

# Research On Performance Management Problems And Countermeasures For Small And Medium-Sized Enterprises In The Digital Era – A Case Study Of H Joy Company

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## Abstract:

With the changing market environment, performance management plays an increasingly important role in the operation and development of enterprises. In the past, people's understanding of performance management was limited to traditional management mechanisms, which led to problems such as the disconnection between performance management and strategic goals and outdated performance management concepts, resulting in low work efficiency and inability of employees to create substantial benefits. To address these issues, the study was conducted on innovative performance management in small and medium-sized enterprises by selecting the employees of H Joy Enterprise, where the researcher of this paper works, as the research objects. It is expected that through management innovation, performance of employees can be more accurately evaluated, their enthusiasm and work quality can be improved, and the enterprises' performance management level and competitiveness can be enhanced, so as to move enterprises towards better development. The research can also serve as a reference for similar enterprises.

**Key words:** Digitization; Performance management; Small and medium-sized enterprises; Game enterprise

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## I. Introduction

Small and medium-sized enterprises (SMEs) account for over 90% of the total number of enterprises in China. They have strong adaptability to market changes and a wide range of business scopes, and play an important role in developing economy, creating jobs, providing start-up opportunities, and improving efficiency of market economy (Wang, 2022). However, with the advent of the big data era, SMEs also face challenges such as small scale, difficulty in bearing business risks, inadequate funding, talent shortage, and poor management abilities of managers (Wang, 2018). Faced with a rapidly changing business environment and an increasing number of competitors, SMEs need to innovate their performance management to enhance their competitiveness.

Performance management is an important way for enterprises to assess talent and evaluate employees. It occupies an important position in the management of human resources in enterprises. The information age provides innovative thinking and innovative management for performance management. Whether SMEs can fully utilize information technology to establish performance management system in a scientific and standardized way and better improve performance management level is a top priority to meet the challenges of the digital era.

As a systematic management method, performance management serves as an important tool for enterprises to improve business performance, enhance employee satisfaction, promote employee development, and improve organizational operations. As companies undergo digital transformation, performance management plays a pivotal role in driving all aspects of corporate development. This case study aims to:

(1) Explore innovative performance management strategies for SMEs in the digital age.

(2) The study aims to identify and analyze problems existed in H Joy's performance management, and it hopes to provide useful ideas and suggestions for the performance management of the enterprise.

(3) The research results could provide reference value and practical basis for performance management for similar SMEs.

## II. Methodology

### Research Object

This case study selected H Joy Game Technology Co., Ltd. (H Joy), where the researcher is employed, as the research object. Established in 2017, H Joy is located in Guangzhou, Guangdong Province. Its main business is the development and distribution of games, with business covering more than 150 countries and regions worldwide. Relying on its stable capacity to produce popular game products, it has established close cooperation with major leading internet companies and has gradually developed it into an expert brand of mobile games at home and aboard. So far, it has completed a diversified strategic layout combining businesses including casual game R&D and distribution, advertising, and metaverse (H Joy, 2023).

H Joy has an internal ranking system consisting of 5 job ranking levels and a total of 13 position grades. Employees have different internal ranks based on their job competency and job responsibility (see **Table 1**).

**Table 1: Internal Ranking of Employees**

Professional ranking	Position grade	Management responsibility
H1	H1-1	No
	H1-2	No
	H1-3	No
H2	H2-1	As needed
	H2-2	As needed
	H2-3	As needed
H3	H3-1	As needed
	H3-2	As needed
	H3-3	As needed
H4	H4-1	Yes
	H4-2	Yes
H5	H5-1	Yes
	H5-2	Yes

Data Source: H Joy's Performance Management System (H Joy, 2023)

**Goals of H Joy's Current Compensation Management System :**(1)Standardize and improve the management level of enterprise and promote the common development of employees and enterprise. (2)Ensure and facilitate the enterprise to realize business objectives and improve its core competitiveness. (3) Help employees strengthen their sense of responsibility and goal orientation, and take value creation as a guide in their work. Help employees improve their morale, work competence and efficiency. (4) Improve communication and interaction between managers and employees, increase employee enthusiasm and initiative, create a positive work environment, and strengthen organizational cohesiveness. (5) Provide a relatively fair, impartial, and quantifiable performance appraisal system to identify, retain and develop outstanding employees. (H Joy, 2023)

**H Joy Performance Appraisal Criteria:** The enterprise's performance management is based on the three principles of fairness, transparency, and impartiality, and takes "results-orientation" as the main basis for performance appraisal. The results of performance evaluation must be in line with the actual work results of employees and should be used for promotion and compensation adjustment. The performance appraisal criteria are as shown in **Table 2**:

**Table 2: Performance Appraisal Criteria**

Appraisal Level	Definition of Levels	
S	Excellent	Significantly exceeds normal job requirements
A	Outstanding	Fully meets regular job requirements
B	Good	Meets regular job requirements
C	Qualified	Basically meets regular job requirements
D	Needs Improvement	Does not meet regular job requirements

### Research Tools

**Questionnaire Survey:** The research questionnaire was developed around employees' evaluation of the performance management of the enterprise. The questionnaire was divided into four parts with a total of 15 questions, including 2 questions on employees' basic information, 2 questions on perceptions of performance appraisal, 4 on evaluation of the enterprise's performance, and 5 on personal feelings. The survey collected data on employees' personal situations and their opinions on the current performance management system. This study took H Joy employees as samples and adopted mothed of Purposive Sampling. It was published online on March 26th 2023, and 25 responses were collected by April 1st 2023. There was 1 invalid questionnaire and 24 valid questionnaires. The effective response rate was 96%.

**Interview:** The researcher conducted interviews with employees from various departments based on the research content. A total of 6 interviewees were engaged, and their responses were recorded and coded accordingly (see **Table 3**).

**Table 3:** List of Interviewees

Interview Topics	Department	Interviewees	Code
Is Performance Management reasonable (I)	Advertising	Kiwi	IV1
	HR	Chen (executive)	IV2
	Overseas sales	victor	IV3
Performance appraisal questions (II)	Domestic sales	John	IV4
Performance appraisal suggestions (III)	R&D	Li (engineer)	IV5
	After-sales services	Miss Liu	IV6

**Data Processing and Analysis**

This study collected and organized questionnaires, checked the responses, eliminated invalid questionnaires, coded and entered them into the SPSS system for statistical analysis.

**III. Questionnaire Survey Result Analysis**

**Reliability and Validity Test**

Reliability analysis is used to determine the reliability of the sampled response results. A higher reliability coefficient indicates better stability and reliability of the questionnaire respondents. As shown in **Table 4**, the reliability coefficient of the questionnaire is 0.868, indicating that the sampled response results are true and reliable. The higher the validity, the more consistent the measurement results are with the content being examined.

**Table 4:** Reliability Analysis

Cronbach's Alpha	Cronbachs Alpha
.867	.868

As seen from **Table 5**, KMO value is 0.786, and p-value is 0.000, indicating the questionnaire has good validity.

**Table 5:** Validity Analysis

Kaiser-Meyer-Olkin	Df	.786
Bartlett's Test of Sphericity	Sig.	.000

**Sample Description**

**Characteristics:** In this questionnaire survey, 17 participants were female, accounting for 71% of the total sample; and 19 participates were ordinary employees, accounting for 79%. While most respondents heard of performance appraisal, 13 of them (54%) were not aware of the specific appraisal methods. Please refer to **Table 6** for further details.

**Table 6:** Basic Information of Employees

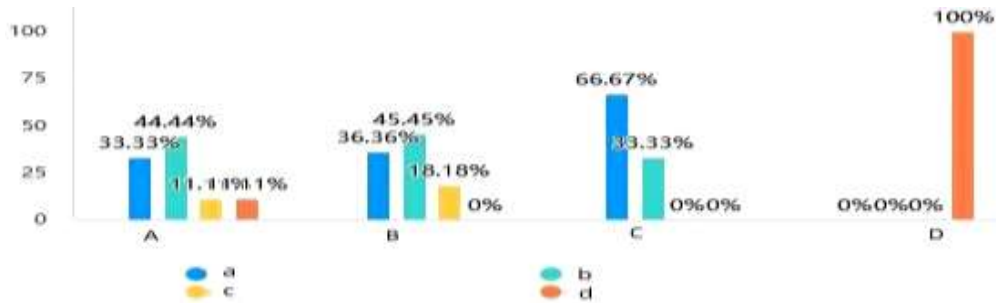
Items	Category	Number of samples	%
Gender	Male	7	29%
	Female	17	71%
	Managers	4	16%
Position	Normal Employees	19	79%
	Administrative staff	1	5%
	Very clear	10	41%
Awareness of appraisal	Uncertain (specific methods)	13	54%
	Completely unclear	1	5%

**Descriptive Analysis**

The questionnaire investigated whether employees believed the enterprise's current performance appraisal system was effective for them. According to **Figure 1**, which compares employees' perceptions of the current appraisal system's impact on them, most employees were aware of the enterprise's performance appraisal system, because the enterprise adopted the flexible working and used performance as a basis for bonuses. However, even though employee perceived the appraisal to be extremely strict, only 33.3% fully understood its significance. Additionally, 44.44% believed that discussions about performance only occurred during the appraisal, and that the appraisal seemed to be absent at everyday work. A considerable proportion of employees felt that the performance appraisal system was imperfect and merely a formality, while some

employees even believed the enterprise did not have an appraisal system at all. This suggests that the enterprise's performance appraisal system is not universally understood among employees. Employees knew there were job rankings but did not fully understand the enterprise's performance appraisal system. The good part is that employees could know their strengths and weaknesses of their work through the appraisal and obtain useful information to improve their work. (Figure 1 Code description: A. Appraisal is extremely strict, B. There is an appraisal but it's just a formality, C. Appraisal system is inadequate, D. No appraisal system. a. Understand the significance of appraisal, b. Discussions occur only during the appraisal, c. Appraisal leads to improvements at work, d. Appraisal results are completely worthless)

Figure 1: Comparison of Employees' Perceptions Regarding the Current Appraisal System's Impact on Themselves



Secondly, the research assessed employees' perceptions of the impact of the current performance management system on themselves. According to Figure 2 as below, 91.67% of employees can clearly understand their responsibilities through performance appraisals. However, most of employees believed that the current appraisal system required improvement, and some felt they had not benefited much from it. Although employees considered their work important, only 25% were very satisfied, while 12.5% were very dissatisfied. Up to 50% of employees expressed extreme dissatisfaction when they thought there was little benefit from the appraisal. The appraisal not only failed to motivate, but also dampened the enthusiasm among some employees. (Figure 2 Code description: A. My work is very important, B. Clear about my own responsibilities, C. Has little benefit, D. Completely worthless; a. Very satisfied, b. Satisfied but needs improvement, c. Very dissatisfied)

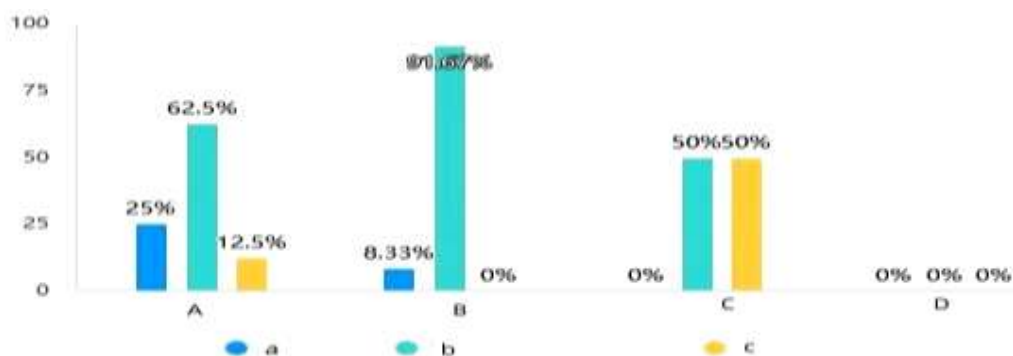


Figure 2: Comparison of Employees' Perceptions Regarding the Current Appraisal System's Impact on Themselves

Effective communication during the performance appraisal process can have a certain motivating effect on employees. However, according to Figure 3, which compares the frequency of employee evaluations by superiors and employees' feelings, we can observe that 28.57% of employees felt very happy, and an equal proportion of employees felt very distressed when proactive communication occurred. On the other hand, when there was little communication, 57.14% of employees feel somewhat lost. Therefore, the two-way communication between employees was not smooth, resulting in a lack of understanding, ignorance and disapproval of the appraisal criteria and processes. Additionally, due to ineffective communication and delayed feedback after the performance appraisal, some employees felt they have been treated unfairly, leading to a bad mood after the appraisal. (Figure 3 Code description: A. Actively Communicate, B. Occasionally, C. Rarely, D. Not at all; a. Very happy, b. Relatively happy, c. Somewhat lost, d.in a very bad mood)

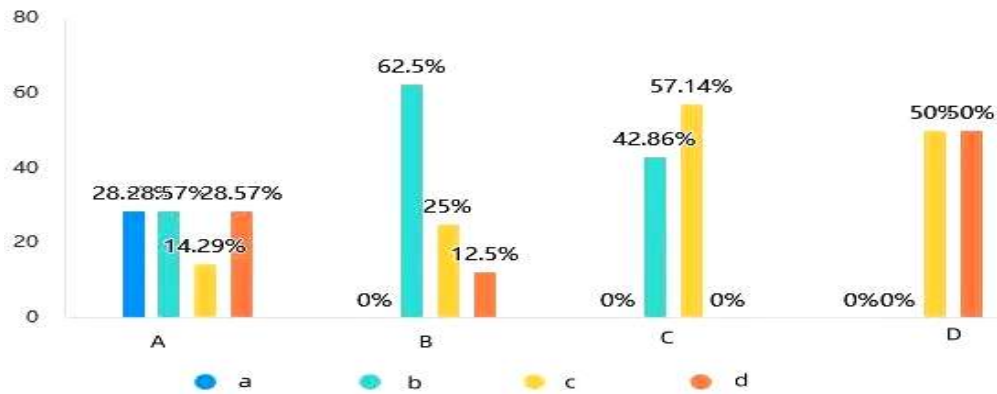


Figure 3: Comparison between the frequency of employee appraisals by superiors and employees' feelings

#### IV. Performance Management Issues Analysis

After conducting questionnaire surveys and interviews, and analyzing and summarizing in-depth discussions with interviewees, the current problems of performance management of the enterprise were derived. They can be classified as follows:

##### Detachment of Performance Management from Strategic Goals

Although the enterprise had a relevant performance appraisal system, it was only used as a reference (IV1). It did not clarify how to appraise employee performance, leaving employees unclear about promotion rules (IV4). There were employees who completed their tasks blindly, managers complained that their subordinates were not capable enough (IV3) and the tasks assigned by the boss could not be completed as scheduled. Due to the external environment was constantly changing with market dynamics, and internal resources were limited with indicators, the performance plan formulated at the beginning of the performance review cycle may become ambiguous or impractical. (Cai., & Su, 2021)

When developing work goals, the department did not follow the enterprise's development strategy. Instead, they only set performance indicators based on the department's current or quarterly work goals. This was like the advertising department only considering advertising data without connecting it with the future development and post-launching data of games (IV1). As a result, individual or departmental goals may be well achieved, but overall goals of the enterprise may not be met. Some employees' work priorities and performances conflicted with the enterprise's strategic goals, which led to poor management performance, and the inability to effectively evaluate and monitor employee work performance. This could lead to difficulties in motivating and rewarding employees for their work performance and contributions, and caused confusion regarding the direction of their efforts, ultimately affecting the enterprise's strength and competitiveness.

When performance appraisals fail to serve the enterprise's strategic goals, unclear work goals for employees can rise. A phenomenon may appear such as Employee A needs to accomplish a target of 500,000 while Employee B only needs to accomplish 400,000, leading to confusion and demotivation for employees with higher targets, and making them lack of motivation and enthusiasm (IV2). At the same time, there may be a mismatch between employees' work objectives and their actual tasks. It makes employees being unable to recognize their own value and contributions to the organization, and unable to receive meaningful feedback and recognition, which could diminish employee motivation and drive. Unclear performance assessment goals and an ineffective performance management process that fails to reflect the organization's actual needs may lead to misalignment between performance management and enterprise development. It may also prevent effective implementation of corporate strategic goals, inhibit personal development for employees, and impedes the enterprise's continuous growth, thereby affecting long-term business development and competitiveness.

##### Incomplete Performance Management System

When an organization's performance management system is incomplete and assessment goals are too general, employees are unable to measure their work performance (IV5, IV3, IV4). The mismatch between performance management goals and systems and employee's actual work can lead to a lack of clear performance goals and standards. This can make it difficult to evaluate and monitor employees' work performance effectively, which can easily result in unreasonable final evaluation results.

Additionally, some departments had not formed effective performance management methods and systems due to a lack of attention to performance evaluation. Employees in the department exhibited varying levels of work progress, with some being highly active and others simply fulfilling their duties (IV3, IV5, IV6). The organization did not consider employee motivation to be an important management tool, and did not

develop well-defined incentive policies or schemes. The system was lack of flexibility and could not provide employees with good personal development and promotion opportunities. The current methods of performance evaluation lacked scientific and objective standards, resulting in inaccurate and unfair results. This, in turn, failed to inspire employees' motivation and creativity, and accurately evaluated their work performance and contributions, ultimately affecting their work performance and satisfaction.

#### **Low Standardization of Performance Management**

The enterprise currently adopted a performance appraisal method based on supervisor evaluation. For example, its quarterly bonuses were distributed by department heads rather than based on tasks completed (IV3, IV5). This indicated that the degree of standardization of performance management was low, and the performance evaluation results may be subjective and unfair. Due to evaluator negligence, bias, preferences, and subjective judgment, differences may exist between different evaluators. Employees may perceive the performance appraisal process as lack of impartiality (IV1). Additionally, personnel responsible for performance management lacked professional knowledge and skills, and the performance management process set up was not standardized, resulting in unclear evaluation processes and standards. This reduced the accuracy and reliability of evaluation results. Moreover, if there was inadequate communication and delayed feedback during the performance management process, employees' work performance and contribution could not be accurately reflected.

#### **Informatization Level of Performance Management Needs to be Improved**

Currently, the enterprise still adopted manual data entry (IV6), which not only wasted time and resources, but was also prone to errors. This led to inefficiencies in data collection and analysis, making it difficult to perform accurate and timely data analysis and reporting. As a result, it affected the effectiveness of performance management by not providing accurate data and analysis results. On the other hand, the low level of informatization in performance management presented a concealed security threat, and data leakage or loss could have a significant impact on the enterprise.

There were concerns regarding the authenticity of the performance data. The enterprise recorded working hours every month, which were self-reported by employees themselves, raising questions about their reliability. In addition, the recorded hours were roughly estimated on a proportional basis (IV2), which may lead to inaccuracies. Furthermore, the involvement of multiple departments and personnel in a single project may compromise the accuracy and reliability of the evaluated data.

In addition, managers may cause problems by using tools inappropriately. For instance, the HR department utilized attendance information and meeting attendance records collected by DingTalk to conduct basic evaluations of employee performance; while other platforms, such as Facebook, Google and Owl (IV4) used by departments such as the Advertising Department and Operation Department, had too many people using a single account, resulting in inaccurate data that cannot evaluate individual work in a timely and effective manner.

### **V. Innovative Countermeasures for Performance Management**

Traditional performance management is highly subjective. But in the era of data, changes in enterprise management thinking and working styles are occurring, gradually steering performance away from outdated management methods towards digitization. By building information and data platforms, we can connect the various modules of human resource management and display the performance level of each department through objective data. This can aid managers in making diverse decisions. Therefore, innovation in performance management is crucial for small and medium-sized enterprises in the digital era (Wang, 2022).

#### **Standardization and Transparency in the Performance Management Process**

In the context of digitization, performance management should be more transparent and open. Digital management tools enable managers and employees to conduct performance appraisals online through multiple channels. Enterprises can develop standardized evaluation processes and standards to enhance employee participation. Performance indicators and scoring rules can be formulated for sub-projects of each major gaming category. This allows employees participating in the project to know how each of their tasks is evaluated, enhancing their trust and satisfaction with the assessment work (IV2). The formulation of performance plans, process implementation, evaluation and feedback can all be conducted online. Every employee involved in performance management, whether in the publicity, advertising or planning departments, can view their evaluation standards, progress and results in this system. Project progress can also be adjusted in a timely manner. An open and transparent performance management process can assist employees in clarifying their work performance and future development direction, promoting their personal development and career growth,

and enhancing their work motivation and participation. Additionally, it can reduce employees' uncertainty and distrust in performance evaluation, and ultimately enhancing their trust and sense of belonging to the enterprise.

### **Diversified Performance Appraisal**

A series of scientific and intelligent evaluation indicators should be formulated based on the strategic goals and business needs of the enterprise. These indicators should include performance, work quality, work efficiency, teamwork, innovation ability, professionalism, etc. The establishment of an indicator library requires multi-faceted participation and feedback to ensure the comprehensiveness and objectivity of the evaluation indicators (Chen, 2022). Establishing a comprehensive, scientific, and reasonable performance management indicator library can help enterprises better evaluate employees' work performance and provide employees with clearer work goals and performance requirements.

H Joy implemented a flexible work schedule, which made attendance evaluation as of little significance. To comprehensively evaluate employees' work performance, the enterprise can utilize the 360-degree performance evaluation method. This includes conducting interviews with grassroots employees (IV1); self-evaluation every quarter and peer evaluation among colleagues within the same project group (IV5); and the business department can undergo customer evaluations as it has many external interactions. All these allow employees to receive feedback and suggestions from various sources. By integrating multiple opinions, employees can measure their strengths and weaknesses with more accurate evaluations to achieve self-improvement goals.

Performance management is originated in a highly developed market economy. Against such a background, it is linked to employees' sense of achievement and is crucial for encouraging and mobilizing employees to improve work efficiency. Enterprise leaders should establish a sense of innovation and development, introduce advanced performance management concepts, and implement systematic and innovative management models. When rewarding employees, it is necessary to establish evaluation criteria to truly achieve fair competition. Innovative management models can only have practical significance and value when guided by a scientifically innovative performance management plan (Liu, 2018).

Performance evaluation software can be used to automate the performance management process, reduce human intervention and errors, and improve the accuracy and reliability of evaluations. By integrating employee performance results, computer technology and data analysis methods can be used to evaluate employee work performance; in addition, the software can provide real-time performance data and analysis results to help companies more accurately evaluate employee performance and work results, and generate performance reports and data analysis results in a faster pace.

### **Selecting Performance Appraisal Methods Compatible with the Enterprise**

In the rapidly evolving digitization environment, it is necessary to innovate traditional appraisal methods, and choose performance appraisal methods compatible with the enterprise (Chong He, 2019). It is needed to use tools to innovate these methods, ensuring they align with the development strategy goals of different stages for small and medium-sized enterprises. These methods should be implemented and controlled by integrating them with information technology (Wang, 2022). Several interviewees of H Joy mentioned the same issue of a lack of awareness of the evaluation system. To address this, it is necessary to improve the evaluation system based on the enterprise's situation and select compatible performance evaluation methods. Performance appraisal serves as a reference for quarterly bonuses and the enterprise should allow the appraised personnel to understand its process. Participation in the process enables employees to evaluate their own work effectiveness and ability to complete tasks, which can help managers gain a better understanding of the work conditions and performance of employees.

Efficient performance management tools can assist companies in obtaining accurate and timely performance data, address spatial issues by providing feedback to both evaluators and those being evaluated without requiring face-to-face communication. This helps to improve the quality of performance management and avoid the impact of human factors on performance evaluations. At the same time, performance management tools that align with enterprise performance appraisal can track and analyze employee performance data, enable direct communication among employees and free access to information, and allow cross-functional and cross-departmental communication and decision-making through online tools like DingTalk. This helps enterprises in rapid collection, analysis, and processing of performance data to save time and labor costs. It can also record employees' daily attendance and overtime work, providing information as a basis for employee development and motivation. Additionally, it enables instant communication and interaction between employees and managers, allows employees to clarify their development directions based on their work performance, enhances their engagement and identity, thereby boosts their work motivation and competitiveness.

### **Implementing "Dynamic" Performance Management and Compensation Incentive Mechanisms**

Performance management should be a dynamic and continuous process rather than a one-time and static event. Enterprises should continuously follow up on employees' work performance and outcomes, and promptly adjust and improve performance management schemes to better suit the enterprise's actual needs and development direction. At the same time, enterprises should consider employees' suggestions and opinions to better meet their needs and expectations. The performance management process should be transformed into a dynamic and continuous process. For instance, the project leader of the Snake project should continuously monitor employees' work performance and results, oversee game optimization and advertising plans, and make timely adjustment and improvement to the performance management plan to better suit the enterprise's actual needs and development direction (IV3).

Enterprises should establish a fair and transparent compensation incentive mechanism to avoid unfair and unreasonable remuneration based on personal preferences and biases. Performance management and compensation incentives should be closely linked to better motivate employees and improve their work efficiency and quality.

### **VI. Conclusion**

This paper utilized the research methods including questionnaire surveys and participant observations to understand and analyze H Joy's performance management. The study has found several main problems, including the detachment of performance management from strategic goals, incomplete performance management systems, low standardization of performance management, and the need to improve the informatization level of performance management. To address these issues, countermeasures such as introducing performance evaluation software, establishing a performance management indicator library, selecting performance appraisal methods compatible with the enterprise, implementing "dynamic" performance management, and developing performance management and compensation incentives are proposed. It is hoped that these countermeasures can serve as references for H Joy and other similar enterprises in their performance management, helping enterprises foster a positive and harmonious atmosphere, strengthen team cohesion and solidarity, improve employees' comprehensive qualities, and enhance enterprises' influence and competitiveness within the industry.

In today's rapidly changing business environment, traditional performance management methods are no longer sufficient. With support of the continuous technological development and the evolution of enterprises' management concepts, it is imperative to drive innovation in performance management to help enterprises improve efficiency and productivity, and promote employees' personal development and career planning. Innovative performance management methods can bring higher returns to small and medium-sized enterprises and provide better career development opportunities for employees. We should continue to explore new methods and tools to better address challenges and achieve long-term success for enterprises.

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