

# MANAGEMENT INCENTIVES AND PERFORMANCE APPRAISAL

## 管理层激励与业绩评价

The success of the companies heavily depends on how to retain and encourage the talented administrators at all levels. The company will lose its competitiveness if the company lacks the upper management who can achieve higher performance for the company. Through this article, we will share the effective ways to offer incentives to the upper management and share our experience on how to effectively complete the performance appraisal. This is a very important topic within corporate finance.

公司的成功在很大程度上要取决于如何保留并激励位于公司各个层级的优秀管理人员。如果缺乏有能力并能实现较高业绩的管理者，公司就不可能保持竞争力。本文将与您分享我们对管理层的有效激励，以及如何完成其业绩评价的经验。这是公司财务管理的一个重要课题。

### The aims of the incentive 激励的目标

In general, in the case of management incentive, it needs to meet the three management control objectives, which are:

一般情况下，管理层激励方案需要符合公司管理控制的三个目标，即：

- Performance improvement  
提升业绩
- Provide incentives for outstanding decision-making  
为制定优秀的决策提供激励
- Provide fair feedback  
提供公平的回报

In order to establish a solid incentive combination framework during the

implementation period, we believe one should also pay attention to several other standards, for example, tax deduction on companies and upper management's income, and the level of risks that the management is willing to take. In addition, the incentive plan should match with product's life cycle.

在实践过程中，我们认为设立良好的激励组合方案还应该关注其他几个标准，例如，管理层和公司收入的税收减免、管理层对风险的接受程度。另外，激励计划应该与产品的生命周期保持一致。

Sometimes the management tries their best to achieve their own objectives while overlooking the company's objectives. Because of this, the company should stimulate the management to make decisions that's related to the company's strategic objectives. Specially, some core successful factors should bring into the performance evaluation of administrators' achievement such as the customers' satisfaction, training improvement of whole company operation capabilities and etc. These have exceeded the range of traditional financial targets which including income improvement and cost control, even it conflicts with the financial targets. But these factors are highly important for the companies to keep long time development.

有时候管理层往往更关注实现自己的目标，而不是公司的目标。因此公司还应激励管理层制定与公司战略目标相一致的决策。特别是有些关键成功因素也应该纳入管理层业绩评价的范畴。例如客户满意度、公司整体业务能力的培训提升等，这些已经超出了提高收入和控制成本等传统财务目标的范围，甚至还与这些财务目标相冲突。但对公司的长远发展至关重要。



## Sources of Bonus 奖金来源

The bonus funds could be the capital of department or company. The bonus amounts lie on the profits of department or company. The department bonus could be the effective encouragement for the department managers; but it may reflect on the managers won't cooperate with other departments.

奖金的资金来源可以是部门或公司的资金池。奖金的数额取决于部门或公司的盈利能力。部门的奖金池可以为成功的部门经理提供有效的激励，但这种方法可能鼓励部门经理不与其他部门合作。

The company bonus is helpful to attract capable managers to all kinds of departments for companies, for instance, lower level performance departments or new established departments, it can attract capable managers through the incentives. Moreover, the company bonus is also an effective method to develop the cooperation among every department.

公司的奖金池方式有助于将更有能力的经理吸引到公司的各个部门之中，例如业绩较差的部门或新建立的部门，也能吸引到非常有能力的经理。此外，这种公司奖金池还可以提高各个部门之间的合作。

The modes of payments could be cash, stock or stock option for the administrators' encouragement, and it can be immediate payment or deferred payment. Deferred payment can encourage the management' to stay longer in the company, but it cannot encourage the current performance.

对管理层的激励可以现金、股份或股票期权等形式支付，并且可以是现在支付，也可以在以后支付。奖金的延期支付可能激励管理层长期留在公司中，但无法激励当期的业绩。

## Cost Allocation 成本分摊

The payments of management certainly depend on the results of the cost control. But the way of cost allocation can either influence the management' s hard work more successful or more unsuccessful. Therefore, fair cost allocation can lead managements' target to match with the companies' target.

管理层的薪酬一定程度上要取决于其对成本控制的成果。但成本分摊的方式可能使管理层的努力看起来更为成功或更为不成功。因此公平的分摊成本才能使管理层的目标和公司的目标保持一致。

Although there is no single administrator can influence the administration management fee directly, but as a whole team which consist of all the managers, they could control the costs. Therefore, it is reasonable for each administrator share the responsibilities of cost control. The direct distribution and cross distribution are the two usable methods for finance.

虽然没有一位管理人员可以直接影响公司的行政管理费用，但是由所有经理组成的整体可以控制这些成本。因此，将控制这些成本的职责分摊给每一位管理人员就很合理。在财务上可以采用直接分摊或交叉分摊的分摊方法。

## Performance Appraisal 业绩评价

It will lead everybody take short term performance if the performance index just pay attention to financial activities. The management level is no exception. In order to lay the foundation for long term profits, there might be no short term profit or even it will reduce the current profit.

如果业绩指标仅仅关注财务事件，会导致使得所有人都采取一种短期业绩观，管理层也不例外。因为为了利润增长打下坚实的基础并不总能产生短期内的收益，甚至还会削减利润。

As mentioned before, we suggested using multiple performance indexes for the administrators in order to exceed short term performance. At the same time, we pursue the balance between long term and short term, and the balance between non financial index and financial index. It could design and evaluate from the multiple performance index by four points of view, which are:

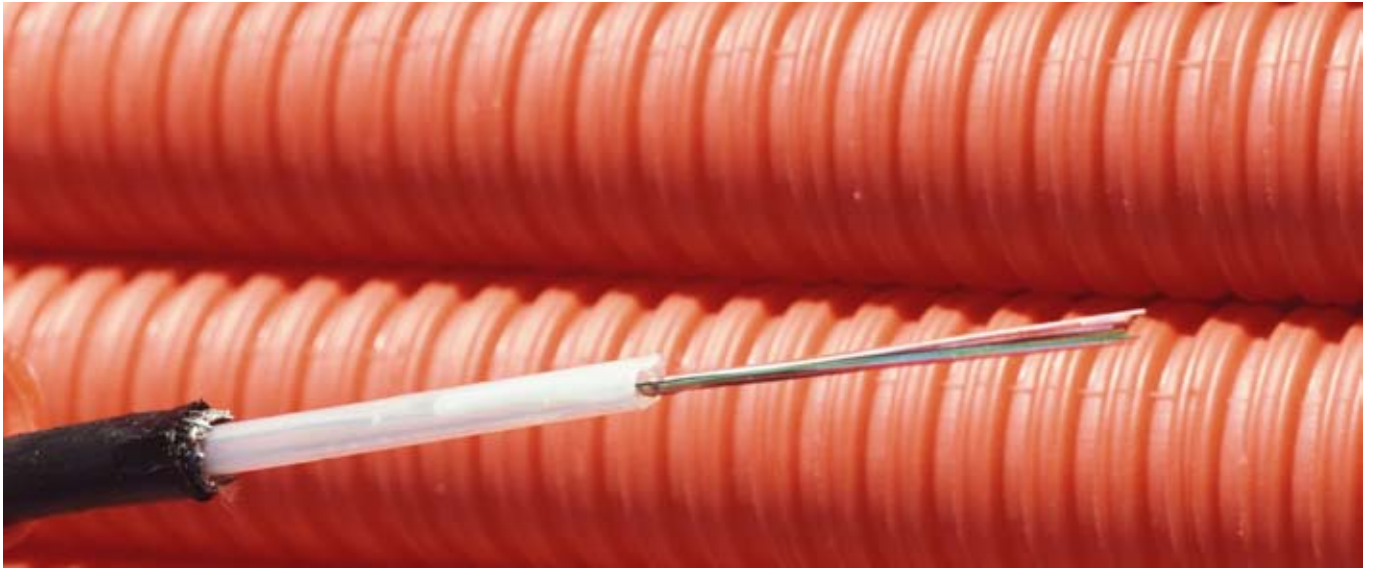
正如前文所说，为了超越短期业绩观，我们建议对管理层采用多重业绩指标。并寻求长期与短期之间的平衡，以及非财务指标与财务指标之间的平衡。可以从四个角度设计和评估多重业务指标：

● Finance: This is a traditional point of view; it depends on the financial index, like the rate of investment return, growth rate of profit, net margin after tax.

财务视角：这是一种传统的视角，它依赖于财务指标，如投资回报率、利润增长比率、税后净利润。

● Customers: Track the success degree of the target market, such as market share, the level of customers' profits, and the growth rate of new customers.

客户视角：跟踪目标市场的成功程度，如市场份额、顾客获利水平、新客户增长率。



● Internal operation process: Focus on the improvement of the internal organizational process, such as innovation of product or service and improvement of the operation and customers' service, like quality of product service, product innovation and development cycle, production capacity, rejection rate, timely of payment collection rate.

内部经营流程视角：关注组织流程的改善，如产品或服务的创新以及运营和客户服务的改善，如产品服务质量、产品创新及开发周期、产能、废品率、货款回收及时率。

● Learning and growth: Attention to the necessary capabilities of organizational development, such as the development of core abilities, employee satisfaction, the plan of employee long time office holding, the ratio of new product incomes.

学习与成长视角：关注公司发展所必须的能力，如核心技能的发展、员工满意度、员工、续任计划、新产品收入所占比例。

A strict performance evaluation should include a series of related targets and indexes. These indexes are not only consistent from beginning to end, but also work together to strengthen each other.

一套结构严谨的业绩评价体系应当包含一系列相互联系的目标和指标，这些指标不仅前后一致，而且互相强化。

For instance, the rate of return on investment is the financial index for measuring performance, the factor that drives this index could be the customers repeat purchasing and the increase of sales volume. Those are the results of customers' satisfaction. Therefore, customers' satisfaction brings into the performance evaluation. Through analyzing customers' preference, it appears that customers think highly about on time delivery. So the financial performance can increase through improve customers' satisfaction by on time delivery. As a result,

both customers' satisfaction and on time delivery is brought into performance evaluation. Also, to achieve better delivery service, one can cut down the period of operating cycle and improve the quality of internal procedure. So these two factors became the performance evaluation index for the internal operating process. Moreover, company not only needs to improve the quality of the internal operating process and cut down the cycle, but it also needs to train the employees and improve their technical skills. The technical skills became the aims of learning and growth stage. This is the complete chain relation which runs through all levels of the performance evaluation.

例如，投资回报率是衡量业绩的财务指标，这一指标的驱动因素可能是客户的重复采购和销售量的增加，而这两者是客户的满意度带来的结果。因此，客户满意度被纳入业绩评价的客户层面。如果通过对客户偏好的分析显示，客户比较重视按时交货率这个指标，则按时交付程度的提高会带来更高的客户满意度，进而引起财务业绩的提高。于是，客户满意度和按时交货率都被纳入业绩评价的客户层面。而较佳的按时交货率又通过缩短经营周期并提高内部过程质量来实现，因此这两个因素就成为评价业绩的内部经营流程指标。进而，公司要改善内部流程质量并缩短周期的实现，又需要培训员工并提高他们的技术，员工技术成为学习与成长层面的目标。这就是一个完整的因果关系链，贯穿业绩评价的各个层面。

From the past practices, we found some important situations that need to keep an eye on, due to most managers are familiar with the financial index; companies may regress to paying close attention to the financial aspect again.

需要注意的是，在以往的实践中我们发现，由于管理层普遍都对财务指标比较熟悉，因此公司很可能退化到仅仅关注财务视角的状态。





## Effective Feedback 有效的反馈

The aim of incentives is to drive the administrators keep or improve management level, hence it needsto get the operation feedback to the administrators, effective feedbacks lead all level of administrators to understand the companies' performance status, to keep the companies on the right track, and also it encourages the employees at the same time.

激励的目的是促使管理层保持或改善，因此需要将运营状况及时反馈到管理层。有效的反馈使各个管理层都能及时了解公司的业绩状况，使公司不偏离正常轨道，同时还能激励员工。

If the business doesn't run according to plan, the administrators have the rights to make decision whether to make a different target or whether to adjust the strategy to achieve current aims, or whether to layout new activity to implement the strategy.

如果事情没有按计划进行，管理层就可以决定是否应该制定不同的目标，是否应该调整战略以实现当前的目标，或者是否应该设计新的活动，以使这些战略付诸实施。

The companies' decision-making process has already constitute a continuous cycle, which start from the plan, then reach to the evaluation through control, finally return to the plan through feedbacks. The appraisal could points out the unachieved desired aspects during the plan and control; the feedbacks could also lead the administrators to adjust the strategy according to the appraisal results.

公司的决策制定流程实际上已经构成了一个连续的循环，该循环起始于计划，然后经过控制到达评估，最后通过反馈回到计划。评估可以指出计划和控制中未能达到预期效果的方面，而反馈使得管理层可以根据评估的结果进行调整。

The opportunity of the feedback

depends on the following aspects:

反馈的时机取决于以下几个方面：

● The importance of information for success. It needsto get feedback more frequent when the information is much more important.

信息对于成功的重要性。信息越重要，就需要越频繁的进行反馈。

● The level of the administrators which accept the feedback. In general, the lower level managers should accept feedback more frequently.

接收反馈信息的管理层层次。一般来说，经理所处的层次越低，就越应频繁的接收反馈信息。

● The complexity of information contents. The simple information contents should update frequently and timely.

信息内容的复杂性。简单的信息内容可以频繁，或实时的更新。

## Conclusion 总结

There are serious of "soft" factors need to be considered during the practice process. According to the different culture background, foreign investors usually meet the "Chinese style" problems. In any case, the key point of the management incentives and performance appraisal should match the aims of the listed company, acquisition and merger strategic targets and etc. This is an essential factor.

在实践过程中还将有许多“软性”因素需要考虑。由于文化背景的差异，外国投资者在中国往往会遇到“中国式”的课题。但无论如何，管理层激励与业绩评价方案的重点，都应该与公司的上市目标、收购兼并等战略目标相匹配。这是一个基本要素。

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