

Financial Management System and Management Mechanism of Enterprise Group Based on Value-driven Thinking

Jun Liu

Yunnan Economics Trade and Foreign Affairs College, Kunming, Yunnan, 650114, China

Keywords: Value-driven; financial management system; management mechanism

Abstract: With the development of market economy, enterprise groups have developed rapidly in China and become an increasingly common form of economic organization. There are still many problems in its management system. Therefore, based on value-driven thinking, the author studies the financial management system and management mechanism of enterprise groups. The research shows that the enterprise group is a modern and advanced organization form with the core of the group company and some member enterprises. The internal organization structure is complex. The nature of the member enterprises determines the operation mode of the financial management of the enterprise group. The financial management system must be effective and reasonable, and it is conducive to the reasonable integration of the financial goals and financial behavior of the enterprise group, so as to meet the needs of the financial management of the enterprise group to the utmost extent.

1. Introduction

Driven by the wave of mergers and acquisitions, the modern enterprise system with the separation of powers and principal agents has accelerated its development, and established a modern enterprise organization model with multi-level legal system with capital as the link [1]. Among them, the most characteristic of the times is the enterprise group with the parent company system as the basic structure [2]. Enterprise groups cannot simply imitate and implement the financial management mode of centralized, decentralized and compromised. Compared with the financial management mode of individual enterprises, enterprise groups and member companies not only have the property rights relationship of legal entities [3]. However, in the process of enterprise group operation, financial management, as the core of enterprise operation, directly controls the direction and speed of enterprise group development. Internet environment provides a technical background for the construction of enterprise group financial sharing service center [4]. For example, Sinopec successfully launched the online financial sharing service center model in July 2014, and the sub-enterprises only retain the corresponding financial functions [5]. It is of great significance to cultivate enterprise groups for deepening economic system reform and developing productive forces. However, in the process of operation of enterprise groups, financial management, as the core of enterprise development, plays a controlling role in the direction and rate of development of enterprise groups. In the process of the development of enterprises, we should improve the financial management system of enterprises, and fundamentally avoid enterprises being involved in economic difficulties.

Enterprise group is an organizational form with group company as its core and several member enterprises as its related components. In the process of financial management of enterprise group, the nature of member enterprises plays a decisive role [6]. With the development of market economy, enterprise groups have developed rapidly in our country. The number and scale of enterprise groups have been increasing, and the organization has been gradually improved. Some enterprise groups with considerable scale, strength and good development prospects have been initially formed [7]. Therefore, the establishment of an effective financial management system and mechanism in an enterprise group is a necessary prerequisite for the development of an enterprise group, and an effective financial management system [8]. It can make enterprise groups more in line with the requirements of market economy development and promote the sustainable

development of enterprise groups. However, the new financial normality and new situation not only brought new opportunities to the Group, but also brought new challenges [9]. The regulatory mechanism for budget and funds is not perfect, the risk prediction mechanism is not sensitive, and the decision-making mechanism is not novel [10]. Therefore, in the development process of Tiens Group, it is particularly important to establish a reasonable and effective financial management system and a sound financial management system. Not only can the Tiens Group be more in line with the goal of China's socialist market economy development, but also move toward a sustainable development path. Enterprises should thoroughly optimize the financial management system, and should do a good job in all internal departments of the enterprise to fundamentally improve the financial management system.

2. Definition and basic characteristics of enterprise groups

2.1 Definition of enterprise group

The rise of corporate groups can be traced back to the end of the century. Along with the transition from free-competitive capitalism to monopoly capitalism, various forms of monopoly organizations have sprung up. The capitalist monopoly organizations that emerged during this period can be considered as the early forms of existence of enterprise groups. In the composition of a corporate group, it can be divided into three categories: a group company, a subsidiary company or a transaction department controlled by a group company, and a subsidiary company of a subsidiary or a business department. Since the enterprise group is an economic union composed of different representatives and corporate legal persons, each branch company under the enterprise group has its own civil capacity and relatively independent legal personality. It mainly includes two aspects: one is the allocation of economic interests among departments, the other is the allocation of financial power among departments. Its main content is to build an industrial chain on the basis of capital and form an economic integration formed by some corporate representatives. In this integration, each company belonging to the combined body has its own legal personality and civil capacity. Within the enterprise, many staff and managers have low awareness of financial management, and some staff even think they are not professional financial staff. Therefore, in the process of enterprise development, financial problems have nothing to do with themselves, this is not their own work, so they have no obligation to do.

Most of the assets are occupied and dominated by state-owned enterprises and solely state-owned companies, which leads to the unilateral governance structure dominated by the government, the single structure of investors and the difficult situation of diversification of financial subjects. Table 1 reveals the investor structure of Chinese enterprise groups.

Table 1 Enterprise groups classified according to the type of parent company registration

Type/year	2014	2015	2016	2017	2018
National Total of Enterprise Groups	2369	2567	2694	2763	2943
Public enterprise	973	892	736	841	918
Limited company	743	586	697	721	842
Independent State-owned Companies	680	1089	1261	1201	1183

2.2 Basic Characteristics of Enterprise Groups

As a new form of enterprise organization, enterprise group is the inevitable product of large-scale socialized production and developed market economy, and it is a multi-legal person economic association with a higher degree of development. In terms of legal nature, enterprise groups are divided into legal and non-legal enterprises. Therefore, the composition of enterprise groups is complex, and the internal financial relationship is also complex. Compared with the economic relevance of enterprise groups, the internal economic structure and operation mode of traditional individual enterprises are relatively simple. Generally speaking, there are three

characteristics of an enterprise group. Firstly, the enterprise group is not an independent whole, but a combination of many enterprises. These two aspects include four branches, namely, financial responsibility, financial rights, economic interests and system types. The holding mode means that the parent company of the holding group plays an important role in the operation and management of the capital of the enterprise group, but does not produce the product. In addition, there are some people engaged in management work within the company. Their ideas are more traditional, so the correct financial management concepts are not applied to every link in the actual financial management of the enterprise. Although the characteristics of national enterprise groups are different, they all have some common characteristics. Therefore, enterprise groups should combine the essence of individual member companies to construct a scientific and feasible financial management system and its appropriate financial management mechanism.

3. Corporate financial management mechanism

The financial activities of enterprises must be related to the main body of financial management and its related management objectives. Enterprise groups are no exception. First, as investors, the fundamental goal is the value-added and preservation of assets. Secondly, as an operator, we must maximize financial management benefits. In addition, the financial manager should maximize the net cash flow as much as possible. These include the financial management of the funder, the financial management of the operator, the financial management of the financial economy and the financial management of the general staff. For these different levels of management, the enterprise group needs to establish an effective financial organization management system for each member company, and then establish a more flexible financial management mechanism. Among them, the management and control model reflects the position of strategic and operational-related responsibilities in the corporate structure. The composition of the enterprise reflects the degree of matching between the business operations of the enterprise and the corporate structure. The management system reflects the staff efficiency of the enterprise. There are still some problems in the financial management mechanism of enterprise groups. At present, the functions of enterprise groups in China are relatively single, and the financial organization system in some groups can not meet the needs of market economy development. In addition, there is not a complete financial management system in many enterprise groups in China. Many departments within the enterprise are working independently, and no consensus has been reached to actively manage the financial affairs of the enterprise.

The financial headquarters of a group is usually the financial department of the parent company. It is the direct initiator, organization leader and top responsible person of the group's daily financial management. From the perspective of investors, enterprise groups should hold regular shareholder meetings. Evaluate and deliberate the capital changes and investments of group member enterprises, annual financial budget and final accounts, profit distribution and other related matters, and make reasonable decisions by brainstorming. We have experienced such narrative assessment for a long time. Everyone feels that this assessment is very formal, but in order to widen the gap, we have to do it, lacking fairness and impartiality. However, the current manufacturing enterprises generally have the problem of imperfect risk management system, which is mainly manifested in the fact that the risk management system is too simple to prevent and control the risks that enterprises may encounter in practical work. This increases the operational risk, under such a premise, enterprise groups can actively identify and prevent various potential financial risks. In the process of operation of enterprise groups, financial risk assessment is carried out for each link, prevention is achieved in advance, and a reasonable and effective financial management mechanism is constructed.

An ideal financial organization of an enterprise group should be a multi-level hierarchical decentralization system with moderate decentralization and balanced rights, responsibilities and interests. Generally speaking, the financial departments at this level mainly include the planning finance department, the cost control department and the fund management department. The financial department settings at all levels can be seen in Figure 1.

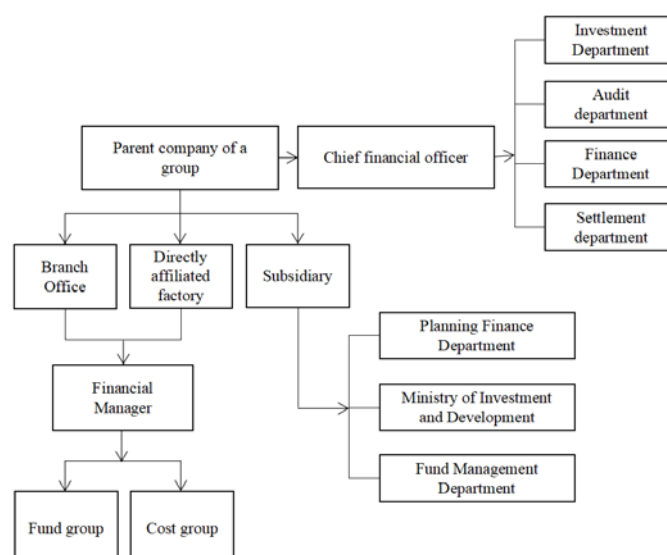


Fig.1. Schematic Map of Financial Departments at All Levels of Enterprise Groups

Enterprise groups are composed of many legal persons, but the enterprise groups themselves are not legal persons. In an enterprise group, besides branch companies, subsidiaries and other member enterprises have independent legal personality and corresponding civil rights. Finally, the objective of employees is to minimize production costs and maximize production benefits. Generally speaking, there are three main aspects in the financial management of investors. The first is the capital transfer of managerial shareholders, including the increase or decrease of capital and capital transfer. When the enterprise scale is small, the group can achieve unified management. And the financial strength can not support the independent financial operation of subsidiaries, single business, limited scope of operation, relatively simple internal relations within the group, so centralized management mode is mainly adopted at this time. For example, in most companies, the work and functions between their finances and accounting tend to be indifferent, which leads to the emergence of “big money”. Some people think that the financial management system is the general term for the systems and methods that are defined in the specific economic environment to define the financial relationship of the various aspects of the enterprise and regulate the financial behavior of each financial entity. The purpose of the financial management mechanism of the enterprise group is to coordinate and control the objectives and behaviors of the financial entities within the four levels of the enterprise. The management of the budget and final accounts not only effectively manages the plan, implementation process and post-supervisory mechanism of the company's financial budget and final accounts.

4. Conclusion

To sum up, in order to improve the current situation of financial management of China's enterprise groups and to construct a scientific financial management system, it is necessary to proceed from the actual situation of China's enterprise groups and carry out targeted construction and transformation work in accordance with the requirements of the modern enterprise system. Thereby solving the problems of their own. At the same time, based on the assessment results, the staff compensation and positions are rationally allocated, and the reward and punishment management system is constructed to effectively combine the employee performance with the corporate financial budget, which is conducive to achieving the financial management objectives of the enterprise. Therefore, in the daily financial management of enterprise groups, the improvement of the financial system and management mechanism of the enterprise group should be strengthened. There are many shortcomings in the development of small and medium-sized enterprises, and most of the production and operation activities are relatively single, which to some extent limits the strengthening of their financial management capabilities. Therefore, Chinese enterprises should

actively innovate business management mode, actively improve the financial management system, and fundamentally promote the smooth progress of economic system reform. More seriously, different SMEs have different internal and external environments in financial management. To solve their financial management problems and enhance their financial management capabilities, we must adhere to the basic principle of starting from reality. Therefore, the enterprise structure is an important factor affecting the financial management system.

References

- [1] Savina S, Kuzmina-Merlino I. Improving Financial Management System for Multi-business Companies [J]. *Procedia - Social and Behavioral Sciences*, 2015, 210:136-145.
- [2] Feng X L, Suo Z H, Wei Y T, et al. The Financial Management System Based on Android and SQLite [J]. *Applied Mechanics and Materials*, 2014, 462-463.
- [3] Kuzmina-Merlino I, Savina S. Assessing the Effectiveness of Improved Financial Management System Using the Expertise-oriented Approach [J]. *Procedia - Social and Behavioral Sciences*, 2015, 207:833-842.
- [4] Qin, Chang H. Financial Management System Design of Guangxi Colleges and Universities [J]. *Advanced Materials Research*, 2014, 1044-1045:1745-1748.
- [5] Poffley F. Voyage of Discovery; Greece's Islands Each Have Something Special to Offer Tourists - from Great Beaches to Old-World Charm. So Why Not Hop between Them? Frewin Poffley Reveals How[J]. *Value Engineering*, 2014, 34(4):295-295.
- [6] Luo H H, Liu W P. Development of ERP Financial Accounting Management System Based on J2EE Technology[J]. *Advanced Materials Research*, 2014, 926-930:2562-2565.
- [7] Tan, Lin H. Research on the Application of Agile Financial Chain in the Development of Financial Management System[J]. *Advanced Materials Research*, 2014, 926-930:3906-3909.
- [8] Xu, Jie. Design and Implement of Financial Management System for Small and Medium Enterprises [J]. *Applied Mechanics and Materials*, 2014, 687-691:1848-1851.
- [9] Jin, Ge. Research of Financial Management System Based on Web Services[J]. *Advanced Materials Research*, 2014, 926-930:4166-4169.
- [10] Rigamonti L, Ferreira S, Grosso M, et al. Economic-financial analysis of the Italian packaging waste management system from a local authority\'s perspective[J]. *Journal of Cleaner Production*, 2015, 87:533-541.