

# **Analysis of Enterprise Budget Management under the Guidance of Strategy**

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**Abstract:** Budget management is an essential component of modern enterprise integrated management system. With the continuous maturity and development of budget management theory, some new budget management concepts and methods are constantly emerging. In many large enterprises, budget management has become an effective medium and tool for internal control. It is also a good choice to promote the development strategy of the company through budget management. Through the analysis of the traditional strategic management system, this paper points out the advantages of establishing a comprehensive budget management under the strategic direction, and proposes a series of reforms to the enterprise-oriented budget management under the strategic orientation through the current disadvantages of the strategic management system to make up for the current Insufficient, and then proposed a series of strategically oriented enterprise planning reforms, so as to enable enterprises to develop more steadily.

## **1. Introduction**

It is not difficult to see that the budget management is more diversified based on the overall perspective. The function of budget management is more diversified. The subordinate to the financial management system also makes the budget management closely related to the general production and operation activities of the enterprise.[1] In the new era, budget management based on enterprise development strategy is a clear trend in the development and development of budget management activities. For enterprises, it is necessary to carry out budget management innovation on the basis of better and clear strategic development goals. In view of the fact that many companies are more optimistic about budget-oriented innovation in strategic direction, it is necessary to explore the general path of better budget-based budget management activities.

## **2. Disadvantages in Traditional Enterprise Budget Management**

### **2.1 The Budget Management System Does Not Give a Better Balance to the Strategy**

At present, although many enterprises are conducting budget management experiments in a normal way, the degree of innovation in budget management has also been improved. However, from the perspective of strategic orientation, the budget management system has not achieved a good breakthrough. The budget management system has not been adjusted in a follow-up manner, and the existing budget management system has not made a good compromise on the achievement of corporate strategic objectives.[2] As the basis for the implementation of the budget management activities, the budget management system has not been given a good balance between the achievement of the strategic objectives, and the budget management activities are naturally unable to make due contributions to the achievement of the strategic objectives. Not only that, through the analysis of the budget management of some small and medium-sized enterprises, it can be seen that the lag of the construction of the budget management system is very obvious. The power, responsibility, principle, basic content and ultimate goal of budget management are not in the budget management system. It is refined and clarified, and the existing budget management system can not fully exert its guidance and normative functions on budget activities. For this reason, many companies' budget management capabilities have remained low for a long time, and innovations in budget management have not achieved good results.

## **2.2 Existing Budget Management Methods Are Too Single**

The existing method of budget management in enterprises is too singular, and it is also a shortcoming in the budget management of enterprises. When there is obvious dependence on traditional budget management concepts and methods, the innovation enthusiasm of financial managers in budget management is relatively lower. For example, the budget management body usually analyzes the budget size of each department based on empiricism, and prepares a specific budget plan. The execution of the budget plan also becomes a management in the realistic sense. Although this kind of budget management strategy can help enterprises to better classify and utilize funds and other resources to a certain extent, the contribution to the strategic goals of the enterprise is relatively limited. Once there are obvious deficiencies and problems in the budget planning, There are also many specific issues with budget management around it. Due to the lack of better innovation in the selection of budget management methods, the adjustable space for the implementation of budget management activities has been continuously compressed, and budget management has gradually become a management for the corresponding problems. Slower budget management efficiency also reduces the contribution of budget management activities to the achievement of strategic goals.

## **2.3 Lack of Planning for Budget Management Activities**

Many enterprises do not have a good planning and layout in the implementation of budget management activities. There is a lack of key and guiding objectives in budget management, and the overall management is relatively chaotic. The enterprise itself will be in constant development and change, and the budget management activities will be affected and restricted by many internal and external factors. In theory, companies need to combine detailed budget management needs with their own business management practices and detailed planning of how budget management activities are carried out.[4] However, at this stage, few enterprises can make scientific and rational planning of budget management activities based on the global perspective, and there is a lack of focus and hierarchy in the implementation of budget management activities. Once a company is accustomed to budget management in this bad state, budget management will gradually become a management of “form is greater than content”. In the long run, financial management personnel will have greater reliance on experience in budget management activities. Not only will budget management innovations be discussed, but budget management capabilities and levels will also become more difficult.

## **2.4 Missing Budget Management Evaluation and Supervision Mechanism**

The lack of budget management evaluation and supervision mechanism is also a common problem in the budget management of many enterprises. On the one hand, it indicates that the comprehensiveness of the internal control construction is obviously insufficient. On the other hand, it indicates that it does not surround the budget management activities. Carry out the construction of the corresponding support and security mechanisms.[5] Due to the lack of a comprehensive budget management evaluation and supervision mechanism as a support, it is difficult for enterprises to have a comprehensive understanding of the actual effectiveness of the selected budget management methods, and there will be certain blindness in the implementation of specific budget management activities. Under the absence of the supervision mechanism, some significant budget management problems cannot be reflected in the first time. When the budget management body can not better understand the shortcomings or problems in the budget management, the budget management attempts are also very good. It is difficult to achieve the expected results. More seriously, the long-term backlog of relevant budget management problems can easily lead to budget management risks or financial risks. This will greatly weaken the function of budget management itself, and budget management cannot achieve the strategic goals of the company.

### **3. Strategy-Oriented Comprehensive Budget Management System Construction Strategy**

#### **3.1 Determine the Budget Target Based on Strategy**

The first thing that the enterprise determines is its own development strategy, and its own positioning is accurate. The strategic objectives are accurately positioned. Based on the actual market development and the relevant actual conditions, the company considers the relevant factors based on the financial data of the enterprise. Although the factors of comprehensive influence are more complicated, as long as the basic positioning is accurate, the target Accurate, through the benchmarking method, continuous improvement, innovation continuous improvement method, etc., to provide the information needed for the budget, these will be crucial. By implementing strategic objectives, by assigning phased objectives, and in a clear way to the final implementation of the strategy, it is a more comprehensive consideration of the strategic budget based on the target.

#### **3.2 Prepare Management Plans with Budget Targets**

Before doing this work, the preparation of relevant data is generally carried out, and the most basic is the financial data of the enterprise, which is the internal data of the enterprise. The data outside the enterprise is the relevant comprehensive level of external development of the enterprise at that time. It is based on the integration of internal data of the enterprise, supplemented by external data of the enterprise, and provides a comprehensive data reference for the budget of the enterprise. At this time, the data integration is for the analysis and synthesis of the entire enterprise, putting all the data together, comparing all the internal data of the previous period, comparing the differences, and obtaining the key information, and also reflecting the joint data of the various departments of the enterprise. The collection of internal data of the enterprise should include the various departments, and comprehensively understand the real situation of each department within the enterprise. The integration of external data is to integrate the development status of other related enterprises in the market, so as to analyze the external large. The environment, and get the information that is useful to your business. [6] After obtaining useful information, it is necessary to evaluate the data and obtain the budget plan of the enterprise. The overall plan should also consist of a refined budget goal, divided into long-term and short-term management budgets. The long-term planning budget is the macro budget of the enterprise, and the short-term is the micro budget of the enterprise. The short-term budget is realized step by step, and the overall macro-long-term budget development, combined with the long-term and short-term planning plan, is the comprehensive goal of the enterprise.

#### **3.3 Using the Balanced Scorecard to Prepare a Performance Appraisal System**

Follow the balanced scorecard principle to break down the strategy into different levels. Through the hierarchy of their own divisions, employees can clearly understand where they are and how they are, and how they can improve their own level through their own efforts. On this basis, collect opinions from employees, then conduct a comprehensive analysis of the budget link, determine the assessment indicators, and point out the causal relationship between the indicators. This can improve the enthusiasm of employees and ensure the orderly work of the enterprises. Carry out and stabilize the development of the company.[7] At the same time, through the tracking of the company's system, understand the real-time development situation, and constantly adjust to adapt to the development of the company. Once the grading balance card is found to have problems, you can also check the reasons step by step and adjust the budget in real time.

#### **3.4 Budget Control with Strategic Execution**

The main body of budget monitoring is the main object of budget establishment, which guarantees the implementation of the entire budget, from information collection to the determination of corporate strategy, to the determination of corporate budget planning, to the determination of budgetary methods, and to budget determination and implementation. It is necessary to involve every department of the enterprise.[5] Therefore, to ensure the effective

implementation of the budget, in addition to the mutual monitoring of the internal employees of the enterprise, an effective authority should be established to cooperate with each other. In addition, it is necessary to clarify the key points of monitoring. The budget involves all aspects of the enterprise, but the key aspects of the work should also be clarified in the work. It is not to say that it is not important, but to clarify the core priorities of the enterprise, such as the business of the enterprise. And the flow of funds, the focus of a new round of market development. In this budget, to pay attention to these moments, the company must establish relevant organizations to ensure the smooth progress of the budget process.

### **3.5 Establish an Early Warning Mechanism**

The budget situation affects the development of the company in the new period, so we must always pay attention to the implementation of the budget. Some related expenses may occur in the budget process, and whether these expenses are reasonable in the budget and whether they are used in the process of use. In the place to use. If there is a budget over budget, or if there is a shortage of funds, and the situation is tracked in the budget at any time, it is necessary to establish an early warning mechanism to ensure the fairness of the budget. [6]

### **3.6 Establish an Evaluation Mechanism**

In the enterprise, the evaluation mechanism is very common. The evaluation mechanism evaluates the performance of employees at work, and plays an important role in budget evaluation. The complete evaluation system is an important significance for enterprises to achieve budget. The evaluation system in the budget can fully control the implementation of the budget, so achieving a sound evaluation system is indispensable in budget implementation.

## **4. Example of Budget Management around Corporate Strategy Execution**

### **4.1 Establish a Sound Budget Monitoring Body**

The main body of budget monitoring is the department that supervises the budget situation. Obviously, the main object of budget monitoring is the implementation of budget. The implementation of budget involves all departments of the enterprise and all aspects of business operations. Therefore, if the main body of budget monitoring is effective, it should Relying on the joint cooperation of all members of the company, it is also inseparable from the close combination of self-monitoring and mutual monitoring among budget executives. In theory, the most effective monitoring of enterprises is the internal monitoring of the enterprise itself, but in the actual operation process of the enterprise. Many factors have had an impact on internal control and have to rely on other means to complete the monitoring task. In the sense of budget monitoring, in addition to the effective implementation of the incentive system to promote the monitoring and implementation of budget entities, it is also necessary to rely on the joint cooperation and cooperation of the enterprise supervision and management institutions such as the board of directors, the board of supervisors, and the audit department.

### **4.2 Clear Budget Monitoring Focus**

The budget monitoring process cannot be comprehensive, and it is essential to clearly define the monitoring focus. Under normal circumstances, the monitoring focus includes business development and capital flow.[6] After determining the monitoring focus, a settlement center institution is often established to improve the internal management system and strengthen financial management supervision. The foundation and premise of the settlement center is the internal business responsibility system. By referring to the bank's credit, fund settlement, and market regulation functions, the internal budget execution department of the enterprise exercises budget supervision, fund adjustment, performance inspection and other functions. Corporate supervision regulates the internal monitoring focus of the enterprise, so it is usually led by the corporate finance department and then operates independently according to the corresponding regulations. Through the settlement center to monitor the key points of the budget, it can provide functional guarantee for

the smooth development of the company's comprehensive budget management, and ensure that the budget execution process does not deviate from the budget target.

#### 4.3 Using the Balanced Scorecard to Prepare a Performance Appraisal System

First, according to the principle of the Balanced Scorecard, the enterprise strategy is subdivided to determine the balanced scorecard for each segment. In general, the use of a balanced scorecard usually divides the corporate strategy into different levels: the highest level of the enterprise, the specific business execution department, the execution team, and the grassroots employees, and the order of the balanced scorecards is scheduled according to different levels. Although the scorecards are different in level, they all contain the same elements, namely, the financial performance of the company, the number of loyal customers, the business process, the training and growth of the employees, and the detailed action guidelines. With the use of cards, each employee can recognize how his or her business level and the higher level of the class are related. Secondly, on the basis of the above steps, the budget execution link should be carefully and comprehensively analyzed according to the requirements of the brainstorming method, the budget execution focus should be found out, the performance appraisal indicator (KPI) should be established and the direct causality chain of each indicator should be delineated. The KPI should include requirements for implementing budgetary government tests and communicating budget orders. Good KPI implementation can maintain profitability, reduce customer complaints, increase market share, control corporate costs, and increase corporate market competitiveness. Finally, by establishing a balanced scorecard, the budget management system presents clear funding requirements, and then rationally allocates the financial, personnel, equipment and other corporate components of the enterprise to provide information, such as turnover, capital market, and financial goals. Finally, under the framework of the hierarchical balance card, a hierarchical budget control system is formed. The Balanced Scorecard can comprehensively review the business process, timely adjust the production and operation dynamics, and track and analyze the budget execution at any time. The entire flow chart is shown in Figure 1.

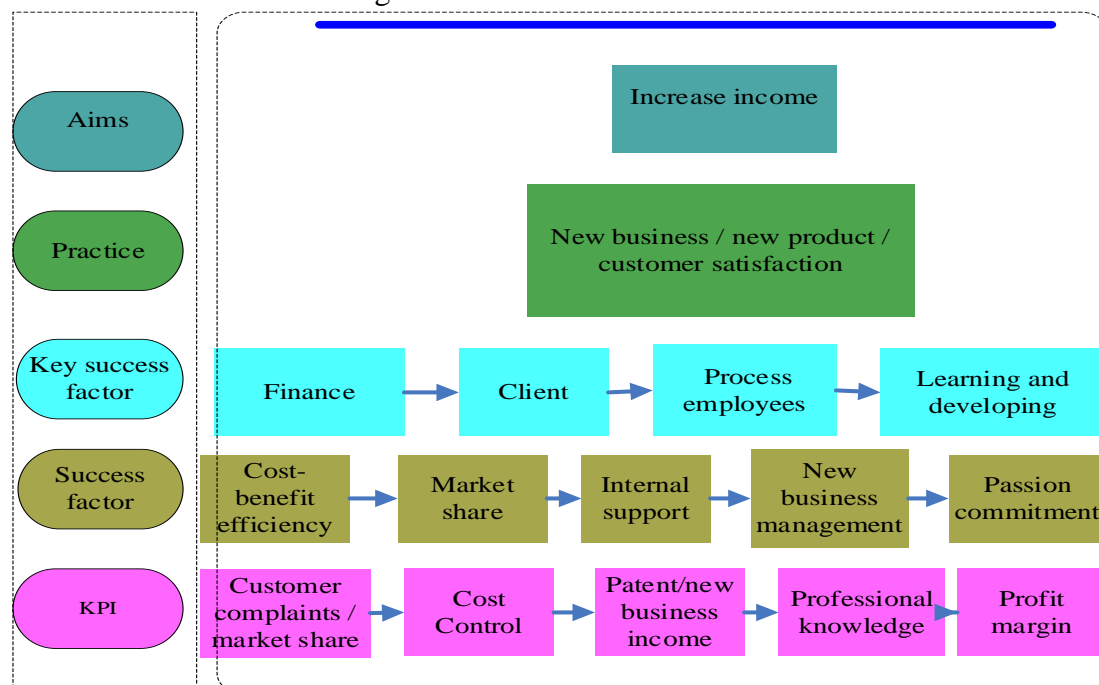


Fig.1 the Process of Establishing a Kpi Indicator Based on the Balanced Scoring System

#### 5. Conclusion

The implementation of budget-oriented budget management activities requires enterprises to re-examine budget management, and the methods and methods of budget management also need to be followed up. The budget not only needs to allocate and use “services” for resources such as

corporate funds, but also “services” to achieve strategic goals. It is worth noting that although some traditional methods of budget management have certain drawbacks, the experience of budget management accumulated by enterprises themselves cannot be easily abandoned. The innovation of budget management activities under strategic guidance cannot completely negate the previous budget management. It is also necessary and important to plan and manage budget management innovation and adjustment.

## **Acknowledgements**

If any, should be placed before the references section without numbering.

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