

**TO WHAT EXTENT DOES PAY INFLUENCE PERFORMANCE IN
SMALL-MEDIUM ENTERPRISES: A CASE STUDY OF A SMALL FOOD
COMPANY IN HEBEI**

ABSTRACT

Title: To what extent does pay influence performance in small-medium enterprises: a case study of a small food company in Hebei

By: Liu Xiaoyang

Degree: Master of Business Administration

Major: Business Administration

Advisor: _____ QF wei _____

(Associate Professor Dr. Wei Qifeng)

_____ 1 1 6 1 2018 _____

The purpose of this dissertation is to explore to what extent pay affects performance in a food company in Hebei. In this research, a large volume of pay by piece rate literature was reviewed, particularly on the subject of pay by piece rate and fairness, work quality, production speed and commitment; the results of this research supported this literature. Twenty semi-structured interviews with employees who are paid by piece rate in the food company, employees who are paid hourly in the food company and the owners of the food company were conducted to gain the data about whether employees think pay by piece rate is fair compared with time-based pay and how pay by piece rate affects the relationship between production speed and work quality as well as whether pay by piece rate can enhance employees' commitment to the food company. Furthermore, NVivo has been adopted to analyze the data that conducted by semi-structured interview. There were three main findings from the research. First of all, two-thirds employees who are in the food company perceived pay by piece rate fair compared to hourly pay, which encourages employees have a better performance. Furthermore, pay by piece rate has a positive effect on almost all of the employees' production speed whereas it has a negative impact on employees' work quality. In addition, 75 percent of employees perceive piecework does not increase their commitment to the food company, which does not improve employees' performance. Recommendations include setting a reachable average number of piecework in order to give more time for employees to improve their work quality and encouraging employees to share information with others for the sake of enhancing employees' commitment to the company.

Key words: Pay; performance; pay by piece rate; fair; commitment; work quality; production speed