Study on Budget Management Combined with Business and Finance in China Power Grid Enterprises

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Keywords: Integration of business and finance, Power grid enterprise, Budget management.

Abstract. With the development of the new electric power system reform, some changes have taken place in the management environment of the power grid enterprises, and higher requirements have been put forward to the management level of the power grid enterprises. Power grid enterprises can further promote the integration of industry and finance through strengthening budget management to achieve the goal of reducing cost and increasing efficiency and to improve economic efficiency so that they can gain an advantage position in the market competition. This paper expounds the importance of the budget management of power grid enterprises to promote the integration of industry and finance, analyzes on the current application status of the budget management mode of industry and finance integration of power grid enterprises, and puts forward the corresponding countermeasures to further improve the budget management.

Introduction

The “opinions of the CPC Central Committee and the State Council on further deepening the Reform of the Electric Power system” and the “opinions on the implementation of the Reform of the Transmission and Distribution tariff” in 2015 clearly require the power grid enterprises to charge the wheeling cost in accordance with the transmission and distribution price approved by the government, and no longer use the difference between the grid purchase price and the retail price as the main source of income; In the process of verifying the transmission and distribution prices, it is necessary to measure the total permitted revenue and the transmission and distribution prices of different voltage levels based on effective assets. In the face of new changes and challenges, it is necessary for power grid enterprises to promote the application of budget management combined with business experience and financial management to achieve national requirements for cost reduction and efficiency improvement and to improve their economic benefits. When it comes to Integration of Business Experience and Financial Management, it means that in the case of limited resources the financial staffs of the enterprises must grasp the financial goals as well as understand the business operations of the enterprise, thus combining business activities with financial management. Under the background of the integration of business experience and financial management, the work of the financial staffs are no longer limited to the after-the-fact accounting and supervision of the business, but to conduct effective predict, in-process control and post-event feedback from the overall interests of the enterprise. At the same time, as a management control method widely used by modern enterprises, budget management can link the financial and non-financial strategic objectives of enterprises with specific business activities. Therefore budget management can be used as an effective tool for the enterprises to promote the integration of business experience and financial management.

Budget management combined with business experience and financial management is conducive to power grid enterprises to optimize resource allocation and achieve financial goals. Power grid enterprises can further refine the budget management system by promoting the integration of business experience and financial management, and effectively control, integrate and distribute the financial and non-financial resources of various units within the enterprise. Under the close combination of business and finance, power grid enterprises can rationally allocate limited resources according to their own business activities, effectively reduce waste and inefficiency, thereby improving resource allocation efficiency and facilitating the enterprise's business objectives.
Budget management combined with business experience and financial management is conducive to coordination among various departments within the grid enterprise to achieve overall benefits. In the context of integration of business experience and financial management, enterprise budget management is no longer a single-combat operation of the finance department, but a management system with full participation. It enables all departments and segments of the enterprise to plan and coordinate as a whole. Full and effective communication between departments can reduce barriers between departments, form a synergistic situation, and promote the overall goal of the enterprise.

**Application Status of Budget Management Combined with Business Experience and Financial Management in Power Grid Enterprises**

Currently budget management has been widely implemented in China's power grid enterprises. Some management tools to promote the integration of business experience and financial management, such as balanced scorecard and activity-based costing, have also been applied in power grid enterprises. However there are following problems to be solved in budget management combined with business experience and financial management in China's power grid enterprises:

**Insufficient Staff Awareness in Budget Management**

Budget Management is a full-participation, comprehensive coverage and full tracking control integrated management system. As the famous management scientist David Orly said, budget management is one of the few management control methods that can integrate almost all the key issues of an organization into one system. Budget management emphasizes full participation and requires participants to establish cost-benefit awareness, as everything required for budget management is closely related to the interests of all departments and individuals in the enterprise, including the integration of various resources and business activities within the enterprise as well as system planning, coordination and control. Therefore budget management is by no means a work that the finance department can accomplish by itself. It depends on the cooperation of various departments within the enterprise. At present, the awareness of all staffs in the budget management of power grid enterprises in China is relatively weak, which is mainly manifested in the following aspects: the business activities and nature of power grid enterprises determine that most of their grassroots employees are non-management employees, and such employees are not fully aware of budget management; there is not enough cooperation between departments, and all employees have low participation in budget management. Some employees even mistakenly believe that budget management is only the work of the finance department.

**Insufficient Integration Degree of Business and Finance in Budget Management**

Budget management includes not only financial budgets, but more importantly, business budgets and capital budgets. Budget management is based on the enterprise's business activities and organizational resources to break down the overall goals of the enterprise into the specific goals of each department. It can be seen that budget management emphasizes the role of business-driven. However, the current budget management of power grid enterprises does not cover all the capital and business activities of the enterprise. Some certain budgets lack the support of detailed business activity plans. The insufficient cohesion between financial budget and business plan will result in some budgets divorcing from the actual situation of enterprises and poor execution.

**Insufficient Incentives and Constraints for Budget Assessment and Evaluation**

The assessment and evaluation of budget is the lifeline of budget management. Enterprises should check and supervise the budget implementation of various departments and individuals through scientific and reasonable assessments in order to correct the deviation between budget and actual situation, and provide reasonable and reliable basis for effectively stimulating relevant departments and personnel. However, due to the lack of perfect and effective evaluation incentive mechanism and method, the current budget assessment and evaluation become formalistic. There is no effective
institutional environment, and the incentives and constraints are not enough. It is difficult to play the
incentive role of budget assessment and evaluation.

Countermeasures to Promote Budget Management Combined with Business Experience and
Financial Management

Pay Attention to the Construction of Budget Management Concept

Power grid enterprises should pay attention to the training of grassroots employees in budget
management work, correct employees' misunderstanding of budget management, improve staff
quality, and establish the concept of full participation in budget management. Power grid enterprises
should play a leading role in budget management, while other departments and employees at all levels
should coordinate with each other to improve the participation of all members of budget management,
improve the transparency of budget management, and strive to create a good enterprise culture with
full participation in budget management.

Improve Information Communication Mechanism

Under the “new normal” and with the downward pressure of the economy and the reform of the power
system, the operation and management of power grid enterprises are facing new opportunities and
challenges. It is an effective way for power grid enterprises to reduce costs and increase efficiency and
improve economic benefits by improving the integration degree of business and finance to promote
the performability and environmental adaptability in budget management. To this end, power grid
enterprises should improve the information communication mechanism, ensure the smooth and
effective communication of all departments in the budget management process, so as to prepare the
budget scientifically and reasonably, and integrate, plan and utilize organizational resources
efficiently. At the same time, the business department should deeply participate in the budget
preparation, form a financial budget based on the business plan, support the financial budget with a
fine business plan, in order to facilitate the implementation and control of the budget and the
assessment and evaluation after the event.

Balanced Scorecard in Budget Assessment and Evaluation

The balanced scorecard should be rationally used in budget management so as to improve the budget
assessment and incentive system. The Balanced Scorecard was developed by Harvard University
professors Robert Kaplan and David Norton. The content includes finance, customers, internal
business processes, learning and growth. It is an effective management tool to promote the integration
of business and finance. In the budget assessment index system, the Balanced Scorecard compensates
for the lack of a single financial index by introducing three non-financial indicators: customer,
internal process, learning and growth, which is conducive to the linkage between business and
finance. Power grid enterprises can put the balanced scorecard into the assessment and incentive
system of budget management, not only to assess the financial indicators such as income and profit,
but also to pay attention to social ecological environmental protection indicators, control pollution
indicators and other non-financial indicators. Through the evaluation system combining financial
indicators and non-financial indicators, it promotes the integration of business and finance, and create
a clear rewards and punishment system. According to the indicator system of the Balanced Scorecard,
power grid enterprises should reward departments and individuals with better performance in the
assessment and evaluation process; meanwhile should punish departments and individuals with poor
performance and analyze the causes of differences and identify possible improvements to improve
business efficiency.
Conclusion

Budget management has been widely used in China's power grid enterprises, but the integration degree of business and finance in the budget management process needs to be further improved. Power grid enterprises need to pay attention to the participation of all staff in budget management, improve the information communication mechanism, and improve the budget assessment and evaluation system to promote the development of budget management combined with business experience and financial management, and thus improving their financial management level, promoting economic efficiency and realizing the healthy development of the enterprises.

Acknowledgement

This research was financially supported by the North China Electric Power University.

References