Research on Performance Appraisal Method in Internet-based Working

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Abstract. This paper summarized the difficulties of performance appraisal on Internet-based working, analyzed the objectives and principles of performance appraisal, the advantages and disadvantages of typical performance appraisal methods. A universal performance appraisal method in Internet-based working was proposed. It includes setting variable performance appraisal target, using Internet tools to manage performance data and supervise performance process, setting up quantitative and qualitative differentiated indicator system for different type of employees, timely feedback of Internet-based working performance appraisal indicator system. In order to check whether the method is suitable, three typical industries were selected and conducted inquiry interviews with the HRs of the companies including securities brokerage, online education, VC/PE Investment. It was found that the method can be applied to not only three industrired mentioned but also other industries.

Keywords: Performance appraisal method; Internet-based working; Security brokerage; Online education; VC/PE.

1. Introduction

Performance appraisal refers to the process of using scientific methods and standards to comprehensively evaluate the performance of employees in a certain period, and taking corresponding decision-making activities, according to the evaluation results, to improve employees’ performance[1]. Internet-based working greatly promotes human resource management by simplifying process, improving efficiency, reducing operating cost and realizing better collaborative across departments and regional offices. However, the problem caused by the new working style is how to evaluate employees’ performance on the net.

At present, there are some researches on Internet performance appraisal about strategy, specific evaluation indicator system of a certain industry or company, but there is no universal and suitable evaluation method[2-6]. To study the appropriate performance appraisal method in Internet-based working. First, The difficulties of performance appraisal on Internet-based working are summarized. Then the objectives and principles of performance appraisal are analyzed, the advantages and disadvantages of typical performance appraisal methods are compared. At last, the Employee performance appraisal method suitable for Internet-based working is proposed. In order to check whether the method is suitable and how it works in the real world. Three typical industries that need to work on the Internet are selected, and conducted inquiry interviews with the HRs of the companies. According to the feedback, more suggestions are given.

2. The Difficulties of Performance Appraisal on Internet-based Working

a. Variability. Performance management is not only for assessment and rewarding, it functions as a part in the whole picture of a company’s mission, goals and strategy. But in the Internet era, market...
changes rapidly and various emergent events often occur, the companies need to adapt their strategies and use assessment tools to monitor their employees to deal with changes online much more frequently than ever.

b. Supervision. Supervision of personal working data is the premise to ensure the efficiency of Internet-based working since it is a test for the employees’ efficiency while overcoming personal burnout and family chores. For example, in the case of team meetings and collaborative work, the absence of one part will affect the whole working flow.

c. Customization. Customized assessment indicators should be set for employees in different departments and positions in time to reflect different requirements in consistence with the company’s strategic objectives.

d. Feedback. Internet-based working has not been widely used and the timely feedback should be taken into account to improve the rationality of assessment indicators.

3. Performance Appraisal Methods Analysis

3.1. Objectives and of Performance Appraisal

a. Employee motivation

It is clear in the goal setting theory that ‘Attention and action is mobilized towards certain goals and people develop relevant strategies to reach goals’. Performance appraisal is important in that it motivates employees to mobilize their enthusiasm in work and create greater value and competitive advantage for the company.

b. Talent development

In talent management theories, there is an important relationship between performance and potential. Performance provides a way to both evaluate performance and discover employees’ problems. HR function can make targeted training plans to improve the knowledge, skills and comprehensive ability of each employee. The improvement of personal potential may also bring the improvement of competitiveness of the company.

c. Realization of strategic objectives

The ultimate goal of performance management is to coordinate and implement the strategic objectives of enterprises. The goal and strategic objective of a company can be reflected in performance appraisal to allocate organizational resources.

3.2. Principles of Performance Appraisal

a. Transparency. Performance appraisal is a kind of appraisal behavior for employees’ professional performance. In order to ensure the satisfaction of performance appraisal and give full play to the incentive role of performance appraisal, it is necessary to make the performance appraisal transparent, and make the employees understand the performance appraisal by opening the relevant contents of the performance appraisal system within the enterprise, so as to eliminate the dissatisfaction of employees with the performance appraisal.

b. Reliability. The effectiveness of performance appraisal mainly depends on whether the result of performance appraisal is true and reliable. Therefore, the performance appraisal should be reliable to ensure that the appraisal information collected during the performance appraisal is consistent with the real situation and improve the credibility of the performance appraisal.

c. Comprehensive. In the fierce market competition environment, employee performance is no longer limited to financial indicators and short-term indicators, but gradually developed and extended, and affected by a variety of factors. In this case, in order to accurately and reliably reflect the performance level of employees, it is necessary to follow the principle of comprehensiveness and cover all aspects of the performance level with the indicators of performance evaluation[7].

3.3. Typical Performance Appraisal Methods Analysis

Some typical performance appraisal methods can be used in both traditional working style and Internet-based working, which are key performance indicators (KPI), balanced score card, 360 degree performance appraisal.
a. KPI method. It refines the key elements of the success of enterprise strategy and transforms them into quantifiable or behavioral indicator system. As we have mentioned above, KPI should be specific, strategy-oriented and adjusted with feedbacks, especially for Internet-based working.
b. Balanced score card method. It takes the company strategy as the center and evaluates the performance of employees from the perspective of finance, internal process, learning and development, and customers. Strategy! Strategy! Strategy! This is especially important for companies faced with fast-changing environment, and Internet-based working is their common choice.
c. 360 degree performance appraisal method. The appraisal dimension is diversified such as employee’s colleagues, superiors and subordinates; it is generally applicable to the appraisal of personnel above the middle level. Internet-based working is always widely used in companies with relaxed and collaborative culture, where all parties involved tend to be more straight-forward and honest in 360 degree performance appraisal.

The advantages and disadvantages of three methods are shown in Table. It is obvious that either method can not meet the requirements of Internet office performance appraisal.

| Method                      | Advantages                                                                 | Disadvantages                                      |
|-----------------------------|----------------------------------------------------------------------------|----------------------------------------------------|
| KPI                         | a. The assessment objective is clear and objective.                         | a. It is more difficult to determine the quantitative indicators. |
|                             | b. It is conducive to the realization of the strategic objectives of the enterprise, the agreement of the interests of the enterprise and the individual. | b. Not applicable to all positions.                 |
| Balanced score card         | a. The indicator system is relatively comprehensive, including financial indicators and non-financial indicators. | a. It is difficult to establish indicators system and allocate weight. |
|                             | b. It achieves a long-term and short-term balance, internal and external balance. | b. The cost of implementation is high, and it is difficult to implement some indicators. |
| 360 degree performance appraisal | a. Relatively comprehensive and objective.                                 | a. The workload is heavy, the informal assessment affects the fairness. |
|                             | b. It is conducive to promoting communication between enterprises and employees. | b. It is not a complete performance evaluation method. |

4. Performance Appraisal Method Suitable for Internet-based Working

According to the analysis above, the performance appraisal method suitable for Internet-based working is as follows.
a. Setting variable performance appraisal target. The company should strengthen the formulation of the strategic development plan with short-term and long-term strategic objectives, implement the plan, improve its reliability and make a detailed breakdown. Then set performance appraisal target follows the development and adjustment of strategic planning, make sure employees have a clear understanding of the relationship between their work objectives and contents and the company’s long-term and short-term strategic objectives.
b. Using Internet tools to manage performance data and supervise performance process. Companies can use specialized Internet tools, such as professional software, to make the performance management plan on data level, then get the detailed working load and performance improvement target that each employee needs to complete in their condition. At the end of each period (such as the end of the quarter, the end of the year, etc.), companies can summarize and process the employee’s performance data, making the performance appraisal simple and clear. Companies can also real time supervise personal working data such as attendance rate, continuous working time records, calling time management, etc.
c. Setting up quantitative and qualitative differentiated indicator system for different type of employees. The Balanced Scorecard and 360 degree performance evaluation method are used as
powerful thinking tools to develop key performance indicators (KPIs). Company can use information technology to systematically input its objectives, employees’ current performance and working status, then set up customized assessment indicators for employees in different departments and positions. For example, for R&D personnel, new business contribution rate and business error rate can be used for evaluation; while for market developers, customer satisfaction, customer retention rate and customer growth rate can be used for evaluation.

d. Timely feedback of Internet-based working performance appraisal indicator system. Performance appraisal is an activity that the manager and the managed participate together. The responsibility lies not only in the manager, but also in the employee. Formal and informal system both works in performance management process. Therefore, the Internet-based working performance appraisal system should be improved through continuous feedback, strengthening the communication with employees on performance evaluation results, finding and solving problems in time. Employees need to be encouraged to evaluate the completion of performance indicators in one stage and try to put forward how to formulate and improve the indicators in the next stage.

5. Suitability Analysis of This Method in Three Typical Industries

In order to check whether the method is suitable and how it works in the real world, three typical industries that need to work on the Internet are selected and conducted inquiry interviews with the HRs of the companies. They include a securities brokerage company, an online education company, a VC/PE Investment Company.

a. Securities Brokerage Company

It is very common to work on Internet in securities brokerage companies. Trading volume of China’s securities brokerage business has exceeded 100 trillion Yuan, but the downward trend of brokerage commission rate is hard to change, and the income of agency trading is squeezed. Some small and medium-sized securities brokerage companies begin to innovate their working methods and contents through the Internet. And the companies’ key performance begins to change from traditional ‘income market share’, ‘transaction share’, ‘number of accounts’, ‘customer assets’ to specific indicators of front-line business, highlighting more personalized development space and focusing on the assessment of profit, income, market share and other result indicators. Therefore, the Internet brokerage business mainly affects the performance of employees in the way of working, flexible working time, meeting the individual needs of customers and so on, but the information security requirement is higher.

b. Online Education Company

The company’s online education business means that Internet enterprises and social education institutions develop digital education resources and provide network education services according to market demand. Online education is based on the Internet, and the products have the characteristics of electronic and networking. The whole product chain from product production, marketing, sales to after-sale service can be completed on the net. The degree of dependence on physical office is relatively low. Therefore, online office has little impact on employee performance evaluation. Online education can greatly reduce operating costs and improve internal operation efficiency.

c. VC/PE Investment Company

A typical VC/PE Investment Company includes an investment team (including a narrow investment team and an expanded legal and financial audit team) and a functional support team (such as accountant, administration support, etc.). The impact on performance appraisal of Internet-based working depends on the content and nature of employees’ work. As the main work of the investment team is industry research, on-site coordination and expert interviews, the traditional office is no longer the workplace for them, and most front-office persons can finish a large part of their working tasks on business trips based on Internet report and communication. Internet-based working is the main way, and the year-end performance of the investment team is mostly reflected in its annual and cumulative performance, thus the impact of office style is small. However, for functional teams, most of the administrative support, fund transfer and financial management need to be solved through daily, routine, physical work and face-to-face meetings, which obviously cannot be solved through the Internet-based working. The core issue of improving Internet-based working performance appraisal is to set reasonable indicators. Internet is only a way, or a tool for performance evaluation of an
organization, which has various advantages such as data analysis, automatic recording, data capture and so on. But the most important is the objective improvement of the evaluation system itself and the rationality of index setting.

According to the research and the interview feedback, the performance appraisal method in Internet-based working can be applied to three companies, but due to the differences in different industries, there are some suggestions.

a. Security Brokerage Company
For finance sector, sticking to its strategy under the pressure of annual performance is a key point. It should try to maintain the continuity of performance appraisal indicators to lengthen the cycle from one year to three years so as to guide long-term development. In addition, it is necessary to strengthen the protection of the safety operation of the system, technical platform needs to be able to achieve data security and consumer protection, and technical experts should be arranged for information security in the allocation of personnel resources. Network security indicators can be included in the performance appraisal system.

b. Online Education Company
Online education is based on the Internet, which pursues the speed of market response, so the performance appraisal process needs to be specific and simplified. In addition, one of the characteristics of online education is virtual, (electronic and network), so the problems need to be found and solved as soon as possible in the management process, and the control of the process needs to be strengthened in performance appraisal system.

c. VC/PE Investment Company
Even though quantitative performance result is so important for the sector, it is obvious that there are still many other uncertain factors that affect investment result, such as natural disaster, market sentiments and luck. Besides, top managements should consider how to involve non-quantitative appraisal in the evaluation of investment activities, for example, implementation of investment strategy, inheritance of investment philosophy, team training and departmental cooperation, which are equally important for the long-term strategic goal for VC/PE firms.

6. Conclusion and Suggestions
A universal performance appraisal method in Internet-based working is proposed. It inferred that this method can also be suitable for other industries. The implementation steps and details can be further studied.

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