

*Performance management for continuous
improvement*



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Performance management for continuous improvement

——JD's performance management system research

Executive Summary

This paper takes JD, the world's leading e-commerce platform and supply chain technology supplier, as an example. Through in-depth analysis and judgment, performance management is the advantage field of JD's human resource management, but there are still weak links in its performance management, such as ignoring long-term incentives and spiritual incentives, and forcing out has legal risks, which will bring unforeseen risks to human resource strategy and company operation. Based on the above background, this paper puts forward five suggestions on the optimization of JD's performance management, and puts forward improvement measures from the aspects of performance culture, performance management, performance evaluation, performance application, etc., in order to establish a human resource management system suitable for the sustainable development of the world's leading e-commerce enterprises.

1. Performance management research object: JD(stock code :JD)

JD officially entered the e-commerce sector in 2004. In May 2014, JD Group was officially listed on NASDAQ Stock Exchange in the United States, making it the first comprehensive e-commerce platform in China to successfully go public in the United States. Key technology innovation based on supply chain to further enhance user experience and improve operational efficiency.

At the beginning of 2017, JD comprehensively transformed to technology, and so far the JD system has invested nearly 90 billion yuan in technology research and development. JD Group is positioned as a "technology and service enterprise based on supply chain", and its business has been involved in the fields of retail, technology, logistics, health, insurance, production and development, industry, private brand and international. As a new entity enterprise with both genes and attributes of real enterprises, digital technology and capability, JD relies on the "responsible supply chain", continuously promotes the "integration of chain and network", and realizes the "three networks" of goods network, warehouse network and cloud network. It not only ensures the stability and reliability of its own supply chain, but also drives the digital transformation

and efficiency reduction of upstream and downstream partners of the industrial chain. To better serve the high-quality development of the real economy.

JD Group adheres to the values of "customer first, integrity, cooperation, gratitude, hard work and responsibility", takes "technology as the foundation and commits to a more efficient and sustainable world" as its mission, and aims to become the world's most trustworthy enterprise.

2. Human resource management advantage area - performance management

2.1 Scientific performance management framework. Strategy-based performance system. The concept of performance management of JD Group is to "make performance management achieve the role of guidance driving and management vane". In the past, JD's performance appraisal focused more on financial and operational indicators. With the constant change of strategic priorities and development stages, JD has carried out a drastic reform of its performance appraisal system.

In 2017, JD put forward the management principle of "iron three" assessment KPI, requiring that the assessment items should be simplified throughout the year, and each person's assessment KPI should not exceed three. At the same time, the innovation business is relaxed, allowing the innovation business to take out a large proportion of weight assessment of non-financial indicators, or even no assessment of financial indicators; In 2018, JD.com required all departments to devote at least 30% of their weight to future indicators from KPI assessment, in order to guide managers not only to focus on immediate interests, but also to take into account long-term development and future earnings.

Meanwhile, at the execution level, JD has set up a budget team, which is composed of Budget analysis department, strategy department and Human resources Department. It is mainly responsible for providing analysis and suggestions on organizational performance management from the aspects of strategic decomposition, business analysis, budget management and assessment application. At the same time, it implements decision-making and daily management to fully implement the performance management system.

2.2 Closed-loop KPI assessment system. What is the performance appraisal system of JD? What's the promotion process like? Let's have a look at JD's rank division, performance appraisal system, appraisal and promotion conditions. JD post sequence is mainly divided into M, T and P sequence. The T sequence contains the product and technology, the P sequence is the project manager and the M sequence is the management sequence. Level P, which is up to level 8, is a front-line employee level. Jd.com adopts two

development sequences for its employees, namely, the professional sequence from P1 and T1 to P6 and T6, and the management sequence from M1 to M5.[1](*Xiao Bo & Zhang Yinan. 2021 (10). Analysis on the new trend and Countermeasures of "Internet Plus" Human resources, Management Science,*)

T-Job LEVEL	Position	M- Job LEVEL	Position
T1	Primary1		
T2	Primary2		
T3	Intermediate1		
T4	Intermediate2		
T5	Senior Engineer	M1	Supervisor
T6	Senior Staff Engineer	M2-1	Assistant Manager
T7	Architect	M2-2	Manager
T8	Technical expert	M3	Senior Manager
T9	Associate Director	M4-1	Associate Director
T10	Director	M4-2	Director
T11	Senior Director	M4-3	Senior Director
		M5-1	VP
		M5-2	CXO

Chart 1

Jd.com's total salary includes basic salary, bonus allowance and subsidy, and salary paid under special circumstances, and is paid on the last working day of each month.

JD's salary structure is: annual salary = monthly salary * (12+1), 1 is the year-end bonus, generally 1-2 months.

Monthly salary = basic salary (70%) + performance salary (30% basic salary + performance coefficient) + meal allowance + seniority allowance + total attendance award.

Jd.com has been giving raises to all of its mid - and low-level employees every year, and depending on the rank of each employee, the size of their raises is determined. Pay rises of no less than 10% for entry-level employees and no less than 20% for supervisors and managers.

KPI-Key Performance Index	Quarterly performance appraisal mechanism					
	Quarterly rating	A+	A	B	C	C-
	Quarterly coefficient	1.5	1.2	1	0.8	0.6

Chart 2

If there are no C's or C-'s in the last three quarters, and if there are two A+'s, you can apply for a promotion, or if you have made significant contributions, you can get an exception.

The company's promotion rules and performance appraisal are intended to encourage everyone in the company to work harder and make continuous progress in the competition.

2.3 Distinct concept of talent development. JD Group's orientation for talent development is "authorization, empowerment, activation and boundary finding". On this basis, JD constructs 4S talent view (Figure 1) : Style, that is, looking for "JD style"; Stage means that no matter who you are, there is a stage for excellence; Speed means to grow at the speed of JD; Success is to engage in the same work, harvest different life. In a nutshell: a Stage is given to you, so that you can learn the Style with the fastest Speed and achieve personal Success.

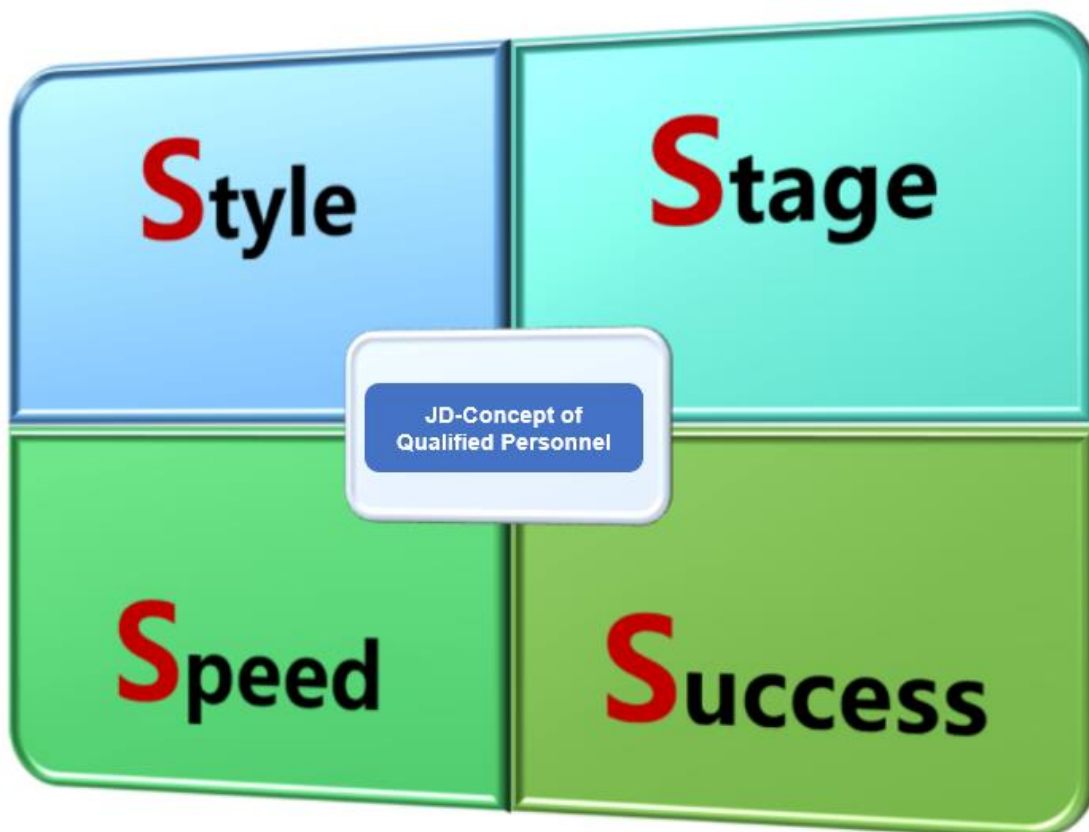


Chart 3

Secondly, JD has also set up eight principles of talent management. They are values First principle, ABC principle, 8150 principle, one tow two principle, Backup principle, 24 hours principle, "NO, NO" principle and seven up and eight down principle. These eight principles are the practical talent management experience that JD Group has explored in its long-term operation and management practice, and they are of precious value.

For example, the "Backup" principle refers to that all managers at or above the director level are required to find a candidate confirmed by the human resources department from the perspective of values, performance, ability and potential who can succeed them within at least three years at the end of one year. The cultivation of reserve talents is one of the important tasks of managers.

There is also the principle of "seven up and eight down", which boldly promotes and appointments more than 70% of internal employees, especially young employees, who have good values and reach the target for the qualification of management positions. Meanwhile, for the vacancy of manager-level and above management positions in mature businesses and systems, it adheres to the principle of internal priority and requires more than 80% to be promoted internally. We will vigorously train young people and reuse internal talents.

2.4 Systematic personnel training. JD Group conducts systematic training and development of talent team through three modules. OD (Organization Development), TD (Talent Development), JD University. OD will analyze and diagnose the value of each organization, and identify the characteristics needed by enterprise talents through full cooperation with TD and JD University. TD is committed to the study of various methods to select talents, such as "comprehensive open-door inventory" and "review", at the same time for the selected talents to design matching core competence training programs; JD University is mainly responsible for improving staff's post competency by providing course products and carrying out training, etc. Meanwhile, JD University will cooperate with TD to develop strategic talent cultivation programs.[2](*Wang Zhe. 2021 (7).Analysis of Human Resource Management from the perspective of Value Chain, Decision Thinking,\)*)

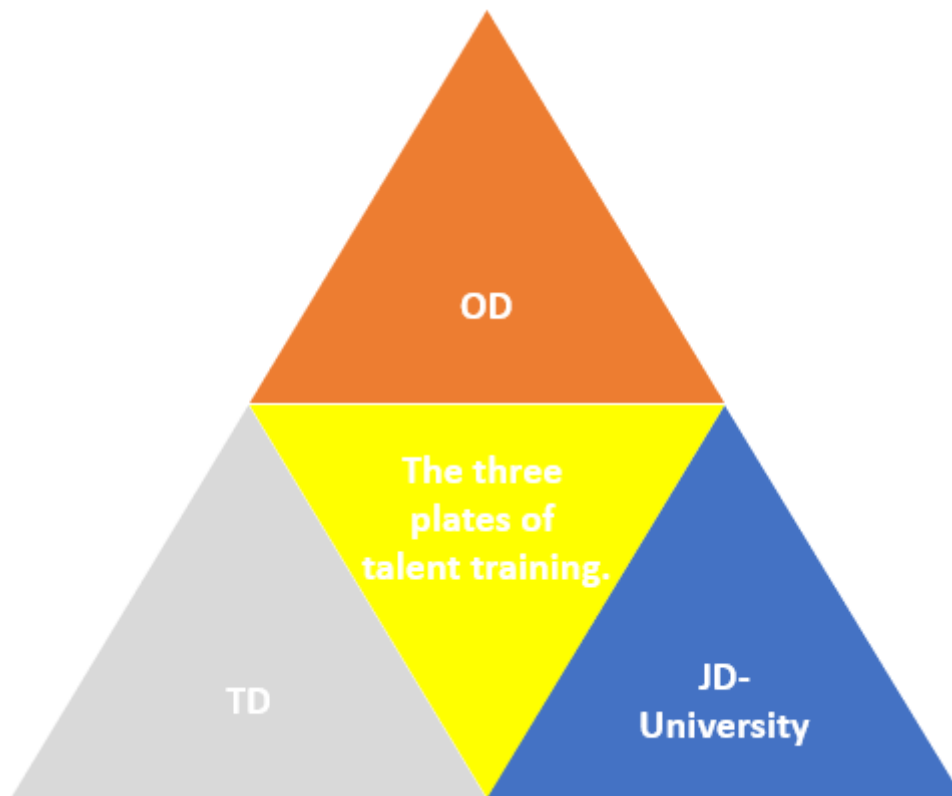


Chart 4

2.5 Performance management effectively promotes JD's business development. The number of employees in JD's system has increased from 260,000 at the beginning of 2020 to more than 550,000 by the end of 2022, and 290,000 new employees have been added, creating a large number of jobs and making every effort to support stable employment. In the past three years, JD Logistics has paid 106.5 billion yuan in compensation and benefits to its front-line employees, providing a solid living security for hundreds of thousands of families. At the same time, we set up a "housing security fund" of 10 billion yuan for all employees, including Courier brother and customer service staff, and provided them with interest-free loans for house purchases. We also greatly expanded the scale of the "children of employees relief fund", so that employees have no worries. In the fourth quarter of 2022, JD Group's net income was 295.4 billion yuan (about 42.8 billion US dollars), and the annual net income was 1046.2 billion yuan (about 151.7 billion US dollars), up 9.9% year on year. In the fourth quarter, net service revenue was 57.8 billion yuan (about 8.4 billion US dollars), up 40.3% year on year, accounting for 19.6% of net revenue. In 2022, JD.com's non-GAAP net profit attributable to common shareholders reached 28.2 billion yuan (\$4.1 billion), up 64% year on year and significantly exceeding market expectations. By

December 31, 2022, JD Group's supply chain infrastructure asset scale reached 132.6 billion yuan, with a year-on-year increase of 59%, which strongly supports the improvement of the whole society's supply chain infrastructure capacity.[3](*Disclosure of JD Group's financial statement in 2022.*)

3. Weaknesses in JD's performance management. Problems existing in JD's performance management:

3.1. Unclear performance evaluation standards.

3.2. The implementation rate of the assessment system is low.

3.3 Lack of incentive mechanism and lack of motivation and responsibility countermeasures.

4. Adverse effects of JD's performance management model. The knowledge of senior decision-makers is "seriously aging", they reject "Internet +" and accept the new era of Internet, and they do not accept the new business model or understand its "profound meaning". Middle and senior leaders are unable to have a thoughtful incentive mechanism under the background of the Internet era, and even if they make new mechanisms, they will be "not in harmony". A large number of decision-makers have serious anxiety, will be in a "sub-health state". The business performance grew very slowly or even declined seriously due to the lack of timely introduction of new "business model, marketing model, incentive mechanism, talent mechanism, team building, training mechanism and management model". Serious backwardness in "system construction" has resulted in serious brain drain. The "old" personnel management person in charge of knowledge and experience has lagged behind, there is no "timely update personnel chief officer", resulting in the "recruitment link" can not recruit "new era talents" into the blood supplement. "From top to bottom" may be "a bunch of amateurs" running businesses in the new era. Many enterprises "chief financial officer" is the former "old man", financial management, financial decision-making, financial accounting, financial Internet management is "ignorant". Lead to the enterprise financial forecast, financial decision-making are "serious distortion", resulting in the upper decision-making "serious distortion" and serious deviation from the future development track of the enterprise, the loss is more and more serious.[4](*Yang Hongju, 2021 (10) Discussion on the development status of enterprise performance Management,*)

5. Key recommendations for improving performance management:

- 5.1. Clarify assessment standards to increase accurate assessment of employees' performance.
- 5.2. Establish a more perfect mechanism for performance appraisal and strengthen supervision and inspection.
- 5.3. Improve the performance reward and punishment mechanism, and increase the incentive for excellent employees.
- 5.4. Improve the overall efficiency of performance management and promote the effective combination of performance management and corporate strategy.
- 5.5. Introduce effective incentive mechanism, such as promotion, bonus and other incentive measures for excellent employees.
- 5.6. Establish a correct performance appraisal mechanism, and timely feedback the performance of employees in the appraisal process, so as to strengthen the sense of responsibility and motivation of employees.
- 5.7. Conduct performance management training regularly, so that employees can better understand the basic principles of performance management and enhance their self-management ability.

References

- [1](*Xiao Bo & Zhang Yinan. 2021 (10). Analysis on the new trend and Countermeasures of "Internet Plus" Human resources, Management Science,*);
- [2](*Wang Zhe. 2021 (7).Analysis of Human Resource Management from the perspective of Value Chain, Decision Thinking,*);
- [3](*Disclosure of JD Group's financial statement in 2022.*);
- [4](*Yang Hongju, 2021 (10) Discussion on the development status of enterprise performance Management,*)