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Reflections on the Construction of Strategic Performance Management System in Chinese Manufacturing Enterprises

Hu Can^{1a} & Dr. Ahmed Razman Bin Abdul Latiff^{1b*}

¹ City University Malaysia, Selangor Darul Ehsan, Malaysia

^a hucan_sicau@163.com

^b ahmed.razman@city.edu.my

* Corresponding author

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Abstract

In the surge of global economic integration, China's manufacturing industry is poised at the forefront of a transformational upgrade. Beyond the hum of production lines, the vital pulse lies within the robust rhythm of Strategic Performance Management Systems (SPMS). Yet, studies indicate that despite China's manufacturing sector advancing towards "intelligent manufacturing" and innovation, there are numerous areas within strategic performance management systems that urgently demand enhancement. In the coming years, for China's manufacturing industry to secure higher value positioning within the global supply chain and assert dominance in niche markets, it must seize the nerve center of strategic performance management. Confronted with a series of challenges including slowing growth, rising costs, and tightening environmental regulations, manufacturing enterprises urgently need to construct an efficient and precise performance management system. However, in reality, many enterprises still exhibit a weak strategic execution, lacking a systematic performance orientation and employee incentive mechanisms, often resulting in a disconnect between strategic objectives and performance management. The factors affecting the effective implementation of strategic performance management within enterprises are intricate. Internal factors primarily encompass the rigidity of corporate culture, bottlenecks in leadership style and employee engagement, as well as hindrances in information sharing and communication mechanisms. External factors involve the volatility of market environments, unclear policy directions, and intensifying international competition. The formulation of a comprehensive performance management system undoubtedly holds profound significance for optimizing resource allocation, reinforcing core competitiveness, and enhancing

strategic responsiveness.

Keywords

Chinese manufacturing companies, performance management, construction

1. Introduction

Amidst the era of profound integration between informatization and industrialization, Chinese manufacturing enterprises increasingly perceive the pressures and opportunities emanating from the global market. The establishment of a strategic performance management system has become a pivotal lever for propelling the sustained development of enterprises. Within the coordinates of history, examining the developmental backdrop and competitive environment of Chinese manufacturing, it is not difficult to discern that effective management of strategic performance not only can furnish enterprises with competitive advantages but is also an imperative measure for their transformation and upgrading. This article will scrutinize the current state of strategic performance management systems in Chinese manufacturing enterprises, dissecting the challenges and common issues they face, and offer a theoretical framework for their construction. The construction of the theoretical framework begins with the delineation of strategic objectives, extends to the selection of key performance indicators, proceeds to the formulation of performance evaluation criteria and incentive mechanisms, and finally delves into the significance of strategic management tools and technological stress testing.

2. Analysis of the Current Situation of Strategic Performance Management System in Chinese Manufacturing Enterprises

2.1 Positioning of Chinese Manufacturing Industry in the Global Supply Chain and the Challenges it Faces

In contemplating the current landscape of strategic performance management systems in Chinese manufacturing enterprises, one cannot overlook the pivotal role that China plays in the global supply chain. China, often referred to as the world's factory, boasts an unparalleled manufacturing volume and, through its scale and cost efficiency, occupies a critical position in the global supply chain. However, this stature is not without its trials. Intensifying competition in the manufacturing sector, the accelerating pace of technological innovation, and fluctuations in the international trade environment all present unprecedented challenges to "Made in China." First and foremost, the escalation of competition is an undeniable reality in the manufacturing sector. With the emergence of manufacturing in other regions such as Southeast Asia, Chinese manufacturing must confront rising labor and raw material costs, placing pressure on profits and market share. Consequently, Chinese manufacturing needs to intensify efforts in technological and managerial innovation to enhance its core competitiveness and maintain its crucial position in the global supply chain. Secondly, technological advancements are disrupting traditional manufacturing models. The advent of concepts like smart manufacturing and Industry 4.0 implies that enterprises clinging to conventional models face the risk of

market obsolescence. Hence, driving the transition of manufacturing towards intelligent production becomes an urgent priority for Chinese manufacturing. This necessitates not only investment in advanced machinery but also upgrades in talent and skills to ensure the operation and maintenance of these modern production lines. Lastly, fluctuations in the international trade environment, such as the rise of trade protectionism and changes in multilateral trade agreements, also bring uncertainty to Chinese manufacturing. To mitigate this uncertainty, Chinese manufacturing enterprises are required to continuously enhance the value-added of their products and services, deepen brand building, and strengthen external economic cooperation to expand international markets. Faced with these challenges, Chinese manufacturing enterprises, in establishing strategic performance management systems, need to deeply comprehend their positioning in the global supply chain and maintain a high sensitivity and adaptability to changes in the external environment. Through internal optimization and external expansion, effectively addressing the dual challenges of competition and technological change, uncovering potential business opportunities, and building robust global competitiveness—these are the issues that Chinese manufacturing enterprises cannot evade in the construction of strategic performance management systems (Yan & Yu, 2023).

2.2 General Problems of the Current Strategic Performance Management System of Enterprises

In the process of exploring the construction of strategic performance management systems in Chinese manufacturing enterprises, it is evident that a plethora of pervasive issues emerge, exerting a significant influence on the long-term development of enterprises. Understanding the essence of these issues and their underlying causes is of paramount importance for enhancing corporate competitiveness and advancing industrial upgrading. Foremost among these issues is the conspicuous prevalence of shortsighted behavior in the design and implementation of strategic performance management systems by many Chinese manufacturing enterprises. This shortsightedness is manifested in an excessive focus on current operating costs and profits, neglecting the long-term considerations stemming from enterprise strategies. Consequently, enterprises often resort to measures that solely pursue short-term performance, lacking foresight in anticipating and responding to market changes, thereby compromising the ability of enterprises to sustain development. Simultaneously, the lack of a systematic and integrated strategic performance management philosophy is also a major concern. Specifically, some manufacturing enterprises have yet to establish performance management systems guided by strategy, comprehensive in scope, and interconnected. This implies a deficiency in effective linkage and transformation mechanisms from top-level strategic objectives to operational execution, resulting in a disconnect between strategic goals and day-to-day operational activities, hampering efficient resource allocation and optimization adjustments. Additionally, inadequate application and analysis capabilities of data further constrain the effective operation of enterprise strategic performance management systems. Against the backdrop of rapid advancements in information technology, technologies such as big data and cloud computing offer new possibilities for performance management. However, many enterprises still struggle in this regard, failing to effectively utilize

existing data resources, with limited capabilities in data collection, processing, and analysis, thereby struggling to provide robust support for strategic decision-making. The issue of talent loss cannot be overlooked either. Exceptional talents are crucial assets for enterprise development; however, when enterprises fail to provide development space and incentive mechanisms commensurate with their abilities, talent loss becomes an unavoidable issue. This not only directly impacts the efficiency of strategic execution but also indirectly leads to the loss of internal knowledge accumulation and innovation capabilities within the enterprise.

2.3 Internal and External Factors Affecting the Effective Implementation of Strategic Performance Management

The operational landscape of Chinese manufacturing enterprises presents a tapestry of challenges in strategic performance management. The factors influencing its effective implementation are intricate, encompassing not only internal mechanisms of governance, corporate culture, and workforce proficiency but also extending outward to industry competitive dynamics, policy orientations, and the volatility of market demands. Within the enterprise, the imperfection of governance mechanisms stands as the critical bottleneck hindering the realization of performance management. Many enterprises adopt an exploitative approach, lacking a strategic performance management system tailored for long-term development. This absence perpetuates performance evaluations often confined to surface-level performance accomplishments, neglecting the significance of continuous improvement and innovation. Furthermore, the immaturity of corporate culture in some enterprises fails to support the complexity of strategic performance management systems, resulting in a disparity between ideology and action. On the cultural front, many enterprises lack effective value guidance during rapid growth phases, leading to a lack of unified direction in employee behavior and a disconnection between individual performance and corporate strategic objectives, impeding overall performance enhancement. The imbalance in workforce proficiency also detrimentally affects the construction and execution of performance management systems (Wei, Yujiao, & Mingshan, 2024). Without a correct understanding of strategic goals and adept mastery of performance management tools, even meticulously designed management systems struggle to yield expected efficacy. From an external standpoint, the intensity of industry competition, the pace of technological advancement, policy shifts, and market demand uncertainties are all pivotal factors that enterprises cannot afford to overlook. Competitors' strategic adjustments may significantly impact an enterprise's own performance. The fluctuations in macro factors such as geopolitics, policy changes, and economic environments further compound the complexity and uncertainty of strategic execution. Against this backdrop, manufacturing enterprises must demonstrate sufficient agility and adaptability to flexibly respond to evolving external pressures. In summary, if Chinese manufacturing enterprises aspire to maintain their edge in fierce domestic and international competition, they must thoroughly analyze various internal and external factors, constructing and refining strategic performance management systems capable of promptly responding to external environmental changes and fostering internal continuous progress. Only through such

profound introspection and innovation can the continuous advancement along the path of long-term enterprise development be ensured.

3. Theoretical Framework for the Construction of Strategic Performance Management System

3.1 Determination of Strategic Objectives and Key Performance Indicators (KPIs)

In crafting a strategic performance management framework, Chinese manufacturing enterprises should distinctly grasp the relationship between strategic objectives and Key Performance Indicators (KPIs). This endeavor transcends mere planning for the company's future trajectory; it serves as a pivotal instrument in competitive prowess. The foremost task demands that enterprises elucidate their strategic goals. These objectives should not be nebulous concepts but rather tangible outcomes to measure. For instance, if a company's aim is to augment market share, this aspiration should metamorphose into a specific percentage increase in market occupancy. The measurability of objectives stands as an indispensable facet in the implementation process, directly impacting the scientific and rational establishment of subsequent KPIs. Subsequently, the selection of key performance indicators must align seamlessly with the enterprise's strategic objectives. These metrics should be both specific and challenging, yet not surpass the company's actual execution capacity. Appropriate KPIs should not be overly intricate, lest they diffuse attention and resources; instead, they should concentrate on pivotal focal points. For example, manufacturing enterprises might focus on metrics such as the rate of achieving product quality standards, the proportion of production efficiency enhancement, and customer satisfaction levels. Lastly, the establishment of KPIs should also embody the principle of dynamic optimization. As external market conditions and internal operational capabilities evolve, KPIs necessitate corresponding adjustments to maintain their relevance and adaptability. This implies that enterprises must institute a comprehensive feedback mechanism to monitor the execution status of each indicator in real-time and effectuate timely strategic recalibrations based on feedback (Minghao Z ,Chen L ,C. L. A. Y. et al., 2024).

3.2 Formulating Performance Evaluation Standards and Incentive Mechanisms

When crafting the strategic performance management system for Chinese manufacturing enterprises, the establishment of performance evaluation criteria and incentive mechanisms appears particularly pivotal. It not only ensures the concretization of corporate strategic objectives but also endeavors to stimulate employee enthusiasm, thereby propelling the overall efficiency and development of the enterprise. The formulation of performance evaluation criteria should be grounded in scientific rationale, closely aligned with the practical realities of the enterprise. On one hand, this necessitates a clear delineation of the company's strategic goals, core competencies, and market environment, thereby fully integrating these elements into the evaluation criteria. On the other hand, the criteria need to possess quantifiable, easily implementable characteristics, ensuring that all indicators objectively and impartially reflect employees' work performance. In doing so, not only can clear performance feedback be provided to the enterprise, but it can also guide employees to more clearly recognize their

responsibilities and objectives. The design of incentive mechanisms should focus on harnessing employees' intrinsic motivation and innovative potential. Effective incentive mechanisms are reflected not only in material rewards but more importantly in meeting employees' spiritual needs and desires for professional development. For instance, for outstanding performers, enterprises should not only offer bonuses, promotions, and other material incentives but also consider providing non-material incentives such as career training, learning opportunities, to comprehensively satisfy employees' pursuit of success and growth. This approach can effectively enhance employees' sense of belonging and satisfaction, enabling them to actively contribute to the future development of the enterprise. In implementing this theoretical framework, it is imperative to pay attention to regular inspections and adjustments of its practical application effects. Enterprises should timely optimize and adjust performance evaluation criteria and incentive mechanisms according to changes in the internal and external environment, ensuring that both continuously align with the developmental needs of the enterprise, thus providing robust support for its sustained and healthy development.

3.3 Introducing Strategic Management Tools and Technical Stress Tests

The introduction of strategic management tools and the implementation of technological stress testing play pivotal roles in shaping the strategic performance management framework of Chinese manufacturing enterprises. This endeavor transcends mere selection of appropriate tools and techniques for strategic planning and execution; it encompasses the integration of these tools and techniques into the corporate culture and daily operations, ensuring their tangible contribution to the implementation of enterprise strategies. Primarily, it is imperative to note that in selecting strategic management tools, companies must assess their alignment with their strategic objectives. Among the plethora of tools such as SWOT analysis, PEST analysis, and Porter's Five Forces model, each possesses unique advantages and limitations. The correct choice not only aids in more accurately identifying external opportunities and threats but also effectively reveals internal strengths and weaknesses, thereby facilitating the formulation of targeted strategic plans. Technological stress testing represents a further advancement upon this foundation. It transcends the mere application of strategic management tools, serving as a comprehensive examination of the efficacy of the strategies devised by the enterprise in response to market dynamics. By simulating various market scenarios, such as economic downturns, supply chain disruptions, or the emergence of new competitors, companies can pre-evaluate the potential risks and rewards of various strategic choices, thereby optimizing the formulation of more resilient and flexible strategic response strategies. The crux of this process lies in ensuring that the introduced management tools and technologies are not confined to theoretical research or surface-level application but permeate every facet of the enterprise, becoming an integral part of daily decision-making and operations for all employees. Such an approach not only enhances the company's adaptability to external changes but also elevates its internal strategic execution, ensuring the maintenance of competitive advantage amidst fierce market competition and facilitating long-term sustainable development. In summary, the adoption of strategic management tools and the undertaking of technological stress testing represent

critical steps in establishing an effective strategic performance management system. Through the judicious application of these methodologies, Chinese manufacturing enterprises can better navigate market fluctuations, flexibly adjust strategies, and ultimately propel sustained progress and development (Xingyue, Fangxin, Haizhou et al., 2023).

4. Construction Strategy of Strategic Performance Management System for Chinese Manufacturing Enterprises

4.1 Define the Objectives and Principles of Strategic Performance Management

When constructing a strategic performance management system for Chinese manufacturing enterprises, it is essential to clarify their management goals and principles. The setting of performance management goals should be aligned with the company's long-term development vision, while the establishment of principles serves as a behavioral guideline and quality assurance in the implementation of performance management. Firstly, it is crucial to establish strategic goals that are forward-looking and practically guiding, reflecting not only the direction of the company's development but also considering its current circumstances and capabilities. For instance, a company focusing on high-end manufacturing may set its strategic performance management goals on enhancing innovation capability, researching and developing high-quality products, and increasing market share. Establishing such goals can not only provide direction for employees but also align efforts across departments towards a common purpose. Furthermore, the principles of the performance management system need to be reflected in providing employees with a clear and fair evaluation mechanism. Typically, this involves setting objective assessment criteria, such as quality control indicators, aiming to ensure that all departments adhere to the principle of quality first and efficiency priority. Emphasizing process evaluation is equally crucial, focusing not only on results but also on improving the efficiency and quality of operations. Combining strategic goals and principles, the performance management system should pay attention to the integration with corporate culture, as corporate culture helps form a common set of values and behavior patterns. Companies should promote a positive, innovative culture that encourages employees to understand that every effort to pursue excellence is an integral part of corporate development. Through the combination of such cultural shaping and strategic performance management goals, companies can achieve sustained progress and development.

4.2 Design a Reasonable Performance Indicator System

Within the realm of Chinese manufacturing enterprises, establishing a coherent framework of performance metrics stands as the cornerstone of strategic performance management. A meticulously crafted set of metrics, akin to celestial maps guiding spacecraft, furnishes precise directives for the trajectory of enterprise development. A judicious system not only ensures comprehensive quantification covering various facets of corporate strategic objectives but also reflects the enterprise's long-term growth trajectory and market dynamics. Constructing such a framework entails, as a paramount step, analyzing the enterprise's core competencies to discern the pivotal factors propelling

its growth. This necessitates comprehensive considerations from multiple angles such as corporate culture, resource allocation, and market positioning. Subsequently, it requires the precise selection of indicators effectively measuring these critical factors. For instance, for manufacturing enterprises, capacity utilization and product defect rates serve as pivotal indicators reflecting production efficiency and product quality. However, indicator design should not be confined solely to quantitative tracking but should also incorporate a guiding role concerning enterprise development trends and employee behavior. This implies that the performance metrics system should inspire teams to continually innovate and pursue excellence rather than merely accomplishing tasks. For instance, by incorporating indicators related to innovative outputs, it stimulates employee creativity and encourages breakthroughs in technology and management. Furthermore, this system necessitates dynamic adjustments to adapt to environmental changes. Markets are perpetually in flux, and if the metrics system remains rigid, it may impede the enterprise's timely responses. Hence, ensuring the effectiveness of performance management entails periodic performance reviews and analyses, promptly adjusting metrics to ensure their synchrony with the challenges and opportunities currently faced by the enterprise. Designing a rational system of performance metrics not only enhances internal management efficiency but also assists enterprises in accurately grasping developmental trends in the fierce market competition, fostering sound decision-making and effective strategy execution. It's akin to endowing the robust manufacturing industry of China with a pair of foresighted eyes, aiding its progression amidst the tumultuous global competition (Hongna, Liyan, Li et al., 2023).

4.3 Strengthen Performance Feedback and Communication Mechanism

In the process of constructing a strategic performance management system for Chinese manufacturing enterprises, strengthening the mechanisms for performance feedback and communication is a pivotal element. This pertains not only to the flow and sharing of information but also to its capacity to effectively enhance the transparency of enterprise management and foster employee engagement. The functionality of performance feedback and communication mechanisms lies in promptly conveying the results of performance evaluations to relevant personnel, ensuring that everyone can clearly understand their work achievements and future developmental directions. If such feedback processes can be systematized and regularized, they will become powerful tools for motivating and supervising employees within the enterprise. Feedback mechanisms not only need to provide positive incentives but also offer constructive criticism for existing issues, guiding employees towards higher work standards. Communication is a two-way street in constructing a conducive work environment. Along this thoroughfare, from management to frontline staff, all must open their minds and express their views and opinions. A sound communication mechanism can provide employees with a platform to articulate their personal viewpoints, making them feel that their voices and opinions are respected and can genuinely influence the development of the enterprise. In essence, communication and feedback are like mirrors, reflecting the true state of the enterprise's performance management. When employees have a clear understanding of their contributions, their enthusiasm, creativity, and loyalty to the

enterprise will significantly increase. Therefore, constructing an effective performance feedback and communication mechanism is by no means as simple as filling out forms or formulating regulations; it embodies the philosophy of talent recognition and the importance of corporate culture construction. In summary, in this era of rapid change, if Chinese manufacturing enterprises are to maintain their competitiveness, they must ensure unimpeded internal communication, provide timely feedback on market dynamics externally, and continually optimize their strategic performance management systems to achieve sustainable development.

5. Conclusion

Having traversed decades of developmental journey, the Chinese manufacturing industry is currently at a pivotal stage of transitioning from a speed-oriented model to one focused on quality and efficiency. The significance of strategic performance management systems as a bridge between corporate strategic planning and daily operations is self-evident. Discarding excessive reliance on traditional performance evaluation, by clearly defining management objectives and principles, designing a rational system of indicators, and reinforcing feedback mechanisms, can foster the optimization and management of internal and external resources within enterprises. The future of enterprises lies in the strategic insight and execution capabilities of leaders, in the refinement of cohesion and innovation among every employee, and in the organic integration and effective implementation of strategic performance management systems. From the strengthening of internal employee training to the expansion of external channels, from the formulation of a mere strategy to the global strides of Enterprises, the optimization and upgrade of strategic performance management systems not only concern the rise and fall of a single enterprise but also illuminate the path of high-quality development for the Chinese manufacturing industry. Let us collectively anticipate that under this framework, the Chinese manufacturing industry will achieve a qualitative leap and usher in a new chapter of development.

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