

Study on Roles of Financial BP in Enterprise Budget Management

—Take Company C as an Example

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Abstract: Enterprise budget management is becoming more complex and challenging in today's global and digital business environment. As an emerging financial role, Financial Business Partner (Financial BP) is on its way to being an important part of enterprise budget management. This paper is intended to discuss the specific roles of Financial BP in budget management, analyze its impact on enterprise financial performance and business performance and provide targeted improvement suggestions. Based on the analysis of Company C's budget management, this paper employs the research method of case study to get the conclusion that Financial BP is of great significance to companies and can effectively improve the accuracy and efficiency of enterprise budget management. Effective operation of Financial BP can significantly improve the financial management level and enhance the market competitiveness of a company. By optimizing the working mechanism of Financial BP and strengthening relevant support, companies can achieve more efficient budget management and further promote the business development and achievement of strategic objectives.

Keywords: Financial BP, Budget Management, Business-Finance Integration.

1. Introduction

In recent years, Chinese companies have been exploring ways to enhance core competitive advantages and thus achieve high-quality development. As the company scale continues to grow, there is more and more late or inaccurate information exchange between the finance department and business departments. As a result, the internal data and information quality of accounting cannot adequately support company decision-making. To solve this problem, some Chinese companies have adopted various methods to enhance the integration of business and finance, among which Financial BP stands out for its great significance. As the core of enterprise financial management, budget management involves resource planning, allocation and control. It is an important tool to achieve a company's project objectives in the micro level and strategic objectives at the macro level [1].

By virtue of its long-time experience on the business front line, Financial BP can merge both financial and business information and inject new impetus into enterprise budget management. Thus, Financial BP can serve as the supporter and optimizer for a company's business strategy. This paper

analyzes the roles that Financial BP can play in enterprise budget management and discusses the details through case analysis. It can serve as a reference for future incorporation of Financial BP into enterprise budget management.

2. Concept of Financial BP and Its Roles in Enterprise Budget Management

Financial BP is devoted to the integration of financial analysis and business insights. Based on the in-depth understanding of financial data and business processes, it is a full and direct reflection of management accounting practice, which helps companies prepare/implement budgets and promote the achievement of enterprise strategic objectives. Financial BP needs to have solid financial knowledge, profound understanding of business operations and excellent communication/coordination capabilities. It serves as the bridge of communication between business departments and finance departments of a company and "escorts" the effective implementation of enterprise financial systems in business. Financial BP can perform analysis and give feedback in time for the business operations so that the company's budget can be effectively implemented in both macro and micro levels [2]. The roles of Financial BP in enterprise budget management can be seen mainly in the following aspects:

2.1. Budget Preparation and Adjustment

Financial BP can assist business departments in preparing a sound and reasonable budget plan and conducting necessary adjustments based on actual business operations and market changes so as to ensure the feasibility and accuracy of the budget. Through an in-depth understanding of business departments and comprehensive analysis of financial data, Financial BP can provide accurate predictions and suggestions in budget preparation phase. This kind of accurate budget preparation helps companies achieve reasonable resource allocation, avoid resource waste and improve resource utilization efficiency. For example, Financial BP can help business departments develop more realistic sales predictions and cost budget based on market trends and historical data [3].

2.2. Budget Analysis and Reporting

Financial BP can use business data and financial data to conduct a detailed analysis of budget implementation and thus provide accurate budget analysis. It can perform dynamic prediction and adjustment of budget based on actual data, to help companies better understand budget implementation and correct budget deviations in time [4].

During budget implementation, changes in market environment and business conditions may lead to the unfitness of the original budget plan. Financial BP can timely monitor the actual budget implementation, detect budget deviations and make adjustments according to new business requirements and market changes. Such flexibility can help companies quickly respond to market changes and maintain competitiveness. For instance, if the market demands for a certain product increase suddenly, Financial BP can help adjust the production budget and resources allocation, so as to ensure that the company can meet the market demands in the shortest time.

2.3. Budget Implementation and Decision-Making Support

Based on close daily cooperation with business departments and a full understanding of the actual business, Financial BP can provide professional financial suggestions to support business decision-making, help spot/seize profit-making opportunities and optimize business processes.

As a bridge between business departments and finance department, Financial BP can effectively promote communication and cooperation between these departments. With the ability to

communicate and collaborate with the business and finance departments, Financial BP can maintain close communication with various business departments to gain a deep understanding of their needs and challenges. Financial BPs provide advice to different departments in areas such as cost-saving, efficiency improvement, and investment return, and assist in devising long and short-term strategic plans [5].

By coordinating the requirements and resources of each department, Financial BP can help the business departments and finance departments reach an agreement on how to achieve the budget objectives. For instance, Financial BP may organize cross-departmental budget review meetings on a regular basis to ensure that each department have a clear understanding of budget objectives and work together to make an action plan to achieve the objectives. Financial BP provides important support for a company's decision-making through in-depth analysis of budget implementation and business data. Based on budget data and market trends, Financial BP can propose suggestions on resource allocation, investment decisions and cost control. For example, Financial BP can help a company assess the financial impact of different investment portfolios and support management levels in making better decisions to drive the achievement of a company's business objectives [6].

2.4. Risk Management

With a deep understanding of the financial system and sensitivity to external economic risks, Financial BP can identify potential risks in budget implementation and propose effective response strategies to reduce financial risks and facilitate robust budget implementation.

Financial BP can monitor budget implementation in real time, identify potential financial risks and take corresponding risk management measures. Such timely risk management can effectively prevent budget overruns or other financial problems. For instance, Financial BP can set up a budget alert system to detect budget deviations timely and propose countermeasures to reduce the impact of financial risks on business [7].

3. A Case Study of Budget Management Optimized by Financial BP in Company C

3.1. Analysis of Business Characteristics of Company C

Company C, a large state-owned commercial and trade company, is mainly engaged in import and export of large advanced equipment and associated parts/components. Focusing on the international market for many years, Company C has gained a good reputation in the highly competitive international market and has become one of the epitomes of China high-quality development around the globe.

Company C deeply integrates its business plan examination with budget management and establishes an integrated "Vision-Plan-Budget" system. All quantified metrics of business assessment come from the company's budget. The company follows its vision and makes sure the company's business plan is implemented steadily by means of the budget.

Led by the company's strategic vision, budget management of Company C is closely coupled with the company's annual plan. The budget management office fully coordinates with each department to properly formulate budget objectives, providing strong support for the formulation and completion of business and financial objectives in the company's business plan. The original finance department of Company C is divided into business units based on their functions. Although those business units are highly professional, the items handled by business departments and finance departments shall be proposed and processed one by one.

3.2. Analysis of Difficulties/Challenges for Budget Management of Company C

3.2.1. Business-Finance Integration is not Sufficient, with Project Budget Management to be Improved

Unlike traditional foreign trade businesses, the import & export of large equipment boasts its own distinctive industry characteristics. In the traditional sense, foreign trade import & export business only includes two value creation links, namely Marketing and Sales, in the value chain. While from the perspective of large equipment import & export, its business mode covers all links throughout the life cycle from product development, technology transfer, co-production, sales, procurement, and delivery to after-sales service. The business mode is quite complex, resulting in a long project cycle and high risks. As for Company C, project budget is the core of budget management. Only by managing project budgets well can projects be managed well and the effectiveness of total budget management be truly brought into full play. The budget of each project, combined with the expense budget for company operation, forms the main framework of Company C's budget. However, the project budget deviation rate is relatively high during project budgeting. The analysis of the causes shows that the project business personnel is not sensitive enough to the impact of detailed changes of project node tasks on the budget, and the financial personnel is not informed of the project progress and detailed changes of projects. In other words, the business and the finance are not fully integrated. Besides, annual budget implementation control and analysis only emerge as a whole at the reporting level, namely focusing on the change of main business revenue cost and period expense. If problems occur, only the projects with major influence can be taken as a priority for adjustment and supervision, and project-level lean budget control and analysis cannot be achieved.

3.2.2. Budget Implementation and Monitoring are Separated, Resulting in Insufficient Effectiveness

Budget management of Company C takes operational business as the basis and cash flow as the core. Its objective is to control all activities through process control and financial accounting information systems. However, in practice, the monitoring of project operations has not been realized through budget management of revenue & expenditure. Meanwhile, the company's budget implementation is separated from its monitoring, and thus the management effectiveness needs to be improved. In Company C, as more than 90% of annual business expenditures are project procurement payments, it is of paramount importance to manage the budget of project procurement payments. However, since there is no direct correlation between contract implementation and payment amount, waste during funding allocation is not uncommon. Besides, due to the different responsibilities of review posts in Company C in different approval procedures, it is impossible for approvers at all levels to fully grasp the budget utilization of expenditure items during approval; the above situation directly leads to the separation of budget implementation from monitoring as the budget utilization cannot be reflected explicitly in real time.

3.2.3. Budget Examination/Assessment is Dented by Different Criteria, Limited Scope and Simple Methods

Although Company C has achieved assessment of key and major work in total budget management by means of annual business plan examination of each department through an integrated "Vision-Plan-Budget" system, there are still deficiencies in criteria, scope and method of the current examination/assessment system. In terms of examination/assessment criteria, Company C still takes departments rather than specific projects as dimensions for budget examination/assessment. It means that one department can pass the examination as long as all its metrics can meet the released total

budget metric requirement. However, there is no examination of whether each metric of a single project meets the released total budget metric requirement. The mismatch between assessment criteria and examination criteria causes that the expected management effect is not achieved, and that the actual implementation of the project cannot be truly reflected; from the perspective of examination/assessment scope, Company C has achieved full coverage with major financial metrics. However, along with continuous expansion and increased expense of the company, the current examination of each department's expense only covers a total of four items, showing a relatively limited scope; from the perspective of examination/assessment methods, the company relies excessively on the result data of each item and lacks assessment of the process.

3.3. Reform Practice of Company C's Financial BP

3.3.1. Establishment of Company C's Financial BP Organization

In order to meet requirements of business development and process optimization, the finance department adjusted its own internal organization in 2024 by integrating functions of existing business units and establishing a new project economic management center with a project financial management team and cost/price management team as subordinates. Fulfilling Financial BP's functions, the project financial management team is responsible for financial accounting and management of the full value chain under contracts, including project budget, payment/expenditure management and post-project assessment; it is responsible for special business management including project execution expense, transportation & storage expense and customer credit; it is also responsible for establishing mechanisms related to project financial management. After the establishment of the project financial management team, the way that the finance department supports the business departments is changed. Previously, the finance department provided support for business departments by going through business units one at a time; presently, special personnel from the project financial management team coordinate with internal resources of the finance department and then come up with one customized and specialized financial solution (see Fig. 1).

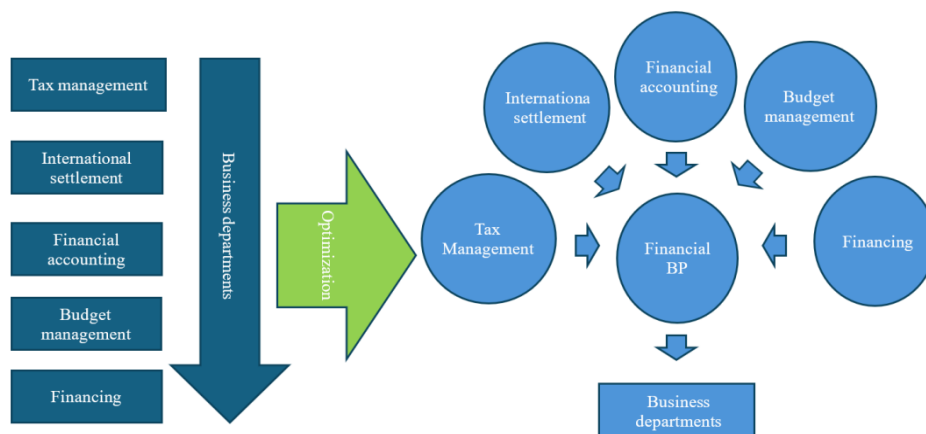


Figure 1: Change of Company C's Financial Management Structure

3.3.2. Application of Company C's Financial BP in Budget Management

(1) Promote budget preparation covering the full business scope and achieve expense budget motivation management. Financial BP prepares/reports expense budgets based on the varying nature of each expense. It analyzes business motivation and improves budget preparation basis in a bid to greatly improve the accuracy and efficiency of budget preparation and lay a foundation for detailed cost control. Company C focuses on changing the current form of budget preparation/reporting for

project procurement expenditure. It changes the previous practice that the expenditure amount is directly prepared/reported by business departments. Instead, the project execution management is driven by cash expenditure budget management. This method ensures the accuracy of budget information.

(2) Strengthen motivation monitoring of budget implementation and make budget usage tracking explicit. With Financial BP as the core, the company has achieved effective management and control of project revenue & expenditure budgets. On a quarterly basis, the finance department merges the budget and the final accounting data of the company to form a quarterly-updated full-cycle project budget. To solve the problems that budget implementation and monitoring are separated and the budget usage is not explicit, Company C optimizes relevant work processes based on Financial BP's in-depth understanding of project information. The stubborn problems are solved fundamentally and thoroughly, greatly improving the effectiveness of total budget management.

(3) Achieve multi-dimensional budgeting with larger scope and more methods for examination/assessment. Considering that project management is the core of Company C's business, the establishment of Financial BP makes it possible to carry out project examination/assessment. With Financial BP as the core, the mid-term and post-assessment of the project can be carried out. The project-based budget examination/assessment for each project team comprise of members from different departments can reflect the implementation of a specific project in a more objective and accurate way. After the reform and adjustment, Company C's monthly funding plan completion rate increased from around 60% to over 95%; the quarterly project implementation progress improved from around 40% to 70%. Meanwhile, project-level lean management of the budget provides credible information for the company's top and basic decision-making.

4. Conclusion

To sum up, Financial BP, as a key role in modern enterprise budget management, cannot be neglected. Effective operation of Financial BP can significantly improve the financial management level and enhance the market competitiveness of a company. By optimizing the working mechanism of Financial BP and strengthening relevant support, companies can achieve more efficient budget management and further promote the business development and achievement of strategic objectives. The roles of Financial BP in the risk management of budget are not discussed in depth in this paper. Thus, further study can be carried out on Financial BP's role in business-finance integration and risk management & control.

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