

Market-oriented Performance Appraisal Model of Traditional Enterprises with Financial Dilemma —A case study of YL company

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Abstract— Since the 21 century, China’s economic development has entered a new normal, and the driving force of economic development has changed from factor and investment drive to innovation drive. To meet the requirements of the new normal economic development, some complicated traditional enterprises in lines of iron and steel, coal, and aluminum industries, actively promote market-oriented reform, take the market as the guide to reshape the management mechanism, and continuously improve their market adaptability and core competition. YL, the market-oriented performance appraisal mode of the company, we should give full play to the strategic driving role of performance management in the development of the company and lead the traditional enterprises out of the financial predicament as soon as possible.

Keywords— Financial Dilemma, Traditional Enterprise; Market-oriented; Performance Appraisal Model; YL Company.

Under the condition of the market economy, with the acceleration of market information dissemination, the rapid response to market changes has become an important magic weapon for enterprises to win. Some traditional enterprises in lines of the iron and steel, coal, and aluminum industry are integrated with different business sectors, different business models, and different management and control methods [1]. Because of their large scale and complex internal composition, they still can not connect with the market well, so that the benefits are low, and fall into financial difficulties[2-4]. The market-oriented performance appraisal model can promote the internal units to the market, stimulate the internal vitality of the enterprise, realize the win-win situation between the enterprise and the individual, enhance the core competitiveness of the enterprise, and finally realize the goals of overcoming difficulties and transforming and upgrading.

I. YL COMPANY BACKGROUND

YL company was completed and put into production in early 1960. It mainly produces and sells alumina, caustic soda, chlorine gas, cement. After several asset restructuring and divestiture, it has become a listed company with assets of nearly 1 billion yuan. Due to the recession of the whole aluminum industry in recent years, the operating income of the YL company has continued to decline, and the profit of financial statements has shown a loss. According to the goal of turning losses and increasing profits, YL company establishes a market-oriented, whole process evaluation and incentive and restraint mechanism and implements a market-oriented performance appraisal model. A plant is the Major unit of YL company, using alkali-lime sintering alumina production process. In recent years, in the face of intensified market competition, the factory has carried out secondary entrepreneurship, potential tapping, and innovative development, reaching an annual production capacity of about 300000 tons. At

present, the factory is taking the operation transformation as an opportunity to construct a comprehensive management system of 4+X to achieve the vision goal of “continuous optimization of indicators, continuous reduction of costs, the simultaneous growth of enterprise performance and employee income. “ To enhance the competitive strength of enterprises and unremitting efforts.

II. IMPLEMENTATION OF YL COMPANY’S MARKET-ORIENTED PERFORMANCE APPRAISAL MODEL

2.1 Determination of business objectives

(1) Targeting according to market requirements for survival and development

Based on the actual profit of the previous year and referring to the advanced level of the return on assets of the industry, the subsidiary and the simulated subsidiary of the company set challenging business objectives according to the profit caliber at full cost. Production auxiliary service unit, according to its primary income open-source and controllable expenses to determine the profit model and business objectives, as a business entity assessment. The department of the company’s organs, according to the company’s business objectives and measures to get rid of difficulties, decomposes and determines the departmental creation and cost control indicators, critical work, key objectives, critical technical and economic indicators. A factory belongs to the production unit of the YL company. It mainly adopts the combination of market-oriented rules and quota budget control to determine the profit target. The total cost and the corresponding profit target loss before the thermal power unit is put into operation, and the annual operating target of the plant is determined as the break-even under the total cost after the thermal power unit is put into operation.

(2) Accounting caliber, price system in line with the market

Methods of profit accounting for A plant: the profit index is calculated according to the full cost, including the profit under the complete cost of metallurgical grade alumina, aluminum hydronium and non-aluminum products; the raw materials such as aluminum ore, limestone, coal, oil, alkali,

coke and natural gas purchased from outside are settled according to the purchase price; the price of power energy such as electricity, steam and water is settled according to the company’s current cost; the aluminum hydronium for chemical A plant is shared 50% according to the profit difference between aluminum hydronium and metallurgical grade alumina; the loss of production is borne by itself; the rental income of kiln No.8 is recorded in the profit of A plant, and the impact of asset loss is not included in the examination; Monthly share of the company’s expenses of 10,000 yuan, monthly operating expenses according to the actual accounting; roasting, red mud treatment, internal transportation, measurement and other internal related transactions, according to the previous year’s internal price system settlement.

2.2 Principles of performance appraisal

(1) Objective management principles. Draw small accounting units, quantify management goals, undertake responsibility step by step, optimize value chain, excavate potential point, ensure to realize the stage goal of getting rid of difficulties under the condition of break-even under total cost [5]. To each unit and its management team, strictly according to the management goal responsibility letter implements the performance management.

(2) The principle of market orientation. We are taking each unit as the operating entity, determining the operating target according to the market requirements of survival and development, accounting the operating results according to the market price system, measuring the operating performance according to the industry benchmark and market level, and putting each unit in the market environment.

(3) Value incentive principle. Adhere to the benefit-oriented, according to the benefit improvement and profit contribution rewards and penalties, encourage all units to enter the market to create results and strong management to reduce costs and efficiency, encourage employees to achieve personal value in value creation and efficiency [6].

(4) The principle of one factory and one policy. According to the central business characteristics and control methods of each unit, the company strengthens the

combination of total amount control and independent distribution of authorized units.

2.3 Methods and procedures for performance appraisal

(1) Performance appraisal methodology

Performance appraisal is divided into monthly assessment and annual assessment, mainly including unit performance appraisal and middle management individual performance appraisal. (1) Measures for assessing units. First, monthly control measures. Total wages and benefits linked, the annual total wage base is equal to the unit's per capita wage times the year's total control staff. The company, by monthly assessment of the allocation, cumulative control. Monthly profit target, check 6% increase in total wages, and 10% of the increase in total wages, not completed according to the reduction of 10% of the total wages. Each unit, according to profit progress, cost digestion capacity, production and operation situation, reasonable arrangement of the monthly total payment plan, to ensure that the total wage progress and benefit progress match. Second, annual regulation and control measures. To complete the annual business objectives of the unit, the annual per capita wage increase by 10% regulation, profit growth, reported to the company approval can exceed 10, can not be completed by 6% reduction regulation. (2) Performance appraisal for middle managers. First, the primary monthly assessment of total profits, operating cash flow, fundamental economic and technical indicators improvement and management responsibility determine monthly compensation. Second, the primary annual assessment of the completion of business objectives, the completion of business objectives of the unit managers, the implementation of liability mortgage risk incentives, excess profit commission, and other incentives.

A plant failed to meet its profit target in June 2019, Deduct the total salary at 15% of the profit owed. A 10% increase in December profits, Taking 15% of the profits; simultaneously, alumina can be reduced by 6%, Reduce the total cost by 15% of the total incentive wage. Over-achievement of business objectives, Per capita wage growth is regulated by 12 percent. According to the monthly profit target, Determine the basic monthly salary of the factory director, party secretary, and deputy director; the year is awarded 100% of the liability mortgage,

according to the increase of 2% of the amount of reward.

(2) Performance Appraisal Procedures

Each month, each unit in the available, total wages within the total amount of the month to declare the total wage payment plan, each department put forward the results of the unit assessment and its leadership reward and punishment opinions, after the leadership signed, transferred to the human resources department summary. The company holds the performance appraisal meeting, studies, and decides the appraisal assignment result. Each unit reports the monthly assessment results of the middle-level deputy to the human resources department of the company. At the end of the year, the company liquidates the total salary according to the completion of the business objectives of each unit.

2.4 Characteristics of the performance appraisal model

(1) Market-oriented assessment model. According to the control mode of subordinate units and the degree of mercerization, the company vigorously promotes internal market-oriented management [7]. It implements the differentiated assessment mode and methods, such as profit sharing, subsidy dry market-oriented operation, liability risk mortgage, base salary plus commission, etc.

(2) Market accounting system. The company strengthens the management idea of "taking the benefit as the center, taking the market as the direction, "sets up the internal settlement center, establishes the internal market price system, implements the company, the subordinate unit, the workshop, the shift group four-level market operation accounting method, establishes the budget product price sharing (bear) mechanism.

(3) Market dynamic adjustment mechanism. To improve the market-oriented consciousness of the unit, the company introduces the market performance concept, implements the linkage between the budget target and the market price, and adjusts and optimizes the organization performance appraisal caliber and the way according to the control mode, the market environment, and the production and operation change, so that the performance appraisal result can be effectively connected with the market.

(4) Market-oriented distribution mechanism. The company implements the overall budget management,

decomposes the overall budget target step by step to the main market body at all levels, takes the internal market main body as the accounting point, takes the internal market settlement as the link, achieves the budget management in the timely calculation, the standard management system calculation, Performance management everyone, achieve independent management.

III. LIMITATIONS OF THE MODEL AND SUGGESTIONS FOR IMPROVEMENT

3.1 Limitations

YL company’s market-oriented performance appraisal model has the characteristics of market, goal, win-win, and flexibility, and has achieved excellent results in practical application, but there are still some limitations. It is mainly manifested in three aspects:

First, The level of assessment is not comprehensive. Grass-roots employees are the most basic units of the organization, and the personal will, degree of effort, and execution of employees play an irreplaceable role in the implementation of the market-oriented performance model of enterprises. The company pays more attention to the assessment of units and middle-level managers, and the individual assessment of grass-roots employees is not specific.

Second, the performance appraisal index system is not

perfect. The performance index is the basis and foundation of performance appraisal related to whether the company’s strategic objectives can be implemented in place. The company’s performance indicators are relatively single, and index design is not reasonable.

Third, the organizational security system is not perfect. An excellent organizational security system can promote the implementation of performance goals and improve the efficiency and efficiency of performance appraisal. The company’s current organizational security system is not perfect; communication is not a smooth phenomenon.

3.2 Suggestions for improvement

Enterprises should carry out market-oriented, benefit-centered, and 5 S lean management as the concept to build a full-staff performance management system. The system includes:

First is the implementation of full-staff assessment. In addition to assessing organizational performance, three levels can be set up for personnel assessment, including senior management performance appraisal, middle management performance appraisal, and employee post-performance appraisal, and different assessment benchmarks can be set according to the characteristics and requirements of different levels, such as linking senior management with an annual salary, adopting target responsibility assessment.

Table 1: Type of organizational performance appraisal model

Type of unit	Control Mode	Assessment Mode
Holding subsidiary	Investment management	A term assessment for determining profit targets based on investment profit margins
Subordinate factories and mines	Operational control	Set the operating target based on quota for budget assessment
Auxiliary production units	Asset management	Determine profit target by market + fixed budget
Logistics and other services	Subsidized dry market operation	Fixed allowance for depreciation of non-operating assets, decreasing year by year
Corporate Headquarters		Assessment of the achievement and performance of execution objectives

Table 2 Key performance appraisal indicators for managers

Indicator categories	Indicator name	Target value	Assessment criteria
Resource development	Rate of achievement of new reserves	Completed reserves of newly developed aluminum resources of 400,000 tons	Annual liability
Asset size	The growth rate of total assets	≥5%	Annual liability
Work volume	Output completion rate	100% actual rate of aluminum production	Failure to complete the deduction in proportion to the difference

Table 3 Performance Appraisal Indicators

Evaluation indicators	Indicator values	Rating criteria
Talent recruitment	High-end recruitment	4 points outstanding
	Recruitment of university students	Failure to complete deduction of 2 points per person, 4% deduction over budget
	New Project Talent Deployment	Failure to complete deduction of 2 points per person
Professional technical management	Selection and organization of chief engineers and experts	Incomplete deduction of 4 points, not in place deduction of 2 points
	Do an excellent job of all kinds of professional titles evaluation and recruitment work	Failure to complete deduction of 2 points per person
	Implementation of the treatment, housing.	4 points outstanding

Second, set up a two-dimensional performance index system. The vertical performance index system can be divided into four levels: company, unit, department, and individual, and each layer can adopt a different horizontal performance index system. Different posts and different index values and scoring standards are set up for individual post performance appraisal index system.

Third, construct the whole process organization safeguard system. Set up a performance management committee and be fully responsible for company performance management. The committee has an office responsible for

the daily work of the company's organizational performance, with the cooperation of relevant functional departments. The same is true of all subordinate enterprises and units. Simultaneously, the operation mechanism of information feedback is established to maintain efficient communication of vertical and horizontal information, to promote the effective implementation of performance appraisal indicators.

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