Integrated Headquarters Performance Management System Empowers Headquarters Value Creation

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Abstract. This paper focuses on the pain points of insufficient strategic penetration and missing management closed loops in headquarters performance management. It systematically constructs an integrated and connected performance management system for headquarters, effectively enhancing their value creation capabilities. This verifies an innovative path for performance management mechanisms under the modern enterprise system with Chinese characteristics, providing references and insights for promoting the modernization of state-owned enterprise governance.

Keywords: Performance Management, Value Creation, State-Owned Enterprise Governance, Closed-Loop Management.

1 Introduction

The Third Plenary Session of the 20th Central Committee of the Communist Party of China has charted the course for state-owned enterprise (SOE) reform in the new era[1]. The critical missions of SOEs include comprehensively improving value creation capabilities and accelerating the development of world-class enterprises. As the "brain" and "core" of corporate value creation, the headquarters plays a pivotal role in strategic guidance, resource coordination, and cross-functional collaboration. Based on the practical management of SOEs, this paper explores the systematic construction of an integrated performance management system to strengthen headquarters value creation through institutional innovation, offering insights for advancing the modernization of SOE governance.

2 Current Analysis of Headquarters Performance Management

2.1 The Critical Role of Headquarters in Corporate Value Creation

The essence of corporate value creation lies in integrating technology, human resources, capital, and other resources to enhance resource allocation efficiency and operational effectiveness. Since the 1970s and 1980s, theoretical research on head-

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quarters value creation has highlighted its key roles in strategic guidance, resource coordination, cross-functional collaboration, and risk management, despite not directly engaging in operations[2, 3].

1. Strategic Guidance: The headquarters translates corporate missions into actionable plans through strategic research, planning, and control, ensuring alignment with organizational goals.

2. Resource Coordination: By optimizing strategic resource allocation, building centralized service platforms, and dynamically adjusting business portfolios, the headquarters enhances integrated resource utilization and value creation efficiency.

3. Cross-Functional Collaboration: The headquarters drives cross-domain collaboration through innovative mechanisms, generating synergies to amplify overall corporate value.

4. Risk Management: The headquarters establishes a full-cycle risk prevention system, ensuring steady strategic goal achievement through dynamic monitoring and coordinated emergency response.

2.2 Challenges in Headquarters Performance Management Under New Circumstances

As SOEs strive to enhance value creation and build world-class enterprises, headquarters face higher demands in strategic execution, resource coordination, collaboration, and risk control[4]. Currently, their performance management systems generally have shortcomings in systemic innovation and management penetration, mainly manifested as follows:

First, insufficient strategic execution penetration, with distorted vertical goal transmission and ineffective horizontal task coordination, requiring improved management system integration. For example, some headquarters set overly broad strategic goals without clear decomposition and communication channels. As a result, departments at different levels may have different interpretations of these goals, leading to inconsistent actions. Moreover, when multiple departments are involved in a cross - functional project, there is often a lack of effective communication and coordination mechanisms, causing delays and inefficiencies.

Second, lack of effective closed - loop management mechanisms, including disconnections between goal responsibilities and assessment content, separations between process control and assessment results, and weak links between performance evaluation and incentive constraints. In some enterprises, the assessment content may not fully reflect the actual responsibilities of employees. The process control is often limited to simple progress reports, and the assessment results are not effectively used to adjust the management process. Additionally, the incentive and punishment mechanisms are not closely related to performance, which fails to motivate employees to actively improve their work.

Third, insufficient systematicity in performance indicators, needing stronger comprehensive evaluations of overall work performance and performance. Existing performance indicators may focus too much on short - term financial results, neglecting long - term strategic goals, such as innovation capabilities, talent cultivation, and

brand building. This narrow focus can lead to short - sighted decision - making and undermine the long - term development of the enterprise.

Fourth, unbalanced incentives and constraints, which are unfavorable for forming a balance between risk control and value creation. Some enterprises overly emphasize incentives, leading employees to take excessive risks in pursuit of high rewards. On the contrary, overly strict constraints may stifle employees' initiative and creativity, resulting in missed business opportunities.

3 Design Framework for the Integrated Headquarters Performance Management System

To better play the role of a "guiding indicator," headquarters performance management must actively adapt to new contexts, tasks, and requirements by continuously innovating assessment mechanisms. The concept of modern enterprise performance management originated in the West. Since China's reform and opening up, domestic enterprises have generally borrowed and applied Western management tools under the background of catching up and learning from Western enterprises, which played a positive role for a certain period. However, with the deepening of reforms, systemic and structural contradictions have become prominent. Especially in the new era of comprehensively deepening reforms and advancing Chinese-style modernization, management tools born in Western economic and social contexts can no longer truly solve the problems of Chinese enterprises. To address the challenges in state-owned enterprise headquarters performance management, we must adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, follow the principles of seeking truth from facts and systematic thinking, and carry out targeted and integrated innovations[5-9]. Based on management practices and the common problems in headquarters performance management, this paper proposes the design philosophy for an integrated and connected performance management system for headquarters (see Fig. 1).

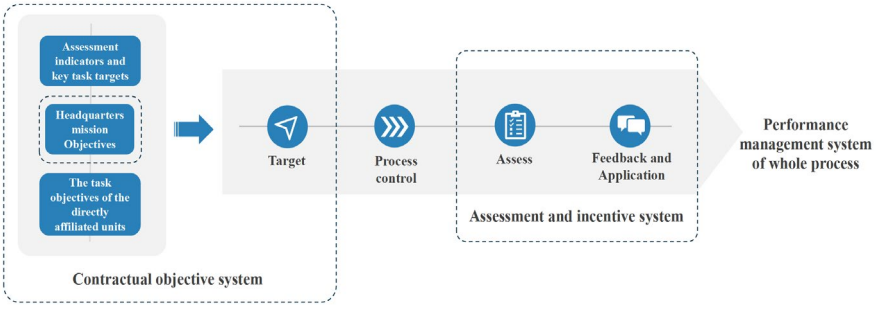

Fig. 1. Schematic diagram of the integrated and coherent performance management system.

This system focuses on the critical role of headquarters as a bridge between higher-level strategies and lower-level implementations and as a coordinator for cross-domain linkages. It aims to:

1.tablish a vertical and horizontal connected, clear accountability goal system to enhance strategic vertical penetration and promote cross-domain business synergy.

2.nstruct a full-process performance management system integrating "goals-control-assessment-incentives" to strengthen headquarters responsibility transmission and form a closed-loop management cycle.

3.ild an assessment and incentive system emphasizing both incentives and constraints with a value creation orientation, guiding headquarters to take proactive actions in serving the overall development situation while precisely controlling risks.

4 Key Measures for Building the Integrated Headquarters Performance Management System

4.1 Establishing a Vertically and Horizontally Integrated Contractual Target System

1. Integrate SASAC (State-owned Assets Supervision and Administration Commission) assessment indicators, key tasks of the group Party committee, and task goals of directly affiliated units. Incorporate important business development indicators such as “one profit and five ratios”, project pre-planning, start-of-construction, and deepening reforms into the headquarters assessment goal system. This ensures the decomposition and connection of superior tasks at the headquarters department and affiliated unit levels, enhancing the vertical penetration of strategic task management.

2. Summarize and analyze the characteristics of different tasks, categorizing them into quantitative, milestone, and special tasks. Develop grading standards for different task types using unified measurement scales to achieve horizontal integration, align management orientations, and form joint forces.

3. Implement a “climbing” mechanism with multi-tier targets. Introduce reward mechanisms for over-fulfillment, performance better than the same period last year, or reaching industry-leading levels to encourage departments to exceed themselves and benchmark against top performers. Encourage the setting of “challenge” tasks to promote proactive pressure-taking and ensure high-quality implementation of group strategic goals.

4. Decompose performance tasks into quantifiable milestone goals with specific standards for each, forming a full - process control benchmark. For interlinked tasks such as project pre - planning and construction, establish standardized responsibility interfaces at key milestones (e.g., main equipment bidding, main construction start) based on the characteristics of different project types (wind - solar power, thermal power, hydropower), achieving two - way locking of goal setting and responsibility attribution.

4.2 Building the "Target-Control-Assessment-Incentive" Closed-Loop Process

1. Precise Goal Decomposition: Accurately decompose headquarters goals into departments with a "one department, one strategy" approach. Refer to the requirements of the new-style operational responsibility system, implement contractual management for goals, and sign a "Performance Assessment Goal Responsibility Letter" with each department to lay the foundation for integrated "goals-control-assessment-incentives".

2. Strengthening Process Control: Use monthly headquarters meetings as a platform to issue "light-up" reminders for goals, predict problems in advance, and focus on overcoming difficulties. Conduct semi-annual assessments to monitor and feedback on key milestone tasks and stage goals, with timely assessment results application to promote annual goal achievement.

3. Performance Assessment and Incentives: Conduct assessments based on task completion, provide timely feedback to guide improvements, and directly link performance bonuses to assessment results. For excellent performers, bonuses are increased by 40%; for unqualified performers, bonuses are fully deducted. This drives improvements through incentives, forming a closed-loop management cycle of "contract signing-dynamic monitoring-result application-improvement".

4.3 Developing a Value Creation-Oriented Incentive-Constraint System

1. Balance constraints and incentives:
   - Enforce penalties for missed targets (e.g., score deductions, veto rights).
   - Provide exemptions for non-subjective failures.
   - Reward overachievement, early completion, and high-quality outcomes.

2. Task Quality and Efficiency Focus: Define five grading standards for task completion: "high-quality completion", "good completion", "completion", "uncompleted", and "uncompleted with significant negative impact", with corresponding points added or deducted based on quality and efficiency. Consider the number of tasks undertaken by different departments, accumulating scores for comprehensive evaluation to reflect both "more labor, more reward" and value creation.

3. Integrated Quantitative and Qualitative Assessment: Strengthen goal responsibility transmission through quantitative assessment, implementing contractual management and closed-loop for task goals. Based on quantitative results, use customized information systems for qualitative evaluations to conduct comprehensive assessments of integrity, synergy, and systematicness, achieving integrated linkage between quantitative and qualitative evaluations for a comprehensive assessment of overall work performance.

5 Outcomes of the Integrated Headquarters Performance Management System

The full implementation of this system has significantly enhanced the strategic execution and value creation capabilities of headquarters. This system, by integrating the entire chain of goal setting, process control, and assessment incentives, truly turns the "baton" into a "booster" for promoting the high-quality development of enterprises. The main achievements are as follows:

First, the vertical-horizontal connected, clear accountability goal system has established a penetrative decomposition mechanism for group strategies. Through clear task lists and standards, Party committee decisions are thoroughly decomposed into departments. Especially in key tasks such as implementing the "dual carbon" strategy and energy supply security, departments proactively align with standards, forming a coordinated working pattern of vertical and horizontal linkages. The completion quality of strategic tasks has reached an all-time high.

Second, the full-process management system integrating "goals-control-assessment-incentives" has improved goal management mechanisms. Through a "regular early warning, stage evaluation, annual settlement" dynamic calibration mechanism, key work stays on track, and milestones are met. In major projects such as new energy base construction, real-time monitoring of goal deviation rates, rapid response to resource gaps, and instant performance reward have promoted dual improvements in project management efficiency and quality.

Third, the dual-layer assessment and incentive mechanism of "constraints for effectiveness, incentives for breakthroughs" clarifies bottom-line requirements while setting up incentives for ambitious goals. Under this orientation, headquarters managers proactively optimize business processes and coordinate resources to provide special support for key tasks like energy supply and new energy development. Meanwhile, constraint mechanisms such as "zero tolerance" for safety production and "negative lists" for compliant operations strictly control risk bottom lines, promptly warning deviations from strategic directions or red-line violations to ensure steady strategic implementation.

In the first year of implementation, the system helped achieve excellent results in key areas such as operational efficiency, green development, technological innovation, deepening reforms, and energy supply, injecting strong momentum into enhancing the group's overall value creation capabilities.

6 Conclusion

The innovative practice of the integrated and connected performance management system for headquarters has not only improved management levels and value creation capabilities but also provided a reference for the headquarters and functional departments of directly affiliated and grassroots units. In the future, this innovative model can be extended vertically to achieve synchronized linkages among "headquarters-

directly affiliated units-grassroots units", continuously enhancing value creation capabilities.

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