

# Performance management in automotive companies in Central Europe

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supervised by  
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## MASTER THESIS

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## Affidavit

I, **MICHAL MATUSEK**, hereby declare

1. that I am the sole author of the present Master's Thesis, "PERFORMANCE MANAGEMENT IN AUTOMOTIVE COMPANIES IN CENTRAL EUROPE", 64 pages, bound, and that I have not used any source or tool other than those referenced or any other illicit aid or tool, and
2. that I have not prior to this date submitted this Master's Thesis as an examination paper in any form in Austria or abroad.

Vienna, 15.12.2010

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Signature

### **Acknowledgment**

It's an honour for me to thank Mgr. Branislav Vargic, PhD. for his educational and professional supervising of this Master thesis, whose encouragement, guidance and support from the start to the end enabled me to write the Thesis and better understand the Performance management science.

## **Abstract**

The main goal of the thesis is to identify and analyse the main problems linked to the performance management the production plants of global automotive companies in Central Europe face, and to propose measures that could, when correctly implemented, eliminate them. The theoretical part starts with a short description of the automotive industry in the region of Central Europe and points to its importance for each country and describes the best practices in the field of managerial and leadership approach. It defines some common mistakes managers and leaders make. Performance management, as a science and a set of tools, is described, particularly goal setting and goal evaluation. The practical part of the Thesis analyses the actual situation in automotive companies in Central Europe in the area of performance management. Using analytical tools the potential root causes of the problems are identified and measures to avoid them developed. Each supplier should introduce, or check the correct implementation of the proposed measures in order to eliminate the most important problems. Those measures have more preventative character and their correct implementation has longterm effects.

**Key words:** automotive industry, organization, project, performance, key performance indicators, manager, leadership.

## TABLE OF CONTENTS

List of tables and figures .....	vi
Abbreviations list .....	vii
<b>CHAPTER 1 - INTRODUCTION.....</b>	<b>1</b>
Background of the Problem .....	1
Significance of the Problem and research motivation.....	2
General statement of the Problem .....	3
Main objective and partial objectives of the thesis .....	3
Hypothesis statements .....	4
Master thesis methodology .....	5
Research methods.....	8
Questionnaire structure .....	8
Theoretical framework .....	12
<b>CHAPTER 2 - REVIEW OF THE LITERATURE.....</b>	<b>13</b>
Automotive industry in Central Europe .....	13
World Class Enterprise .....	15
Performance management .....	17
Objectives setting and KPI definition .....	18
KPI evaluation and system rewards .....	21
Common mistakes in performance management .....	22
Examples of KPI's in the automotive industry .....	23
Mangers versus leaders .....	24
Leadership styles .....	26
Leadership qualities .....	29
Common mistakes in managerial ans leadership approach.....	32
<b>CHAPTER 3 - Research results, analysis and evaluation.....</b>	<b>34</b>
Research results.....	34
Research analysis and main findings .....	48
Main problems identification and analysis .....	54
Recommendations for improvement.....	57
Results discussion and thesis contribution.....	58
Theoretical contribution .....	58
Practical contribution and hypothesis evaluation.....	59
Conclusion .....	63
Literature sources .....	65
Attachements.....	67

## LIST OF FIGURES AND TABLES

### LIST OF FIGURES

- Figure 1: Methodical approach in practical part of the Thesis
- Figure 2: Location of companies
- Figure 3: Car production in Central European countries
- Figure 4 : Matrix organizational structure
- Figure 5 : Performance management system in an organization
- Figure 6: Manager's versus leader's approach
- Figure 7: Leadership styles
- Figure 8: Wallenda factor
- Figure 9: Existence of the individual objectives
- Figure 10: Understanding the objectives
- Figure 11: Possibility to comment the objectives
- Figure 12: Frequency of objectives follow up and evaluation
- Figure 13: Responsibility distribution among departments
- Figure 14: Non compliance of cross-departmental objectives
- Figure 15: Individual's motivation by objectives
- Figure 16: Satisfaction with the performance remuneration
- Figure 17: Motivational factors
- Figure 18: Satisfaction with boss' way of managing the performance
- Figure 19: Manager's support in case of a problem
- Figure 20: Commending for a well done job
- Figure 21: Manager's interest in subordinates development
- Figure 22: Opinion about evaluation meetings
- Figure 23: Opinion about manager's competencies in PM
- Figure 24: Professional training on performance management
- Figure 25: Existence and efficiency of individual development plans
- Figure 26: Managers participation in job description process
- Figure 27: Job description application
- Figure 28: Performance management system in the company
- Figure 29: Ishikawa diagram for Performance management problems

### LIST OF TABLES

- Table 1: Methods used in the Master thesis

## ABBREVIATIONS LIST

GDP	Gross Domestic Product
KPI	Key Performance Indicator
KSI	Key Success Indicator
OEE	Overall Equipment Efficiency
OEM	Original Equipment Manufacturer
R&D	Research and Development

## **CHAPTER 1 - Introduction**

Up to the break out of the world financial and economical crises in 2008, the automotive industry had been for many years the fastest growing industry in Slovakia, as well as in other countries of Central Europe. The automotive industry is one of the major „engines“ of the economy of each Central European country. Hundreds of thousands of people work directly in the automotive companies, a similar number of employees work in the industries directly or indirectly connected with the automotive industry.

### **Background of the problem**

Besides strong technical and manual skills, foreign investors in Central Europe are in need of local managers able to run and continuously develop the production plants in synergy with their headquarters' strategy and to reach the defined objectives. Historically, the region of Central Europe has a strong industrial background. Therefore, it could propose to foreign automotive investors experienced engineers and technical experts. Based on the researcher's personal experience, the managerial skills hadn't been developed as much. Even today, 20 years after the first foreign investors came to this region, personal experience and everyday contact with people working in the automotive companies in Central Europe points to the need for improvement in this area.

Often, there's no self reflection about such a need and no effort or interest in change. Many managers have the feeling of having natural managerial skills and running a managerial position without proper training or mental adjustment. The result is that the motivation of the subordinates is low and the individual performance is going down. Only excellent managers can really create world class companies and find the right equilibrium between two groups – those waiting for the results (shareholders, investors, hierarchical managers) and those who are expected to deliver the results (direct subordinates).

Without relevant training, those people developed and got familiar with their own methods and procedures of people management, changed several positions within the same production plant and/or became managers in other companies. And applied the same bad approach as before. As it is said, the first step to health is to

know that we are sick, in their case the first step to change is to forget the practices they have used and learn or get familiar with the best practices in the field of people management. Not to mention, that such change takes time and practice and the results cannot be expected immediately.

The main problems of Central European automotive plants can be identified based on the analysis of the current situation. Using appropriate analytical methods, we can define the root causes of the problems and consequently define the recommendations to solve them. It is obvious that many issues in performance management are linked to the disrespect of internal rules of the company, company's culture or to the human factor. Again, there is a room for analysing how could we improve the situation and find the potential for improvement.

### **Significance of the problem and research motivation**

In his current job position in the past years the researcher has had the opportunity to cooperate with dozens of automotive production plants in Central Europe and has met and spoken to hundreds of people working in the plants. Besides several pure Korean or German customers, all the companies in question were global automotive companies with production plants in Central Europe, such as Visteon, Bosch, Valeo, Faurecia, Magna, Toyota Gosei, ZF Sachs, Tower Automotive, Kirchhoff, s.n.o.p., Witte, Tiberina, Cooper Standard, GKN Driveline, Rehau, Groupo Maier, JTEK, Treves, Mecaplast, Hutchinson, Benteler, Continental, TI Automotive, Miba, Mann-Hummel, Pierburg, Simoldes Plasticos, TRW, Trelleborg, Magneti Marelli or PSA Peugeot-Citroen. Even if the cooperation was not directly linked to the performance management, he has deducted from the discussions their dissatisfaction with the company's way of people management.

This indirect observation and personal experience gave him the idea that there's a real need for improvement in the area of managerial approach from push to pull. People often didn't know the responsibility distribution within their project team or among the departments in the plant. For employees, their manager often is not a natural authority, doesn't motivate them, is not helpful in case of problems and last but not least, the manager is not interested in their personal and professional development.

## **General statement of the problem**

In the framework of this Master thesis we'll focus on the identification and analysis of the *main problems of automotive companies in Central Europe linked to the performance management* and factors directly or indirectly influencing it, and on the definition of the recommendations for improvement.

## **Main objective and partial objectives of the thesis**

**The main objective** of the thesis is to *analyze the performance management* execution by companies processes and even more the managers in automotive companies in the region of Central Europe and *improvement proposals definition* to eliminate the main issues the production plants face. Except for avoiding the existing problems, the implementation of the recommendations can contribute to overall efficiency improvement, cost reduction and employees satisfaction and motivation.

The essential assumption of the main objective achievement is the correct definition and realization of the *partial objectives (hereafter as „PO“)*, which are defined as follows:

- PO 1 *Accumulation of theoretical knowledge* connected with the performance management and Central European automotive industry from various resources (scientific conferences, conference proceedings, relevant papers, journals, books, and electronic resources).
- PO 2 *Analysis and processing* of the latest scientific information about the area of performance management and Central European automotive industry.
- PO 3 Description of the *current situation in performance management* in production plants in Central Europe, focusing on identification of the main problems directly or indirectly connected with performance management.
- PO 4 *Questionnaire analysis* of respondents' individual experience with performance management as a process in their companies and comparison with information described in the theoretical part of the Master thesis.

PO 5 *Questionnaire analysis* of respondents' individual satisfaction with performance management in their companies as implemented and executed by their managers and comparison with information described in the theoretical part of the Master thesis.

PO 6 *Gather respondents ideas for improvement.*

*PO 1* and *PO2* of the Master thesis represent the theoretical data and their further application in practice. The analysis of the latest knowledge is carried out using different sources of information such as books, and relevant electronic resources, and MBA Program's handouts.

The basic assumption of the *PO3* of the Master thesis was the personal experience and theoretical recognition that the people working in the automotive industry in the region of Central Europe are not satisfied both with the system of performance management and the way their managers execute it. The research was run to confirm or disprove the assumption about the main problems of production plants in defined area connected with the performance management and, at the same time, to identify other problems that we did not take into consideration at the beginning or did not consider them as important. While defining the current situation in the area of performance management in Central Europe, the researcher focused on following *hypothesis*:

#### **Hypothesis statements:**

Based on the personal experience and literature study, the following hypothesis have been identified by the author:

- definition and evaluation of performance indicators is not clear to employees
- there is not enough room for employees to comment on their objectives
- the respondents are not motivated by their objectives
- the respondents are not satisfied with the way their managers' approach vis-a-vis the performance management and consider them not to be skilled enough in the area
- there's a low level of performance management training in the automotive companies in Central Europe

- personal development plans do not exist at least for 50% of the respondents
- it often happens that the one's department objectives are in contradiction with other department objectives
- managers do participate in the job description of their subordinates
- employees do not have the feeling that their boss is helpful in case of problems
- managers do not commend their subordinates for a well done job
- managers are not interested in the professional development of their subordinates
- performance evaluation meetings are rather a formal meeting without practical outputs
- all in all, people are not satisfied with their manager's approach to performance management
- all in all, people are not satisfied with the performance management system in their companies

Afterwards, the research questions composition reflected the need for confirmation or non-confirmation of each of the hypothesis.

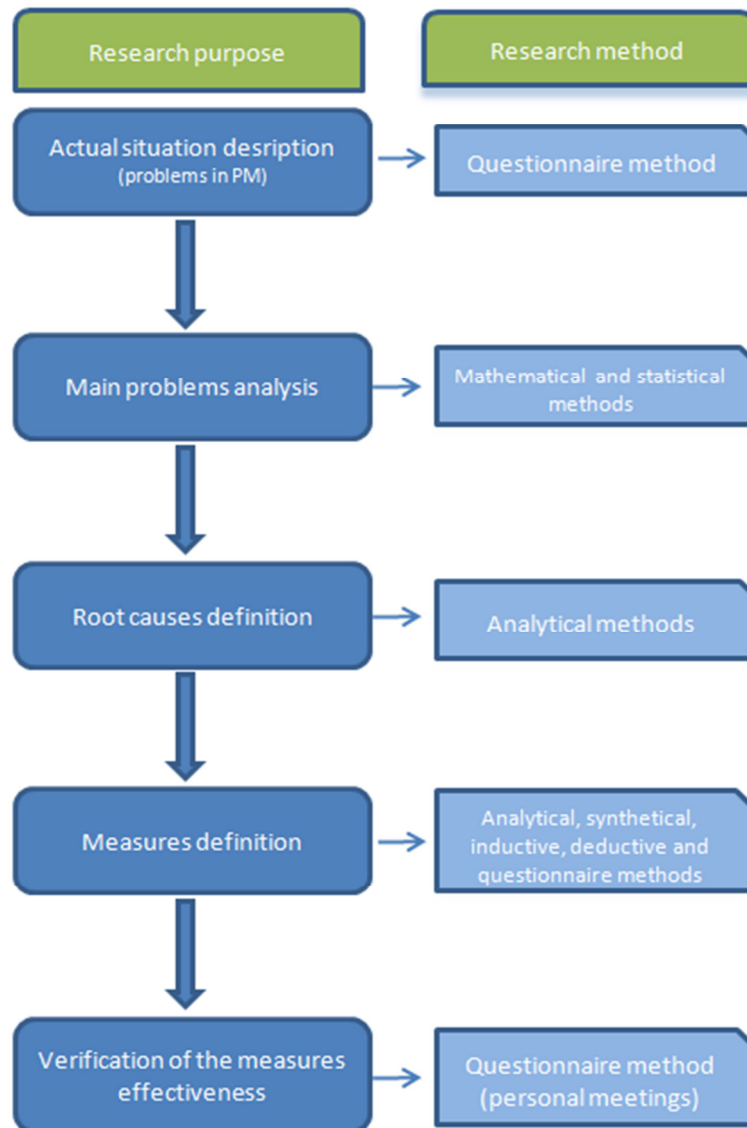
The connection of the theoretical part of the Master thesis with the research represent the PO4 and PO5 of the thesis. They confirm or deny the hypothesis stated above, summarize the respondents comments and ideas and offer important elements for achieving the main objective of the thesis.

As the verification of the proposed measures in practice is not immediately possible, their relevant application was discussed and analysed with the Master thesis supervisor as well as with a head of HR department of an important automotive OEM in Central Europe to make sure they reflect the need of the market.

### **Master thesis methodology**

Appropriate scientific research and analytical methods examines the subject of the Master thesis and guarantee the achievement of the main objectives and the partial objectives of the thesis. The main objective is to propose improvement measures to be implemented in order to avoid the main existing problems in Central European automotive companies connected with performance management. The selection of the right methodological approach is the basic condition to achieve the defined objectives.

Figure 1: Methodical approach in practical part of the Thesis



The Master thesis is based on 2 basic kinds of methodologies:

1. *Theoretical methods*
2. *Empirical methods*

From the point of view of the Master thesis, split up into theoretical and practical parts, we may say that the general theoretical methods, such as abstraction methods, inductive and deductive methods or empirical methods are applied in the theoretical part of the thesis. In its practical part, the questionnaire, system, statistical or comparative methods are applied.

Table 1: Methods used in the Master thesis

Method used	Application in the Master thesis		
	Actual situation description	Research	Measures proposal definition
<b>Theoretical method</b>			
Observation method	X		
Method of abstraction	X	X	X
Inductive and deductive methods	X	X	X
Analytical and sythetical methods	X	X	X
Mathematical methods		X	
Statistical methods	X	X	
Simulation methods			X
Comparative methods	X		
System methods	X		X
<b>Empirical methods</b>			
Questionnaire method		X	

*Observation method* is applied to get the first impression about the subject and definition of potential problems for analysis. Using *abstraction method*, we can divide important features and relations in performance management from non important facts to concentrate only on the relevant and most critical issues.

*Inductive and deductive methods*, applied in the theoretical as well as practical part of the thesis follow the abstraction method. By analyzing the isolated answers of the respondents, inductive methods (from concrete to general) allow us to apply the findings to all automotive companies in Central Europe. On the other hand, deductive methods allows us to apply the general findings to the individuals.

*Analytical methods* are used to explore defined elements based on different criteria and synthesis methods are applied to summarize the partial findings revealed by the analysis to the final statements, to define the measures and offers a complex view of performance management in automotive companies. Statistical methods are essential for the analysis of the actual situation in the practical part of the Master thesis and results evaluation.

### **Research methods**

For the actual situation analysis of performance management in Central European automotive companies and achievement of PO 3 of the Thesis, the questionnaire method was evaluated as the most suitable. This direct method was selected as there was a presumption that people working in the automotive plants are the most suitable respondents sample and their answers would give us a real picture about actual situation connected with performance management and would unveil the problems linked to the performance management.

### **Questionnaire structure**

Regarding the PO 3 of the Master thesis, the research was focused on getting following information:

- knowledge of individual objectives and their background by the respondents
- level of implication of respondents into objectives definition
- frequency of individual objectives evaluation
- respondents' motivation according to the objectives
- respondents' satisfaction with the remuneration based on performance
- identifying the most motivational benefits for respondents
- respondents' satisfaction with their boss's approach in the field of performance management
- assurance of relevant training about performance management for local managers by the companies
- existence and use of individual development plans
- clearness of responsibility distribution among different departments
- contradiction of objectives among different departments

- participation of departments' managers in job description creation, job description significance
- daily behaviour of local managers (praising for doing a good job, helping and supporting when needed, interest in personal and professional development of subordinates, etc.)
- respondents' general evaluation of their manager's competence in the field of performance management
- respondent's general evaluation of the performance management in their companies

The questionnaire was chosen as the most appropriate method to describe the actual situation in the field of performance management in Central European automotive companies and recognize the potential problems.

Regarding the main objective and subobjectives of the Master thesis, the questionnaire contains four areas of questions:

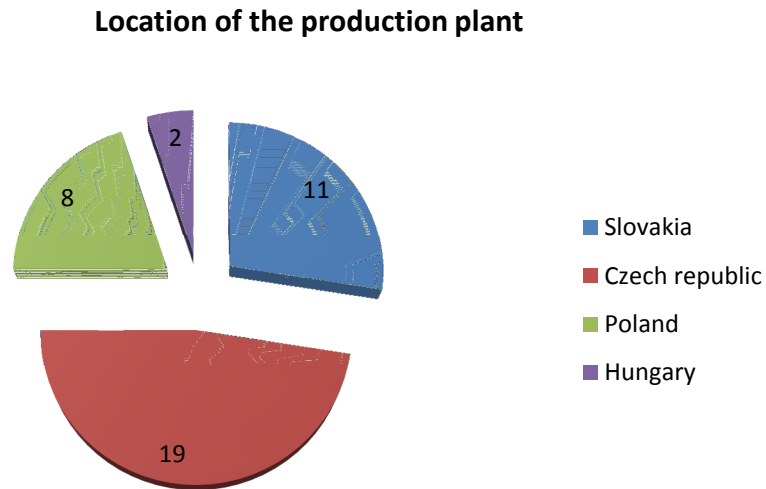
- *Individual objectives (A)*. Questions 1, 2, 3, 4, 11, 12. Clear definition and quantification of individual objectives is the basic assumption of efficient management of employees' performance. The first group of six questions was aimed at the objective identification, their understanding by the employees in the context of departmental and/or plant objectives, the possibility of commenting on them and the frequency of follow up and evaluation. The questions 11 and 12 analyzed the individual, vis-a-vis, the departmental objectives.
- *Personal motivation and objective based remuneration (B)*. Questions 5, 6, 7. The objectives are set to better manage the employees performance and should be also an important motivational factor for the employee. The next three questions were posed to evaluate the personal motivation of the respondents by their objectives and their satisfaction with the remuneration based on performance.

- *Evaluation of hierarchical managers (C).* Questions 8, 14, 15, 17, 18, 19. The subordinates' performance is the best mirror of the performance management skills of the manager. Answers to six questions listed above offers a picture of what do the subordinates think and how do they evaluate the skills and real work of their direct managers in the defined area. The respondents declared the level of satisfaction with the way their managers manage their performance, to what extent is he or she helpful in case of need, if he commends the employees for doing a good job, the interest in personal and professional development of the employees and how does he or she manage the performance evaluation meetings.
- *Performance management system in the company (D).* Questions 9, 10, 13, 16, 20. It happens quite often that the managers are strongly influenced by the culture and processes of the enterprise and do not have another possibility, but follow the pre-described rules. The last batch of five questions analyzed the employees view on the performance management system in the company. If there are personal development plans, how are they created. How are created and revised the job description or to which extent the companies focus on performance management trainings for people holding managerial positions. At the end of the questionnaire, the respondents evaluated the overall satisfaction with the performance management system in their companies.

After each question as well as at the end of the questionnaire, the respondents could express their opinions, feelings, suggestions or improvement ideas. Each question was analysed separately and the findings were then taken into account while evaluating the overall situation in performance management system in automotive companies in Central Europe.

As the running of the research in all companies wouldn't be possible, the questionnaire was sent to a sample of hundred and sixty respondents from 40 production plants in Central Europe – Slovakia, Czech Republic, Hungary and Poland. The headquarters of the companies are located all over the world, which is a presumption that also cultural differences will be taken into consideration. The list of companies involved in the research is to be found in the Appendix of the Thesis.

Figure 2: Location of companies



The Czech Republic, as the largest automotive country in Central Europe, is the location of 19 production plants from our research, 11 companies are located in Slovakia, 8 in Poland and 2 automotive suppliers are located in Hungary, the smallest automotive country in the region.

The questionnaire was distributed in June 2010 and closed in September 2010, as many respondents were on holidays and the plants were closed. The questionnaire was sent to chosen respondents by email together with an accompanying letter explaining the reason for the research and giving the instructions. The questionnaire was elaborated in 2 languages – in Slovak for Slovak and Czech respondents and in English for Hungarian and Polish respondents. Each respondent received the questionnaire in one language only. The links to the on-line questionnaires can be found at:

- [http://bit.ly/performance\\_mngmt\\_ENG](http://bit.ly/performance_mngmt_ENG) (English version)
- [http://bit.ly/performance\\_mngmt\\_SK1](http://bit.ly/performance_mngmt_SK1) (Slovak version),

and the full version of the questionnaire can be found in the Appendix of the thesis.

This practical online tool, together with pre-defined answers, allowed the respondents to answer the questionnaire in about 5 minutes. Except for pre-defined answers, each question contained also the room for respondent remarks to make sure that all respondents' opinions will be fully taken into consideration. These remarks were evaluated together with pre-defined answers.

### **Theoretical framework**

After a short description of the automotive industry in Central Europe to prove the importance of the researched area, the Master thesis deals with the main problems connected with the performance management the production plants face. It describes the best performance management practices to be taken into consideration in people, department or company management. It contains the definition of the manager's role in the company, definition of individual targets, their follow up, evaluation and different tools of performance management as a science.

In chapter 3 of the Thesis, the actual situation in the defined area is being analyzed, using direct questionnaire method. We considered the direct inquiry of the people working in the automotive plants in Central Europe to be the most appropriate approach to identify the real problems connected with the performance management the employees face. After identification, the main problems have been analysed using analytical methods and root causes of the problems identified. Only then could we identify recommendations for the companies to implement in order to improve the overall situation in the performance management area of their companies. As the recommendations verification would have been time consuming and the results couldn't be evaluated before the Master thesis submission, they were presented and discussed both with the supervisor and an other expert in the performance management area having strong experience in the automotive industry in Central Europe.

## **CHAPTER 2 – REVIEW OF THE LITERATURE**

### **Automotive industry in Central Europe**

The boom of the automotive industry in Central Europe in the late 1990's and at the beginning of this millenium brought about important changes into the economy of each country. Nowhere in Europe has there been such a dense concentration of automotive investments as in this region. Some experts say that the dependance of countries such as Slovakia or Czech Republic on the automotive industry exceeds the desired level.

#### **Slovakia**

According to [27]<sup>1</sup> with 571 071 vehicles produced in 2007 the Slovak Republic became the country with the highest number of produced cars per habitant in the world and the automotive industry represents more that 20% of its GDP. Due to the financial crisis car production fell in 2009 to reach the output of 461 340 vehicles. The very first big foreign investor to come was Volkswagen who bought BAZ and started production in the early 1990's. 12 years later, PSA Peugeot-Citroen erected its production plant in Trnava and a year later, KIA Motors announced the establishment of its plant close to Zilina. The arrival of the OEMs attracted also their suppliers and many suppliers parks have been created all over the country. The largest ones are in Lozorno and Kechnec.

#### **Czech Republic**

The automotive industry in the Czech Republic has a long standing history and it is the most developed automotive country in Central Europe. According to [16]<sup>2</sup> 967 760 cars were produced in the Czech Republic in 2009, while in the first six months of 2010 556 706 cars were produced and more than 1.000.000 cars are expected to be produced in 2010. The most important player on the market is Škoda Auto Mladá Boleslav, followed by Japanese-French join venture of Toyota and PSA Peugeot-Citroën (TPCA Kolín) and from 2009 also by Korean car maker Hyundai who established its production plant in Nosovice. Also trucks and buses are produced in Czech Republic, the main OEMs are Tatra Kopřivnice, AVIA, Karosa, Schwarzmuller or SOR Libchavy.

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<sup>1</sup>www.zapsr.sk

<sup>2</sup> www.autosap.cz

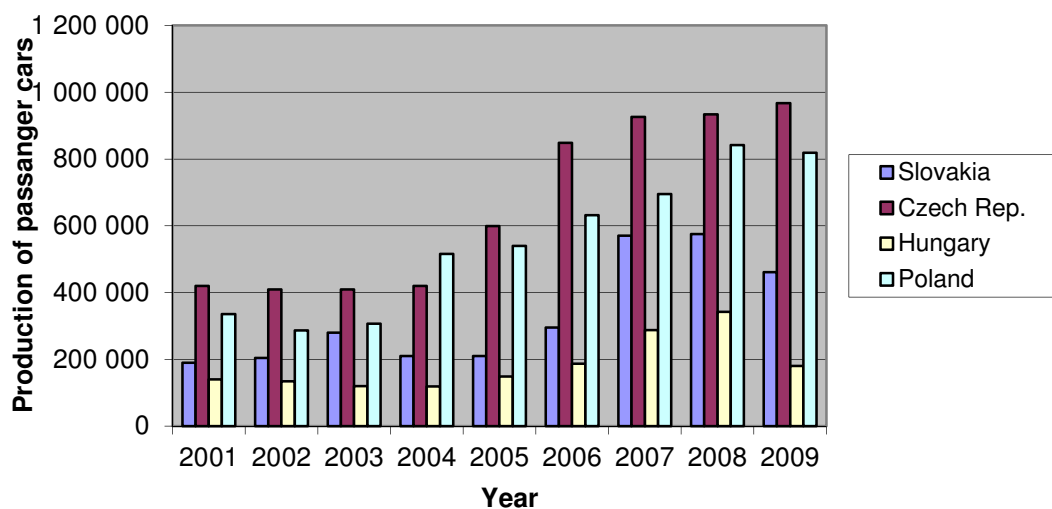
## Poland

According to [24]<sup>3</sup> 819.000 cars were produced in Poland in 2009. Several OEMs established their production facilities in Poland, including FIAT in Bielsko-Biala, Volkswagen in Poznan, or GM producing OPEL cars in Gliwice. Except for passenger car manufacturers, several truck and bus manufacturers are present in the country as well. The most important investors are MAN, Volvo, Solaris or Scania. There are about 600 automotive suppliers in the country, about half of them are foreign investors. Polish automotive suppliers are rather small, according to [59] in 2005 only 60 of them achieved the turnover of more than 10 million euro.

## Hungary

From Central European countries the automotive industry in Hungary is the least developed one. According to [23]<sup>4</sup>, some 180.500 were produced in Hungary in 2009. Audi (Gyor) and Suzuki (Esztergom) are the only passenger car manufacturers in Hungary. Besides car production, there's another important OEM investor in the country. In Szentgotthárd GM produces about 500.000 engines and transmissions per year. We can find several bus manufacturers in the country, such as Ikarus, Nabi or Rába Automotive, producing also trucks. Nearly 100% of the automotive suppliers in the country are foreign investors and there is practically no big local automotive supplier.

Figure 3: Car production in Central European countries [23]<sup>4</sup>



<sup>3</sup> [www.samar.pl](http://www.samar.pl)

<sup>4</sup> [www.oica.net](http://www.oica.net)

## World Class Enterprise

*Performance management* can be understood both as a process and as an approach. According to [12]<sup>5</sup> the *process improvement* is defined as the possibility of achieving the enterprise objectives using known methods and tools. The ideal process can be defined as a continuous process creating added value for the customer at each process step. The added value can be understood as the created value the customer is willing to pay for. It's obvious that in the practical world it's impossible to achieve the ideal process, therefore we are talking about process improvement.

There are many existing tools and methodologies for performance management improvement. It may happen that information overload causes managers in companies not to recognize what's good and useful, and on the other hand, what is not appropriate for their business. In addition, each enterprise is unique from the organization, process or product point of view and therefore there's not a list of methods or recommendations to be implemented for the enterprise to reach the performance level of so-called „World Class Enterprise“ even if the goal of method application is the same – to be faster, better and cheaper than the competitors. If we are talking about possibilities of improvements, we'll try to find the difference between analyzed and World Class Enterprises.

Authors in [11]<sup>6</sup> distinguish in so-called „World Class Enterprise“ two dependant factors:

- World Class Manufacturing
- World Class Business

The World Class Manufacturing philosophy focuses on priorities such as continuous process improvement, low cycle and lead times, scrap elimination or development of the employees. On the other hand, World Class Business philosophy focuses on innovations, marketing, process reengineering or managerial approach. Each of these philosophies recommends some tools and methodologies for the company to achieve the World Class Enterprise level.

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<sup>5</sup> VDA 12 – Quality Management in automotive industry – Process orientation, CSJ Prague, 2005, p.18

<sup>6</sup> VYTLACIL, M. and all: World Class Enterprise, Institut prumysloveho inzynrstvi, Liberec 1997, p.38

In their effort to improve performance and satisfy the stake- as well as the shareholders, companies focus on different processes such as production, logistics, sales growth or project management but often forget the development of their own employees on different hierarchical levels or the assurance of their motivation that leads to higher performance and exceeding of individual goals set by the management.

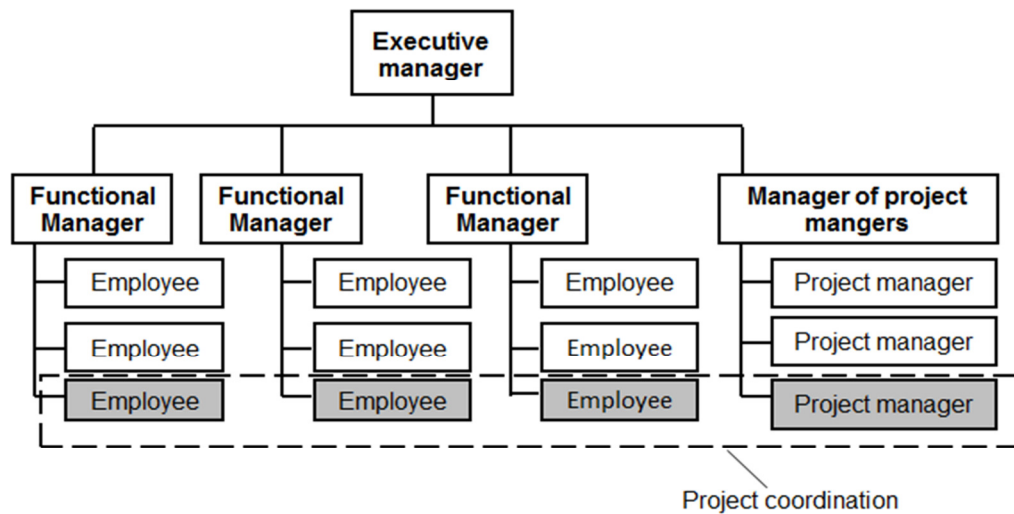
The automotive industry is a project-based industry. Each vehicle, module, system or a single part is the result of a project. A project or a program in the automotive industry exceeds the borders of one department and instead of hierarchy, the matrix organizations become more and more important. Lateral management or lateral leadership, without direct hierarchical power is applied mostly over the preliminary and development phases of the projects. This specific character of the automotive industry influences other areas of the enterprise such as organizational structure or process management. The *matrix organizational structure* is often applied and project managers are functional managers of employees (e.g. project task distribution and follow up), while the department's managers are their hierarchical managers (e.g. career development, evaluation meetings, holidays validation).

To effectively run a project, the project manager should have strong *lateral leadership* skills as he or she doesn't have the direct impact on the employees within the project team. The organizational structure of an enterprise is the result of the company's strategy, whose main role is to fulfill the company's objectives that have, according to [10]<sup>7</sup>, a long-term character. Those objectives represent the background for the processes, department or individual targets and influence the organization lay out or the responsibilities and duties of each organization's member. A successful organization should always update its structure to perform better in a dynamic environment.

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<sup>7</sup> URBAN, J. Creation and development of organizational systems, Management Press, Prague, p.45

Figure 4 : Matrix organizational structure [1]<sup>8</sup>



In the framework of the Master thesis we are going to focus on performance management executed by companies as a process, and managerial approach, influenced by company strategy or culture, and even more the focus will be on people being in charge of performance management in Central European automotive plants.

### Performance management

Performance management is a strategic tool used to run an effective organization. If correctly implemented, it ensures that individual efforts are focused on the priorities defined in both the plant and departmental business plans. It directs efforts towards effectiveness of the company and away from merely being busy.

The *main purpose* of performance management is to align individual performance contracts with departmental business plans to achieve the overall company vision, mission and strategy. *Performance management* includes activities that ensure defined goals are consistently being met in an effective and efficient manner. According to [28]<sup>9</sup>, performance management is defined as a function of motivation, ability and environment. The organization should define its mission,

<sup>8</sup> URBAN, J. Creation and development of organizational systems, Management Press, Prague, p.45

<sup>9</sup> Professional MBA Automotive Industry: Organizational Behaviour and Human Resources Management, Handouts

define and prioritize its stakeholders and define goals. Then the organization needs a way to measure progress toward the goals. KPI are those measurements [19]<sup>10</sup>.

The defining of individual objectives, being explicit and consistent about the expectations from the beginning can significantly help the manager to spark the best from employees. Each employee should not only know what are his or her objectives but also why do they have those objectives and how do they contribute to the achievement of departmental or corporate objectives. The real motivation comes only when people understand why are they doing what is required.

Figure 5 : Performance management system in an organization [14]<sup>11</sup>



### Objectives setting and KPI definition

Managing employees performance and setting people right objectives are necessary skills for each manager at all hierarchical levels of an organization. Through defining and achieving short-term and long-term objectives, managers can develop not only the company's business but also the employees in their teams, which is of their responsibility and shouldn't be less important. Only through fulfilling individual objectives can the team achieve the departmental objectives

<sup>10</sup> [management.about.com/cs/generalmanagement/a/keyperfindic.htm](http://management.about.com/cs/generalmanagement/a/keyperfindic.htm)

<sup>11</sup> [www.analytix.co.za/training/courses/strategy/performancemanagement.aspx](http://www.analytix.co.za/training/courses/strategy/performancemanagement.aspx)

which should contribute to achieving the plant or even corporate objectives. „*You cannot manage what you cannot measure*“, goes the saying. The individual, result oriented objectives should be set in line with departmental or plant objectives. The right measurement criteria to evaluate the objectives must be clearly and logically defined. The objectives reflect the most important expected results that need to be accomplished for internal or external customers, and last but not least, should reflect the company's values built on trust and respect.

According to [3]<sup>12</sup>, a **goal** is a „*standard of performance an individual is trying to achieve*.“ Setting business goals provides the employees both with direction and motivation. The process of establishing goals may occur in three different ways.

- *Participative goals*, that allow employees to participate in the process of setting goals by providing contribution to the goal selection. The employees can express their opinion if they believe the goals are too high or too low and can influence their statements.
- *Assigned goals* are defined by management and assigned to the employee. There's no room for discussion and influencing the individual's targets.
- *Do-your-best goals* are defined by the employees when the management ask them to do their best without getting involved in approving their goals.

In general, the goals should respect SMART conditions:

- **S**pecific (Straightforward and emphasize what is expected to happen)
- **M**easurable (Set a Key Performance Indicator (KPI))
- **A**chievable (Capable of being achieved with effort)
- **R**ealistic (Achievable in the timeframe being discussed)
- **T**imely (Time binds the effort)

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<sup>12</sup> CHERRINGTON, D.J.: Organizational Behaviour, Caste Rock Media, p.116 and 118

The goals really make sense when they are fully accepted by the employee. According to [3], the *goal acceptance* concerns the degree to which individuals accept a specific goal as their own. Goals are resisted or ignored when they are too difficult or out of reach. The same literature source points to the importance of goal commitment. Goal commitment concerns the degree to which people are dedicated to reach the goals they have adopted. These general objectives are then broken down into even smaller parts, which are a lot easier to focus on and accomplish. Goals are in turn broken down into smaller goals called tasks.

According to [19]<sup>13</sup>, the **Key Performance Indicators** (KPI's) are quantifiable measurements, agreed to beforehand, that reflect the critical success indicators of an organization and may differ for different organizations. According to [17]<sup>14</sup>, the KPIs are financial and *non-financial* metrics used to help define, align, and measure progress toward organizational goals. KPI definition reveals whether the manager is a strategic thinker or not. Key performance indicators (or Key Success Indicators) help an organization define and measure progress toward organizational goals [19]. KPI's must reflect the organization's objectives, be key to its success and must be measurable. Each company should define the most critical success factors and the KPIs of the different plants, departments or individuals must follow it. They needn't be the same and might be focused differently in different departments but they must contribute to reaching the organization's objectives [19]. KPI's give everyone in the organization a clear picture of what is important and what they need to make happen.

The management must make sure that everything the people in the organization are doing is focused on meeting those Key Performance Indicators. While defining the KPIs, the manager should think about the following questions [22]<sup>15</sup>:

- How do those KPIs directly reflect contribution to the profitability of the organization?

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<sup>13</sup> [management.about.com/cs/generalmanagement/a/keyperfindic.htm](http://management.about.com/cs/generalmanagement/a/keyperfindic.htm)

<sup>14</sup> [www.energyimprovement.org](http://www.energyimprovement.org)

<sup>15</sup> [nextlevelpurchasing.com](http://nextlevelpurchasing.com)

- How do those KPIs directly reflect contribution to the satisfaction of our customers?
- How do those KPIs directly reflect contribution to the advantage we could have over our competitors?
- How do those KPIs directly reflect contribution to the operational efficiency of this organization?
- How do those KPI's directly reflect contribution to my goals?

### **KPI evaluation and system rewards**

Performance evaluation represents a significant application of motivational theory and regular review increases the employee's ability to make his or her goals a reality. According to [3]<sup>16</sup>, the process of evaluating an individual's performance contains elements bringing both positive and negative reinforcement. How well people perform is largely determined by the way their performance is evaluated and rewarded. According to [3], the performance evaluation programs serve at least five important organizational factors:

1. *To reward and recognize performance.* Without performance management, every employee must be rewarded equally or rewards must be distributed subjectively. Outstanding performers receive positive recognition for their effort.
2. *To guide personnel actions such as hiring, firing or promoting.* Thanks to performance information the company can make rational decisions about whom to promote or whom to dismiss, eliminating the risk of subjective impression.
3. *To provide people with information for their personal development.* People need performance feedback to help them improve. Accurate and timely feedback can facilitate a change of behavior. People will know what they are doing well or in which areas an improvement is expected.

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<sup>16</sup> CHERRINGTON, D.J.:Organizational behaviour, Caste Rock Media, p.180-181

4. *To identify training needs for the organization.* Performance evaluation system helps to unveil the need for training of an individual or a department and what skills are needed for each job
5. *To integrate human resources planning and coordinate other personnel functions.* The information obtained from a performance evaluation forms the base of individual career planning and organizational staffing. The performance reviews are also used to identify high-potential people and talents to strategically develop.

*System rewards*, such as benefits, recreational facilities, pension benefits or job securities, are normally equal for all employees of the company or at least for all people at the same hierarchical level. The purpose of system rewards is to attract the employees and to encourage them to stay in the organization [3]<sup>17</sup>.

On the other hand, organizations establish *performane rewards* based on the *individual* and *company results*, usually over the year. The performance based rewards are mostly financial benefits and the proportion of company (or department) vs. individual results may vary between companies and the field of business. In general we may say that it is reasonable to reward more individual results and less company results (e.g. 70% individual result, 30% company result). The performance management rewards may reach more than 100% of the system rewards.

### **Common mistakes**

- *Report true KPIs, not mere PIs.* Not every measurement is a key performance indicator. Not every performance indicator is a KPI. Just because the organization can measure something doesn't mean that it should measure it. As Albert Einstein said „Not everything that can be counted counts, and not everything that counts can be counted.”
- *KPIs are not one-year indicators.* KPIs are usually long term considerations. Their definition and way of measurement do not change often but mostly when the organization's objectives change.

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<sup>17</sup> CHERRINGTON, D.J.: Organizational behaviour: Castle Rock Media, p.182

- *The KPI is not clearly measurable.* Managers understand an organization's vision as a KPI (e.g. be the leading supplier for a product family).
- *Too many KPIs.* Too many cooks spoil the meal, too many KPIs do not help to keep employee's attention focused on achieving the most important goals. Having too many KPIs dilutes the company's focus on what's truly important and wastes time and energy on unimportant matters. Having too many KPIs often increases a lack of engagement and gives the employee the possibility to choose the KPI that means something to him or her.
- *Communication of KPIs.* When defined, the KPI should be clearly communicated, e.g.: by posting them in the lunch room, on the walls of conference rooms, on the company intranet, or even on the company web site. The management should show what are the targets for each KPI and show the progress toward that target. In such cases, people will be more motivated to reach those KPI's.
- *Understanding the KPIs.* Reasons should be reviewed regularly to help motivate the employees.

#### **Examples of KPIs in the automotive industry**

- Percentage of organization's income that comes from return customers.
- Percentage of turnover per product family.
- Number of new customers.
- Number of suppliers.
- Fluctuation rate.
- Employee Turnover.
- Internal and external ppm level.
- Reduce Short-term and Long-term Debt.
- Cycle time reduction.
- Overall Equipment Efficiency (OEE).

- Number of injuries.
- Percentage of invoices paid on time.
- Days on hand material.
- Number of implemented ideas from KAIZEN

### **Mangers versus leaders**

More and more automotive companies start using the term „leader“ to describe the positions of people within their companies. But to call somebody a „leader“ doesn't mean that the person will behave like a leader and for many people the difference is not clear. Both have to bring the highest value to the shareholders. Both have a team of people and set objectives to be achieved and both can achieve them. Both managers and leaders must know where they are going and should motivate other people within the organization to work together toward common goals. Both have to hire, fire, discipline or evaluate employees. So what's the difference? Based on the literature and scientific articles studies we are coming to the conclusion that there's a thin line but an important difference in managerial approach between a manager and a leader.

*„Lead others, manage yourself!“*, is the best description of the difference between leading and managing people.

There are more than 850 definitions of what the leadership is. *Leadership* as a process can be described as „a process in which leader seeks the voluntary participation of subordinates in the effort to reach organizational objectives“ [28]<sup>18</sup>. The core task of a leadership as the managerial approach is *„to create an environment, which demands top performance from and provides highest possible motivation level for each employee.“* Leadership traits are personal qualities of thought and action which help the leader earn the respect, trust, confidence and loyalty of the team.

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<sup>18</sup> Professional MBA Automotive Industry: Organizational behaviour and human resources management, Handouts

*Management* [28] is defined as working with or through other people to achieve the organizational goals. The main goal of a manager is to maximize the ROI of an organization through administrative implementation [25]<sup>19</sup>.

Figure 6: Manager's versus leader's approach [18]<sup>20</sup>

Subject	Leader	Manager
Essence	Change	Stability
Focus	Leading people	Managing work
Have	Followers	Subordinates
Horizon	Long-term	Short-term
Seeks	Vision	Objectives
Approach	Sets direction	Plans detail
Decision	Facilitates	Makes
Power	Personal charisma	Formal authority
Appeal to	Heart	Head
Energy	Passion	Control
Culture	Shapes	Enacts
Dynamic	Proactive	Reactive
Persuasion	Sell	Tell
Style	Transformational	Transactional
Exchange	Excitement for work	Money for work
Likes	Striving	Action
Wants	Achievement	Results
Risk	Takes	Minimizes
Rules	Breaks	Makes
Conflict	Uses	Avoids
Direction	New roads	Existing roads
Truth	Seeks	Establishes
Concern	What is right	Being right
Credit	Gives	Takes
Blame	Takes	Blames

Managers follow more strictly company processes, while leaders follow their own intuition, which may bring higher benefit to the company. As [9]<sup>21</sup> says, *"Leaders must let vision, strategies, goals, and values be the guide-post for action and behaviour rather than attempting to control others."* While managers often use push strategies to reach goals, an effective leader applies a pull strategy that may not only help reach objectives but also exceed them through motivation, encouragement or people development when they place their trust in their manager.

<sup>19</sup> [www.see.ed.ac.uk](http://www.see.ed.ac.uk)

<sup>20</sup> [www.changingminds.org](http://www.changingminds.org)

<sup>21</sup> PREDPALL, D.F.: Developing Quality Improvement Processes in Consulting Engineering Firms, *Journal Management in Engineering*, 04-05/1994, p.30-31

Leaders inspire people to take an action rather than order them to do a task and enable people to use their own initiative and experiences rather than tell them how to do the task. People naturally follow leaders as their own choice, whereas a manager must be obeyed. The manager uses a formal, rational methods while the leader focuses on passion and stirs emotions.

### **Leadership styles**

The leadership style selection is the crucial success factor in achieving the defined targets of each leader and has a direct impact on the working atmosphere and the overall performance of the team. Different people respond to different management and communication styles. No one successful leader can apply one “all-weather-approach” in each situation and with different people, which requires a high level of emotional intelligence. The number of leadership styles may vary according to the research. According to [5]<sup>22</sup> research, there are six distinct leadership styles.

- *Coercive leaders* demand immediate compliance and this leadership style is the worst managerial approach if used alone, as it kills new ideas, decreases the morale and degrades the motivation and mutual trust. On the other hand, the coercive style of managing people can be very useful and very appropriate if there's a need for breaking failed business habits and shocking people into new ways of working, or with problem employees when other possibilities of management have failed. Again, it must be used with extreme caution and in specific situations.
- *Authoritative leaders* mobilize people toward a vision. The authoritative style is the most effective style of all. Such a leader is a visionary who motivates people by making clear to them not only their objectives but also by explaining their larger vision for the organization. Such leadership also maximizes commitment to the organization's goals and strategies. The standards for success are clear to all. Such a style wouldn't work, for instance, in an organization where the leader manages a team of experts who are more experienced than he is.

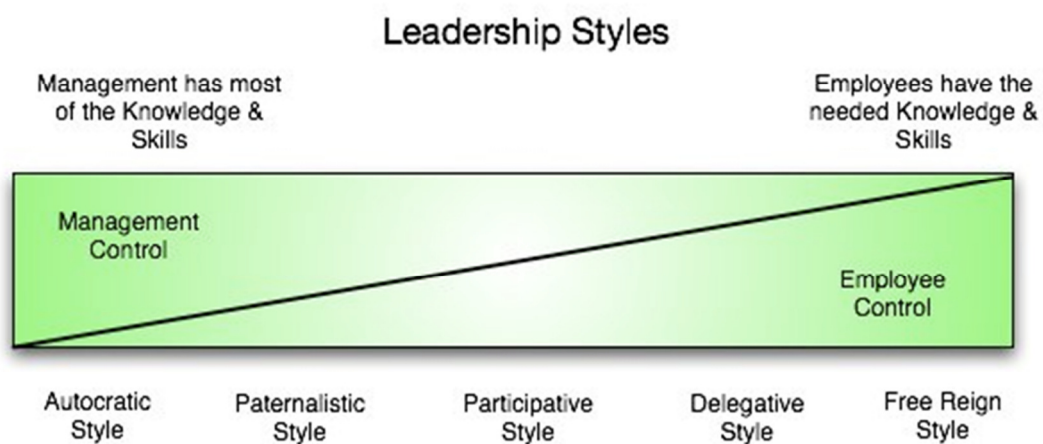
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<sup>22</sup> Harvard Business Review, 03-04/2002, Leadership that gets results, p.78-91

- *Affiliative leaders* create emotional bonds and harmony. For affiliative leaders people come first. They are masters at building a sense of belonging and natural relationship builders. They are likely to take their direct reports out for a meal or drink. Such an approach builds team harmony, increases morale and repairs broken trust. Last but not least, it improves communication as people who like one another a lot talk a lot, share ideas, inspiration, and trust one another. This leadership approach is not suitable in case of a poor performance organization where there's a need for radical improvement and/or changes.
- *Democratic leaders* build consensus through participation. By letting people themselves have a say in decisions that affect their individual goals and the way they do their work, the democratic leader drives up responsibility and flexibility. Such a leader builds trust, respect and commitment and by listening to the people, keeps the morale high. Democratic leadership can be useful for managers who want to postpone a crucial decision making by discussing it with people. This style has many drawbacks, as such an approach can lead to endless meetings and discussions, and the leader can lose his leader's authority and may escalate conflicts. This approach is the ideal one when the leader is uncertain about the best direction to take, needs or would welcome new, fresh ideas from employees.
- *Pacesetting leaders* expect excellence and self direction. The leader sets extremely high performance standards and is obsessive about everybody doing things better and faster in the organization. He expects everybody to know what to do, otherwise, the person is not suitable for the organization. Such a style destroys climate and the morale drops. Like the coercive style, the pacesetting style should be put in place sparingly. It works well in a self motivated and highly competent team which doesn't require coordination.
- *Coaching leaders* develop people for the future. They help employees identify their strengths and weaknesses, encourage them to have long term development goals and help them reach them. Coaching leaders are the

masters of delegation and of giving people challenging assignments. Those who apply the coaching approach bring also long term results through the increasing of competences of the direct reports and last but not least, educate their followers - new leaders. Even if the coaching approach does not immediately accomplish work-related tasks accomplishment, it may improve results. Such an approach will not make sense when employees do not want to learn or change.

Figure 7: Leadership styles



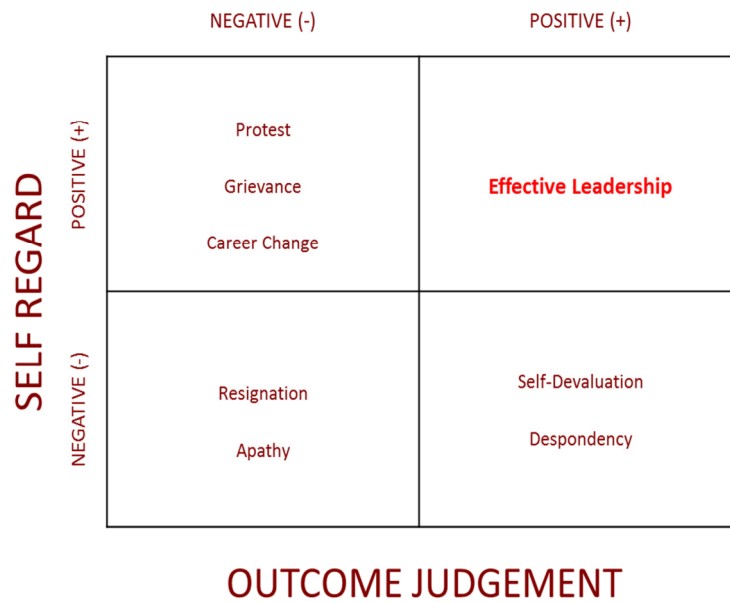
According to [5]<sup>23</sup>, many studies show that the more styles a leader exhibits, the better. Each leader should be able to switch flexibly among different leadership styles when needed. As [2]<sup>24</sup> says, “*Leadership is the marshaling of skills possessed by a majority but used by a minority.*” These leadership styles skills can be learned by every one. It is also important that the self regard of a leader is similar to his or her outcome judgement described by Wallenda factor [26]<sup>25</sup>.

<sup>23</sup> Harvard Business Review, 03-04/2002, Leadership that gets results, p.87

<sup>24</sup> BENNIS W., and all: Leaders:The Strategies for Taking Charge, p.18

<sup>25</sup> www.uwsp.edu

Figure 8: Wallenda factor



### Leadership qualities

Thousands of books and articles have been written about efficient leadership. We're not trying to reinvent the wheel but will pick out the most important personal and professional qualities an efficient leader should have:

- *Define vision of a desired future state* for the organization. Leaders are the most results-oriented individuals and each leader should have a vision of the company or department and go for it.
- The ability to *accept people as they are*, not as he or she would like them to be. Each leader can influence to a certain extent the team member but cannot change their personalities.
- Build *loyalty and trust*. Without having trust in employees, the leader cannot count on them, delegate tasks and develop people in a team. The efficient leader looking to build a high-trust unit should focus on credibility, respect, fairness and pride. While establishing trust, the leader should be aware of cultural differences of his team members as it may vary (e. g. in European culture we tend to trust people from the

beginning, while in Asian culture trust building is a long term process).

- *Know himself.* Those who have knowledge about others are clever. Those who know themselves are wise. Leaders should be aware of their own strengths to build on and of their own weaknesses to eliminate.
- *Know the staff & look out for their welfare.* The leader should know his team members on a professional as well as a personal level and concern himself with the concerns of the team members.
- *Keep people informed.* Open communication decreases rumours. People in the team should know the basic functions of other team members as well.
- *Clearly communicate expectations, goals, and rules.* People must understand why tasks must be done and their context in the company's effort. The manager should actively listen to the team members and let them know what is expected of them. If possible, people should be put in places and situations where they can be successful. They should get honest, positive as well as negative feedback. Also, all successes, big and small ones, should be celebrated. Good work that gets noticed gets repeated.
- *Acceptance of failure.* It is human to make mistakes and the leader should accept that. He shouldn't publicly blame an individual for the team's failure nor praise only an individual for the team's success.
- *Never-ending re-hiring of employees.* While hiring new people, great managers resist the temptation to hire employees whose skills match the way the job is already configured and, instead, they seek those whose talent and motivation will redefine how the job is done. The fact that a person is working in the company doesn't mean that the

employee is satisfied. According to [20]<sup>26</sup>, „an effective employee retention is based on the fact that people stay with something until the pain of staying exceeds the expected pain of leaving.“ Only by continuous re-hiring of the employees the leader may keep the strategical team members in the company.

- *Developing leaders.* An employee's relationship with his supervisor largely determines his view of the company [4]<sup>27</sup>. Using coaching development style, the leader is expected to develop new leaders and help them turn a job into a career. People development is also one of the crucial roles of the right leader.
- *Treating each employee with respect and as an individual.* Each person is different in terms of behaviour or values. Using different leadership styles with different people and in different situations is essential to effective leadership.
- *Establishing a set of ethics and building the company's culture.* The right leader is not responsible only for the business KPIs but the objectives should be reached in an ethical way and based on the company's values. The leader must make sure that the corporate values are really lived by the team and the team members behave alike.
- *Leading by example.* No employee will follow the leader's values if he or she doesn't behave as such.
- *Seek for continous education and self improvement.* It is crucial for each leader to continuously work on himself to acquire the latest knowledge from different business areas, both up-to-date skills and developing new ones, to improve personally as well as professionally and to get new ideas and discover new challenges to stay ahead of the competition.

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<sup>26</sup> [managementabout.com/od/employeeemotion/a/aEEretention09.htm](http://managementabout.com/od/employeeemotion/a/aEEretention09.htm)

<sup>27</sup> GARY, L.: Do people want to work for you? Harvard Business School, 2004, p.3

- *Seek for continuous teaching.* Continuous learning itself is not sufficient, the leader must engage employees in continuous teaching to, e.g. by applying the principles of knowledge management and experience management at all levels of an organization.

### **Common mistakes**

There are some actions in manager's or leadership's approach that produce the exact opposite effect than expected. Based on the literature analysis and personal experience, the most critical manager's and leadership's mistakes have been defined as:

- *The right people in the wrong jobs.* Each person is an individual having special qualities. The managers and leaders must make sure that they put the right person in the right place. If the person is not suitable for the position and the required skill is difficult to learn, such a person cannot do the job. Leaders shouldn't focus on improving the skills in which the employee is not good at but focusing and building on his or her strengths while decreasing the impact of the weaknesses.
- *Not working at it.* New leaders may think that they have natural leadership skills and accept a leadership position without relevant training. Each successful leader should build up leadership skills not only when he or she undertakes such a position but to prepare himself or herself for it a long time before.
- *Missing personal KPIs.* Each successful leader should develop not only his or her career but also his or her personal life. The equilibrium between work, family and leisure time is crucial for the long term performance and satisfaction of each individual. Setting and reaching personal goals is also one of the most important factors on the route to success that is often forgotten.

- *Micromanagement.* When there's no trust in subordinate abilities and competencies, the leaders tend to watch the team members too closely. When the employees are given the latitude to decide how to do their job, instead of micro-managing every detail of every task, they will reach their goals in a way that is the most enjoyable for them. Such a micromanagement leader does not think strategically, is focused on details and lacks the capacity or willingness to think broadly.
- *Mirroring other leaders too closely.* Mostly new managers or leaders try to copy a leader they admire, which seems to be an easy way to become a good leader very quickly. Such behavior can create a false impression of who the person really is and such a leader may look foolish for trying to behave in a way that is not his or her personality. Leadership simply comes from within.
- *Lack of emotional intelligence.* The sensitivity or ability to understand other people's emotions and non-explicit communication or demonstrate care for other people's needs and problems are important for a leader's personal qualities. The *emotional intelligence* level is considered by some researchers to be more important for the leader than the IQ level, as it creates a climate in which information-sharing, trust, healthy risk-taking and learning flourish.
- *No room for self realization.* When the manager gives an strict order, he or she doesn't not allow the other person any latitude to think about what to do or how to do it. As Antoine de Saint-Exupery says: „*If you want to build a ship, don't drum up the men to go to the forest to gather wood, saw it, and nail the planks together. Instead, teach them the desire for the sea.*“
- *Giving tasks, not responsibility.* Each task has a result that contributes to the fulfillment of a certain objective. The employee should not be given a task or even the way how to do it but he or she should be given the responsibility for the task.

## CHAPTER 3 - Research results, analysis and evaluation

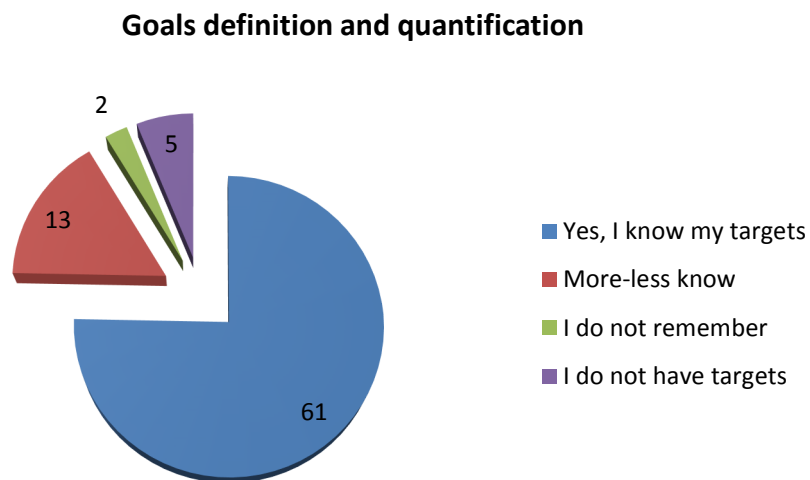
From 160 approached respondents, we got 81 completed questionnaires. This high proportion of questionnaire return (50,06%) was influenced by the fact that the researcher had been previously working with almost each respondent in the research and therefore they were willing to answer the questions.

### Research results

Group of questions A. *Individual objectives*. Questions 1, 2, 3, 4, 11, 12.

#### Question 1: Is the definition and the quantification of your individual objectives clear to you?

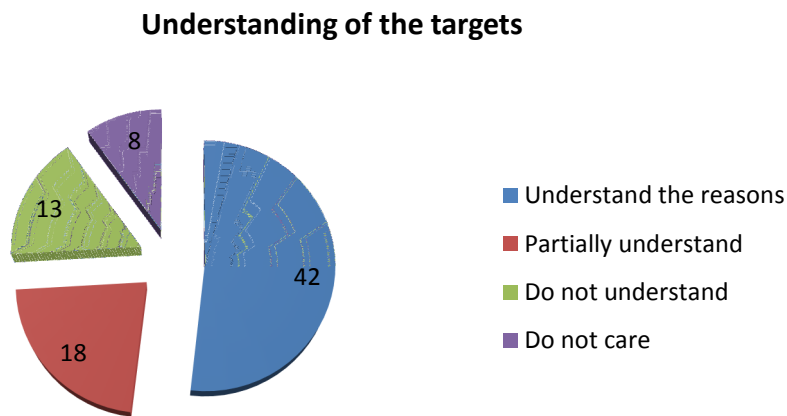
Figure 9: Existence of the individual objectives



In the first question, more than three quarters of respondents (75,31%) said that their objectives are defined and they know about them. Second group of respondents approximately know what their objectives are like (16,05%) and only 5 respondents said that they didn't have defined individual objectives. Two people said they have objectives but do not remember them.

### Question 2: Are the reasons for the objectives clear to you?

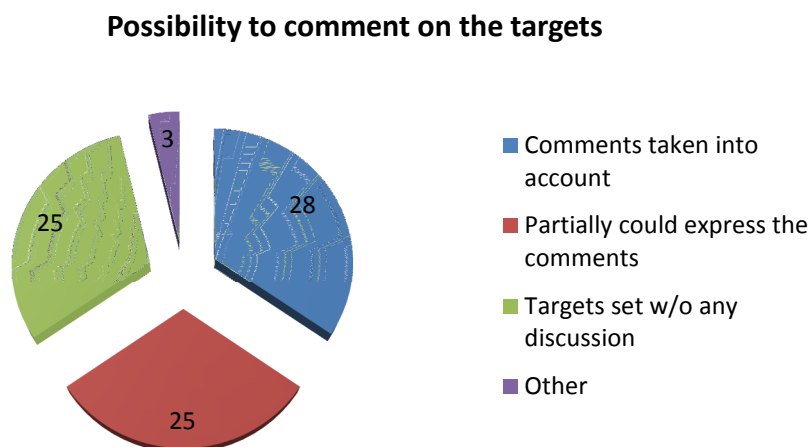
Figure 10: Understanding the objectives



The existence of the objectives for an individual is not efficient if the person does not understand why is he or she expected to reach this or that expectation. The second question revealed that about one of two respondents (51,85%) understands the reason for his or her objectives. About every fourth respondent said that he or she partially understands the reasons (22,2%), 13 respondents did not understand the reasons for the objectives and 8 people did not understand and were not interested in understanding them, which represents a proportion of 16,05%, respectively 9,88%.

### Question 3: Did you have any opportunity to comment on your individual objectives?

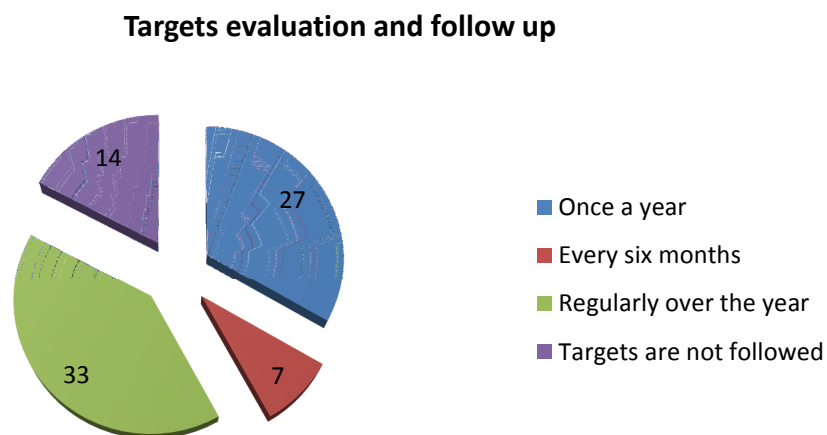
Figure 11: Possibility to comment on the objectives



Each employee should have the possibility to comment on his or her objectives. It's the only way to make sure the objectives were not only defined, set and understood, but also accepted by the employee. In the third question, the highest proportion of respondents (34,57%) said that their comments and remarks had been taken into consideration while approving the objectives. On the other hand, more than 30% of respondents could comment on their objectives partially and the same number of respondents said that their objectives had been set without any possible discussion. Three people had another opinion.

#### **Question 4: How often are your individual objectives followed and evaluated?**

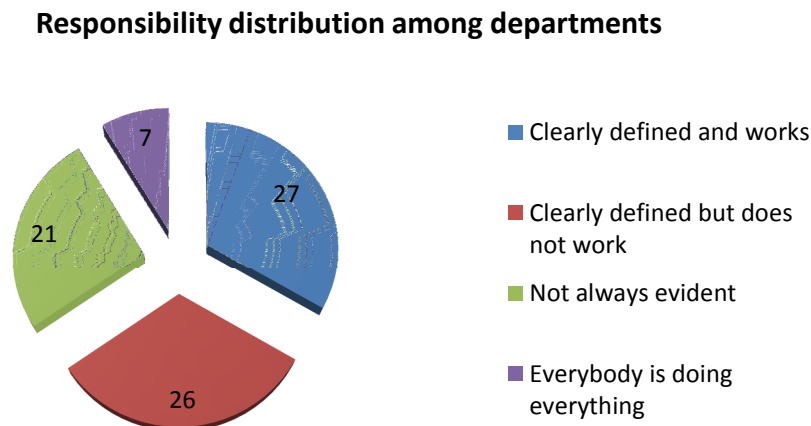
Figure 12: Frequency of objectives follow up and evaluation



Once the individual objectives have been defined to reach departmental or plant objectives, the employee could comment on them and the remarks have been taken into consideration, the employee's effort is oriented on reaching the objectives. As the situation in the enterprise as well as employees' performance are changing over the year, the individual objectives should be evaluated both, on a regular basis and also whenever it's needed (e.g. to adjust to new priorities of the enterprise or to support the individual's performance). In our research one third of the respondents said that their objectives are evaluated on a yearly basis and individual objectives of 7 respondents are evaluated every six months (8,64% of the answers). The highest proportion of respondents (more than 40%) said that their objectives are evaluated whenever it is needed, regularly over the year. It is quite surprising that the individual objectives of 17,28% are not followed and evaluated.

**Question 11: Is the responsibility distribution among departments clear to you?**

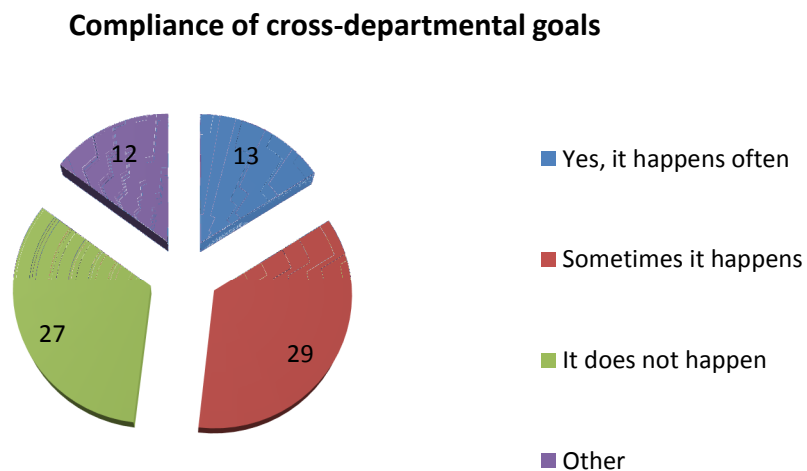
Figure 13: Responsibility distribution among departments



The eleventh question of the research focused on identifying the cooperation between departments within one company. More than 65% of the respondents say that the responsibility of each department is clearly defined, but half of those respondents think that it doesn't always work properly. For 21 respondents, which represents 25,93% of the whole group, the responsibility of each department within the company is not always clear and 7 people say that they have the impression that the responsibility among departments does not work at all.

**Question 12: Does it happen that your department's objectives are in contradiction with other department's objectives?**

Figure 14: Non compliance of cross-departmental objectives

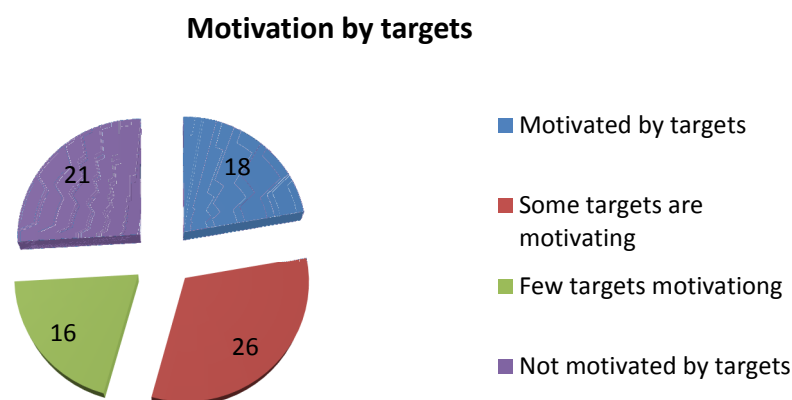


If an employee should achieve desired objectives, they cannot be in contradiction with the targets of his or her colleague. While defining the departmental objectives, from plant objectives and their further decomposition to individual objectives, managers must make sure that the individual objectives of the employees, and therefore the job to be done, not only meet the plant's objectives but also are not in mutual contradiction. In our research, 35,8% of respondents admit that sometimes their objectives are not in compliance with the objectives of their colleagues from the same or another department and 13 respondents think that such situations happen quite often, which represents a share of 16,05% of the group. On the other hand, one third of respondents say that their objectives are not in mutual contradiction and 12 people had different opinions or couldn't give their viewpoint.

Group of questions B. *Personal motivation and objective-based remuneration.*  
Questions 5, 6, 7.

**Question 5: To what extent are you motivated by your objectives?**

Figure 15: Individual's motivation by objectives

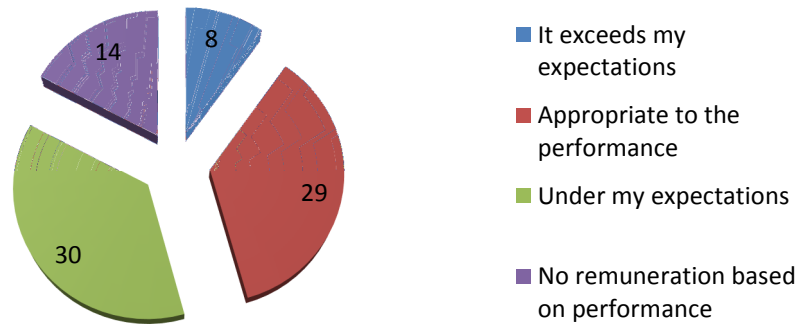


The ideal way to get the best performance from people is to motivate them. Objectives, when understood and accepted by the employee, could be a strong motivational factor supporting and improving an individual's and a department's performance. The research shows that only one of four respondents (22,22%) is fully motivated by the objectives and about one third of respondents (32,10%) are motivated by some objectives. For less than 20% of respondents the objectives are fairly motivating and a high proportion of respondents (25,93%) say they are not motivated by the objectives.

### Question 6: Are you satisfied with the remuneration based on performance?

Figure 16: Satisfaction with the performance remuneration

#### Satisfaction with the performance-based remuneration

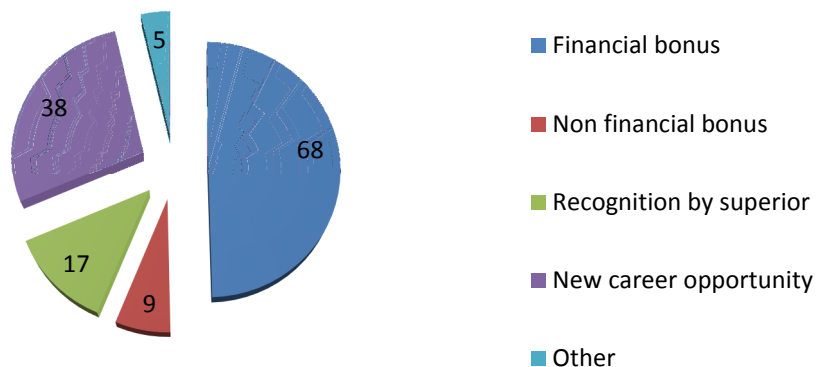


Each employee is expected to do the job he or she is responsible for without any additional remuneration. On the other hand, a well defined remuneration system can not only motivate the employee to do the job better but also exceed the defined objectives and bring the employer higher added value. The largest proportion of respondents found the performance-based remuneration underevaluated (37,04%) or appropriate to the performance (35,80%). For 8 respondents the remuneration based on performance exceeds their expectations and 14 respondents say that there's no additional remuneration based on performance in their companies, which represents 17,28% of all respondents.

### Question 7: What would be the most motivating factor for you?

Figure 17: Motivational factors

#### Main motivational factors

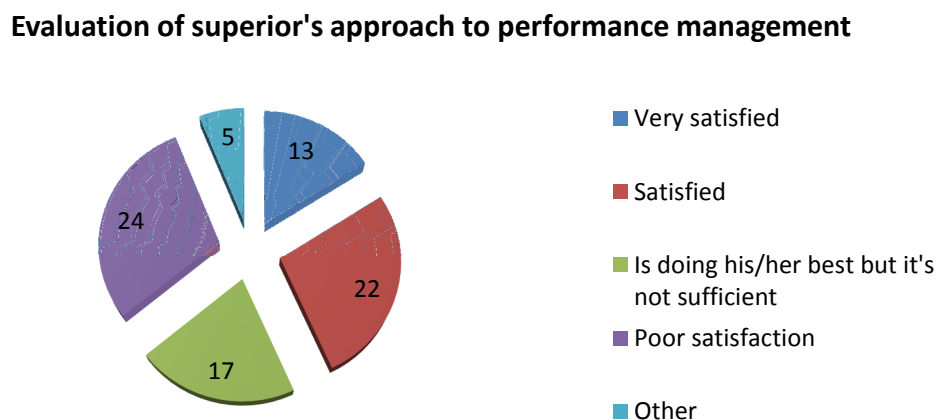


The right manager should also recognize the motivational factors for each member of his or her team, as those needn't be the same. What can be a source of motivation for one person may not be motivational for somebody else. In the seventh question, the respondents could choose several options, which would allow us not only to identify the most important motivational factors but also to rank them. For nearly 84% of respondents, financial benefits are an important motivational factor, followed by new career opportunity (46,91%) and recognition of a well done job by the superior (20,99%). Non-financial bonus is a motivational factor for 9 respondents (11,11%) and 5 people would welcome other kinds of bonuses.

**Group of questions C. Evaluation of hierarchical managers.** Questions 8, 14, 15, 17, 18, 19.

**Question 8: Are you satisfied with your superior's approach to performance management?**

Figure 18: Satisfaction with boss' way of managing the performance

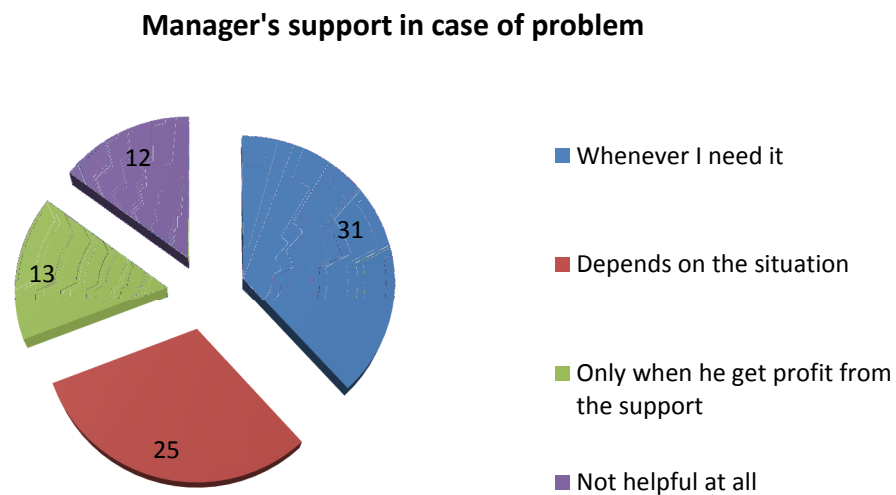


Managing the individual objectives from definition, through follow up, evaluation and re-definiton is the direct responsibility of the hierarchical manager. If they do a good job it can have a significant impact on the overall efficiency of the team. In the next questions we asked the respondents to evaluate their direct boss' approach, experience, and professional as well as personal qualities in performance management. As the results show, the highest number of respondents are not satisfied with the way their superior manages their performance. This is the feeling of 24 respondents, which represents 29,63% of all answers. Alternatively, a similar

number of respondents (22) are satisfied and 13 respondents very satisfied with the performance management applied by their boss. 17 respondents say that their superiors are doing their best but it is not sufficient and 5 people had different opinions.

#### Question 14: My superior is helpful in case of problems solving

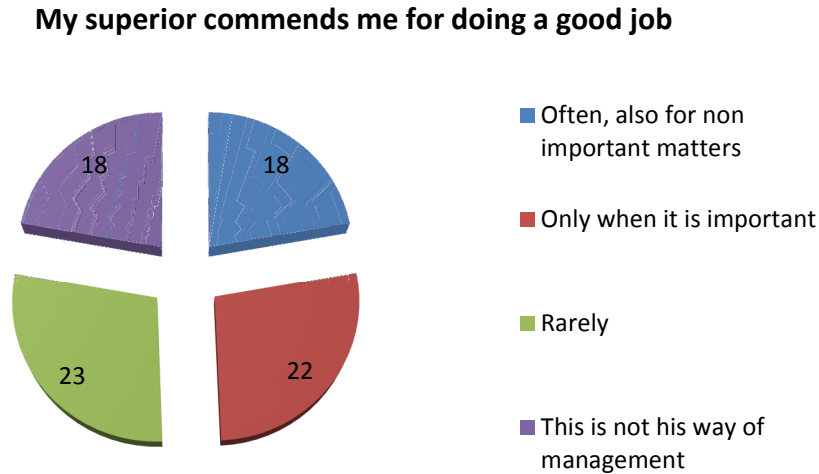
Figure 19: Manager's support in case of a problem



The main role of a manager or a leader is to create a convenient environment for members of the team so that they can do the best job for the company in the most efficient way. Continuous support by management does not only increase efficiency but also improves relationships between the managers and subordinates. It's the relationship in question that is the most frequent reason for people to leave their job. In the research, nearly 40% of all respondents say that their boss helps them whenever it's needed and more than 30% can rely on their managers' support depending on the situation. On the other hand, 13 people think that the manager helps them only when he or she can get profit from the result and for 12 respondents their manager is not at all helpful.

### Question 15: Does my superior commend me for doing a good job?

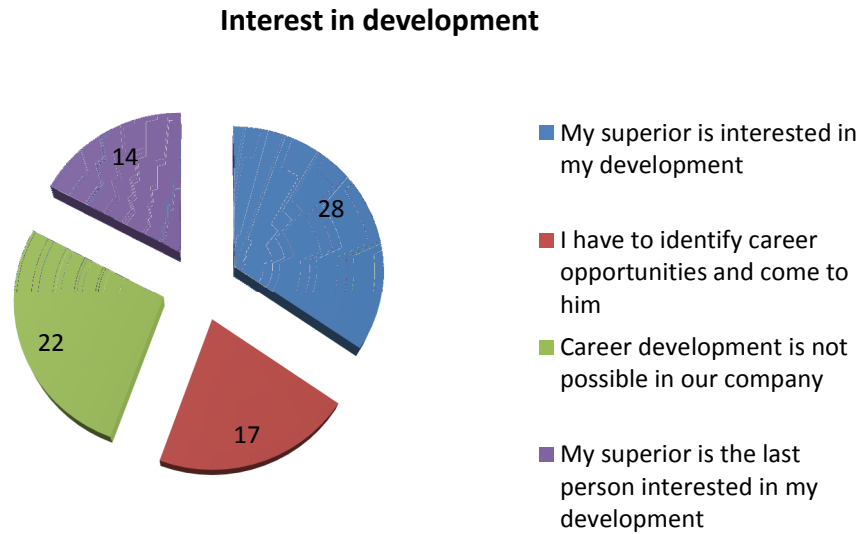
Figure 20: Commending for a well done job



Each employee should have feedback from his or her manager after having successfully accomplished a task or in case of manager's dissatisfaction. The sooner the feedback comes after the action, the better. Often, the feedback works very well when the employee has done something wrong. Recognition of a job well done by the manager can have a positive impact not only on the motivation of the employee but may allow both sides to have the empirical criterion for a well done task. The same holds true when the employee does something wrong and the manager doesn't show him or her his dissatisfaction. It is not fair, vis-a-vis, the employee as he or she cannot improve because of missing immediate feedback and regular evaluation (e.g. once a year) which is far from being sufficient. In our research, 22,22% of respondents said that their manager commends them also for unimportant matters, another 27,16% group of respondents said their manager commends them when they have successfully accomplished an important matter. This is not the opinion of 23 respondents (28,4%) whose boss commends them rarely and of 22,22% who say that commending them for doing a good job is not their manager's usual behaviour.

### Question 17: Is your manager interested in your professional development?

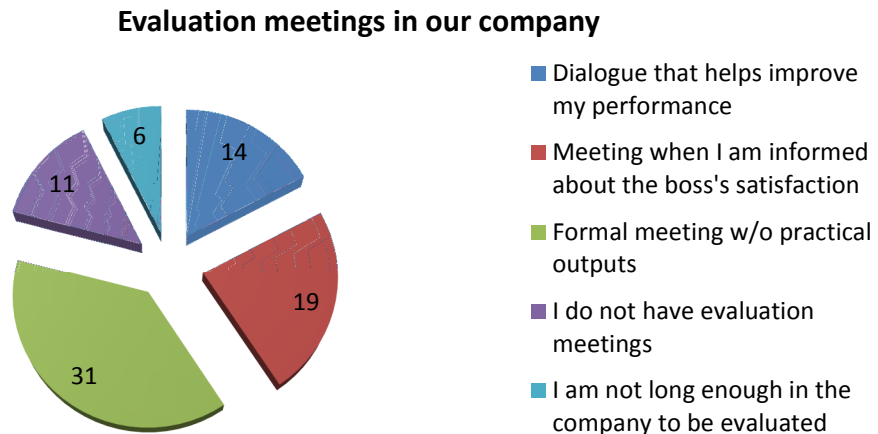
Figure 21: Manager's interest in subordinates development



Professional development of subordinates is one of the manager's main duties. In our research we asked the respondents about the feelings they have about their managers' interest in their professional development. The highest number of respondents (34,57%) think that their managers are interested in their development and behave as such and 17 respondents (20,99%) must come with career opportunities. Alternatively, nearly half of the respondents (44,44%) think either that their boss is not at all interested in their development (17,28%) or career development is simply not possible in their companies (26,72%).

### Question 18: How do you find the evaluation meetings in your company?

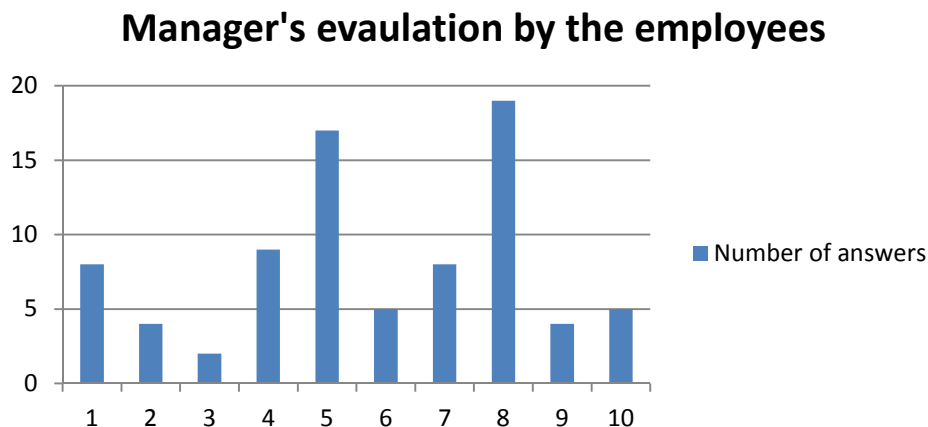
Figure 22: Opinion about evaluation meetings



Evaluation meeting is another of very useful performance management tools which enables both managers and subordinates to review the performance over a certain period of time. The evaluation meetings are often held regularly once a year or when such a need arises. If correctly led, the evaluation meeting can not only evaluate the person's performance but also motivate him or her for the coming periods. The results of the research show that the largest part of respondents consider the evaluation meeting to be a formal meeting without any practical output. Thirty one respondents share this opinion, which represents 38,27% of all answers. For 19 respondents the evaluation meeting is more of an information meeting where they are informed about their manager's satisfaction with their work. Only 14 respondents (17,28%) consider the evaluation meeting as a useful tool with clear practical outputs. Other 13,58% of respondents do not have evaluation meetings and 6 respondents said that they hadn't been in the company long enough to have an evaluation meeting.

**Question 19: How would you evaluate the personal and professional competencies of your manager in terms of performance management on the scale from 1 (very poor) to 10 (excellent)?**

Figure 23: Opinion about manager's competencies in PM

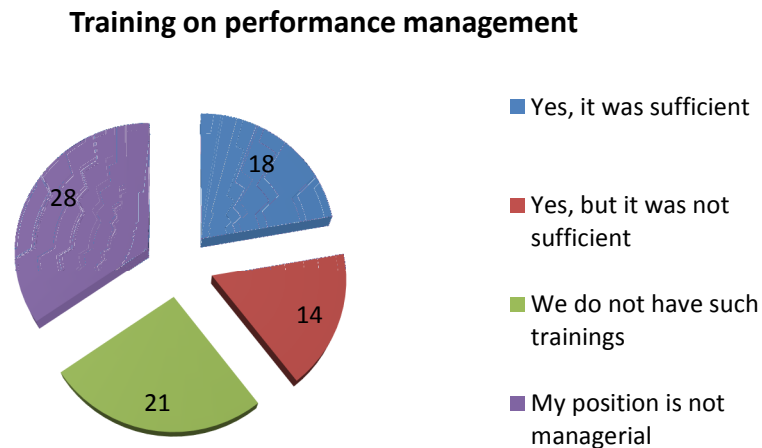


The last two questions had a general character and the respondents were asked to evaluate the skills of their managers in terms of performance management and to evaluate the system of performance management in their companies. As we can see in figure 35, the managers' performance management skills were evaluated by the subordinates as „average“, when the median grade was 5,76 on the scale from 1 (very poor) to 10 (excellent).

**Group of questions D.** *Performance management system in the company.* Questions 9, 10, 13, 16, 20.

**Question 9: Have you had a training on performance management?**

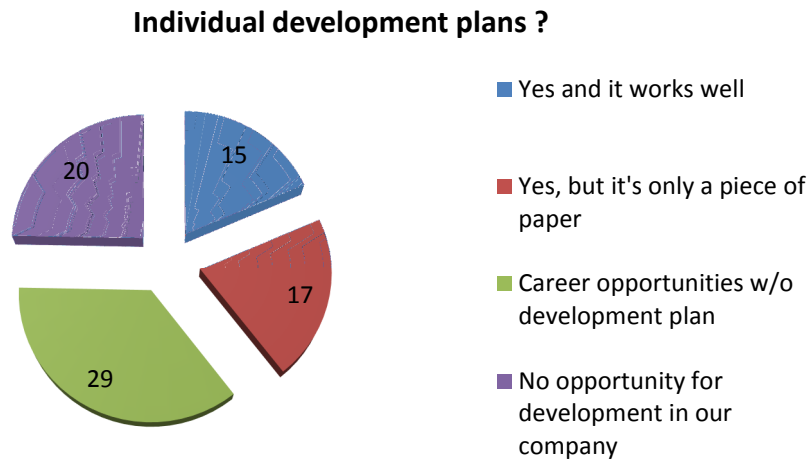
Figure 24: Professional training on performance management



Each manager, both experienced and starting, needs to have knowledge at least about the basic principles of managing the performance of their subordinates. „Learning by doing“ is the approach often applied by companies as they do not consider investments into such skills as crucial for their business. The risk is that managers will learn and apply the wrong tools and methods to manage their performance, which can lead to demotivation of the employees and/or to lower efficiency. In our research, 28 people said that their position is not managerial, therefore there hadn't been a need for such a training. The good sign is that 32 respondents did have such training, but only 56,25% of them considered it as sufficient. Twenty one respondents said that they hadn't had such training even if they were executing a managerial position within the company.

### Question 10: Do you have your personal development plan?

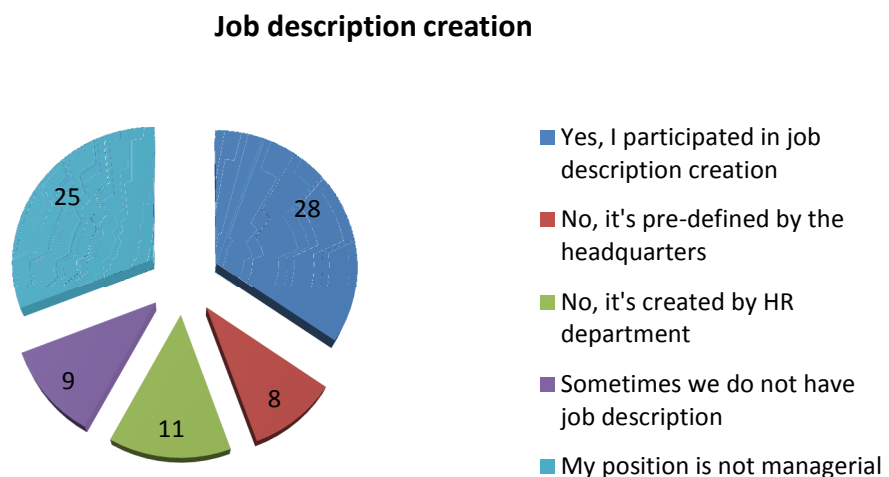
Figure 25: Existence and efficiency of individual development plans



An individual development plan is a unique tool for managers to guide the professional as well as personal development of their team members. In our research, less than 20% of respondents said that they had their own development plan that works well, another 21% of respondents did have such a plan but it didn't work properly. The highest number of respondents (29) had career opportunities without having any individual development plan and every fourth respondent had the feeling that the career development in their company was simply not possible for them.

### Question 13: Do you participate in job description creation of your subordinates?

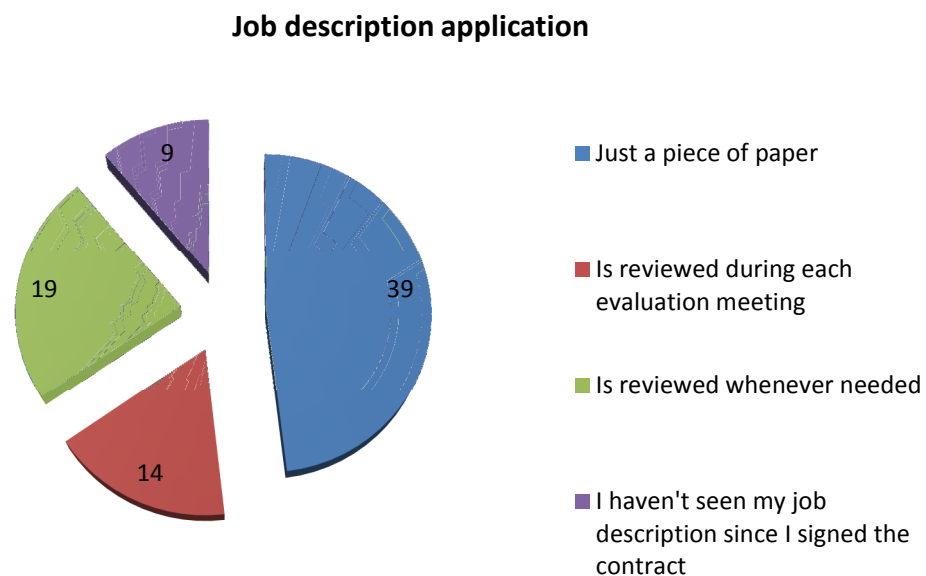
Figure 26: Managers participation in job description process



As 25 respondents didn't participate in job description creation, this question was analyzed on the sample of 56 respondents. 50% of them said that they participate in job description creation, other 17,86% said that the job descriptions are created by local HR departments and 8,93% of respondents said that the job descriptions are pre-defined by their company headquarters. Other 16,07% of respondents said that they do not have job descriptions or didn't know about them.

### Question 16: What's the practical use of the job description?

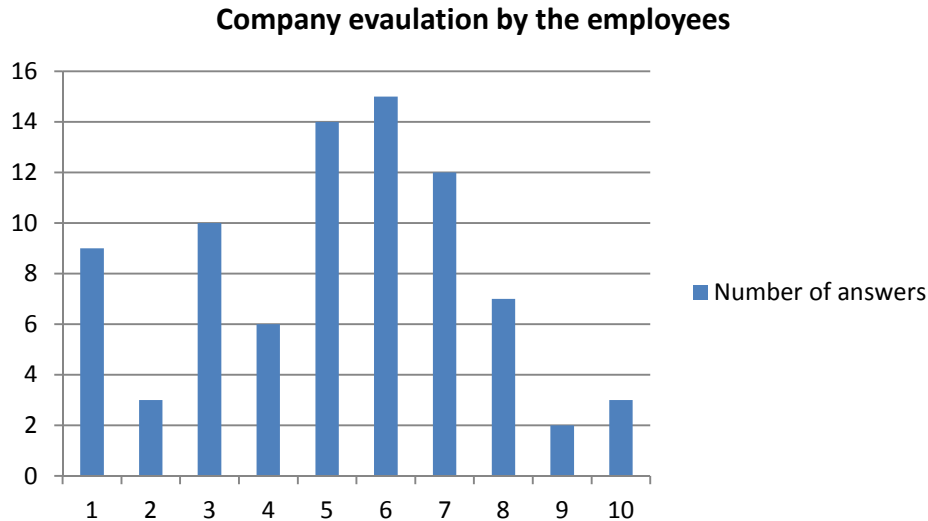
Figure 27: Job description application



The job description is a living document that should be regularly used and updated in case of need. The 16<sup>th</sup> question of the research was focused on the correct application of the job description by the managers. For about half of the respondents (48,15%), the job description is not useful and they consider it as a „piece of paper“. For 19 respondents (23,46%), the job description is a useful performance management tool all over the year and 14 respondents (17,28%) come back to job description during the evaluation meeting with their boss. Nine people (11,11%) haven't seen their job description since signing of the contract.

**Question 20: How would you evaluate the performance management system in your company on the scale from 1 (very poor) to 10 (excellent)?**

Figure 28: Opinion about performance management system in the company



In the last question the respondents were asked to evaluate the overall approach of their company vis-a-vis the performance management. Here, the employees' feeling was getting worse, as the median of all answers was 5,14 on the scale from 1 (very poor) to 10 (excellent).

### **Research analysis and main findings**

The research, oriented on performance management executed by managers and company systems, took into account opinions and feelings of a large group of respondents and companies. The objective of the research was to analyze the actual situation in Central European automotive companies and to identify the most critical problems. By analyzing the results in chapter 4.4, the root causes of the problems have been identified and later on, in chapter 4.5 improvement proposals have been developed.

The research shows that the respondents have their individual objectives, even if every fourth respondent either doesn't have a clear idea about them or does not remember them. In general, we may confirm the existence of objectives for the employees. This proves that the objective oriented system is implemented in automotive companies in Central Europe. The implementation of a tool, system or

method does not guarantee its desired output. Even if the objective oriented system is established in the automotive companies, only half of the respondents fully understand their reasons, which is one of the main assumptions in their effort to achieve them. One of four respondents says that he or she doesn't understand the objectives or does not care, which shows that objective setting as a system exists but is not correctly established. Why it is so?

The answer to this question partially gives us the third question of the research. It shows that only one third of the respondents had the possibility to comment on their objectives and their comments were taken into account. The manager must make sure that the employee not only has the targets defined but also that he or she agrees with them in the whole extent. That requires full acceptance without any further remarks and complaints of the employee that wouldn't be taken into account. The research shows that the employees do not have enough room to change pre-defined objectives even if some changes and employees' ideas could improve not only the individual performance but also the performance of the department or the company. We say that workers shouldn't use only muscles but also heads to do their jobs. It's logical, as the worker stays on the production line for 8 hours each day, therefore knows the work station, process, or machine as nobody else in the company. We may find a certain parallel between the worker and the employees who have the largest experience with their job position and related company's processes. Therefore their remarks should be taken into account not only to motivate them but also to modify individual objectives to better reflect the real processes or to modify the existing processes that would make objectives achieved easier.

Frequency of objectives evaluation cannot be only fixed. It is absolutely correct to have a regular performance evaluation but the objectives should be evaluated and reviewed whenever it's needed – process modification, low performance of the employee, strategy evolution, or for other reasons. The research shows that the objectives are regularly evaluated, mostly once a year. Again, we may say that the performance management rules and standards are respected by the companies. On the other hand, in 60% of cases, the objectives are not evaluated over the year, which is proof that the systems exist, but are not always correctly implemented.

Besides being an important performance management tool, right objectives definition can also be a strong motivational factor for the employees at all levels of the organization. Based on the research results, a small portion of the respondents (about 22%) are fully motivated by their objectives and about 55% percent of the respondents are partially or fully motivated by their objectives. Less than half of respondents (45%) are fairly or not at all motivated by the objectives. It is evident that the motivation by objectives is not sufficient in the automotive companies in Central Europe.

When the individual, departmental or company objectives have been achieved, the employees are often given a financial bonus. This holds true for all employees but especially for people on managerial levels, including boards of directors of the company. For many employees this extra remuneration is a strong motivational factor to achieve objectives. As global automotive companies keep non-production positions in their home countries (e.g. sales, marketing, research and development), in their Central European locations, there are many more workers and technical positions than managerial ones. The organizational structures in their production plants are very lean, with few managers covering the plant's needs (sometimes even covered by people from the companies' headquarters) and office people to do necessary jobs linked to production. We may say, and the research confirms our statement, that there is not much room for extra remuneration of the local employees. More than 50% of the respondents find the performance based remuneration as insufficient or this remuneration doesn't exist. The most motivational factor for about 84% of all respondents would be the financial bonus. This shows that people working in the automotive industry in Central Europe are concerned with financial remuneration. The ideal situation would be to pay people enough to take the issue of money off the table so that money is not the only motivation. A good sign is that a new career opportunity would be a strong motivational factor for nearly 40% of respondents. We may say that people in automotive companies in Central Europe are seeking personal and professional development in their companies but there's not enough room for all of them in the production plant, which may be also a source of demotivation.

The main reason why people leave their jobs is their boss. Very interesting results came out from the next batch of questions where we asked the respondents to evaluate their boss's approach vis-a-vis the performance management. Nearly 57% of the respondents thought that their boss is doing his or her best but it is not sufficient, or are not satisfied with the way he or she manages their performance. The other 43% of respondents are satisfied or very satisfied with the manager's skills and work in managing their performance. Evaluation meetings are organized in the automotive companies but were evaluated as useful and constructive but they are not efficient and for many people an evaluation meeting is a company's process that should be respected and the employees do not expect from the evaluation meeting any practical outputs. Generally we may say that the employees are not satisfied with the way the performance management is executed by their managers. Again, we should pose a question: To what extent is this due to the personal skills of the manager and to what extent is it the company's system that the manager simply cannot influence and doesn't have any other possibility but to follow. Possibly the manager doesn't have required skills in the area of performance management and missing training could be the reason. Such training was missing for about 40% of people executing a managerial position and was not sufficient for 26% of the managers. To sum it up, two thirds of managers would welcome a new performance management training.

An old saying goes: „If you want to have the results in a year, plant a seed. If you want to have results in ten years, plant a tree. And if you want to have results for life, develop people.“ As mentioned above, each manager should develop the company through development of his or her subordinates. A good manager should recognize strong qualities as well as weaknesses in people in his or her team and, according to that, put the right person in the right place, while continuously developing each individual. The research results show that the individual development plan, as an important performance management tool, is not sufficiently and/or properly used in the automotive companies in Central Europe when only 18% of all respondents said that they had their individual development plan and it worked well, but the other 36% of respondents had career opportunities without having a development plan. As the highest proportion of respondents were managers and

leaders promoted without having a development plan, we may say that the professional development in the automotive companies in Central Europe is not the result of a long term development of the employees but rather an „ad hoc promotion“. This may be the result of headquarters' strategies when their main objective is to maximize immediate profit as they may intend to move the production to another country when the Central European region becomes too expensive for them.

The responsibility distribution among different departments is more or less clearly defined, but it doesn't always work. This might be specific for the project-based character of the automotive industry with divided R&D and project management from production. This organization means that the first part of each project (development, sales, pre-production project management) is executed at the headquarters or close to the customer and the project comes to the production plant later on, often with many open issues to be solved. Based on the researcher's personal experience, people from headquarters complain that such problems are due to the production plant, the production plant complains that such problems are due to the project team. It would be useful to define a tool that would not only better follow the responsibility within the plant but also between the plant and the project team. The individual and departmental objectives should be oriented on achieving the company's objectives without being in contradiction (operator's ergonomics vs. process time reduction, cost reduction vs. quality improvement, responsibility for incidents at the customer between two departments, etc.). As the research shows, such a situation happens quite often which is the result of missing rules or their misunderstanding and implementation.

Half of the managers participate in job description creation, in other cases it's pre-defined by the HR department or copied from other company's location. This low percentage of managers participating in job description creation might be a sign of an ineffective use of this important performance management tool by the companies. Not only managers but also people may be asked to write down their job description. The first three or four responsibilities would be those that the employees like the most and/or consider to be the most important. Then, the manager can

compare them with the employee's responsibility expected by the company and make sure the employee's and company's opinion about the given responsibility is the same. It is obvious that the job description can guide the employee towards the activities that are expected by the company. It's a pity that for 60% of the respondents, the job description is just „a piece of paper“ and/or the job description is completely missing. Again, this proves that the managers do not use this performance management tool properly and an important improvement should be done.

The right manager should have not only hard skills about the existence and use of performance management tools but even more the soft skills such as communication, negotiations, motivation, human approach or other personal skills. Based on this researcher's feeling, people in Central Europe still see their manager as a person having deep knowledge about the product or production process the company is applying, somebody who will help them solve any technical problem by himself. The main role of a manager is to create a convenient environment, which demands top performance from and provides highest motivation level for each member of the team. In our research we didn't ask the respondents about the technical skills of their managers but we oriented the questions more on soft skills and evaluation of the way the manager executes the performance management activities. In our research, only 38% of the respondents said that their manager is helpful in case of need. The other group of respondents (62%) said that their manager is sometimes helping them, or helps them when they have profit from the support, or is not helpful at all. Helping people not only improves the performance of an individual or a department but also develops the manager-employee relationship.

Many managers in Central Europe think that doing a good or excellent job is just expected output of the employee's effort and he or she is paid for that, and basically they are right, but a good manager should go beyond this. If we want to have the employee's behaviour repeated, the best way is to commend him or her for good actions as soon as they have been done. In our research only 22% of the respondents said that their boss commends them also for doing ordinary work well and more than 50% of the respondents said that their boss does not commend them for good or even excellent results. Interest in professional development of the

employees by their managers is weak when only every third respondent said that his or her manager is interested in their professional development and every fourth respondent had the impression that the professional development in their companies was simply not possible, which points to a high level of demotivation of the employees. We may think that the managers often do have strong technical skills but managerial skills are missing and there is no effort to improve or develop them.

The respondents evaluated their managers in the area of performance management as „average“ with an average grade of 5,76 on the scale from 1 (very poor) to 10 (excellent) and the company performance management system got an average grade of 5,14 on the same scale. We may see that the respondents have practically the same opinion about the performance management execution by their managers as well as the company's system. As the employees are in daily contact with their manager, we may suppose that they evaluate the company system based on their manager's execution of the activity. In general, an employee's relationship with the manager largely determines his or her view of the company. The results „average“ are far from being sufficient. As people are the most important competitive advantage of each „world class enterprise“, their managers cannot be seen in their subordinates eyes as „average“.

### **Main problems identification and analysis**

The research analysis here above has shown several problems connected with performance management in Central European automotive companies. Their criticality and importance for the companies can be evaluated based both on the percentage share of the answers and on the researcher's experience.

After taking into account all factors, the following six areas were identified as the most critical:

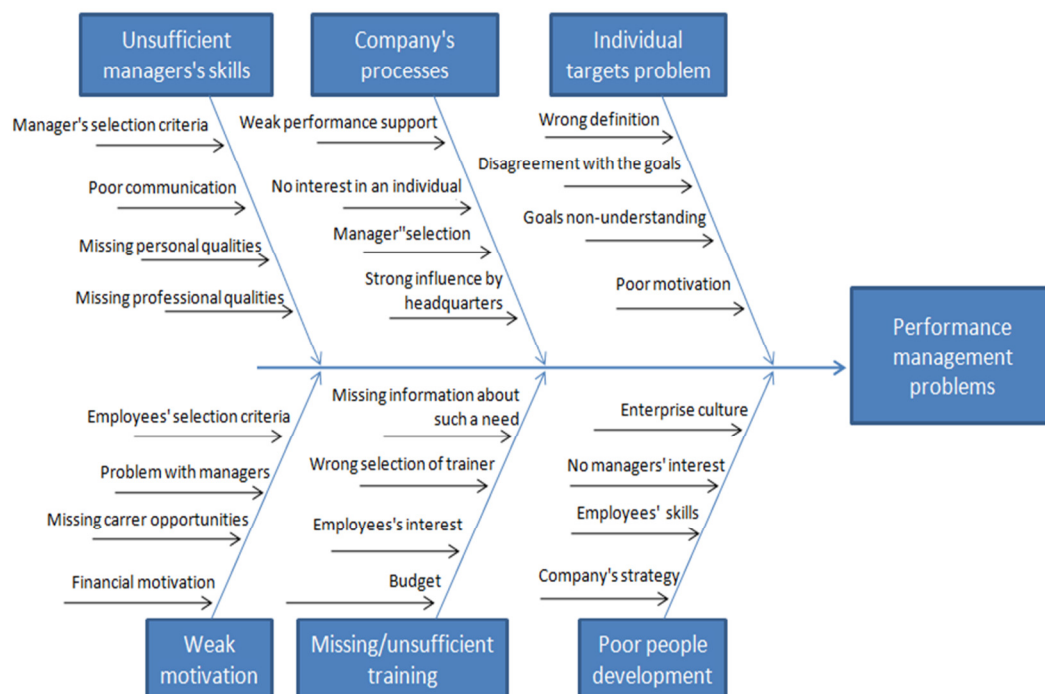
- *Managers.* People managing the employees performance are considered as one of the weakest links in the performance management chain in the companies. For different reasons (lack of human resources, „gift“ for long years in the company, language proficiency, etc.) people became managers

without having relevant hard but even more soft skills for managerial positions. Performance management tools and practices are not used properly. The result is that their subordinates do not take them as personalities, do not consider their skills to be relevant and do not respect them as managers and/or as people.

- *Company processes.* Managers are often only following their company's processes. The processes may be defined as the headquarters and there's no room for change. The processes should be flexible and respond to each change in the company or on the market.
- *Objectives understanding.* In managing the performance, each individual must understand his or her objectives, ideally in the context of departmental or company objectives. Even if nearly all people have the objectives, their understanding is often not the case in Central European automotive companies. The problem might be also that the managers, setting objectives for their employees, do not understand the objective reasons either and just set objectives required by a higher hierarchical level. Concerning objectives, employees have little opportunity to comment on them.
- *Weak motivation.* As automotive OEMs or suppliers establish in Central Europe production plants, often the only expectation from the local employees is to produce the parts defined and developed abroad. Based on other author's research, as a part of postgraduate studies, analysing project management in global companies, only 16% of employees (the same respondents sample) think that their colleagues from company's headquarters accept them as equal partners. Those reasons, taking into consideration the frequent dissatisfaction with managers, can be important sources of employee demotivation.

- *Missing and/or insufficient training.* In some cases a „learning by doing“ approach can be useful, but not in managing people. Without having relevant training at the beginning the manager can get familiar with practices developed by himself that are simply bad habits. As more than 60% of the managers had been trained on performance management and their subordinates were not satisfied with their way of management, there must be something wrong either with the training or the manager’s selection criteria.
- *Poor people development.* It is obvious from the research that the companies do not strategically develop the local employees. Without having a clear visibility of a career within their company, the most motivated employees need to find new opportunities outside the company to develop their professional lives. Individual development plans practically do not exist in the automotive companies in Central Europe and apparently this is not a problem for the enterprise culture.

Figure 29: Ishikawa diagram for Performance management problems



## Recommendations for improvement

The previously stated analysis have already indicated some solutions to the existing problems of automotive companies in Central Europe connected with the performance management.

The recommendations stated here below are either specific, developed by the researcher, or performance management standards which apparently do not work properly in the companies and therefore the company's need for implementing or reviewing them is highly relevant.

Each manager's effort should be focused more on problem prevention than on problem resolution. While defining the recommendations, we can see that the best way to solve a problem is to avoid it. Therefore the recommendations for companies have a preventive character.

Based on the theoretical study of performance management standards and the empirical and research feedback, the following actions should be undertaken to solve and avoid existing problems in automotive companies in Central Europe:

- *Assessment of the managers before offering them a managerial position.* This would be the first assumption that the person is suitable for managing people
- *In case of doubts, assessment of today's managers.*
- Focus on manager's *soft skills* and *emotional intelligence*
- Assure an appropriate *training on performance management* for all managers
- *Higher interest in people development*
- *Individual development plan* for each employee.
- Make sure the employees *understand* and *agree* with his or her *individual objectives*
- *Individual approach* to each employee by the manager
- *More frequent* evaluation meetings in case of need
- Existing *budget for people development*
- Focus on performance management in the context of *enterprise culture*
- *Improve bottom-up communication* to unveil even starting problems
- *Today's managers must become leaders!*

## **Results discussion and thesis contribution**

The idea about the research of performance management execution in automotive companies in Central Europe started with the empirical experience of the researcher with the people working in the local production plants. Most of those companies are purely production plants with low added value on the product and their main objective in the eyes of the company's shareholders as well as the headquarters is to produce. Personal experience indicates that people working on different levels of management, quality engineers, or project managers are not satisfied with the way the company sets the processes to manage performance and the way their managers execute them. Often, people were not satisfied with their manager's personal or professional approach and there was a clear need to analyze the situation and propose recommendations for improvement.

### **Theoretical contribution**

The theoretical and practical contributions of the Master thesis come from the defined scientific objectives and practical experience with performance management execution in automotive companies in Central Europe. The theoretical contributions are based on the synthesis and processing of the latest information and knowledge, methods and opinions in the area of performance management analyzed according to the study of scientific literature and scientific journal articles. The first chapter offers a general view on the automotive industry in Central Europe and points at its importance for each country and therefore the continuous need for improvement in all areas to keep investments flowing in the region.

The master thesis offers a specific overview on performance management system for automotive companies in Central Europe, taking into account the project character of the automotive industry, globalization or cultural differences. It describes the most important factors influencing performance management execution and points to its importance in managing an individual, a department, a production plant or even the whole group.

The theoretical knowledge and information formed the base for the practical part of the Master thesis preparation, research running and analyzing and for

improvement ideas proposals. The research analysis allowed us to compare the theoretical knowledge with the real situation in the companies, evaluate the stated hypothesis, identify the differences and propose solutions.

We can sum up the main contribution of the Master thesis for theory as follows:

- processing of the latest knowledge about performance management in automotive industry from a holistic point of view, focusing on production plants in Central Europe.
- identification of specific requirements on performance management in a global economy, focusing on the automotive industry
- definition of improvement proposals to eliminate the main existing problems in automotive production plants
- scientific cognition in the context of performance management

### **Practical contribution and hypothesis evaluation**

The practical part of the Master thesis starts with the respondents inquiring about their opinions on the performance management execution in their companies. The respondents sample came from different countries of Central Europe, known as V4 – Slovakia, Czech Republic, Hungary and Poland, while the headquarters of the companies were situated in different countries of the world, which is the basic assumption that all cultural differences will be taken into account. The high number of respondents is a kind of guarantee that the achieved results will be representative for the whole automotive industry in the region and offer a clear picture about the real performance management execution in automotive companies in Central Europe.

The first results were presented in chapter 4 of the Master thesis. The research results were considered as the most important criterion in hypothesis evaluation.

*Definition and evaluation of performance indicators is not clear to employees.* This hypothesis is not confirmed as little more than 50% of all respondents said that the reasons for their objectives are clear to them. Unfortunately, there's still a large group of employees who either partially understand the objectives or do not understand them at all, therefore an improvement in this area is strongly recommended.

*There's not enough room for employees to comment on their objectives.* This hypothesis is not confirmed as the largest group of respondents could fully or partially comment on their objectives. Again, the percentage is still low and improvements considered to be necessary.

*The respondents are not motivated by their objectives.* This hypothesis is confirmed as only 22,22% of respondents said that they were motivated by the objectives.

*The respondents are not satisfied with the way their managers' approach vis-a-vis the performance managers and consider them not to be skilled enough in the area.* We cannot confirm or decline this hypothesis as the general evaluation of managers was seen by the employees as „average“. Again, this is not enough and companies should focus more on managers' selection and education.

*There's a low level of performance management training in the automotive companies in Central Europe.* Confirmed. Only 18 respondents said that they had training on performance management and it was sufficient.

*Personal development plans do not exist at least for 50% of the respondents.* This hypothesis is considered as confirmed when only 41% of respondents have an individual development plan and what is even worse, half of those respondents considered the individual development plan only as a „piece of paper“.

*It often happens that one's department's objectives are in contradiction with another department's objectives.* This hypothesis is not confirmed when only 13 respondents (16,05% of the whole groupe) said that it often happens that their objectives are in

contradiction with other department's objectives. On the other hand, such a situation sometimes happens to more than 50% of all respondents.

*Managers do participate in the job description of their subordinates.* This hypothesis is confirmed when 50% of the inquiring managers participate in the job description creation of their subordinates.

*Employees do not have a feeling that their manager is helpful in case of a problem.* Only 40% of respondents said that their manager is helpful whenever needed. This hypothesis can be considered as confirmed.

*Managers do not commend their subordinates for a job well done.* As less than 50% of the respondents said that their boss did not commend them for a job well done and/or even for exceptional performance, this hypothesis is considered as confirmed.

*Managers are not interested in the professional development of their subordinates.* Confirmed. The interest in subordinates' development was the case for only 34,57% of all respondents.

*Performance evaluation meetings are rather a formal meeting without practical outputs.* Absolutely confirmed when only 17,28% of all respondents said that the performance evaluation meeting was a constructive dialogue helping to improve their performance.

*All in all, people are not satisfied with the performance management system in their companies.* Again, it's difficult to confirm or decline the hypothesis as respondents evaluated the performance management system in the companies as „average“.

After having identified the main problems, their root causes have been identified applying analytical methods such a Ishikawa diagram. The chosen approach says that the fundamental condition to solve a problem is the exact identification of the root cause and only then the corrective actions can be defined

and implemented. The analysis of each area of problem helps us not only better understand the existing issues but also identify the corrective actions.

We can sum up the main contribution of the Master thesis for practice as follows:

- *elimination of existing problems* of automotive companies in Central Europe connected with performance management
- *universal usage* of the recommendations
- *improvement of local manager's competencies* (hard skills, soft skills)
- *employees' efficiency improvement*
- *increasing of employees' motivation*
- *fluctuation decrease*
- *long term cost reduction*
- *increase of competitiveness* in the region for foreign investors

The main objective of the Master thesis, the analysis of performance management in Central European automotive companies and corrective actions proposals, was achieved through realized research and further analysis. It is not excluded that those actions may require temporary increase of personal costs (e.g. training or assessment costs), but we are persuaded that these investments will come back very quickly to each company. The recommendations should be analyzed by each company and only those actions implemented that reflect the need of the company. Thanks to efficiency improvement, the production plants may become even more attractive for investors, and last but not least, the local managers can significantly improve their competency in the area of performance management.

## **Conclusion**

The automotive industry is one of the main pillars of the economy of each Central European country. Investors from all over the world established in the region production plants that give work to millions of people, taking profit from the competitive advantages the region offers. These investments create thousands of managerial positions on different levels of management that are covered by local employees, often without having relevant experience and/or required managerial skills. Inappropriate managers' selection, pure focus on production, missing training on performance management, managers development program or applying „learning by doing“ approach are the factors of a sometimes poor level of managerial execution.

During last few years the researcher has worked with dozens of companies in Central Europe and had the possibility to listen to hundreds of people. Low satisfaction with performance-based remuneration, weak motivation, missing career development, a feeling of inferiority, or poor satisfaction with their manager's approach were some of the constraints. This experience confirmed that there's a need for analysing the weaknesses of performance management execution in those companies and to define suggestions for improvement under an experienced supervisor.

In the theoretical part of the Thesis we shortly described the automotive industry in Central Europe, focusing on its importance for the region of Central Europe and therefore the need for continuous improvement in all areas. The main topics of the theoretical part of the Thesis dealt with managerial and leadership roles within an organization, pointing to the most critical leadership styles and qualities as well as at the most common mistakes. The goal setting and evaluation, as an important managerial tool, forms another part of the Thesis, focusing mostly on the identification of the right individual, departmental and company objectives. The „best practice“ subjects described in the theoretical part of the Thesis are in direct connection with its practical part where the research findings are compared with the theoretical information.

Time spending analysis of the current status, as a part of practical part of the Thesis, was the result of several months communication between the researcher and the automotive companies in Central Europe. The high questionnaire return rate is not only the result of personal relationships of the researcher with respondents but also of the active communication in the questionnaire process. The result of the analysis is the current situation description, as perceived by the production plants in Central Europe. It points at the „average“ level of the performance management execution in the companies and a high level of distrust and dissatisfaction with the managers‘ approach by their subordinates.

The main problems have been analysed and potential root causes identified. Based on the root cause analysis, the recommendations for the production plants were developed. The correct implementation of the recommendations could help the companies not only resolve existing problems, improve employees‘ motivation and improve the overall efficiency of the individual, department or the whole organization.

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## Attachments

### Appendix 1: The list of companies participating in the research

Production Plant	Example of product portfolio	Location	Headquarters
VISTEON Autopal	rear lamps, front lightning systems	Nový Jičín, Czech	USA
BOSCH	electronic systems	Hatván, Hungary	Germany
VALEO	locksets and latches	Košice, Slovakia	France
VALEO	palubné dosky	Véeszprém, Hungary	France
FAURECIA	dashboards, exhaust systems	Trnava, Slovakia	France
MAGNA International	stamping and welding	České Velenice, Czech	Canada
TOYODA Gosei	door sealings	Klasterec nad Ohří, Czech	Japan
ZF Sachs	engine parts	Trnava, Slovakia	Germany
TOWER Automotive	stamping and welding	Malacky, Slovakia	USA
KIRCHHOFF	stamping and welding	Gliwice, Poland	Germany
KIRCHHOFF	stamping and welding	Mielec, Poland	Germany
S.N.O.P.	stamping and welding	Pohořelice, Czech	France
S.N.O.P.	stamping and welding	Písek, Czech	France
WITTE Automotive	locksets, handles	Nejdek, Czech	Germany
TIBERINA Automotive	stamping and welding	Bělá pod Bezdězem, Czech	Italy
COOPER Standard	door sealings	Myslenice, Poland	USA
GKN Driveline	engine parts	Olesnica, Poland	Great Britain
REHAU	sealings	Moravská Třebová, Czech	Switzerland
HUTCHINSON	plastic parts	Lodz, Poland	France
HUTCHINSON	plastic parts	Zywiec, Poland	France
TI Automotive	fuel tanks, pipes	Trnava, Slovakia	Veľká Británia
Pierburg	water pumps	Trmice, Czech	Germany
GMD/Motokom	stamped parts	Veľký Meder, Slovakia	France
MIBA	engine parts	Dolný Kubín, Slovakia	Austria
MECAPLAST	plastic parts, mud shields	Pardubice, Czech	France
Simoldes Plasticos	plastic parts	Jelcz-Laskowice, Poland	Portugal
TRELLEBORG	sealings	Nová Baňa, Slovakia	Sweden
Magneti Marelli	dashboards	Kechnec, Slovakia	Italy
SILESIA Plastic	door trims	Strzelin, Poland	Spain
Mann-Hummel	filters	Okřísky, Czech	Germany
Borgers Group	textiles	Rokycany, Czech	Germany
GPI Slovakia	sound insulation	Liptovský Mikuláš, Slovakia	France
Grupo Maier	visual plastic parts	Prostějov, Czech	Spain
JTEK Automotive	steering systems	Plzeň, Czech	Japan
TREVES	seats	Dvur Králové nad Labem, Czech	France
DURA Automotive	steering systems	Kopřivnice, Czech	USA
TRW Automotive	central facades, air ducts	Bytča, Slovakia	USA
PHA Czech	latches	Český Tešín, Czech	Corea
Continental	electronic systems	Brandýs nad Labem, Czech	Germany
BENTELER	stamping and welding	Rumburk, Czech	Germany

## ***Apendix 2: Questionnaire***

Slovak version of the questionnaire

Vážená respondentka, vážený respondent,

rokmi overená pravda hovorí, že základom úspechu každého podniku sú ľudia. Získať správnych ľudí však automaticky neznamená, že títo zamestnanci aj odvedú najlepšiu prácu.

Faktory, ako riadenie výkonnosti zamestnancov, ich motivácia, určenie a sledovanie správnych cieľov, podpora či budovanie vzťahov rozhodujú o tom, do akej miery nasadí daný človek svoje schopnosti v prospech podnikových cieľov a prispeje tak v najväčšej možnej miere k jeho rastu.

Plne anonymný dotazník, ktorý sa ku Vám dostáva je súčasťou Záverečnej práce programu MBA Automotive Industry Technickej univerzity Viedeň (<http://automotive.tuwien.ac.at>).

Jedným z jeho cieľov je na vzorke viac ako 200 respondentov zo štyroch krajín pomôcť analyzovať súčasný stav v oblasti riadenia výkonnosti v automobilových spoločnostiach v Strednej Európe a zistiť osobnú skúsenosť a spokojnosť respondentov so zavedeným systémom riadenia výkonnosti či prístupom a kompetenciami vedúceho v tejto oblasti.

Verím, že okrem významného príspevku k spomínanému výskumu, Vám koncepcia položených otázok dá viacero podnetov k zlepšeniu riadenia výkonnosti vo Vašej spoločnosti. Po každej otázke, ako i na konci dotazníka, je vytvorený priestor pre Vaše pripomienky či návrhy.

Ďakujem za Vašu pomoc a participáciu.

S pozdravom

Michal Matúšek

**1. Sú Vám Vaše ciele známe a jasne kvantifikovateľné?**

- ☐ Áno, viem presne, aké sú moje ciele
- ☐ Viem približne o svojich cieľoch
- ☐ Mám stanovené ciele, ale nepamätám si ich
- ☐ Nemám stanovené ciele
- ☐ Iné:

**2. Sú Vám jasné dôvody týchto cieľov?**

- ☐ Áno, ciele sú stanovené racionálne, v súlade so stratégiou spoločnosti
- ☐ Pri niektorých cieľoch je dôvod jasný, pri iných nepoznám význam
- ☐ Nie je mi jasné, na základe akých kritérií boli ciele určené
- ☐ Tieto dôvody ma nezaujímajú

**3. Mali ste možnosť vyjadriť sa k cieľom danými zo strany vedenia?**

- ☐ Áno, tieto ciele boli so mnou prediskutované a moje pripomienky boli vzaté do úvahy
- ☐ Mal som možnosť vyjadriť sa do určitej miery
- ☐ Ciele mi boli viac-menej predstreté a nebol priestor na diskusiu
- ☐ Iné:

**4. Ako často sú Vaše individuálne ciele sledované?**

- ☐ Jedenkrát za rok
- ☐ Každého pol roka
- ☐ Priebežne počas roka a oficiálne raz za rok
- ☐ Moje ciele nie sú sledované

**5. Sú ciele ktoré máte pre Vás motivujúce?**

- ☐ Áno, ciele sú pre mňa motivujúce
- ☐ Ako ktoré, vo všeobecnosti sú motivujúce
- ☐ Ako ktoré, ale hodnotil by som ich ako nie veľmi motivujúce
- ☐ Stanovené ciele nie sú pre mňa motivujúcim faktorom

**6. Ste spokojný s ohodnotením závislom na výkonnosti?**

- ☐ Ohodnotenie v závislosti na výkone je nad moje očakávania
- ☐ Ohodnotenie v závislosti na výkone je primerané cieľom
- ☐ Nie som spokojný
- ☐ Moje ciele nie sú spojené s ohodnotením
- ☐ Iné:

**7. Čo by bolo pre Vás hlavným motivátorom pri dosiahnutí/prekročení stanovených cieľov?**

- ☐ Finančná prémie
- ☐ Nefinančná prémie
- ☐ Uznatie od šéfa
- ☐ Kariérny postup
- ☐ Iné:

**8. Ako ste spokojný s prístupom Vášho nadriadeného k riadeniu Vašej výkonnosti?**

- ☐ Veľmi spokojný, môj nadriadený vie, ako sledovať a riadiť výkonnosť zamestnancov
- ☐ Môj nadriadený sa snaží, ale nie je to podľa mojich predstáv
- ☐ Tieto aktivity sú robené len kvôli tomu, že sa robiť musia
- ☐ Mám pocit, že môj nadriadený nevie, čo je to riadenie výkonnosti svojich ľudí
- ☐ Iné:

**9. Mali ste školenie na nástroje riadenia výkonnosti ?**

(ak je Vaša pozícia riadiaca)

- ☐ Áno, školenia tohto typu som mal
- ☐ Niejaké školenia boli, ale nepostačujúce, resp. bolo to dávno
- ☐ Nie, takéto školenia nemávame
- ☐ Moja pozícia nie je riadiaca
- ☐ Iné:

**10. Máte zadaný plán vývoja?**

- ☐ Áno, plán vývoja existuje a je pravidelne vyhodnocovaný
- ☐ Áno, ale len na papieri
- ☐ Máme možnosti na rozvoj, ale bez individuálneho plánu vývoja
- ☐ Rozvoj kompetencií zamestnancov v našej firme prakticky neexistuje
- ☐ Iné:

**11. Je vám jasné rozdelenie zodpovednosti v rámci oddelení Vášho závodu?**

- ☐ Áno, kompetencie a zodpovednosť sú jasne stanovené
- ☐ Áno, i keď sa stáva, že v praxi to neraz nefunguje
- ☐ Niekedy nie je jasné, kto je za čo zodpovedný
- ☐ Zdá sa mi, že robia všetci všetko
- ☐ Iné:

**12. Stretávate sa so situáciou, kedy sú Vaše ciele v konflikte s cieľmi iného oddelenia?**

- ☐ Áno, stáva sa to často
- ☐ Stáva sa to, ale rýchlo sa to vždy vyrieši
- ☐ Občas sa taká situácia vyskytne
- ☐ Nestáva sa to
- ☐ Iné:

**13. Participovali ste na vytváraní popisov pracovných miest (job description) ľudí na Vašom oddelení?**

(ak Vaša pozícia je riadiacia)

- ☐ Áno, popis každého pracovného miesta je vypracovaný vedúcim oddelenia
- ☐ Máme preddefinované popisy pracovných miest z materskej spoločnosti
- ☐ Popis pracovných miest vytvára Oddelenie ľudských zdrojov
- ☐ Pri viacerých pozíciách chýba popis
- ☐ Iné:

**14. Môj vedúci je nápomocný pri riešení problémov**

- ☐ Vždy, keď to potrebujem
- ☐ Závisí na tom, o čo ide, asi v polovici prípadov
- ☐ Iba vtedy, keď má z toho i on profit
- ☐ Vôbec nie je nápomocný
- ☐ Iné:

**15. Môj vedúci ma pochváli za dobre vykonanú prácu**

- ☐ Vždy, keď je to vhodné a všimá si i menších úspechov
- ☐ Ak ide o niečo významné
- ☐ Výnimočne
- ☐ Nie, nie je to jeho štýl
- ☐ Iné:

**16. Využitie popisu pracovného miesta (job description)**

- ☐ Je to formálna záležitosť, vôbec sa nepoužíva
- ☐ Pri každom hodnotiacom pohovore sa k nemu vraciame
- ☐ Vraciame sa k nemu, vždy keď je to potrebné
- ☐ Nikdy som nevidel popis môjho pracovného miesta
- ☐ Iné:

**17. Môj vedúci má záujem na mojom profesionálnom raste**

- ☐ Áno, môj profesionálny rast je preňho dôležitý a pomáha mi napredovať
- ☐ Musím si sám vyhľadávať príležitosti a prísť za nim s možnosťou rastu/zmeny
- ☐ Zdá sa mi, že v našej firme je rast prakticky nemožný
- ☐ Mám pocit, že je to ten posledný človek, ktorý má na mojom raste záujem
- ☐ Iné:

**18. Pravidelný hodnotiaci pohovor**

- ☐ Je to konštruktívny dialóg, ktorý pomáha v zlepšení pre ďalšie obdobie
- ☐ Ide o stretnutie, kde mi je oznámená spokojnosť vedenia s plnením úloh
- ☐ Formalita, z ktorej nie je prakticky žiaden výstup
- ☐ Nemávame hodnotiace pohovory
- ☐ Som vo firme krátko, hodnotiaci pohovor som ešte nemal

**19. Odbornú a ľudskú spôsobilosť môjho šéfa v oblasti riadenia výkonnosti hodnotím**

(na stupnici od 1 do 10)

1	2	3	4	5	6	7	8	9	10	
<hr/>										
veľmi slabú	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	výnimočnú

**20. Systém riadenia výkonnosti v našej firme je**

(na stupnici od 1 do 10)

1	2	3	4	5	6	7	8	9	10	
<hr/>										
veľmi slabý	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	výnimočne motivujúci

**Aké sú Vaše podnety a návrhy na zlepšenie situácie v oblasti riadenia výkonnosti vo Vašej spoločnosti ?**

## **English version of the questionnaire**

Dear respondent,

The right people are the base of success of each enterprise. Hiring the best people doesn't automatically mean that they will do their best for the company.

Management of employees' performance, their motivation, definition and fulfillment of the right objectives or relationships development are important factors influencing performance of each individual.

The questionnaire you've just received is a part of Master thesis of an MBA Automotive industry Program at the Technical University of Vienna (<http://automotive.tuwien.ac.at>).

This fully anonymous research will be evaluated based on answers of more than 200 respondents from 4 countries. You shouldn't spend more than 5 minutes to answer the questions.

One of the Master Thesis objectives is to analyse the situation in the field of performance management in the automotive companies in Central Europe in terms of employees' satisfaction with the performance evaluation system in their companies, professional approach of their direct hierarchical managers or their suggestions for improvement.

Hoping that, except your important contribution to the research, the questions posed here below may also give you some ideas about possible improvement of performance management in your company. After each question there's a room for your comments or suggestions.

Thank you for your help and participation,

Kind regards

Michal Matusek

**1. Is the definition and the quantification of your individual targets clear to you?**

- ☐ Yes, I exactly know what are my individual targets
- ☐ I know more-less about my targets
- ☐ I have some targets but I do not remember them
- ☐ I do not have any individual targets
- ☐ Iné:

**2. Are the reasons for the targets clear to you?**

- ☐ Yes, the reasons are clear, in compliance with company strategy
- ☐ Some reasons I understand, some I don't
- ☐ I do not understand the reasons for the targets
- ☐ I am not interested in the reasons
- ☐ Iné:

**3. Did you have any opportunity to comment your individual targets?**

- ☐ Yes, we discussed the targets and my comments were taken into consideration
- ☐ Partially I could express my feelings about the targets
- ☐ The management set my targets without any discussion
- ☐ Iné:

**4. How often are your individual targets followed?**

- ☐ Once a year
- ☐ Every six months
- ☐ Regularly all over the year
- ☐ My individual targets are not followed
- ☐ Iné:

**5. To which extent you are motivated by your targets?**

- ☐ I am motivated by my targets
- ☐ Some targets are motivating, others aren't
- ☐ Very few targets are motivating
- ☐ I am not motivated by my targets
- ☐ Iné:

**6. Are you satisfied with the remuneration system based on performance?**

- ☐ Yes, the remuneration based on performance exceeds my expectations
- ☐ Yes, the remuneration is appropriate to the performance
- ☐ No, the remuneration based on performance is low
- ☐ There's no remuneration based on performance
- ☐ Iné:

**7. What would be the most motivating factor for you?**

- ☐ Financial bonus
- ☐ Non financial bonus
- ☐ Work recognition by my boss
- ☐ New career opportunity
- ☐ Iné:

**8. Are you satisfied with your boss approach to performance management?**

- ☐ I am very satisfied, my boss is strong in performance management
- ☐ My boss is trying to do his/her best but it's not sufficient
- ☐ My boss doesn't know what performance management is
- ☐ Iné:

**9. Have you had any professional training on performance management?**

(if you held a managerial position within your company)

- ☐ Yes, I had such trainings and it was sufficient
- ☐ I had some trainings but it was not sufficient
- ☐ I didn't have any trainings
- ☐ My position is not managerial
- ☐ Iné:

**10. Do you have your personal development plan?**

- ☐ Yes, I have my development plan and it is regularly evaluated
- ☐ Yes, but only on the paper
- ☐ We have career opportunities without having personal development plan
- ☐ There's no opportunity for professional development in our company
- ☐ Iné:

**11. Is the responsibility distribution among departments clear to you?**

- ☐ Yes, the responsibility of each department is clear and it works
- ☐ Yes, the responsibility is clear but often it doesn't work
- ☐ The responsibility is not always evident
- ☐ I have impression that everybody is doing everything
- ☐ Iné:

**12. Does it happen that your department's targets are in contradiction with other department targets?**

- ☐ Yes, it happens quite often
- ☐ Rarely it happens
- ☐ I've never seen such a case
- ☐ Iné:

**13. Did you participate in job description creation of your subordinates?**

- ☐ Yes, the job description is created in cooperation with direct manager
- ☐ The job descriptions are pre-defined by the mother company
- ☐ The job descriptions are created by HR department
- ☐ The job descriptions are sometimes incomplete or even missing
- ☐ Iné:

**14. My boss is helpful in case of problems solving**

- ☐ Whenever I need it
- ☐ Depends on the situation
- ☐ Only when he/she can have profit from the situation
- ☐ He's not helpful at all
- ☐ Iné:

**15. My boss commends me when I do a good job**

- ☐ Quite often, also for not very important matters
- ☐ Only when it's something important
- ☐ Rarely
- ☐ This is not his way of management
- ☐ Iné:

## 16. The job description

- ☐ Is just a piece of paper without any use in practice
- ☐ Is reviewed during each evaluation meeting
- ☐ Is reviewed, whenever it's needed
- ☐ I have never seen my job description since I signed the working contract
- ☐ Iné:

17. My boss is interested in my professional development

- ☐ My professional development is important for him and supports me a lot
- ☐ I have to identify the career opportunities and come to him/her with suggestions
- ☐ I've impression that the career development is impossible in our company
- ☐ My boss is the last person interested in my career development
- ☐ Iné:

**18. The evaluation meeting of my performance**

- ☐ Is a dialogue that helps improve my performance in the future
- ☐ Is a meeting where I am informed about my boss's satisfaction with my performance
- ☐ It's a formal meeting without practical outputs
- ☐ I do not have any evaluation meetings
- ☐ I am not long enough in the company to have an evaluation meeting
- ☐ Iné:

**19. Personal and professional competencies of my boss in the field of performance management are**

1 2 3 4 5 6 7 8 9 10

very poor ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ exceptional

20. The performance management system in our company is

1 2 3 4 5 6 7 8 9 10

very poor excellent

**What are your suggestions for improvement of performance management in your company?**

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