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Yili Group Performance Management Assessment

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Executive Summary

This article analyses the performance management system of the Yili Group, the world's largest dairy company, which is headquartered in Hohhot, Inner Mongolia Autonomous Region, China, and has a complex organisational structure. Its five divisions have their own culture and management systems. Performance management is a process designed to achieve organisational excellence through a shared understanding of goals and effective leadership, and is an important tool for companies to achieve their strategic goals. Although the Yili Group uses tools such as the SMART framework and 360-degree feedback, it still suffers from inaccurate goal setting, performance evaluation influenced by personal relationships and an inability to develop effective performance improvement plans. After analysing the causes at both the company and individual levels, recommendations were made to improve the performance management system by sorting out job descriptions, setting more reasonable targets in line with the company's strategy and general environment, providing regular performance management training for employees, and making the company's culture more conducive to employee feedback by requiring timely communication between supervisors and employees regardless of results and addressing employee grievances in a timely manner. These recommendations are aimed at improving employee satisfaction, preventing brain drain and, most importantly, enabling performance management to fully support the company's strategic objectives and enable the Yili Group to maintain its leadership position in the industry.

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Introduction

With the continuous development of society and scientific research, the management level of enterprises has to be constantly improved, and performance management, as one of the important management tools of enterprises, has to be upgraded from simple to complex. If performance management indicators are not selected properly and performance evaluation methods do not meet the needs of enterprise managers, the content of performance evaluation will be further and further away from the strategic objectives of the enterprise (He,2018). Therefore, the old performance management system suffers from problems such as inaccurate selection of indicators, which cannot meet the needs of the current social enterprise managers. This paper discusses the current performance management system of the Yili Group from the perspective of the company and the employees respectively.

Organisational Overview

Yili Group, also known as Inner Mongolia Yili Industrial Group Co., Ltd., is a leading dairy company in China and one of the largest dairy companies in the world. It was founded in 1956 and is headquartered in Hohhot, Inner Mongolia, China. Yili mainly produces and sells various dairy products including milk, yogurt, dairy drinks, powdered milk, dairy-based pastries, and more. Yili Group has a trajectory throughout China and also has some employees in Thailand and New Zealand (Inner Mongolia Yili Industrial Group Co., Ltd.,2022).

Yili Group is divided into the Group Headquarters, Liquid Milk Division, Yoghurt Division, Milk Powder Division, Cold Drinks (Ice cream) Division and Cheese Division. Each division operates independently, with its own culture, systems and management system, and their has a similar framework, divided into functional departments, production plants, sales regions and regional logistics.

Each unit has its own HR department, while the functional HR department does more HR-related work on behalf of the whole division (Baiduwenku, 2015). Yili's organisational structure is flexible and diverse to accommodate its evolving and expanding business needs and to ensure that the company is able to stay ahead of the competition in the marketplace.

Main discussion

Performance management

Performance management is a process that aims to achieve high levels of organisational performance by building a shared understanding of goals and implementing effective leadership and staff development strategies (Tardi, 2022).

Performance management is a process of clarifying and institutionalising departmental and job responsibilities as well as the required business qualities, work competencies and attitudes of employees (Juyouwang, 2022). It regulates work behaviour, motivates work ethic and ensures that departmental and employee work objectives are aligned with the development goals of the business. This process significantly improves job performance, develops high quality human resources and drives business growth by defining and communicating expectations, helping to achieve job goals, providing performance feedback, resolving performance issues, linking organisational and personal goals, establishing effective evaluation systems, recognising performance excellence, improving employee competencies, informing compensation decisions, identifying training needs and linking employee career development and organizational succession planning (Lin, 2013, p.93).

Research methods

As I have worked for Yili Group for two years, this report uses Autoethnography (Love Communication New Biography Exam, 2022) and direct interviews with

current and former Yili Group employees, as well as a literature study method with references to internal non-public Yili Group documents, to examine the Yili Group performance management system and identify its problems.

Grassroots staff or managers	Department of the interviewee	Answer content
Q1: As a current (or former) Yili Group employee, do you have any grievances against the company?		
Grassroots staff	Administration Department	It is very unfriendly to the younger generation, many of the company's systems are rigid and even if the younger generation makes some suggestions, they are rejected by the leadership simply because they don't like it.
Grassroots staff	Human Resources Department	Even though you do a lot of work, your performance rating may be average because your performance depends on your direct supervisor's evaluation of you. If you don't have a good relationship with your direct supervisor, you will never get an excellent evaluation, and then you won't get an extra bonus.
Manager	Corporate Affairs department	In many cases, the higher authorities are not clear in their assignments and are unable to give specifics when asked questions, but simply communicate the board's decisions without thinking about them and, in many cases, can only guess what the higher authorities want based on experience.
Q2: Is there anything else you would like to add in relation to human resources?		
Grassroots staff	Corporate Affairs department	Overtime is not paid on weekends and only transfers for leave are allowed, sometimes not even.
Grassroots staff	Human Resources Department	It is a good company, but the pressure of performance is too much and is going to extremes, only a few dozen RMB a month when the performance is bad.
Manager	Production Management Department	Salary inversion is a big problem, the salary of external employees is higher than the staff promoted up internally.

Q3: Are there some perceived problems with performance management?		
Grassroots staff	Administration Department	Too much focus on negative feedback, which is taken for granted even if you get your job done well, can have a big impact on personal performance if you make a mistake.
Grassroots staff	Human Resources Department	Unscientific target setting, knowledge is increased by a certain percentage based on the previous 1-2 years' targets and does not take into account the actual situation or the general environment at the time.
Manager	Supply Assurance Department	Some managers treat performance management as an administrative task rather than realising the importance of developing staff, improving team performance and achieving organisational goals, resulting in a formalised approach to performance management

Table 1

In addition, the following problems with performance management have been identified in internal documents from the Yili Group's Human Resources Department.

Dimension	Current situation and problems
Performance Planning and Consensus	Roles and hierarchies are different, subordinates simply copy the leaders' indicators and goals, and the breakdown of indicators is not objective and scientific.
	Some of the indicator goals are not set in accordance with SMART principles and the assessment is more subjective.
	There is a lack of communication and consensus in the goal-setting process, and there is a hard spread of goals.
Implementation and coaching	Managers do not attach importance to the process of performance control, and there is a situation where they only look at the results and do not care about the process, and performance coaching and interviews cannot influence staff behaviour and effectively promote the achievement

	of work objectives.
	For the deviations between performance goals and actual achievement, effective improvement measures are not formulated and the gaps persist without effective improvement.

Table 2

Elements of performance management

- **Goal setting**

Performance management is based on strategic objectives, so whether the strategic objectives are scientifically sound is the primary issue for successful performance management (Wang and Wang, 2014, p.90-91). The SMART framework is one of the mainstream and effective goal-setting methods used in today's society (ProductPlan,2023), and is also used by the Yili Group.

S	Specific	The goal should be stated in a clear and specific manner. The more detail that is included within the goal, the easier it becomes to identify and undertake the necessary steps towards its achievement.
M	Measurable	Ensuring that goals are measurable is crucial. This allows for tracking progress and maintaining motivation. Without the ability to measure a goal, managing it becomes significantly more challenging.
A	Attainable	The goal is feasible and the necessary tools or resources for its attainment are available.
R	Relevant	The set goal aligns with the mission of the company.
T	Time-based	The goal is set with a specific timeframe.

Table 3

At present, Yili Group's goal setting is basically based on the previous one or two years' goals, and each indicator is added 10%-20% as a new target, and then the company's annual key targets are added to the work related to their own content, then the new target setting is completed. However, this approach relies too heavily on historical data and does not take sufficient account of the achievability of the goals.

At the Yili Group, the different positions and divisions of work determine the nature of the departments, some of which are operational and others are logistical and administrative. Therefore their contribution to the company cannot be measured by a uniform standard, but the unscientific way of setting goals in the Yili Group has led to a weakening of functional departments and an uneven distribution of value, thus discouraging motivation and identification with the company. This inequitable distribution model also creates barriers to internal mobility, which has a negative impact on the company's long-term development and talent retention (Yuan,2021).

- **Performance review**

A performance appraisal is a formal evaluation process in which a manager evaluates an employee's performance, identifies strengths and weaknesses, provides feedback, and sets future performance goals (BambooHR, 2023).

Yili Group conducts monthly employee self-assessments and management assessments of their direct supervisors. In addition, Yili Group has introduced 360-degree feedback. 360-degree feedback is an employee evaluation method that gives each employee the opportunity to receive feedback on their job performance from their supervisor or manager, as well as from four to eight peers, subordinates and sometimes even customers (Heathfield, 2022).

As 360 degree feedback is only given once a year, at the end of the year, self-assessment and manager assessment carry more weight, and as mentioned in the previous interview content, if you don't get on with your direct manager, even if you do a great job, you will only get an average rating. Unfair

performance appraisals can have a negative impact on a company by leading to lower employee satisfaction, reduced trust and increased turnover, etc (Gao, 2008).

- **Performance improvement plans (PIP)**

Performance Improvement Plans (PIP) are used in situations such as new recruits, employees with unclear performance expectations, and employees who frequently fail to meet performance expectations. For the latter, a progressive disciplinary process on performance levels may need to be initiated to improve their performance (Darge,2021).

Some departments in the Yili Group are unable to develop effective improvement plans when there is a discrepancy between targets and actual achievement, and managers and performance practitioners need to enhance their learning of concepts and application of tools in performance development (Yili group Human Resources Department, 2023,(Managers and performance practitioners are not fully equipped with performance management skills and performance empowerment is inadequate.)).

The steps in a performance improvement plans include:

1. Review the results of the performance review: with the help of the supervisor, the employee's strengths and weaknesses need to be pointed out and agreed upon.
2. Identify the items that can be improved: these can be work abilities, methods, habits, etc. The most urgent items should be selected.
3. Identify specific improvement measures: bring the selected items up to the desired level, either through training, job rotation, participation in special project teams, etc.
4. List the resources required: Effective upgrading needs to be supported by resources. Supervisors need to create a good environment for employees, such as hardware upgrading, providing training opportunities, work task sharing, etc.
5. Define the period: Improving competencies is a long-term task that requires

a longer period of time for accurate assessment. The period is usually set at six months to a year to facilitate the linkage with the company's year-end summary.

6. Formalise the performance improvement plan: A formal performance improvement contract is necessary to make the employee aware that he or she has made a commitment and is inclined to stick to it and fulfil the improvement plan. Without a formal contract, it is difficult for employees to adhere to it (Shao, 2013).

Conclusions

As one of the world's largest dairy company, Yili group is currently facing challenges with their performance management system. Although they use the SMART framework and 360-degree feedback, they still have problems with inaccurate goal setting, performance evaluation being influenced by personal relationships and the inability to develop effective performance improvement plans.

Analysing the reasons for these problems, at the company level, the awareness of performance management is not implemented, managers and performance practitioners lack systematic knowledge and have varying levels of competence. There is also a deficiency in the analysis of job work and an inability to refine specific goals according to the job (Meng, 2022). At the individual level, employees have a biased perception of performance management, lack relevant knowledge and do not pay enough attention to the development direction of the department or the company, and lack the awareness to actively communicate with their superiors (Shen,2022).

To improve, Yili group need to consider reforming their performance management system, to increase flexibility in goal setting, create a fairer performance review process and provide a deeper understanding of the performance improvement plan to those involved (Wang, 2023). Also, to ensure

communication and understanding within the organisation, with regular training and relevant meetings. By optimising performance management, Yili Group can better adjust its goals and improve efficiency in order to stay ahead of the dairy industry (Gong,2022).

Recommendation

The following are some recommendations for improving the performance management of the Yili Group so that it can be more effective and the company can move closer to its strategic objectives.

● Improving the performance review system

The system is the company's rules and guidelines. For performance management to be effective, its system should be constantly improved and optimised.

- 1.Sort out job descriptions, corresponding performance management methods and targets are elaborated according to the job content of different positions in different departments.
- 2.Set more reasonable performance targets in line with changes in the general environment and the company's strategic objectives.
- 3.Increase the frequency of 360 degree feedback and the importance of feedback from people other than direct supervisors (Jia,2022).
- 4.Staff and supervisors regularly communicate and review goals, analyse problems and make adjustments when goals are not achieved as expected (Wu,2022).
- 5.Regular training in performance management is required for new employees and performance practitioners and at least a certain number of times a year for all other employees, thus ensuring that the company's employees are aware of performance management and are ready to absorb new knowledge (Zhou, 2021).

6.Leveraging the organizational structure of the Yili Group, conducted a cross-sectional comparison of the performance of people in the same job in different business units.

- **Build a culture that is conducive to employee feedback**

1.Whatever the outcome of the performance review, timely communication between superiors and employees is required. In traditional Chinese culture, especially in established companies like the Yili Group, many superiors find it very difficult to communicate when performance is poor, which leads to less communication with employees on the pretext that they are too busy at work. In turn, employees can miss opportunities to improve their performance because they are unable to give timely feedback (Lou, 2015).

2.It is essential to address staff grievances such as unpaid overtime, rigid systems and salary inversions in a timely manner. Employees who identify with the company culture and have a higher sense of well-being are more willing to work hard for performance (Zou and Zuo and Shen, 2014).

By implementing these recommendations, the Yili Group's performance management system will be significantly upgraded to fully support the company's strategic goals, improve employee satisfaction and prevent brain drain.

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