewee F: "We usually get together and communicate, the whole team, every time."

Interviewer: "Do you think the communication between team members is helpful to daily work?"

Interviewee F: "It boosts the trust and consensus between us. For example if anyone of us has problems, because we are quite familiar with each other, we can remind each other directly and the other person can easily accept. With more communication and closer relationships, the misunderstanding or hard feeling is not likely to occur."

Interviewer: "You are quite direct and blunt with each other?"

Interviewee F: "the mistakes in work need to be correct right away."

Interviewer: "You have been very direct and honest with each other?"

Interviewee F: "The mistakes happened in daily work need to be corrected straight away."

Interviewer: "Do you affected by the leader's way of dealing with things and people?"

Interviewee F: "yes, the good way of doing work, we all learn from her."

Interviewer: "That all for today's interview. Thank you so much for your participation."

Interview G

Interviewer: "Hello, My name is Lu Zhao; I am a PhD student from Kent Business School. Today's interview is about the leader subordinate relationships between you and your direct manager. The content of this interview will only be used in academic study. The interview content will not be share to other parties and your personal information will not show in any article. Do you mind if I record this interview?"

Interviewee G: "I do not mind, go ahead. Is this a contracting cooperation between our company and you?"

Interviewer: "No, we have not sign a contract but I have talked to the president of the company and he is agreed for this interview to take place."

Interviewee G: "Ok."

Interviewer: "What about your relationship with your direct manager?"

Interviewee G: "We are fine; we have a good work relationship."

Interviewer: "So you have good work relationship? What about the personal friendship in daily life?"

Interviewee G: "Yes, good both in work and in personal life."

Interviewer: "What is the most important event or experience between you and your direct leaders? What is the most impressive event? "

Interviewee G: "There are quite a lot of things that shows we have a good relationship…"

Interviewer: "Is there any specific events? Can you give me an example please?"

Interviewee G: "She is always patiently in teaching us in daily work… There are a lot of activities in our company. We work well in these activities. "

Interviewer: "Do you think the employee development training has any promoting effect on your relationships?"

Interviewee G: "uhh, I have not been to the training with her."

Interviewer: "Do you communicate and contact with manager Z often?"

Interviewee G: "I always talk to her about my work. I report to her every day. We talked about many things, such as work details, schedules, personal stuff…"

Interviewer: "Do you think all the communication help with the buildup of the relationship?"

Interviewee G: "Yes definitely the daily communication and report give us a sense of mutual tacit understanding. The relationship build on that is quite good."

Interviewer: "How do you two communicate? In what way, both in work and in personal life?"

Interviewee G: "At work I always report to her about the work progress, the work details. If anything comes up. I need to let her know. We work together almost all the time. Sometime we have got together after work with some of the colleagues. I also go to her if I have any trouble in private life, ask her opinion and such…"

Interviewer: "When you first work in this department, under the management of Mrs. Z, did she test your work capacity and your work attitude? How did she do that? "

Interviewee G: "At the beginning, she gives me a lot of work to do. I think gradually she found out the work load that I can take and she is happy with the quality of the

work, from then the work load become much less and much reasonable. Also I become familiar with the job so the work seems much less. She also considers what I am good at when assigning tasks."

Interviewer: "Do you think all the communication help with the improvements of the work performance?"

Interviewee G: "It helps me understand my manager's characteristics and her way of doing work. I also get to know her better, in terms of her values, her moral standards…. It also helps us to cooperate more smoothly. After we get to know each other's temper, habits and characteristics, we really have any conflicts."

Interviewer: "How does it help your daily cooperation? Could you give me an example?"

Interviewee G: "Sometimes, some emergency tasks come in; I would help her finish it as soon as possible. Some time she needs us to work until midnight. I can put myself in her perspective and understand the pressure she gets. So I do not have any complain about working late or work my very best to help finish the work. She also understands when I got a lot of work. She also tries to give me help and guidance."

Interviewer: "Do you think all the communication help with the improvement of your work capability?"

Interviewee G: "Yes it does help. I feel like with her help and guidance for these years, I am capable of fulfilling all the tasks. I do not feel any struggle in current work."

Interviewer: "Do you think your ability to work well is linked to her help and guidance?"

Interviewee G: "Yes, definitely. She sets an example for us in daily work. Her work capacity is also a motivation for us. We all would like to be like her. The nature of our work is complex. We could be dealing with all sorts of situations in receiving business clients. The way of dealing with these situations, we all learn from our manager. "

Interviewer: "In what words can you describe the emotion linkage between you and your leader/team members?"

Interviewee G: "Trust is definite there. I respect her a lot. We have harmonious relationships. All of us work towards the same goal. There is no barrier when we communicate"

Interviewer: "Does the communication between you two help with the degree of trust?"

Interviewee G: "Definitely."

Interviewer: "Is there any other factors that help with the trust and loyal?"

Interviewee G: "We have similar understanding of current society. I feel like we have relatively similar values and moral standards."

Interviewer: "What characteristics of your leader attract you in your daily communication?"

Interviewee G: "She has integrity, she is trust worthy, and other than this she also has great work abilities and out-going personality. These make her very good at social with clients. There are a lot of characteristics that I admire. Although she has quick temper, but overall she is a good leader."

Interviewer: "Do you think you and your manager form a good working team?"

Interviewee G: "Yes we are a quite good team."

Interviewer: "How about your relationship with the members in your work team?"

Interviewee G: "We are all very good to each other."

Interviewer: "Do you guys usually get together in private time? Communicate?"

Interviewee G: "We usually get together and communicate. Also we have regular team meeting each week to discuss problems in work, communicate and give advices. We have meetings every Friday. All the work schedules and details are shared in this meeting. Manager Z will host this meeting and each team member will share their thoughts and opinions. She always listens to us and gives us advice. If the problems are out of her hands, she will make effects to talk to top managers to solve them. This weekly meetings are not really feel like meetings, it is much more casual and Harmonious."

Interviewer: "Do you think the communication between team members is helpful to daily work performance?"

Interviewee G: "Yes, it gets the team members motivated to do their job well. The communication makes us want to work alongside with each other. The good relationships make cooperation much smoother. It also prevents us from blaming each other or shift responsibility to others. If there is a difficult task, all of us will work together to deal with it."

Interviewer: "Is there other aspect of your relationship with your manager that affects you?"

Interviewee G: " My parents had got ill last year, my manager went to the hospital to see them and help me out a lot. She also told the top manager in the company about my parents' illness. All the employees in our company put up a fund for my parents. This makes me very grateful. Not only me, I believe any team member in the same situation, my manager will do her best to help. I think this is one of the reasons that I cherish our relationship."

Interviewer: "ok, that is all, thank you so much for your participation."

Interview H

Interviewer: "Hello, My name is Lu Zhao; I am a PhD student from Kent Business School. Today's interview is about the leader subordinate relationships between you and your direct manager. The content of this interview will only be used in academic study. The interview content will not be share to other parties and your personal information will not show in any article. Do you mind if I record this interview?"

Interviewee H: "I do not mind."

Interviewer: "How is your relationship with your direct manager?"

Interviewee H: "it is quite good. We get on very well."

Interviewer: "Do you mean in work cooperation? What about the relationship in private life?"

Interviewee H: "Both in work and in private we are all good. Her personality is quite straight forward and we can talk about anything."

Interviewer: "What is the most important event or experience between you and your direct leaders? What is the most impressive event? "

Interviewee H: "When I first start in this department, I was amazed by her out going. At that time, there was not that many people in our department. So we are very close."

Interviewer: "Is there any specific events? Can you give me an example please?"

Interviewee H: "She used to teach me a lot in daily work, about everything. How to organize a meeting, how to talk to top managers, how to talk to clients and such …"

Interviewer: "Do you think the employee development training has any promoting effect on your relationships?"

Interviewee H: "uhh, yes, the training helps with the relationship. The training makes us understand and forgive each other. I can put myself in her perspective and to try to solve the problems in the way she wanted. After the training I start to notice she had done a lot more than what I used to see. I can understand why she is so strict on certain things. It is not easy for her to doing her job."

Interviewer: "How do you communication and contact with Mrs. Z in work and in private life after the program? For example discuss opinions about work, or chat about private matters?"

Interviewee H: "We are always good friend. In work, we are good partners. I just report to her about work whenever is needed. I am in charge of the internal administration management under her. We are all very busy every day. However I will try to talk to her each day about work.

Interviewer: "What about in private life, do you usually get together? Have meals? Karaoke?"

Interviewee H: "Yes. We do these things after work when we have time, usually with all the people in our department. Sometime even with other departments"

Interviewer: "Do you think you and your leader is a good working team?"

Interviewee H: "Yes, definitely."

Interviewer: "Do you think all the communication help with the improvement of the work capability? What aspects of the work capability do you think improved? Does your leader help in this process?"

Interviewee H: "It does have some effect. In my work, I am becoming more organized and responsible. The communication with other staff is much better comparing with when I just started…as I said, she give me advice and teach me a lot of things. Also a lot of encouragement and she acknowledge my improvement."

Interviewer: "In what words can you describe the emotion linkage between you and your leader/team members?"

Interviewee H: "Trust is definite there. We understand and care about each other."

Interviewer: "Do you feel like being loyal to your leader? When you leader made an honest mistake, do you feel like defending him in front of others?"

Interviewee H: "It depends on the specific situation, if it is an honest mistake and it did not cause any damage, I would definitely defend the leader. Most of the time, I trust her judgement."

Interviewer: "Does the communication between you two help with the degree of trust?"

Interviewee H: "Definitely."

Interviewer: "What characteristics of your leader attract you in your daily communication? What personality, what quality do you value the most?"

Interviewee H: "She is careful and responsible in work. She is good at organizing events. She is quite talkative and can get along with anyone, which I admire. She is also has integrity and we share the same moral values I think."

Interviewer: "How about your relationship with the members in your work group?"

Interviewee H: "We are all very close. We are good friends in private life"

Interviewer: "Do you guys usually get together in private time? Communicate?"

Interviewee H: "We usually get together and communicate, the whole team, every time."

Interviewer: "Do you think the communication between team members is helpful to daily work?"

Interviewee H: "It does help because we can talk about some concerns in private. So it is not too harsh for others to take the advice. When we are out together having dinner, everyone is quite relaxed and they are more opened up. I also get to know what they are thinking about. With more communication and closer relationships, the misunderstanding or hard feeling is not likely to occur."

Interviewer: "That all for today's interview. Thank you so much for your participation."