

Discussion on Building the Comprehensive Performance Evaluation System of Combining EVA and Balanced Score Card

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Abstract

As a tool for performance evaluation, EVA has realized the effect of improving the efficiency of capital utilization and creating greater economic value for the enterprise. The Balanced Score Card combines the financial data with the non financial data, and evaluates the enterprise performance comprehensively. There is inevitably insufficient if you only use one of them. In order to realize the maximization of enterprise value, the paper will consider the combination of EVA and BSC to build the comprehensive performance evaluation from the actual needs of enterprise performance evaluation.

Keywords: EVA, Balanced Score Card, Performance Evaluation, the Comprehensive Performance Evaluation System

1. Introduction

The current majority of enterprise performance evaluation has been focused on short-term benefits, light and long-term performance, heavy financial indicators, light value creation, it has been unable to meet the needs of enterprise development under the new economic conditions, and should introduce a more scientific performance evaluation method in time. On January 1, 2010, state-owned assets supervision and Administration Commission of the State Council promulgated the “central enterprises

responsible for the performance evaluation of the Interim Measures” formally implemented, to the economic increase in value (EVA) as the core of value oriented assessment in the central enterprises to be fully implemented, promote the central enterprises to improve value creation ability and the level of scientific development.

However, current method of EVA assessment is greatly improved compared with the traditional method, but there are also excessive bias financial guidance, indicators in line with the strategic objectives, such as many limitations, the reference at the same time, still need to be perfect. The Balanced Scorecard (BSC) not only concerned about the financial results, but also clearly demonstrated the customer capital, internal process and other non-financial factors, effectively make up for the EVA assessment is limited to the financial field defects.

In this paper, we consider the EVA and BSC, from enterprise performance evaluation of the actual demand of exploration to EVA as the core, to BSC financial, customer, internal process, learning and growth, four dimensions as the carrier of enterprise EVA balanced scorecard performance evaluation system, not only the use of EVA value driving factors decomposition, the financial indicators and non-financial indicators integration, to achieve added value oriented performance evaluation, and use the Balanced Scorecard enterprise strategy is divided into specific, quantifiable indicators, the attention to the strategic goals, to build a road through the business process

performance evaluation value chain, realize the enterprise overall value growth.

2. Overview of EVA and Balanced Score Card

2.1. The Concept and Features of EVA

EVA (economic value added) and economic value added, refers to the company after the adjusted net operating profit after tax and the Ministry of investment cost of capital between the difference is equal to the product of the adjusted after tax net operating profit minus the cost of capital and have been put into the capital, only the messenger is greater than zero to say Ming of companies produce economic profit, for enterprises to create value.

As a performance evaluation system, the main advantages are: first of all, it is good for the operator and shareholder interest contact together, the capital utilization, performance evaluation, bonus three main management functions organically, guide enterprises not only to improve profit margins, but also to improve efficiency in the use of capital, in order to achieve capital and new investment capital to earn sufficient economic returns. Secondly, it can correctly make the investment cash expense as the capital and the non current expenses, ensure the rationality and the accuracy of EVA calculation. Finally, it is conducive to the internal financial management system of unity, to avoid conflict between decision-making and Implementation.

Although as an evaluation method, EVA has been widely used, there are still deficiencies: first of all, EVA is based on financial data is calculated, is a result of index, with a lag. It only takes the financial index, the non-financial index consideration is not enough, easy to make the manager neglect the management process, has the short tendency of period. Secondly, EVA is an absolute value, which reflects the increase of total capital, so it is not easy to compare the performance of different enterprises.. Finally, the use of EVA evaluation system in various departments, will lead to the inter departmental tax net operating profit, capital usage, capital costs equally issues, resulting in inter departmental conflicts.

2.2. The Concept and Features of Balanced Score Card

BSC (balance score card) the balance score card is the enterprise organization's vision and strategy into a set of available for operating performance evaluation index system of strategic control framework, so as to realize the organic combination of performance evaluation and strategic management. It mainly from the financial data, customer level, internal business process level, organizational learning and growth level will be organized by the strategic plan for the implementation of operational measures and target values of four. In the four level, the financial index system is the core, and the other three is the financial index service. Only inner enterprise management and continuous improvement, innovation capabilities continue to improve, to individual employee quality and continuously improve the quality of service, in order to make customer satisfaction continuously improve, thereby increasing the strength of enterprises in market competition, expand market share, achieve financial goals, ultimately achieve shareholder satisfaction.

Main advantages of the Balanced Score Card: first, it integrated the non-financial evaluation index, so that the evaluation system can cover all departments of the company. Secondly, the strategy is the guide, and the short-term and long-term goals are unified.. Third, the target results and the results of the achievement of the results are unified.

Although the Balanced Scorecard mixed the non-financial indicators, and has been widely used, there are still many problems: first, the existence of non financial indicators of subjective factors, difficult to quantify scientifically, affect the results of the evaluation of the objectivity. Secondly, the balanced score card, the high cost, the need to invest in human, material and financial resources is relatively large. At the same time, the manager can not get the reward and its results closely, easy to lead to a short-term behavior of the manager. Finally, the traditional financial indicators are still used, without considering the full cost of capital.

3. Building the Comprehensive Performance Evaluation System of EVA and Balanced Score Card

In view of the above mentioned EVA and BSC performance evaluation system of the existence of their respective shortcomings. Therefore, this paper will be the combination of EVA and BSC, from the actual needs of the enterprise performance evaluation of exploration with EVA as the core, with five dimensions of BSC: financial, customer, internal processes, learning and growth, resources and environment as the carrier of the EVA enterprise integrated balance score card performance evaluation system, so as to achieve the enterprise as a whole to maximize the value of the service.

3.1. The Construction of Comprehensive Performance Evaluation System

The comprehensive performance evaluation system is the EVA comprehensive balanced score card, use the Balanced Score Card as a carrier, EVA guiding role and the balanced score card in the company long-term strategy combination, using the Balanced Score Card to the company's strategic layers of decomposition into specific, measurable goals, EVA refers to the standard test of corporate strategy success as a comprehensive performance evaluation system.

The construction of the EVA balanced score card as follows:

EVA as balanced score card financial point of view of the core indicators, the highest goal is integrated balance score card, in the top of the integrated balance score card is the end of the Balanced Score Card in the causal chain. It is also the starting point and destination of the other three aspects, and the other three indicators must be reflected in the financial indicators.. Only the other three aspects of the performance reached a certain balance, in order to improve the index of financial indicators. This makes the overall goal of enterprise development strategy and management service is to realize enterprise value maximization

The establishment of multilevel performance evaluation model, the enterprise performance evaluation system is a complex system, and its evaluation results will be influenced by many factors. The setting of the index system is reasonable or not, and the accuracy of the results is

directly affected.. EVA integrated balance score card is to establish the EVA as the core, from the perspective of financial, customer, internal business perspective, and learning and innovation of the target, after decomposition, the goal refinement to the grassroots.

Integrated balance score card in the index selection, according to the relationship between the indexes and determine its weight in the evaluation indexes system, make the final result and the EVA to improve. In the choice of indicators, we need to adhere to the following principles: availability, ease of understanding, quantifiable, correlation with the strategic objectives of the company, and the correlation between the value of the enterprise, etc. The choice and proportion of the specific index should be determined according to the enterprise itself, so as to strengthen the feasibility and validity of the EVA comprehensive balanced scorecard evaluation system..

EVA index evaluation and salary incentive system combined according to various departments and personal scorecard EVA to improve the bonuses, which can make the enterprise managers and employees and shareholders interests tend to the same, motivate managers and staff's enthusiasm, for enterprises to create greater value.

3.2. The advantages of comprehensive performance evaluation system

Compared with the traditional performance evaluation system, the comprehensive performance evaluation system has the obvious advantages:

EVA index is the core index of the comprehensive balanced score card. Other strategies and indicators are running around it. EVA growth is the highest goal, but also the standard of business success. The enterprise development strategy and management superiority are all in order to realize EVA growth. Under this target, enterprise departments work together to play their respective functions, and strive to achieve EVA growth.

EVA comprehensive balanced score card and incentive system, the formation of internal circulation management control system. Highlights the value of creating a strategic reflection and evaluation of a assessment and incentive

management main line.

EVA Balanced Score Card into the time dimension, enterprise managers must make policy carefully in each period, and engineered a plan of specific implementation steps to ensure that the EVA index improved significantly in the short and long term. Managers can use the integrated balanced score card of this time line structure to look more long-term, seize the opportunity to achieve long-term strategic objectives of the enterprise.

EVA comprehensive balanced score card is concerned with the interests of other stakeholders, and is a strategic implementation system which is based on the causal link of the indicators. We can see from the EVA balance score card development process that other dimensions of the index is around the improvement of EVA established, in order to achieve the financial goal of the enterprise must consider the customer development and maintenance, improve the product quality and the service level, employee creativity and learning ability. Furthermore, in consideration shorten the production cycle and reduce the cost. The interests of the stakeholders are protected. Moreover, after each index evaluation, through the causal chain, we can analyze the reasons for the enterprise performance.

4. Conclusion

The EVA evaluation system and the balanced score card together, can learn from each other, effectively avoid the shortcoming of single mode, but EVA integrated balance score card in our country is a new things, it study less, in specific application will encounter some problems, how to build a simple, reasonable and effective EVA integrated balance score card system need to be further explored. Therefore, in practice, the following points should be noted:

1)Fit for the enterprise

EVA comprehensive balanced score card does not have a specification template for all industries or enterprises. Enterprises should according to their own industry and the competitive environment, combined with the development of their own corporate culture, strategic goals and management level, the design of Balanced Score Card for the actual situation of the enterprise. EVA balance score

card has the advantages of the ordinary balance score card flexibility. Therefore, it is necessary to build in line with the enterprise characteristics and planning of the score card system, found problems in a timely manner, put forward the suggestion for improvement, so as to realize the enterprise's long-term strategic goal.

2)Adjust the index of EVA comprehensive balanced score card system in time

Due to the fact that the enterprises are facing the economic environment is not static, and full of uncertainty, enterprise's own production, management, development ability also changes. Therefore, performance evaluation system must keep changing with the actual conditions of enterprises change, to adapt to the survival and development of enterprises. Thus, a comprehensive, accurately evaluation business situation and development potential, and make the appropriate response. If the enterprise performance evaluation system is invariable, not only can not correct the performance, but will pass out the wrong information and evaluation results, restrict the development of the enterprise. Therefore, the performance evaluation index should take the external environment and the internal features of the enterprise into consideration, and provide the useful information for the enterprise long-term vision and strategy.

3)The construction of enterprise information system

EVA integrated balance score card index system construction and implementation is a very complex process, which needs to select a large number of different financial indicators and non-financial indicators, most enterprises choose based on the management information system software, to assist in the establishment of the evaluation index system. Therefore, structure combined characteristics of the enterprise's own management information system of comprehensive EVA balance score card evaluation system specific implementation are of great help to bring into full play the role of the integrated balance score card.

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