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PERFORMANCE MANAGEMENT FOR SMALL AND MEDIUM ENTERPRISES (SMES) IN THAILAND

Khahan Na-Nan*

Abstract: *This article aims to present performance management methods for small and medium enterprises (SMEs) in Thailand. A review of relevant literature on both national and international databases, such as Thailis, Proquest, Emerald Insight, Science Direct, etc., was employed in analyzing and synthesizing performance management methods to identify those that are effective for SMEs. The study found that performance management for SMEs in Thailand consists of six processes: preparation, planning, implementation, evaluation, revision, and application. Furthermore, this article will create a body of knowledge and understanding in performance management processes for SMEs, which are unique in terms of capital, personnel, and organizational management structure. Hence, it can be used by relevant persons as a guideline in determining directions and operating with efficiency within the industry in order to achieve an advantage or sustainability.*

Keywords: *Performance management, SMEs, Thailand*

INTRODUCTION

Performance evaluation and performance management are key organizational issues that have received considerable attention both in academia and in practice (Helden van &Reichard, 2013). The objectives are to systematically encourage, promote, improve, and develop operations on the individual, departmental, and organizational levels to achieve the goals set by the executives (Pulakos, 2004). Over time, a large number of organizations have tried to develop management measures, especially better management and development of human resources for increased competitive advantage in the industry (Bae, 2006; Becker & Gerhart, 1996, Das, Kumar & Kumar, 2010; Evans & Lindsay, 1993; Longencker & Stanfield, 2005; Wright, Gardner & Moynihan, 2003). Scholars and professionals agree that said concepts and principles, with proper implementation and process, are able to allow for efficient input from employees (Becker & Gerhart 1996; Delaney & Huselid, 1996).

* Faculty of Business Administration, Rajamangala University of Technology Thanyaburi, Thailand, *E-mail: Khahan_n@rmutt.ac.th*

Excellent performance, both in terms of quantity and quality, requires planning, goals, evaluation, revision, and application. In addition, connection with the organization's human resources management will stimulate and motivate employees, as well as improve their knowledge, skills, and attitude, leading to efficient application of assigned tasks (Jones & Wright, 1992). These processes are considered a "performance management system" which has been adopted by leading organizations to achieve success in their business operations. However, studies (Anderson &Sohal, 1999; Bourne et al., 1999; Hendricks &Singhal, 1997; Hudson, Smart & Bourne, 2001; Jackson & Schuler, 1995; Lado& Wilson, 1994; Milgrom& Roberts, 1995) have shown that a number of organizations have failed at this or not achieved expected effectiveness from adopting a performance management system. Some researchers have indicated that organizations whose attempts to apply a performance management system with their operations have failed account for 70 percent (McCunn, 1998). Consequently, those enterprises lost their competitive edge and eventually went out of business.

Countries with a strong economy, such as Japan, South Korea, and Germany, often rely on SMEs as a key driving factor of the nation's economy. In particular, medium enterprises make up ten percent of Japan's businesses, followed by South Korea at six percent and Germany at three percent. As for Thailand, most SMEs are small companies which are generally not successful at growing into medium enterprises and only account for 0.44 percent (OECD, 2011). Moreover, most of these enterprises operate in the service industry, namely food and beverages, clothing, etc., rather than in the production industry. Their main competitive strategies are production of goods with low cost and strategic pricing, in preference to using innovations and quality human resources to increase product value and gain advantages over competition (Thailand Future Foundation, 2013). Nevertheless, according to the report by the Export-Import Bank of Thailand (2012), the significance of Thailand's SMEs to the country's economy is considerable as they generate 37 percent of the country's GDP, resulting in nearly 80 percent of the national workforce.

Due to their contribution to generating revenue, employment and development for the country, the government has put a premium on SMEs as a driving factor of the country's economy. Businesses, capital, developments, and training programs are promoted and encouraged to increase a company's competitiveness in the industry. Therefore, putting in place performance management patterns that are appropriate for SMEs is of great importance and urgency to give these businesses clear directions in setting and following their objectives. This will enable them to continuously develop towards achieving their organizational needs and to sustainably operate under ever-changing environments.

SMEs IN THAILAND

Thailand issued the Employment Rate and Fixed Asset Value of Small and Medium Enterprises Ministerial Regulation in 2000 (B.E. 2543) to provide guidelines for the government sector. The ministerial regulation divides SMEs into three main categories as follows: 1. Production business refers to all types of industrial production. Production is universally defined as a transformation of objects into new products with machinery or chemicals, regardless of whether the transformation is mechanical or manual. This includes industrial process of agricultural produce, local enterprise production, and household industrial production. 2. Service business refers to education, health, entertainment, transportation, construction and real estate, hospitality and boarding houses, restaurants, food sales, beverage sales of restaurants, entertainment and recreation rentals, personal services, household and corporate services, all types of repair works, and tourism and tourism-related businesses. 3. Wholesale and retail business refers to services related to sales. Wholesale refers to the sale of new and used products to retailers, industrial users, commercial businesses, institutions, and professional users, as well as to wholesalers. Retail, on the other hand, refers to the sale of new and used products, without any changes of appearance, to the public for consumption or personal and household use. This type of business also includes agents or proxies of a trade, petrol stations, and consumer cooperatives.

Figure 1
Characteristic of SMEs in Thailand

Type of Business	*Small Enterprise*		*Medium Enterprise*	
	Employees	*Fixed Assets*	*Employees*	*Fixed Assets*
Production	Below 50	Below 50 million THB	51 – 200	Over 50 – 200 million THB
Service	Below 50	Below 50 million THB	26 – 50	Over 50 – 200 million THB
Wholesale	Below 25	Below 50 million THB	26 – 50	Over 50 – 200 million THB
Retail	Below 15	Below 30 million THB	16 – 30	Over 30 – 60 million THB

Source: The Office of Small and Medium Enterprises Promotion, 2001

Most SMEs in Thailand originate from family businesses. As such, any changes or revisions of management structure cannot occur in a fast manner due to the lack of knowledge in systematic management or administration. Business owners or executives frequently rely on first-hand experience from trial and error, with the help of family members or relatives. While advantageous in terms of thorough monitoring and control, this type of administration, without more systematic improvement, may become problematic should the business start to expand. Another challenge faced by SMEs is an operation system that fails to keep up with the organization's changing and growing surrounding factors, which is an important obstacle in the business world where fast adjustment and responsibility delegation are crucial. The problem of a high-level employee turnover is also a concern since skilled employees tend to move to bigger businesses or industries with better compensation and career advancement opportunities. This leaves SMEs with cost and damage from the constant need to train new employees to meet the standards (Institute for Small and Medium Enterprise Development, KhonKaen University, 2005).

EVOLUTION OF PERFORMANCE MANAGEMENT

Since the Industrial Revolution in the 18th century, attempts to improve production efficiency of the employees have received attention from researchers and practitioners(Robbins & Coulter, 2002). The ultimate goal of performance management is to increase the efficiency of individuals who have an impact on the departments and the overview of the organization through raising awareness of intrinsic and extrinsic factors that greatly affect individuals' performance. This significantly shifted key performance management perspectives towards emphasizing an evaluation of the entire performance including input, process, and output. In addition, performance management is an organization-wide integration of various areas including strategic management, operation management, human resource management, organizational culture, information system, marketing, accounting, and control (Brudan, 2010).

The concept of scientific performance management was developed from a reward system on an assignment basis for employees (Taylor, 1911), with each employee being evaluated with precision against standard criteria set by the organization (Robbins & Coulter, 2002). Human labor was regarded as one of the many factors in production that could be scientifically managed to increase productivity. The purpose of performance management was a retroactive evaluation of an employee's output for individual performance improvement. Subsequently, the human-relationship-based management was developed from an emphasis on each employee's behaviors, collective norms, and work environment(Bruce & Nyland, 2011). Performance evaluation in this era focused on group performance before linking to rewards or compensation to be received by the group, causing all employees to fully devote their effort to the group.

From 1954 to 1970, the concept of management by objective was developed by Drucker (1954) to refer to a joint consideration between executives and employers to determine objectives regarding operation and work-related behaviors necessary for employees. Subsequently, in 1970, a decision support system was adopted in performance management to store, summarize, and analyze information used in the organization's decision-making. In 1980, organizations began using information systems for administration in a widespread and systematic manner. It was not until the 1990s that business information got integrated more into computer systems and business intelligent systems developed to accompany performance management decisions. New management concepts, e.g. customer relation management (CRM), advanced management integrating technology, planning, and reporting, and co-operate performance management (CPM), have since been continuously proposed (Gartner, 2001). These developments together form the foundation of organizational strategic planning. Nevertheless, organizational performance management defines processes, methods, indicators, and systems needed in the performance management of an organization, with the focus on the integration between automatic information processing, cooperation, and important data analysis. The significant steps of organizational performance management include strategic planning, strategy distribution, funding allocation, prediction, merger, and business intelligence (Bhattacharyya, 2011).

Around 1987, the Balance Scorecard was introduced to manage performance throughout the organization in four aspects: finance, customer, internal operations, and personnel growth and learning (Kaplan & Norton, 1992). This method was well-received by organizations since it covered all operations and could effectively indicate the success of an organization. At present, the Business Model Canvas has been developed to address more dimensions and more details. This model takes into account the organization's target groups, value or distinctive features of products and services, distribution channels, customer relations, revenue channels, principal resources, principal activities, major allies, and capital structure (Osterwalder, 2004). This includes concepts that will help executives or entrepreneurs clearly visualize the organization's business practice and enable them to plan out their organization's operations.

CONCEPTS AND DEFINITIONS OF PERFORMANCE MANAGEMENT

Performance management was first defined by Beer and Ruh (1976) as a process with a focus on evaluation and development, incorporating engagement of all parties and two-way communication between processes to create understanding and eliminate problems. Furthermore, Armstrong and Baron (1998) state that performance management is a strategy that has been devised to pass on an organization's sustainable success by improving individual and group capabilities to achieve organizational objectives. Another definition, given by Ralph (2011), states that performance management is a series of activities performed by an organization that emphasize strategy, budget, compensation design, and organizational structure as a means to motivate employees to accomplish the goals and objectives of the organization. In addition, performance management, together with input and feedback, also allows an organization to have effective planning and coordination within the designated timeframe. The Personnel Management Association of Thailand (2012) defines performance management as the ability to systematize the operation of individuals, teams, and organizations so that it cascades and aligns with the business objectives and strategies. This relies on performance planning and agreement, performance execution, performance development, and assessment and feedback. Another definition of performance management is given by Michaela (2012) as a tool to achieve success in the work of individuals, teams, and organizations through a systematic planning process, goals, standards, and employee code of conduct. Moreover, performance management will create a mutual vision to drive the organization toward success and provide a guideline for human resources management and development for both short-term and long-term achievements. On the other hand, Herman, Harry, and Ryan (2012) propose that performance management means a continuous process of performance determination, evaluation, and development of individuals and teams. This process should be in such a way that corresponds with the organization's strategies and objectives as individual performance is the beginning of the organization's success.

According to the aforementioned definitions of performance management given by institutions, human resources developers, and scholars, the significance of performance management can be categorized as follows:

- communication of visions to all employees
- transmission of visions into missions
- transformation of visions into the organization's overall objectives
- integration of individual and departmental objectives into the overall objectives
- transformation of objectives into quantifiable results
- link between operation and compensation if necessary (compensation on an efficiency basis suits employees in management, especially)
- official assessment of performance to monitor achievement progress
- performance assessment as foundation of training, development, and reward
- overall performance evaluation to improve organizational efficiency

OBJECTIVES OF PERFORMANCE MANAGEMENT

Performance management is an exchange process on the basis of communication between executives (the evaluator) and employees (the evaluated). In general, performance management aims to handle information on work behaviors that can be reflected back to employees as well as used in the consideration of compensation, promotion, development and training, and successor planning (Moorehead& Griffin, 1995). On the other hand, Armstrong (2006) says that performance management aims to link organizational goals to individual performance through strategic performance management processes, strategic objective setting, performance objectives, initiatives, and performance indicators.

IRS (1996) interestingly identifies the objectives of performance management as a transformation of policy into practice to achieve the desired goals, with a focus on each employee's performance from the input to output. The organization should be able to use this as guidelines to continuously improve performance so that employees can complete their assigned tasks. Moreover, another objective is to induce coordination and exchange of understanding between executives and employees, among executives, and among employees. Employees are also encouraged to learn and improve themselves in order to continuously produce work.

However, Cleveland and Murphy (1989) divide performance management objectives into the following six significant objectives. **Strategic objective** refers to a connection between organizational goals and individual goals, leading to employee behaviors that correspond with the success of the organization's objectives. **Administrative objective** refers to a source of accurate information for the purpose of making administrative decisions regarding wage adjustment, promotion, job rotation, career development, acknowledgement or reward for outstanding employees, identification of substandard performance, rightful termination, etc. **Communication objective** is a communication with or notification to the employees regarding their behaviors within their areas of responsibility, necessary information for improvement and for learning about the organization and executives' expectations, and the perspectives deemed by management as crucial to achieving success. **Developmental objective** is an aim to equip personnel with knowledge, capabilities, skills, and positive attitudes toward work, including suggestions and feedback for improvement by the employees' superior. Pointing out their strengths and weaknesses will allow employees to handle themselves and improve toward success. **Organizational maintenance objective** deals with the application of information gained from performance management—employees' knowledge, skills, areas of responsibility, assignments from past to present—in workforce planning and necessary future training, including evaluation system design, incentives, and compensation management to promote efficient and successful operations. **Document objective** states that information gained from performance management provides an accurate and reliable source when choosing tools to improve the efficiency of administration and when making administrative decisions regarding operation and competitive advantage.

The overall objective of performance management is to create a culture of highly efficient performance on both individual and team levels to induce responsibility and continuous improvement. As a result, the organization's operations can continue on with high potential and competitive advantage. Other aspects include equipping personnel with adequate knowledge, skills, and attitudes. It can be seen that the previously mentioned objectives attribute successful objectives to accurate practice of employees.

PERFORMANCE MANAGEMENT PROCESS

In general, a process of performance management is similar to William Deming's quality management process, which consists of four steps, namely 1) planning – making decisions on what to do and how to do it; 2) doing – implementing the plan based on the decisions that have been made; 3) checking – rigorously checking whether the work is accomplished in accordance with the plan made in the first step; and 4) acting – reviewing the solutions proposed in the checking step in order to devise a strategy on how to successfully implement the plan and how to boost its efficiency. A literature review shows that a performance management process can be divided into five steps: performance planning, implementation, performance evaluation, performance review, and application. (Bae, 2006; Becker & Gerhart, 1996, Das, Kumar & Kumar, 2010; Evans & Lindsay, 1993; Longencker& Stanfield, 2005; Wright, Gardner & Moynihan, 2003). In comparison with Deming's quality management, the first steps in a performance management process are similar to the planning phase of Deming's model, while the second and the third are equivalent to Deming's "doing" concept. A performance review is also comparable to Deming's checking step, and the fifth step resembles

Deming's acting process. The similarities are as shown in figure 1. The details of each step is as follows.

Step 1 Performance Planning – In a performance planning step, executives and all parties involved need to understand their organization's visions, missions, strategies, goals, management processes (Doina – Corina, 2013; Falshaw, Glaister&Tatoglu, 2006) as well as its responsibility domains, main activities, distinctive characteristics, evaluations, and the potentials of the organization and its employees (Khan, 2010). Such an insight can be gained from various data-collecting and analytical methods including interviews, inquiries, group discussions, or analyses of completed tasks. This will allow the organization to obtain the information that can both reflect its real needs and be used in a changing work environment (Aguinis, 2009; 2013; Grote, 1996). They also need to understand the directions and the future goals of the organization (Schieman, 2009; Neetu & Mahim, 2015). This step involves identifying the strengths and weaknesses of an organization in order to boost organizational efficiency by pointing out the knowledge, potentials, skills, and attitudes that employees must possess for the performance management system (Watson, Nico & Leon, 2010). In this step, executives and staff discuss and find an agreement on three main issues: results, behaviors, and development plans.

Results are a factor that helps determine the task to be performed by each employee so that the organization can accomplish its goals. Envisioning an expected outcome requires consideration of key accountabilities or domains of responsibilities assigned or expected by the organization (de Waal, 2002). As a result, the decisions on each sector's key accountabilities must provide clear objectives with regard to the tasks to be fulfilled by each employee because a clear job distribution will allow for a genuine performance evaluation. What also needs to be defined is performance standards for each responsibility, which should center on quantitative data, time, ratio, percentage, etc. This information will serve as the criteria to assess whether or not employees' performance satisfies the organization's expectation.

Behaviors serve as an indicator or an incentive which ensures that employees can produce the expected results as expected by the organization (Ryan, Spencer & Bernhard, 2012; Sengupta, Venkatesh& Sinha, 2013). By having employees demonstrate behaviors that the executives deem important to the success of their assigned tasks, the concept of behaviors also determines the kind of behaviors employee need to have, helping them unlock their potential to carry out a task that is difficult, pressing, and complex (Sparrow,1997). Therefore, behavioral assessments should play a part in performance management. Behavioral assessments can be conducted by taking into accounts employees' knowledge, skills, and attitudes that are essential to the completion of the task as expected by an organization. (Boyatzis, 1982; Guo and Anderson, 2005; Higgs, 2003).

Development Plan refers to a plan agreed upon by executives and employees with regard to the development of knowledge and skills necessary for delivering

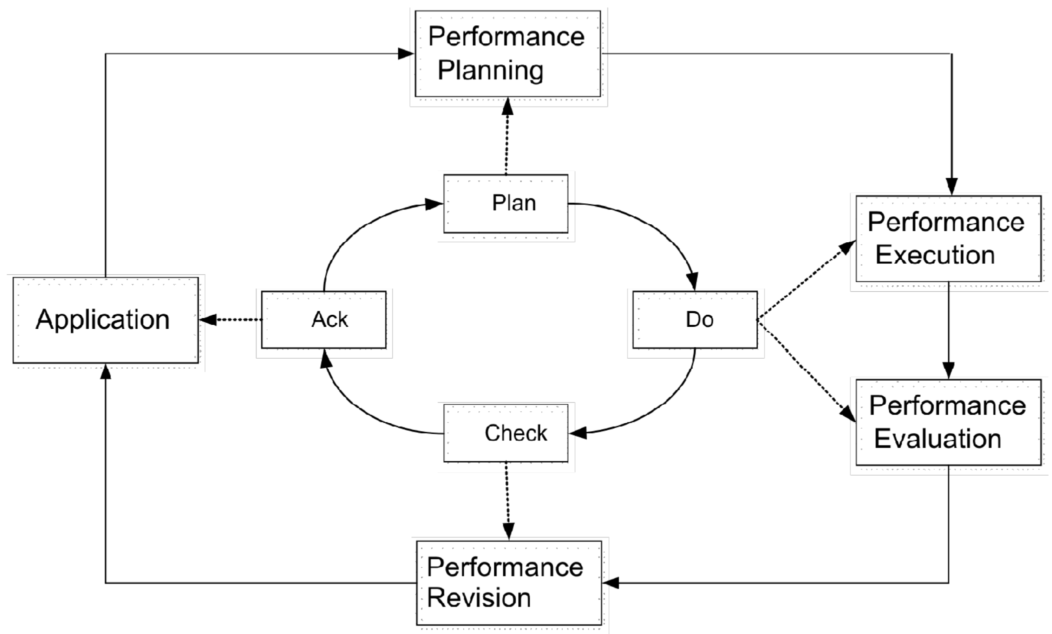

Figure 1: A chart comparing a performance management process and Deming's cycle

expected results (Adhikari, 2010). In general, results and behaviors are included in the plan. The plan should explicate the strengths and the areas where employees need to improve. Also, a development plan usually includes strategies to overcome weaknesses and ways to turn weaknesses into strengths in the future (Reyna & Sims, 1995).

Sutthison, Chaowakeeratiphong and Wongnaya (2015) conducted research and developed a framework on strategic development of SMEs through interviews with successful operators and focus groups. The information gained from this research was later put into practice. The initial results of the research revealed that the formulation of comprehensive plans covering both the needs of operators and the quantitative data that need evaluative performance indicators is of critical importance. Moreover, such plans need to be formulated while determining the behaviors that meet the expectations of the organization. The conclusion of this finding was applied to the management of some SMEs, and it was found that following these steps heightened the efficiency of SMEs' management. In addition, Pholphirul (2013) states that what is necessary for SMEs is the human resources development plans to strengthen the bond and gear the organization toward creativity, commitment, constant self-improvement, resilience, and motivation to undertake every task to the fullest of their ability.

Step 2 Execution – this step focuses on designating and assigning responsibilities as well as promoting participation from employees to achieve the set goals. This can be accomplished by having two-way communications, monitoring employees' behaviors, providing feedbacks, and allocating necessary resources as well as motivating, supporting, and encouraging employees to complete the tasks in the job descriptions and meet the performance standards. To accomplish this task, all parties involved need to have a clear understanding of the organizations' missions, strategies, objectives, and the expected results (de Waal, 2007). Still, Leist (2013), having analyzed this step of execution, finds that there are sever important factors leading to the success of execution, namely 1) using the executives' expertise or skills to influence employees and maximize their potentials; 2) having a clear process that gives a detailed explanation to those involved about the steps and methods in the implementation of the plan; 3) having both a corporate strategy that is developed from the main goals of the organization and clear performance indicators; 4) offering accurate and reliable information to ensure that all parties involved in the execution will learn of the results and hence enable them to use this information to solve the problems in a timely manner; 5) providing supervisor supports, which involve promoting and motivating employees to reach their fullest potentials, as well as good advice to help employees complete their tasks; 7) having an incentive system which has a direct influence on the performance of employees as it will motivate them to work and satisfy the requirements of performance indicators defined by the organization.

As for SMEs in Thailand, a study done by Rooplor, Phromtat and Vongvivithkul (2011) shows that Thai SMEs still face the problems resulting from a lack of a thorough understanding of managerial practices and cooperation among organizations' employees, making it difficult for them to fulfill their goals. As a result, promoting employees' participation and making them understand the management process and the expectation of the organization are the key that will ensure effective implementation of the plan. Also integral is the promotion of consistent tracking and monitoring of the organization's tasks to ensure its success.

Step 3 – Performance evaluation – this step focuses on the evaluation and assessment of an object or a person based on standards or criteria defined during a set period of time. Such an evaluation should center on employees' performance and their behaviors in relation to the goals set by the organization and can be conducted with various forms of evaluative methods and from sources related to the organization, such as colleagues, subordinates, clients, or other involved parties (Murphy and Cleveland, 1995; Zheng, Zhang & Li, 2012). This will allow the organization to determine whether or not their employees meet the expectations set by the organization. This step should be followed by a summary informing those involved of the results of the evaluation, and the evaluation itself must be transparent and fair to all employees (Maley, 2013; Palaiologos, Papazekos&Panayotopoulou, 2011). Performance evaluation is considered an important step for both human resources management in an organization and its performance management since evaluation is considered an input or core components of all activities in human resources managements (Hui& Qin-xuan, 2009). In addition, it can also be used as a determinant of different employees' behaviors. For example, the results of performance evaluation can serve as a predictor of employees whose behaviors merit promotion or as a criterion for hiring new employees. The results can also be used for workshops, pay raises, layoff, or the termination of an employee's contracts, all of which are direct consequences of performance evaluation (Palaiologos, Papazekos&Panayotopoulou, 2011). Moreover, remuneration and compliance management can also be linked to levels of performance of those who are evaluated (Türk, 2008). The evaluation results can also be given as feedback for employees and serve as an instrument in enhancing the potential of the organization's human resources (Kuvaas, 2011). As discussed above, all parties involved should attach more significance to performance evaluation than previously practiced, in line with the findings of many studies which suggest that giving feedback helps improve the efficiency of operations, strengthen bonds among employees, motivate staff, and create job satisfaction (Aguinis, Gottfredson&Joo, 2012).

In Thailand, evaluation of employee's performance is usually conducted on an annual basis, subcategorized into the assessment of operation results, employees' potential, and working time (for some positions) via three evaluative methods: self-assessment, manager assessment, and panel assessment. An evaluation is conducted on three objectives, namely an objective of the task based on job descriptions, a progress objective based on an organization's annual development plans, and an objective of personnel development based on individual development plans of employees. The results will be employed for further development and workshops in the future (Luekitinan, 2015).

Step 4 – Performance review – this step refers to a meeting between executives and employees in order to review the performance results or conduct a joint discussion. The executives prepare accurate and reliable information on employees' performance and exercise caution in discussing the results of their performance and behaviors that the executives deem to be lacking or exceed the standards. They also need to ensure employees' understanding of all notified information (Brown, Hyatt & Benson, 2010; Ghorpade& Chen, 1995). Therefore, the provision of enrichment activities or workshops geared toward developing a better understanding of the tasks and the skills necessary for the acquisition of essential data and the provision of constructive feedback will improve the operation of an organization and create satisfaction among employees.

As for Thailand, performance reviews in Thai organizations are usually conducted in both formal and informal settings, depending on the size and the structure of each enterprise. According to Khambunrat and Klubsri-on (2015), a performance review is of critical importance. The organization should notify the results of performance and the evaluation of their behaviors separately. Ideally, performance reviews should be undertaken at least twice a year. The frequency can vary depending on changing situations or environment. A good review will lead to effective development plans.

Step 5 – Application – Application is the last step in a performance management process, in which all elements of performance results are identified, and the information gathered from this step will be used in the analyses or the decision-making steps in the subsequent performance management (Aguinis, 2009). Applications can be classified based on their usage in two ways: organization and system. Both deal with how to improve and pave ways for future operations based on performance results in the past. Moreover, the results can also be used in organizational readjustments under the changing work environment and can elevate the organization's competencies (Chaola, Pratoom&Raksong, 2015). As for human resources, the results can be applied to the improvement of an individual in order to challenge each employee and enhance communication between executives and employees or among the employees themselves. They also help boost leadership skills suitable for the assigned projects and motivate employees both collectively and individually. Moreover, they can also be used to raise awareness of employees with excellent performance and serve as a tool to develop and train employees whose performance has yet to not meet the standards of the organization and further the performance of those who have already fulfilled the organization's requirements (Bourne etc., 2013).

According to a study by Khambunrat and Klubsri-on (2015) regarding the application of performance results in a Thai organization, it is found that the main objective of applications is to apply the knowledge to human resources management such as remuneration management, motivation, formulation of other forms of remunerations, trainings and workshops, management of competent employees, career developments, and loyalty building.

According to the ideas and research studies mentioned earlier, the process of performance management in SMEs can be summarized and illustrated as follows:

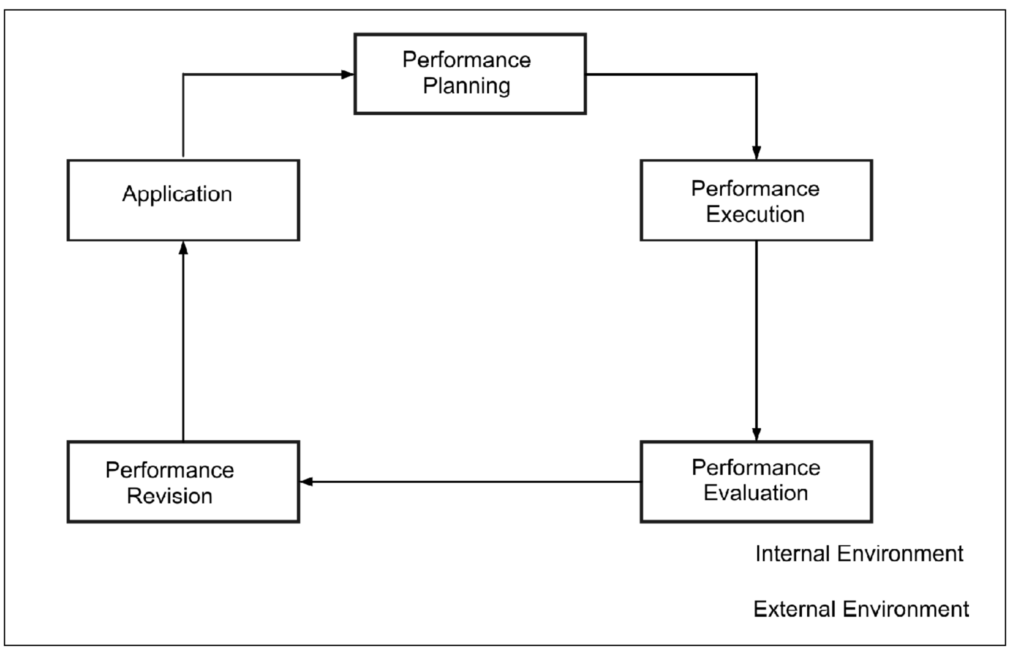

Figure 2: Performance Management Process

The application of performance management guidelines to SMEs

The key element leading to SMEs' success is the efficient management. Each enterprise requires the management system that is suitable to its context and environment (Ferna´ndez-Mesa etc., 2013). Due to a lack of a clear management system in Thai SMEs, together with their experimental styles of business operation, Thai SMEs have been facing a variety of problems with regard to management systems as well as human resources, causing them to be less efficient and less competitive in the market.

Therefore, the application of performance management is a way to help SMEs operate efficiently and sustainably. The application of performance management process as described here is essential to the success of SMEs. It requires a performance plan step, which will prepare an organization by examining its past and present operations before devising a future plan. This step also identifies goals, results, behaviors, and development plans that encompass operations on the individual, departmental, and organizational level. Afterwards, the organization implements the plan, assigning duties, authorities, responsibilities, and sufficient resources to those involved so that they can deliver the results required by the organization. The subsequent step deals with the evaluation of employees' performance by comparing the actual results with the set expectations through different evaluative tools prescribed by the enterprise. The results will be used for the review of performance, which culminates in feedback given to employees, leading to a joint effort between the executives and the employees to strive toward solutions and improvement. After this step, the organization will apply the information from the evaluation to other uses, namely remuneration adjustment, promotions, career development, structural reform, modification of operations, etc.

Still, successful application requires both direct and indirect participation from employees, so that they develop a sense of belonging to the organization and understand the operative process that the organization wants (Kleingeld, Harrie&Algera, 2004). It also requires open communications to create a common understanding among executives, between executives and employees, or among employees. This will allow employees to inquire and express their opinions on the issues that cause dissatisfaction while all parties involved are also given opportunities to answers questions in order to prevent potential problems. To ensure the success of a performance management process, subordinates should be supported by the supervisors, so that they can demonstrate their full potential and be ready to devote their energy to the assigned tasks. The procurement of sufficient resources for the operation is also vital in ensuring that the employees can deliver the results prescribed by the organization's performance plan.

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