How Can the Enterprise Strategic Performance Indicators be Constructed

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Abstract. In the current commercial society, enterprises pay more and more attention to the confirmation of strategic factors and the construction of strategic performance indicators. Previous researchers have conducted in-depth research on strategy and performance respectively, but there is still a gap in the research of integrating the two to build a strategic performance indicator system. Therefore, this study will aim at this gap, based on the previous research and expansion, first clarifying the composition level of strategy and the composition system of performance, select the corresponding strategic performance indicators through analysis, and study the construction of strategic performance model through the method of building models. Through the research, a rough conclusion is that the strategic performance is positively related to the improvement of most strategic factors, such as financial benefit, operational efficiency, social benefits and market value. It can be seen that the improvement of strategic factors for performance is conducive to the development of enterprises.

Keywords: Strategic factors; strategic performance; performance evaluation system.

1. Introduction

The formulation of strategy and the determination of performance indicators are essential to an enterprise. Strategies guide the direction of future development of an enterprise, and performance is the standard for evaluating the effectiveness of an enterprise. Among them, the company's strategy is formulated according to the performance standard, conversely, the performance will be adjusted considering the development under strategy, which will affect the company's long and short-term development. As for an enterprise, the truly important strategic performance may not be measured by indicators, and the strategic performance that can be measured by indicators is often not necessarily the indicator that is really conducive to the rapid development of the enterprise. Regarding the strategy and performance of enterprises, the previous studies often pay more attention to the strategy or performance, and few studies integrate the two. Therefore, this paper will integrate strategy and performance, and discuss how can the enterprise strategic performance indicators can be constructed and how the two factors influence each other

2. Overview of corporate strategy and performance

2.1 The hierarchy of a corporate's strategy

A corporate’s strategy is hierarchical. The mainstream view is that strategy is divided into three levels: company strategy, division strategy and functional strategy. Among them, different levels of strategies select different strategic types of solutions to solve problems at different levels of the enterprise [1].

2.1.1 Corporate's strategy

The corporate strategy is the organization's overarching plan. It is the top management of the company's highest-level plan and action. All company behaviors will be governed and controlled by this type of strategy. The primary goal of a company's strategy is to select the business area and scope from the firm's total position, taking into account both internal and external factors. In other words, it determines what the company should do for a living. Then decide how to develop the selected business to achieve the overall strategic intention of the company. The responsibility for strategy formulation at the company level belongs to the senior management.

2.1.2 Business unit strategy

A business unit's strategy is a strategic plan created under the direction of the overarching business strategy. It is a sub-strategy of the company. It mainly solves the problem of how a business unit competes with competitors in its industry or in a specific product-market field. That is to say, on what basis will the company compete with its competitors and take corresponding competitive measures to participate in market competition so as to establish a certain dominant position. The responsibility for strategic formulation of the business division mainly belongs to the main managers of the business division [2]. The difference between the company's strategy and the division's strategy is mainly shown in the following aspects: the company's strategy should plan the selection, development, maintenance, and abandonment of multiple strategic businesses as a whole; The strategy of the business division should be carried out under the guidance and requirements of the company.

2.1.3 Functional strategy

Functional strategy, which includes production strategy, marketing strategy, financial strategy, personnel strategy, and R & D strategy, is the implementation strategy developed in specific functional domains to implement, implement, and support company level and business level strategy. The major goal of the functional strategy is to maximize the company's resource utilization efficiency and address the issue of resource consumption efficiency. The functional strategy is more precise, thorough, and implementable when compared to the company level plan and the business level strategy. It is composed of a series of detailed plans and plans. It plays a guarantee role for the successful implementation of the company's strategy and the business department's strategic objectives. Formulating functional strategies is the main responsibility of managers of functional departments. To sum up, it can be seen that the company's strategy, the division's strategy and the functional strategy are not only different (see table 1), but also interrelated and interact with each other, forming a complete system of enterprise strategy. Only when the three are organically combined to form an interactive strategic system can the company truly form strategic advantages, create strategic performance and achieve expected goals.

Table 1 Comparison of company strategy, department strategy and division strategy

Strategy	Nature	Purpose	Feature	Constitutor
Corporate's strategy	Overall strategy	What to do	Guidance	Senior managers
Business unit strategy:	Sub-strategy	How to do	Planning	Department managers
Functional strategy	Implementing strategy	Do it well	Operability	Functional mangers

2.2 Corporate's performance evaluation

The strategic performance evaluation system, in its simplest form, is a management system that assesses each department's and employee's performance from the viewpoints of enterprise value and enterprise strategy in order to form appropriate decision-making and behavior guidance, collaborate to meet the company's strategic goals, and increase the company's value. The examination of organizational performance, team performance, and employee performance at all levels are all included. It is a collection of techniques and systems for performance assessment.

The essential components of the index system and value orientation of the performance evaluation system, respectively, are the company's development plan and business indicators. The strategic goals of the performance evaluation system define this. The pyramid index system is based on the idea of defining the company's development strategy. It consists of the company's performance evaluation indicators, department performance evaluation indicators, and post-performance assessment indicators. This evaluation index system constitutes the core of the whole organizational performance evaluation system. When designing the company's performance evaluation system, start with determining the strategic planning of the organization, find out the evaluation standards and indicators at all levels through the decomposition of key success factors, and then determine the whole performance evaluation system. When setting performance indicators, attention should be paid to maintaining the accuracy, timeliness and objectivity of information [3]; consistency, acceptability and controllability of objectives; The characteristics of the organization, the variability of the evaluation system, and the relationship between controllable and uncontrollable performance evaluation indicators, quantitative and non-quantitative, financial and non-financial indicators, unity and multiplicity. A complete company performance evaluation system includes evaluation subject, evaluation object, evaluation target, evaluation index, evaluation standard and evaluation method.

(1) Evaluation subject: the initiator of evaluation behavior. From the perspective of the production and development of performance evaluation, it is established to solve the principal-agent contradictions, which mainly include the contradictions between the principal and the agent, as well as the contradictions between government departments, other stakeholders and enterprises. Asset owners or authorized supervisors are the basic subjects of performance evaluation of listed companies. In addition, other stakeholders, such as the company's main creditors, the board of directors, the company's operators, the internal supervisory board, raw material suppliers, potential investors, etc., can constitute the evaluation subject [4]. However, the evaluation subjects that have a great impact on the company are still the main investors and regulatory agents of the company, as well as the main creditors of the company. Different evaluation subjects have different evaluation purposes, and the same evaluation subject will have different evaluation purposes.

(2) Evaluation object: it is determined by the evaluation subject according to his own evaluation goal. In this sense, the evaluation object is a changing category. The overall performance of the company, the subsidiaries of the group company, each responsibility center, senior managers, middle-level managers and ordinary employees constitute the objects of performance evaluation. This paper is based on the overall performance of listed companies.

(3) Evaluation target: it is determined according to the needs of the main body and summarized from a certain amount of main body needs. It is the fundamental starting point of the whole evaluation activity and runs through the whole process of performance evaluation. Only when the purpose of evaluation is clear can targeted evaluation activities be carried out. Goals can be changed with time and changes in the socio-economic environment. Changes in the economic system and the evolution of the enterprise system all affect the determination of goals. Same evaluation subject: for different evaluation objects, different evaluation subjects hold different evaluation objectives for the same evaluation object, resulting in different evaluation focuses and evaluation standards. For instance: the external creditors of the company attach importance to the evaluation of the company's repayment ability, while the external investors may pay more attention to the evaluation of the company's profitability and dividend distribution, and the competitive manufacturers attach importance to the evaluation of the company's market competitiveness and market share.

(4) Evaluation indicators: performance measurement depends on indicators. In other words, the basis of performance evaluation is indicators, which refers to the aspects of the evaluation object. The selection of evaluation indicators should be based on the characteristics of the object, the system objectives and the principles of system design. Performance parity indicators include financial aspects, such as return on investment, profit margin on sales, earnings per share, etc; There are non-financial aspects, such as after-sales service level, product quality, innovation speed and ability.

(5) Evaluation standard: the evaluation standard is the standard for analyzing and judging the evaluation object. With the continuous progress of society, the continuous development of economy and the change of external conditions, the evaluation criteria as a yardstick cannot be unchanged. Therefore, the evaluation criteria are relative and developing. At present, common performance evaluation standards include experience standard, annual budget standard, historical level standard and competitor standard.

(6) Evaluation method: evaluation method has always been an important field of performance evaluation. With the evaluation indexes and evaluation standards, companies should adopt certain reasonable evaluation methods to apply the evaluation indexes and evaluation standards in practice so as to obtain fair results.

3. Strategic performance analysis and evaluation index system of the company

3.1 The guiding ideology of constructing strategic performance evaluation index system

A company's performance evaluation index system should objectively and correctly reflect the results and subsequent impact of the company's strategy, which is mainly reflected in two aspects: explicit market performance; implicit strategic capability. The former mainly refers to the final market result brought by the implementation of the strategy, which can be intuitively reflected by a series of indicators; the latter reflects a relative ability. Having this ability does not necessarily produce corresponding performance, but it needs to be finally reflected under certain conditions; or, this capability advantage cannot be directly reflected in the market in the short term, but is reflected as a potential capability or a late effect. This capability can create greater value for the enterprise in the future, bring more profits, and reflect its future performance [5].

3.2 Analysis of corporate’s stategic performance indicators

According to the previous analysis of the meaning of strategic performance, following the selection principle of performance indicators, each indicator is selected one by one, and on the basis of comprehensive analysis, a comprehensive system of strategic performance evaluation indicators of the company is constructed.

3.2.1 Financial benefit indexes

Financial benefit indicators include absolute indicators and variable indicators. Absolute indicators are static, and their scales are absolute values or percentages, such as profit, sales revenue, profit margin, etc. Relative indicators are dynamic, and their scales are change rate, growth rate, etc. Referring to the existing research results, this paper analyzes the following indicators.

(1) Net asset return. The ratio of an organization's net profit to its average net assets during a specific period of time is referred to as return on net assets, also known as return on net assets or return on equity. The ability of investors to generate net income from their own capital is completely reflected by the return on net assets, which also emphasizes the link between investment and compensation and accounts for the magnitude of shareholders' investment remuneration in publicly traded companies. The ability of listed corporations to refinance is highly correlated with the return on net assets. Investors and management are so concerned about this indication. The profitability of listed firms' net assets is stronger, their operating efficiency is better, and the level of assurance for the interests of creditors and investors in the company is higher the higher the rate of return on net assets. By thoroughly comparing and analyzing this index, companies can determine where a firm stands in terms of profitability within its sector and how it compares to other businesses of a similar nature.

(2) Cost and margin of profit. The cost profit rate is the proportion of an enterprise's overall profit to its overall cost during a given time period. The cost an enterprise incurs to generate profits is referred to as the cost expense profit rate. It is an additional assessment of an enterprise's profitability from the standpoint of enterprise spending. The profit rate of cost and expense is a further revision of the capital return situation from the aspects of internal management of the enterprise. This index objectively evaluates the profitability of the enterprise by directly comparing the income and expenditure of the enterprise. This index completes the assessment of the company's income from the standpoint of consumption, which is helpful in encouraging the company to strengthen internal management, save costs, and increase operational effectiveness. The higher this index, the lower the

enterprise's cost of revenue, the better the enterprise's capacity to control costs, and the greater the enterprise's profitability.

(3) Earnings per share. The most significant financial index for assessing the profitability of publicly traded corporations is earnings per share. It displays the rate at which common shares of listed firms are being acquired. When considering earnings per share for analysis, companies can compare not only different companies but also various time periods in order to determine the relative profitability of the organization. Through time series analysis, companies can comprehend how listed companies' profitability is changing over time. To understand the management capabilities of the organization, companies may also compare actual operating performance and profit forecast.

(4) Price to book ratio. As the problem stocks containing moisture in net profit have been exposed repeatedly, whether the P / E ratio can truly reflect the intrinsic value of an enterprise has aroused the doubts of many investors, and the P / B ratio has begun to be adopted more and more. Compared with net profit, the net asset value can better reflect the overall strength of an enterprise, and the P / B ratio index is more reliable for reflecting the intrinsic value of an enterprise.

(5) Return on investment, also known as return on investment, is the ratio of investment income to investment amount. It reflects the economic effect brought by investment, that is, the income brought by the average unit investment. One indication of a successful business is a high rate of return on investment, which also improves investment efficiency.

3.2.2 Operational efficiency index

The assets of the company are turned over when referring to operational efficiency. The company's profits are generated through the use of its assets [6]. Therefore, operational efficiency is one of the key components of assessing a company's performance. The higher the operational efficiency, the quicker the turnover of assets, and the more profits the company will make. These are the categories into which it can be split.

(1) Total asset turnover rate. The ratio of an enterprise's net income from its primary operation to its average total assets during a specific time period is known as the total asset turnover rate. The total asset turnover rate is a crucial metric for thoroughly assessing the effectiveness and operating quality of all an enterprise's assets. By comparing the operating value realized in that year with all assets, this indicator represents the actual output quality of a company within a specific time period and the value compensation realized for each unit of assets. By comparing this indicator to other indicators, it is possible to not only see how well the business is operating and how its total assets have changed over time, but also to determine how well it is using its assets in comparison to other businesses of a similar size. This will help the business realize its full potential and more effectively generate income, increase its market share and increase the effectiveness of asset utilization. In general, the turnover speed and asset usage efficiency increase with increasing index value.

(2) Inventory turnover rate. The average inventory balance over a certain period of time divided by an organization's principal business expense is known as the inventory turnover rate. It is applied to reflect the rate of inventory turnover. Current asset turnover rate is often referred to as inventory turnover rate. Adopting this indication is intended to address inventory management issues, advance the business to increase the effectiveness of fund use, and strengthen the enterprise's capacity to pay off short-term debt while maintaining operations and output. Inventory turnover rate partially represents enterprise sales velocity in addition to inventory turnover rate and inventory occupancy level. As a result, the higher the index, the higher the enterprise asset liquidity as a result of steady sales, the quicker the inventory is converted into cash or accounts receivable, and the lower the inventory occupation level.

(3) Non performing asset ratio. The ratio of an organization's total non-performing assets to its total assets at the end of the year is known as the non-performing assets ratio. From the standpoint of enterprise asset management, the non-performing asset ratio is a modification of the operating status of corporate assets. The non-performing assets ratio reveals issues with the management and use of the enterprise's assets and reflects the quality of those assets from the perspective of those that cannot be recycled normally to generate profits. It is used to supplement and improve the operation status of

the enterprise's assets. In general, the worse the utilization rate of funds is, the more money the company deposits and is unable to use in regular operations. Better is an indicator that is smaller. The ideal level is 0.

(4) Ratio of net cash flow from operating activities to investment. This indicator represents the company's ability to use the funds created by internal business activities for investment, and the result of a successful business strategy will inevitably lead to effective improvement of the company's performance.

(5) Ratio of administrative expenses to net income from main business. This indicator represents the company's reserve resources for various administrative expenses such as daily expenses, research and development, and management salaries. The lower the ratio, the greater the flexibility of the company's strategic choice in future operations, thus improving the company's performance.

3.2.3 Social benefit index

Social benefit index refers to the comprehensive social contribution of the company, which is a comprehensive qualitative index, and can also be called external contribution. This index refers to the comprehensive impact of the company on economic growth, social development and environmental protection. It mainly includes the contribution to the national economy and regional economic growth, the provision of employment and reemployment opportunities [7], the performance of social responsibilities and obligations and credit integrity, the contribution to fiscal revenue and the impact on environmental protection.

3.2.4 Market value index

Because there are obvious shortcomings in using the rate of return to measure the company's performance, because it cannot predict the future return of the current investment, it is impossible to measure the performance caused by changes in the market. These indicators are a reflection of the company's performance after the event [8]. Although the company's performance comprehensive evaluation index system includes some dynamic factors such as ability indicators and development indicators, its practicability and accuracy are limited due to too many factors and many qualitative factors that are difficult to accurately quantify. Therefore, more and more studies believe that Tobin Q is a market value indicator to evaluate the performance of a company. Therefore, the higher the value of the company's intangible assets, the higher the Tobin Q-value. More studies believe that Tobin Q indicates whether the company's operation is efficient. If Tobin Q > 1, it indicates that the company has lower tangible asset cost or higher market value and intangible asset value, so the company has better operating performance; On the contrary, if Tobin Q < 1, it reflects that the company has poor business performance. Although the understanding of Tobin Q is relatively consistent in theory, the development of capital markets in various countries varies widely.

3.3 The construction model of strategic performance evaluation index system

After strategic performance analysis and evaluating the index system of the company, a model of indices can be induced and constructed (see table 2).

Table 2 Evaluation on the indices of Corporate Strategy performance

Serial	Indicator type	Indicator name	Form
1	Financial benefit indexes	(1)Return on net assets (2)Cost and profit margin (3) Earnings per share (4) Price to book ratio (5)Return on investment	(1) return on net assets = (net profit / average net assets) × 100% (2) (total profit / total cost expense) × 100% (3) net profit / total number of ordinary shares at the end of the year (4) (administrative expenses / net income from main business) × 100% (5) return on investment / (long and short-term investment at the beginning of the

			period + long and short-term investment at the end of the period) / 2 × 100%
2	Operational efficiency indexes	(1)Total asset turnover rate (2) Inventory turnover rate. (3)Non-performing asset ratio (4)Ratio of net cash flow from operating activities to investment (5)Ratio of administrative expenses to net income from main busines	(1) net main business income / average total assets (2) main business cost / average inventory balance (3) (total non-performing assets at the end of the year / total assets at the end of the year) × 100% (4) (net cash flow from operating activities / investment) × 100% (5) (administrative expenses / net income from main business) × 100%
3	Social benefit index	Comprehensive social contribution	Qualitative indicators
4	Market value index	Tobin Q	Q = market value of the company's total assets / replacement cost of the company's total capital = (year-end circulating market value + amount of net assets in non circulating shares + total long-term liabilities + total short-term liabilities) / year-end total assets

4. The relationship model between strategic factors and strategic performance

The company performance model is an expression that expresses the relationship between the company performance and the influencing factors. It explains the objective laws that should be followed between the company performance and the relevant factors [9]. Since there is no completely unified statement on the concepts of corporate performance and strategic factors in the academic world, researchers have conducted theoretical research and Empirical Analysis on their relationship models from different angles and sides, put forward different or not identical viewpoints and views, and formed corresponding corporate performance models.

Model (1): enterprise performance = f (core competence, strategic network, relationship management) [10]

Model (2): enterprise performance = f (core competence, internal contract) [11]

Model (3): enterprise performance = f (strategic core, strategic management) [12]

Model (4): enterprise performance P = f (strategic capability) = f [g (market capability m, core capability C, network capability n)] [13]

Model (1) shows that "an enterprise's rent comes partly from the contribution of its own core competence and partly from its own strategic network and its social relations". Model (2) shows that enterprise performance comes from core competence and internal contract. The core competence here mainly refers to the technical competence of production and operation, and the enterprise is a series of contracts. 2. The collection of research methods of the company's strategic factors and strategic performance including various elements of input, incentive and constraint mechanisms, business norms, corporate culture and other organizational elements, as well as the coordination relationship between organizations. Model (3) shows that the performance of an enterprise depends not only on the core competence possessed by the enterprise, but also on the characteristics and management level of the strategic network of the enterprise. Theoretically, it points out that to improve the performance of an enterprise, it is necessary to integrate the external competence of the enterprise with its own core competence. With the purpose of cultivating and improving its own core competence and giving full play to the leverage of its core competence, it strengthens the whole process management of the enterprise's strategic network, dynamically establishes a long-term network cooperation relationship with relevant organizations, so as to learn from each other and develop together, quickly discover and respond to opportunities, and achieve the sustainable development of the enterprise [14]. Model (4) not only highlights the entrepreneurial ability, organizational ability and technical ability of enterprises, but also regards enterprises as a group, highlights the network relationship of enterprises, and highlights the impact of external environment on enterprise performance. The model focuses on both short-term performance and long-term performance, which is dynamic. Based on the results of previous studies, according to the opinions of experts and under the premise of considering operability, this paper carries out layer by layer screening, and finally selects 4 important strategic performance indicators and 12 important strategic factors that reflect the company's strategic performance. On this basis, it constructs a company performance model of the relationship between the company's strategic performance and strategic factors.

5. Conclusion

This paper selects the company as the research object. Starting from the analysis of the company's development status and existing problems, it systematically analyzes the relationship between the company's strategic factors and strategic performance, integrates strategy and performance, and studies the construction of the enterprise's strategic performance indicators. The following conclusion is reached. Through the screening and research of the defined performance indicators under the guiding ideology (financial benefit index, operational efficiency index, social benefit index and market value index, a total of 4 indicator types, 14 indicators), and based on the previous studies, this paper summarizes four models of the relationship between strategic factors and strategic performance, and found that most of the company's strategic performance indicators on the company's development.

Under the current full circulation condition, the capital market will undergo profound changes in the interest mechanism, operating rules and market environment, which will have an important impact on the value orientation and behavior mode of listed companies. So companies should strengthen the strategic factors and enhance the strategy, correspondingly, this paper gives the following five suggestions: first, a company should optimize the ownership structure and improve the corporate governance model; second, a company should actively cultivate mature and rational institutional investors; third, a company should establish and improve an effective credit constraint mechanism and give full play to the financial leverage effect; fourth, a company should explore and innovate, and promote further mergers and acquisitions; fifth, a company should fully develop the potential of human resources and improve the company's long-term strategic performance.

For future prospects, this paper does not analyze the relationship between strategic factors and strategic performance by multi factor variance and correlation analysis, and does not quantify the impact degree and direction of the company's strategic performance indicators on the company's development. Therefore, future research about each strategic factors' degree of the correlation with strategic performance are still remained to be carried out.

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