

# A Study of the Impact of Four Systems of Performance Management on the Realization of Strategic Objectives

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## Abstract

In the context of continued economic downturn, interest rate marketization, opening up of the financial market to the outside world, and intensified regional competition, banks need to upgrade their power systems, closely integrate their own strategies, and stand at the height of the strategic overall design and implementation of performance appraisal systems, which can provide constant power for the banks to achieve their strategic goals. Based on the existing research results, this paper proposes that the four systems of performance management have a significant positive impact on the realization of strategic objectives, which is specifically divided into four sub-hypotheses; and then through the Likert scale questionnaire, the questionnaire is issued and recovered for the agricultural and commercial banks, and with the help of structural equations, these hypotheses are verified. The results show that the four systems of performance management also have a positive and significant impact on the realization of strategic objectives, while the institutional system and management system play a more obvious role in the realization of strategic objectives. Finally, the article presents relevant insights, which are expected to serve as a positive reference for banks.

## Keywords

Four Systems of Performance Management, Strategic Goal Achievement, Structural Equations

## 1. Introduction

Against the backdrop of continued economic downturn, interest rate marketization, opening up of the financial market to the outside world, and intensified

regional competition, banks will face more challenges in their operations, and face difficulties in increasing deposits, lending, controlling risks, lowering costs, and increasing efficiency. For example, in the context of interest rate marketization, interbank competition has further intensified, banks' spreads have further narrowed, and their profitability has been more severely challenged. Therefore, banks need to make full use of their resource endowment and enhance their ability to refine their management in order to actively respond to the challenges of the new situation. Banks must upgrade the power system, closely integrate with their own strategy, and design and implement the performance appraisal system at the height of the strategic overall situation, so as to ensure that the performance management continues to play an effective role in providing a steady stream of power for the bank to realize its strategic goals. As local small and medium-sized commercial banks, the market dominance of agricultural and commercial banks has been challenged, and many agricultural and commercial banks have carried out performance reforms in the expectation that performance management will promote the realization of performance objectives. However, what is the role of the performance management system for the realization of the bank's strategic objectives, and what can be done from performance management to promote the realization of strategic objectives? These are the questions that banks need to face in practice. This paper will analyze the role of performance management in the realization of strategic objectives of agricultural and commercial banks through structural equations to clarify the positive role of performance management in the realization of strategic objectives.

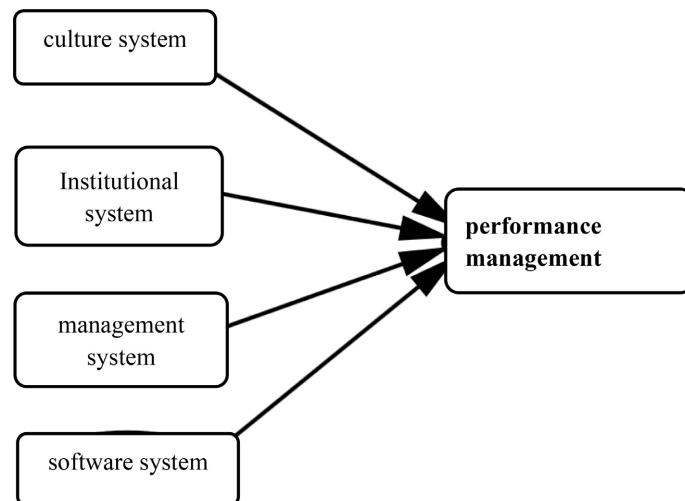
## 2. Literature Review and Research Hypotheses

Currently, there are some representative research results in performance management to promote the realization of strategic goals. For example, Zhang Li believes that performance management is one of the important management tools to promote the implementation of strategy, effective performance management can promote the implementation of strategy, the bank's business strategy needs to be transmitted through performance, and performance management should serve the bank's strategy (Zhang, 2019). According to Xie Zhenshan, to measure the performance appraisal, the main point is to see whether the strategic objectives have been promoted, whether the strategy implementation meets the expectations, and to make the appraisal and strategy effectively connected (Xie, 2020). Practical experience shows that performance management is the "baton" for realizing strategic goals, which also shows the important role of performance management system for the realization of strategic goals. From the existing literature, performance management is an effective means to promote the realization of bank strategy. In the process of performance appraisal system construction, Tianwei has put forward the theory of four systems of performance management: culture system, institutional system, management system and software system, which are effective tools to support the realization of bank's strategic objectives, and the four

systems construction is carried out throughout the entire appraisal lifecycle, and is indispensable (Wang, 2018).

The four systems refer to: 1) Management system is the “baton” of the organization to ensure and use the system, to solve the “who” to use, “how to use”, the problem of “using tools”. The management system includes the organization, process, capability and tools of the performance appraisal management system. 2) The cultural system is to assess whether the “baton” can play a role in the cognitive and psychological transformation of employees. Constructing a new distribution system needs to be understood, valued, accepted and recognized by the majority of employees in order to achieve the desired “effect”, this cognitive and psychological changes in the process is a new cultural formation process. 3) The system is a system of rules and measurement standards that constitute the assessment “baton”. With the continuous development of enterprises, through the continuous updating and improvement of the system, and gradually establish a set of suitable for the enterprise’s business and policy environment, development stage, development strategy and orientation, the development stage of performance management and their own management capabilities and management style, and can be generally accepted by the majority of employees of the performance appraisal management approach system. 4) The software system is the landing tool of the assessment “baton” and the scientific and technological support system. With the continuous development of enterprises, the construction of a set of information management platform to match their own performance appraisal management methods and appraisal development needs, involving a series of software subsystems, such as: performance management information system (PAS), mobile version of the PAS, 360-degree scoring system, performance booking system, auxiliary pricing system, stock allocation system, etc. (Wang, 2018). According to Ding Jiakui and Cai Hua, the four objects of performance management system construction are institutional system, management system, culture system, and software system, which are the key factors constituting the performance management capability of banks (Ding & Cai, 2018).

To summarize, Tianwei believes that performance management system has a supportive role for the realization of strategic objectives, and that the four objects of performance management system construction are institutional system, management system, culture system and software system. So, are these theories put forward by Tianwei Company in line with practice, and what is the role of the four systems for the realization of strategic goals? Based on the existing research results, this paper summarizes a general idea: the four systems of performance management, i.e., culture, system, management and software, promote the realization of strategic goals, and the idea is shown in **Figure 1**. Based on this general idea, this paper puts forward the following hypotheses: S1: culture system has a positive impact on strategic goals; S2: institutional system has a positive impact on strategic goals; S3: management system has a positive impact on strategic goals; S4: software system has a positive impact on strategic goals.



**Figure 1.** Impact pathway model.

### 3. Empirical Analysis

#### 3.1. Data Sources and Sample Description

The survey was conducted in the form of a questionnaire scale, which was mainly centered on the dimensions of culture system, institutional system, management system, software system, and strategic objectives, and multiple questions were set for each dimension, in the form of a 5-point Likert scale.

The survey was conducted through electronic channels to distribute and collect questionnaires, the research object is the employees of agricultural and commercial banks, a total of 191 valid questionnaires were collected, the composition of the questionnaire is as follows: from the geographical composition of the East, Central and West samples accounted for 49%, 32%, 19%; from the nature of the bank, the sample is all for the rural financial institutions; from the size of the bank's staff, the number of employees is less than 300 people, 300 (including) - 500 people, 500 (including) - 1000, 1000 (including) or more banks accounted for 23%, 28%, 38%, 11%, respectively.

Reliability, also known as reliability analysis, mainly through the reliability coefficient to measure the reliability of the received data, the reliability coefficient is greater than .7 indicates that the data is high reliability, lower than .35 is low reliability, .5 is the minimum acceptable level of reliability, the greater the reliability coefficient, the higher the quality of the data. As can be seen from **Table 1**, the overall reliability coefficient is .959, and the reliability coefficient of each dimension is higher than .86 or more. It can be concluded that the data obtained from this survey are of high quality.

Validity refers to the degree to which the measurement tool can measure the problem to be measured, the higher the validity, indicating that the tool used to measure the more able to measure the characteristics of the object to be measured, can be used in principal component analysis of the factor loading value (expressed in terms of the matrix of components) to measure the measurement validity. As

can be seen in **Table 2**, the factor loading values for each indicator are greater than .5, indicating that the measurement has a high degree of validity.

**Table 1.** Reliability statistics.

sports event	population (statistics)	cultural system	Institutional system	management system	software system	strategic goal
reliability	.959	.925	.891	.904	.876	.862
Number of questions	15	3	3	3	3	3

**Table 2.** Matrix of components of the indicator system.

Level 1 indicators	Secondary indicators	component matrix	Level 1 indicators	Secondary indicators	component matrix
cultural system	V1	.705	management system	V9	.704
cultural system	V2	.741	software system	V10	.787
cultural system	V3	.771	software system	V11	.749
Institutional system	V4	.728	software system	V12	.776
Institutional system	V5	.718	strategic goal	V13	.671
Institutional system	V6	.687	strategic goal	V14	.650
management system	V7	.778	strategic goal	V15	.617
management system	V8	.735			

### 3.2. Hypothesis Testing

Structural equation modeling is a combination of correlation analysis, factor analysis, multiple regression analysis and other methods of analysis of a variety of statistical methods, while allowing for the existence of measurement error between the dependent variable and the independent variable, is currently one of the most popular methods of empirical analysis. In this analysis, the questionnaire data were imported and Amos structural equation software was used for path analysis, and the model path coefficients obtained from the run are shown in **Figure 2**.

The chi-square value of the model fit goodness-of-fit index obtained after the run was 385.511, the degrees of freedom were 136, and the ratio of the chi-square value to the degrees of freedom was 2.83, with a significance level of .000, which passed the test. Relevant research results show that the closer the ratio of the chi-square value to the degrees of freedom is to 0, the better the observed data fit the model; less than 3 indicates that the overall model fit is very good, less than 5 indicates that the overall fit is better and acceptable; if the value is greater than 10, it indicates that the overall fit is very poor. In this paper, the ratio of the chi-square value to the degrees of freedom is less than 3, indicating a very good fit.

As can be seen in **Figure 2**, the path coefficient of the cultural system on the realization of strategic objectives is .27, and the corresponding *P*-value is shown in **Table 3**, which shows that the cultural system has a significant positive

influence on the realization of strategic objectives; the path coefficient of the institutional system on the realization of strategic objectives is .35, and the corresponding *P*-value is shown in Table 3, which shows that the institutional system has a significant positive influence on the realization of strategic objectives; and the same is true for the other paths. From Table 3, it can be seen that all the previous hypotheses have passed the test, i.e., all four systems have a significant positive influence on strategic goal realization.

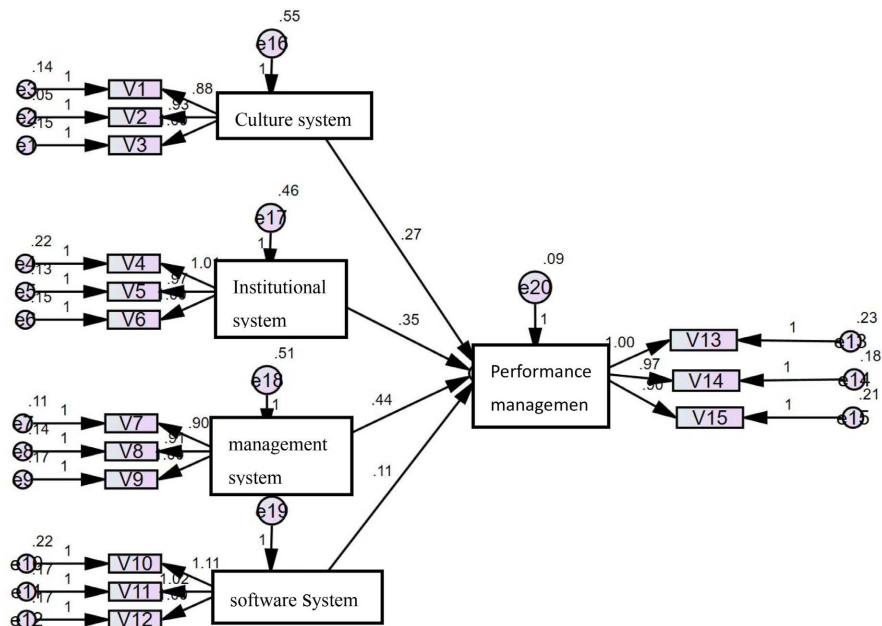


Figure 2. Structural equation modeling of impact pathways.

Table 3. Table of standardized path coefficients for indicators.

Original hypothesis	Standardized path factor	<i>P</i> -value	Verification results
S1: Strategic Objective ← Cultural System	.27	***	be tenable
S2: Strategic Objective ← Institutional System	.35	***	be tenable
S3: Strategic Objectives ← Management System	.44	***	be tenable
S4: Strategic Objective ← Software System	.11	.038	be tenable

### 3.3. Discussion and Conclusions

The above results show that the four systems of performance management have a significant positive effect on the realization of strategic objectives. Among the paths of the four systems to the realization of strategic objectives: first, the path coefficient of management system to strategic objectives is .44, which also

indicates the important role of management system to the realization of strategic objectives, and performance operation is a crucial link in performance management system. Secondly, the path coefficient of institutional system to strategic objectives is .35, which is also higher among the path coefficients of the four systems, and it shows that institutional system is also very important for the realization of strategic objectives. Again, the path coefficient of culture system on strategic objectives is .27, the influence of culture system on the realization of strategic objectives is positive, but the degree of its influence is not as high as that of management system and institutional system, and its influence on the realization of strategic objectives is about 60% of that of management system. Finally, the path coefficient of the software system on strategic objectives is .11, the system has a significant positive influence on strategic objectives, but the path coefficient of the software system is the lowest among the four systems.

The above analysis shows that: First, the four systems of performance management have positive and significant impact on the realization of strategic objectives, and all four systems have positive effects on the realization of strategic objectives, and one is indispensable. Secondly, the performance management system is the most important for the realization of strategic objectives, it is an important guarantee for the landing of performance management, and it is an important landing point for performance management to promote the realization of strategic objectives, and it is even more important than the system, which indicates that banks need to focus on performance operation, and put performance management into practice through performance operation. Thirdly, among the four systems, the software system is the least important for the realization of strategic objectives, and its path coefficient only accounts for 10% among the four systems. However, although the path coefficient of the software system is low, the software system is also crucial, without which performance management cannot be put into practice.

#### 4. Relevant Insights

**It is important to focus on the connection between performance management and strategy.** Performance management is an effective grip to promote the realization of strategy, performance management is for the service of strategic objectives, and needs to be suitable for the needs of strategy realization. Therefore, the bank's performance management needs to be oriented to strategy to create an effective performance management system. In particular, after the bank determines the strategic objectives, it needs to decompose the objectives and form the annual objectives, and through the four systems of performance management, it can make the employees' behavior consistent with the strategic objectives of the bank, and even elevate the performance management to the strategic level to become the strategic performance management.

**It is important to focus on the organic integration of the four systems of performance management to form a synergy.** The previous analysis shows that all four systems of performance management have a positive and significant

impact on strategy, and one is indispensable. Therefore, banks need to play the role of the four systems of performance management in performance management practice. However, the four systems of performance management do not exist in isolation; they are interdependent. Therefore, banks need to focus on the construction of the four systems of performance management, the four systems form an organic whole, and the links are interconnected, in order to maximize the role of performance management in the realization of strategy.

**Particular attention should be paid to the construction of the performance system and performance management system.** Banks need to pay special attention to the institutional system, management system to build and run, through the operation of the system can be better landing institutional system, the need to combine the actual bank to create their own performance appraisal system, after all, only suitable is effective; management system level, not only need to improve the management system of each link, but also focus on the performance of the operation of the landing and implementation, such as performance training, performance communication and counseling, performance analysis, and so on. Of course, this is not the same as denying the positive role of the cultural system, software system, the bank also needs to work in the cultural system and software system to supplement the shortcomings, so that the four systems to form a synergy, to promote the Bank's management to improve the realization of strategic objectives.

## Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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