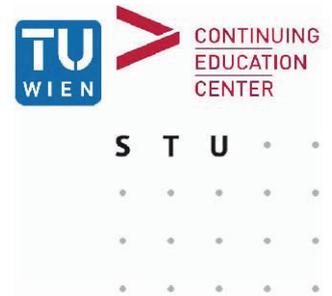


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Professional MBA
Automotive Industry



Analysis of the role of the manager in the target agreement process as a part of the performance management cycle in an automotive company.

A Master's Thesis submitted for the degree of
"Master of Business Administration"

supervised by
Mgr. Branislav VARGIC, PhD.

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Bratislava, 2010



Affidavit

I, **ING. TOMÁŠ VERČÍK**, hereby declare

1. that I am the sole author of the present Master's Thesis, "ANALYSIS OF THE ROLE OF THE MANAGER IN THE TARGET AGREEMENT PROCESS AS A PART OF THE PERFORMANCE MANAGEMENT CYCLE IN AN AUTOMOTIVE COMPANY", 98 pages, bound, and that I have not used any source or tool other than those referenced or any other illicit aid or tool, and
2. that I have not prior to this date submitted this Master's Thesis as an examination paper in any form in Austria or abroad.

Vienna, 15.11.2010

Signature

I TABLE OF CONTENT

I TABLE OF CONTENT	1
II LIST OF ABBREVIATIONS.....	3
III ABSTRACT	4
1. Introduction.....	5
1.1 Motivation, Research Problem Definition.....	5
1.2 Outline of the main Research Problem.....	6
1.3 Hypothesis of the Research	9
1.4 Aim and Structure of the Thesis	11
2. Explanation of Theory	12
2.1 Performance Management and Management by Objectives	14
2.1.1 Cascade Transition from Vision to Department Targets.....	15
Vision	17
Strategy.....	17
Key Performance Indicators	18
Balanced Scorecard	19
2.1.2 Management by Objectives	20
2.2 Role of the Manager in the Performance Management Cycle and in the Target Agreement Process	22
2.2.1 Leadership	27
Target Setting Process.....	28
Communication	32
Target Types and Criteria.....	34
Motivation and Attitude.....	37
2.2.2 Coaching.....	39
Change of the Targets.....	40
2.2.3 Evaluation	41
2.2.4 Reward.....	42
2.3 Organization and organizational Behaviour	43
2.3.1 Goals of organizational Behaviour	43
2.3.2 Levels for analyzing of organizational Behaviour	45
2.3.3 Behaviour Science Research	46
3. Research and Data Collection Methodology	46
3.1 Volkswagen AG and Volkswagen Slovakia, a. s.....	46
3.2 Research Method.....	53

3.3 Survey Method	54
3.4 Data Collection Method	55
3.5 Questionnaire.....	56
3.6 Development of the Questionnaire	56
Description of the different Cluster	56
Collection of the Data	57
Number of Questions	58
Gradation of the Answers.....	58
Target Group of Respondents	58
4. Research Results.....	60
4.1 Evaluation of the Survey	60
4.1.1 Methodology of the Data Evaluation	60
4.1.2 Evaluation of the demographic Data.....	61
4.1.3 Evaluation of the separate Questions	64
4.1.4 Evaluation of the separate Cluster.....	72
4.1.5 Demographic Analysis of the Answers confirming the Hypothesis.....	75
5. Conclusion from the Results	76
5.1 Implications and Recommendations.....	86
5.2 Conclusion	87
IV LIST OF FIGURES AND TABLES	90
V BIBLIOGRAPHY.....	92
VI APPENDIX	94

II LIST OF ABBREVIATIONS

FBL: Fachbereichsleiter (Head of Department)

MbO: Management by Objectives

MK: Mittlerer Managementkreis (Middle Management Circle)

OEM: Original Equipment Manufacturer

OMK: Oberer Managementkreis (Higher Management Circle)

TMK: Top Managementkreis (Top Management Circle)

VS: Vorstand (Board of Directors)

VW SK: Volkswagen Slovakia, a. s.

III ABSTRACT

One of the basic statements defining organizations include organizations involve goal-oriented activities and one of the characteristics of organizational behaviour is organizational process: interactions between members of the organization. This thesis includes analysis of both, the goal oriented activities and interactions between the managers of the organization. The main purpose of this thesis is the analysis and improvement of the target agreement process and the role of the manager in this process in an automotive company. The research has been conducted by a survey method and the data for the analysis were collected by an online questionnaire. The respondents were from the upper and middle management of the technical division of Volkswagen Slovakia, a. s.. The results of the research have shown potentials for improvement in the target setting process, in the change process of the targets and in the evaluation of the targets. Furthermore the possibility of improvement of the role of the manager for a specific management level was realized. Specific recommendations for the implementation of improvements were defined. These recommendations can be used, together with the theoretical information of this thesis, not only in the automotive industry.

Key words: Target Agreement Process, Role of the Manager, Management by Objectives, Performance Management Cycle, Automotive Company

1. Introduction

1.1 Motivation, Research Problem Definition

The fundamental problems of order, structure, motivation and leadership in a business enterprise have to be solved in the managing of managers. Managers are the basic resource of the business enterprise and it's scarcest. It takes years to build a management team; but it can be destroyed in a short period of misrule. The basic challenges as well as the basic concepts in managing managers are again best illustrated by an example of the Ford Motor Company:

In the early twenties Ford's share of the automobile market had climbed to two thirds. Fifteen years later, by the time World War II started, Ford's market share had fallen to 20 %. What brought Ford to this crisis? Fundamental to Henry Ford's misrule was a systematic, deliberate and conscious attempt to run the billion-dollar business without managers. But management was his personal job as owner. Early in his career he decided not to share ownership with anybody. He apparently decided not to share management either. Surely, it was the absence of a management that caused the fall of the Ford Motor Company. The automotive industry believed that Ford's financial resources after fifteen years of losses were equal to those of General Motors even though Ford sales were hardly more than one third those of General Motors. But Ford had few managers (except in sales). Most of the good people had either been fired or had left; there was a mass exodus of Ford executives. The definition of modern business enterprises is therefore that it requires a management – that is, an organ which rules and runs the enterprise. The first requirement in managing managers is therefore that the vision of the individual managers is directed towards the goals of the business, and that their wills and efforts be bent towards reaching these goals. The first requirement in managing managers is management by objectives. There are not things that “should” be done; there are things that are done in every enterprise whether its managers realize it or not. In every enterprise managers are either guided in the right direction or are misdirected.¹ This example created the motivation for the analysis of the manager's role in this thesis.

Another motivation factor was the discussion and problems with the targets and generally the target agreement process in the quality assurance department of Volkswagen Slovakia, a. s..

¹ Drucker, Peter F. (1986): The Practice of Management. 10th ed., page 120; Harper Collins Publishers, New York.

The first example is the target "the internal customer complaints statistics concerning the gearboxes should be as low as possible". This was set as a target for one quality assurance department (number of internal customer complains to number of all produced gearboxes). Following situation: In the middle of the year 2009 the target became unattainable despite the number of the planned gearboxes (even with zero failure/complains) until the end of the year was clear, the target could not be reached anymore. How exactly should the change of the targets be realized? Are there any general rules for this change? Should the targets be changed during the year? Another example is the financial target "regress" (quality inconformity costs caused by the suppliers) versus the process target "number of the quality failures in the plant". Normally the target of the quality assurance should be to get as good quality of the parts from the suppliers as possible. Is the target „regress“ not inconsistent with the target "number of the quality failures in the plant"? How can this happen? What are the rules and criteria for correct target agreement process especially in the departments of the technical division of Volkswagen Slovakia, a. s.? Some of the departments had targets like "number of completed quality checks" or "number of completed internal process audits". Do the criteria like these really help to improve the quality of the products and the customer satisfaction (relation between the targets and the company's strategy) of Volkswagen Slovakia a. s.?

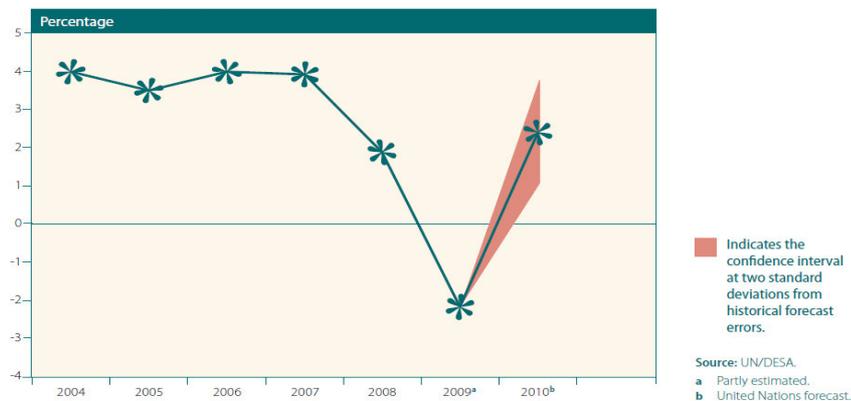
Among other things, these examples, questions and problems created the motivation to analyze the target agreement process between the upper and middle management at Volkswagen Slovakia, a.s. and the role of the manager in this process.

1.2 Outline of the main Research Problem

All over the world, the pressure on huge industrial companies is growing to defend their position in the market and to sustain their competitiveness. In the consequence of the ongoing globalisation and since 2008 – year of the global economic crisis - it is getting even harder for companies to survive. Nowadays, primarily the small companies are most likely not to survive. In most of the cases they are overtaken through mergers and acquisitions by huge groups. This is true especially for the automotive industry that saw major changes in recent years.

The following graphic shows the development of the world economic growth from 2004 – 2010. It can be seen very clearly that the year 2009 has been the year of the

crisis as the world economic growth has fallen to the minus range. But for 2010 a growth period is to be seen.



Source: World economic situation and prospects 2010 of the United Nations

Figure 1: World economic Growth, 2004 – 2010

The automotive industry is a key sector which coped well in the period of uncertainty in short-term management of crisis and in long-term trendsetting. The industry has done well in these extremely difficult times. The economic development in the industry during economic crisis can be explained clearly by the economy of the automotive sector. The automotive manufacturer and supplier could only survive the crisis by taking short-term crisis management measures as well as measures to secure the long-term success. The discussion about the climate change, the necessity for reduction of greenhouse gases, the limited nature of resources as well as a changed consumer behavior are forcing the automotive industry to a certain extent to reinvent the automobile. In the long term the automotive industry will remain the clock generator for the global branch. Long-term success factors are mainly a consequent innovation strategy, strong brands, efficiency in the value chain as well as qualified and motivated employees. The industry recognises that research and innovation are the key indicators for a successful future.² It is clear that correctly working management and internal processes, e. g. performance management and target agreement process, is an essential condition in the times of financial crises for every company.

² Verband der Automobilindustrie (2010): VDA Jahresbericht 2010.

http://www.vda.de/de/publikationen/publikationen_downloads/detail.php?id=746 - accessed on 28th october 2010

Performance management starts with the vision of the company. By using an effective performance management, a company or group can implement their strategy or their targets. An effective performance management includes the circle “Planing – Coaching – Evaluation” as shown in the following graphic. Further more the term “reward” also belongs to the performance management cycle. This will be described later on in the thesis.



Source: MBA Handout Organizational Behaviour and Human Resource Management, Mgr. B. Vargic, PhD.

Figure 2: Performance Management Cycle

One of the most important but also most critical parts of performance management is the target agreement process. The target agreement process is one of the key pieces in the performance management cycle. This is true especially for technical companies and/or technical divisions in a company respectively as these companies or divisions are very specific depending on the depth of the hierarchy. On top of the hierarchy the formulated targets are more general, the more down in the hierarchy, the more detailed are the targets. Thus there is the danger of deviation from the plant targets, as technical departments and their employees have very deep technical knowledge. This can lead to a loss of the overall view, e. g. the strategy or the plant targets. According to Drucker, managers should "avoid the activity trap", getting so involved in their day to day activities that they forget their main purpose or objective.³ Objectives in the key areas are an instrument panel necessary to pilot the business enterprise. Without them management flies by the “seat of its pants” – without landmarks to steer by, without maps and without having flown the route before. However, an instrument panel is no better than the pilot’s ability to read and

³ Drucker, Peter F. (1986): The Practice of Management. 10th ed., page 195 – 196; Harper Collins Publishers, New York.

interpret it. In the case of management this means ability to anticipate the future. Objectives that are based on completely wrong anticipations may actually be worse than no objectives at all. The pilot who flies by the “seat of his pants” at least knows that he may not be where he thinks he is.⁴

1.3 Hypothesis of the Research

On the basis of my experience as a member of the middle management with the target agreement process between the middle and upper management of VW SK, the following hypotheses were developed, which will serve as a guideline for the research in this thesis.

The theory of the target agreement process and the cascade vision – strategy – plant targets – department targets state that the connection between the company strategy and the plant and department targets has to be clear and definite. For the confirmation of this theory, the following hypothesis has been defined:

The connection between the company's strategy to achieve this strategy, the company targets and the department targets is unclear.

Where there is an unclear connection between these management steps the risk of low motivation for the achievement of objectives as well as the risk of deviation from the strategy or vision of the department activities and the employee's increases. A clear and definitive connection between the strategy and the department targets supports the awareness of the employees, being a part of the company and playing a role within the department targets which are giving a direction. Due to the theoretical information, the department-targets should be defined within the scope of an agreement between superior and his subordinates. Therefore it is important that the communication of the overlapping objectives and the agreement of the department targets are not formal and one-sided top down. Because of this, the following hypothesis has been defined:

The quality of communication of the company and department targets between upper and middle management is merely formal and therefore influences the target agreement process negatively.

The department targets should be agreed upon and not just be prescribed. Misunderstandings of the department targets of the management circle and the division managers are possible when the communication is unclear. At the same

⁴ Drucker, Peter F. (1986): The Practice of Management. 10th ed., page 87; Harper Collins Publishers, New York.

time, the motivation of the division managers as well as the motivation of the employees increasingly fails to actively influence the achievement of objectives. The definition of a target and the criteria for correctly set targets are described in detail in the theoretical part of the thesis. Especially the orientation of the targets on the results but not on the activities and no counter effect of the individual targets are very important for the efficiency of the target agreement process but also for the achievement of the overlapping objectives. Therefore the following hypothesis has been defined:

The department targets are neither specific, nor measurable, accessible, result oriented or time limited.

In the target matrix, targets which describe an activity and not the result of the activities are very common. The contents of the target matrix, especially the targets themselves, should correspond with the SMART-criteria. The managers tend to maintain that they are familiar with the criteria for the correctly set targets. Unfortunately this is not true in reality. As a consequence, there are many activities which do not support the company's targets and strategy. The achievement of the objectives depends on the attitude towards the targets as well as on the motivation of the manager. Less motivation or a negative attitude towards the determined targets because of misunderstanding or because of unattainable targets can be easily adapted by the subordinates and therefore lead to a decreased rate of objectives achievement. For verification of the influence, the following hypothesis has been defined.

The motivation and attitude of the managers to their targets is negative. This will be automatically transmitted to the employees of the departments and will therefore negatively influence the achievement of objectives.

The right attitude and motivation of the division managers to their targets is an important step on the way to the objective evaluation of the achievement of the departments and also of the whole company. Therefore, understanding, attitude and motivation are key ingredients of the target agreement process. During the year a regular evaluation of the achievement of objectives as a part of the performance management cycle is absolutely necessary. If this happens solely formally without the integration of the subordinates the achievement of the objectives could be influenced negatively. At the same time, if targets are going to develop negatively, then often unattainable targets are not being changed or adapted by the managers. This leads to decrease of motivation of the subordinates and a decreased achievement rate compared with adapted targets. According to this, the following

hypothesis was defined:

If targets will become unattainable during the year, there is no change management in place for these targets. The evaluation of the target matrix is a formal communication of the superior. The managers are not aware of the evaluation of the department targets.

1.4 Aim and Structure of the Thesis

The main objective of this thesis is the analysis of the role of the manager in the target agreement process as a part of the performance management cycle at Volkswagen Slovakia, a. s., in order to identify the weak points of this role and process in accordance with the hypothesis and to submit corresponding optimization recommendations. In detail the parts planning (target setting), coaching (target change) and evaluation will be analyzed.

The requirement for fulfilment of the main objective of this thesis is the definition of the four sub goals:

1. The collection of theoretical knowledge to the target agreement process and the role of the manager in this process from all available sources (specialist literature, internet, etc.)
2. Analysis of the actual situation via data collection with the use of the questionnaire method
3. Evaluation of the data from the questionnaire
4. Elaboration of an optimization recommendation with the collected data from the research in accordance with the theoretical knowledge

Furthermore three groups of problems are being analyzed:

- Analysis of
- The connections of the department targets with the strategy and the plant targets and the knowledge of the individual manager about these connections. (Cluster 1)
- Analysis of the role of the manager in the target agreement process as a part of the performance management cycle. (Cluster 2-5)
- Is there any correlation between the specific management position and the potential for improvement of the target agreement process? Furthermore, is there any correlation between the specific department and the potential for improvement of the target agreement process?

The first two problems are general for every kind of company in the automotive sector, while the third problem is a special case at Volkswagen Slovakia, a. s..

The requirement for the successful elaboration of the master thesis is the collection of theoretical knowledge which is the basis for the analysis and the optimization of the actual situation of the target agreement process and the role of the manager in this process.

In the theoretical part of this thesis in the scope of performance management, management by objectives, definitions for vision, strategy and key performance indicators are summarized. The role of the manager in general and especially within the target agreement process (setting, change, evaluation and reward of the targets) target as a part of the performance management cycle (planning, coaching and evaluation) has been summarized in detail. Also the organizational behaviour and the research of this behaviour are mentioned. The hypothesis of this thesis could be defined as "there is a potential for improvement for the role of the manager within the target agreement process and in the process itself". In detail the parts planning (target setting), coaching (change of the targets) and evaluation have been analyzed. The part reward was not analyzed because the responsibility for this part is outside of the analyzed management levels and departments. Here fore the responsibility has the Board of Directors and the Human Resources department. The survey method has been chosen as the research method. The data collection has been done by an online questionnaire and took place in an automotive company between different departments where superiors of different management levels gave their opinion to the target agreement process. The evaluation of the collected data was done statistically as percentage of the answers confirming the hypothesis. Afterwards a demographic analysis of the answers was realized. The last part of this thesis is the recommendation for improvement which was done in accordance with the theoretical knowledge collected in the theoretical part of the thesis.

When talking about targets in this thesis, the terms "goal", "objective" or "aim" are used.

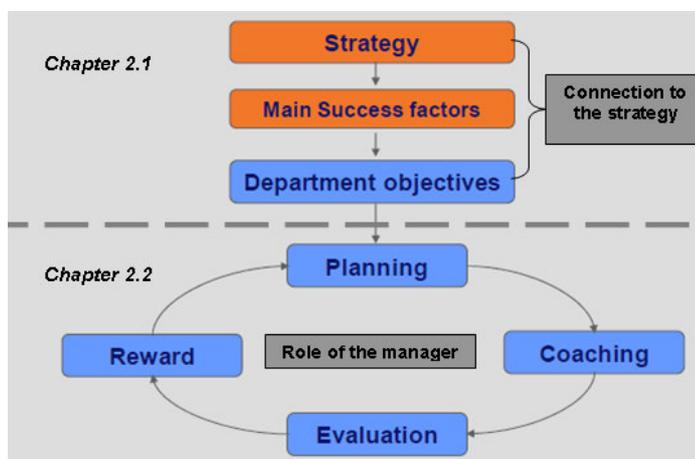
2. Explanation of Theory

„The behaviour of humans has to be made measurable and thus it will change“. This does not only work on the individual base but also with corporate goals.⁵ For the

⁵ Stroebe & Stroebe (2006): Motivation durch Zielvereinbarungen. 2nd ed., page 13; Recht und Wirtschaft GmbH, Frankfurt am Main

development of cooperate goals within a company, performance management is absolutely important. Performance management is an ongoing, continuous process of communicating and clarifying job responsibilities, priorities and performance expectations in order to ensure mutual understanding between supervisor and employee. It is a philosophy which values and encourages employee development through a style of management which provides frequent feedback and fosters teamwork. It emphasizes communication and focuses on adding value to the organization by promoting improved job performance and encouraging skill development. Performance management involves clarifying the job duties, defining performance standards, and documenting, evaluating and discussing performance with each employee.⁶

The process of performance management (form organizational level to individuals) is shown in the following graphic. The chapter 2.1 deals with the upper part (from strategy to department targets while the lower part deals with the theory of chapter 2.2, therefore the theory splits into two parts which firstly is about performance management (chapter 2.1 and 2.2) and furthermore organizational behaviour which is described in chapter 2.3.



Source: MBA Handout Organizational Behaviour and Human Resource Management, Mgr. B. Vargic, PhD.

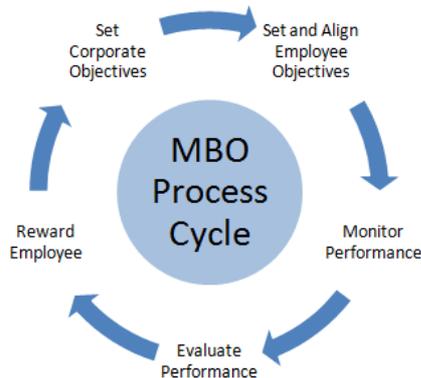
Figure 3: Performance Management – from organizational Level to Individuals

Structural approach to organization-wide participative target setting that aims to serve as a basis for greater efficiency through systematic procedures, greater

⁶ Indiana University (2010): Performance Management.

http://www.indiana.edu/~uhrs/training/performance_management/intro.htm - accessed on 2nd november 2010

employee motivation and commitment through participation in the planning process, and planning for results instead of planning just for work. In management by objectives practice, specific objectives are determined jointly by managers and their subordinates, progress toward agreed-upon objectives is periodically reviewed, end results are evaluated, and rewards are allocated on the basis of the progress. Suggested by the management guru Peter Drucker (1909-2005) in early 1950s, MBO enjoyed huge popularity and its emphasis on setting clear goals has been vindicated and remains valid.⁷



Source: LeapComp.com

Figure 4: Management by Objectives - Process Cycle

2.1 Performance Management and Management by Objectives

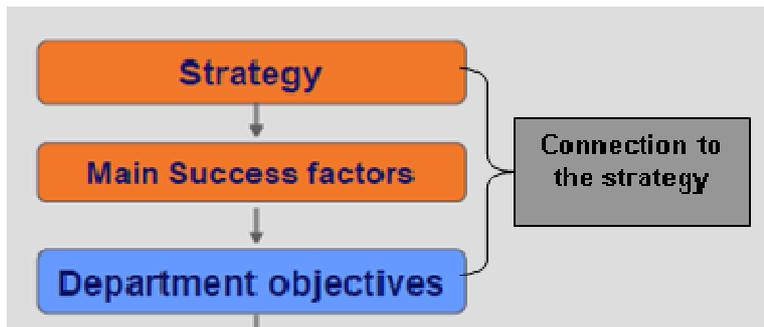
Every company, every operating unit, and every employee needs targets and plans for achieving them. Targets focus the limited resources and time of individuals and organizations on the things that matter most. Some targets must also be shared. Without shared targets, people would strike out in different directions and collaboration would be minimal.⁸

In the following graphic, it can be seen that targets or objectives are developed after the strategy of a company and are therefore connected with the strategy.

⁷ Business Dictionary (2010): Management by Objectives.

<http://www.businessdictionary.com/definition/management-by-objectives-MBO.html> - accessed on 2nd november 2010

⁸ Luecke & Hall (2006): Performance management: measure and improve the effectiveness of your employees. 1st ed., page 2; Harvard Business School Publishing Corporation, Boston



Source: MBA Handout Organizational Behaviour and Human Resource Management, Mgr. B. Vargic, PhD.

Figure 5: Connection of Department Targets to the Strategy

2.1.1 Cascade Transition from Vision to Department Targets

The cascade transition from vision to the department targets goes through the plant targets and finally ends with the definition of the individual targets. The graphic below shows the transition until the level of department targets which is the main point of interest in this thesis.

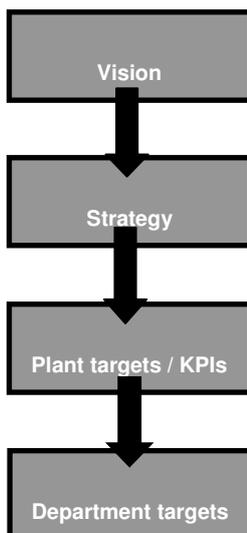
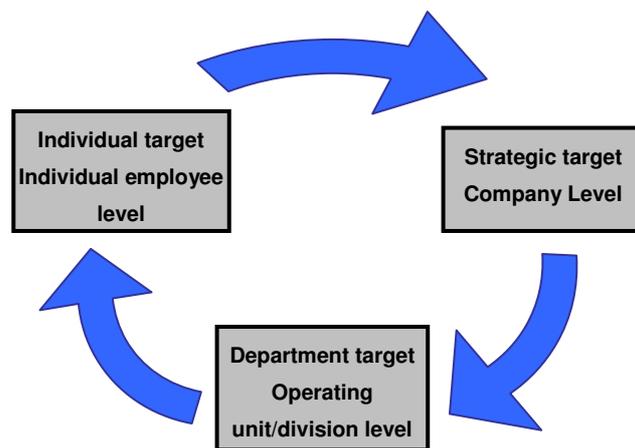


Figure 6: Cascade Transition from the Vision to the Department Targets

From a purely logical perspective, target setting should be a top-down process that begins with the strategy of the company. Individual targets should be aligned with the targets of their departments or divisions. There should be, in fact, a cascading of linked and aligned targets from the top of the organization to the bottom, as described in the graphic below. In this graphic, the enterprise's strategic goal is at the top. Each of the operating units has targets that directly support the strategic objective. Within the operating units, teams and individuals are assigned targets that

directly support the targets of their units. The real power of these cascading targets is their alignment with the highest purposes of the organization. Every employee in this arrangement should understand his or her targets, how assigned activities advance the targets of the unit, and how the unit's activities contribute to the strategic objective of the enterprise. Thus, target alignment focuses all the energy of the business on the things that matter most.⁹ From the business main target, overall-, intermediate- and sub-targets are being formulated in cascade which will be realized by departments, groups or individual employees. The main task of all persons involved is to specify all overall-targets on their section and to lead it to the corporate goal. The complete cluster of the primary individual tasks is a continuous relationship between means to an end of upstream- and downstream-targets. This is also true for the time aspect. Short-term targets have to fit to long-term targets. A department target e. g. in a company is quite specific, however in comparison to the sub-targets of groups and employees, this can be very general.



Source: Luecke & Hall (2006): Performance management: measure and improve the effectiveness of your employees

Figure 7: Goal Alignment from top to bottom

The personal targets are important within the scope of the target agreement process. To realize corporate goals, the employees have to accept these as they have their own targets. In ideal situation organizational targets should serve also the achievement of individual targets.¹⁰

⁹ Luecke & Hall (2006): Performance management: measure and improve the effectiveness of your employees. 1st ed., page 3; Harvard Business School Publishing Corporation, Boston

¹⁰ Simon, Walter (2000): Ziele managen. 4th ed., page 168 – 169; Gabal, Offenbach

Vision

Visions are answering the question: “What makes sense?” and is therefore “the power to invent the future” (J. M. Kouzes und Partner in: O. Neuberger, S. 203). A vision has one of the prerequisites for successful change.

Characteristics of a vision:

- Easy and clear
- Distinctive
- Trend-setting
- Value-oriented
- Energetic
- Accessible however with a high ambition
- Committing inside and outside
- Figurative¹¹

The thinking of yesterday is the reality of today. The thinking of today is the reality of tomorrow. An active vision is thinking without norms. In contrast to that, the revision checks if rules and standards are being observed. Visions are the results of creative maximum performance. Decisive for that is that the vision is being formulated in writing and published internal. The difference between identity, principles, mission statements, visions and targets is the concreteness of the specific issue. The vision bases on the identity of a human or an organization and is the own, still unsharp picture of the strived medium-term future with a time horizon of five years maximum. The mission statement is a clear, if necessary written picture of the present and the immediate future. From the vision, the mission statement to the operative target, the intention is getting more and more concretely.¹²

Strategy

Strategy is the way for the best possible target achievement and the shortest way to success. Strategy serves for making a planned and resource-saving success of the random or unnecessarily tough target achievement. It is a means to an end, universally applicable and not limited to a certain target.

Strategy is the plan how to reach realistic set targets efficiently. Strategy is therefore an efficient success plan.

¹¹ Stroebe & Stroebe (2006): Motivation durch Zielvereinbarungen. 2nd ed., page 40; Recht und Wirtschaft GmbH, Frankfurt am Main

¹² Simon, Walter (2000): Ziele managen. 4th ed., page 13 – 15; Gabal, Offenbach

Strategy develops by internal targets, collection of information and –analyzes, planning and decision and then starts all over again.

An essential obligation of the managers in the target agreement process is the orientation of the employees over the superior challenges. At the beginning there is the communication of strategic challenges by the top management:

- Which products should be placed in which markets?
- What does that mean for the development of products and services?
- How should the financial results be improved?
- Which internal processes should be optimized and newly developed?

The clear communication of the strategic targets is the first within the target agreement process.¹³

Key Performance Indicators

The key to success of a business depends on good management information. Thus while monitoring profitability and cash flows, a business also need to keep its Key Performance Indicators (KPI) under a tight check. Key performance indicators are quantifiable measurements that reflect the critical success factors of an organization. Consequently, KPIs act as a measure of progress towards these goals. The application of key performance indicators provides business executives with a high-level, real-time view of the progress of a company. However, it should be noted that key performance indicators should be quantifiable. For a key performance indicator to be of any value, there must be a way to accurately define and measure it. Considerations regarding how a key performance indicator is to be measured should also be established in advance. Moreover, it is imperative that the organization then sticks to these definitions from year to year in order to allow for annual comparisons. After the key performance indicator has been defined and a way to measure it has also been determined, a clear target has to be demarcated which should be understandable. Here it is needless to say that achieving a particular target level of key performance indicator for a company, every department has to work in synergy towards it. For this purpose, all units of an organization need to define their respective KPIs which should in turn work towards accomplishing the overall KPIs of the organization.¹⁴

¹³ Lurse & Stockhausen (2001): *Manager und Mitarbeiter brauchen Ziele*. 1st ed., page 10; Hermann Luchterhand, Neuwied, Kriftel

¹⁴ Visitask.com (2010): *Using key performance indicators for effective project management*. <http://www.visitask.com/key-performance-indicators.asp> - accessed on 3rd november 2010

Balanced Scorecard

For implementing the targets within a company, the balanced scorecard can be used. The balanced scorecard (=BSC) is a management-system which deals with the strategy implementation and a balanced performance measurement system. Its aim is the goal- and strategy-oriented design of the whole planning-, management- and control process of the organization. The BSC measures not only the fiscal output but also the reason for success – the customer, the development of individuals and the organization and the internal processes.

The BSC

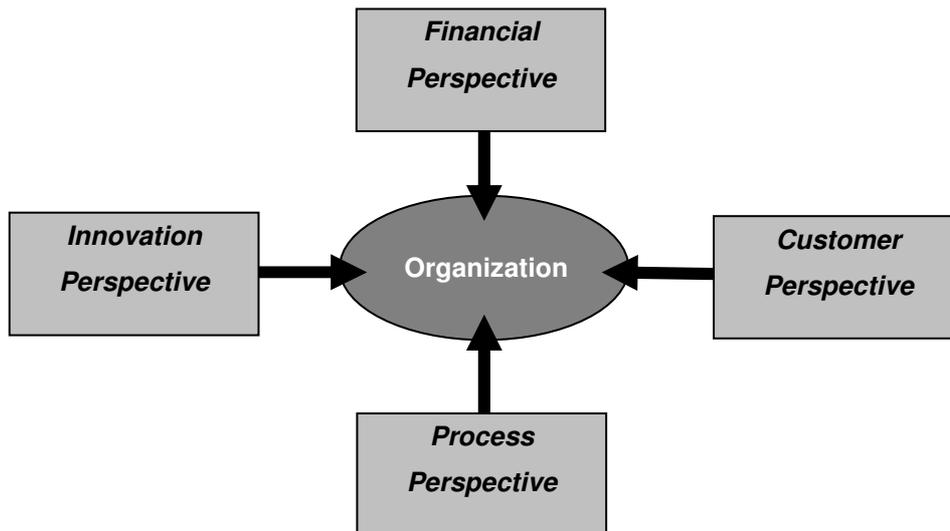
- links the driving factors of future efforts
- leads to consensus about the targets
- makes the targets visual for the managers and employees
- and is a method for feed-forward.¹⁵

The essential statement of the balanced scorecard is that a sustainable successfully development of every company requires a constant balance of the further development in four dimensions:

1. *Financial perspective* – a company can only remain competitive by constantly and continuously gaining revenues.
2. *Customer perspective* – sustainable success requires customer satisfaction
3. *Process perspective* – quality and manufacturing costs will remain competitive if the processes will be optimized continuously
4. *Innovation perspective* – Innovation by competence, learning ability, creativity and efficiency of the employees¹⁶

¹⁵ Stroebe & Stroebe (2006): Motivation durch Zielvereinbarungen. 2nd ed., page 41; Recht und Wirtschaft GmbH, Frankfurt am Main

¹⁶ Lurse & Stockhausen (2001): Manager und Mitarbeiter brauchen Ziele. 1st ed., page 45 – 46; Hermann Luchterhand, Neuwied, Kriftel



Source: Stroebe & Stroebe (2006): Motivation durch Zielvereinbarungen

Figure 8: Dimensions of a Balanced Scorecard

2.1.2 Management by Objectives

Management by objectives (MbO) is a systematic and organized approach that allows management to focus on achievable targets and to attain the best possible results from the available resources. It aims to increase organizational performance by aligning goals and subordinate objectives throughout the organization. Management by objectives includes ongoing tracking and feedback in the process to reach objectives. Objectives in these key areas should enable to do five things: to organize and explain the whole range of business phenomena in a small number of general statements; to test these statements in actual experience; to predict behaviour; to appraise the soundness of decisions when they are still being made; and to enable practicing businessmen to analyze their own experience and, as a result, improve their performance. The real difficulty lies indeed not in determining what objectives is need, but in deciding how to set them. There is only one fruitful way to make this decision: by determining what shall be measured in each area and what the yardstick of measurement should be. It makes things visible and tangible. It is fairly easy to determine what objectives are needed for manager performance and development.¹⁷ Each member of an enterprise contributes something different, but they must all contribute towards a common goal. The manager must know and understand what the business goals demand of him in terms of performance and his

¹⁷ Drucker, Peter F. (1986): The Practice of Management. 10th ed., page 64 – 80; Harper Collins Publishers, New York.

superior must know what contribution to demand and expect of him – and must judge him accordingly. Each manager from the “big boss” down to the production foreman or the chief clerk needs clearly spelled-out objectives. These objectives should lay out what performance the man’s own managerial units are supposed to produce. Right from the start, in other words, emphasis should be on teamwork and team results. These objectives should always derive from the goals of the business enterprise. To obtain balanced efforts the objectives of all managers on all levels and in all areas should also be keyed to both short-range and long-range considerations. The goals of each manager’s job must be defined by the contribution he has to make to the success of the larger unit of which he is a part. This requires each manager to develop and set the objectives of his unit himself. Higher management must, of course, reserve the power to approve or disapprove these objectives. The greatest advantage of management by objectives is perhaps that it makes it possible for a manager to control his own performance. Self-control means stronger motivation: a desire to do the best rather than just enough to get by. It means higher performance goals and broader vision.¹⁸ Management by Objective focuses on the result, not the activity. They delegate tasks by "negotiating a contract of goals" with their subordinates without dictating a detailed roadmap for implementation. The review mechanism enables leaders to measure the performance of their managers. Management by Objectives creates a link between top manager's strategic thinking and the strategy's implementation lower down.¹⁹ Commonly agreed targets help in the orientation and give energy and direction to the persons involved. Management by objectives bases on the assumption that employees have unused achievement potentials, which could be activated by the transfer of personal responsibility. The modern term of management is more about the design of framework conditions. This should be done so that the employees pursue their targets independently bottom-up. The task of the managers is to solely give target orientations so that the employees have a certain freedom of scope, as far as possible.²⁰

Management by Objectives in the Automotive Industry

¹⁸ Drucker, Peter F. (1986): The Practice of Management. 10th ed., page 130; Harper Collins Publishers, New York.

¹⁹ Business e-Coach (2010): Management by Objectives (MBO).

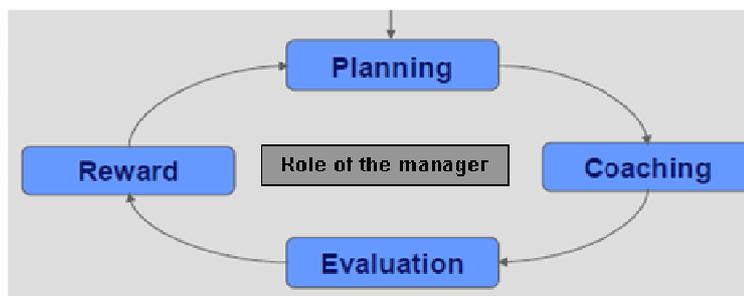
http://www.1000ventures.com/business_guide/mgmt_mbo_main.html - accessed on 3rd november 2010

²⁰ Simon, Walter (2000): Ziele managen. 4th ed., page 166 – 168; Gabal, Offenbach

Many scientists believe that in the near future, the factors which are defining the success of a business relationship between companies, especially in the automotive industry, are going to be diversified. The convergence of the capacity on the supplier-side requires new criterias of the Original Equipment Manufacturer for the evaluation of the supplier and the suppliers have to arrange new approaches to differentiate in the competition. Researches have shown that the „hard side“, in this case technologies, prices, qualities and similar values become less important in the near future. A very important factor of success for the automotive industry in the future is the „emotional factor“. Therefore, sympathy and mutual reliance are becoming very important subareas which have to be established in a good business relationship. In order to reach this targets, new approaches in Human Resources Management have been developed. One very important approach in the Human Resouces Management, to achieve these goals, is e. g. „Management by Objectives“.²¹

2.2 Role of the Manager in the Performance Management Cycle and in the Target Agreement Process

The performance management cycle includes the planning, coaching, evaluation and reward. In the middle of these cycle is the manager with his functions, which defines his role.



Source: MBA Handout Organizational Behaviour and Human Resource Management, Mgr. B. Vargic, PhD.

Figure 9: Role of the Manager in the Performance Management Cycle

The Target Agreement Process as a part of the performance management cycle includes the setting of the targets, if needed the change of the targets, target evaluation and the reward for the achieved targets and has the same structure as

²¹ SpringerLink (2010): Zehn Thesen zur dritten Revolution in der Automobilindustrie.
<http://www.springerlink.com/content/j157714k036137xn/fulltext.pdf> - accessed on 3rd november 2010

the performance management cycle.

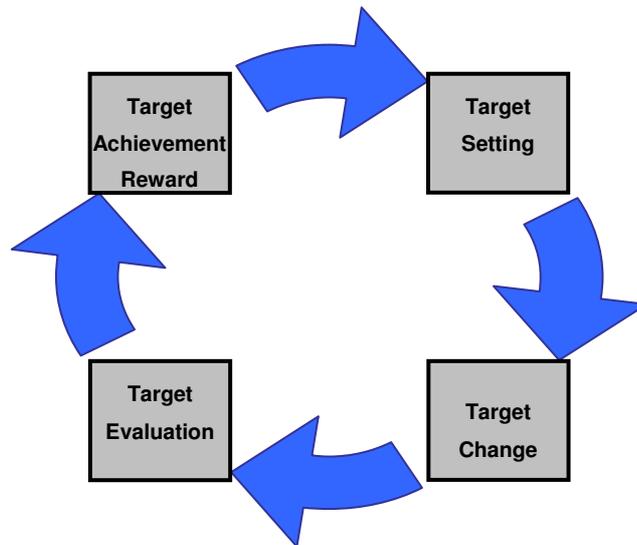


Figure 10: Target Agreement Process

Managers and leaders have a large influence on the success of organizations. Studies on the reasons why organizations succeed or fail typically, point to the significant role of managers. Key managerial decisions in formulating strategic plan and organizational policies primarily account for the survival or the demise of organizations. Effective managers make things happen. Managers manage things while leaders lead people; manager do things right, while leaders do the right things; managers rely on control, while leaders rely on trust; managers maintain employees in the organization, while leaders develop the people in the organization. A significant contribution toward understanding managerial work was made by Henry Mintzberg, who observed a group of managers and recorded their behaviour. These observations have identified six characteristics of managerial work.

1. Managers perform a great quantity of work at an unrelenting pace.
2. Managerial activity is characterized by variety, fragmentation and brevity.
3. Managers prefer issues that are current, specific and ad hoc.
4. Managers demonstrate a strong preference for spoken media.
5. The manager stands between the organization and a network of other contacts.

6. Managers appear to control their own affairs despite the preponderance of obligations and interruptions.²²



Source: Cherrington (1994): Organizational Behaviour: The management of individual and organizational performance. 2nd ed., Allyn and Bacon, Boston

Figure 11: The Cycle of Management Functions

²² Cherrington (1994): Organizational Behavior: The management of individual and organizational performance. 2nd ed., page 22 – 23; Allyn and Bacon, Boston

Mintzberg´s categories of managerial roles	
<i>Interpersonal Relationship Roles</i>	
1.	Symbolic figurehead: represents the organization to the outside world
2.	Liaison: maintains contact with people and groups outside the organizations
3.	Leader: hires, trains, motivates, evaluates and supervises subordinates
<i>Informational Roles</i>	
4.	Monitor: collects and analyzes data from outside and inside the unit
5.	Disseminator: circulates vital information to members of the unit
6.	Spokesperson: circulates relevant information to outside parties
<i>Decision Roles</i>	
7.	Entrepreneur: innovates, initiates change, designs new products
8.	Disturbance handler: resolves nonroutine problems
9.	Resource allocator: distributes money, materials, time and other resources
10.	Negotiator: secures resources and arranges favourable conditions from others ²³

Source: Cherrington (1994): Organizational Behaviour: The management of individual and organizational performance

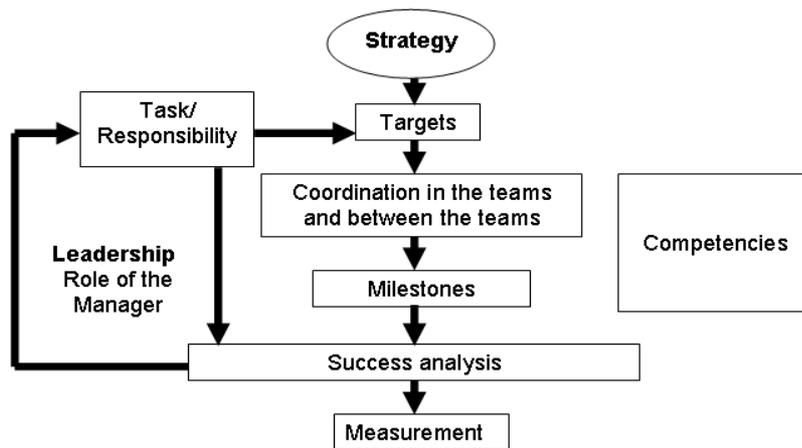
Table 1: Mintzberg´s Categories of managerial Roles

The cycle of management functions has experienced a renaissance as the deming-modell or PDCA-cycle (plan, do, check, act). A situation is analysed (plan) and then realized (do). After that, control is done (check) and then the fixation of the new methods (act). This cycle model acts as a steering wheel and is also called target achievement cycle.²⁴ The whole target agreement process mainly effects a stronger coordination by the communication of the improvements in the organization. Priorities require clarity about the strategy and the essential entrepreneurial objectives.²⁵

²³ Cherrington (1994): Organizational Behavior: The management of individual and organizational performance. 2nd ed., page 24; Allyn and Bacon, Boston

²⁴ Simon, Walter (2000): Ziele managen. 4th ed., page 60; Gabal, Offenbach

²⁵ Lurse & Stockhausen (2001): Manager und Mitarbeiter brauchen Ziele. 1st ed., page 1; Hermann Luchterhand, Neuwied, Kriftel



Source: Lurse & Stockhausen (2001): *Manager und Mitarbeiter brauchen Ziele*. 1st ed., Hermann Luchterhand, Neuwied, Kriftel

Figure 12: The Process “Leading with Targets and Success Analysis”

The above mentioned graphic shows the process “leading with targets and success analysis” with the single steps from “strategy” until “role of the manager”. The key component in the whole process is the agreement of ambitious and realistic targets.

Strategy: the fundamental condition for a successful process configuration is the communication of the strategic challenges and tasks.

Targets: a coordination of the different targets and activities is absolutely necessary.

Milestones: conversations are important as then deviations during the year become visible and measurements can be arranged.

Tasks/responsibilities: a comprehensive performance management requires a common coordination with the subordinate concerning his main tasks and his results.

Competencies: these are input to reach the output (targets).

Success analysis: refers to the agreed targets, the analysis of the targets and the responsibility as well as the evaluation of the competences and therefore leads to the arrangement of measures for further development and optimization.

Role of the manager: means among other things to derive targets from strategies. Furthermore the employee should work prior in personal responsibility for the realization of the agreed targets. This also means to consider the further development of strengths but also the reduction of weaknesses – in the organization, in the processes and with the employee itself. This means leadership. Managers act as a coach for the team. They have to arrange and organize the team in that way that employees are optimally placed according to their strengths, that

they learn how to develop and that in the end the whole group realizes a maximum success.²⁶

2.2.1 Leadership

“Leadership means to accompany the employees to their targets!”²⁷ The most useful definition of leadership considers it as a form of behaviour in which one person influences other. *Leadership* is the incremental influence one individual exerts over another above and beyond mechanical compliance with routine directives. Leadership occurs when one individual influences others to do something voluntarily rather than because they were required to do it or because they feared the consequences of noncompliance. It is this voluntary aspect of leadership that distinguishes it from other influence processes such as power and authority.²⁸ One contrast between management and leadership focuses on what is influenced: managers manage things, while leaders lead people. Managers focus their efforts on inanimate objects, such as budgets, financial statements, organization charts, sales projections and productivity reports. Leaders focus their efforts on people as they encourage, inspire, train, empathize, evaluate and reward. Leaders are the ones who build organizations, create organizational cultures and shape society. Leadership focuses on creating change – recognizing the demands of a changing environment, sensing opportunities for growth and communicating a vision that inspires others.

Management and leadership are both involved in influencing others, and they share four common roles:

1. Planning – deciding what needs to be done
2. Organizing – creating a structure of networks and relationships to get work done
3. Directing the work and
4. Controlling – ensuring performance.

²⁶ Lurse & Stockhausen (2001): *Manager und Mitarbeiter brauchen Ziele*. 1st ed., page 6 – 8; Hermann Luchterhand, Neuwied, Kriftel

²⁷ Siegert (1995): *Ziele – Wegweiser zum Erfolg*. 1st ed., page 158; *Beste Unternehmensführung*, Bonn

²⁸ Katz & Kahn (1978): *The Social Psychology of Organizations*, 2nd Ed., page 530 – 535; New York, Wiley

Transformational leadership focuses on changing the attitudes and assumptions of employees and building commitment for the organization's mission, objectives and strategies. A result that is attributed to transformational leadership is the empowerment of followers, who are capable of taking charge and acting on their own initiative. Empowerment involves providing the conditions that stimulate followers to act in a committed, concerned and involved way in doing their work. Three basic leadership roles have been identified: origination, interpolation and administration.²⁹

1. Origination refers to strategic decision making regarding policy formulation or structural change.
2. Interpolation means interpreting strategic decisions and designing a method for implementing them within the organization.
3. Administration consists of implementing the policies and procedures that have been provided to keep the organizations operating efficiently.³⁰

Leadership means to influence the people goal-oriented. Therefore the superior can also be leaded which then would be bottom-up.³¹

Planning

Targets are basis for planning. Without targets there can not be planned, without planning there can not be decided, without decisions nothing can be realized and without realization, there can not be any control.

Planning means to think consciously, organized and systematically about the targets. Therefore the classical w-questions can be used, like whom, where and why. As targets are fundamentally for the planning, planning is a very important part of the target agreement process.

Target Setting Process

The following chapter defines the Target Setting Process as a part of the planning activity in the performance management cycle.

²⁹ Katz & Kahn (1978): The Social Psychology of Organizations, 2nd Ed., page 530 – 535; New York, Wiley

³⁰ Cherrington (1994): Organizational Behavior: The management of individual and organizational performance. 2nd ed., page 623 – 624; Allyn and Bacon, Boston

³¹ Simon, Walter (2000): Ziele managen. 4th ed., page 170; Gabal, Offenbach

To keep the success of a company permanently, firstly a clear defined and sustainable vision for the company development and a strategy for the realization are absolutely necessary. The development of the vision and strategy is in the responsibility of the top management. In a second step, targets have to be derived from the vision and the strategy. Targets are therefore concrete progresses on the way to the strategy implementation.³²

Many managers have discovered the influence of goal setting on performance. People perform significantly better when they are trying to achieve a specific goal.³³

WHAT?	WHEN?	WHO?
<ul style="list-style-type: none"> • Communication of the strategic challenges • Target Suggestion • Correction of the Target Suggestion • Agreement of the Target 	<ul style="list-style-type: none"> • Before the begin of the target time period • Before the target agreement interview • Before the target agreement interview • During the target agreement interview 	<ul style="list-style-type: none"> • Superior to Subordinate • Subordinate to Superior • Superior to Subordinate • Subordinate + Superior

Source: Lurse & Stockhausen (2001): Manager und Mitarbeiter brauchen Ziele

Table 2: Procedure of the Target Setting Process

Targets should be matched with practical plans for achieving them. This is something that the manager and his subordinates or team must do together.

Converting Targets into realities involves four steps:

1. Break each target down into specific tasks – with clear outcomes
2. Plan the execution of those tasks – with timetables
3. Gather the resources needed to fulfil each task
4. Execute the plan

This is effective, especially with employees who need direction and close supervision. To create an alignment between the company, unit and the individual targets, the superior has to be sure that every subordinate has targets, understands them and knows why they are important. The individual employee's targets must usually be represented in the formulation of unit targets. Dictated targets are unlikely

³² Lurse & Stockhausen (2001): Manager und Mitarbeiter brauchen Ziele. 1st ed., page 87; Hermann Luchterhand, Neuwied, Kriftel

³³ Cherrington (1994): Organizational Behavior: The management of individual and organizational performance. 2nd ed., page 116; Allyn and Bacon, Boston

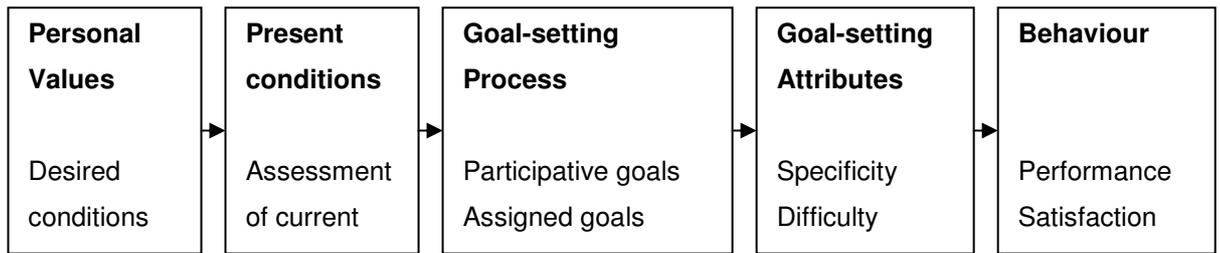
to inspire the kind of effort and creativity that produces good results. Targets that are negotiated with employees, in contrast, give those employees an important sense of target ownership. And people are naturally more committed to the things they own. If the manager and an employee have reached agreement on targets, the conclusions have to be documented which includes the following:

- The date of the meeting
- Key points brought up by both parties
- The targets the employee has agreed to pursue
- What he or she will do to achieve them
- A description of any coaching or training one has agreed to provide

Many managers are apprehensive in their approach to target setting. On the one hand, they know that targets should address the most important challenges facing their organization. On the other hand, they know that those challenges will be, by definition, difficult and risky. Reducing expectations and making targets less challenging may solve these problems, but that is not what is best for the organization or for the manager and the subordinates. *The best course is to make targets achievable but challenging.* Then a frank communication with the subordinates has to be started. There has to be an explanation about the challenging targets and why the achievement of these targets is so important, both for the organization and for the employees.³⁴ Target setting theory is an important motivation that can be discussed as an application of reinforcement theory or as a cognitive theory of motivation. In 1968 Edwin A. Locke first presented a theory of target setting and a series of studies showing the effects of target setting on performance. A target is simply a standard of performance an individual is trying to achieve. Some of the earliest work on target setting was performed by Fredrick W. Taylor in his work on scientific management. Taylor attempted to identify appropriate targets for workers using time-and-motion studies and a careful task analysis.³⁵

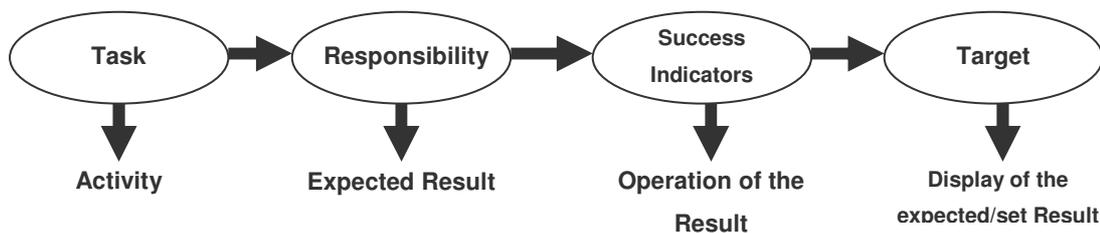
³⁴ Luecke & Hall (2006): Performance management: measure and improve the effectiveness of your employees. 1st ed., page 11; Harvard Business School Publishing Corporation, Boston

³⁵ Cherrington (1994): Organizational Behavior: The management of individual and organizational performance. 2nd ed., page 116; Allyn and Bacon, Boston



Source: Cherrington (1994): Organizational Behaviour: The management of individual and organizational performance

Figure 13: Target Setting Model



Source: Lurse & Stockhausen (2001): Manager und Mitarbeiter brauchen Ziele

Figure 14: Taxonomy of the Target Setting Process

The process of establishing targets occurs in three different ways. *Participative targets* allow employees to participate in the process of setting targets by providing information and contributing to the target selection. If they believe the targets are too high or too low, they can express their opinions and try to influence the target statements. *Assigned targets* are determined by management and simply assigned to the employees. In scientific management, the standards of performance are determined by industrial engineers with almost no input from the employees. *Do-your-best targets* allow employees to do their best without getting involved in approving or vetoing their targets. A do-your-best target is usually not a specific quantifiable standard of performance but only a general principle that usually means “We will keep going the way we are.” Target setting appears to be one of the most consistent and powerful processes influencing motivation. An extensive review of the targets setting studies reported that over 90 percent of both laboratory and field experiments found that specific, challenging targets lead to higher performance than do-your-best or no targets. The consistency of these results extends across hard (measurable) and soft (subjective) performance criteria, quantity and quality of performance, and individual and group targets. Clearly, target setting is one of the most “robust” findings in the psychological literature.

Within the target agreement process, the main responsibility lies with the employee, as he works out the target suggestions after the information about the strategic challenges of the superior. Afterwards the target proposals are being corrected and completed.³⁶

Targets are not being set, but agreed upon. Only then they have an effect on the motivation. Finding the right targets is a two-sided process. The ideas of the companies are also to be considered as well as to be discussed with the subordinates. To derive the targets of the subordinates from the targets of the managers, there are five steps which pursue the needs of an employee:

1. Which task should be fulfilled until what time and how is the performance measured!
2. The employee should be given the chance to show what he can achieve and then he should work independently.
3. The employee should be provided with all information concerning his performance to see his individual progress
4. The employee should have guidance and support, so that he can grow with his tasks.
5. The employee must know about his results. The superior should let the employee know about his success or his failure.³⁷

Communication

Within the performance management cycle there is one key activity which can be found in every part of this cycle, which is communication. The communication of the individual targets within the “planning” is connected with the plant and department targets. That means it includes the above standing targets. It is important to explain these targets to all subordinates including managers involved. In the “coaching” the communication of the change of the targets but also the supportive communication is absolutely necessary. The next step is the “evaluation” where the feedback to the performance and the achieved results is provided. The last step, which is “reward”, is also connected with communication. This also includes feedback.

Communication is the lifeblood of an organization; it is the thread that holds the various interdependent party of an organization together. The word communication

³⁶ Lurse & Stockhausen (2001): Manager und Mitarbeiter brauchen Ziele. 1st ed., page 12; Hermann Luchterhand, Neuwied, Kriftel

³⁷ Siegert (1995): Ziele – Wegweiser zum Erfolg. 1st ed., page 182; Beste Unternehmensführung, Bonn

is derived from the Latin word *communis*, which means “common”. Communication is the exchange of information between a sender and a receiver. The communication process can be analyzed from three different levels – interpersonal communication, communication in groups and organizational communication – and managers need to understand all three levels. The organizational communication process cannot be understood simply by extending the processes of interpersonal communication; organizational communication is not just the sum of many interpersonal conversations. The communication process begins with a source or a sender who has an intended message to communicate. The channel is the means by which a message travels from a source to a receiver. The receiver is the person who receives the message and has the responsibility for decoding it. Decoding is the process by which the symbols are interpreted by the receiver. Feedback from the receiver back to the sender is actually another message indicating the effectiveness of the communication. Feedback is desirable, because the source may discover that the initial message was not accurately communicated and needs to be repeated. One-way communication does not provide an opportunity for feedback. Changing attitudes and swaying public opinion is an important issue for many organizations, such as political parties, religious organizations, business groups and neighbourhood committees. In general, the most persuasive communications consist of logical, well-reasoned presentations delivered in an eloquent and organized fashion. To persuade others, messages need to be reasonable and logical.

While the target of persuasive communication is to change attitudes and sway public opinion, another form of communication is designed to build understanding and create a compatible interpersonal relationship. This form of communication, called supportive communication, is designed to avoid defensiveness. Defensiveness on the part of either the sender or the receiver destroys the effectiveness of communication. Supportive communication is descriptive and specific rather than evaluative or general. Descriptive communication consists of three elements:

1. describing the event as objectively as possible
2. describing the feelings about the event or consequences of the event, and
3. suggesting an alternative that would be more acceptable.

As a general rule, communication becomes more useful and arouses less defensiveness as it becomes more specific. Supportive communication focuses on the specific problem rather than the personalities or status of the members.

Supportive communication is flexible, not rigid. Flexible communication means that the communicator is willing to accept additional information and acknowledges that other alternatives may exist. Although listening is essential for effective communication, it is probably the most overlooked process in interpersonal communications. Effective listeners have been called *active listeners*, *reflective listeners* and *empathic listeners*. Empathic listening does not only mean the accurate perceive of the content of the messages but also understanding the emotional components and unexpressed meanings contained in the message. Many listeners believe that listening is just a matter of sitting back and absorbing information like a sponge. Some principles of effective listening are:

1. look for areas of interest
2. postpone judgment
3. be actively responsive
4. resist distractions
5. help and encourage the speaker³⁸

Concluding this chapter about the communication there can be said that all types of communication listed above can be found within the target agreement process.

Target Types and Criteria

A target is

- a result thought ahead
- the point intended to score
- a clearly described future condition

Therefore targets are scales which do compete with activities.³⁹

A target is the intellectually anticipated endpoint of a development respectively of a condition. It is a personal promise to reach a specific result.⁴⁰

Targets can be full year targets for a specific area of responsibility which have to be achieved to realize the company targets. However targets can also be monthly- or weekly-targets. But one thing has to be in common for all targets which is that they

³⁸ Cherrington (1994): *Organizational Behavior: The management of individual and organizational performance*. 2nd ed., page 544 – 546; Allyn and Bacon, Boston

³⁹ Stroebe & Stroebe (2006): *Motivation durch Zielvereinbarungen*. 2nd ed., page 17; Recht und Wirtschaft GmbH, Frankfurt am Main

⁴⁰ Lurse & Stockhausen (2001): *Manager und Mitarbeiter brauchen Ziele*. 1st ed., page 19; Hermann Luchterhand, Neuwied, Kriftel

have to present a clearly described result that has to be achieved until a clearly defined date.

There are different types of targets depending on their degree of concreteness or the specific target-level. It can be distinguished between

- indicative targets
- rough targets and
- long-term targets.

This shows that targets exist on several levels. Targets which exist on a higher level are also called: main objective, overall objective or maximum target. For targets on a lower level there are terms like: short-term objective, immediate objective or sub target. These targets have a middle degree of clearness and precision. The overall targets will be substantiated by sub targets. Therefore they are controllable concerning their fulfilment. They are operational as they concretely indicate which measures have to be taken for the achievement of the targets.⁴¹ In practice, targets for people at higher levels of responsibility tend to be more general, while targets for people at lower levels – people who have less discretion over their activities – tend to be more specified. The specificity of targets generally becomes greater as we go down to lower levels, where employees have less experience and need more direction.⁴² The effects of target setting on behaviour are influenced by four major target-setting attributes: targets specificity, target difficulty, target acceptance and target commitment. Numerous studies have shown a very direct relationship between *target specificity* and increased performance. When employees are working toward specific target, they consistently perform at higher levels than they are simply told to do their best or allowed to work at their own rate with no instructions at all.⁴³

Reasoned targets are SMART

- Specific
- Measurable: with clearly quantitative respectively qualitative criteria for the evaluation of the objective achievement
- Activating/challenging however

⁴¹ Simon, Walter (2000): Ziele managen. 4th ed., page 19 – 20; Gabal, Offenbach

⁴² Luecke & Hall (2006): Performance management: measure and improve the effectiveness of your employees. 1st ed., page 6 – 7; Harvard Business School Publishing Corporation, Boston

⁴³ Cherrington (1994): Organizational Behavior: The management of individual and organizational performance. 2nd ed., page 117; Allyn and Bacon, Boston

- Realistic: Targets must represent a realistic challenge so that the employees are motivated. If targets are too high or too low, the motivation will decrease.
- Terminated: They have to refer to a given time frame with start date and deadline

Furthermore the following criteria should be fulfilled:

- Coordinated: compatible targets in the company includes the arrangement of priorities
- Accepted: Useful and necessary targets develop themselves.
- Constant: Targets should be constant until their realization. Only in exceptional cases, targets should be changed or adapted.⁴⁴

Targets which meet these criteria mobilize energy, put attention and increase the persistence as smart targets enable clear priorities. The process is to be aligned according to the target – “process follows target”.⁴⁵

Experts agree that targets must also be:

- Recognized as important
- Clear
- Written in specific terms
- Aligned with organizational strategy
- Supported by appropriate rewards

Studies on the effect of *target difficulty* have found a direct linear relationship between an increase in difficulty and an increase of task performance. In other words, higher targets lead to higher performance. The relationship between target difficulty and task performance does not hold for unreasonably difficult targets. When the targets are so high that they become unreasonably difficult or impossible, individuals tend to ignore the targets, and performance may be only slightly better than with no targets at all. When a target is perceived as so difficult it is virtually impossible to attain, the result is often frustration rather than achievement. *Target acceptance* concerns the degree to which individuals accept a specific target as their own. People need to feel that the target belongs to them: “This is my target.” Targets are typically resisted or ignored when they are too difficult and out of reach. *Target commitment* concerns the degree to which people are dedicated to reach the

⁴⁴ Lurse & Stockhausen (2001): *Manager und Mitarbeiter brauchen Ziele*. 1st ed., page 20; Hermann Luchterhand, Neuwied, Kriftel

⁴⁵ Stroebe & Stroebe (2006): *Motivation durch Zielvereinbarungen*. 2nd ed., page 15; Recht und Wirtschaft GmbH, Frankfurt am Main

targets they have adopted and it is determined by both situational and personal variables. The evidence suggests that anticipatively set targets contribute to higher levels of target commitment. When people participate in setting their targets, they generally display a sense of ownership of the targets and are highly committed to achieving them.⁴⁶

It is very easy to confuse targets with activities. Activities describe how people spend their time, whereas targets are the results people seek.⁴⁷

Example: The production of a specific machine is actually not a target, but a mean to reach higher-ranking targets. The right definition of the target hierarchy can therefore be very often complicated. "Management by objectives" often fails because of the dates. Despite of detailed dates, the compliance does often not take place. Possible reasons are:

- The periods are not realistic
- The periods are not coordinated with all employees involved
- The deadline collides with other target agreements
- The deadlines are not being controlled

If unrealistic time frames are being affected then the whole process will not work.⁴⁸

Motivation and Attitude

The motivation for achievement of and to the set targets is as higher as better the target agreement process works. The motivation and the attitude to the targets is the first feedback to the superior concerning the target agreement process. Motivation is a process where people direct their energy, individually characterized by needs and values, on a target. If targets are being adapted to the individual skills and aspiration levels, a high motivational potential could be activated.⁴⁹ Goal setting, both at the top level and at lower levels should include a fair amount of give-and-take. This give-and-take works best when managers truly understand the people who work for them – and with them. Understanding the direct reports at a personal level will help with goal setting. More important, it will help the manager with every facet of

⁴⁶ Cherrington (1994): Organizational Behavior: The management of individual and organizational performance. 2nd ed., page 119; Allyn and Bacon, Boston

⁴⁷ Luecke & Hall (2006): Performance management: measure and improve the effectiveness of your employees. 1st ed., page 5; Harvard Business School Publishing Corporation, Boston

⁴⁸ Siegert (1995): Ziele – Wegweiser zum Erfolg. 1st ed., page 113; Beste Unternehmensfuehrung, Bonn

⁴⁹ Stroebe & Stroebe (2006): Motivation durch Zielvereinbarungen. 2nd ed., page 12; Recht und Wirtschaft GmbH, Frankfurt am Main

performance management. By understanding the subordinates, the manager will have a better idea of how to motivate them.⁵⁰ A person can understand goals and why they are important, but must also be motivated to pursue them. This same person can be coached to close performance gaps and improve productivity; but the employee will not take that coaching to heart if he or she is uninterested or unmotivated.⁵¹ An *attitude* is a “hypothetical construct”. An attitude is defined as the positive or negative feelings one holds toward an object. People have specific attitudes toward specific objects, including both physical objects (such as people, places, and things) and nonphysical objects (such as ideas and beliefs). The early research on attitudes identified three attitude components: *cognitive, affective, and behavioural tendency*. The *cognitive component* is the information a person possesses about the attitude object.

The *affective component* is the person’s feelings and emotion toward the attitude object (liking and disliking the object). The *behavioural tendency* component is the way the person intends to behave toward the object, such as whether the person is inclined to follow, injure, abandon, or ignore the attitude object.⁵²

Attitude and Values	
Affective component	Cognitive component
<ul style="list-style-type: none"> • Feelings • Emotions 	<ul style="list-style-type: none"> • Knowledge • Beliefs

Source: Cherrington (1994): Organizational Behaviour: The management of individual and organizational performance

Figure 15: Attitude and Values

Motivation theories explain why people behave as they do. Virtually all motivation theories assume that behaviour is caused. The theories assume that the human behaviour is purposive, or goal directed-that people can think, reason, and processes information. These *cognitive theories of motivation* can be separated into *content theories* and *process theories*. Content theories (called also needs theories) like Maslow’s needs hierarchy, explain *what* motivates behaviour while process

⁵⁰ Luecke & Hall (2006): Performance management: measure and improve the effectiveness of your employees. 1st ed., page 5; Harvard Business School Publishing Corporation, Boston

⁵¹ McGregor (1985): The Human Side of Management: 25th anniversary ed., page 26; McGraw Hill/Irwin, New York

⁵² Cherrington (1994): Organizational Behavior: The management of individual and organizational performance. 2nd ed., page 264 – 265; Allyn and Bacon, Boston

theories like expectancy theory, equity theory, and control theory *how or why* we are motivated.

Maslow's Hierarchy of Needs:

1. *Physiological needs* –including food, water, sleep
2. *Safety and security needs* – these include desire for security, stability dependency and need for structure, order and law
3. *social needs* – the need for emotional love, friendship, and affectionate relationships with people
4. *Ego and esteem* – the desire for self-esteem, and for esteem of others.
5. *Self-actualization* – refers to the need for self-realization

These five needs are arranged in a hierarchy of importance that is called *prepotency*; that is, higher needs are not important and are not manifest until lower-level needs are satisfied.⁵³ In the target agreement process, the need for achieving the targets can be found in the level four and five in the Maslow's hierarchy of needs.

2.2.2 Coaching

Coaching refers to the activity of a coach in developing the abilities of a coachee. The coach aims to stimulate the coachee to uncover innate knowledge so they can achieve a sustainable result. Coaching is a professional relationship which enables manager and employees to achieve bigger and better results, faster and more efficiently. Coaching raises awareness, which results in long-lasting change.

Further more coaching:

- works in partnership with coachee and his agenda
- facilitates and clarify coachees thinking
- challenges
- holds the coachee to account
- acts as a confidential sounding board
- is honest and straightforward at all times
- motivates, supports and encourages
- is non-judgemental

⁵³ Cherrington (1994): Organizational Behavior: The management of individual and organizational performance. 2nd ed., page 135; Allyn and Bacon, Boston

The coaching process in the target agreement and performance management process includes except the above mentioned parts, one important part connected to the targets. It is the target change process. It is interesting that in the literature can only be found very less information about this change and the guidelines for it.

Change of the Targets

If targets change massively (e. g. if customer change drastically), a new target agreement process is starting. This means a consideration of the changed conditions and the agreement upon a customized target.

Generally it can be said:

- no target agreement without control respectively no control without target agreement (reciprocal effect)
- no target achievement without acceptance
- no target deviation without consequence⁵⁴

Drastic changes from the substantial facts have to conduct logically to target changes and to the termination of target agreement processes. If the changes are not that significant, targets do not have to be adapted immediately when exposing that the underlying data was not correct. The same is true for delays or insufficient results which already indicate in the sub targets that the overall targets can not be achieved with the current knowledge.

Before correction of a target, there has to be checked:

- if the targets nevertheless could be achieved
- if the planning can remain through reduction or additions
- if valuable experiences could be gained which would possibly not accrue when changing the target
- if the target deviation is due to seasonal factors which might improve through the year

Therefore targets should only be changed after all the deviations have been carefully checked so that no contrary targets are being formulated.

When checking the objective achievement, it can be helpful to review what has not gone well and which improvements could be obtained.⁵⁵

⁵⁴ Stroebe & Stroebe (2006): Motivation durch Zielvereinbarungen. 2nd ed., page 80; Recht und Wirtschaft GmbH, Frankfurt am Main

⁵⁵ Siegert (1995): Ziele – Wegweiser zum Erfolg. 1st ed., page 163; Beste Unternehmensfuehrung, Bonn

2.2.3 Evaluation

The evaluation or success analysis is mainly a self-assessment of the employee and a further correcting evaluation of the manager. There should be a communication process concerning the successes and the failure of the last year and thereof appropriate measures should be taken.⁵⁶

It is clear that the communication in the evaluation process should be done in accordance with the rules of correctly given feedback. This means that communication should not take place in a formal way. Furthermore, it should be considered that the communication in the evaluation process is a regular summary of the performance throughout the year for the subordinate. The evaluation process can be seen as the first step for the successful achievement measures to the future targets. Therefore, the communication as a key factor in this process has to be informal and treated with high priority by the superior. The frequency of the evaluation is often done by the superior manager solely one time yearly. Regular evaluation (e. g. monthly) of the results of the subordinate will improve the performance of the subordinate, will increase his motivation and will help him in the end to achieve better results. Controls are serving for securing the course by expertly operating. Therefore the accordance of actual and target will be checked. Eventual deviations are to be analysed. This is also called deviation analysis. The control allows a sliding planning by the prompt detection of failure and a quick reaction.⁵⁷



Source: Lurse & Stockhausen (2001): *Manager und Mitarbeiter brauchen Ziele*. 1st ed., Hermann Luchterhand, Neuwied, Kriftel

Figure 16: Target Evaluation Process

⁵⁶ Lurse & Stockhausen (2001): *Manager und Mitarbeiter brauchen Ziele*. 1st ed., page 66; Hermann Luchterhand, Neuwied, Kriftel

⁵⁷ Simon, Walter (2000): *Ziele managen*. 4th ed., page 79 – 80; Gabal, Offenbach

Sequence:

1. Evaluation of the results
2. Analysis of causes
3. Arrangement of development measures for
 - a. the employee
 - b. the working system⁵⁸

Without a clear target, there can not be any success control. If targets were not achieved, the actual causes have to be identified. Within the evaluation, experiences have to be gained both good and bad experiences. In the course of the management process there can again and again be erroneous behaviour. Therefore every time when a target or a sub target has been achieved, a detailed evaluation should be done. However this evaluation is not aimed to the individual like an appraisal interview but serves as a possibility for constant process improvements.⁵⁹

2.2.4 Reward

Rewards are a facet of performance management that aims to encourage a particular behaviour or outcome. They include anything that employee's value: pay increases, bonuses, promotions, plumb assignments and even travel junkets. Rewards should be aligned with goals, but that is easier said than done, since employees find ways to "game" even thoughtful reward systems. Many companies change their goals but do not follow up with a realignment of rewards. There are two categories of rewards: intrinsic and extrinsic. *Intrinsic rewards* produce no quantifiable personal satisfaction, such as a sense of accomplishment, personal control over one's work, and a feeling that one's work is appreciated. *Extrinsic rewards* are external, tangible forms of recognition such as pay hikes, promotions, bonuses, and sales prices. Factors which are affecting the job attitude very positively are e. g. achievement, recognition and to work independently. Factors which are affecting the job attitude in a negative way are e. g. supervision,

⁵⁸ Lurse & Stockhausen (2001): Manager und Mitarbeiter brauchen Ziele. 1st ed., page 68; Hermann Luchterhand, Neuwied, Kriftel

⁵⁹ Siegert (1995): Ziele – Wegweiser zum Erfolg. 1st ed., page 168; Beste Unternehmensführung, Bonn

relationship with the supervisor or work conditions.⁶⁰ System rewards are rewards granted to people because of their membership in the organization. This category of rewards includes benefits, recreational facilities, cost-of-living pay increases, job security and pleasant working conditions. Performance rewards are any type of incentive that is based on the actual performance of employees. The purpose of performance rewards is to motivate employees to perform better. Formulating an effective reward system that motivates employees is a difficult design problem. The reason why the design is so complicated is because there is such a wide variety of both financial and nonfinancial rewards and because so many different reinforcement contingencies can be used to administer them.⁶¹

2.3 Organization and organizational Behaviour

The behaviour of the managers to their targets and the target agreement process between different management levels is a part of organizational behaviour and therefore also of organizations.

An organization is a group of people who are working together to achieve a common goal. Four of the most basic statements include the following: (1) organizations consist of the patterned activities of people, (2) organizations are social inventions, (3) organizations involve goal-oriented activities and, (4) organizations are open systems. To understand the organizations, a distinction between individual and organizational goals has to be made. Organizational members have their individual goals that justify their participation in the organization. This consensual validation of the organization's goals is even supported by individuals outside the organization who have expectations about what the organization should be doing.

2.3.1 Goals of organizational Behaviour

Being an effective manager of organizational behaviour requires a combination of knowledge and experience; neither one alone is sufficient. The goals of organizational behaviour are description, explanation and control of behaviour in organizations. The first goal in studying organizational behaviour is to recognize and

⁶⁰ Luecke & Hall (2006): Performance management: measure and improve the effectiveness of your employees. 1st ed., page 23; Harvard Business School Publishing Corporation, Boston

⁶¹ Cherrington (1994): Organizational Behavior: The management of individual and organizational performance. 2nd ed., page 201; Allyn and Bacon, Boston

describe the things that happen regularly in organizations. The second goal is explanation – to explain and to predict the events that occur. The third goal is to control the behaviour that occurs in organization. If behaviour has been carefully explained, and we know what cause it, we can create situations that elicit desirable behaviours and eliminate undesirable behaviours. Organizational behaviour can be examined from three distinct levels of analysis: the individual, the group and the organization. The term *organizational effectiveness* refers to the concept of organizational success, or organizational performance. Every organization defines success as a function of goal accomplishment. Organizations exist for a purpose and are therefore considered goal-directed social entities.

Organizational goals not only represent the reason for an organization's existence, they also increase the organization's effectiveness. Organizations have *official goals*, which define the general mission of the organization, and *operative goals*, which are more specific and describe what the organization is actually trying to accomplish. The management process of identifying goals and working to achieve them provides several benefits for the organization.

1. *Legitimacy*. The official goals of an organization provide a symbol of legitimacy both to the employee and to the external constituencies.
2. *Employee direction and motivation*. Operative goals provide a sense of direction and motivation for employees.
3. *Decision guidelines*. Goals provide a standard for evaluating performance. Organizational goals can act as a set of constraints on individual behaviour and decisions.
4. *Reduce uncertainty*. The process of goal setting tends to reduce uncertainty for members of the organization, especially top management. The process of arriving at a set of mutually acceptable goals helps to focus the energies and efforts to the entire organization.

The most popular criteria for evaluating an organization are job satisfaction and productivity. The criteria for assessing organizational effectiveness must include an evaluation of how well the outputs are produced, plus how well the outputs are consumed by the environment and translated into additional inputs. The term *efficiency* refers how well the organization converts inputs into outputs. Therefore, efficiency measures the quality of the transformation process. In contrast, effectiveness concerns both the efficiency of the transformation process plus how

well the product is exported into the environment and recycled back into usable inputs for the organization.⁶²

Company	Vehicles	Employees	Vehicles per Employee
CHRYSLER			
United States	1.370.805	77.878	17.60
Worldwide	2.175.447	112.996	19.25
FORD			
United States	3.361.297	158.377	21.22
Worldwide	5.764.374	325.333	17.72
GENERAL MOTORS			
United States	4.975.000	396.000	12.56
Worldwide	7.452.000	571.000	13.05
TOYOTA*	4.022.550	67.814	59.31

* 1989 data.

Source: Data taken from the publisher annual reports of each company for 1992

Table 3: Vehicle per employee

2.3.2 Levels for analyzing of organizational Behaviour

The study of organizational behaviour focuses on three characteristics of organizations: behaviour, structure and processes. The study of *behaviour* includes how individuals respond to a new incentive program, an autocratic supervisor or job redesign. The term *structure* refers to the fixed relationship of the organization, such as how jobs are assigned to departments, who reports to whom, and how the jobs and the departments are arranged in an organizational chart. The third characteristic of organizational behaviour is organizational *processes*: the interactions among members of the organization. Some of the major organizational processes include communication, decision making, leadership and power.⁶³ Behavioural research involves developing and testing theories. A theory consists of a statement of functional relationships among variables.

Characteristics of good theory:

1. stated in simple terms

⁶² Cherrington (1994): Organizational Behavior: The management of individual and organizational performance. 2nd ed., page 463 – 464; Allyn and Bacon, Boston

⁶³ Cherrington (1994): Organizational Behavior: The management of individual and organizational performance. 2nd ed., page 16; Allyn and Bacon, Boston

2. is testable
3. is logically consistent with itself and with other known facts
4. the conditions that indicate a theory is relevant need to be clearly defined, so that theory will not be erroneously applied in situations to which it does not apply

2.3.3 Behaviour Science Research

The scientific method is a systematic, controlled, and objective process of discovering and verifying new knowledge. The greatest advantage of the scientific method that distinguishes it from other method of obtaining knowledge is its capacity for self-correction. The scientific method contains built-in checks to control extraneous explanations and verify the conclusion. This method tries to minimize the effects of the scientist's own biases and preconceptions. It involves a systematic approach to developing and testing new ideas. Some of the major characteristics of the scientific method concern the use of hypotheses, constructs, and observations. A *hypothesis* is a provisional statement describing the potential relationship between two or more variables. In scientific method, the hypotheses used to explain and predict behaviour are stated in ways that are rigorous and precise.

A *construct* is a word or concept that refers to relationships between objects or events. Job satisfaction and company loyalty are the examples of construct.

Observations vary in degree of control and whether extraneous factors can influence them.⁶⁴

3. Research and Data Collection Methodology

3.1 Volkswagen AG and Volkswagen Slovakia, a. s.

The Volkswagen Group with its headquarters in Wolfsburg is one of the world's leading automobile manufacturers and the largest carmaker in Europe. The Group is made up of nine brands from seven European countries: Volkswagen, Audi, SEAT, Škoda, Volkswagen Commercial Vehicles, Bentley, Bugatti, Lamborghini, Porsche and Scania. Each brand has its own character and operates as an independent entity on the market. The product range extends from low-consumption small cars to luxury class vehicles. In the commercial vehicle sector,

⁶⁴ Cherrington (1994): Organizational Behavior: The management of individual and organizational performance. 2nd ed., page 29; Allyn and Bacon, Boston

the product offering spans pick ups, busses and heavy trucks.⁶⁵ The vision of Prof. Dr. Martin Winterkorn, the chief executive officer of the Volkswagen Group, is to become the world's most innovative high-volume brand which should have the best quality in its class until the year 2018. The Volkswagen Group is accepting the challenge of globalization and the global economic crisis and therefore of remaining competitive by having developed the strategy 2018. Until the year 2018, the Volkswagen brand should become a top employer and should be among the world's best automakers with regards to customer satisfaction and quality. Furthermore, the Volkswagen Group should sell at least 6.6 million vehicles each year and should increase the return on investment to 21%.



Source: Source: Volkswagen Slovakia, a. s. Intranet

Figure 17: Strategy 2018

The Volkswagen Group's focus on becoming an economic and environmental leader in the global automotive industry remains the central element of this Group Strategy 2018. For this reason, the Volkswagen AG Board of Management is intensifying efforts to continue with the successful realization of this ambitious project even in a difficult economic period. Although economic conditions have worsened, the goals formulated in the "Strategy 2018" nevertheless remain valid and are reaffirmed by the Board of Management. It is precisely in circumstances such as the present that the chosen course must be pursued with energy and commitment.⁶⁶

Therefore suitable plant targets have been developed for Volkswagen Slovakia which result or base on the strategy 2018. Detailing and breaking down this strategy

⁶⁵ Volkswagen AG (2010): The Group.

http://www.volkswagenag.com/vwag/vwcorp/content/en/the_group.html - accessed on 28th october 2010

⁶⁶ Volkswagen AG (2010): Group Strategy 2018.

http://www.volkswagenag.com/vwag/vwcorp/content/en/the_group/strategy.html - accessed on 2nd november 2010

respectively plant targets, the targets of the specific departments have been created, as to be seen in the following graphic.

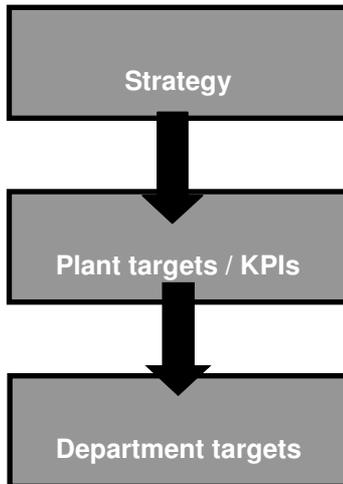


Figure 18: From Company's Strategy to Department Targets

As to be seen in the following table the plant targets of Volkswagen Slovakia are directly linked with the core pieces of the strategy 2018.

Strategy 2018	Plant targets VW SK
<i>Top employees</i>	- Motivation index - Status of employees illness
<i>Top customer satisfaction</i>	- Customer complaints (sales) - Car audit number of B-defects
<i>Vehicle sales</i>	- Daily/weekly/monthly production program compliance
<i>The return on investment</i>	- Quote for direct runs - Hours per vehicle - Budget - Inventory

Source: Volkswagen Slovakia, a. s. Intranet

Table 4: Comparison of the Core Pieces of Strategy 2018 and the Plant Targets of Volkswagen Slovakia, a. s.

The Plant Targets respectively Key Performance Indicators of Volkswagen Slovakia are displayed in the following table.

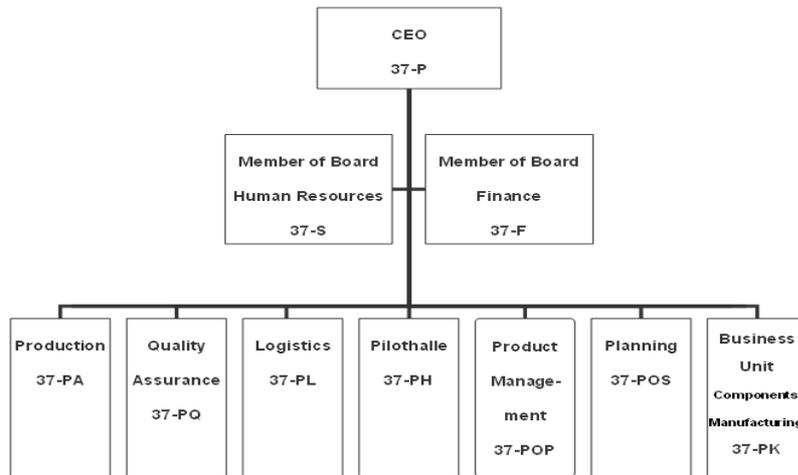
Perspective	Target Indicator	Unit
<i>Finance</i>	Budget	€
	Inventory	€
	Hours per Vehicle	h/Car
<i>Process</i>	Customer Complaints after 3 Months	CC/1000 Cars
	Customer Complaints after 12 Months	CC/1000 Cars
	Car Audit Number of B-Defects	Defects/Car
	Quote for Direct Runs	%
<i>Employee</i>	Motivation Index – Voter Turnout	%
	Status of Employees Illness	%

Source: Volkswagen Slovakia, a. s. Intranet

Table 5: Plant Targets of Volkswagen Slovakia, a. s.

Volkswagen Slovakia, a. s. (joint stock company) is the Bratislava production and assembly plant of the German Volkswagen group. In the Bratislava plant, passenger vehicles and assemble gearboxes are manufactured and in Martin (the second production plant of Volkswagen Slovakia) vehicle and gearbox components are manufactured. Volkswagen Touareg NF and Audi Q7 are currently entirely manufactured in Bratislava. However its production portfolio also includes the car bodies for Porsche Cayenne. At the third site of Volkswagen Slovakia, a. s. in Košice the brands Volkswagen, Audi, Seat and Škoda are being prepared for sales in Ukraine and Russia.⁶⁷ The Bratislava plant of the Volkswagen group is a production plant with body construction, paint shop and assembling. So the focus is lying on the technical divisions in this plant, as illustrated in the following organizational structure.

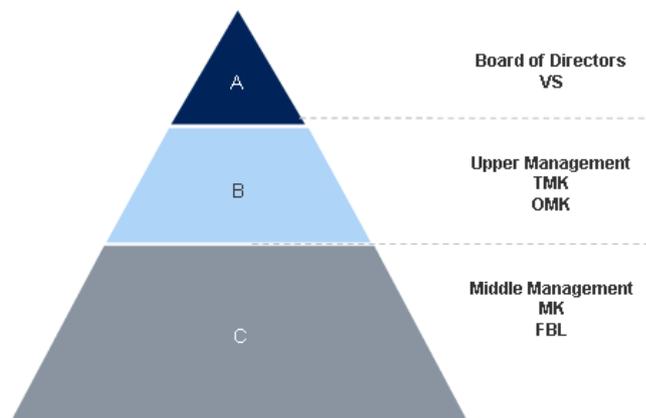
⁶⁷ Volkswagen Slovakia, a. s. (2010): Welcome to the world of Volkswagen Slovakia. <http://www.volkswagen.sk/en/> - accessed on 28th october 2010



Source: Volkswagen Slovakia, a. s. Intranet

Figure 19: Organizational Structure at Volkswagen Slovakia, a. s. – Technical Division

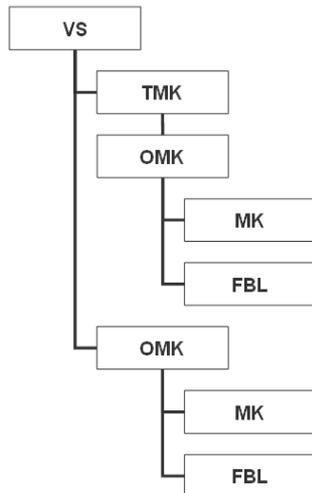
The management levels at Volkswagen Slovakia are divided in three spheres; the Board of Director (VS), the upper management (TMK and OMK) and the middle management (MK and FBL). The abbreviation VS stands for the German word “Vorstand”. The abbreviation TMK and OMK stand for “Top Managementkreis” respectively “Oberer Managementkreis” while the abbreviation MK solely stands for “Managementkreis”. The abbreviation FBL means the “Fachbereichleiter”.



Source: Volkswagen Slovakia, a. s. Intranet

Figure 20: Management Levels at Volkswagen Slovakia, a. s.

When looking at the target agreement process in the company, the following organizational structure shows the hierarchy. The Board of Directors (VS) instructs either the upper management TMK or directly the upper management OMK. TMK and OMK then give instructions to the middle management (MK and FBL).



Source: Volkswagen Slovakia, a. s. Intranet

Figure 21: Structure of the Management within the Target Agreement Process (Target Matrix Type A)

The plant targets as well as the department targets at Volkswagen Slovakia are all divided into three categories, which are finance, process and employees. As Volkswagen Slovakia, a. s. is a production plant, the technical department's production, logistics and quality assurance are the most important divisions in the company. The heads of these departments belong to the management level TMK. In the following tables the department targets of these three important departments are listed.

Perspective	Target Indicator	Unit
<i>Finance</i>	Budget	€
	Hours per Vehicle	h/Car
<i>Process</i>	Customer Complaints after 3 Months	CC/1000 Cars
	Production Plan	%
	ZP8 Car Audit	Points/Car
	Quote for Direct Runs ZP7	%
<i>Employee</i>	Motivation Index – Voter Turnout	%

Source: Volkswagen Slovakia, a. s. Intranet

Table 6: Department Targets – Production

Perspective	Target Indicator	Unit
<i>Finance</i>	Budget	€
	Inventory	€
<i>Process</i>	Daily Production Program Compliance	%
	Weekly Production Program Compliance	%
	Production Program Compliance SKD	%
<i>Employee</i>	Motivation Index – Voter Turnout	%

Source: Volkswagen Slovakia, a. s. Intranet

Table 7: Department Targets - Logistics

Perspective	Target Indicator	Unit
<i>Finance</i>	Budget	€
	Quality Costs	€
<i>Process</i>	Customer Complaints after 3 Months	CC/1000 Cars
	Customer Complaints after 12 Months	CC/1000 Cars
	ZP8 Car Audit Number of B-Defects	Defects/Car
<i>Employee</i>	Motivation Index – Voter Turnout	%

Source: Volkswagen Slovakia, a. s. Intranet

Table 8: Department Targets - Quality Assurance

The managers of these three sections therefore belong to the upper management (TMK). The plant targets, divided in the three sections finance, process and employees, can be best described by looking at the target matrix type A of Volkswagen Slovakia.

These theoretical methods are used in the research part of this thesis (chapter 4):
Analysis, Induction, Deduction, Abstraction, Synthesis, and Statistics

In the chapter 5 (conclusion from the results) these theoretical research methods
are used: Analysis, Induction, Deduction, Abstraction, and Synthesis

Short definitions of the theoretical research methods

Analysis – the data and processes are divided into the elementary parts which can
be analyzed separately

Induction – the concrete data and information lead to the general conclusion

Deduction – from the general conclusion to the individual facts

Abstraction – separates the important data and information from the unimportant

Synthesis – the partial results are transformed into the complex

Comparison – similarities or contrasts of the data can be found

Empirical Methods

The survey method as empirical method was used for the collection of the data
(chapter 4). There are different statistical indicators like Modal, Median and
Arithmetical Average which can be used for the evaluation of the data gathered from
the questionnaire. For the evaluation of the collected data in this thesis was the
percentage indicator used. The presentation of the results is done by different
graphics and tables.

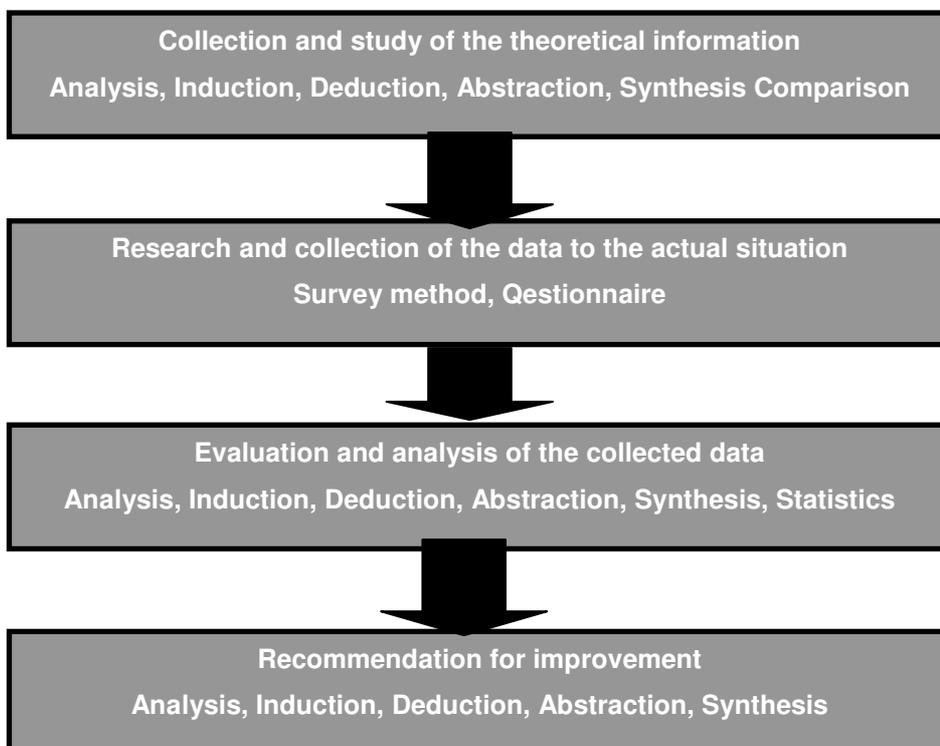


Figure 23: Methodical approach in the master thesis

3.3 Survey Method

A field survey, sometimes called a correlation study, involves measuring a few characteristics about a large number of people at one point in time. One major advantage of a field survey is that it examines people who are involved in real-life situations in actual organizations. Its major disadvantage is that it does not allow researchers to explain what caused the event. Most field surveys involve correlation studies in which researchers measure two or more variables and then test whether they are related.⁶⁹ The research method in this thesis had been a survey, because of the matter that a few characteristics involve a large number of people at one point in time.

3.4 Data Collection Method

All data collection methods need to satisfy two requirements: the data must be both reliable and valid. The term *reliability* refers to the consistency of the measure. A research instrument is said to be reliable if it produces consistent and repeatable measures each time it is used. Questionnaires are usually reliable if the questions are clear; if they are ambiguous, the responses will be random and the instrument will be unreliable. The term *validity* refers to whether the research instrument actually measures what it is supposed to be measuring. Three of the most frequently used methods in collecting research data include observations, interviews and questionnaires. Each of these methods has advantages and disadvantages and is appropriate for a particular type of research.

Direct *observation* allows researchers to record specific behaviours. As long as the observations are measuring specific observable behaviours, these measures tend to be both reliable and valid. A problem with direct observation is that the observation process itself sometimes influences behaviour.

Interviews are useful when a researcher wants to assess the personal feelings and attitudes of employees. A nondirective interview, where employees talk about issues important to them, provides a rich and meaningful description for a researcher.

Here the questionnaire method was used for the collection of the data to the actual situation of the target agreement process at Volkswagen Slovakia, a.s..

⁶⁹ Cherrington (1994): Organizational Behavior: The management of individual and organizational performance. 2nd ed., page 31; Allyn and Bacon, Boston

3.5 Questionnaire

One major advantage of a questionnaire is that it can be used to collect extensive information from a large sample of people at the same time. Furthermore, questionnaire data can be conveniently analyzed using a variety of statistical procedures. Most well-developed questionnaires have also been found to be reliable and valid measures of specific variables.⁷⁰

Because of the limited time frame and the number of respondents, the questionnaire method has been chosen for the data collection. Within the conception of the questionnaire, the focus was placed on the measurability of the answers. Therefore the Lickert scale has been used which says that every statement should be rated on a scale of answers which are describing the degree of agreement of the respondents to the specific statement.

3.6 Development of the Questionnaire

The questionnaire is structured in five different clusters.

- a) Connection of the department targets to strategy 2018 and to the VW SK plant targets
- b) Quality of communication of the targets
- c) Criteria for the correctly set targets
- d) Motivation and attitude towards the targets
- e) Evaluation and change of the targets

Description of the different Cluster

In this chapter the clusters are described separately. The detailed statements can be found in chapter 4.

The first cluster of the questionnaire consists of 7 questions. The connection of the department targets and the strategy "Mach 18" is being examined and evaluated.

The process of the company's vision to the department targets will be examined. In detail, it was examined if the department targets are directly connected to the strategy "Mach 18" and if the managers are being informed about this connection. Another part of the examination is the answer to the question if the managers know about the company's targets and their evaluation and if the connection between the department targets and the company targets exists. This means that every part of

⁷⁰ Cherrington (1994): Organizational Behavior: The management of individual and organizational performance. 2nd ed., page 35; Allyn and Bacon, Boston

the process from the company's strategy to the department targets and the connection between the individual process steps will be examined.

The second cluster of the questionnaire concentrates on the examination of the quality of communication of the targets. The focus here is the communication of the department targets between the upper and the middle management. Especially the focus is on the acceptance and the knowledge of the company's- and department-targets. Simultaneously the knowledge of the manager about the correctly arranged target agreement process is enquired.

The third cluster of questions is about the criteria of the correctly set targets. There are detailed questions concerning the target content, e. g. if the target matrix of the manager also describes activities but not the result. Additionally the coordination of the department targets of the manager with further department targets are enquired in this cluster. The last question here examines if the manager know the criteria for correctly set targets.

The fourth cluster deals with the motivation and attitude of the manager to his department targets. It will be examined if the set targets are ambitious as well as accessible for the managers. Furthermore it is analyzed if the company targets set the course for the work of the manager and if they think that they can influence their targets actively.

In the last cluster the evaluation- and change-process of the targets are examined. In detail, the query is about the regular presentation and discussion of the objective achievement or if the target evaluation is merely a formal communication. Another part of the cluster is about the examination of the change process of the targets within the year.

Collection of the Data

The collection of the data has taken place in the period of May until July 2010 and was done in electronic format. The questionnaire had been sent in an online version to the participants of the survey. Consequently the data collection was done electronically and online. In total there were 104 respondents, 67 of them have filled in the questionnaire. This results in a recirculation of 64%.

The questionnaire could be found for the respondents under the following link:

<https://spreadsheets.google.com/viewform?formkey=dDZEMk5VN3ZMSFVJWHEyT0VCaEd6MFE6MQ>

Number of Questions

The total number of question in the questionnaire amounts to 28. This number of questions had been chosen so that the participants of the survey are able to answer all questions within 10 to 15 minutes. A greater amount of questions would have decreased the recirculation considerably. The first cluster contains 7 questions, the second cluster contains 6, the third, fourth and fifth cluster contains 5 questions each. All 28 questions were closed, which means that there was no possibility that the participants place their own answers in the questionnaire. All answers had been required fields.

Gradation of the Answers

The gradation of the answers to the prepared statements has five labels in the questionnaire. Label 1 means “completely disagree”. Label 5 means “completely agree”. Therefore the participants were able to choose an answer to each question between the labels 1 and 5. This gradation method is called the Likert Scale. This is a psychometric scale commonly used in questionnaires, and is the most widely used scale in survey research, such that the term is often used interchangeably with rating scale even though the two are not synonymous. When responding to a Likert questionnaire item, respondents specify their level of agreement to a statement.

The format of a typical five-level Likert item is: 1 = completely disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree and 5 = completely agree. Likert scaling is a bipolar scaling method, measuring either positive or negative response to a statement. Whether individual Likert items can be considered as interval-level data, or whether they should be considered merely ordered-categorical data is the subject of disagreement. When treated as ordinal data, Likert responses can be collated into bar charts, central tendency summarized by the median or the mode, dispersion summarized by the range across quartiles, or analyzed using non-parametric tests.⁷¹

Target Group of Respondents

The following demographic data was determined before the actual questions:

Gender

Male or Female. There had been participants of both gender; male as well female.

⁷¹ Research Methods – Knowledge Base (2010): Liker Scaling

<http://www.socialresearchmethods.net/kb/scallik.php> - accessed on 12th november 2010

Age

The participants were arranged in three groups – up to 30 years, between 31 and 45 years and over 45 years.

Years at Volkswagen - Seniority

The participants were arranged in four groups – up to 1 year, between 2 and 5 years, between 6 and 12 years and over 13 years at Volkswagen.

Did you complete the training “management techniques”?

Here a Yes or No query was implemented.

Which leading position do you work in at Volkswagen Slovakia, a. s.?

The selection could be made between OMK, MK or FBL. The target group of the participants had been in upper management circle OMK, the middle management circle MK or FBL of Volkswagen Slovakia, a. s..

How many employees work in your department?

There were four answers available for selection – up to 6 subordinates, between 7 and 7 and 15 subordinates, between 16 and 30 subordinates and over 31 subordinates.

The highest level of education

There were 3 answers available for selection – secondary school, University and PhD/MBA

In which department do you work?

The interviewed managers are from six different departments of Volkswagen Slovakia, a. s.: quality assurance with 26 participants, product management with 6 participants, planning department with 4 participants, Logistics with 10 participants, Pilothele with 5 participants and production with 15 participants. All these departments are assigned to the technical division at Volkswagen Slovakia, a. s..

The technical division has been chosen because of two reasons:

1. Because of the specific technical orientation (compared with the other divisions; finance or human resources) and therefore because of its individual targets and the resulting target agreement process.
2. Personal experience of the author of the thesis with the target agreement process in this division.

Number of respondents

In total there were 104 respondents, 67 of them have filled in the questionnaire. This results in a recirculation of 64%. As mentioned in the title and the target description of this thesis, the target agreement process between the upper and middle management of VW SK (managers with target matrix type A – department targets)

has been analyzed. Therefore the OMK (upper management), MK (upper management) and FBL (middle management) were requested. This group of people consists of 104 persons. When determining the amount of representative n , 3 factors have to be considered:

1. The reliability of the estimation $z_{1-\alpha/2}$ is the value $1 - \alpha$ - the higher the amount is, the more participants would be needed.
2. The fault-span H can be determined by 10% - the lower the value, the more participants would be needed.
3. The variability of the principle s is the percentage of the participants who correspond to the particular indication (e. g. the percentage of the participants with the target matrix A) and is defined by the standard deviation σ . This value is normally unknown but can be determined by estimation via an investigation of a small amount of the participation.

Within a random selection, the representative amount of the participants should be calculated as following⁷²:

$$n = \frac{z_{1-\alpha/2}^2 \cdot s^2}{H^2} \qquad s = \sqrt{p \cdot (1-p)}$$

The variability of the principle is, in case of this thesis, 100%. According to the data of the Human Resources department, all respondents are associated to the target matrix type A. Because of this reason, the number of responses of 67 was evaluated absolutely sufficient.

4. Research Results

4.1 Evaluation of the Survey

4.1.1 Methodology of the Data Evaluation

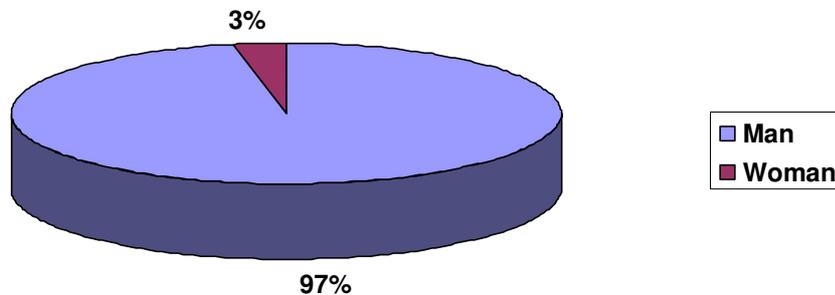
The evaluation of the data from the survey/questionnaire was done in four steps:

1. Evaluation of the demographic data
2. Evaluation of the separate questions
3. Evaluation of the separate clusters
4. Evaluation of the data – answers confirming the hypothesis

⁷² Richterova (2002): Marketingovy vyskum, page 149; Ekonóm, Bratislava

4.1.2 Evaluation of the demographic Data

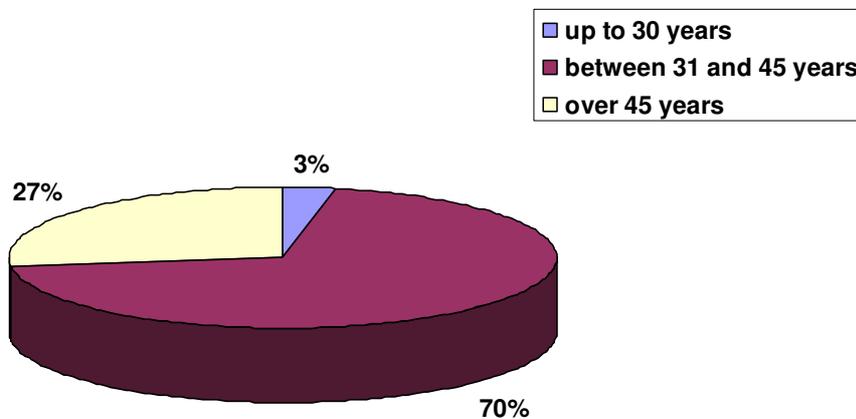
Prior to the statements which should be rated, some demographic data had to be answered. These are evaluated in the following diagrams.



Source: Evaluation of the survey to the target agreement process

Figure 24: Gender of the Respondents

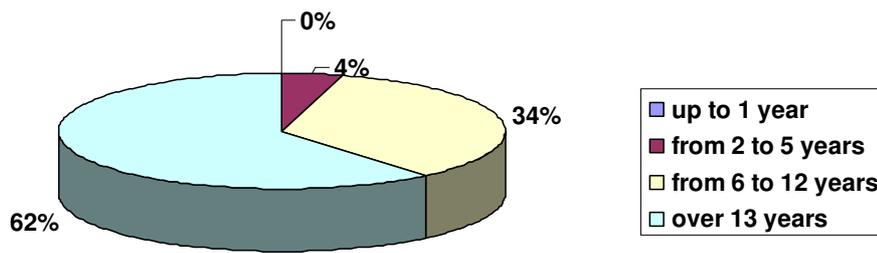
This diagram is showing that 97% of the respondents were male and 3% of the respondents were female. As most of the managers at Volkswagen Slovakia are male, this figure is not surprising.



Source: Evaluation of the survey to the target agreement process

Figure 25: Age of the Respondents

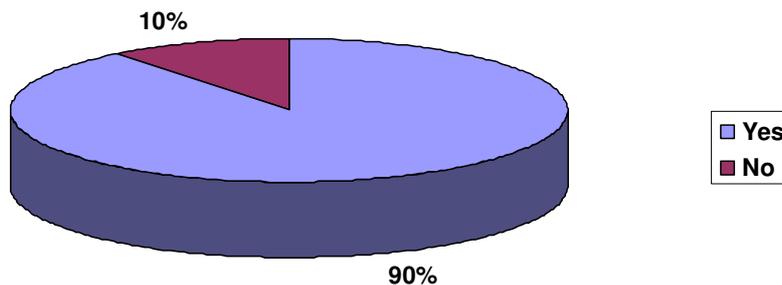
It is clear to see that nearly three-quarter of the respondents are in the age between 31 and 45 years. Only 3% are up to 30 years and almost over a quarter is over 45 years. Interpreting this, it can be said, that managers at Volkswagen Slovakia in the technical division shall not be too young, respectively should have a specific professional experience.



Source: Evaluation of the survey to the target agreement process

Figure 26: Years at Volkswagen (Seniority of the Respondents)

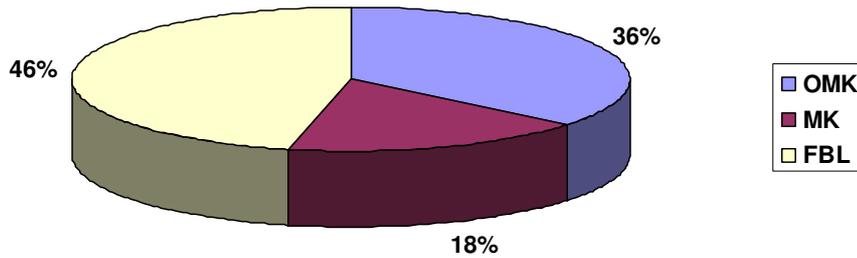
62% of the respondents are working for more than 13 years and 34% of the respondents are working for 6 to 12 years at Volkswagen Slovakia. Merely 4% are working for 2 to 5 years at Volkswagen Slovakia and nobody is working for less than 1 year at Volkswagen Slovakia. This also shows that managers should have a specific professional experience, mainly in the Volkswagen Group.



Source: Evaluation of the survey to the target agreement process

Figure 27: Participants of the Training "Management Techniques"

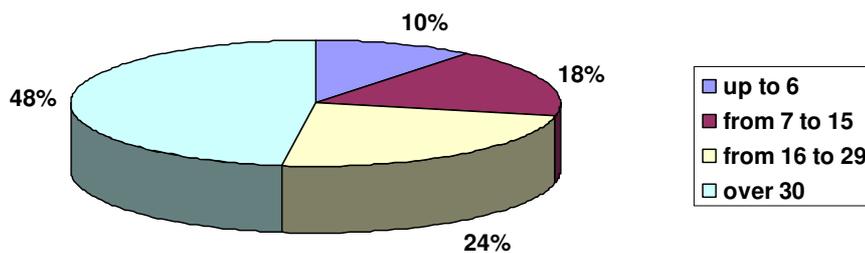
Within the Volkswagen Group there is a training course which deals with management techniques. This diagram shows that solely one tenth did not complete this training course yet.



Source: Evaluation of the survey to the target agreement process

Figure 28: Management Position of the Respondents

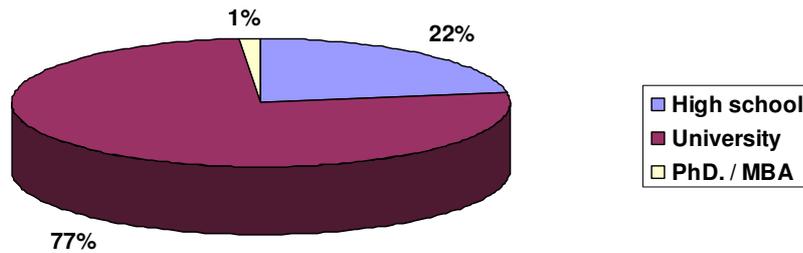
Within the company Volkswagen Slovakia, a. s. the management is divided into three levels. OMK (oberer Managementkreis) is the upper management while MK (Managementkreis) and FBL (Fachbereichsleiter) belong to the middle management. This diagram shows that the majority of the respondents belong to the FBL. Almost over one third belong to the upper management and the rest also belongs to the middle management.



Source: Evaluation of the survey to the target agreement process

Figure 29: Number of Subordinates in the Department

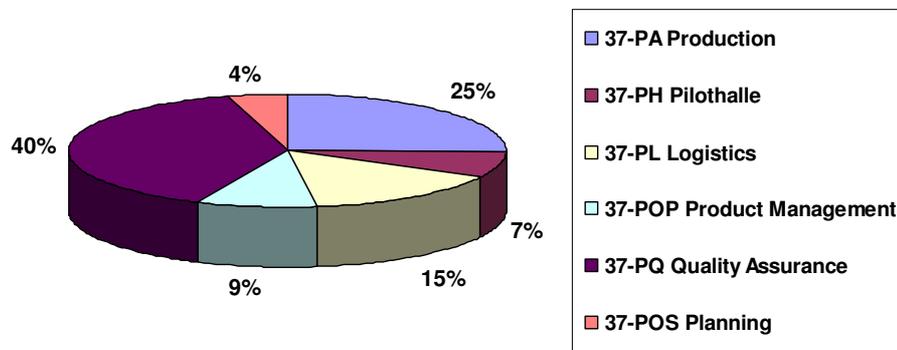
Looking at the diagram which shows the number of subordinates of the managers, it is very striking that nearly the half of respondents has 30 employees and more. Only a tenth of the respondents have up to 6 subordinates in their department. Nearly a quarter of the respondents have 16 to 29 employees and 18% have 7 to 15 employees in their department. This shows that the departments at Volkswagen Slovakia are mostly very big and have many employees.



Source: Evaluation of the survey to the target agreement process

Figure 30: Level of Education of the Respondents

The respondents were also asked to note their highest level of education. Over three-quarter of the managers have a university degree. Nearly one quarter has a high school-degree and merely 1% has a doctorate or a master's degree.



Source: Evaluation of the survey to the target agreement process

Figure 31: Department of the Respondents

This diagram shows in which departments at Volkswagen Slovakia the respondents work. Most of the respondents (40%) work in quality assurance. One quarter of the respondents work in the production department and 15% of the respondents work in the logistics. The rest of the respondents are from the product management (9%), the pilothalle (7%) and in the planning department (4%).

4.1.3 Evaluation of the separate Questions

In the following five tables the detailed results of the survey in number of answers absolutely and in percentages are displayed.

Cluster 1		1.1		1.2		1.3		1.4		1.5		1.6		1.7	
Completely disagree	1	0	0	19	1	1	1	1	1	1	1	1	1	1	1
Disagree	2	3	0	28	3	2	1	1	1	1	1	1	1	1	1
Neither agree nor disagree	3	12	4	11	4	13	8	8	8	8	8	8	8	8	8
Agree	4	35	28	8	29	31	42	38	38	38	38	38	38	38	38
Completely agree	5	17	35	1	30	20	15	19	19	19	19	19	19	19	19
Completely disagree	1	0%	0%	28%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Disagree	2	4%	0%	42%	4%	3%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Neither agree nor disagree	3	18%	6%	16%	6%	19%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Agree	4	52%	42%	12%	43%	46%	63%	57%	57%	57%	57%	57%	57%	57%	57%
Completely agree	5	25%	52%	1%	45%	30%	22%	28%	28%	28%	28%	28%	28%	28%	28%

Source: Survey to the target agreement process

Table 9: Cluster 1

		Cluster 2					
		2.1	2.2	2.3	2.4	2.5	2.6
Completely disagree	1	44	2	38	0	2	0
Disagree	2	8	2	13	1	2	0
Neither agree nor disagree	3	4	11	8	6	3	6
Agree	4	9	33	5	16	30	35
Completely agree	5	2	19	3	44	30	26
Completely disagree	1	66%	3%	57%	0%	3%	0%
Disagree	2	12%	3%	19%	1%	3%	0%
Neither agree nor disagree	3	6%	16%	12%	9%	4%	9%
Agree	4	13%	49%	7%	24%	45%	52%
Completely agree	5	3%	28%	4%	66%	45%	39%

Source: Survey to the target agreement process

Table 10: Cluster 2

Cluster 3		Some of my targets are focused on activities instead of results.	Some of my targets are inconsistent to each other.	My targets are being coordinated with the targets of my colleges in our department.	All my targets are achievable to me.	I think I have enough information about the criteria for correctly set targets.
		3.1	3.2	3.3	3.4	3.5
Completely disagree	4	19	36	1	1	2
Disagree	5	15	12	2	3	2
Neither agree nor disagree	5	10	5	5	9	5
Agree	5	12	7	24	33	32
Completely agree	5	11	7	35	21	26
Completely disagree	1	28%	54%	1%	1%	3%
Disagree	2	22%	18%	3%	4%	3%
Neither agree nor disagree	3	15%	7%	7%	13%	7%
Agree	4	18%	10%	36%	49%	48%
Completely agree	5	16%	10%	52%	31%	39%

Source: Survey to the target agreement process

Table 11: Cluster 3

Cluster 4		My targets are ambitious but achievable and motivational.	The plant targets of VW SK help me with the orientation to my work tasks.	The state of my targets does not reflect my performance.	I can not influence the fulfilment of my targets.	My targets give the direction to my work.
		4.1	4.2	4.3	4.4	4.5
Completely disagree	1	0	1	23	36	2
Disagree	2	2	8	28	20	4
Neither agree nor disagree	3	5	15	5	5	4
Agree	4	37	30	8	6	33
Completely agree	5	23	13	3	0	24
Completely disagree	1	0%	1%	34%	54%	3%
Disagree	2	3%	12%	42%	30%	6%
Neither agree nor disagree	3	7%	22%	7%	7%	6%
Agree	4	55%	45%	12%	9%	49%
Completely agree	5	34%	19%	4%	0%	36%

Source: Survey to the target agreement process

Table 12: Cluster 4

		Cluster 5					
		5.1	5.2	5.3	5.4	5.5	
Completely disagree	1	0	24	42	17	2	
Disagree	2	2	21	17	5	4	
Neither agree nor disagree	3	2	10	0	9	8	
Agree	4	13	10	4	11	25	
Completely agree	5	50	2	4	25	28	
Completely disagree	1	0%	36%	63%	25%	3%	
Disagree	2	3%	31%	25%	7%	6%	
Neither agree nor disagree	3	3%	15%	0%	13%	12%	
Agree	4	19%	15%	6%	16%	37%	
Completely agree	5	75%	3%	6%	37%	42%	

Source: Survey to the target agreement process

Table 13: Cluster 5

In the following table all answers to the statements are listed and evaluated by clusters. Furthermore, the answers confirming the hypothesis are listed to each statement. According to this, further evaluation has been made where the percentage of the answers confirming the hypothesis have been considered.

No.	Cluster / Statement	Lickert scale* answers confirming the hypothesis	% of the answers confirming the hypothesis
1	<i>Connection of the department targets to strategy 2018 and to the VW SK plant targets</i>		
1.1	It is clear how the strategy 2018 is connected to the plant targets of VW SK.	1; 2	4
1.2	The targets of my department are clearly connected to the plant targets of VW SK.	1; 2	0
1.3	I have the feeling that my targets are only fractionally connected to the strategy 2018.	4; 5	13
1.4	I know how I do participate with achievement of my goals on the achievement of the VW SK plant targets.	1; 2	5
1.5	The connection between my department targets and the strategy 2018 is clear to me.	1; 2	4
1.6	The strategy 2018 is clear to me and I know how this relates to my work.	1; 2	4
1.7	I think I have enough information about the strategy 2018 and about the plant targets of VW SK.	1; 2	2
2	<i>Quality of communication of the targets</i>		
2.1	My targets have been prescribed by the superior without the chance to express myself to these.	4; 5	6
2.2	The communication of the plant targets is clear to me and sufficient.	1; 2	6
2.3	I think that the individual targets should be communicated by the superior without detailed explanation.	4; 5	11
2.4	My targets are agreed through open interview with my superior.	1; 2	2
2.5	I accept my targets without reservation, these were clear and detailed explained to me.	1; 2	6
2.6	I have sufficient information about the correct target agreement process.	1; 2	0
3	<i>Criteria for the correctly set targets</i>		
3.1	Some of my targets are focused on activities instead of results.	4; 5	34

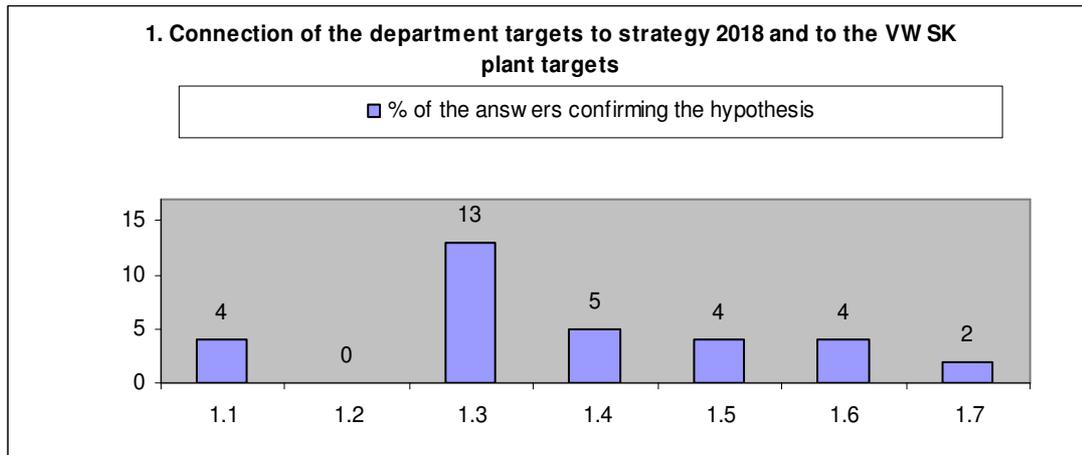
3.2	Some of my targets are inconsistent to each other.	4; 5	20
3.3	My targets are being coordinated with the targets of my colleges in our department.	1; 2	4
3.4	All my targets are achievable to me.	1; 2	5
3.5	I think I have enough information about the criteria for correctly set targets.	1; 2	6
4.	<i>Motivation and attitude towards the targets</i>		
4.1	My targets are ambitious but achievable and motivational.	1; 2	3
4.2	The plant targets of VW SK help me with the orientation to my work tasks.	1; 2	13
4.3	The state of my targets does not reflect my performance.	4; 5	16
4.4	I can not influence the fulfilment of my targets.	4; 5	9
4.5	My targets give the direction to my work.	1; 2	9
5.	<i>Evaluation and change of the targets</i>		
5.1	The state of my targets is regularly presented during the year and discussed in my department.	1; 2	3
5.2	The evaluation of my targets is a formal communication with my superior.	4; 5	18
5.3	I do not know the evaluation of the plant targets of VW SK from last year.	4; 5	12
5.4	My targets are if becoming unattainable during the year changed and the reason for the change is explained.	1; 2	32
5.5	I think I have enough information about the evaluation of the plant targets of VW SK from last year.	1; 2	9

*Lickert scale of the answers to the statements: 1 - Completely disagree 5 - Completely agree

Source: Survey to the target agreement process

Table 14: Statements of the Questionnaire

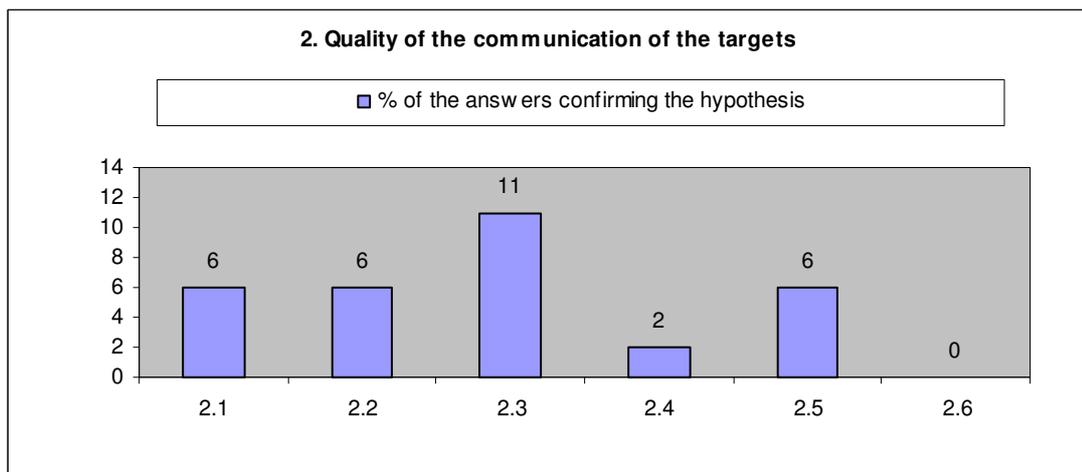
4.1.4 Evaluation of the separate Cluster



Source: Evaluation of the survey to the target agreement process

Figure 32: Evaluation of Cluster 1

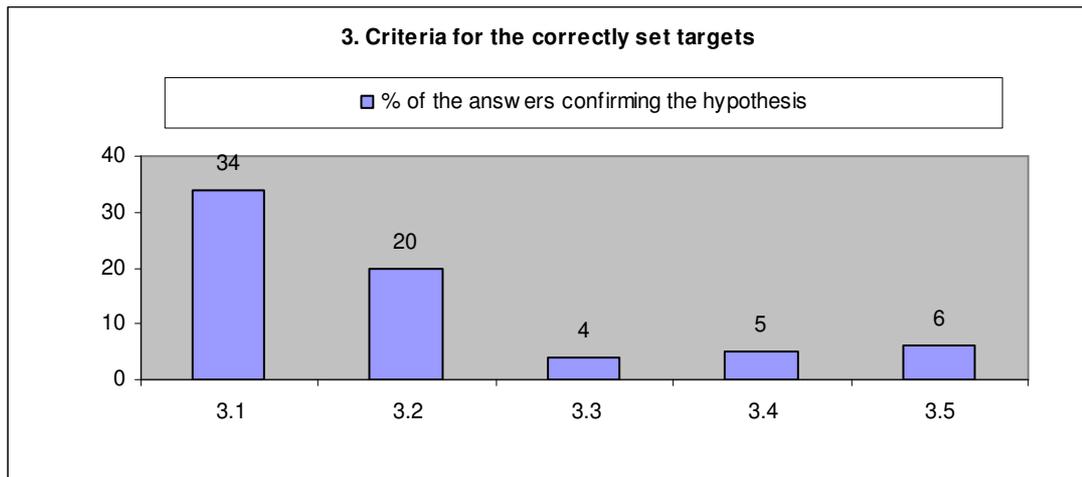
This diagram shows the answers to cluster 1 „The connection of the department targets to the strategy 2018 and to the VW SK plant targets“. In this cluster 7 statements were listed. The answers to the statements 1.2 and 1.3 are very outstanding. Statement 1.2 which says „The targets of my department are clearly connected to the plant targets of VW SK“ was rated completely with the labels 3 to 5. So all respondents agree or completely agree to this statement. Statement 1.3 will be explained more detailed later on in a further diagram.



Source: Evaluation of the survey to the target agreement process

Figure 33: Evaluation of Cluster 2

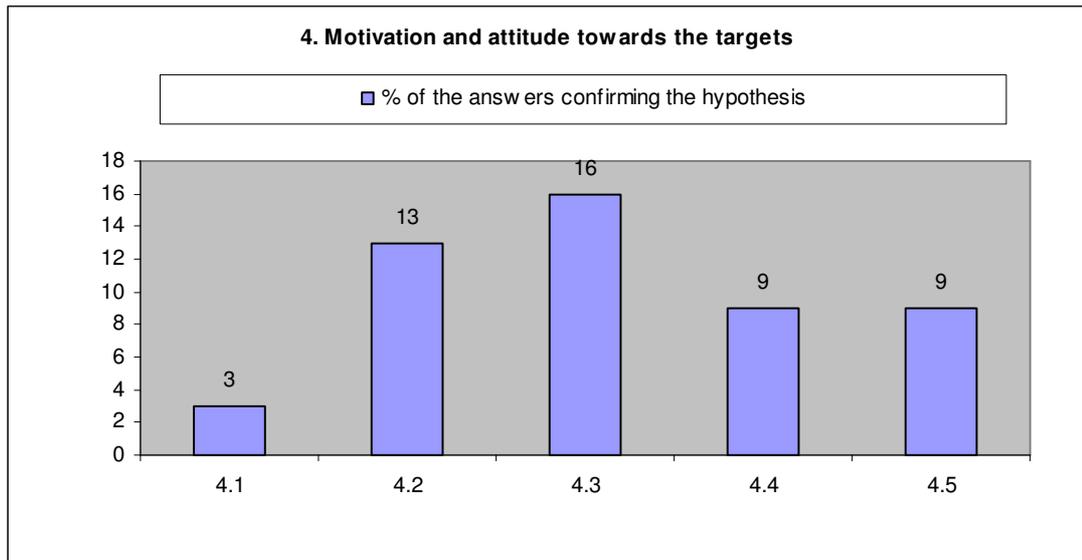
The second cluster deals with the “quality of the communication of the targets” and consists of 6 statements. The outstanding answers here are the answers to 2.3 and to 2.6. Statement 2.3 will be explained more detailed in a further diagram. Statement 2.6 which says “I have sufficient information about the correct target agreement process” is outstanding as it was rated completely with the labels 3 to 5 which means that all respondents agree or completely agree to this statement. So, all respondents have sufficient information about the correct target agreement process.



Source: Evaluation of the survey to the target agreement process

Figure 34: Evaluation of Cluster 3

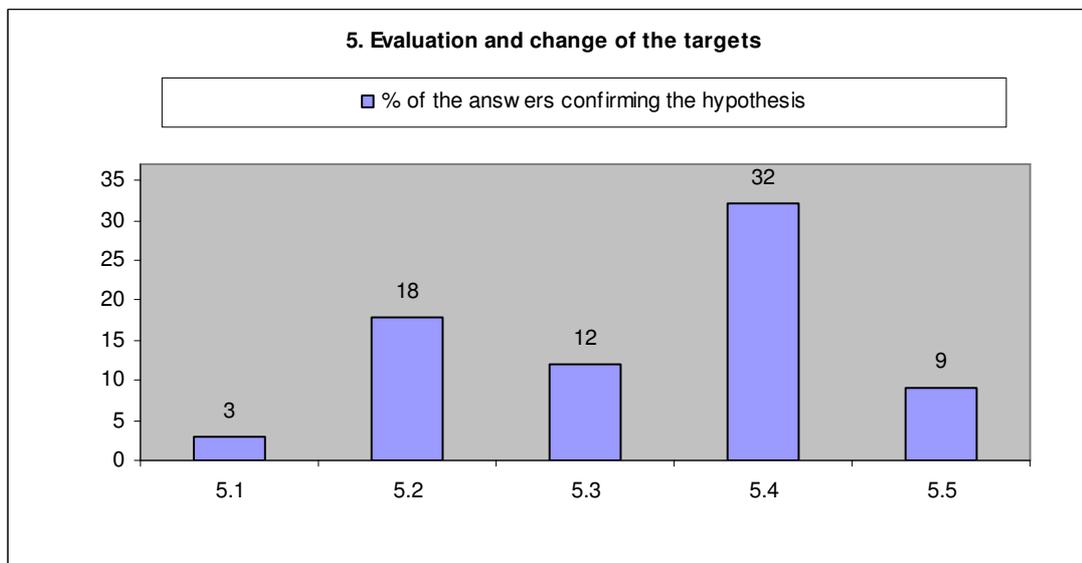
This diagram is about the third cluster which deals with the “criteria for the correctly set targets” and consists of 5 statements. The outstanding results here are the results to 3.1 which say “Some of my targets are focused instead of results on activities” and to 3.2 which say “Some of my targets are inconsistent to each other”. The detailed results of these statements will be explained in a further diagram.



Source: Evaluation of the survey to the target agreement process

Figure 35: Evaluation of Cluster 4

Cluster No. 4 deals with “the motivation and attitude towards the targets” and consists of 5 statements to this topic. The statement 4.2 and 4.3 are outstanding here. 4.2 says “The plant targets of VW SK help me with the orientation to my work tasks” and 4.3 says “The state of my targets does not reflect my performance”. The detailed results of these statements will be explained in a further diagram.



Source: Evaluation of the survey to the target agreement process

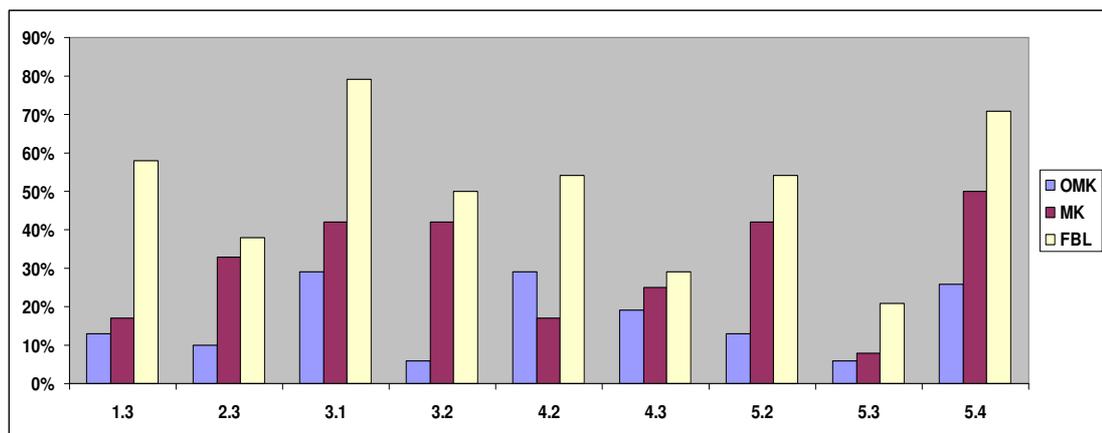
Figure 36: Evaluation of Cluster 5

The diagram to the cluster “Evaluation and change of the targets” also has 5 statements. The outstanding statements here are 5.1 “The state of my targets is regularly presented during the year and discussed in my department” and 5.4 “My targets are if becoming unattainable during the year changed and the reason for the change is explained”. The result to the statement 5.1 (3%) is showing that the targets are regularly presented and discusses, even during the year in the departments. The result to the statement 5.4 (32%) shows that nearly one third of the respondents completely disagree or disagree to the fact, that targets are being changed during the year, if they are unattainable. This shows a kind of inflexibility in the departments.

4.1.5 Demographic Analysis of the Answers confirming the Hypothesis

The analysis is done in two steps:

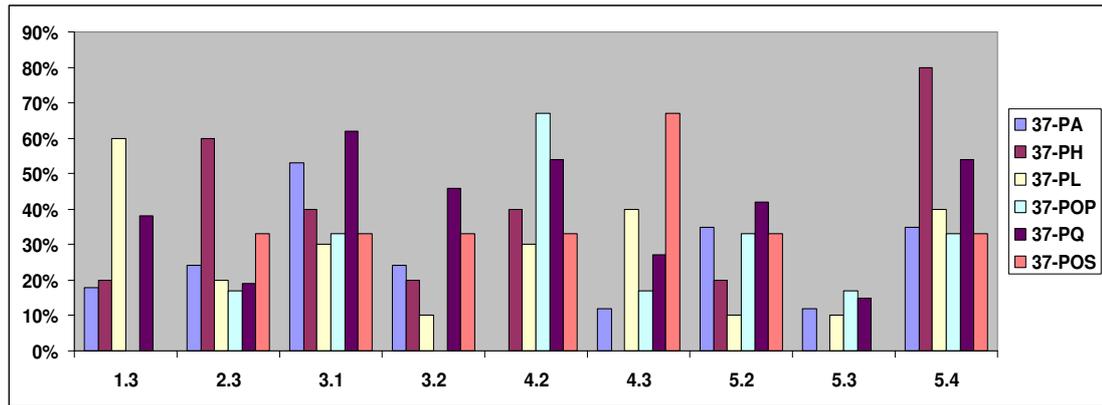
1. % respondents of all respondents from the specific management position
2. % respondents of all respondents from the specific department



Source: Evaluation of the survey to the target agreement process

Figure 37: Management Positions of the Respondents confirming the Hypothesis

This diagram shows the breakdown of the management positions at Volkswagen Slovakia for the answers to the statements which confirm the hypothesis. Obviously most of the respondents which confirmed the hypothesis in their answers are FBL’s. The lowest percentages in each statement are the OMK’s. This shows that the top and upper management has a better understanding and knowledge than middle management concerning the target agreement process in general.



Source: Evaluation of the survey to the target agreement process

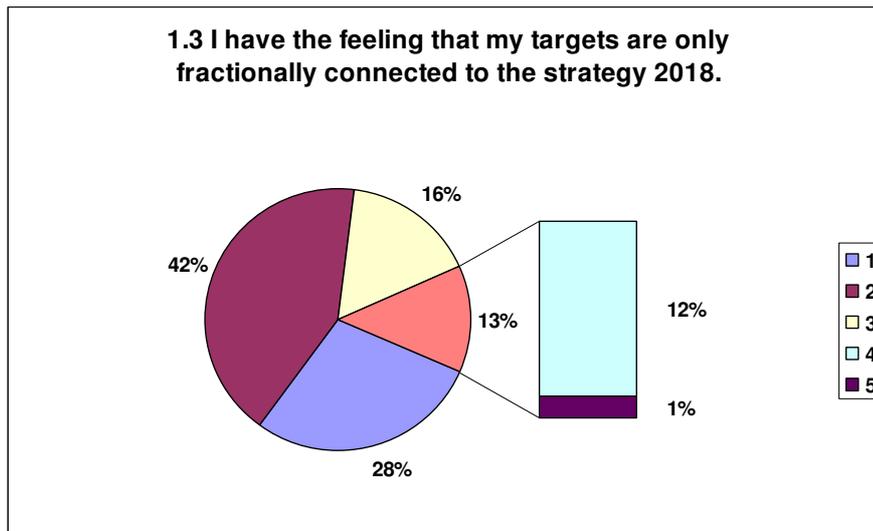
Figure 38: Departments of the Respondents confirming the Hypothesis

The different departments which were taking part in the survey are listed in this diagram. They are also split up after the statements which confirm the hypothesis. The majority of the respondents with answers confirming the hypothesis are from the department of Logistics, Pilothalle and Quality Assurance.

5. Conclusion from the Results

In the pie charts the answers confirming the hypothesis are separately analyzed and displayed by a column. Some of the figures in the columns do not represent the figures in the pie chart due to the rounding of the values.

The first group of the analyzed clusters, defined in the aim of the thesis was focused on the connection between the strategy and the department targets. The evaluation of cluster 1 shows that this connection is clear and well known by the respondents. Generally a low number of the answers agreeing with the hypothesis “an unclear connection between the strategy and the department targets” were collected. The assumption is that most of the OEMs have clear defined targets concerning their vision and strategy. As already mentioned, the department targets are developed after the vision and strategy of the company. Most of the OEMs have many plants and subsidiaries with a high number of departments. Therefore it is sometimes difficult to have a clear and definite communication chain between the board and the departments of the company. Despite these results, it is very important to keep the communication chain of the strategy clear, mutual (top down and bottom up) and visible.

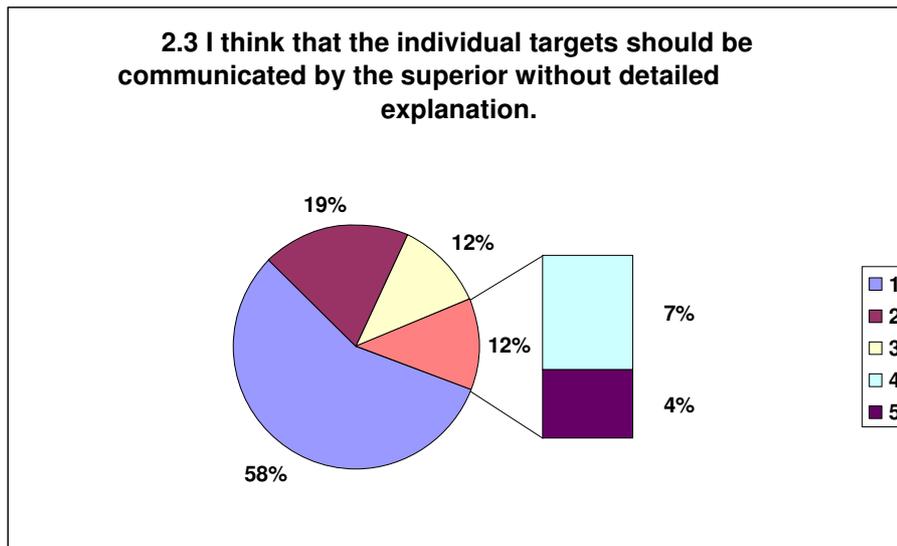


Source: Evaluation of the survey to the target agreement process

Figure 39: Evaluation of Statement 1.3

Statement 1.3 which says “I have the feeling that my targets are only fractionally connected to the strategy 2018” was answered with agreement or complete agreement (13%). This means that 13% of the managers think that their targets are not completely linked with the strategy of the Volkswagen Group. On the other hand 70% (Label 1 + Label 2) do not think that their targets are only fractionally linked with the strategy of the Volkswagen Group. The recommendation in this case is to improve the communication of the strategy and the plant targets by the superior manager. The first input to the strategy and the plant targets has to come from the upper level. Afterwards the lower management level should confirm this information or in case of misunderstanding a clearing questions should solve the problem.

The second group of analyzed problem, defined in the aim of the thesis, was the analysis of the role of the manager in the target agreement process. This means target setting, change of the targets and evaluation were analyzed.

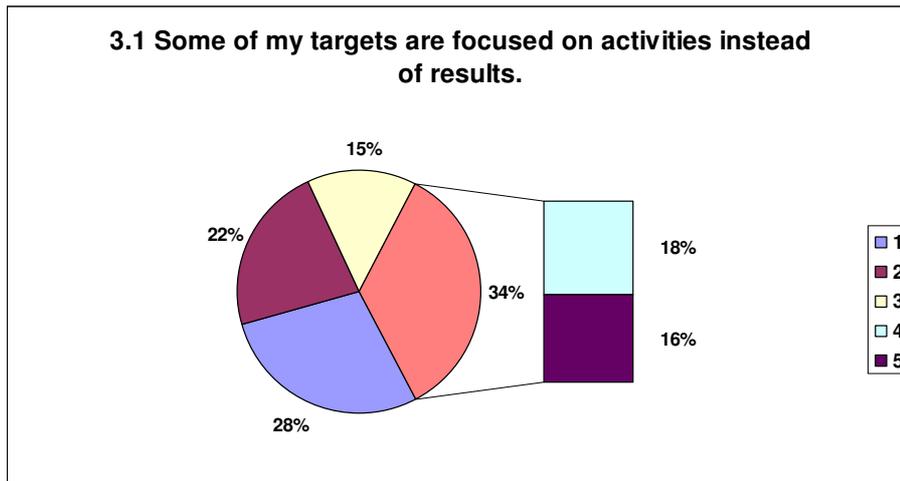


Source: Evaluation of the survey to the target agreement process

Figure 40: Evaluation of Statement 2.3

Statement 2.3 says “I think that the individual targets should be communicated by the superior without detailed explanation“. This statement was completely agreed to by 12% of the respondents. These are obviously managers who do not want to have detailed information about the targets which should be fulfilled. However 58% of the respondents think that the targets should be communicated with a detailed explanation. The theory of the target setting process says that the first target proposal should come from the subordinate manager. This means the targets should not be prescribed by the upper management level but negotiated between both management levels. The recommendation for improvement is to follow the theoretical procedure of the target setting process:

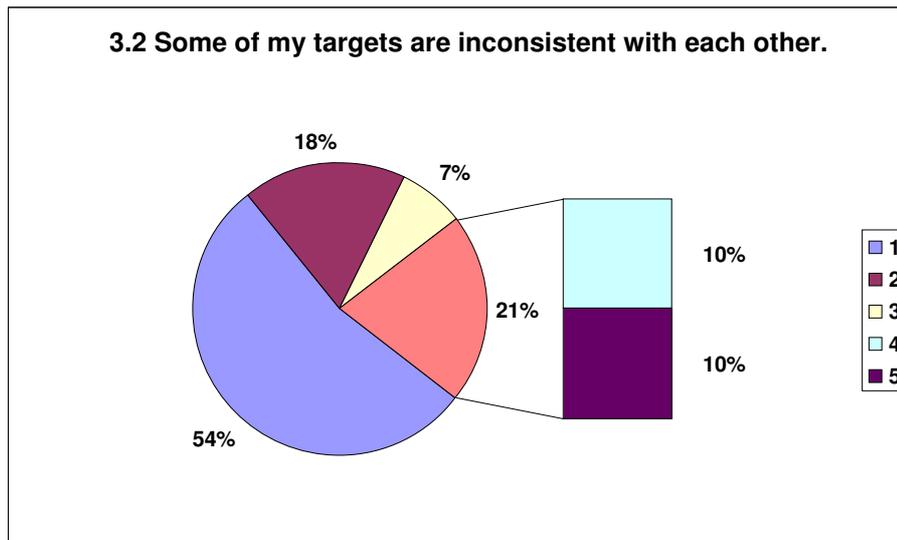
1. information about the strategic challenges from the upper management level
2. target suggestions from the lower management level
3. correction and completion of the target proposals



Source: Evaluation of the survey to the target agreement process

Figure 41: Evaluation of Statement 3.1

This diagram shows the results of statement 3.1 which says „Some of my targets are focused on activities instead of results“. 34% of the respondents agree with this statement which means that they think that their targets are more activity-based. The respondents confirmed the hypothesis concerning the „activity trap“. The more down in the organizational structure the department is, the more specific and detailed targets the department has. The interpretation of this result is that this is typical for technical division departments due to their specific tasks and activities. Due to that, these departments tend to set their targets more by activities than by results, e. g. the number of processed internal audits or measurements instead of the result of these activities. In the definition of a target mentioned in the theoretical part of this thesis is shown that a target is a future commitment to a result which will be achieved to a specific date and with specific resources. It is obvious that an activity does not relate to this definition.



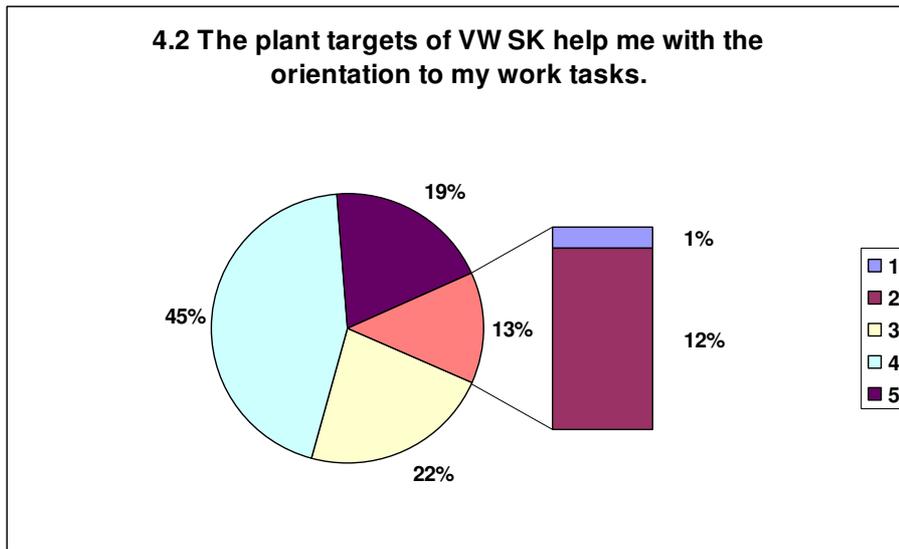
Source: Evaluation of the survey to the target agreement process

Figure 42: Evaluation of Statement 3.2

Statement 3.2 is visualized in this diagram – the statement here says „Some of my targets are inconsistent with each other“. 21% agree with this statement and 54% do not agree and think that their targets are consistent with each other. Especially in the quality assurance department, nearly 50% of the respondents have confirmed the inconsistency of their targets.

It is essential in the target agreement process to coordinate the targets with the strategy of the company and also with each other. The recommendation for improvement for the statements 3.1 and 3.2 is that the managers should firstly focus on the definition of the targets and also on the criteria for these. In the training “Management Techniques”, the focus should be more on the whole target agreement process and also on the criteria for correctly set targets. Only if the whole process is understood by the managers, this kind of error could be avoided. The training "Management Techniques" should cover the five parts of the target agreement process theory:

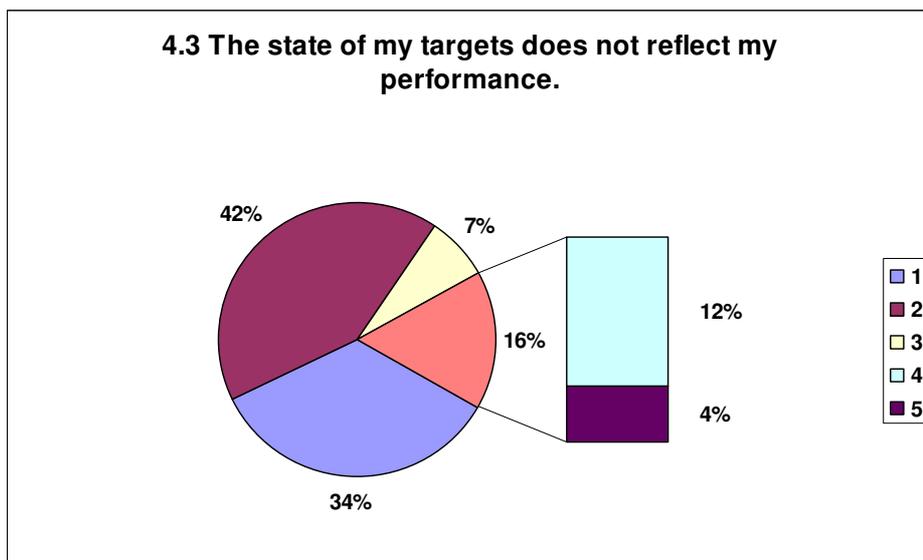
- a) Cascade of the strategy to the department targets and management by objectives
- b) Planning – target setting process
- c) Coaching – change of the targets, support of the manager to the employee to fulfil the targets
- d) Evaluation – self-evaluation of the subordinate, evaluation of the superior, determination of the measurements
- e) Reward – clarification of the rules for the reward



Source: Evaluation of the survey to the target agreement process

Figure 43: Evaluation of Statement 4.2

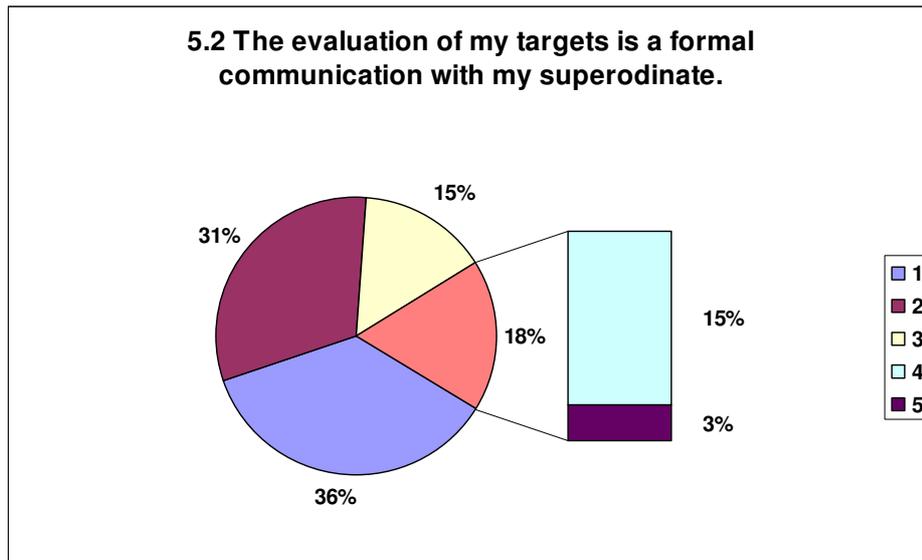
Number 4.2 deals with the statement „The plant targets of VW SK help me with the orientation to my work tasks“. 13% of the respondents disagree with this statement which is controversial. However on the other side 64% of the respondents think that the plant targets of VW SK help them to orientate with their work tasks. The recommendation for improvement for this result is the same as the recommendation for the statement 1.3.



Source: Evaluation of the survey to the target agreement process

Figure 44: Evaluation of Statement 4.3

This diagram shows the results of the statement 4.3 „The state of my targets does not reflect my performance“. 16% of the respondents think that this is the case, while on the other hand the majority, more than three quarters, think that the state of their targets reflects their performance. The interpretation of this result is that this is caused by the false criteria for the targets. Therefore the recommendation for improvement is to set the targets following the criteria for correctly set targets (the same as the recommendation for the statement 3.1 and 3.2).

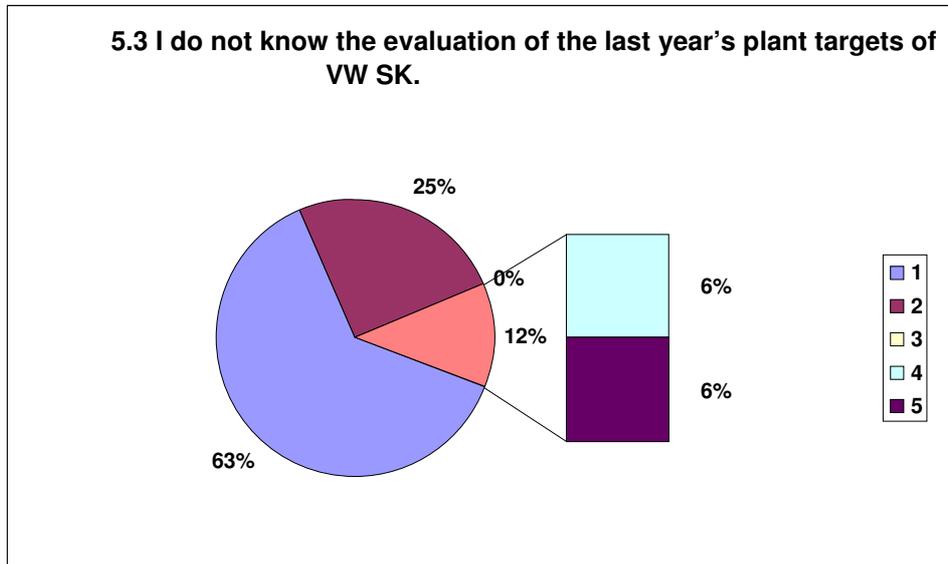


Source: Evaluation of the survey to the target agreement process

Figure 45: Evaluation of the Statement 5.2

This diagram deals with the statement 5.2 „The evaluation of my targets is a formal communication with my superior“. The results show that 18% of the respondents perceive the evaluation of their targets as a formal communication with their superiors. The theory of the evaluation process says that the success analysis is mainly a self-assessment of the employee and the communication as a key factor in this process has to be informal and treated with high priority by the superior. This assures that not only positive but also negative results will be motivational. The evaluation process is important for the review of the performance but also for the future improvement of the subordinate manager. This could serve as a guideline for the manager for the upcoming business year. Only if the manager understands the achieved results in detail, there will be a high potential for improvement in future. That means, with the evaluation the action for the future target achievements already starts and so this process should be attended to carefully by the superior manager. Due to this, a clear, informal and result oriented communication in the

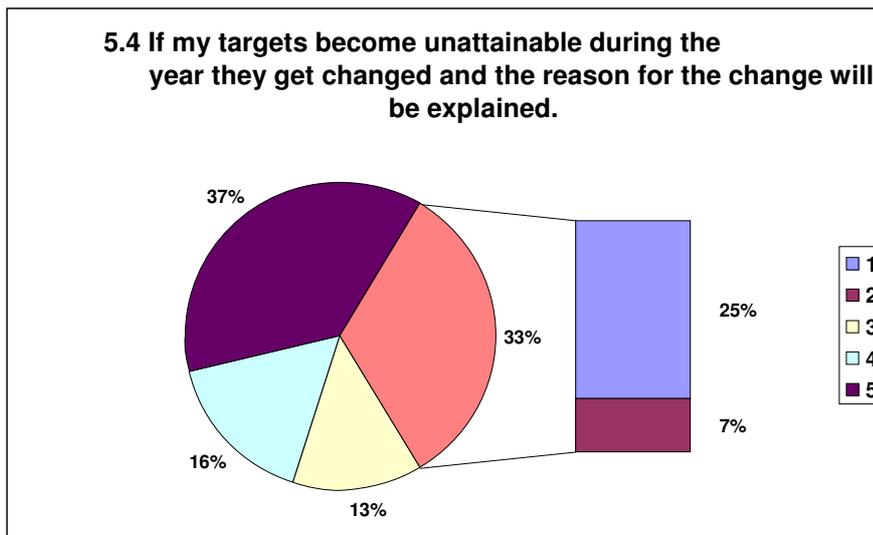
evaluation process by the superior manager is absolutely necessary.



Source: Evaluation of the survey to the target agreement process

Figure 46: Evaluation of the Statement 5.3

Statement 5.3 is displayed in this diagram. The statement says „I do not know the evaluation of the last year's plant targets of VW SK“. Actually, 12% do not know the evaluation of the last years` plant targets. On the other hand, 88% know the evaluation of last year's targets. The recommendation for improvement is to focus on the evaluation process not only on the department target level but also on the plant target level. This refers especially to the upper management level.



Source: Evaluation of the survey to the target agreement process

Figure 47: Evaluation of Statement 5.4

Statement 5.4 says „If my targets become unattainable during the year they get changed and the reason for the change will be explained“. This diagram shows that 33% of the respondents do not think that their targets are changed during the year if they become unattainable, but over the half of the respondents think that their targets get changed. The analysis of the change of the targets focusing on targets which became unattainable during the year (statement 5.4) showed that 32% of the respondents confirmed the hypothesis.

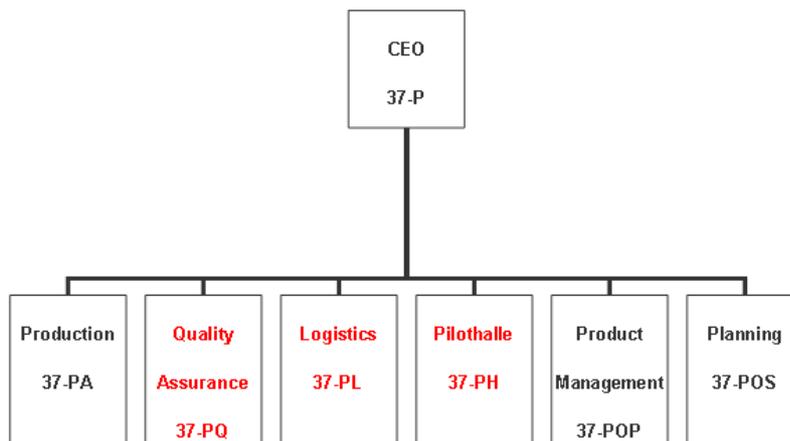
In case that unattainable target appears there are two possibilities how to handle this problem:

1. the target will not be changed during the year, so the target stays unattainable and the responsible department have decreased motivation to keep the number of the failures as low as possible
2. the target will be changed, so the motivation of the department responsible for quality stays high

The comparison of these two possible solutions clearly shows that a change of the unattainable targets will lead to a better result than would be the case without a change. The „do-your-best“ targets will lead to lower performance than a specific and even changed targets. Most of the managers claim that the targets should never be changed during the year. If the target becomes unattainable, it automatically does not suit the criteria for correctly set targets – achievable. The consequence of not changing unattainable targets is the decrease of motivation and also the attitude towards the target achievement which is unproductive in the performance management cycle/process. The recommendation is to assure the identification of unattainable targets during the year and to establish clear rules for the change of the targets with appropriate communication. Unattainable targets are not targets anymore, they are pious wishes, a negative parts of the target matrix which have to be removed and replaced – change is in this case essential. In detail, in the training “Management Techniques” in the part coaching, the change process of the targets should be explained in more detail. The questions who, when and how should be explained to the managers to improve the target change process and their knowledge about this process. Recommended course for a target change process:

1. Identification of the unattainable targets by regular review interviews between the subordinate and the superior manager
2. Root cause analysis and definition of the measures for the future target agreement process
3. Start of the new target agreement process, definition of a new target

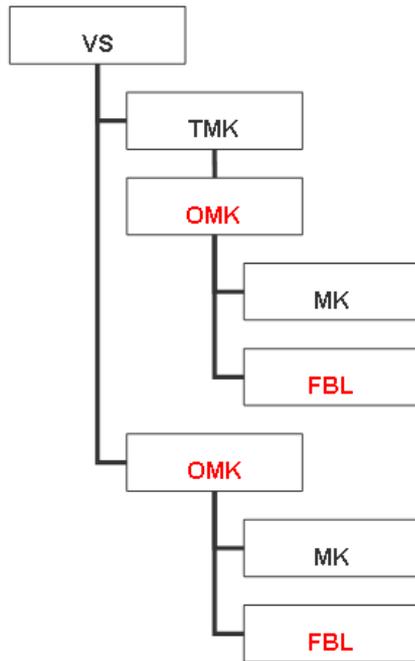
Correlation analysis of the data to the management position and department of VWSK: The results shown in the figure 37 generally show a strong correlation between the department of the respondents and the potential of improvement of the target agreement process. So the improvement recommendations can be addressed to these concrete departments (marked in red in the figure) of VW SK.



Source: Volkswagen Slovakia, a. s. Intranet

Figure 48: Organizational Structure of the technical Division at Volkswagen Slovakia, a. s.

The majority of the respondents with the answers confirming the hypothesis are from the middle management, in this case the FBL-position. Some of the statements (3.1 – targets focused on activities and 5.4 – change of the targets) were answered by over 70% of all FBL respondents. The statement 3.5 - the knowledge of the managers about the correct target agreement process - shows that 87% of all respondents think they know enough about this process. On the other hand, this result automatically creates a question: how can this be if 34% of all respondents and 70% of all FBL have targets which do not fulfil the criteria for correctly set targets? Two reasons can be deduced: 1. prescription of the targets by OMK, or/and low ambition of the FBL. 2. Overconfidence effect of the managers. The results generally show a strong correlation between the management position of the respondents and the potential of improvement of the target agreement process. In the management chain at VW SK are the subordinates of FBL-managers the OMK-managers. So the improvement recommendations can be addressed particularly to OMK and FBL (marked in red in the graphic).



Source: Volkswagen Slovakia, a. s. Intranet

Figure 49: Structure of the upper and middle Management within the Target Agreement Process (Target Matrix Type A)

The last recommendation is to the 10% of the respondents without the Training „Management Techniques“ to complete this training.

The recommendations from the first part of the conclusion can also be applied to the identified management positions and departments of Volkswagen Slovakia, a. s..

5.1 Implications and Recommendations

This thesis includes the analysis of the goal oriented activities and the interactions among the managers of the analyzed organization. The single results of the analysis can be structured in two parts.

The first part of the results includes the potential for improvement of the communication between the members of the organization (statements 1.3; 2.3; 4.2; 5.2 and 5.3). The answers to these statements have shown potential for improvements in the communication of the strategy and targets and the communication in the evaluation process. The exchange of information between a sender and a receiver on an interpersonal level, in groups and on the organizational level is one of the most important but also most underestimated processes in a company. The summary of the recommendations for improvement can be: the communication of the strategy, plant targets and also the achieved results

(evaluation of the targets) should be brought into focus by all management levels. By doing this, the rules for a persuasive communication, supportive communication and feedback should be fulfilled.

The second part of the results includes the potential for improvement of the goal oriented activities, in this case the target agreement process (statements 3.1; 3.2; 4.3 and 5.4). Here the summary of the recommendation for improvement is to explain to the managers the theory of management by objectives and the whole target agreement process by a special training. It is essential to explain the whole system, not only the criteria for correctly set targets or rules for the change of the targets. As the basis for the management training this master thesis can be used.

5.2 Conclusion

The main objective of this thesis was the analysis of the role of the manager in the target agreement process at Volkswagen Slovakia, a. s. and the identification of the weak points of this role and process in accordance with the hypothesis and to propose corresponding optimization recommendations. Generally three groups of problems have been analyzed:

- Analysis of the connection of the department targets with the strategy and the plant targets and the knowledge of the individual manager about these connections. (cluster 1 of the questionnaire)
- Analysis of the role of the manager in the target agreement process as a part of the performance management cycle. (cluster 2-5 of the questionnaire)
- Is there any correlation between the specific management position and the potential for improvement of the target agreement process? Furthermore, is there any correlation between the specific department and the potential for improvement of the target agreement process? (demographic analysis of the answers confirming the hypothesis)

To fulfil the main objective of the thesis the following four sub goals have been developed:

1. Theoretical knowledge about the performance management cycle and the target agreement process (planning, coaching and evaluation) and the role of the manager in this process gained from all available sources (specialist literature, internet, etc.)

The theoretical knowledge of the target agreement process and of the role of the manager was collected and researched by literature study and internet search. All

parts of the target agreement process as a part of the performance management cycle were described in detail in the theoretical part of the thesis. Furthermore the role of the manager in all sub processes of the target agreement process was summarized in this part of the thesis.

2. Analysis of the actual situation via data collection with the use of the questionnaire method

The analysis of the target agreement process was done by the survey research method and the collection of the data by a questionnaire method. The questionnaire was structured accordingly to the research hypothesis in five different clusters:

- a) Connection of the department targets to strategy 2018 and to the VW SK plant targets
- b) Quality of communication of the targets
- c) Criteria for the correctly set targets
- d) Motivation and attitude towards the targets
- e) Evaluation and change of the targets

The demographic data of the respondents were also collected. The respondents have been from the upper and middle management of the technical division of Volkswagen Slovakia, a. s..

3. Evaluation of the data from the questionnaire

The evaluation has been done in four steps. In the first step the demographic data has been evaluated, the second step was the evaluation of the separate questions, the third steps included the evaluation of the separate clusters and finally the demographic analysis of the answers confirming the hypothesis has been realized.

4. Elaboration of an optimization recommendation with the collected data from the research in accordance with the theoretical knowledge

Generally the research results confirmed the hypothesis significantly in cluster 3 (criteria for the correctly set targets) and cluster 5 (evaluation and change of the targets) of the questionnaire. The weak points in the target agreement process and in the role of the manager in this process were found in the target setting process and in the change of the targets. The evaluation process of the targets also has to be improved. The hypothesis about the connection of the department targets to the company's strategy (cluster 1), the communication of the targets (cluster 2) and the motivation and attitude of the managers to their targets (cluster 4) did not significantly confirm the research hypothesis. With the demographic analysis of the answers confirming the hypothesis the departments and management levels with the biggest potential for improvement were identified. For all these weak points in

the target agreement process and the role of the manager in this process, the corresponding optimization recommendations in accordance with the collected theoretical knowledge have been defined. Thereby the main objective of this thesis can be described as fulfilled.

Generally said, every company in every time needs an efficient and effective management by objectives. As the part of this management system, the target agreement process has to work correctly. The results of this thesis have shown the potential for improvement of the target agreement process in one automotive company. This improvement will contribute towards better achievement of the targets which is the main purpose of every company.

The winner of Nobel price for economy Daniel Kahnemann from the University of Princeton calls it the “overconfidence-effect”: Thus every human secretly assumes that he can do more, knows more and is allowed to do more than they are in reality. We do overestimate our authorities, skills and competencies – continuously and everywhere. We believe that we know how it is going and are better than the others. Most managers believe that they are more capable than the competition and 90 percent of car drivers count themselves among the top third of drivers.⁷³ Targets are always in the future. With the help of management methodology, every action seems to be very adaptive and possible to correct. Managing always ends with the term “evaluation”. All experience, the positive as well as the negative was collected and then analyzed. They influence the formulation of the new targets. This methodology should be used to consequently transform the company into a learning organization, so that we have the chance to always set targets more successfully, precisely and realistically.⁷⁴

⁷³ Rettig, Daniel / Borghard Liane (2010): Die Ego-Falle, WirtschaftsWoche, Nr. 34, 23.8.2010, Page 80-84

⁷⁴ Siegert (1995): Ziele – Wegweiser zum Erfolg. 1st ed., page 84; Beste Unternehmensfuehrung, Bonn

IV LIST OF FIGURES AND TABLES

Figure 1: World economic Growth, 2004 – 2010	7
Figure 2: Performance Management Cycle.....	8
Figure 3: Performance Management – from organizational Level to Individuals.....	13
Figure 4: Management by Objectives - Process Cycle	14
Figure 5: Connection of Department Targets to the Strategy	15
Figure 6: Cascade Transition from the Vision to the Department Targets	15
Figure 7: Goal Alignment from top to bottom.....	16
Figure 8: Dimensions of a Balanced Scorecard	20
Figure 9: Role of the Manager in the Performance Management Cycle	22
Figure 10: Target Agreement Process	23
Figure 11: The Cycle of Management Functions.....	24
Figure 12: The Process “Leading with Targets and Success Analysis”	26
Figure 13: Target Setting Model.....	31
Figure 14: Taxonomy of the Target Setting Process	31
Figure 15: Attitude and Values.....	38
Figure 16: Target Evaluation Process	41
Figure 17: Strategy 2018	47
Figure 18: From Company’s Strategy to Department Targets	48
Figure 19: Organizational Structure at Volkswagen Slovakia, a. s. – Technical Division.....	50
Figure 20: Management Levels at Volkswagen Slovakia, a. s.....	50
Figure 21: Structure of the Management within the Target Agreement Process (Target Matrix Type A).....	51
Figure 22: Target Matrix Type A	53
Figure 23: Methodical approach in the master thesis	54
Figure 24: Gender of the Respondents	61
Figure 25: Age of the Respondents	61
Figure 26: Years at Volkswagen (Seniority of the Respondents).....	62
Figure 27: Participants of the Training "Management Techniques"	62
Figure 28: Management Position of the Respondents.....	63
Figure 29: Number of Subordinates in the Department	63
Figure 30: Level of Education of the Respondents.....	64
Figure 31: Department of the Respondents	64
Figure 32: Evaluation of Cluster 1	72
Figure 33: Evaluation of Cluster 2.....	72

Figure 34: Evaluation of Cluster 3.....	73
Figure 35: Evaluation of Cluster 4.....	74
Figure 36: Evaluation of Cluster 5.....	74
Figure 37: Management Positions of the Respondents confirming the Hypothesis .	75
Figure 38: Departments of the Respondents confirming the Hypothesis	76
Figure 39: Evaluation of Statement 1.3	77
Figure 40: Evaluation of Statement 2.3	78
Figure 41: Evaluation of Statement 3.1	79
Figure 42: Evaluation of Statement 3.2	80
Figure 43: Evaluation of Statement 4.2	81
Figure 44: Evaluation of Statement 4.3	81
Figure 45: Evaluation of the Statement 5.2	82
Figure 46: Evaluation of the Statement 5.3	83
Figure 47: Evaluation of Statement 5.4	83
Figure 48: Organizational Structure of the technical Division at Volkswagen Slovakia, a. s.	85
Figure 49: Structure of the upper and middle Management within the Target Agreement Process (Target Matrix Type A)	86
Table 1: Mintzberg´s Categories of managerial Roles.....	25
Table 2: Procedure of the Target Setting Process.....	29
Table 3: Vehicle per employee.....	45
Table 4: Comparison of the Core Pieces of Strategy 2018 and the Plant Targets of Volkswagen Slovakia, a. s.	48
Table 5: Plant Targets of Volkswagen Slovakia, a. s.....	49
Table 6: Department Targets – Production	51
Table 7: Department Targets - Logistics	52
Table 8: Department Targets - Quality Assurance	52
Table 9: Cluster 1	65
Table 10: Cluster 2	66
Table 11: Cluster 3	67
Table 12: Cluster 4	68
Table 13: Cluster 5	69
Table 14: Statements of the Questionnaire	71

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VI APPENDIX

Questionnaire to the target agreement process at Volkswagen Slovakia a. s.:

How old are you? * Please fill in your age in years.

- up to 30 years
- from 31 to 45 years
- over 45 years

Male or female? * Gender

- male
- female

How long are you already working for Volkswagen? * Years of employment at VW

- 1 year
- 2 to 5 years
- 6 to 12 years
- 13 years and more

Have you already participated in the training course "techniques of leading"? *

- Yes
- No

What is your management position at VW SK? * Hierarchy / level

- Upper management OMK
- Middle management MK
- Middle management FBL

How many employees do you have in your department? * Amount

- up to 6 employees
- 7 to 15 employees
- 16 to 30 employees
- over 30 employees

What is your highest level of education? *

- Gymnasium/professional school
- University/college
- Doctorate/MBA/etc

In which department do you work? * Department abbreviation

- 37-PA
- 37-PH
- 37-PL
- 37-POP
- 37-PQ

My targets have been imposed to me by my superior without the opportunity to express my view. *

	1	2	3	4	5	
Completely disagree	<input type="checkbox"/>	Completely agree				

I do not know the evaluation of the plant targets of Volkswagen Slovakia from the last year. *

	1	2	3	4	5	
Completely disagree	<input type="checkbox"/>	Completely agree				

My targets give the direction to my work. *

	1	2	3	4	5	
Completely disagree	<input type="checkbox"/>	Completely agree				

I think that I have enough information about the criteria for correctly set targets. *

	1	2	3	4	5	
Completely disagree	<input type="checkbox"/>	Completely agree				

The plant targets of Volkswagen Slovakia help me for orientation with my work tasks. *

	1	2	3	4	5	
Completely disagree	<input type="checkbox"/>	Completely agree				

Some targets in my target matrix are contrary to each other. *

	1	2	3	4	5	
Completely disagree	<input type="checkbox"/>	Completely agree				

My targets will be changed if they get unattainable through the year and the reasons for that will be communicated. *

	1	2	3	4	5	
Completely disagree	<input type="checkbox"/>	Completely agree				

I think I know enough about the strategy 2018 and about the plant targets of Volkswagen Slovakia. *

	1	2	3	4	5	
Completely disagree	<input type="checkbox"/>	Completely agree				

My target matrix also consists of targets which refer to the activity and not to the result. *

	1	2	3	4	5	
Completely disagree	<input type="checkbox"/>	Completely agree				

My targets will be defined within an open conversation with my superior. *

	1	2	3	4	5	
Completely disagree	<input type="checkbox"/>	Completely agree				

I understand the connection of the targets of my department with the strategy 2018. *

	1	2	3	4	5	
Completely disagree	<input type="checkbox"/>	Completely agree				

I think that the communication of the plant targets of Volkswagen Slovakia is sufficient and clear. *

	1	2	3	4	5	
Completely disagree	<input type="checkbox"/>	Completely agree				

The evaluation of my targets is a formal communication with my superior. *

	1	2	3	4	5	
Completely disagree	<input type="checkbox"/>	Completely agree				

I have the feeling that my targets only slightly refer to the strategy 2018. *

	1	2	3	4	5	
Completely disagree	<input type="checkbox"/>	Completely agree				

I think all my targets are accessible *

1 2 3 4 5

Completely disagree

<input type="checkbox"/>				
--------------------------	--------------------------	--------------------------	--------------------------	--------------------------

Completely agree

I know the connection of the strategy 2018 of the Volkswagen Group with the plant targets of Volkswagen Slovakia. *

1 2 3 4 5

Completely disagree

<input type="checkbox"/>				
--------------------------	--------------------------	--------------------------	--------------------------	--------------------------

Completely agree

I can actively influence the achievement of my targets. *

1 2 3 4 5

Completely disagree

<input type="checkbox"/>				
--------------------------	--------------------------	--------------------------	--------------------------	--------------------------

Completely agree

My targets are coordinated with the targets of my colleagues in my department. *

1 2 3 4 5

Completely disagree

<input type="checkbox"/>				
--------------------------	--------------------------	--------------------------	--------------------------	--------------------------

Completely agree

I think that the specific targets should be communicated by the superior without further declaration. *

1 2 3 4 5

Completely disagree

<input type="checkbox"/>				
--------------------------	--------------------------	--------------------------	--------------------------	--------------------------

Completely agree

The targets of my department are clearly connected with the plant targets of Volkswagen Slovakia. *

1 2 3 4 5

Completely disagree

<input type="checkbox"/>				
--------------------------	--------------------------	--------------------------	--------------------------	--------------------------

Completely agree

The state of my target matrix does not reflect my performance. *

1 2 3 4 5

Completely disagree

<input type="checkbox"/>				
--------------------------	--------------------------	--------------------------	--------------------------	--------------------------

Completely agree

The state of my target matrix will be regularly discussed and presented during the year. *

1 2 3 4 5

Completely disagree

<input type="checkbox"/>				
--------------------------	--------------------------	--------------------------	--------------------------	--------------------------

Completely agree

I have enough information concerning the correct target agreement process. *

1 2 3 4 5

Completely disagree Completely agree

I know how to contribute to the plant targets with the achievement of my targets. *

1 2 3 4 5

Completely disagree Completely agree

My targets are ambitious but attainable and motivating. *

1 2 3 4 5

Completely disagree Completely agree

I think I have enough information about the target achievement of the plant targets of Volkswagen Slovakia from the last year. *

1 2 3 4 5

Completely disagree Completely agree

The strategy 2018 of the Volkswagen Group is clear to me and I understand how this refers to my work. *

1 2 3 4 5

Completely disagree Completely agree

I accept my targets without reserve and they were clearly explained to me. *

1 2 3 4 5

Completely disagree Completely agree