https://dx.doi.org/10.22161/ijaems.64.1 ISSN: 2454-1311

Evaluation of corporate performance based on corporate governance

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Abstract*— *The performance evaluation of enterprises is closely related to the incentive and supervision mechanism in corporate governance, and can provide information support for the operation of both. The traditional enterprise performance evaluation index cannot meet the needs of enterprises under the new economic conditions and should be changed. Many enterprises and researchers at home and abroad have put forward the method of improving the index of enterprise performance evaluation. This paper tries to set up a set of enterprise performance evaluation index system around the value chain in strategic management to evaluate the value creation process of enterprises objectively, systematically and dynamically.

Keywords*— *corporate governance; performance evaluation; strategic management.

I. INTRODUCTION

After unremitting practice and exploration, china's state-owned enterprises have realized the necessity and urgency of establishing a modern enterprise system. The corporate governance system is based on the property right structure, and the basic model is the principal-agent system (Liu and Xia 2005). According to the agency theory, the enterprise is a contract network, the owner is the principal, the director and manager are the trustee, the owner entrusts the assets invested in the enterprise to the board of directors of the company, the board of directors as the highest decision-making body, has the right to reward and punish senior managers and appoint and remove the power, the senior management is responsible to the board of directors, is the executive body of the enterprise management. Because the object function of the trustee and the trustee is different, the interests are opposite, in the case of information asymmetry, there is inevitable moral hazard and reverse selection, which makes the enterprise interests suffer losses (Wang et al 2006, Xu 2007). Therefore, the supervision and incentive of trustees is an effective way to reduce the cost of agents and protect the interests of trustees. From this point of view, the main solution of regulating corporate governance is to establish and improve the internal and external monitoring mechanism of the company while stimulating the trustee's behavior, so that it is consistent with the company's strategic objectives. Because the operation of monitoring mechanism is a continuous dynamic process, only performance evaluation can make it have direction and effect, and the incentive mechanism is based on performance evaluation. Because of this, performance evaluation for the improvement of the company's monitoring mechanism and incentive mechanism cannot be ignored, is an important part of the corporate governance structure system.

Around the corporate governance structure, the perfect performance evaluation system mainly includes the comprehensive performance evaluation of the board of directors, the board of supervisors, the management and the enterprise (Zhou et al 2005). From the history of performance evaluation development, since the 1980s, multinational companies have begun to distinguish between the evaluation of corporate performance and the evaluation of the performance of managers. At present, China's corporate governance structure is not perfect, the board of directors of the company's control is weakened, and the

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general manager-led management of the company has been strengthened (Guo 2010). The performance evaluation of enterprises is an important part of the performance evaluation of the board of directors and managers, and giving full play to its function of management control means can not only promote the board of directors to better exercise the decision-making function, but also enable the supervisor to carry out management activities from the enterprise's goal, which plays an important role in the healthy development of the enterprise governance system.

II. STRUCTURE OF ENTERPRISE PERFORMANCE EVALUATION INDICATORS

2.1 Limitations of traditional enterprise performance evaluation indicators

Modern enterprises in the information age are facing more and more serious survival challenges, on the one hand, the rapid development of science and technology and the cross-border flow of capital make the business field of enterprises increasingly extend toed towards internationalization, facing more intense competition: on the other hand, the speed of information transmission, information processing costs reduced, which makes the product life cycle shortened, the enterprise's production and operation concept from the industrial society to the customer demand-oriented, creating value for customers has become the business purpose of many enterprises. However, under the background of enterprises constantly seeking the path of innovation and sustainable development, the traditional enterprise performance evaluation system is gradually unable to meet the needs of the enterprise's own changes, exposing many defects (Ji et al 2019). First of all, the traditional enterprise performance evaluation system is produced under the conditions of industrial economy, because the manufacturing process in mechanized production tends to be procedural and integrated, the evaluation of business results is more important than the monitoring and evaluation of the process. Therefore, the traditional enterprise performance evaluation index is mainly a reflection of the past business results, with historical, single and static, can not be implemented by enterprises to adapt to some advanced management methods, for example, in recent years, the implementation of the total quality management method, target management method, timely system (Just-in-time) and operating cost law, etc. need to carry out dynamic assessment and evaluation of the process, and the traditional performance evaluation indicators if not reform will lag behind the pace of enterprise management development (Zhang 2019). It's even an obstacle to its development. Secondly, in the industrial economy, enterprises emphasize the evaluation of inputs and output results in tangible means of production, while ignoring the evaluation of intangible assets, especially human resources value, and the performance evaluation indicators formed according to this are mostly quantifiable financial indicators; In evaluating the allocation and benefit of these economic resources, it is necessary to involve the use of non-financial indicators, which requires the expansion and reform of the traditional performance evaluation index system. Finally, the traditional enterprise performance evaluation index system focuses on the analysis of the efficiency of the utilization of resources within the enterprise, ignoring the impact of the external environment on the enterprise; therefore, its indicators cannot provide users with forward-looking information about the long-term development of enterprises, so it cannot help the strategic management of enterprises. It is precisely because of these shortcomings of the traditional enterprise performance evaluation system that it is necessary to design a complete system of enterprise performance evaluation indicators to provide the evaluation information demanders with information on different levels of the overall framework of enterprise performance to meet their diversity needs.

2.2 The composition of an improved system of corporate performance evaluation indicators

Some foreign scholars and enterprises have studied and practiced how to establish a system of corporate performance evaluation indicators that combine financial and non-financial indicators, for example, for example, Fortescue Management Consulting Company has recommended the following corporate performance evaluation index system, which includes: :(1) Overall performance; (2) sales; (3) profitability; (4) operating expense control; (5) cost control in functional areas; (6)

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labor productivity; (7) inventory management; (8) accounts receivable management; (9) financial management. The results of the transformational research on the performance evaluation of enterprises should be the comprehensive credit card proposed by Kaplan and Norton in the United States in the early 1990s. The comprehensive credit card includes performance evaluation indicators in four areas: (1) Financial indicators can show whether the enterprise strategy and implementation is contributing to the improvement of its final operating results, generally involving the evaluation of the profitability of the enterprise; (2) On the customer side, it generally includes several core and overall measures of the results of the development and implementation of the enterprise strategy, including customer satisfaction, the ability to retain the original customers, the attractiveness of new customers and the share of the target market; (3) In terms of internal business processes, it includes the measure of different objectives of enterprises in the short business cycle and the long-term innovation cycle; (4) In terms of learning and growth, it includes a measure of the investment spending by a business in terms of talent, systems and organizational processes. By transforming the enterprise's strategy into a target and measurement method, the integrated integral card can combine short-term and long-term goals, ideal results and related drivers, hard objective factors and flexible subjective factors, which is undoubtedly a major improvement to the traditional enterprise performance evaluation methods (Pu 2020, Zhou and Lv 2019). The above-mentioned ideas for the improvement of traditional performance evaluation indicators are generally to classify the important factors affecting the performance of enterprises, and then respectively in the relevant part of the design indicators to measure, the resulting index system is the enterprise under the guidance of strategic objectives of the business performance of the macro, comprehensive evaluation, but not the enterprise this economic entity of the value creation process of dynamic measurement and evaluation, therefore, the author tries to build a set of enterprise performance evaluation index system around the enterprise's value chain operation process. Michael Porter, a professor at Harvard Business School, defines the value chain as "a chain of value creation activities in which a business enables customers to obtain valuable property or services". According to Porter," the value chain activities of an enterprise can be divided into two main items according to its content: one is the main activity and the other is to support the activity. The main event includes the following: (1) internal logistics activities; (2) production activities, (3) external logistics activities, (4) marketing and sales activities, (5) after-sales service activities. The support activities consist of the following sections: (1) procurement activities; (2) technical development activities; (3) human resources management activities; (4) general management activities. Through the process of enterprise's value chain activities, we can understand the situation of enterprises at all stages of the process of creating value, and can make a more timely, comprehensive and objective evaluation of the formation and existing problems of enterprise performance. "The central link of a traditional performance appraisal system is to provide products or services to customers, but if this activity is taken into account in the value chain as a whole, good business performance is found to be only one factor in the process of enterprise value formation, not the most decisive element." Therefore, the establishment of evaluation indicators should pay attention to the link with all links in the value chain, and financial and non-financial indicators into it. The following will establish the corresponding evaluation indicators for the components of the enterprise's value chain.

The evaluation indicators of the main activities constitute the internal logistics activities of which usually refer to activities related to the acceptance of raw materials, warehousing, consolidation and inventory control. Production activities refer to the activities of pre-processing, manufacturing and forming the final product. External logistics activities refer to activities related to the storage of manufactured goods, the processing of orders, the arrangement of production procedures, the delivery of products, etc. Marketing and sales activities mainly refer to how to make consumers perceive the characteristics of products and services and recognize their intrinsic value, and thus purchase the product and services related activities. Usually includes market research and segmentation, sales channels, advertising and other marketing tools, such as the adoption of a series of activities. After-sales service activities refer to the link between the product and the

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consumer, through which the value of the product can be maintained and strengthened. The main activities of the various links are the most direct channel of enterprise value formation, the evaluation of the process performance has basic and comprehensive evaluation indicators, the basic evaluation indicators time cycle, cost, quality, etc. , comprehensive evaluation indicators have customer satisfaction, flexibility and service level. Because the operation of each part of the value chain is interconnected and orderly, the time cycle indicators of the main activities reflect the overall time span of the enterprise's value creation on the one hand, and on the other hand, through the evaluation of the time occupied by each part of the value chain operation, it can be coordinated and coordinated with each other. In addition, matching the time taken by the various links in the main activities with the corresponding input and output data can evaluate the operational capacity of the funds over a certain period of time, for example, comparing the time of production activities and the quantity of related manufactured goods in the value chain, the productivity of the unit time can be evaluated, and the efficiency of the internal logistics activities themselves can be evaluated by linking the time taken by internal logistics activities to the amount of inventory inputs, Comparing the number of manufactured goods in the subsequent value chain with the subsequent value chain can also be used to assess the extent to which logistical activities have a time-to-time impact on the output of production activities. In short, the time evaluation index around the value chain of the main activities is not complicated in its own operation, it is important to evaluate the enterprise's industry characteristics, organizational structure, production scale, technical level and market positioning to be considered, for example, for electronic products with short life cycle, the time period of the main activities in the value chain is also required to be short; The traditional accounting system links the cost only with the individual operating tasks, activities, and departments, so as to limit the evaluation of the cost to the enterprise, for example, through the establishment of a responsibility center to control its controllable cost, and some uncontrollable costs in the whole company level distribution, cost motivation is monotonous, cost is only a function of production, the cost evaluation of information to the enterprise strategic decision-making effect is not very good. In the value chain, the scope of cost evaluation not only includes the internal processing chain, but also accommodates the enterprise and external customers of the value chain, the cost extension is expanded, covering from raw material acceptance, warehousing, finishing costs to after-sales service costs, cost driver diversification, cost evaluation focus is closely related to the enterprise's competitive strategy, for example, when the cost-leading strategy is adopted, the focus of cost evaluation is to reduce the cost of the enterprise to improve the business efficiency: The importance of cost reduction is secondary to the improvement of product functionality. The evaluation index of quality can be formulated by reference to the provisions of the ISO9000 quality certification system for the provisions of the ISO9000 quality certification system, such as product, product marking and traceability, process control, inspection and testing of equipment inspection, measurement and testing, inspection and test status, nonconforming product control, corrective measures, handling, storage, packaging and payment, quality records and after-sales service. "The customer satisfaction indicators in the composite indicators must select those indicators that reflect the effectiveness of the product in meeting the needs and expectations of the customer and which are manageable for the company." The Malcolm Baldridge National Quality Award, established by the U.S. Department of Commerce in 1987, designed the following seven evaluation indicators for customer satisfaction: awareness of customer requirements and expectations, customer relationship management, customer service standards, commitment to customers, resolution of quality improvement requirements, confirmation of customer satisfaction, and confirmation of customer satisfaction and comparison of customer satisfaction. Flexible evaluation index mainly reflects the comprehensive ability of enterprises to adjust design, production, marketing and a series of activities in a timely manner, guided by customer demand. Service level index is the comprehensive embodiment of service response time, quality, and related cost and so on.

The indicators of support activities constitute the purchase activity of which refers to the purchase of factors of production used to be invested in the value chain. Input

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factors include not only liquid assets such as inventory, but also fixed assets such as machinery and equipment. In the performance evaluation of it, in addition to taking into account the quality, price and time of the factors of production invested, but also to consider the contribution of upstream suppliers to the value of enterprises and the impact of the input of the procurement of production materials on the downstream value chain, the investment rate index of assets can be used to evaluate the contribution of invested assets to the value of enterprises. Technology development activities are activities that improve the quality of a product or labor and the effectiveness of operations in the value chain or can innovate the product. The contribution of technology development activities to the value of enterprises is quite uncertain and difficult to measure directly, so it is difficult to measure their performance. Korean scholars have developed a system of indicators to evaluate the performance of research and development activities, including inputs, intermediate processes, outputs and results. Among them, the evaluation indicators of the input stage are: sufficient investment, adequate equipment, professional investment, personnel skills, intermediate process evaluation indicators are: feasibility of the plan, the effectiveness of the selection of projects, the cooperation between departments and production and marketing departments, strict implementation of the degree of effort of the plan, adequate information management, the expansion and diversification of research areas; Human resources management activities throughout the value chain activities, its performance evaluation, most enterprises now focus on employee satisfaction, employee loyalty and employee productivity evaluation of the three aspects. Basic management activities include the development, implementation and implementation of business functions such as administration, finance and law, and it also covers the entire value chain. The use of traditional financial techniques to evaluate the performance of basic management activities is difficult because it involves factors such as budget, quality of work, working hours and service levels, and the quality of work and service levels are more difficult to quantify, although they are closely related to the cost of functional departments, but the performance of the two is not positively related to the size of the costs. The usual methodology for the performance evaluation of basic management activities is mainly to budget for the business strategy of the enterprise, and then to evaluate the actual performance and budget comparison. Budgeting may be prepared by examining the level of expenditure for similar functions in the industry to determine the amount of the budget, or adjusting historical budget data according to the business strategy of the enterprise, in addition to the use of a zero-based budget method. It should be pointed out that the construction of enterprise performance evaluation index system is oriented by the information needs of different performance evaluation information users. In the case of the high concentration of equity in China's enterprises, the vast number of small and medium-sized investors in the capital market, they tend to use the index system formed on the basis of corporate financial report to measure the business performance of enterprises, and for institutional investors with high shareholding ratio, how to reduce the disadvantages brought about by information asymmetry to the business performance of enterprises have a real, objective, scientific understanding and evaluation is related to their vital interests, so, in addition to the use of earnings per share, net assets per share, Price-earnings ratio and other evaluation indicators from the external financial report of enterprises, the value chain-based enterprise performance evaluation index system can enable the main investors of enterprises to have a comprehensive, systematic and dynamic understanding of the formation of enterprise performance, thus helping them to exercise their client's authority in corporate governance; Improve economic efficiency and better exercise the duties and obligations of agents.

III. PROBLEMS TO BE PAID ATTENTION TO IN ENTERPRISE PERFORMANCE EVALUATION

First of all, the effective implementation of enterprise performance evaluation must be based on the sound and perfect corporate governance structure. As mentioned earlier, the performance evaluation of the enterprise is closely integrated with the incentive and supervision mechanism in the corporate governance structure and provides information support for the operation of the two. If the corporate governance structure does not meet the

https://dx.doi.org/10.22161/ijaems.64.1 ISSN: 2454-1311

requirements of the modern enterprise system, and the incentive and supervision mechanism fails to exert the driving and restraining power of the enterprise agent's behavior, the performance evaluation will flow into the form and will not have its due effect on the improvement of the enterprise's performance.

Secondly, it is necessary to distinguish the performance evaluation of enterprises from those of managers. In the past empirical study of management and enterprise performance, it is found that the management has a great influence on the company's performance, the two have a strong correlation, but it should be noted that due to the existence of some uncontrollable factors in the business environment, there is also a situation in practice where the performance of the enterprise and the subjective efforts of managers are not consistent, so different methods should be used to evaluate the performance of enterprises and managers. For example, in a survey of the performance of 200 Multinational companies in the United States, foreign scholars found that most parent companies regard return on investment as the primary choice for evaluation of the performance of subsidiaries, while management performance evaluations are now more likely to compare their actual work results with budgeted.

Finally, it should be noted that the design of the performance evaluation index of the enterprise should be related to the specific situation of the enterprise. Because of the different industry characteristics and development stage sits, the focus of its business strategy is different, therefore, for different enterprises, the selection of specific performance evaluation indicators and weight determination have different practices, there is no evaluation index system applicable to all enterprises.

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