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Study on the Application of Balanced Scorecard in A Company

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Abstract: Based on the theory of performance evaluation and the existing research, taking high-tech Electric Company A as the research object, the current situation and the existing problems in performance evaluation are analyzed. Thirdly, based on the balanced scorecard, the index system of performance evaluation is established from four dimensions. Finally, put forward targeted implementation suggestions. Through the research, the conclusion is drawn: the introduction of the balanced scorecard theory, the decomposition of enterprise strategic objectives, and the construction of the performance evaluation system index combining financial dimension and non-financial dimension can improve the performance and enterprise value of A enterprise.

Keywords: Balanced Scorecard; Performance Evaluation; Corporate Strategy.

1. Introduction

Through the design and research of the balanced scorecard performance appraisal system, an appraisal system that conforms to the actual operation of A company will be formed. The evaluation system is an evaluation system that can evaluate the company's performance from multiple dimensions. Its daily operation will be ensured by establishing performance evaluation working groups, strengthening internal communication, dynamically adjusting evaluation indicators, and improving reward and punishment incentive mechanisms.

2. Current Situation of Company A's Performance Evaluation System

In order to do A good job in performance appraisal, Company A has set up a comprehensive performance appraisal committee composed of the group management team to guide the group's performance appraisal work comprehensively. The committee has an office, composed of heads of functional departments of the headquarters, located in the Human Resources Department, which fully implements the requirements of the performance appraisal Committee and is responsible for the organization, implementation and promotion of the Group's comprehensive performance appraisal. [1] Each business department of the Group is responsible for formulating operating performance indicators and operating management indicators, and assigning weights to each indicator; The financial department is responsible for data extraction of relevant indicators; The labor department of the Party Committee shall be responsible for establishing the party building evaluation system. The assessment content is divided into three categories: comprehensive category, business performance category and operation category.

Although Company A has determined strategic financial and non-financial goals and adopted a more comprehensive management method through performance appraisal, the performance appraisal does not organically link the development goals of the organization and individuals, and the performance indicators do not reflect the strategic focus. At present, the daily activities of the company are relatively stable, and the combination of different resources is at a level suitable for the existing management methods, but the company is also constrained by this situation, and it is difficult to continue to grow. Recent research and analysis of performance management shows that performance management may have problems in the following aspects: the behavioral goals of departments and individuals are not incorporated into the company's development strategy, employees have insufficient understanding of performance management, the company's performance management system and performance evaluation system have technical defects, and the existing performance management system may not be well adapted to the needs of the company.

3. A Company's Strategic Objectives are Decomposed

The construction of Company A's performance appraisal system based on balanced scorecard needs to subdivide Company A's strategic objectives from the following four dimensions.

3.1. Financial Dimension

According to the strategic objectives of Company A, the company needs to accelerate its development, change its development model and improve work efficiency in three main aspects: First, increase profits. The second is to reduce production costs and improve efficiency. Third, it is necessary to improve the utilization rate of assets. The higher the utilization degree of assets, the stronger the asset management ability of the company, and then promote the optimization of the capital structure. Fourth, improve the efficiency of the production process, optimize the production process, and reduce unnecessary waste. Maximize business value based on revenue growth and increased productivity.

The development goal of Company A is to create good earnings and increase enterprise value. [2] In terms of finance, the net asset turnover ratio provides an overall assessment of the management quality and operational efficiency of all Company A's assets. Expense rate of return refers to the ratio of net income and net expense of an enterprise in A certain period, which can estimate the cost that Company A must bear

to achieve profit. The environmental capital investment rate is used as an indicator in this article because for resource-based companies, environmental considerations need to be taken into account in the resource extraction process. The asset-liability ratio is the ratio of total assets to net assets in A certain period. Examining the asset-liability ratio of company A can reflect its asset management level and the severity of its risk taking. Capital protection ratio refers to the ratio of ending owners' equity to beginning owners' equity. Studying the capital protection ratio of Company A can provide information about the prospects and potential for development in the coming years.

3.2. Customer Dimensions

For long-term business development, [3] Company A needs to focus on its customers. First, we should pay attention to customer satisfaction, which has a direct impact on whether customers choose to cooperate with the enterprise for a long time. Second, we should improve the ability to acquire customers, continue to attract new customers, and expand the customer base. Third, pay attention to retain old customers, old customers play an important role in the development of the company, through them can form a customer base, for the building of corporate reputation is crucial. Fourth, establish a good brand image to improve customer and market trust in the company.

Customer retention rate refers to the percentage of business relationships that a company maintains and continues with existing customers over a certain period of time. The higher the indicator, the better, as it reflects customer satisfaction. Customer acquisition rate refers to the rate at which a company acquires new customers or business relationships in a certain period of time, and measures the company's ability to attract or win new customers or business relationships. Market share refers to the ratio of the sales of a certain product in the market to the total sales of the product, which can reflect the competitiveness of a company in a certain period. Relative market share refers to the ratio of a product's market share to that of its main competitors and can measure a company's competitive position. Customer earning rate is the ratio of a customer's net profit to the cost of serving that customer, reflecting the customer's or market segment's net profit after deducting any special costs required to serve the customer.

Since the product of Company A is electrical, and electrical is sold in a standardized configuration, and it is difficult to quantify customer profit rate and other indicators from the customer side, this study chooses three indicators: revenue growth rate, customer retention rate and sales growth rate.

3.3. Dimensions of Internal Processes.

In order to adjust the business structure and strengthen the environment and safety construction, [4] Company A must make up for the shortcomings in the internal process, so as to improve the production efficiency of the company. While improving the business process, it should also strengthen the management of environmental protection and safety, increase investment in environmental protection, strengthen the attention to safety production, and ensure the timely treatment of safety hazards.

The internal business process index mainly focuses on the advantages and core competitiveness of company A. The long-term development of Company A requires unique business advantages, so it is necessary to innovate and improve internal business processes to enhance its competitive advantage. In general, the indicators to evaluate the performance of internal business processes focus on three aspects: innovation process, business process and customer service process.

The innovation process is mainly reflected in the development of innovative products and services within Company A. Therefore, an important indicator of the innovation process can be represented by the rate of R&D expenses. This is an important step in the innovation process. At this stage, the main evaluation indicators are quality, production cycle efficiency, cost and new product introduction, among which the product pass rate and production capacity utilization rate are particularly important. In a highly competitive market, enterprises need to pay attention not only to product quality, but also to timely, convenient and thoughtful customer service to improve customer satisfaction, retain old customers and attract new customers.

3.4. Dimensions of Learning and Growth

One of the strategic objectives of Company A is to strengthen the cultivation of outstanding talents to ensure the stability and long-term development of the enterprise. Therefore, Company A needs to make improvements in the stable and long-term development of the enterprise and the introduction of professional and capable talents.

In order to achieve Company A's financial goals, increase profits, gain customer recognition, and improve the efficiency of Company A's internal processes, Company A must constantly grow and learn. Therefore, Company A needs to pay attention to staff training and development and other indicators to improve the company's long-term development ability. Indicators at this level mainly represent the role of Company A's intangible assets in the company's strategic development. In addition, it is also necessary to conduct technical training for Company A's own employees to further improve their subjective initiative, increase job satisfaction, and achieve the maximum value of the company. The main indicators here are: the proportion of professional and technical personnel, staff turnover rate, training cost rate.

The ratio of the total number of professional technicians to the total number of employees can be calculated to determine the proportion of human resources in an organization. [5] Studying the ratio of the number of key personnel fired or transferred to the total number of employees can be used to assess employee satisfaction with the company. The ratio of employee training expenditure to total sales revenue in A given period can reflect the company's investment in the intellectual capital of employees. Since Company A's core business is electrical, safety issues are very important, and the company may need to provide safety training and courses for employees. Finally, according to the development goal of Company A to improve its core competitiveness and create a learning organization, the indicators determined are professional and technical personnel, employee turnover rate and safety training cost rate.

4. Countermeasures and Suggestions to Improve the Performance of Company A

4.1. Improve the Performance Appraisal Working Group

Before implementing a performance appraisal system based on the Balanced Scorecard, a performance appraisal working group needs to be established. Employees in all departments of Company A have professional and technical knowledge related to their departments, and their perspectives and emphases on assessment may be different. Therefore, it is very important to involve all departments in the establishment of the Balanced Scorecard performance appraisal working group, [6] both to increase their expertise in performance appraisal and to provide the team with multi-angle expertise to better solve problems and prevent risks. At present, Company A has established relevant assessment departments, but the personnel composition is not rich enough. While the management is responsible, some technical personnel can be involved to make the assessment more effective.

4.2. Improve Internal Communication and Education

As part of the introduction of the Balanced Scorecard, Company A needs to pay attention to the internal communication between the company and its employees, establish a more inclusive and smooth channel of information exchange, and use various communication channels to let employees understand the company's vision, strategy, goals and performance evaluation indicators. For example, regular meetings are held to expand internal communication and let employees know the latest development plans, thus providing valuable opinions and suggestions for the development of the company through written communication through the company's website and email system, so that employees can master the company's system documents. In the spare time, we can also organize quality development and ice-breaking activities to cultivate the team spirit of the company's employees. Such communication not only improves the information exchange within the company, but also promotes the establishment of the company's cultural heritage, and thus promotes the successful development of the company.

4.3. Dynamically Adjust Assessment Indicators

The development of the company and its performance evaluation must always break the old model and follow the dynamic evolution trend. Therefore, if the company's strategic objectives change after the introduction of the Balanced Scorecard, the performance appraisal indicators must also adapt. Secondly, if the company's development goals have changed and adjusted with the market environment, then the content of the performance evaluation system must also be changed accordingly. In addition, if the feedback results of the performance review are not consistent with the set goals in a given week, the performance review system must be adjusted to keep it operating normally.

4.4. Improve the Incentive Mechanism of Rewards and Punishments

When implementing the performance appraisal system based on balanced scorecard, it is necessary to gradually introduce a perfect incentive mechanism and adjust the salary, performance and position of employees according to the appraisal results. Pay and benefit levels should vary to avoid egalitarianism and be reviewed regularly to effectively motivate employees. Employees who have been in the same position for many years can discuss with their supervisor the possibility of promotion to a higher position based on the results of their current evaluation. For employees who have just joined the company, you can regularly interview them about their work in the company and make certain adjustments based on their feedback. The incentive mechanism of material rewards can satisfy material needs in the form of welfare and paid leave, thus accelerating the realization of the company's strategic goals.

5. Conclusion

First of all, balanced scorecard is helpful to the development of electrical companies. The analysis of A company's performance management system shows that the system has problems, because it only focuses on short-term economic benefits, has not met the development needs of high-tech electric companies, and hindered the realization of the company's strategic goals. As a scientific performance management tool, the Balanced scorecard promotes the realization of strategic goals by utilizing the company's strengths and weaknesses.

Second, the company needs to define its strategic development goals. The Balanced Scorecard can be successfully integrated into a company's growth strategy. Enterprises should establish a balanced scorecard performance evaluation system according to the development strategy and development trend of the power industry. The balanced scorecard can subdivide the strategic objectives and view the overall situation of the company from the perspective of strategic development. It overcomes the defects of traditional performance management methods and establishes a performance appraisal system by using the balanced scorecard is conducive to the realization of strategic objectives.

Thirdly, balanced scorecard should have corresponding supporting measures. In order to realize the design of balanced scorecard, balanced scorecard should be explored and completed step by step. The final weights of the Balanced Scorecard indicators are measured through questionnaires and comprehensive analytic hierarchy process to determine the specific weights of the indicators in each of the four dimensions. Since only the same industry index weight is used in this paper, whether it is applicable to the enterprise needs to draw a conclusion in practice.

As a strategic management tool, enterprises still need to consider the compatibility between short-term goals and long-term goals in the process of using balanced scorecard for performance management. For high-tech enterprises, the introduction of balanced scorecard needs to consider the degree of capital investment, the degree of informatization, and the overall level of employees, which are also the lack of research in this paper.

With the constant change of internal and external environment, high-tech enterprises are facing more and more fierce competition, which puts forward higher requirements for their performance management level. Therefore, at the level of indicator system design, it is necessary to continuously adjust and optimize the indicator system in combination with the background of The Times and the practical problems encountered in the process of enterprise

operation, such as the definition and standardization standards of high-tech enterprises, and the issue of indicator weight of enterprises of different levels and types, which needs to be further studied in the future.

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