

# Research on Performance Management Based on Balanced Scorecard—Take Vanke Group as an Example

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**Abstract:** *This article first sort out the principles of the Balanced Scorecard, then takes Vanke Group as an example, and analyzes the enlightenment of Vanke Group's application of the Balanced Scorecard for performance management based on the application of the Balanced Scorecard. The application of sub-cards puts forward specific suggestions, improves its performance management system, and provides valuable lessons and references for other enterprises.*

**Keywords:** *Balanced Scorecard, Performance Management, Vanke Group*

## 1. Principle of Balanced Scorecard

The cruel market competition and changing business environment pose new challenges to the corporate management system, requiring management theory and practice to break through the limitations of traditional performance management and make up for the lack of relying only on financial indicators to evaluate corporate performance in the past. In 1922, Kaplan and Norton put forward the theory of balanced scorecard in the Harvard Business Review. While retaining traditional financial indicators, it evaluated corporate performance management from the four dimensions of finance, customers, internal business processes, and learning and growth. At this point, a brand-new comprehensive performance appraisal system—the balanced scorecard came into being. Since the 1990s, the Balanced Scorecard has received widespread attention. Through rapid development, the Balanced Scorecard has become increasingly rich in indicators and the system has been continuously improved, achieving the mutual complement of financial and non-financial indicators, and the organic combination of qualitative and quantitative. It has become a strategic implementation tool for global corporate organizations.

### 1.1. The Four Dimensions of the Balanced Scorecard

#### 1.1.1. Financial Dimensions

The financial dimension is the starting point and end point of the four dimensions. The goal of the financial dimension is to create wealth for shareholders. The proposed four dimensions of the balanced scorecard is to improve performance management needs, and the ultimate goal is profit. Therefore, companies should meet shareholders' investment expectations, formulate appropriate strategies, and create long-term considerable wealth for shareholders.

#### 1.1.2. Customer Dimensions

The customer dimension is the goal of an enterprise's efforts and the key to establishing a good image. In order to ensure the realization of corporate financial goals and gain long-term competitive advantages, companies should produce products that customers favour, provide high-quality services, maintain good customer relationships, and establish a good image and reputation among customers.

#### 1.1.3. Internal Business Process Dimensions

The internal business process dimension is the core of improving the efficiency of enterprise operations. The internal business process is to meet customer needs as the starting point, around the product design and development, manufacturing process, after-sales service business process to determine the indicators, in order to improve the operating efficiency of the enterprise.

#### 1.1.4. Learning and Growth Dimensions

The dimension of learning and growth is the guarantee for the sustainable development of an enterprise. In this dimension, the most important factors are talents, information systems and organizational procedures. Strengthening employee training, improving employee quality, optimizing the internal information transmission mechanism of the enterprise, stimulating employee innovation, improving employee satisfaction, and promoting the upgrading of organizational procedures are the keys to the sustainable development and progress of the enterprise.

The four dimensions of the balanced scorecard are not independent of each other, but a whole series of causal relationships. The financial dimension is the ultimate goal, the customer dimension is the key, the internal business process dimension is the core, and the learning and growth dimension is the guarantee. Only when employees continue to improve their technology can they innovate product design, shorten production turnaround time, improve product and service quality, and meet customer needs, and ultimately achieve the goal of profitability. The four dimensions of the balanced scorecard realize the balance between financial and non-financial, long-term and short-term, internal and external, process and results, and management and operation. These balances are achieved by transforming tasks from different dimensions into specific indicators.

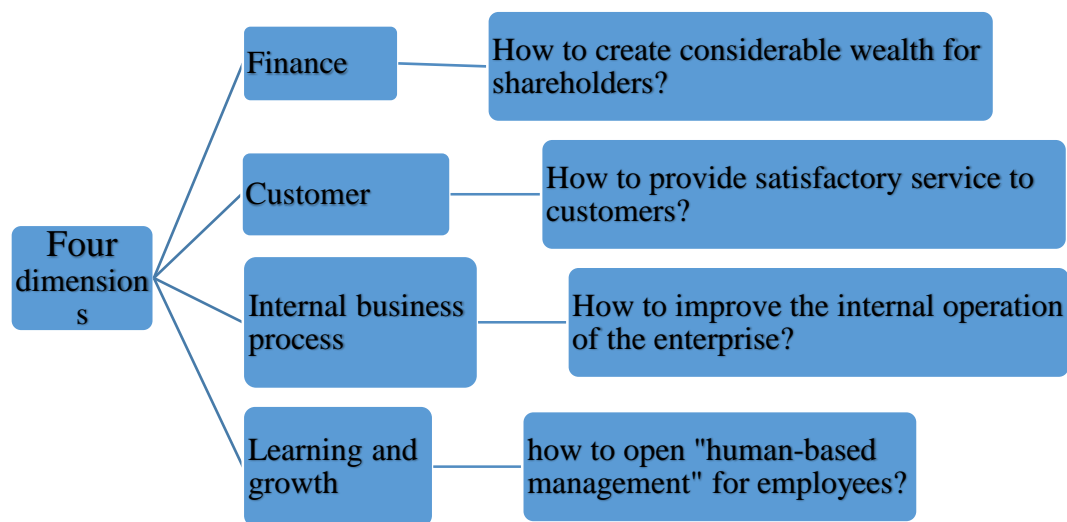


Figure 1: Balanced Scorecard Dimensional Target figure

#### 1.2. The Design Process of the Balanced Scorecard

The four dimensions of the balanced scorecard are composed of a number of interrelated items, usually including strategic goals, evaluation indicators, performance drivers, standard data indicators, specific measures, and scoring. Corporate strategic goals are the strategic blueprint to ensure that the company achieves its goals. Evaluation indicators are the link between each dimension and specific financial indicators. Performance drivers are issues that need to be focused on in each dimension. Standard data indicators are a combination of ideals and reality. Incentives, specific measures are feasible implementation plans formulated by the company after comprehensive consideration of internal and external factors. Finally, the actual performance data is compared with standard data indicators to evaluate the final score.

## 2. Application of Vanke Group Balanced Scorecard

### 2.1. Application Background

As a leading real estate company in my country, Vanke Group has always insisted on continuous innovation and improvement of system construction on the basis of sustainable development to improve the level of business management of the company. In 2000, Vanke Group encountered bottlenecks in its own business and management development. It proactively repositioned the human resources department and began to contact and practice the balanced scorecard. In 2001, Vanke Group introduced the concept of the Balanced Scorecard. In 2002, the Balanced Scorecard began to take shape.

In 2003, the Balanced Scorecard took root in the Vanke Group, and the application of the Balanced Scorecard in the Vanke Group is progressing steadily and orderly.

The core values of Vanke Group mainly include: ①Customers are Vanke's permanent partners; ②Sunshine system; ③Talents are the capital of Vanke; ④Continuous growth and leadership. These values correspond to the customer dimension, internal operation dimension, learning and growth dimension, and finance dimension in the balanced scorecard respectively, laying a solid foundation for Vanke Group's efficient application of the balanced scorecard. Vanke Group has achieved a major breakthrough in performance management by adopting the balanced scorecard method, with a significant increase in market share and substantial progress in corporate management capabilities.

## 2.2. Specific Content

Vanke Group builds Vanke Group's performance management appraisal system through the balanced scorecard, which forms effective guidance from the financial level, customer level, market internal process level, and learning and growth level, and sets specific measurement indicators, so that the strategic goal planning can be concretely realized.

### 2.2.1. Financial Aspects

At the financial level, Vanke Group takes "creating considerable wealth for shareholders" as its general goal. As a real estate enterprise, Vanke Group not only applies the traditional financial index "net profit growth rate", but also fully integrates its own development reality, paying attention to the proportion of land cost and land reserve turnover period. These indicators do not exist in the form of actual profits, but they can reflect the speed of capital turnover, and represent the appreciation of corporate value on the side.

Table 1: Financial indicators of Vanke Group

targets		Metrics
Increase operating profit	Increase revenue	Net profit growth rate, Gross margin ,Sales
	Control costs	Return on Group Resources, Proportion of land cost
Effective use of funds		cash flow Land reserve turnover period

### 2.2.2. Customer Level

In Vanke's core values, "Customers are our eternal partners" is listed as the first item, emphasizing the goal of "providing customers with satisfactory services" at the customer level. Customer satisfaction comes from products and services. In terms of products, Vanke Group strictly controls quality, satisfies mainstream consumer needs, and enhances customer happiness, and its market share continues to increase. In terms of service, to guide an active and healthy modern lifestyle, Vanke Group has established Vanke Club Membership Club and regularly holds Vanke Community Owners Sports Meetings, so the customer satisfaction and loyalty are effectively improved. At the same time, it faces customer complaints and actively corrects them.

Table 2: Customer-level indicators of Vanke Group

targets	Metrics
Increase market share	Market share, rationality of product structure
Improve customer satisfaction	Customer satisfaction, Customer retention
Enhance brand image	Brand awareness

### 2.2.3. Internal Business Process Level

Internal business process is the process of creating value for the enterprise and producing financial results. Focusing on the goal of "improving corporate management" for internal business processes, Vanke Group has formed advanced business processes from the aspects of product and service innovation, operation, and after-sales to improve the competitiveness of the company. In terms of product service and innovation, Vanke Group implements a differentiated strategy, continuously improves innovation capabilities, and improves the quality and level of project completion. In terms of operation, Vanke Group pays attention to hotspots and people's livelihood projects, and actively explores retirement models and skiing business to increase brand influence. Faced with scarce land resources, Vanke Group explore the "track + property" model, and actively seek innovative solutions. In terms of after-sales service, Vanke Group has first-class property management and provides

after-sales service to satisfy customers.

*Table 3: Vanke Group's internal business process level indicators*

targets	metrics
Efficiently complete the project plan	Completion rate of key nodes of project management plan, production turnover efficiency
Improve project quality	Professional job satisfaction, engineering qualification rate
Guarantee project development ability	Land reserve ratio

#### **2.2.4. The Level of Learning and Growth**

The level of learning and growth mainly comes from three main resources: talents, information systems and organizational procedures. From the perspective of talents, Vanke Group clearly pointed out that "talents are Vanke's capital". Only by continuously improving the quality and ability of employees can it provide a sufficient talent pool for the innovation and development of the company. From the perspective of information systems, Vanke Group launched the "Fertile Land Plan", guided by information construction, to improve the customer database platform, and promote continuous business growth. From the perspective of organizational procedures, Vanke Group pays particular attention to the construction of corporate culture. The seven respects mentioned in the "Vanke Weekly" are important factors for the sound development of the corporate system.

*Table 4: Vanke Group's learning and growth indicators*

targets	metrics
Improve staff quality and ability	Human input and output, employee training expenditure
Improve employee job satisfaction	Key personnel value loss rate, employee happiness

### **3. Enlightenment from Vanke Group's Application of Balanced Score Card**

#### **3.1. The Formulation of the Balanced Scorecard Should Be Adapted to the Characteristics of the Enterprise's Own Situation**

Different companies have different internal and external environment and strategic goals. For this reason, companies should establish a balanced scorecard indicator system based on their own situation and characteristics. Companies need to have a clear strategic development plan and determine specific measurement indicators for each dimension. Based on its core values, Vanke Group has introduced a balanced scorecard and integrated it into its corporate strategy and business management. The application of measurement indicators such as the proportion of land cost and land reserve turnover period is also the result of its own characteristics.

#### **3.2. The Implementation of the Balanced Scorecard Should Fully Balance Financial and Non-Financial Indicators**

The choice of balanced scorecard indicators is inseparable from traditional financial indicators, which can objectively reflect the actual situation of business operations and reduce the subjectivity in performance management. However, there is the possibility of human manipulation of financial indicators, which sometimes distort the real business situation. Therefore, it is necessary for enterprises to use non-financial indicators to make reasonable supplements. Although non-financial evaluation indicators are subjective, they can fully reflect the business performance of a company. Therefore, through the combination of financial and non-financial performance evaluation indicators, it is possible to objectively evaluate the business performance in a comprehensive and accurate manner. Based on the actual situation of the company, Vanke Group establishes and quantifies non-financial evaluation indicators, closely integrates them with financial indicators, and conducts scientific management evaluation.

### ***3.3. The Design and Implementation of the Balanced Scorecard is a Process of Continuous Revision and Improvement***

The four dimensions of the balanced scorecard are just a strategic planning, not a rigid fixed management model. With the changes in the external environment and business strategies of the enterprise, the dimensions and measurement indicators can be modified. It is important to ensure the implementation of its strategic objectives and form a complete and comprehensive performance management system. The strategic map adopted by Vanke Group during the initial determination of the Balanced Scorecard includes finance, customers, internal procedures and strategic capabilities. The specific measurement indicators are also very different from the current ones. Vanke Group's performance management system based on the Balanced Scorecard is constantly revised and improved. The result of.

## **4. Recommendations for the Application of the Balanced Scorecard**

### ***4.1. Enterprises Should Fulfill Their Social Responsibilities Actively in the Process of Implementing the Balanced Scorecard***

Social responsibility refers to the social responsibilities and obligations that enterprises should perform in the process of production and operation. While ensuring product quality and safeguarding the rights and interests of employees, companies should also focus on resource conservation and environmental protection. Under the new normal of economic and social transformation and development, manufacturing enterprises must not only pursue scale expansion and achieve connotative development, but also focus on the growth and integration of economic, social and environmental benefits. Based on the principles of sustainable development, enterprises should optimize the dimensions and measurement indicators of the balanced scorecard, form a quantitative and operable sustainable development management system, and actively perform social responsibilities.

### ***4.2. The Enterprise Should Establish an Incentive and Restraint Mechanism Consistent with the Balanced Scorecard***

Encouragement is a kind of stimulation and reinforcement for employees' motivation and further enhancing the efficiency of behaviour. The responsibilities of each employee in the company are different, the use of a balanced scorecard will make everyone aware of the strategic direction of the company, make everyone's work more directional, and enhance everyone's work ability and efficiency. Establish a scientific and reasonable incentive and restraint mechanism, and link the implementation results of the balanced scorecard with the reward system, which are conducive to the implementation of corporate management goals. The formation of a performance-oriented corporate culture is conducive to the realization of the concerted efforts of all employees of the company and the same direction.

## **5. Conclusion**

The level of corporate strategy execution and performance management is related to the success or failure of corporate operations. Since the BSC was put forward in 1992, the wide application of various companies has proved its effectiveness in performance management. As A. Abel said: "For implementing strategic decisions, evaluating and managing enterprises more effectively, the balanced scorecard is the best solution in terms of performance management procedures." However, due to different strategic goals and rapid changes in the environment, companies should fully integrate their own conditions, combine the balanced scorecard with incentive and restraint mechanisms, actively perform social responsibilities, establish a comprehensive performance management system, and improve their performance management capabilities.

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