Performance Management of Y Company and Implications for the Pharmaceutical Industry

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Abstract: The performance management system aims at realizing corporate strategic objectives. It can help managers find and solve the problems during the development process of enterprises in a timely manner and provide securities for the enterprises’ long-term and healthy development. The pharmaceutical industry is closely related to our health and safety and bears important social responsibilities. However, now there are still many problems in the performance management of the pharmaceutical enterprises. In order to develop successfully in the competitive industry, medical enterprises must attach more importance to the performance management, optimize the performance management system, and thus improve the efficiency. This paper analyzes the current problems of performance management in China’s pharmaceutical industry, discusses the advantages of Y company’s performance management system that is far ahead in the industry, and puts forward some measures to help improve the performance management of the pharmaceutical industry.

1. Introduction

1.1 Background

With the reform and development of the capital market and the increase of the scale of public stock offering and venture investment, the pharmaceutical industry has benefited a lot. Besides the rapid aging of the population, the constant changing of disease maps and increasing demand for pharmaceutical products and services have all promoted the growth of the pharmaceutical market and brought many opportunities to the development of the pharmaceutical companies.

Of course, opportunities and challenges always coexist. The development of the pharmaceutical industry has also intensified the competition between enterprises. Recently, the frequent occurrence of mergers and acquisitions in the industry, the increase in the price of medicinal raw materials, and the continuous increase in resources invested to deal with the strict quality supervision policies have jointly intensified the cost pressure of medical enterprises. In addition, new foreign investors with strong financial strength gradually occupy the medicine market in China, which also intensifies the competition in the pharmaceutical industry.

Performance management is a crucial part of the operation management in the company, which can help companies find their problems timely, stimulate the inherent potential of employees, and assist them to better achieve their goals. At present, there are still many problems in the performance management of the pharmaceutical industry. So as to develop successfully in the fierce competition, pharmaceutical enterprises should attach more importance to the performance management, learn from well-developed enterprises in the industry, and find and solve problems about the performance management in time.

1.2 Literature Review

In foreign countries, the theory of performance management originated early. After long-term research and exploration, abundant research results have been formed aboard. Mohammad Akhtar (2014) believed that performance management can help organizations achieve their strategic goals.
by taking advantage of their resources, systems and infrastructure effectively. Corrado Cuccurullo (2016) discussed the future research trends of performance management and suggested that the future research should be related to the combination of multi-dimensional evaluation and individual performance evaluation and its impact on the performance of the whole organization, so as to introduce more sociological theories into the field of performance management [1].

Domestic scholars mainly focus on the mode, main tools and implementation of performance management. Zunwen Qin (2017) proposed a new performance management mode ‘point’s system management’. He thought this mode is conducive to stimulate employees' organizational citizenship behavior and to coordinate the organizational goals with the individual goals [2]. Chun Chen (2016) studied to evaluate enterprises’ performance with BSC, which takes the enterprises’ future development prospect into account and evaluates the performance roundly from finance, customer, internal business processes and learning and growth these four aspects. He thought that the method not only helps enterprises supervise the internal operational process, but can avoid the waste of resources.

2. The Current Problems of Performance Management in China’s Pharmaceutical Industry

2.1 Lack of the Integration between Performance Plans and Corporate Development Strategy

The development strategy can help the enterprise to determine the long-term development direction, set the development goal, and ensure the healthy and sustainable development. Performance planning is the first step of performance management and the cornerstone to ensure that enterprises can give full play to the role of performance management. Therefore, the performance plan must be formulated according to the corporate development strategy and highly consistent with the strategic objectives and business direction of each stage.

However, a few medicine companies fail to do like this. Some enterprises' strategic goals are not clear enough, and they do not fully understand their development situation. Instead, they often go with the flow, which causes them to neglect the importance of combining performance management goals and corporate strategies. In addition, some enterprises fail to decompose the performance goals into various departments from the perspective of strategic goals when making performance plans, which eventually leads to the disconnection between the performance goals of each department and the overall development strategy of the enterprise.

2.2 Incompleteness of the Process of Performance Management

Performance management is a systematic process including performance schedule, performance communication and guidance, performance assessment, performance feedback and the application of performance assessment results. Each step is indispensable and has its own function.

However, the performance management process of many pharmaceutical enterprises is incomplete. Some enterprises only pay attention to the results of performance management and neglect the specific process of performance implementation. As a result, they treat performance management as performance assessment and ignore the importance of other steps. As a result, some employees think that the purpose of performance management is to reward the good and punish the bad, thus have a negative attitude towards performance management. In addition, some enterprises ignore the performance communication and guidance, and don’t provide employees with performance management training, resulting in the employees’ failure of understanding and weak awareness of performance management. At the same time, the lack of communication between superiors and subordinates leads superiors to fail to know the real needs of employees and then results in low employee satisfaction and work enthusiasm.

2.3 Inefficiency of the Application of Performance Assessment Results

The application of the results of performance assessment is the last but not least step of performance management that can best reflect the effectiveness of the performance management.
Currently, many medical enterprises have distributed salaries on the basis of the assessment results, but they don’t apply the results in more fields. Due to the defects of the management system, many companies haven’t found suitable ways to feedback the assessment results to employees and therefore don’t take advantage of the results, leading to the performance management just become formalistic, which not only greatly reduce the value of performance management, but also waste the early efforts and resources for the performance management work.

3. The Analyses on Y Company's Advantages in Performance Management

3.1 Brief Introduction on Y Company

Y Company was founded in 1971 and listed in the 1990s. Now, Y Company has developed into a modern pharmaceutical organization integrating R&D, production and sales. Y Company takes ‘medicine’ as the cornerstone of the industry, and its business covers medicine raw materials, personal care products, and commercial circulation and so on. Y Company’s brand has been registered in many countries around the world. Simultaneously, Y Company also tries to cooperate with renowned enterprises all over the world actively, integrate global resources, and endeavors to building a big health product service system in line with the needs of international consumers.

In recent years, Y Company’s financial performance is good, and the financial risk is low, several important financial indicators are among the best in the pharmaceutical industry. In terms of employees, by integrating internal and external training resources, Y Company has established a set of training plans in various forms. In terms of sales, a variety of products rank high in the industry, which occupy a large number of market shares and obtain consistent praise from consumers. According to employees' different development needs, Y Company has formulated corresponding personnel training plans. In terms of internal operation, Y Company has rich experience and complete system and facilities in production safety, quality management and other business processes, and has won many honors, laying a good foundation for improving the performance.

3.2 The Situation of Y Company’s Performance Management

3.2.1 Make performance plans based on the corporate development strategy

In order to ensure the healthy and sustainable development of the enterprise, the top management of Y Company has formulated development strategic objectives for each period based on its own business characteristics and development situation. On the basis of the development strategy objectives, the general manager of Y Company is responsible for making the annual work plan and objectives, assigning the task objectives of each department, and determining the key performance assessment indicators of each department based on their position responsibilities. After receiving the notice on department objectives, each department head decomposes the objectives step by step to refine the goals and sets up the annual and monthly work plan and specific performance assessment contents according to the characteristics of their work. Simultaneously, he also seeks for employees’ opinions on the plan to better satisfy their needs.

3.2.2 Conduct performance coaching and communication

After the performance plan is made, Y Company will release an announcement in time to let employees know about the plan and assessment indicators. At the same time, the human resources department will also organize relevant training, so that employees can understand the process, basic information and importance of performance management. During the daily worktime, Y Company also organizes different types of competence trainings for employees of different majors and levels to improve their working ability, enthusiasm and comprehensive quality. In addition, when making the performance plan, Y Company also pays attention to strengthen the communication between the superior and the subordinate through meetings, individual interviews and other forms, so as to know employees’ views on the enterprise development and to improve their sense of identity with the enterprise.
3.2.3 Apply performance assessment results

Y Company mainly applies the assessment results to salary distribution, position adjustment, and vocational ability training and internal management system improvement. First, Y Company distributes salaries based on the assessment results to distinguish different salary levels according to work performance, and to reward employees with high performance. Secondly, Y Company also uses the assessment results to adjust employees' positions and carries out employee vocational competency training. In addition, the performance assessment results can also reflect the problems existing in the internal operation of the enterprise, so based on this, Y company can timely adjust the policies, internal management system, staff management plan, etc., to promote the better development of the enterprise.

3.3 The Advantages of Y Company's Performance Management

Generally speaking, Y Company has a complete performance management process and has achieved good results. In sum, Y Company’s advantages in performance management are as follows.

First, the guiding role of corporate strategic objectives. When making performance plans, the managers of Y Company will decompose the development strategic objectives in different periods, make corresponding business plans and objectives, and assign tasks to each department. Then, each department makes work plans according to their work requirements based on the assigned tasks. This approach effectively combines the corporate development strategy with the performance plan, makes the plan conform to the enterprise's business philosophy and also promotes the realization of the enterprise's strategic objectives.

Secondly, the hierarchy of staff training. During the process of performance implementation, Y Company will organize regular staff training, and department heads will communicate with employees through various forms to timely solve their problems encountered in the work and strengthen the interaction between superior and subordinate employees. Besides, Y Company has also developed corresponding training plans for employees of different levels, which helps enrich the employees’ working life, create a good corporate culture atmosphere and promote the common development of the company and employees.

Finally, the diversity of the application of performance assessment results. Y Company distributes the salary according to the results of performance assessment, so that the salary income is closely linked to the work performance which can be helpful to open the income gap. At the same time, Y Company also combines the performance assessment results with the development of employees' individual potential. According to the performance assessment results, Y Company will organize relevant ability training to comprehensively improve their work ability and adjust the positions of employees appropriately. In addition, Y Company also finds and solves the problems in the internal operation of the enterprise reflected by the assessment results timely.

4. Implications for Performance Management in China’s Pharmaceutical Industry

4.1 Strengthen the Guiding Role of Corporate Strategic Objectives in Performance Plans

Corporate strategic objectives play a vital role in the enterprises’ future development, and also play a guiding role in their performance plan. Therefore, pharmaceutical enterprises should learn experiences from Y Company when making performance plans. First, the senior management should formulate development strategies based on the company’s actual situation such as business scale and philosophy, and set short-term, medium-term and long-term development strategic objectives respectively. Second, managers should work out the annual business plan and set objectives on the basis of strategic objectives, and decompose the objectives to the department level, and then assign the task objectives to each department. Finally, the department heads make work schedules according to the assigned tasks, and negotiate with employees to amend the deficiencies in the plan.
Only by making performance plans in accordance with the corporate development strategy can we ensure that the plans conform to the business philosophy and development direction of the enterprise, and make the plans more specific and feasible.

4.2 Organize Diversified Staff Training

Regular performance management training for employees can draw their attention to the performance assessment. For the sake of playing the role of performance management effectively, pharmaceutical enterprises should focus on the process of performance implementation. For instance, they should organize training activities for employees at regular intervals, which can propagate the importance of performance management to employees, help improve their awareness of performance management, and make them take active involvement into the performance management work.

What’s more, in order to improve the comprehensive abilities of employees, the enterprise should set up different types of vocational training courses for employees of different levels, and conduct regular assessment on the training contents. This not only enriches employees’ working life and improves their enthusiasm for work, but indirectly enhances the corporate soft power.

4.3 Expand the Application Fields of Performance Assessment Results

The application of the performance assessment results is an indispensable part of performance management. Medical enterprises should try their best to apply performance assessment results to different fields, so as to urge employees to improve working methods, work quality and efficiency. Enterprises can apply the assessment results to staff competency training, staff position adjustment, management problem diagnosis and other aspects. The enterprise can analyze what the employees lack in abilities according to the assessment results, and then organize relevant vocational training to improve, and make appropriate adjustments to their position if necessary.

Furthermore, managers can also find problems in internal operation management by analyzing the information reflected by performance assessment results, and take measures to solve them in time, which can promote the healthy and sustainable development of enterprises.

5. Conclusion

At present, faced with the increasingly fierce industry competition, many pharmaceutical enterprises still have many problems in their performance management system. As a time-honored brand, Y Company is far ahead in the fierce industry competition, so there is no doubt that its advantages in performance management are the key factor for its success. According to Y Company’s performance management advantages, medical enterprises should improve their performance management systems through strengthening the guiding role of corporate strategic objectives in performance plans, organizing diversified staff training and expanding the application fields of performance assessment results, so as to give full play to the role of performance management and promote the enterprises’ sustainable development.

References


