

Discussion on Some Problems and Countermeasures of Comprehensive Budget Management in Small Enterprises

Li Wang

Leggett & Platt Guangzhou Co. Ltd., North Part of Chao Tian Industry Area, Shi Lian Road, Shi Lou Town, Pany District, Guangzhou, Guangdong, 511447, China

Abstract

Budget management is a scientific and comprehensive management activity guided by strategic objectives that can monitor, analyze, adjust according to regulations, control and evaluate feedback in the process of operation by predicting and planning the business activities and financial conditions of enterprises and Rational allocation of enterprise resources in a certain period in the future. The word " Comprehensive ", focuses on the three comprehensives: all employees, all operation activities, all procedures into the comprehensive budget management. Article from the perspective of small enterprises, from why to do comprehensive budget, in the budget of small enterprises often encountered some problems, to explore how small enterprises to treat the comprehensive budget, in order to its use, obtain efficient budget management, promote the development of enterprises.

Keywords

Comprehensive Budget Management; Strategic Objective; Budget Control; Budget Analysis.

1. Introduction

The small enterprises mentioned here refer to the enterprises with small personnel and production value. The management of small enterprises began to realize the importance of budget, which is a signal that gradually from enterprise survival to enterprise development . Then how to do a good job in comprehensive budget management, so that it is very important to help and plan small enterprises strategically and tactically, so that comprehensive budget does not become a slogan or an unrealistic idea . At the same time, the implementation and management of the comprehensive budget should not become the burden of small enterprises. Some problems of the comprehensive budget should be sorted out and discussed from the perspective of small enterprises.

2. Is it Necessary for Small Enterprises to Make a Comprehensive Budget?

Many small businesses think they are too small to have the manpower, resources and fund to do a comprehensive budget. This is a very common recognition, I understand this idea, in the early stage of the establishment or growth of the enterprise, the enterprise is still trying to survive, too much emphasis on budget preparation and control details, the labor cost is really too large .Enterprises should first analyze and recognize their own stage, or realize that management problems have hindered the development of enterprises. By learning comprehensive budget management, they can build an appropriate budget system according to the needs and give full play to its role . So back to the question, is it necessary for small enterprises to make budgets? The answer is yes.

First of all, no matter the size of the enterprise, no matter whether the enterprise has formal budget preparation, but the concept of budget exists certainly . To put it simply, the boss is

asking for a 20% increase in sales volume and a 10% increase in profits for the next year. These are two simple targets, but they are also the initial concept of a budget. At least there are goals and pursuits. When the targets are achieved, the boss will come up with some specific incentive measures. But if the targets are not achieved, there is no year-end reward or the boss slaps the table and asks why it is not completed. These are common phenomena in small enterprises. Therefore, it is more important to concretize the concept of these budgets and form a system, which not only plays an important role in analyzing whether the targets are achieved after the event, but also helps to correct the problems timely and effectively prevent and control the problems in the later stage.

The second, do a good job of budget management helps enterprises from the "rule of man" transition to the "rule by law". The phenomenon of "rule by man" is quite common in small enterprises. Especially in private enterprises, bosses are used to making decisions and employees are used to following instructions from the establishment of enterprises to a certain scale of operation. At this time, if the power can be properly locked in the cage, it will help enterprises to transition from "rule by man" to "rule by law", rather than making decisions by one person, which will be more conducive to the prevention and control of capital risks, so that enterprises also have "law" to follow.[1]

Finally, doing a good job of budget management will help the enterprise improve the internal management efficiency, establish an appropriate budget system, reasonable budget objectives, internal control and assessment system, and guide the employees to understand and act on the development of the company. Know where you want to go, and the effort you need to make to achieve your goals is not going to work day in and day out. Budget assessment incentive policy can stimulate the staff's power, truly achieve high efficiency, high returns.

3. Some Problems and Countermeasures in Budget Management of Small Enterprises

3.1. Budget Management is Not the Sole Responsibility of the Finance Department

Comprehensive budget includes three parts: operating budget, special decision-making budget and financial budget. The traditional budget management focuses on the financial budget. Different from financial accounting, the financial department is only responsible for a part of work of budget management only, and the role of the financial department in budget management is not even a key department. If an enterprise leaves all the budget work to the finance department, the results will be closed, or just the experience of the past few years.[2]

Budget management should involve all staff, and all departments of the enterprise should be actively involved, from the top person to every employee. Everyone should establish a budget concept. There should be a sense that whether the budget can be achieved is related to the interests of every employee, and they are willing to work hard to achieve the targets. The board of directors of the company formulates the strategic goals and plans of the enterprise in the next few years. The management of the company decomposes the strategic goals into specific sales objectives and profit objectives and urges the sales department to take sales as the leader, come up with the sales budget and the sales growth rate; the corresponding production cost, procurement cost, expense cost, transportation cost, administrative cost, HR assessment and other departments are all integrated into the budget system, which is the protagonist of the operating budget. In the budget system, the finance department is responsible for the presentation of data and statements, the reasonable arrangement of funds, and some contents of prevention, control and analysis in the budget process.

3.2. Analyze the Development Stage of the Enterprise, and Different Focus on Budget Management

Do the budget can not be blind, many companies began to do the budget, the budget is very good, in detail, statements are very beautiful, but also cost a lot of labor and material resources, but the actual situation is far from expected. Therefore, first of all, have a clear understanding of the period of their own enterprises, targeted and focused to do budget management, often get twice the result with half the effort.

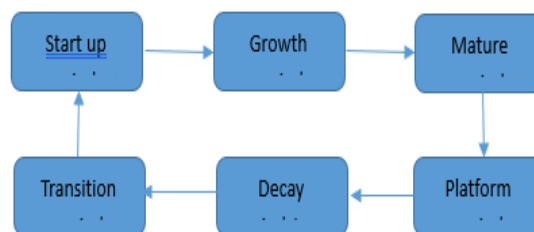


Figure 1. The development of an enterprise

The development of an enterprise can be divided into six periods, as shown in the figure 1. The focus of budget management of enterprises in the initial stage is not to pursue profits in an extreme way, nor to focus on cost control, but to focus on capital risk prevention and control, product and market development, and cash flow planning and control. No matter how good an enterprise is, it has a good product or project. It will have the risk of bankruptcy if there is a capital problem during the start-up period, once the capital is broken and the enterprise is small. The most striking features of a growing enterprise are rapid growth in sales, considerable profits, sufficient capital, and ambitious and energetic bosses. The focus of budget management at this stage is to guide enterprises to pay close attention to sales and concentrate all resources to support marketing strategy and sales expansion. Sales objectives should become the main assessment objectives.

The budget management of mature enterprises should take a long-term view, timely guide the transformation of enterprises from the strategic goal, or open up new profit growth points of enterprises, guide the transformation of enterprises from their own management, products and operation mode, and take the road of sustainable development. Because of the fierce market competition, general enterprises have taken a certain market share according to their own scale in the mature period, but if the enterprises at this time make long-term consideration and planning, they will be immediately downhill by the competition.

Enterprises have reached a plateau. Although many enterprises generally do not want to admit that they have reached a plateau, the focus of forecast management is to strictly control the internal costs and expenses of enterprises.

3.3. The Execution of the Budget is the Action Power of the Enterprise

Many enterprises spent a lot of energy, made a relatively perfect budget system statements, and finally obtained the approval of the board of directors, and then the budget work is completed. A budget without specific implementation and process control is just a beautiful blueprint in the cloud. But the current cognition and practice of many enterprises for budget is such, you budget yours, I do mine, actual and budget derailment, especially small enterprises, the boss used to have the final say, think budget is just a budget, it can not block the actual development of business, which loses the significance of budget.

Budget implementation is the action power to achieve budget goals, which is a process of decomposed execution step by step. First of all, enterprises should establish a good budget approval process and authority.

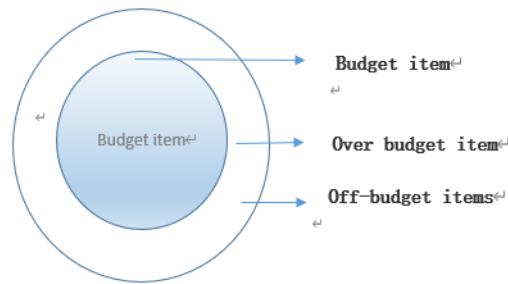


Figure 2. Budget approval process and authority

For the projects with in the budget, according to the company process, appropriate simplification of approval process ; the projects exceeding the budget shall go through the examination and approval process according to their authority, and the out-of-budget expenditures shall go through the special examination and approval process .The budget management system should not be rigid. While reasonable differences are allowed in budgetary matters, we must review and approve expenditures over and beyond the budget in strict accordance with our authority, and we must not allow budgetary control to become a mere formality.

Once a budget is implemented, it's important to do regular budget analysis , After the end of the actual business activities each month, there will be financial statements, and relevant indicators reflect the actual business and financial status of the current period. At this time, budget management meetings should be held simultaneously to report the achievement of budget implementation, point out problems, find the causes and put forward improvement plans .Budget analysis is the basis for enterprises to implement comprehensive budget control. In order to better implement the budget and provide guarantee for the realization of enterprise development goals, enterprises need to strengthen budget control .The traditional budget mainly focuses on the compilation of budget statements, but pays little attention to the implementation and control of the budget. The proposal of a budget target must be finally implemented .The development of business activities, the provision and consumption of resources, and the output results of activities should be well controlled at each step, and the compilation and control of budget should be combined .Budget control must be carried out in accordance with certain principles, strengthening process control, control before, during and after the event ,Key management control should be highlighted. According to different stages of enterprise development, key indicators should be controlled monthly, weekly or even on time. For non-key projects, the control process should be simplified as far as possible .Similarly, the enterprise's various and small affairs are numerous and complex, and are interwoven. Some are easy to distinguish and some are not .Then use rigid control to treat important projects over budget and beyond budget, use flexible methods such as questioning and informing to remind the applicants of business expenses related to daily operation to find out the reasons for the differences regularly and make benign improvements.

Can the budget be adjusted? It cannot be adjusted in principle ,especially for small businesses, it doesn't make sense to go back to the days when the boss made the decision .However, if major changes or major events occur and the original budget is no longer applicable, the budget adjustment shall be applied for in accordance with strict examination and approval procedures, and the budget management Committee or the board of directors of the enterprise shall strictly check the pass when making decisions.

3.4. There is No Perfect Assessment, Supervision and Incentive System

Analysis from survey results [3], one-third of enterprises do not pay attention to budget supervision and assessment ,private enterprises account for a higher proportion, about 2/3 of the enterprises for the implementation of the results of the assessment is not strict, or even if

the assessment, almost do not link the employee salary, let alone small enterprises, the previous budget awareness, preparation, implementation are not perfect, most of the lack of a perfect assessment, supervision, incentive system .Enterprises with assessment also have single indicators, such as sales target achievement rate and profit achievement rate. Using these two indicators to measure everything will cover up many problems of enterprises ,departments and individuals that have done well will not get the incentives they deserve, and areas with problems will not be highlighted and corrected in a timely manner due to the trend of enterprise development. As time goes by, people will lose their enthusiasm, just like eating from a big pot of rice.

For small businesses, the requirements of budget assessment can be relatively simple, simplified, but not too single ,in the early stage of setting up, important key indicators should be identified as key points of assessment when setting up budget objectives, and the overall objectives and resources of the budget should be divided into various departments .Similarly, assessment should be carried out in each department and position, and linked to the salary, which can fully mobilize the enthusiasm of employees .In the implementation of assessment, incentive, budget assessment to better achieve the strategic objectives of the enterprise as the fundamental, assessment to guide the budget departments do not damage the interests of the overall situation for the local interests of the department . Achieve "responsibility, power, profit" unity, profit distribution is also based on this principle, to avoid mutual buck-passing .The principle of fairness, openness and justice is the basis for employees' trust. The assessment standard is the standard for guiding employees to do things, so the results of the assessment should also be disclosed to the extent necessary, and there should be no black box operation.

3.5. Make Full Use of Enterprise Management Information System and Information Integration

In the era of rapid development of science and technology, information technology, enterprise management information system has been more and more optimized, and even customized .Externally, it can integrate supply, production and sales, and internally, it can break through the information communication barriers between different departments of the enterprise, improve the degree of automatic processing from the business end to the financial end, and form the enterprise financial sharing service .The overall budget management work is permeated into all aspects of enterprise operation activities ,If the enterprise is still in the manual to deal with the budget preparation, control, analysis and assessment work, the workload is very large, and prone to error, and can not get timely feedback .The investment of enterprises in the management system will also reduce the investment in human resources, keep pace with the times, make full use of the advantages of information development, and bring enterprise management to a new level.

4. Conclusion

It is a complex process for small enterprises to implement comprehensive budget management. Enterprises that do well will enter a target-guided, managed, efficient and effective channel, prompting enterprises to advance according to strategic goals .Before carrying out the comprehensive budget work, enterprises can properly introduce talents, strengthen the staff's comprehensive budget training, and promote the correct budget concept. Preparedness ensures success, unpreparedness spells failure .In the current economic environment, competition is becoming increasingly fierce, many new small enterprises continue to appear, and many small enterprises are short-lived and soon go bankrupt .If an enterprise wants to survive and stand out from the competition, it can not only have good products and services

and do a good job in managing the overall budget, but also turn its efficiency into profit and promote its sustainable development.

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