

# Variable and Invariable, Explore the Value-Creation Techniques of Management Accounting by Benchmarking the Financial Management of Large Enterprises

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**Abstract:** With the development of information technology such as ChatGPT, artificial intelligence, 5G, and so on, technological innovation brings about a qualitative change in the economic business. This change is embodied in breakthroughs in the field of science and technology and the iterative upgrading process of products. The traditional business model undoubtedly fails to adapt to the management needs of modern enterprises, while traditional financial practices and knowledge reserves cannot meet these needs. Faced with sudden technological changes and the emergence of financial sharing, financial robots, etc., there is an urgent need for financial practitioners to transform from traditional financial accounting to value-creating management accounting. In the future, financial professionals with the ability to embrace uncertainty, adapt to environmental changes, and find breakthroughs in uncertain environments will be the most sought-after by enterprises. This paper aims to benchmark the excellent financial management models of large enterprises and conduct thematic research on financial management in large enterprises. It seeks to explore, in the era of big data management accounting, the road and art of creating value in enterprises. The objective is to provide references for colleagues in the financial field and to explore effective ways to generate value for enterprise management ideas, thus serving as a reference point in the financial transformation journey.

**Keywords:** Management accounting; Industry-finance integration; Management reporting; Cost management

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## 1. Overview of management accounting

Management accounting, also known as “internal reporting accounting,” is a branch of accounting that is distinct from traditional accounting and financial accounting. Its primary focus is on enhancing business management and economic efficiency for enterprises. The core business areas include investment and financing, capital management, strategic cost management, financial risk management, comprehensive budget management, business analysis, and budget performance management. In essence, it involves the process of

creating value for enterprises through management tools. The value creation process of management accounting entails management accountants quantifying management's needs, providing decision-making support data, and ultimately realizing the strategic goals of the enterprise <sup>[1]</sup>. This process integrates auditing, mathematical statistics, computer science, and various multidisciplinary knowledge and methods. It starts with the enterprise's strategic objectives, involves collecting data and information from all aspects of the enterprise, and proceeds to analyze and refine useful information for business decision-making to achieve those strategic objectives.

## **2. The gap between needs and goals**

### **2.1. Problems in current enterprise financial management**

#### **2.1.1. Insufficient integration strength between industry and finance**

Achieving integration between industry and finance requires leveraging informatization and digitalization as essential driving forces. For enterprises that are late to adopt or have recently implemented management accounting, the financial department often struggles to grasp the full picture due to a limited understanding of enterprise data. Conversely, business sectors tend to focus solely on their own operations, leading to communication breakdowns and divergent approaches to handling business matters. This lack of real integration and failure to streamline business processes act as barriers to industry-finance integration. Furthermore, some enterprises lack a robust information management platform, exacerbating the challenge. Additionally, with the proliferation of data generated in production and operations, coupled with inadequate digital software for data acquisition, processing, tracking, and analysis, the financial sector faces significant gaps in data extraction, detection, information aggregation, and dynamic adjustment, resulting in a misalignment between actual needs and demand <sup>[2]</sup>.

#### **2.1.2. Insufficient refinement of comprehensive budget management**

In the book "Guanzi – Country's Grains Store," Guanzi stated: "If it comes from one way, such a nation will have no rivals; if it comes from two ways, the army of the nation will not be completely obedient; if it comes from three ways, it will not be able to send out troops to fight; if it comes from four ways, such a nation will surely perish." Business operations mirror this concept. Comprehensive budget management, akin to a guiding hand in business operations, plays a crucial role in ensuring profitability. However, despite its significance, it is often easier to understand in theory than to implement in practice. Despite the widespread adoption of comprehensive budget management, its effective execution to meet business management needs and unlock profitability remains uncommon.

Many companies still treat budget management as a specialized function of the financial sector, segregating it from other critical business aspects such as market expectations, production data, and R&D. Consequently, timely access to essential financial data for budgeting purposes is lacking, leading to inadequate budgeting foundations and distorted results. This not only compromises the quality of budget data but also significantly increases the workload for financial staff and necessitates extensive communication, confirmation, form filling, and feedback loops between financial and business departments.

#### **2.1.3. Lack of practical guidance value in management reports**

Currently, many enterprises have implemented the integration of business and finance, transitioning financial management, cost management, project management, and other functions to online platforms. However, due to disparities in goal-setting, business processes, and financial management practices, a disconnect arises between the language used in business operations and finance. This results in two distinct sets of logic

governing financial calibers and business data, creating what is commonly referred to as “information silos.” This segregation hampers the accurate and timely provision of decision-making data to the business sector, exacerbating the gap between financial and business data circles.

The existence of these information silos ultimately undermines the reference value of management reports issued by the financial sector. Furthermore, management reports, which serve as crucial tools for corporate decision-making, often suffer from being overly specialized, complex, and detached from actual business operations. This complexity impedes decision-makers’ ability to extract valuable insights quickly. Moreover, management reports tend to focus heavily on historical data, neglecting predictive analysis of future trends, thus limiting their potential to provide actionable guidance <sup>[3]</sup>.

## **2.2. Management accounting in the future**

With the widespread adoption of technologies such as big data, artificial intelligence, and cloud computing, the role and functions of management accounting will continue to evolve. To better adapt to the future and create value, management accounting must undergo continuous innovation and development.

In the future, management accounting will increasingly rely on advanced technologies for data acquisition and analysis. Digital systems can significantly enhance the speed of data collection, organization, and analysis, ensuring that decision-makers can access accurate information promptly. Additionally, artificial intelligence can assist management accountants in extracting valuable insights from vast amounts of data, providing enhanced support for decision-making.

Unlike traditional financial accounting, which primarily focuses on past financial performance, management accounting in the future will prioritize forward-looking insights and strategic foresight in business processing. This means that management accountants cannot solely rely on historical data analysis but must also use it to predict future trends and provide guidance for the development and implementation of corporate strategy. By closely integrating with strategic planning processes, management accounting can better assist companies in growth and long-term value creation.

Furthermore, management accounting will transcend departmental boundaries and collaborate more closely with other functional areas such as marketing, R&D, and production. Adopting an end-to-end management approach that aligns with enterprise strategic objectives and business processes will enable companies to gain a comprehensive understanding of their operations, leading to more informed decision-making. Additionally, management accounting needs to adopt a cross-disciplinary mindset, actively learning from advanced concepts and methodologies in other fields, and continuously enhancing its innovation and adaptability <sup>[4]</sup>.

## **3. The way of “cooperation” in the integration of industry and finance**

The essence of industry-finance integration lies in cross-border synergy. In traditional enterprises, business and financial departments often operate independently, each with its own distinct goals, processes, and cultures. However, in today’s fiercely competitive market environment, the siloed approach of “doing their own thing” can no longer keep pace with the rapid development demands of enterprises. Achieving integration between business and finance necessitates breaking down these existing barriers, with business taking precedence and finance providing support, thereby enabling seamless coordination to jointly create value for the enterprise.

Information serves as the cornerstone of decision-making, and data serves as its foundation. One key approach to achieving integration between business and finance is to dismantle information silos and facilitate information sharing. Through digital software solutions, business and financial departments can exchange data and information in real-time, ensuring timely decision-making. This shared information not only enhances

decision-making efficiency but also mitigates risks and reduces costs associated with information asymmetry.

Furthermore, the integration of business and finance entails more than just the amalgamation of these two functions; it requires process optimization and reshaping. By thoroughly analyzing business processes, organizations can identify potential value-creation opportunities and risk points, which can then be optimized and enhanced through financial means. This process optimization enhances operational efficiency and financial performance, thereby generating additional value for the enterprise.

Moreover, the integration of business and finance fosters an environment conducive to technological and managerial innovation, leading to the exploration of new value-creation models. By leveraging the market insights of the business department and the analytical capabilities of the finance department, enterprises can identify novel business opportunities and profit models. This innovation-driven approach to industry-finance integration enables enterprises to differentiate themselves in the competitive market and achieve sustainable development <sup>[5]</sup>.

## **4. Management accounting in the art of cost management**

In Sun Tzu's "The Art of War," he stated, "The good use of soldiers is not to serve for long, nor to be fed for long; it is to serve for the country and to be fed from the enemy's land. Thus, the army food can be sufficient." Managing an enterprise is akin to waging a war, where sustenance is the foundation of everything. The significance of cost management lies in enhancing enterprise profitability to secure greater profits, thereby ensuring the survival of the enterprise.

### **4.1. Changing the concept to enhance the importance of cost management**

The concept of cost management has evolved beyond simple notions of "cost reduction" or "saving money." With the iterative advancement of information technology, cost management has emerged as a crucial source of competitive advantage and lies at the core of corporate financial management. Serving as a driver of enterprise value creation, management accountants must actively foster a more nuanced understanding of cost management and cultivate a fresh perspective on costs.

Firstly, it entails shifting away from the traditional notion of "the lower the cost, the better," and embracing the concept of cost-effectiveness. This implies that cost management should not solely focus on quantitative cost reduction but should also prioritize the alignment of costs with desired outcomes. In certain scenarios, companies may need to invest additional resources in areas such as R&D or marketing to gain a competitive edge or expand market share. Management accountants play a crucial role in elucidating this trade-off between inputs and outputs, ensuring that enterprises do not sacrifice long-term benefits for short-term gains <sup>[6]</sup>.

Secondly, it involves fostering widespread engagement in cost management. Historically, cost management has predominantly been the purview of the finance department, with limited involvement from other departments. However, cost management permeates every facet of the enterprise, from product design and production to sales and after-sales service. Therefore, fostering a culture of participation in cost management among all employees and encouraging them to propose cost reduction initiatives within their respective roles is imperative.

Thirdly, it necessitates guiding employees to recognize that cost management is a sustained endeavor. Enterprises must look beyond immediate gains and prioritize long-term competitiveness. For instance, investments in technology research and development may initially escalate costs but can yield substantial competitive advantages and market returns in the long run. Management accountants play a pivotal role in assisting enterprises in evaluating the cost-benefit relationship between short-term expenditures and long-term

outcomes, thereby formulating a judicious cost management strategy.

Lastly, to effectively shift perceptions and underscore the importance of cost management, management accountants can implement various measures. These may include organizing internal training sessions, disseminating successful stories of cost management initiatives regularly, and instituting incentive mechanisms to incentivize employees to propose cost-saving and efficiency-enhancing measures. Through these concerted efforts, a new cost management ethos can gradually take root within the enterprise, elevating the significance of cost management.

## **4.2. Strengthening the foundational work of cost accounting**

Cost accounting serves as the bedrock of cost management, with its accuracy and comprehensiveness directly influencing the efficacy of cost management initiatives. To enhance the refinement of cost management, management accountants must prioritize and bolster the foundational work of cost accounting.

Firstly, it is imperative to ensure that all departments within the enterprise adhere to uniform cost accounting standards. This entails establishing clear guidelines for cost classification, cost items, and costing methodologies to ensure consistency across departments. Standardizing cost accounting practices mitigates the risk of confusion and data distortion resulting from disparate standards <sup>[7]</sup>.

Secondly, instituting protocols for data recording and collection is essential to ensure the accurate and comprehensive capture of cost data by relevant personnel. This involves delineating guidelines for data sources, formats, and quality, coupled with regular audits and assessments to uphold the precision of data recording and collection processes.

Lastly, to enhance the accuracy and efficiency of cost accounting, management accountants must provide regular training sessions for relevant personnel. These training sessions should encompass fundamental theories, methodologies, and techniques of cost accounting, as well as practical considerations and troubleshooting strategies. Through targeted training initiatives, personnel can enhance their proficiency and awareness in cost accounting, thereby facilitating seamless cost accounting operations <sup>[8]</sup>.

## **4.3. Establishing rules and regulations to enhance cost management refinement through systemization**

Management accountants collaborate with relevant departments to develop a comprehensive cost management system. This entails elucidating cost management objectives, principles, processes, and methodologies to provide clear guidance and a solid foundation for each department's cost management endeavors. Simultaneously, the system should incorporate specific regulations pertaining to cost accounting, cost control, and cost analysis to ensure standardized implementation across all facets of cost management. Furthermore, upon formulating the cost management system, management accountants should delineate the responsibilities and roles of each department and position in cost management. Clearly defined responsibilities serve to prevent evasion and ensure the smooth execution of cost management initiatives <sup>[9]</sup>.

While developing a cost management system is a pivotal step in enhancing cost management refinement, the system's implementation and oversight are equally critical. Management accountants should conduct regular assessments and evaluations of the system's implementation to ensure effective adherence to its provisions. Any deviations from the cost management system should be promptly rectified and addressed to uphold the system's integrity and authority. Given the dynamic nature of internal and external enterprise environments and evolving management requirements, the cost management system requires continual optimization and enhancement. Management accountants should remain vigilant regarding emerging concepts and methodologies in cost management, integrating and applying them in tandem with the enterprise's specific circumstances. By

perpetually refining the cost management system, it can enhance adaptability and foresight in cost management, thereby fostering greater value creation for the enterprise <sup>[10]</sup>.

## 5. Conclusion

In conclusion, management accounting holds a vital role in enterprise financial management. Strengthening management accounting practices can aid in establishing a standardized and efficient financial management system, ultimately enhancing the competitiveness and profitability of enterprises. Moving forward, financial professionals should actively embrace the uncertainties of the future, engage in continuous learning, and drive innovation to generate greater value for their enterprises.

## Disclosure statement

The authors declare no conflict of interest.

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