

Research on the application of KPI system in the development of modern enterprises

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Abstract. In the fiercely competitive modern business environment, the KPI system has become a core tool for enterprises to focus on strategies and improve operational efficiency, with its application closely linked to enterprise development. In-depth research on the KPI system's application helps enterprises give full play to its advantages of accurate performance quantification, avoid problems like disconnection from strategic essence, and provide effective references for optimizing performance management. It also assists enterprises in responding to market changes and enhancing competitiveness amid digital transformation. This paper focuses on the application of the KPI system in modern enterprise development, aiming to comprehensively analyze its strengths, weaknesses, opportunities, and threats in practical use. The research adopts the SWOT analysis method to systematically dissect the KPI system, and combines relevant literature and enterprise cases to support the analysis process. The study finds that the KPI system enables accurate performance quantification but tends to deviate from strategic goals; the digital age offers opportunities for its intelligent upgrading, while the complex external environment threatens its stability and effectiveness. These findings can guide enterprises to optimize the KPI system's application.

Keywords: KPI system, modern enterprise development, SWOT analysis, performance management, digital transformation

1. Background

KPI is the abbreviation of Key Performance Indicator. Its definition can be understood in three parts. First, the "key" means identifying the crucial factors that play a decisive role—these are the things we need to focus on to achieve success. Second, the "performance" refers to measuring how well a team does in reaching its goals. Third, the "indicator" is a measurable standard. To sum up, KPI is a set of quantifiable indicators used to measure the progress of key success factors when an organization, department, or individual works to achieve strategic goals.

After that, the idea of KPI comes from MBO. Its systemization with strategy benefit from the Balanced Scorecard, and its wide use comes from enterprises' urgent need to improve their competitiveness.

Finally, KPI has an important impact on the development of enterprises today. It is an essential core tool for modern organizations to focus on strategies, improve execution efficiency, and gain the final competitive advantage.

This paper focuses on the application of the key performance indicator system in the development of modern enterprises. It conducts research using the SWOT analysis method and provides relevant examples to assist modern enterprises in achieving better development.

2. Literature review

Some literature related to this study focuses on exploring the role of the KPI system in enterprise performance. Xiong Haifeng [1] examined the basic concepts of the KPI system and performance management. He identified common problems in the performance management of private enterprises from aspects such as the proportion of financial performance, the design of performance indicators, performance awareness, and performance communication and feedback. He also put forward corresponding optimization suggestions: attaching importance to financial performance, designing indicator content scientifically, and enhancing performance awareness, so as to help private enterprises build a practical performance management system. Li Changrui [2] took Decathlon as a case to study the application of performance management based on the KPI system in enterprises. He analyzed the KPI theory, the company's overview, the current situation of performance management, the advantages and disadvantages of the system, and put forward improvement suggestions. Ma Hongli [3] pointed out that in recent

years, the development of the times has increased the uncertainty of the market and the environment, which has an impact on the development of enterprises. To improve market competitiveness, enterprises need not only scientific performance management but also reasonable corporate strategies, and should integrate the two effectively. This will help improve the enterprise's performance level and achieve strategic development goals. This paper studied the enterprise performance management system based on KPI and analyzed the main role of KPI in performance management, hoping to provide reference for relevant personnel. Ma Xiaofeng [4] stated that although the human resource management of Chinese enterprises has developed rapidly, there is still a gap compared with that of Western developed countries. He pointed out that performance management, as a core module of human resources, is of great importance, and the KPI system can help enterprises achieve their goals and expand their scale. Zhang Jun, Deng Haoyu and Ding Mengwei [5] focused on the fact that the KPI system is an important tool for enterprise performance management. It ensures that individual performance is closely aligned with the enterprise's strategic development goals, thereby improving the efficiency of enterprise management and operation.

At the same time, to explore the role of the KPI system in enterprise development, these documents are also relevant to this paper. Liu Yanqiong [6] focused on further improving the policy environment system for financial services to support the high-quality development of Small and Medium-sized Enterprises (SMEs), perfecting the data integration and sharing mechanism among government, banks and enterprises, deepening the innovation of digital financial products and services, and improving the intelligent risk control system. She proposed practical paths for the empowerment of SMEs' high-quality development through financial technology, and actively creating a favorable digital financial ecosystem for the supply chain. Wang Yue [7] pointed out that in the highly competitive business environment, enterprises face numerous challenges in operation, and financial management is the key to their stable development. He analyzed in depth the effective measures taken by a certain home appliance enterprise in solving issues such as funds, costs, and investment decisions during its financial management reform, and proposed targeted optimization strategies.

In addition, more literature studies and explores the impact of the KPI system on corporate marketing, which is also relevant to this paper. Xu Xiaocheng [8] proposed that, guided by customer satisfaction, a service performance management system should be built for marketing staff of power supply enterprises. This system includes the balanced scorecard of the marketing department and the KPI of marketing staff. The KPI system selects indicators based on positions and also assesses work attitude. The assessment results are linked to promotions and salary adjustments. In addition, an incentive mechanism based on KPI is set up to encourage marketing staff to serve customers well and help the enterprise develop. Zhang Furong, Chen Zhitong, Chen Yinghao, Chen Qiran and Miao Runqing [9] analyzed the marketing strategies of JD Finance in the digital economy environment. After dissecting key factors such as the company's precise market positioning, reliance on data-driven decision-making, and cross-platform marketing strategies, they found that JD Finance attaches great importance to enhancing user experience, actively fulfills social responsibilities, and has built a positive public image. The article also analyzed the trends of enterprise marketing strategies in the context of the digital economy, covering multiple aspects such as digital upgrading, data-driven approaches, personalized customer marketing strategies, and omni-channel marketing, which are worth learning from by other enterprises. Huai Siqi [10] pointed out that through literature research, the relevant theories of KPI management methods at home and abroad were systematically sorted out. Data on the current performance management situation of Company C were collected using questionnaire survey and interview survey methods, and statistical analysis was employed to identify the problems existing in the system. Based on these problems, an optimization plan for the KPI management method was designed, and guarantee measures for the implementation of the performance management system of Company C based on KPI were proposed.

3. Argumentation strategy: SWOT

3.1. Strengths

It can realize accurate quantification of performance. The KPI system allows enterprises to break down grand development strategy goals layer by layer into specific behavioral indicators at the department, team and even individual levels. Besides, the data generated by the KPI system can be displayed in real time in the form of charts. This lets managers grasp the "health indicators" of the enterprise's operation at a glance, just like looking at a "dashboard" — such as "sales performance trend charts" and "real-time monitoring of production yield rate". This makes the quantitative results more intuitive and easier to understand and analyze. In summary, realizing accurate quantification of performance can greatly reduce human interference and subjective assumptions when enterprises make development strategies, ensure the objectivity of decisions, and become a data support advantage for enterprises' development strategies.

3.2. Weakness

It is prone to misleading behavior and disconnected from the essence of the strategy. When the indicators are too tightly bound to the strategic goals, employees tend to "optimize the indicators" rather than "achieve the strategy". For example, in some customer service centers, the KPI is "average call duration". The customer service staff will be eager to hang up the phone instead of truly solving the customer's problem, resulting in the customer needing to call repeatedly, which actually increases the total cost. Therefore, the KPI system is locally optimal but not globally optimal. Each department and individual has achieved their own KPI, but the company's overall strategic goal has not been achieved.

3.3. Opportunities

The digital age and the intelligent technologies it brings. Traditional KPI reports are usually made monthly or quarterly, so the data is outdated. By the time a company finds a problem, losses have already been caused. In the digital age, companies can build a "real-time KPI dashboard". Managers can monitor key indicators right away, such as the number of current online users, instant conversion rates, and equipment failure warnings. This helps them take quick action and make decisions fast. In short, for modern companies, the biggest chance from the external technology environment is that it lets us rethink and design a smarter, more human-friendly, and more effective performance management system. In this way, we can turn the uncertainty of the external environment into certainty for the company's growth and new opportunities.

3.4. Threats

The complex and changing external environment can make the inherent flaws of the KPI system more obvious. Rapid changes in technological breakthroughs and market demands make the preset static KPI quickly outdated, even misleading. For example, in the smartphone industry, if a company still uses "feature phone sales" or "button durability" as core KPI, while ignoring new indicators like "touchscreen smoothness" and "richness of the app ecosystem", it will not adapt to the market's shift from feature phones to smartphones. In the end, it will be left behind by the times. This shows that the uncertainty of the external environment and competitive interactions will directly affect the stability and effectiveness of the KPI system. Instead of being a tool to guide strategy, the KPI system will become a factor that makes the strategy rigid.

4. Conclusion

This article elaborates and analyzes the advantages of the key performance indicator system in accurately quantifying the modern enterprise development process. However, it also points out the drawbacks of the indicators being disconnected from the core spirit of the strategy. Modern enterprises are currently seizing the opportunities brought by intelligent technologies in the digital age, but they are also facing threats from the complex and ever-changing external environment.

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