

Research on Enterprise Application of Balanced Scorecard

Taking China Resources Group as an Example

Min Zhou

School of Economics and Management
Nanjing University of Science and Technology
Nanjing, China

Abstract—In 1992, Kaplan and Norton put forward the theory of Balanced Scorecard. Over the years, this theory has influenced the business community, and many enterprises in China have started to adopt this idea. The China Resources Group has successfully adopted the balanced score Card theory model, in its own 6s management system to join the Balanced Scorecard, the company's performance has been steadily improved. This paper is a review and analysis of the implementation process of the Balanced Scorecard of China Resources Group, and summarizes its successful experiences and provides reference for other enterprises.

Keywords—Balanced Scorecard; 6s management system; performance evaluation

I. INTRODUCTION

Since the moment of the birth of the enterprise, a core issue around enterprise management is performance evaluation, and the theory of enterprise performance evaluation has always been accompanied by the continuous development of social environment changes and innovation. After the 1980s, the global economic climate caused numerous uncertainties, the more intense competition, the competition between enterprises in the space to be extended in time to be strengthened, enterprises want to get long-term development, and we must pay attention to their own development strategy management, to ensure the sustainable operation of enterprises and continuous development. China's reform and opening up more than 30 years, the socio-economic development has been developed by leaps and bounds, especially in 2001 after joining the World Trade Organization, the Chinese enterprises to join the tide of globalization, access to a broader market but also face more Risk and uncertainty, in the current economic environment, if the enterprise is only using the traditional performance evaluation, has become some "slim", is not conducive to business innovation and accumulation, and thus affect the long-term development of the company's potential, this is undoubtedly Will to some extent mislead the business management and management. In response to this new situation, a group of scholars and experts put forward some new performance evaluation theory.

In 1992, Harvard University professor Robert Kaplan and the rehabilitation of the company's consultants David Norton in the "Harvard Business Review" published a "Balanced Scorecard: drive performance evaluation index system," a paper, formally created a balanced score Card theory. Over the years, this theory has been widely concerned about, and the business management had a profound impact. Gartner Group survey found that: "Fortune" magazine published the world's top 1000 companies, 70% of companies use the Balanced Scorecard system. "Harvard Business Review" is the Balanced Scorecard as 75 years the most influential strategic management tools. At present, China has a number of enterprises began to use the Balanced Scorecard system, but the effect is not uniform, for China's national conditions how reasonable use of this theory is a question worth thinking about. This article is through the case study method, the China Resources Group using the Balanced Scorecard after the development of the description and analysis, and its successful implementation of the Balanced Scorecard to summarize the experience of other enterprises in China in the implementation of the Balanced Scorecard Provide reference.

II. LITERATURE REVIEW

A. Balanced Scorecard and Financial Performance

Banker (2001) argues that the splendor of the Balanced Scorecard is that it illustrates the relationship between performance evaluation and strategic objectives. Once the firm clarifies this relationship, the strategic objectives can be further translated into executable evaluation indicators to help companies improve their performance. Stan Davis and Tom Albright (2004) used experimental research methods to achieve that in the banking sector, the implementation of the Balanced Scorecard compared with the traditional use of financial indicators to conduct performance appraisal compared to help improve financial performance, which Hoque and James (2000) studied the manufacturing industry and Banker (2000) and other research on the hotel industry concluded the same conclusion. Christopher D. Ittner (2003) argues that the implementation of the Balanced Scorecard does not improve financial performance, and he points out that companies that claim to use Balanced Scorecard are always ignoring business models that are conducive to

financial performance. Geert. M.raam and Edwin J. Nijssen (2004) mentioned that the use of the Balanced Scorecard, if linked to the company's strategy, would have a positive impact on financial performance. However, the use of the Balanced Scorecard, only concerned about its performance appraisal function, it may have a negative impact on financial performance.

B. Balanced Scorecard and Organizational Change

Bi Yiwen, Sun Yongling (2003) mentioned that improving the effectiveness of change management by the following important factors: to determine the objectives of change to determine the reasons for change, to determine the structure of change to determine the urgency of change, change the objectives of change Progress, feedback and promotion of change. The Balanced Scorecard system can achieve each of these elements. Jia Nan (2009) pointed out that the Balanced Scorecard is a compass of organizational management change. The implementation of the Balanced Scorecard has certain requirements for the organization and management of the enterprise, and the balanced scorecard and the organizational management change are mutually reinforcing.

C. Organizational Change and Financial Performance

Cummings and Worley (2003) argue that organizational change is primarily a change in the organization's behavior, culture, structure, and strategy for the pursuit of performance. Organizational change behavior directly affects financial performance. Hu Guiyi, Ren Chongming and Wang Muntian (2008) proposed that the change of financial organization with the stakeholder as the core could improve the cooperation with the stakeholders, especially the customers and suppliers, and improve the level of social responsibility. The overall performance improvement of the firm has had a significant positive impact. (2005), Liu Yanfeng and Li Chunfu (2010) have proposed that enterprises must follow the changes in the environment to carry out appropriate organizational changes, the use of different organizational models, in order to continuously improve organizational performance.

D. A Brief Review of Domestic and Foreign Research

At present at home and abroad for the balanced scorecard, organizational changes and their relationship with financial performance there are many studies. Whether the balanced scorecard has contributed to the growth of financial performance has not been a conclusion, some scholars believe that the Balanced Scorecard for the growth of financial performance to promote the role, but there are scholars opposing negative attitude. For organizational change on financial performance, the main point is that organizational change will promote the growth of financial performance. There are few studies on the relationship between the Balanced Scorecard and Organizational Change. Many scholars have confirmed the role of Balanced Scorecard in organizational change. The relationship between organizational scoring, organizational change and financial performance has been studied by scholars.

III. EASE OF USE

A. Balanced Scorecard Execution

China Resources Group as a product of China's planned economy era, China's export companies in Hong Kong and Southeast Asia's general agent. In the company's trade business at its peak, the total import and export agents accounted for one-third of the country. With the reform of the reform and opening up after the reform of the trade system, many mainland enterprises have access to import and export rights, China Resources' s foreign trade agency status is increasingly weak, so looking for new business has become the only way to further development of China Resources. Diversified development has become a choice for China Resources Group. China Resources Group has the domestic M & A activities in other enterprises difficult to reach the advantages, so through the M & A activities to diversify into a further development of China Resources to the road and to GE as the goal.

At the end of 1995, China Resources Group's investment and other diversified earnings accounted for 51% of the total gross profit, indicating that China Resources has completed the transition from trade-oriented to diversified development, China Resources has become a diversified integrated group. The rapid expansion of China's rapid expansion of the scale, but the attendant there are many problems, large scale, the competitiveness has not been significantly enhanced, because a series of integration difficulties, largely offset by China Resources in mergers and acquisitions Industry consolidation in the many potential gains.

Facing the increasingly complex management environment, China Resources has taken a series of measures. China Resources has put forward the strategy of "the group has a limited degree of diversification and profit center specialization", and further, China Resources is committed to making every profit center a listed company, so that these profit centers have greater autonomy, to the professional The direction of development. For the group, its management of the profit center is mainly reflected in the China Resources summed up the "6S management system" on. The so-called "6S", refers to the business strategy system, a comprehensive budget system, management reporting system, performance evaluation system, internal audit system, manager assessment system and other six parts, as shown in Figure 2. The business strategy system and performance evaluation system mainly rely on the BSC established.

Under the overall strategy of the Group, each profit center builds up its own business strategy based on the Balanced Scorecard and breaks it into four dimensions: finance, customer, internal process, learning and growth. In the construction of their own strategic map, the profit center should be based on their own development orientation, the strategic level decomposition to the next level of profit center until the individual. The establishment of strategic management committee, specifically responsible for the formulation, implementation and implementation of the strategy, and the development and implementation of the strategy to regulate the control; according to the company's development and changes, with reference to the actual

business facts, changing business environment, new thinking and new And to adjust the strategy in time to ensure the effectiveness of the strategy to guide the management of the enterprise; to hold a strategic seminar on a regular basis to promote the strategic implementation of the strategy to the implementation level, to achieve strategic landing, to ensure that the strategy The longitudinal consistency and horizontal synergy.

In building a profit center business strategy, the following five principles should be followed:

- The strategic balance of contradictory aspects

The starting point for the description strategy should be a balanced and clear cost reduction, a short-term goal of productivity gains, and a long-term goal of revenue growth.

- Strategy is based on differentiated customer value orientation

There are four key values and customer strategies: the overall low cost, product leadership, complete customer solutions or system lockout, the core of the business strategy is the customer value orientation, different strategies require different values to attract and retain the target customers and deepen customer relationships.

- Value created through internal business processes

Internal processes have operational management, customer management, innovation and regulation and social four categories to create and form a differentiated value orientation the most important thing is to identify a few key processes and as a strategic theme,

- Strategy encompasses complementary themes that exist simultaneously

Since the four types of internal processes bring benefits at different times, the strategy should balance the combination of at least one of the four strategic themes and enhance the four types of processes through the strategic theme to achieve the stage benefits and generate shareholder value increase

- The consistency of the strategy to determine the value of intangible assets

After the construction of the business strategy system, in order to ensure the implementation of the strategy in place, we must track the completion of the strategic objectives of the situation, for the establishment of the need to establish a performance evaluation system. In the design of indicators, based on strategic themes to develop, consider the balance between the contradictions, such as long-term indicators and short-term indicators, non-financial indicators and financial indicators and so on.

B. Balanced Scorecard Execution

China Resources Group as a product of China's planned economy era, China's export companies in Hong Kong and Southeast Asia's general agent. In the company's trade business at its peak, the total import and export agents accounted for one-third of the country. With the reform of the reform and opening up after the reform of the trade system, many mainland enterprises have access to import and export rights, China Resources' s foreign trade agency status is increasingly weak, so looking for new business has become the only way to further development of China Resources. Diversified development has become a choice for China Resources Group. China Resources Group has the domestic M & A activities in other enterprises difficult to reach the advantages, so through the M & A activities to diversify into a further development of China Resources to the road and to GE as the goal.

At the end of 1995, China Resources Group's investment and other diversified earnings accounted for 51% of the total gross profit, indicating that China Resources has completed the transition from trade-oriented to diversified development, China Resources has become a diversified integrated group. The rapid expansion of China's rapid expansion of the scale, but the attendant there are many problems, large scale, the competitiveness has not been significantly enhanced, because a series of integration difficulties, largely offset by China Resources in mergers and acquisitions Industry consolidation in the many potential gains.

Facing the increasingly complex management environment, China Resources has taken a series of measures. China Resources has put forward the strategy of "the group has a limited degree of diversification and profit center specialization", and further, China Resources is committed to making every profit center a listed company, so that these profit centers have greater autonomy, to the professional The direction of development. For the group, its management of the profit center is mainly reflected in the China Resources summed up the "6S management system" on. The so-called "6S", refers to the business strategy system, a comprehensive budget system, management reporting system, performance evaluation system, internal audit system, manager assessment system and other six parts, as shown in Figure 2. The business strategy system and performance evaluation system mainly rely on the BSC established.

Under the overall strategy of the Group, each profit center builds up its own business strategy based on the Balanced Scorecard and breaks it into four dimensions: finance, customer, internal process, learning and growth. In the construction of their own strategic map, the profit center should be based on their own development orientation, the strategic level decomposition to the next level of profit center until the individual. The establishment of strategic management committee, specifically responsible for the formulation, implementation and implementation of the strategy, and the development and implementation of the strategy to regulate the control; according to the company's development and changes, with reference to the actual business facts, changing business environment, new thinking

and new And to adjust the strategy in time to ensure the effectiveness of the strategy to guide the management of the enterprise; to hold a strategic seminar on a regular basis to promote the strategic implementation of the strategy to the implementation level, to achieve strategic landing, to ensure that the strategy The longitudinal consistency and horizontal synergy.

In building a profit center business strategy, the following five principles should be followed:

- The strategic balance of contradictory aspects

The starting point for the description strategy should be a balanced and clear cost reduction, a short-term goal of productivity gains, and a long-term goal of revenue growth.

- Strategy is based on differentiated customer value orientation

There are four key values and customer strategies: the overall low cost, product leadership, complete customer solutions or system lockout, the core of the business strategy is the customer value orientation, different strategies require different values to attract and retain the target customers and deepen customer relationships.

- Value created through internal business processes

Internal processes have operational management, customer management, innovation and regulation and social four categories to create and form a differentiated value orientation the most important thing is to identify a few key processes and as a strategic theme,

- Strategy encompasses complementary themes that exist simultaneously

Since the four types of internal processes bring benefits at different times, the strategy should balance the combination of at least one of the four strategic themes and enhance the four types of processes through the strategic theme to achieve the stage benefits and generate shareholder value increase

- The consistency of the strategy to determine the value of intangible assets

After the construction of the business strategy system, in order to ensure the implementation of the strategy in place, we must track the completion of the strategic objectives of the situation, for the establishment of the need to establish a performance evaluation system. In the design of indicators, based on strategic themes to develop, consider the balance between the contradictions, such as long-term indicators and short-term indicators, non-financial indicators and financial indicators and so on.

C. Execution Effect

China Resources Group in 2003, the introduction of BSC theory into the 6s system, the performance has been greatly

improved. First of all, to promote the transformation of ideas, BSC's basic ideas have been formed in the China Resources Group, including a customer-oriented, intangible asset-driven, strategy for the action, based on the management of measurement, and gradually implemented to the staff's daily action The Second, the establishment of a set of scientific strategic management system, including the strategic communication mechanism, the responsibility to implement the mechanism, tracking mechanism, correction mechanism. Making the strategic elements of the profit center formed a PDCA cycle; improve the consistency of the implementation of the strategy to ensure the realization of the strategy. Third, the effective allocation of resources, China Resources Group in the expansion, has faced a deep "big but not strong" problem, and management felt the need to do a lot of things, but there is no overall central ideas and themes, resulting in profits Conflict between the center, the use of resources is very low efficiency, the introduction of balanced scorecard, through the clarity of strategic objectives, the profit center resources to focus more, greatly improving the efficiency of the use of resources. Fourth, improve the coordination of the organization, functional departments, marketing departments and factories based on the overall strategic objectives and achieve better coordination. Fifth, the successful realization of the professional, and the profit center create a professional team through strategic planning to. Finally, the Group's performance improved significantly.

China Resources Group in 2011 turnover of 336.5 billion Hong Kong dollars, total profit of 35.8 billion Hong Kong dollars, the total assets of 764.4 billion Hong Kong dollars. Group core business, including consumer goods (including retail, beer, food, beverages), electricity, real estate, medicine, cement, gas, finance and so on. China Resources' diversified business has a good industrial base and market competitive advantage, including retail, beer, electricity, real estate, gas, medicine has established industry-leading position.

Balanced Scorecard has not only become an important tool for the Group to carry out strategic control of its subsidiaries, but also helps the subsidiaries improve their own management and strengthen the strategic execution ability. As a navigation project of the electronics company China Resources Microelectronics in the implementation of the Balanced Scorecard has also been a breakthrough achievement, the main financial results are:

- Turnover of three years turned seven times the annual compound growth rate of 72%;
- Employee per capita GDP increased by 97%, annual compound annual growth rate of 18%;
- The total compound annual growth rate of 70%;
- Inventory turnover rate also increased to 3.69, the annual compound rate of increase of 23%.

In addition to its non-financial results are:

- Customer satisfaction increased from 72% to 81%;
- Yield from 72% to 97%;

- Adjust the customer strategy, the company's target customers from the domestic low-end customers to adjust to international customers;
- Within the electronics company formed a two-level profit center collaboration;
- Receive a number of domestic awards.

And the group leaders have also made a very positive evaluation of the role of the Balanced Scorecard in the Group's control system. "From the Group's diversified business, it is up to the strategy to rely on the Balanced Scorecard, which is the Group Management Diversified Enterprise Science Effective tools that can make the Group manage the profit center much less difficult. BSC can make the management of the group clear, as a tool, simple and practical.

IV. CONCLUSION

In short, China Resources Group introduced the Balanced Scorecard proved to be successful, but as the world does not have the perfect thing, we should also see the balance scorecard limitations. Specifically, there are the following advantages and disadvantages:

A. The Advantages

1) *To achieve a combination of financial indicators and non-financial indicators:* The traditional performance evaluation system is based on the accounting data, mainly based on financial indicators (such as profit, return on investment, etc.), it can comprehensively reflect the comprehensive performance of enterprises, and with the main objectives of the profit organization directly linked, it is easy for the company managers and shareholders to accept, but the financial indicators are inadequate. The financial indicators themselves do not reveal the underlying causes of performance motivation or performance improvement. Moreover, the financial indicators mainly focus on the company's internal evaluation, ignoring the external environment, such as customer, market and other aspects of the analysis. Balanced Scorecard method makes up for the above shortcomings. It combines the financial and non-financial aspects of finance, customers, internal processes, learning and growth, revealing the relationship between internal and external, financial results and the execution of these results.

2) *To achieve the performance of short-term evaluation and long-term evaluation of the unity:* The traditional performance evaluation system focuses on the financial evaluation of past activities and makes some tactical feedback on these results to control short-term business activities to maintain short-term financial results. Which led to the company quick success, in terms of short-term performance too much investment. Rather than financial indicators are often future-oriented, combined with financial indicators and non-financial indicators of the Balanced

Scorecard performance will be short-term and long-term evaluation of unity.

3) *Reveal the motivation of enterprise value creation:* It is far from enough for companies to invest in customers, suppliers, employees, production processes, technology and innovation to create future value for the guidance and evaluation of the information age. Balanced scoring card to make up for this defect, located in the enterprise value creation process, highlighting the intangible assets of the important role of competition in the enterprise.

B. The Defect

The first thing that needs to be clear is that the Balanced Scorecard is not a tool for specifying a strategy, but rather a tool for implementing a strategy that balances the application of a scorecard. The business has developed a strategy. Second, it is important to understand that the Balanced Scorecard can tell us where we are doing enough to improve, but we cannot tell how we should improve. In addition, there are some deficiencies:

1) *The balance scorecard too many indicators weakened its effect:* Balanced Scorecard evaluation system, contains a lot of series of indicators, the "information overload" problem research pointed out that a large number of indicators beyond the manager's decision-making capacity, which will reduce the performance of enterprises, a number of series of indicators Distracting the manager's efforts and reducing the effectiveness of its evaluation system.

2) *Measure the weight of the indicators is difficult to reasonably determine the weight:* If you use the Balanced Scorecard to measure performance, you need to assign weight to many indicators, different weights will have different evaluation results, and the weight does not have a unified, objective criteria, which will inevitably lead to the results of performance evaluation with weight subjective. The impact of the distribution, it is difficult to convince the public.

In summary, the Balanced Scorecard is a good performance evaluation system, but it is not a panacea, companies need to consider their own situation, to weigh, using the most suitable for their own evaluation system.

REFERENCES

- [1] Rajiv D. Banker, Hsuihui Chang, Mina J. PiQingTengini. The balanced scorecard: judgmental effects of performance measures linked to strategy[J]. *The Accounting Review*, 2004, 1: 1-23.
- [2] William B. Tayler. The balanced scorecard as a strategy-evaluation tool: The effect of implementation involvement and a causal-chain focus[J]. *The Accounting Review*, 2010, 85(3): 1095-1117.
- [3] Allan Hansen. Nonfinancial performance measures, externalities and target setting: A comparative case study of resolutions through planning[J]. *Management Accounting Research*, 2010, 21: 17-39.
- [4] Geert J. M. Braam, Edwin J. Nijssen. Performance effects of using the balanced.

- [5] Jia Nan. Compendium of Organizational Management Change - Balanced Scorecard [J]. Project Management Technology, 2009: 681-683.
- [6] Liu Yanfeng, Li Chunfu. Talking about the relationship between organizational change and organizational performance [J]. Northern Economy and Trade, 2010: 106-107.
- [7] You Chuan-xin, LI Gang. Study on Organizational Change and Performance Change Regularity [J]. Technology Monthly Newsletter, 2005: 76-77.
- [8] Robert Kaplan, David Norton, Liu Junyong, etc. Balanced Scorecard - Strategy for action [M]. Guangzhou: Guangdong Economic Publishing House, 2004.
- [9] Tang Guoliang, Wang Bin, Du waste, Fu Yang. Diversified enterprise group management and control system integration concept - based on China Resources Group 6s case analysis [J]. Accounting Research, 2009 (2): 53-60.