

## Research on the Evaluation Index System of World-class Enterprise

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**Abstract.** This paper firstly analyzed the connotation and characteristics of world-class enterprises, and then proposed the dimensions of world-class enterprise evaluation and screened the key indicators. Finally based on the above the research contents, the paper formed an evaluation index system of world-class enterprises, which included five dimensions: enterprise scale, business performance, industry status, growth potential, and international influence. As well as the index system contained 9 secondary dimensions and 11 specific indicators. The evaluation index system can provide reference and support for enterprises building a world-class enterprise rapidly.

### Introduction

With the rapid development of China's economy and the continuous advancement of technology, the enterprises' comprehensive strength and international status have been continuously improved. More and more enterprises take the world-class enterprises as their strategic goals. To achieve this strategic goal, it requires us to understand the connotation of world-class enterprises, and then put forward appropriate target indicators and decompose them. Therefore, building an evaluation system for world-class enterprises is the premise and basis for enterprises to define their strategic goals and strengthen the implementation.

With regard to the world-class enterprise evaluation index system, domestic and foreign scholars have carried out a lot of research. Liu Shiyang (2017) has built an index system for world-class postal enterprises, including eight categories of indicators: scale and profitability, service level, technology, business structure, internationalization, employee treatment, corporate governance, and development strategy[1]. Zhang Wenjie and Jiang Siyu (2018) proposed an index system for world-class aerospace enterprise groups, including seven dimensions: scale and benefit, product and market, operation and management, talent and team, technology and innovation, international development, environment and impact[2]. Shan Hongqing and Wang Xi (2018) have established an evaluation standard system for world-class energy and chemical companies from three perspectives of "big, strong and excellent", covering three aspects of scale, performance and sustainable development potential[3]. Pan Tao et al. (2019) studied the evaluation index system of world-class oil companies with global competitiveness, including global resource allocation capacity, wealth creation ability, scale strength, brand and cultural influence, management level, social responsibility and green development, and technological innovation[4]. Zhou Jianbo (2019) analyzed the evaluation criteria and understanding of world-class enterprises by relevant institutions and scholars at home and abroad, and built the world-class coal enterprise index system from four aspects: business performance, internationalization level, industrial competitiveness and independent innovation[5].

Generally speaking, the current research on the world-class enterprise evaluation index system has rich results. However, most studies are directed at a certain industry, which is not suitable for all enterprises to use and can't reflect the common feature of the world-class enterprise. Therefore, this paper deeply analyzes the connotation and characteristics of world-class enterprises, and builds an evaluation index system to provide reference and support for the enterprises.

## **Connotation and Characteristics of the World-class Enterprises**

### **The Connotation of the World-class Enterprises**

The concept of world-class enterprise is widely used, and a number of world-recognized first-class enterprises have been formed in various industries. However, there is no unified definition of world-class enterprises in academia. Li Boxi (2012) considers that the world-class enterprises refer to enterprises that can continuously innovate in the economic, social and environment, and are recognized by the world as having world-class competitiveness[6]. Wang Lizheng et al. (2013) summarize the common characteristics of world-class enterprises, including strong business management capabilities, strong sustainable development capabilities, leading innovation ability, high internationalization and strong brand influence[7]. Dong Fugui et al. (2018) consider that world-class enterprises are not only model companies with stable market competitiveness in the industry, but also enterprises with international management and strong influence in society and even in the world[8].

It can be found that although everyone's understanding of world-class companies is not identical, they are generally considered that the world-class companies are the ones which have world-leading status and can become the standards or benchmarks for other companies. Therefore, this paper proposes that world-class companies are the large-scale enterprise groups that have excellent performance, can lead global industry development, have outstanding contributions to society, and have high social recognition and international influence.

### **The Characteristics of the World-class Enterprises**

According to the connotation of world-class enterprises, combined with the features of recognized first-class enterprises such as Apple and Shell, it can be found that world-class enterprises have the following four characteristics:

(1) Having a large scale. The large scale is the premise of achieving world-class status. The most striking feature of world-class enterprises is that they mostly have the asset size, operating income or company market value in the forefront of the world. The corporate evaluations of "Fortune 500", "Forbes" magazine and other internationally renowned evaluation agencies are mainly based on scale indicators such as operating income, asset amount and stock market value.

(2) Having excellent profitability and value creation ability. Most of the world-class enterprises are prominent in their main business. And they can continue to create good performance and achieve predictable profits in a complex external environment. Through the optimal allocation of resources, the world-class enterprises can promote upgrade and seek new value creation models to maintain a dominant position.

(3) Have core technology or products. The world-class companies always have a large number of core technologies with independent intellectual property rights, and have some unique products or core resources which are not easily replaced or surpassed by other companies. This kind of core technology or product can bring huge value to customers and shareholders, and also can make the company have greater influence and voice in the global industry.

(4) Have high international influence and good brand image. Most of the world-class enterprises have global business philosophy. They formulate development strategies with global strategic thinking, and allocate the core resources such as capital, human resources and materials on a global scale. It always has a high degree of internationalization in terms of market, business, resource and income, and always has a good brand image and social influence in the world.

## **Construction of the World-class Enterprise Evaluation Index System**

### **Construction Principle**

The construction of the world-class enterprise evaluation index system should follow the following principles:

(1) Be systematic. The evaluation index system framework should be able to reflect the overall characteristics of world-class enterprises comprehensively and systematically, and the selected indicators are as independent as possible.

(2) Be typical. It should be tried to choose typical and internationally accepted indicators, which have objectivity and authority. And the quantity should be as refined as possible.

(3) Be available. Because the countries and fields involved in world-class enterprises are relatively wide, the qualitative evaluation is difficult to determine the evaluation criteria. Therefore, it should be mainly based on quantitative indicators, and the data is available.

(4) Be comparable. The evaluation index system should be adopted relative indicators as much as possible, which can have strong universality and recognition.

### **Indicator Selection and Index System Construction**

Based on the connotation and characteristics of world-class enterprises, and drawing on domestic and international evaluation practices, this paper builds an evaluation index system of world-class enterprises from five aspects as the first dimension: scale, business performance, industry status, growth potential and international influence. And then, scale includes one second-level dimension of the enterprise scale. Business performance includes three second-level dimensions of profitability, operating efficiency and risk control level. Industry status includes one second-level dimension of market position. Growth potential includes two second-level dimensions of innovation capability and sustainable growth capability. International influence includes two second-level dimensions of internationalization and brand image.

#### **(1) Scale**

The indicators of enterprise scale mainly include income, asset size and market value. Among them, income and asset size are relatively common indicators at home and abroad, and market value is only for listed companies. Because that world-class enterprise maybe not the listed company, the paper chooses operating income and total assets as the indicators measuring enterprise scale.

#### **(2) Business performance**

The indicators of profitability mainly include total profit, return on total assets, return on net assets, and net profit margin. Total profit is the most basic and widely used indicator of corporate profitability. The return on total assets and the return on net assets both can reflect the investment return efficiency. Net profit margin can reflect the changes in profits from the changes in income. Considering wide applicability and Indicator independence, the paper chooses total profit and return on total assets as the indicators measuring profitability.

The indicators of operating efficiency mainly include cost-profit ratio and per capita income. Cost-profit ratio can cover most costs and expenses of enterprise, and can reflect operating efficiency comprehensively. Per capita income mainly reflect employee efficiency, which is not comprehensive enough compared with cost-profit ratio. Ultimately, the paper chooses cost-profit ratio as the indicators measuring operating efficiency.

The indicators of risk control level mainly include asset-liability ratio and interest-cover ratios. Asset-liability ratio is the most basic and widely used indicator reflecting the financial security and asset quality of an enterprise. Interest-cover ratios has been used to reflect the ability of corporate income to pay interest on debt. The higher the value, the stronger the solvency. However, the data obtained from this indicator is more cumbersome and not as widely used as the asset-liability ratio. So the paper chooses asset-liability ratio as the indicators measuring risk control level.

#### **(3) Industry status**

The measure of market position is mainly market share. The general formula of market share is that the company sales revenue divided by the total industry sales revenue. However, the world-class enterprises belong to different countries, and the global market data is difficult to obtain. Therefore, it is necessary to adjust the calculation formula of market share. This paper calculate market share use the formula that the company sales revenue divided by the sample companies' sales revenue of the industry.

#### **(4) Growth potential**

The indicators of innovation capability mainly include the technical input ratio and the number of invention patents. Technical input ratio is an international indicator reflecting the investment and enthusiasm of innovation. The number of invention patents mainly reflects the scientific and technological achievements. However, because the data of the patents number is not easy to obtain, so the paper chooses technical input ratio as the indicators measuring innovation capability.

The measure of sustainable growth capability is mainly the growth rate of sales revenue, which reflects the sustainable development ability from the financial angle. The paper chooses it.

(5) International influence

The measure of internationalization is mainly the cross-border index, which is mean of the proportion of overseas assets, the proportion of overseas income, and the proportion of overseas employees. Since the data of overseas income and employee are not easy to obtain, the paper chooses the proportion of overseas assets as the indicators measuring internationalization.

The measurement of brand image is mainly the world brand ranking of some international organizations. This paper selects “Interbrand” ranking as the measure of brand image, which is an authoritative world brand ranking.

In the end, this paper forms a world-class enterprise evaluation index system with five first-level dimensions, nine second-level dimensions, and 11 specific indicators, as Table 1.

Table 1. The world-class enterprise evaluation index system

First-level dimensions	Second-level dimensions	Specific indicators
Scale	Enterprise scale	Operating income
		Total assets
Business performance	profitability	total profit
		return on total assets
	operating efficiency	cost-profit ratio
	risk control level	asset-liability ratio
Industry status	market position	market share
Growth potential	innovation capability	technical input ratio
	sustainable growth capability	the growth rate of sales revenue
International influence	internationalization	the proportion of overseas assets
	brand image	“Interbrand” ranking

**Conclusion**

This paper firstly analyzed the connotation and characteristics of world-class enterprises, and then proposed the dimensions of world-class enterprise evaluation and screened the key indicators. Finally based on the above the research contents, the paper formed an evaluation index system of world-class enterprises, which included five dimensions: enterprise scale, business performance, industry status, growth potential, and international influence. As well as the index system contained 9 secondary dimensions and 11 specific indicators. The evaluation index system can provide reference and support for enterprises building a world-class enterprise rapidly

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