

# **INTI INTERNATIONAL UNIVERSITY**

## **MASTER OF BUSINESS ADMINISTRATION**

### **FACTORS AFFECTING STAFF PROMOTION OF SMALL MEDIUM ENTERPRISES AT NANJING**



**Author : Li Yizhi**

**Student Number : I13002457**

**Supervisor : Mr. Vijayan Ramasamy**

**Submission Date : 27<sup>th</sup> of August 2014**

**Ethics Number : cBUS/PG/CP/00198**

**Final Word Count : 14,028**

**Faculty of Business, Communications and Law**

## ABSTRACT

Talent has always been one of the most significant capitals to enterprise. The enterprise competition is actually talent competition. Meanwhile, as globalization intensifies, there is no denying that Small and Medium-Sized Enterprises have become increasingly important because they contribute a lot of GDP to their countries. Therefore, discussions surrounding the management of the SMEs have become a hot topic in recent years. Human resource managers need not only to solve the problem about talent shortage but also need to consider how to retain and motivate their employees in SMEs. Promotion is one method of motivating employees in organizations and but it is becomes a problem in terms of human resource management. Meanwhile, promotion can greatly kindle staff enthusiasm. Through promotion, employees can earn a higher salary, increased responsibility and authority as well as improve their social status. Promotion also provides a more senior position and a chance to meliorate their capabilities. But if the wrong people get promoted, this will cause speculation and doubts. While different companies have different promotion mechanisms, typically internal promotion is affected by employees' educational background, experience, loyalty and interpersonal relationships. One continuing issue is how to improve the enterprise's internal promotion mechanism. In addition, employees want to know which factor has the most direct impact on their promotion.

The report will study promotion from the perspective of internal enterprise staff. Through literature review, this report will introduce four factors which influence internal staff promotion. Research methods will include quantitative methods and a questionnaire in practice. It is expected that this research could contribute to relevant enterprises to increase attention to internal staff promotion.

**Key Words:** SMEs, internal staff promotion, factor, Nanjing, China.

## ACKNOWLEDGMENT

I would like to thank INTI International University for providing me with the platform to increase my knowledge and experience during the learning process for my thesis. I would like to take this opportunity to express my appreciation and gratefulness to those who have contributed in this thesis.

Firstly, I would like to express my deepest gratitude to my supervisor, Mr. Vijayan Ramasamy who constantly gave me guidance and encouragement in this project. His willingness to share his expertise knowledge and passion has improved the overall quality of my thesis. Mr. Vijayan Ramasamy has put in considerable effort to monitor and advise me from the very beginning to the end of this project. With his professional knowledge and experience, I am able to think critically and add value to this project. Hence, I would like to thank him for his constant supervision that was vital for the completion of this project.

In addition, I would like to thank my family members who have consistently given me support and strength throughout this journey. Their encouragement has boosted my courage and confidence during this process.

## DECLARATION

"I hereby declare that this research project is of my own effort except for those summaries and information of which the sources are clearly specified."

Li Yizhi

Date: 27<sup>th</sup> August 2014



## TABLE OF CONTENTS

ABSTRACT .....	I
ACKNOWLEDGMENT .....	II
DECLARATION .....	III
LIST OF TABLES .....	VII
LIST OF FIGURES .....	VIII
LIST OF ABBREVIATIONS .....	VIII
CHAPTER ONE .....	1
INTRODUCTION.....	1
1.1 Chapter Overview .....	1
1.2 Background .....	1
1.3 Problem Statement .....	3
1.4 Research Objectives .....	4
1.5 Hypothesis .....	5
1.6 Assumption .....	5
1.7 Unit of analysis.....	6
1.8 Significance of the Study.....	6
1.9 Limitations of the Study .....	6
1.10 Scope of the Study .....	7
1.11 Structure of Dissertation.....	7
1.12 Chapter Summary .....	8
CHAPTER TWO.....	9
LITERATURE REVIEW.....	9
2.1 Chapter Overview .....	9
2.2 Defining internal staff promotion.....	9
2.3 SMEs of China .....	10
2.4 SMEs at Nanjing City, China .....	11
2.5 Decision Making Authority in SMEs.....	12
2.6 Theory of Acceptance .....	13

	v
2.7 Educational Background in Internal Staff Promotion .....	14
2.8 Work Experience in Internal Staff Promotion.....	15
2.9 Employee Loyalty in Internal Staff Promotion .....	15
2.10 Interpersonal Relationship in Internal Staff Promotion .....	16
2.11 Hypotheses Development .....	17
2.12 Research Framework.....	21
2.13 Chapter Summary .....	21
CHAPTER THREE .....	22
METHODOLOGY .....	22
3.1 Chapter Overview .....	22
3.2 Research Design .....	22
3.2.1 Nature of Research Design.....	22
3.2.2 Types of Research Design.....	23
3.2.3 Research Approach .....	23
3.2.4 Time Horizon.....	24
3.3 Research Sampling.....	25
3.3.1 Sampling Technique.....	25
3.3.2 Sample Size and Population.....	25
3.3.3 Respondents of Analysis.....	26
3.4 Data Collection Method.....	26
3.5 Data Analysis Technique .....	28
3.6 Ethical Considerations .....	28
3.7 Validity and Reliability Test.....	29
3.8 Limitations of the Study.....	29
3.9 Chapter Summary .....	30
CHAPTER FOUR.....	32
FINDINGS AND DISCUSSIONS .....	32
4.1 Chapter Overview .....	32
4.2 Response Rate .....	32

4.3 Descriptive Analysis .....	32
4.4 Factor Analysis.....	34
4.4.1 Measurements and Interpretation of KMO Value and Bartlett's Test.....	34
4.4.2 Factor Analysis.....	35
4.5 Reliability.....	39
4.6 Variables .....	40
4.7 Correlation Analysis .....	41
4.8 Regression Analysis.....	42
4.9 Summary of Hypothesis Results .....	48
4.10 Chapter Summary.....	49
CHAPTER FIVE.....	50
CONCLUSION AND RECOMMENDATIONS .....	50
5.1 Chapter Overview .....	50
5.2 Introduction .....	50
5.3 Conclusion .....	51
5.3.1 Educational Background in Internal Staff Promotion.....	51
5.3.2 Work Experience in Internal Staff Promotion .....	52
5.3.3 Employee Loyalty in Internal Staff Promotion .....	52
5.3.4 Interpersonal Relationship in Internal Staff Promotion.....	53
5.4 Recommendations .....	53
5.4.1 Evaluation Standard of Talent.....	53
5.4.2 Advance Communication and Post Factor Communication .....	54
5.4.3 The Right Man in the Right Place .....	54
5.4.4 Equity and Justice.....	55
5.5 Contribution.....	55
5.6 Implications for Future Research .....	56
5.7 Personal Reflection.....	57
REFERENCE .....	59



APPENDICES .....	68
Appendix 1: Questionnaire .....	79
Appendix 2: Initial Research Paper Proposal .....	84
Appendix 3: Turnitin Result .....	92
Appendix 4: Ethic Form .....	93
Appendix 5: Ethic Code Memorandum .....	94
Appendix 6: Consent Letter .....	95
Appendix 7: Project Log Report .....	97

## LIST OF TABLES

Table 1: Definitions of SMEs in China .....	11
Table 2: A preliminary study in eastern Australian tourism .....	18
Table 3: A Preliminary Study in Eastern Australian Tourism .....	19
Table 4: The summary of items and sources .....	28
Table 5: Summary of demographic profile .....	34
Table 6: Acceptance level of KMO value .....	35
Table 7: KMO and Bartlett's Test .....	35
Table 8: Total Variance Explained .....	37
Table 9 : Rotated Component Matrixa .....	38
Table 10: The result of the Reliability test .....	40
Table 11: Variables descriptive .....	40
Table 12: Categorization of the scale of correlation coefficient .....	41
Table 13: Correlation .....	41
Table 14: Meaning of R-squared value .....	43
Table 15: Regression .....	43
Table 16: Model Summary of Educational Background on Internal Staff Promotion .....	44



Table 17: Coefficient of Educational Background on Internal Staff Promotion..	44
Table 18: Model Summary of Work Experience on Internal Staff Promotion ....	45
Table 19: Coefficient of Work Experience on Internal Staff Promotion .....	45
Table 20: Model Summary of Employee Loyalty on Internal Staff Promotion ...	46
Table 21: Coefficient of Employee Loyalty on Internal Staff Promotion .....	46
Table 22: Model Summary of Interpersonal Relationship on Internal Staff Promotion.....	47
Table 23: Coefficient of Interpersonal Relationship on Internal Staff Promotion	48
Table 24: Summary of Hypothesis Results.....	49

## LIST OF FIGURES

Figure 1: Structure of SMEs in Nanjing .....	12
Figure 2: The Structural Work in Entrepreneurial Decision-Making.....	13
Figure 3: Framework of the Study .....	21
Figure 4: Scree plot.....	37

## LIST OF ABBREVIATIONS

GDP	Gross Domestic Product
HR	Human Resource
KMO	Kaiser-Meyer-Olkin
OEBP	Oxfordshire Education Business Partnership
SMEs	Small and Medium-sized Enterprises
SPSS	Statistical Package for Social Science

# CHAPTER ONE

## INTRODUCTION

### 1.1 Chapter Overview

The opening chapter presents the overview of the research beginning with the background, followed by the problem statement and research objectives related to the literature. The assumptions made are then deliberated along with the scope of the research. The chapter wills operational definitions along with the structure of the dissertation and a brief summary of the areas explained in the chapter.

### 1.2 Background

Reserve personnel and talent management are an essential component for success in organizations and by extension reflects a country's level of competence in the labor market as a whole. Policymakers agreed that well trained, talented employees with proven performance are an important asset to the organization. Around the business world organizations suffer talent shortage in alarming rates. Studies have shown that the concept of talents for any organization is unique (Lutbish& Smith, 2007). China constitutes over 1/5 population of the world, with a huge labor market and ever increasing well-educated talent that is eager for success (CNN Money, 2008). The ultimate goal of the business organization profit; the organizations must thus ensure that recruitment and promotion of personnel must contribute to the profitability of the business objectives (Wang-Cowham, 2011). Therefore, the requirements of internal staff promotion must be very simple, determined by its clear and concise goal. In addition, employees are promoted from within, who have the stronger adaptability (Famdale, 2010).

Small and medium-sized enterprises (SMEs) have become an integral part of the economy in the country in today's China. Their outputs accounts for approximately 50% of the tax revenue and 60% of GDP. SME's in China account for approximately 80% of job creation (National Ministry of SMEs Department, 2012).

Furthermore, ever since the inception of reforms and opening up policy, SMEs play a pivotal role in the growth of China's economic. Along with 36.7 million individuals run their own businesses in China SMEs account for 98.3% of the total number of businesses and 64.7% of industrial outputs in China (China Daily, 2008). And in 2008, China SME informatization development report claimed that there are 41.73 million SMEs in China and the number continues to increase (China SME Informatization Development Report, 2008).

After 30 years of societal and economic reforms and an opening up policy initiated by Deng Xiaoping, China is the world's second largest economy and is expected to rise in the future. (CNN Money, 2013). According to the 2012 economic data of China's provincial economies, Jiangsu province ranks second in output (China Briefing, 2013). The researcher a native of Nanjing the capital of Jiangsu province is keen to investigate the factors that affect promotion in SME's in Nanjing. SMEs in Nanjing are 21,076 out of a total 21,091 companies, thus emphasizing the role and importance of SME's in Nanjing (Total bureau in national tax administration, 2012).

With the advancement of globalization, the importance of talent rising, human capital is ever so important as labor is increasingly mobile in this age and time. Organizations worldwide realized that their skilled employees, with vast knowledge and special abilities could as a major source of competitive advantage (Collings and Mellahi, 2008). Although many organizations have long recognized this point, they are facing a growing shortage of talent (Burke & Ng,



2009). Companies should anticipate the demand of talent in the future, in order to manage their labor force sustainably especially for high skilled personnel who are serving as a decisive competitive advantage (World Economic Forum, 2010). In order to solve the problem of brain drain in the workplace, HR managers have found that internal staff promotion is one of the effective strategies to deal with the thorny problem (Liu Qiangdong, 2011).

### **1.3 Problem Statement**

Scholars and industry managers agree the shortage of talent has become a daunting challenge to organizations, although methods thought by HR managers to deal with the issue come short. World Economic Forum (2011) said that in order to accelerate national development in developing countries, the demand of talent must increase significantly. According to Manpower survey, 40% of employers try to utilize internal staff promotion as a means to retain talent in mainland China, 25% higher than 2009. This proportion is Manpower's highest record since 2006 of talent shortage (Manpower, 2010). Brain drain will cause great losses to the organization; some explicit costs include recruitment, training new employees, and implicit cost such as psychological effect. How to effectively retain existing staff and motivate them to work hard which will result in further enhancement of the competitiveness of organization is one of problems that many companies face (Li Kaifu, 2013).

There are many ways to motivate staff, and one of methods is the internal staff promotion in an organization. If the enterprise provides many opportunities for promotion to the staff, employees are willing to put up with the low wage levels and would not level the company. It shows that promotion can greatly affect the motivation of staff.

However, unfair internal staff promotion could bring the massive losses to the



organization; invalid promotion may contribute to low efficiency in the organization. Promotion of incompetent employees could lead to employee resistance, suspicion and fear (Wangshi, 2013). What's more, Studies from different countries indicates that there is inconsistency of reports on which factor will influence the internal staff promotion (Li Kaifu, 2013). In general, the United States companies are preferred to promote employees who have abundant work experience and high educational background. However, Japan companies want to choose employees who have strong loyalty (Xu Jiayin, 2013). Promotion is a very sensitive issue for enterprises and employees. Factors such as educational background, work experience, loyalty and interpersonal relationship act as rationale for promotion. The way of promotion has too much uncertainty.

#### **1.4 Research Objectives**

Research objectives examine what factors are important for internal staff promotion in SMEs at Nanjing, China. This objective will be focused on the importance of the relationship between the four promotional influence factors (educational background, work experience, employee loyalty, and interpersonal relationship) and the internal staff promotion.

The specific research objectives are listed as following:

RO1: To examine whether the educational background of staff has influence on enterprises' internal staff promotion decision.

RO2: To examine whether the work experience of staff has influence on enterprises' internal staff promotion decision.

RO3: To examine whether the loyalty of staff has influence on enterprises' internal staff promotion decision.

RO4: To examine whether the interpersonal relationship of staff has influence on enterprises' internal staff promotion decision.

## 1.5 Hypothesis

In this report, the hypotheses are listed as follow:

H1: Educational background has a positive influence on enterprise internal staff promotion decisions.

H2: Staff with high loyalty has a positive influence on enterprise internal staff promotion decision.

H3: Staff's work experience has a positive influence on enterprise internal staff promotion decision.

H4: Interpersonal relationship of a staff has a positive influence on enterprise internal staff promotion decision.

## 1.6 Assumption

The author collected many data sources, e.g. Journals, articles, news, and website for this thesis. Numerous studies were used to verify the views presented in this research.

The author also made important research pertaining to managers in Nanjing's SMEs, China. This study assumes that all respondents provided unbiased answers in the questionnaire.

Thirdly, this research includes demographic factors, so it is assumed that demographic factors could influence the internal staff promotion. Since it was a short-term study, some of the questionnaires were distributed online so that the questionnaire could reach many respondents.

### **1.7 Unit of analysis**

The unit of analysis is one of the most vital entities for any research conducted. The units of analysis for this study are the managers including the company manager, company owner, department manager or HR manager or anyone, who can make promotional decision in the SMEs, Nanjing. They are the major and the most important entity that will be analyzed in this research.

### **1.8 Significance of the Study**

This study contributes significantly to the present knowledge of promotional mechanism by exploring the factors that influence internal staff promotion. This research provides the information to the later scholars who has interested in this topic.

Secondly, promotion, good appraisal methods and a transparent internal staff promotion mechanism can enable fair and open communication. At the same time, employees understand which factors they should pay attention to.

Thirdly, the European and American countries have been studying the influencing factors of promotion mechanisms for an extended period of time, Chinese companies are still without a corresponding theory of internal staff promotion (Li Kaifu, 2013). This research could help SMEs of China deepen awareness the influence factors to internal promotion.

### **1.9 Limitations of the Study**

Firstly, some of the limitations in this study are that this study is conducted in only one province in China and as a result the output of the report will cannot be a generalization study in the whole of China. This study will focus only on small