

# Research and Analysis on the Application of Strategic Performance Management in Enterprises

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**Abstract:** In today's competitive business environment, strategic performance management (SPM) is crucial for continuous growth and innovation. Therefore, it is important to realize the advantages of SPM in enterprise applications. This paper analyzes the theoretical basis, implementation framework, and application effects of SPM in enterprises by examining actual cases from different industries. It reveals the core elements of an effective performance management system, including clear goal setting, reasonable performance indicators, and periodic performance evaluations. Additionally, the paper examines the impact of China's specific economic policy environment on the implementation of SPM and proposes strategies to optimize performance management practices, ultimately promoting the achievement of strategic goals. This paper provides specific and personalized practical guidance for enterprises.

**Keywords:** Strategic performance management; Enterprise; Application measures

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## 1. Introduction

Strategic performance management is a performance management system based on strategic implementation. By systematically reviewing the role of performance management in strategic decomposition, implementation, and execution, the author proposes application strategies for SPM in enterprises, focusing on its core elements.

## 2. The impact of China's specific policy environment on strategic performance management

China's specific policy environment directly affects the SPM of enterprises.

Firstly, the Chinese government emphasizes economic restructuring and high-quality development, with policies supporting technological innovation, green environmental protection, and sustainable development. Enterprises must incorporate innovation ability, environmental responsibility, and social responsibility as key performance indicators to align with policy orientations and obtain support and resources.

Secondly, China's "Internet Plus" policy and digital transformation initiatives aim to accelerate

technological application and information infrastructure in enterprises. Thus, enterprises need to focus on cultivating and applying digital capabilities in SPM, utilizing data analysis, cloud computing, and other technologies to improve decision-making accuracy and efficiency.

Finally, China's state-owned enterprise reform background imposes specific requirements on strategic management. State-owned enterprises should integrate technological innovation, social responsibility, and national strategy with their economic development to achieve sustainable growth and maximize social value.

### **3. The core elements of strategic performance management**

#### **3.1. Goal setting**

Goal setting should encompass all objectives and the overall strategy of the enterprise. When closely aligned, this ensures that every aspect of the enterprise's operations supports the realization of its long-term vision and strategic purpose. To achieve this, it is essential that objectives are clear and specific, allowing employees to understand their tasks and the expected outcomes for the enterprise.

#### **3.2. Performance indicators**

Performance indicators are crucial tools for measuring the extent to which organizations, teams, and individuals achieve their stated goals, turning strategic goals into quantifiable measures. Performance metrics should be balanced, including both financial and non-financial metrics such as customer satisfaction, internal business process efficiency, and employee learning and growth. Additionally, performance indicators need to be feasible, with the data collection and analysis process being practical and economical.

#### **3.3. Performance evaluation**

Performance evaluation involves the systematic analysis and assessment of organizational, team, and individual performance. This process aims to identify gaps between actual performance and established goals and standards, as well as the specific causes of these gaps. Performance evaluation helps management better understand goal performance and provides employees with feedback on their performance, enabling them to continuously improve and promote their own development based on this feedback.

### **4. Application measures of strategic performance management in enterprises**

#### **4.1. Clarify strategic objectives and performance indicators**

First, in the process of strategic performance management, enterprises need to further clarify strategic objectives, which are the foundation for ensuring that the organization's actions align with its long-term vision. Key measures to achieve this goal include organizing regular strategic planning meetings for the senior management team. These meetings not only set the long-term vision and short-term goals of the business but also track changes in the market and internal environment to ensure the real-time relevance of strategic goals. Second, SMART principles (specific, measurable, achievable, relevant, time-bound) should be adopted to develop each goal, ensuring clarity and enforceability. Based on this strategic objective, a series of key performance indicators (KPIs), including financial and non-financial indicators, are determined to evaluate corporate performance reasonably.

Finally, it is essential to ensure that the objectives of all departments align with the corporate strategy. This process should start with strengthening inter-departmental communication and collaboration and clearly communicating strategic objectives and KPIs to all employees through internal communication channels.

By combining this with the established performance management system, it can genuinely support corporate management decisions and ultimately improve the execution and performance management levels of the entire organization.

## **4.2. Establish a performance evaluation system**

### **4.2.1. Multi-dimensional evaluation**

When establishing the performance evaluation system, it is necessary to create a multi-dimensional evaluation system that considers four key dimensions: financial performance, customer satisfaction, internal process efficiency, and employee learning and growth. Each dimension is measured by a series of specific indicators to achieve comprehensive performance evaluation, specifically:

- (1) Financial performance (25% weight): Evaluated by revenue growth rate, net profit rate, return on investment (ROI), and other indicators. These financial metrics directly reflect the economic benefits and financial status of the enterprise.
- (2) Customer satisfaction (25% weight): Measured by customer satisfaction survey scores, repeat purchase rate, customer retention rate, etc., reflecting the popularity of enterprise products or services in the market and customer loyalty.
- (3) Internal process efficiency (25% weight): This refers to the evaluation of the internal operation efficiency and quality of the enterprise, including key indicators such as production cycle time, defect rate, and order fulfillment time, ensuring the efficient optimization of processes.
- (4) Employee learning and growth (25% weight): Focuses on improving employees' abilities and reasonably training their creative capabilities. Evaluation is completed through indicators such as employee satisfaction survey scores, training completion rates, and the number of new product/service innovations <sup>[1]</sup>.

### **4.2.2. Regular review**

Regular reviews are essential to ensure the order, continuity, and compliance of enterprise performance management and can help enterprises adjust their strategies in a timely and orderly manner. Specific measures include:

- (1) Set review cycle: Enterprises should set the review cycle based on business characteristics and the realization of strategic objectives. Common cycles include quarterly, semi-annual, and annual reviews.
- (2) Cross-departmental participation: The review process should involve multiple departments, including finance, human resources, marketing, production, etc., to ensure the comprehensiveness and accuracy of review results. Each department is responsible for collecting and reporting its performance data and participating in the discussion of performance results and necessary improvement actions.
- (3) Use of performance management tools: Use performance management software or systems to collect, summarize, and analyze performance data, thereby improving the efficiency and accuracy of the review.
- (4) Goal adjustment mechanism: Regular reviews are opportunities to adjust goals and strategies based on review results. It is necessary to update and clarify strategic goals and performance indicators based on the goal adjustment mechanism and changes in the internal and external environment.
- (5) Feedback and communication: The review process should include feedback on the performance of employees and teams, as well as communication about future expectations.

**Table 1.** Performance indicators, target values, actual values, completion degree, adjusted goals, and adjustment reasons of different departments in different review cycles

Review cycle	Department	Performance indicator	Target value	Actual value	Degree of completion	Adjust the target	Reason for adjustment
Quarterly review	Financial	Net profit margin	10%	12%	120%	12%	Market improvement
Quarterly review	Human resources	Employee satisfaction	85 points	82 points	96%	86 points	Employee turnover
Semi-annual review	Marketing	Customer growth rate	15%	18%	120%	16%	Advertising works well
Semi-annual review	Production	production efficiency	95%	92%	97%	96%	New equipment investment
Annual review	Research and development	Number of new product development	8	10	125%	9	Successful research and development
Annual review	Customer service	customer satisfaction	90 points	88 points	98%	91 points	Competition intensifies
Quarterly review	IT	System stability	99.9%	99.8%	99.9%	99.9%	Hardware updates
Quarterly review	Purchasing	Supplier cooperation degree	80 points	85 points	106%	83 points	Change of supplier
Annual review	Logistics	Distribution aging	Within 24 hours	Within 22 hours	92%	Within 23 hours	Optimize the process
Annual review	Sales	Sales growth rate	20%	18%	90%	19%	Market competition

### 4.3. Strengthen performance feedback and communication

#### 4.3.1. Establish regular and immediate feedback mechanisms

To continuously strengthen performance feedback and communication, it is essential to set up both regular and immediate feedback mechanisms. Regular feedback can be achieved through fixed cycle performance evaluation meetings, such as quarterly, semi-annual, or annual evaluations. These meetings provide a formal platform for managers and employees to discuss performance, achievements, and any difficulties encountered by employees. This mechanism helps employees gain a clearer understanding of their performance and ensures that a personal development plan can be developed based on the feedback <sup>[2]</sup>.

Instant feedback, on the other hand, refers to real-time communication in daily work. Managers should promptly recognize employees' excellent performance and provide immediate guidance and support when problems or deficiencies are identified. Instant feedback helps employees adjust their working methods, improve work efficiency, and enhance job satisfaction.

#### 4.3.2. Establish open communication channels

Establishing open communication channels requires recognizing the importance of two-way communication. Performance management measures should involve not only the evaluation and feedback from superiors to subordinates but also an interactive process. Employees should be encouraged to conduct self-assessments and make recommendations about their work environment, needed resources, career development goals, etc. Managers need to listen to employees, understand their expectations, and provide support to a certain extent.

Multiple communication platforms should be established to facilitate the flow and sharing of information.

In addition to traditional face-to-face meetings, tools such as email, corporate social networks, internal forums, and performance management systems are key communication channels. These tools facilitate daily communication between managers and employees, make information more transparent, and continuously enhance team cohesion <sup>[3]</sup>.

#### 4.4. Incentive and reward mechanism

##### 4.4.1. Establish reward system based on performance results

When establishing a reward system based on performance results, it is necessary to specify clear performance indicators and objectives that are closely connected with the enterprise’s strategic goals. This alignment ensures that employees’ efforts are consistent with the overall direction of the enterprise. Specific incentive programs should be designed according to performance indicators, including various forms of incentives such as bonuses, commissions, salary increases, or promotions, to meet the actual needs of different positions and employees <sup>[4]</sup>.

##### 4.4.2. Support employees’ personal development and career growth (Table 2)

Enterprises should regularly discuss career planning and development goals with employees and provide corresponding training and learning opportunities. These opportunities may include internal training courses, external professional seminars, online course subscriptions, or financial support for employees to participate in certification exams in related fields <sup>[5]</sup>.

Additionally, enterprises should establish a mentorship system to further support employees’ personal development. Experienced senior employees can serve as mentors to provide junior or new employees with career guidance, skill imparting, and career planning advice. This one-on-one guidance promotes the rapid growth of employees and the inheritance and development of knowledge and experience within the enterprise <sup>[6]</sup>.

**Table 2.** Positions of different employees, career development goals, development opportunities offered, and expected completion times

Employee code name	Position	Career development goal	Development opportunities provided	Expected time of completion
A	Junior Engineer	Senior Engineer	Technical training and certification	End of 2023
B	Marketing Specialist	Marketing Manager	Advanced seminar in marketing	In mid-2024
C	Human Resources Assistant	Human Resources Manager	Human resource management course	End of 2023
D	Sales Representative	Regional Sales Manager	Sales skills promotion training	At the beginning of 2024
E	Product Manager	Senior Product Manager	Advanced product management training course	End of 2024

## 5. Conclusion

In conclusion, to achieve long-term development and strategic objectives, enterprises need to build an effective management model based on strategic performance management. This includes continuously updating and improving the performance management system to adapt to external changes. Enterprises should also actively focus on employees’ personal development and career growth, stimulating their enthusiasm through incentive and reward mechanisms. This approach provides human resources support for the sustainable development and competitiveness of enterprises.

## Disclosure statement

The authors declare no conflict of interest.

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