

The Correlation Between Internal Control Management and Corporate Performance

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Abstract: With the advent of the era of knowledge economy, the internal control of enterprises is also facing new challenges and opportunities. This article mainly reveals the internal relationship between enterprise internal control management and enterprise performance, and discusses the causal relationship between them. Through in-depth analysis and empirical research, this article clarifies the specific impact mechanism of internal control management on enterprise performance, and reveals the significant positive impact of the effectiveness of internal control management on enterprise performance. Specifically, effective internal control management can improve the operational efficiency of enterprises, reduce risks, and then promote the improvement of enterprise performance. Based on this discovery, this article puts forward a series of specific suggestions for enterprises to strengthen internal control management in order to help enterprises improve their performance. This study not only enriches the theoretical system of enterprise management, but also provides useful guidance and enlightenment for the actual operation of enterprises.

1. Introduction

In today's competitive market environment, enterprise internal control management and enterprise performance are two important indicators to measure the development of an enterprise [1]. Enterprise internal control management is not only related to the standardized operation and risk prevention of enterprises, but also an important means to ensure the safety of enterprise assets, ensure the accuracy of financial reports and promote the realization of business objectives [2-3]. Enterprise performance directly reflects the operating results and market competitiveness of enterprises, and is an important yardstick to measure the development of enterprises [4].

Knowledge-based economy requires enterprise internal control to be more flexible and efficient, and can adapt to the rapidly changing market environment [5]. This requires that enterprise internal control should not only pay attention to the traditional control elements, but also pay attention to the innovation and development of information and communication, risk management and so on [6]. However, in reality, many enterprises have many problems in internal control, such as imperfect system and poor implementation, which directly affect the operating effect and performance of enterprises [7]. Therefore, it is of great practical significance to deeply explore the relationship between internal control and enterprise performance for guiding enterprise practice and improving enterprise competitiveness.

Although internal control management and enterprise performance have their own independent research fields and values, the correlation between them is rarely discussed in depth [8]. Does the effectiveness of enterprise internal control management directly affect enterprise performance? How to improve enterprise performance by optimizing internal control management? These problems are particularly important in the current enterprise management practice. The research background of this article is based on the important position of enterprise internal control in modern enterprise management and the new requirements for internal control in the era of knowledge economy. Through in-depth analysis and discussion of the relationship between internal control and enterprise performance, it aims to provide targeted improvement suggestions for enterprises, enhance enterprise performance and promote healthy and sustainable development of enterprises.

2. Enterprise internal control management theory and performance assessment system

The theory of enterprise internal control management mainly studies how to ensure the legitimacy, compliance and efficiency of enterprise business activities by establishing and implementing a series of internal control measures [9]. These control measures include, but are not limited to, authorization approval, accounting, internal audit, etc., aiming at ensuring the safety and integrity of enterprise assets, ensuring the accuracy of financial reports, and promoting the realization of enterprise business objectives. Internal control management not only involves the fields of finance and accounting, but also runs through all aspects of enterprise operation and is an important part of enterprise management.

Enterprise performance assessment system is a set of index system used to measure the operating results and market competitiveness of enterprises [10]. This system helps managers, investors, creditors and other interested parties to better understand the operation of enterprises through the analysis and assessment of key indicators of enterprises, so as to make more informed decisions. See Figure 1 for details.

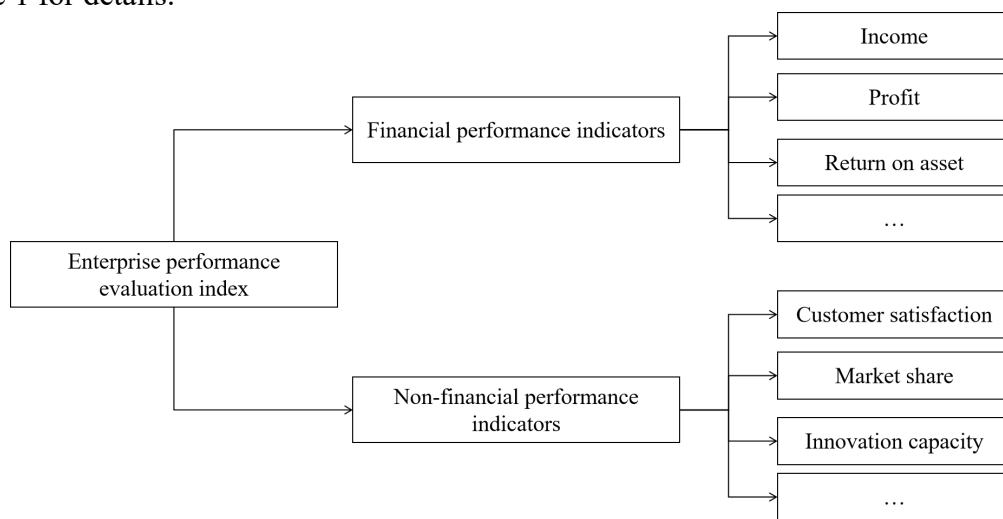


Figure 1 Enterprise performance assessment system

By establishing a perfect enterprise performance assessment system, enterprises can understand their own operating conditions and market competitiveness more comprehensively, so as to make more scientific and reasonable strategic planning and management decisions. Furthermore, this system can also help enterprises find and solve problems in time, and continuously improve operating efficiency and market competitiveness.

3. Theoretical analysis of enterprise internal control management and enterprise performance

3.1. Elements and functions of enterprise internal control management

The core elements of enterprise internal control management mainly include control environment, risk assessment, control activities, information and communication and monitoring. The control environment is the basis of internal control management, including the management's concept and management style, organizational structure, authority and responsibility distribution, etc. Risk assessment is to identify and analyze the risks that may be encountered in the process of achieving enterprise goals. Control activities are a series of measures taken to ensure the implementation of management instructions, such as authorization, verification, adjustment and review. Information and communication ensure the timely and accurate transmission of relevant information within the enterprise. Monitoring is to evaluate and supervise the effectiveness of the internal control system.

The main functions of enterprise internal control management include ensuring the safety of assets, ensuring the authenticity and integrity of financial information, promoting the efficiency and effectiveness of business activities, and promoting the realization of enterprise strategic objectives. These functions work together in the daily operation of the enterprise and provide strong support for

the stable development of the enterprise.

3.2. Analysis of factors influencing enterprise performance

Enterprise performance is influenced by many factors, including external environment, internal resources and capabilities, and strategic implementation. External environment, such as market demand, competition pattern, policies and regulations, will have an impact on enterprise performance. Internal resources and capabilities include technology, talents and capital, which determine the core competitiveness of enterprises. Strategic execution is the process of transforming enterprise strategy into practical action, and its effect directly affects enterprise performance.

In internal control management, an effective internal control system can standardize enterprise operation, reduce risks and improve efficiency, thus having a positive impact on enterprise performance. For example, by optimizing business processes, strengthening internal supervision and other measures, waste of resources and wrong decisions can be reduced, and the overall operational efficiency of enterprises can be improved.

3.3. Correlation mechanism between internal control management and enterprise performance

Theoretically, there is a close relationship between internal control management and enterprise performance. This relationship is mainly reflected in two aspects: the improvement of operational efficiency and quality, and the enhancement of risk management ability. First of all, a sound internal control system can significantly improve the operational efficiency and quality of enterprises. By clarifying the responsibilities and authorities of various departments and posts, optimizing business processes, and ensuring the accuracy and timeliness of information, enterprises can allocate resources more efficiently and reduce unnecessary waste and delay. This will not only help to reduce operating costs, but also improve customer satisfaction, thus occupying a favorable position in the fierce market competition. The improvement of operational efficiency and quality will be directly reflected in the improvement of enterprise performance. Secondly, a good internal control environment is very important to enhance the risk management ability of enterprises. The internal control system can effectively reduce the occurrence of risk events and the losses caused by them by identifying and evaluating potential risks and formulating corresponding risk response measures. This improvement of risk management ability will not only help to ensure the safety and integrity of enterprise assets, but also ensure the compliance of enterprise business activities and avoid legal risks and reputation damage caused by violations. Therefore, a good internal control environment can provide a strong guarantee for the stability of enterprise performance.

To sum up, there is a close theoretical relationship between internal control management and enterprise performance. By strengthening internal control management, enterprises can not only improve operational efficiency and quality, reduce operating costs, but also enhance risk management capabilities and reduce risk losses, thus creating sustained and stable economic benefits for enterprises.

Based on the above analysis, this article puts forward the following research hypotheses: the effectiveness of enterprise internal control management is positively related to enterprise performance. That is, the more effective the internal control management is, the more likely the enterprise performance will be improved.

4. Empirical analysis of internal control management and performance in enterprises

This study adopts empirical analysis methods, including regression analysis, correlation analysis and other statistical methods. The data sources are annual reports of listed companies, internal control assessment reports and market research data. By collecting and analyzing these data, we can more accurately reveal the correlation between internal control management and enterprise performance. In the choice of variables, we regard enterprise performance as a dependent variable and measure it by the return on net assets of financial indicators. As an independent variable, the effectiveness of internal control management can be expressed by the score or grade in the internal

control assessment report. Furthermore, in order to control other possible influencing factors, the study also introduces a series of control variables, such as enterprise scale, industry attributes, market competition and so on. In the model construction, multiple linear regression model is used to analyze the relationship between internal control management and enterprise performance. The model can comprehensively consider the influence of multiple independent variables on dependent variables, and quantify the degree of this influence through regression coefficients. Through empirical analysis, we can get the regression results between internal control management and enterprise performance, as shown in Table 1.

Table 1 Regression analysis results of internal control management and enterprise performance

Variable	Coefficient of regression	t	Significant level
Effectiveness of internal control management	0.35	2.8	0.01
Scale	0.15	1.9	0.05
Industry attribute	-0.08	-1.2	0.1
Degree of market competition	-0.12	-1.6	0.05

The regression coefficient of the effectiveness of internal control management is significantly positive (0.35), indicating that the effectiveness of internal control management has a significant positive impact on enterprise performance. Furthermore, enterprise scale also shows a positive impact on enterprise performance, while industry attributes and market competition may have a certain negative impact on enterprise performance. These results support the research hypothesis that the effectiveness of internal control management has a positive impact on enterprise performance.

In addition, this article further analyzes which aspects of internal control management have the most significant impact on enterprise performance. These analysis results can provide beneficial enlightenment and suggestions for enterprise management practice, as shown in Table 2.

Table 2 Significant analysis of the influence of different aspects of internal control management on enterprise performance

Internal control management	Coefficient of regression	Significant level	Influence degree
Control environment	0.25	0.01	Significant
Risk assessment	0.18	0.05	More significant
Control activities	0.22	0.01	Significant
Information and communication	0.15	0.1	Not significant
Monitor	0.20	0.01	Significant

According to the results of empirical analysis, control environment, control activities and monitoring have the most significant impact on enterprise performance. This means that enterprises should pay special attention to the improvement of these aspects when strengthening internal control management. For example, optimize the control environment, including the management's philosophy, business style and organizational structure; Strengthen control activities to ensure the effective implementation of management instructions; And improve the monitoring mechanism to continuously evaluate the effectiveness of the internal control system. These measures will help enterprises to improve the level of internal control management, and then improve enterprise performance.

Based on the above research results, this article puts forward the following specific suggestions for enterprises to strengthen internal control management to improve their performance: ① enterprises should establish a sound internal control system to ensure the standardization and efficiency of various business processes; ② Strengthen the supervision and assessment of internal control management, and find and correct existing problems in time; ③ Pay attention to cultivating employees' awareness of internal control and form an internal control culture with full participation.

These measures will help enterprises to improve the level of internal control management, and then improve enterprise performance.

5. Conclusions

Through in-depth theoretical analysis and rigorous empirical analysis, this study makes clear the correlation between enterprise internal control management and enterprise performance. The results show that the effectiveness of internal control management has a significant positive impact on enterprise performance. Specifically, a sound internal control system can improve the operational efficiency of enterprises, reduce operational risks, and thus promote the improvement of enterprise performance. This conclusion provides an important theoretical basis for enterprise management practice. From the perspective of significance, this study not only helps to enrich and improve the theoretical system of enterprise management, but also provides targeted improvement suggestions for the actual operation of enterprises. By optimizing internal control management, enterprises can prevent risks more effectively, improve efficiency, and then improve enterprise performance and realize sustainable development.

Although this article has made some achievements in the correlation between internal control management and enterprise performance, there are still some limitations. For example, the data source is limited to listed companies and may not fully reflect the situation of all enterprises; Furthermore, the assessment index of internal control management may also be subjective. Future research can further expand data sources and improve assessment indicators, so as to improve the universality and accuracy of research. In addition, the differences between internal control management and performance of different types of enterprises can be discussed in depth to provide more accurate guidance for enterprise management.

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